

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA,  
ex rel. JAMES GORDON,  
8004 Langbrook Road  
Springfield, Virginia, 22152,

Plaintiffs,

v.

ARMORGROUP NORTH AMERICA, INC.)  
1420 Spring Hill Road )  
McLean, Virginia 22102, )

and )

ARMORGROUP INT'L, PLC )  
Egginton House )  
25 – 28 Buckingham Gate )  
London, United Kingdom )  
SW1E 6LD, )

and )

G4S, PLC )  
Manor Royal )  
The Manor )  
Crawley )  
West Sussex, United Kingdom )

and )

WACKENHUT SERVICES, INC. )  
7121 Fairway Drive, Suite 301 )  
Palm Beach Gardens, Florida 33418, )

Defendants. )

**FILED UNDER SEAL**

Civil Action No. \_\_\_\_\_

**JURY TRIAL DEMANDED**

**COMPLAINT**  
**(False Claims Act, 31 U.S.C. §§ 3729 et seq.)**

## INTRODUCTION

This lawsuit alleges that the Defendants have defrauded the United States Navy and Department of State (“DoS”) in connection with the provision of security services by ArmorGroup North America, Inc. (“AGNA”), a wholly-owned subsidiary of ArmorGroup International, PLC (“AGI”), to a United States Navy base in Bahrain and the United States Embassy located in Kabul, Afghanistan. As set forth below, AGNA was in violation of several fundamental terms of the contracts, and AGNA knowingly submitted, and the other Defendants knowingly caused and conspired with AGNA to submit, false claims for the services rendered under the contracts. Plaintiff James Gordon, by the undersigned counsel and acting on behalf of and in the name of the United States of America, brings this civil action under the qui tam provisions of the federal False Claims Act, and alleges:

## JURISDICTION AND VENUE

1. This is a civil action by Plaintiff James Gordon, acting on behalf of and in the name of the United States, against all Defendants under the False Claims Act, 31 U.S.C. §§ 3729 *et seq.* This Court has jurisdiction pursuant to 28 U.S.C. §§ 1331 and 1345, and 31 U.S.C. § 3732(a).

2. This Court has personal jurisdiction over the Defendants pursuant to 31 U.S.C. § 3732(a), because that section authorizes nationwide service of process, and because each of the Defendants has minimum contacts with the United States. Each of the Defendants can be found in, resides in, or has transacted business in the District of Columbia.

3. Venue is proper in this judicial district pursuant to 31 U.S.C. § 3730(a), because each of the Defendants can be found in, resides in, or has transacted business in the District of Columbia, and many of the alleged acts occurred in this judicial district. Defendants do business

in this judicial district. Navy and DoS contracts with private security firms are approved, executed and funded through governmental offices in this judicial district. Additionally, acts proscribed by 31 U.S.C. § 3729 occurred in this judicial district. AGNA's contracts with the Navy and DoS were administered in this judicial district, and Defendants addressed false statements within the meaning of 31 U.S.C. § 3729 to the Navy and DoS in this judicial district.

4. None of the allegations set forth in this Complaint is based on a public disclosure of allegations or transactions in a criminal, civil, or administrative hearing, in a congressional, administrative, or General Accounting Office report, hearing, audit, or investigation, or from the news media.

5. Plaintiff James Gordon has direct and independent knowledge, within the meaning of 31 U.S.C. § 3730(e)(4)(B), derived through his employment with ArmorGroup North America, of the information on which the allegations set forth in this Complaint are based, and he has voluntarily provided the information to the Government prior to the filing of this Complaint and prior to any public disclosures of the allegations or transactions set forth herein.

#### **PARTIES AND OTHER RELATED PERSONS**

6. Plaintiff James Gordon ("Relator") resides at 8004 Langbrook Road, Springfield, Virginia 22152. Prior to joining ArmorGroup, Mr. Gordon spent four years as a Commissioned Officer with the South African Defense Force, seven years as a Commissioned Officer in the New Zealand Army, and held high level positions with defense security firms in Northern Iraq and Baghdad. In November 2004, Mr. Gordon began working for ArmorGroup Iraq, a subsidiary of ArmorGroup International, in the position of Operations Manager in Baghdad, and was promoted to Director of Training. In July 2006, Mr. Gordon was promoted to Regional Director of Training for ArmorGroup Middle East, where he directed all ArmorGroup training

activities for the Middle East Area of Operations. In November 2006, AGNA recruited Plaintiff to serve as a Business Development Manager in its McLean, Virginia Office, where he was promoted to Director of Business Development in April 2007, and Director of Operations in August 2007. On February 28, 2008, Plaintiff was forced to leave AGNA after refusing to participate in, and trying to stop, the misconduct set forth herein.

7. Defendant ArmorGroup North America, Inc. (“AGNA”) is incorporated in the State of Delaware and has its headquarters at 1420 Spring Hill Road, McLean, Virginia 22102. At various times, AGNA has been registered to do business in the District of Columbia, Arkansas, and Florida. AGNA presently does business with one or more agencies of the United States government, which are based in Washington, D.C., including the Navy and DoS, and regularly transacts business in the District of Columbia.

8. Defendant ArmorGroup International, PLC (“AGI”) is a corporation formed under the laws of the United Kingdom, is based in London, and has its headquarters at Egginton House, 25-28 Buckingham Gate, London, United Kingdom, SW1E 6LD. AGI does business with the United States government directly and conducted business through its subsidiary, AGNA. AGI regularly transacts business in the District of Columbia.

9. Defendant G4S, PLC (“G4S”) is a corporation formed under the laws of the United Kingdom, is based in London, and has its headquarters at Manor Royal, The Manor, Crawley, West Sussex, United Kingdom, RH109UN. Defendant G4S acquired AGI in 2008, and completed the acquisition on May 7, 2008. Through its subsidiary Defendant Wackenhut Services Incorporated, G4S does business with agencies of the United States government that are based in Washington, D.C. and regularly transacts business in the District of Columbia.

10. Defendant Wackenhut Services, Incorporated (“WSI”), a subsidiary of The Wackenhut Corporation, is incorporated in the State of Florida and has its headquarters at 7121 Fairway Drive, Suite 301 Palm Beach Gardens, Florida 33418. The Wackenhut Corporation is a subsidiary of Defendant G4S, which acquired Defendant AGNA on or about May 7, 2008. WSI assumed responsibility for administering AGNA’s NSA Bahrain contract with the Navy, and AGNA’s contract with the DoS to provide security services to the U.S. Embassy in Kabul. WSI is registered to do business in the District of Columbia. It presently does business with one or more agencies of the United States government, which are based in Washington, D.C., and regularly transacts business in the District of Columbia.

11. Jerry Hoffman assumed the role of Interim CEO of AGNA in December 2007, and held that role at all times relevant to the Complaint.

12. Karl Semancik served as President of Defendant AGNA at times relevant to this Complaint.

13. James Schmitt was the Senior Vice President of AGNA at all times relevant to this Complaint.

14. Cornelius Medley assumed Mr. Gordon’s duties at AGNA in February 2008.

15. The United States Department of the Navy (“Navy”), part of the United States Department of Defense (“DoD”), is an agency of the United States, responsible for entering into and administering contracts for the procurement of services related to operations of the United States Navy, including the protection of United States Navy facilities throughout the world.

16. The United States Department of State (“DoS”) is an agency of the United States, responsible for entering into and administering contracts for the procurement of services related to the protection of United States embassies throughout the world.

## **STATUTORY AND REGULATORY BACKGROUND**

### Foreign Ownership, Control, or Influence

17. To safeguard the United States' national security interests, a U.S. subsidiary of a foreign corporation may not be awarded government contracts that require facility clearances ("classified contracts") unless the subsidiary effectively insulates itself from foreign ownership, control, or influence ("FOCI"). A U.S. company is considered under FOCI whenever a foreign interest has the power, direct or indirect, whether or not exercised, to direct or decide matters affecting the management or operations of that company in a manner which may result in unauthorized access to classified information or may affect adversely the performance of classified contracts.

18. To insulate U.S. subsidiaries of foreign corporations from FOCI and thus allow them to bid on and perform classified contracts, the foreign owner may enter into a Proxy Agreement whereby it relinquishes most rights associated with ownership of its U.S. subsidiary to cleared U.S. citizens approved by the U. S. Government. These citizens, known as Proxy Holders, are granted authority to exercise the foreign owner's voting rights in the U.S. subsidiary. Proxy Agreements require the implementation of procedures to prevent the foreign owner from controlling or influencing the performance of the classified contract. The U. S. subsidiary must be organized, structured and financed so as to be capable of operating as a viable business entity independent from the foreign owner.

19. The NSA Bahrain and Kabul Embassy contracts are both classified contracts. At all times relevant to this complaint, AGNA was owned by a foreign corporation, AGI. Accordingly, AGNA was required as a condition of its contracts to insure that AGI did not control or influence AGNA in its performance of these classified contracts.

Trafficking Victims Protection Act

20. The Trafficking Victims Protection Act (“TVPA”) and its implementing regulations provide that that the United States has adopted a “zero tolerance policy” regarding trafficking in persons. TVPA prohibits Contractors and their employees from engaging in severe forms of trafficking in persons and from procuring commercial sex acts during the period of performance of the contract. The Contractor must inform its employees of these prohibitions and the corrective actions that will be taken against violators, including removal from the contract, reduction in benefits, or termination of employment. The Contractor also must notify the Contracting Officer immediately of any information it receives from any source that alleges a Contractor employee has engaged in prohibited conduct and the corrective actions taken, if any, by the Contractor against the employee. A Contractor’s failure to comply with these requirements may result in a suspension of contract payments, loss of award fees, termination of the contract, suspension, or debarment. 48 C.F.R. 22.17.

21. According to DoS’s 2008 Trafficking in Persons Report, Afghanistan is a destination for women and girls from China, Iran and Tajikstan trafficked for commercial sexual exploitation. Afghan children also are trafficked within the country for commercial sexual exploitation.

**FACTUAL ALLEGATIONS**

The NSA Bahrain Contract

22. On September 29, 2007, the Navy re-awarded AGNA a contract, known as contract no. N33191-07-D-1357, to provide security services at the Naval Support Activity Bahrain (the “NSA Bahrain contract”). The NSA Bahrain contract, effective October 2007 and

valued at \$24.9 million per year, was a one-year contract with options to renew for four additional years.

23. The NSA Bahrain contract was a classified contract. Accordingly, the contractor, AGNA, was required to be a United States company with an appropriate clearance, and it could not be subject to foreign ownership, control, or influence. Because AGNA was a subsidiary of AGI, a foreign corporation, AGI had to enter into a Proxy Agreement with Proxy Holders who were appropriately cleared U.S. Citizens, whereby the Proxy Holders had the authority to exercise the AGI's voting rights in AGNA.

24. Relator, James Gordon, was AGNA's Director of Operations from August 2007 until February 2008. As such, Relator was supposed to be responsible for managing the performance of the NSA Bahrain contract. In reality, however, Relator and others at AGNA had no say in the performance of the NSA Bahrain contract.

25. From the outset of the re-award of the NSA Bahrain contract to AGNA in October 2007, Defendant AGI refused to cede meaningful control over the performance of the contract to AGNA, despite the fact that AGI was legally required to do precisely that. Instead, while paying lip service to the Proxy Agreement requirements, Defendants insisted that AGI maintain operational control over the NSA Bahrain contract, over the objection of both Relator and AGNA President Karl Semancik. At AGI's direction, AGI's non-U.S. subsidiary ArmorGroup Services Limited (AGSL) oversaw all aspects of the program, while AGI's non-US subsidiary ArmorGroup Middle East (AGME) was responsible for the daily decision-making and direct interface with the on-site Program Manager, Mark (Geordie) Harvey. The sole responsibilities left for AGNA were in the area of finance and billing.

26. In several exchanges of emails between AGI and AGNA in October 2007, Defendants expressed their blatant disregard for the legal requirement that AGNA manage and control the NSA Bahrain contract without control and influence by Defendant AGI.

27. In an email dated October 4, 2007, addressed to Noel Philp and Karl Semancik, with copies also sent to M. Harvey, James Gordon, and Charlie Turnbull, re: "Bahrain," AGI's Middle East Regional Director John Knight proposed an outline dividing the functions between AGSL (supported by the AG/ME office in Dubai) and AGNA. Under his proposal, AGSL would "[r]etain responsibility for 'front end' service delivery of the said protective service in Bahrain," to include supporting business delivery, management, logistics, BD and administrative functions. AGSL would provide the "Key POC – Geordie [Harvey] with US citizen [program manager] (Lawrence Uhl and Jay Sidas) managing USB and USNB projects." AGNA would retain "overall management and ownership of the contract, P and L and monthly/regular reporting, [c]ontract variations and developments, [w]orkforce security clearance vetting, selection of US citizens for workforce positions, [and] audit an compliance matters." As for manpower issues, those would remain a "joint AGNA-AGSL" function running in parallel through Geordie Harvey as the conduit, with AGSL responsible for Ghurkas, and AGNA responsible for US citizens.

28. On October 4, almost immediately after Mr. Knight had sent his proposed outline, Mr. Gordon wrote in response: "I do not believe the gov will be agreeable to these sorts of terms, Jim may be able to comment more regarding this?? I believe there have already been questions asked ref using AGNA and its clearance to win work for the rest of the company. It is the same as for USE Kabul. Why would we go to London for our HR first? Do they then report to us? We all know that doesn't work at all. How do you manage a contract when you don't

have daily control? Secondly a clearance was required for the bid. If we don't control it as AGNA then one could argue that we would most likely face a protest as well. This is the heart of the problem regarding C2 within AG at the moment." Later on October 4, Mr. Schmitt responded to both Mr. Knight's original e-mail and Mr. Gordon's response, writing: "Agree with James. If the USG awarded this contract to us on the fundamental basis that we are a USG cleared company, then the ONLY way forward [is] to be compliant in both their specified and implied requirements."

29. In an October 5, 2007, response to Mr. Knight's e-mail, Mr. Semancik initially responded to Mr. Knight: "We are still awaiting the final contract. Once I have that for a full review I will revert back." Mr. Knight replied: "Karl noted. By the way this is how it is running now and it ain't broke! JK" In response, Mr. Semancik stated: "JK -- We certainly do not want to break what works but we must make sure we comply with the FOCI, Proxy and USG security requirements. Will get back to you."

30. In an email on October 20, 2007 from AGI's Middle East Regional Director John Knight to Mr. Gordon, Mr. Knight warned Mr. Gordon to follow AGI's "reporting lines" under which AGI and its non-U.S. subsidiaries ArmorGroup Services Limited, ArmorGroup Middle East, and ArmorGroup Bahrain were to assume full "responsibility to support the implementation and mobilization of the contract," and the "daily execution of the service line deliverables -- licensing initiatives / business development / administration / log support."

31. In another email dated October 20, 2007, from Mr. Gordon to Mr. Semancik, Mr. Gordon objected to AGI's control and interference in administration of AGNA's Navy contract, and expressed frustration with AGI's utter disregard for the restrictions imposed by the United States Government pursuant to its Foreign Ownership, Control, or Influence (FOCI) Program.

Mr. Gordon stated: “the whole FOCI thing and how London chooses to apply it, or not, is getting very tir[ing]. I am exhausted by the continual struggle that is brought about by the lack of decision making and clear guidance from the corporate body that should be communicated to the entire company so we do not have to fight a new battle with each project and each regional entity with every contract or support issue.”

32. In response to the October 20 email, AGNA President Karl Semancik attempted to convince AGI to bring “reporting lines” on the NSA Bahrain contract into compliance “with USG [U.S. Government] requirements.” This effort proved fruitless. By email dated October 21, 2007, to Mr. Semancik and Mr. Gordon, Mr. Knight insisted: “I intend standing firm on who manages and executes the delivery piece of our contracts going forward—it has to be the region and countries [AGI and its non-U.S. subsidiaries] – without complicating issues whilst observing Proxy and FOCI issues. **I believe AGNA is neither structured nor able to execute these follow on phases after contract bid compilation and success at present** and there will need to be a structural change invoked by the board to clarify reporting lines. From my perspective the reporting line outlined in broad terms in my email will be what I wish to follow for operational services simplicity/control and quality delivery” (emphasis added).

33. After receiving the email from Mr. Knight described above, Mr. Gordon again repeated his concerns to Mr. Semancik by email on October 21, 2007, stating: “USE Kabul and Bahrain really highlight how little the company actually understands the whole FOCI issue. We don’t need to fight with the regional and country management over this. We are either compliant or not. If we wish to be compliant then AGNA needs to be resourced. If not then get out of the USG business.” He elaborated in another email to Mr. Semancik on the same day: “AGNA bids for AGNA to perform . . . The USG, politicians and anyone with an axe to grind with AG will

see this in a very dim light. What we do with AGNA work being delivered by AGSL is going to burn us. Essentially we are bidding as a U.S. company, taking USG money and giving it to a foreign entity that doesn't look to employ U.S. citizens. I think this will get us on the persona non grata list rather rapidly." However, over Mr. Gordon's objections, Mr. Semancik acquiesced in AGI's insistence that it continue to administer and control the NSA Bahrain contract.

34. Following award, the NSA Bahrain contract was executed according to the plans set forth in the e-mails discussed above, whereby AGI and AGME maintained operational control. AGNA officials, including Mr. Gordon, were provided virtually no information about how the contract was actually being performed. Although AGNA held the security clearances for Lawrence Uhl and Jay Sidas, AGNA had no control over their actions and virtually no communications with them concerning daily activities. Geordie Harvey reported to the Director of AGME, and all command and control issues were handled by AGME and AGI in London. AGNA received no daily, monthly, or even quarterly reports about the project. In general, AGNA would not even be informed of serious incidents on the contract when they occurred. The actual administration of the local Gurkha workforce was handled by Caroline Ruart and the London Human Resources office of AGI. Salaries, benefits, and leave for the staff were determined by AGI in London. In short, AGNA was there simply to provide a flag of convenience, while AGI in London provided the actual work and reaped the actual profits.

#### The U.S. Embassy Contract in Kabul

35. In March 2007, AGNA was awarded Contract No. S-AQMPD-07-C0054 by the U.S. Department of State, a \$189 million contract to provide local guard and security services at the U.S. Embassy in Kabul, Afghanistan, effective July 2007 (the "Kabul Embassy Contract"). The Kabul Embassy Contract was a classified contract.

36. Upon his promotion to Director of Operations in August 2007, Relator James Gordon was supposed to manage AGNA's performance of the Kabul Embassy Contract. However, soon after he became Director of Operations, Relator learned that it was not AGI's intention to permit AGNA to manage the performance of the contract. Instead, as demonstrated below, and in violation of the rules on foreign ownership, control, and influence, AGI itself managed the performance of the contract.

37. Around the time the contract went into effect, AGNA installed Nick Du Plessis, a South African national, to be the contract's Program Manager in Kabul. When Relator became AGNA's Director of Operations, Du Plessis was supposed to report to him. In fact, however, Du Plessis only took his orders directly from AGI in the UK.

38. Almost immediately after the commencement of the contract, the Department of State issued a "Cure Notice" to AGNA, citing numerous deficiencies in the performance of the contract. In a letter to AGNA President Karl Semancik on July 19, 2007, with the subject line "Cure Notice Issued Per FAR 49.402-3" ("Cure Notice"), DoS Contracting Officer Rogers said: "I consider the contract deficiencies addressed below to endanger performance of the contract to such a degree that the security of the US Embassy in Kabul is in jeopardy and that failure to correct the deficiencies immediately could result in termination of the contract for default..." He further said that AGNA had underestimated the difficulty that it would encounter providing a security force in compliance with the contract terms and conditions, and that this failure "places the U.S. Embassy at some additional security risk since AGNA is not fully compliant with the terms and conditions of the contract at this time." He further objected to AGNA's failure to keep DoS apprised of potential noncompliance issues in writing, as required by its contract with DoS.

39. In the Cure Notice, Contracting Officer Rogers enumerated dozens of serious deficiencies which compromised the security of the Embassy, and demanded that AGNA take immediate corrective action. Rogers directed AGNA to address the reasons for its contract deficiencies, as well as the actions it intended to take to correct the deficiencies and preclude their reoccurrence. Mr. Rogers also directed AGNA to “keep [him] advised in writing of any potential performance issues and actions which AGNA is taking to correct them.”

40. In early August 2007, AGNA responded to the Cure Notice. In its response, Defendant AGNA provided false information to the DoS about AGNA’s capabilities to cure the deficiencies under the contract and enumerated several courses of action which it claimed it would take to address them. Among other things, the Cure Notice had demanded that AGNA promptly provide armed escort vehicles as required by the contract, and AGNA stated that it would provide these vehicles by August 2007. Defendant AGI reviewed and approved this false submission.

41. AGNA, after submitting its response to the Cure Notice to DoS, and as part of its corrective action plan, promoted Mr. Gordon to the position of Director of Operations. Mr. Gordon was tasked with preventing further deficiencies or deviations from contract specifications and correcting the issues DoS had identified in the Cure Notice. He was also made responsible for implementing AGNA’s corrective action plan.

42. Upon assumption of the position of Director of Operations, Mr. Gordon sent an email dated September 3, 2007, to Program Manager Nick Du Plessis and his staff stating:

*You can rest assured that there is no hiding of information from DoS. Anyone who thinks that they can get away with this will probably end up in a Federal Penitentiary. It is our duty to report on all aspects of the contract performance and we are required to be transparent and honest in our dealings. Personally I wouldn’t accept anything else.*

Mr. Gordon's admonition to Mr. Du Plessis went unheeded. For the remainder of his tenure at AGNA, Mr. Gordon was placed in the impossible position of trying to reign in a rogue Program Manager who refused to comply with mission critical terms of the Kabul embassy contract, while simultaneously dealing with corporate executives who were unwilling to spend the necessary funds to bring the contract into compliance.

Defendants' Failure to Properly Import and Register its Munitions

43. Even prior to his promotion to the position of Director of Operations, Mr. Gordon became aware of and sought to rectify Defendants' failure to comply with contractual and legal requirements for the registration of weapons and troop transport vehicles in Afghanistan. In June 2007, Mr. O'Connell directed Mr. Gordon to travel to Afghanistan to ensure that weapons being shipped from Iraq and armored vehicles being shipped from Dubai were properly received in Kabul. Per the contract, this equipment was required to be in place before the July 1, 2007, date on which AGNA assumed full responsibility for the security of the U.S. Embassy.

44. Under its Kabul Embassy contract, AGNA was required to adhere to all import documentation, taxes, tariffs, and permits requirements of Afghanistan. Mr. Gordon knew that failure to adhere to Afghan law in the registration of its arms and troop vehicles could jeopardize the ability of AGNA to safeguard the U.S. Embassy since, as part of Afghanistan's own efforts to control the illegal trafficking of weapons within its borders, the Afghan National Directorate of Security ("NDS") and other government officials routinely apprehended private security contractors and confiscated their weapons, radios and vehicles when they lacked the requisite documentation showing proper registration with the Afghan Ministry of Interior.

45. Concerned about AGNA's compliance with contractual requirements regarding the importation and registration of weapons and troop transport vehicles in Afghanistan, Mr.

Gordon sent an email dated June 18, 2007, to Defendant Semancik, AGNA's President, in which he requested confirmation of "necessary documents and authorization." Mr. Semancik replied that he had already "forwarded all the paperwork to the shipper." However, the documents that Mr. Semancik had forwarded were incomplete and lacked the required import documents to allow the weapons to be registered with the Afghan Ministry of Interior. AGNA imported these weapons into Afghanistan without the requisite documentation and importation certificates by transporting them through Bagram Air Force Base, and thus avoiding Afghanistan Customs and a 27% tax on the imported goods. AGNA then failed to register the weapons with the Ministry of the Interior in Kabul, as it was legally required to do. During the same timeframe, troop transport vehicles were flown into Bagram, thus avoiding customs and importation taxes, and without registration with the Ministry of Interior as required by Afghanistan law.

46. After assuming the position of Director of Operations and studying the appropriate paperwork, Mr. Gordon concluded that AGNA had violated its contractual requirements by importing contractor-furnished arms and vehicles into Kabul without registration. On several occasions, Mr. Gordon attempted to raise this issue with Defendant Semancik who made it clear that he was unwilling to address the matter.

47. On September 11, 2007, Mr. Gordon received an email from Sean Garcia, AGNA's Logistics Manager in Kabul, stating that the Afghan officials "need[ed] the customs and clearance forms" to register AGNA's armored vehicles with the Ministry of Interior. Mr. Garcia further stated, "If you guys remember correctly, these vehicles shipped through Bagram and there is no CUSTOMS and CLEARANCE." Mr. Gordon immediately forwarded this email to Defendant Semancik.

48. Upon information and belief, AGNA failed to obtain authorization from DoS for the manner in which it imported weapons and transport vehicles into Afghanistan without compliance with Afghanistan registration requirements, as described above, and failed to register its arms and troop transport vehicles with the Afghanistan Ministry of Interior.

Defendants' Continued Misrepresentations about Camp Anjuman's Capabilities

49. In the ArmorGroup Defendants' efforts to obtain the Kabul Embassy contract, they knowingly exaggerated AGNA's facilities in Kabul, including Camp Anjuman (a.k.a Anjuman base), Defendant AGI's base of operations in Afghanistan. They falsely described it as a self-sufficient and well-equipped facility that could support all aspects of the US Embassy contract, including training, human resources, mechanic facilities, administrative and logistics support, catastrophic recovery capabilities and acquisitions expertise.

50. On October 17, 2007, the DoS notified Mr. Gordon and Mr. Semancik that it was concerned that AGNA had not fulfilled its responsibilities to use Camp Anjuman to support Camp Sullivan, as required under the Kabul Embassy contract. DoS requested confirmation that administrative, logistics and training support was available from Anjuman. In its proposal to DoS to win the contract, AGNA had previously represented that the resources at Camp Anjuman, which AGI used to support its contract to secure the British Embassy, would be used to support the U.S. Embassy contract with the DoS. However, Camp Anjuman was overly burdened with the British Embassy contract in addition to other commercial contracts, and AGNA could not and did not utilize it to support the U.S. Embassy contract. Mr. Semancik prepared a draft response, which essentially made the same false assurances that AGNA had presented in its original bid, and which he knew AGNA could not fulfill because Camp Anjuman did not have such capabilities. Mr. Gordon protested that it was improper to lie to the DoS about Camp

Anjuman's capabilities, including the false assertion that Camp Anjuman had training facilities and a 24-hour Joint Operations Center with the ability to track escort vehicles. Over Mr. Gordon's heated objections, on or around December 10, 2007, Defendants AGNA and Semancik provided a response to DoS containing material false statements about AGNA's capabilities and the security services it was providing at the U.S. Embassy.

Defendants' Failure to Properly Recruit, Vet, Train and Staff the Embassy Guard Force

51. In the Cure Notice issued by the DoS on July 19, 2009, Contracting Officer Rogers warned Defendants that the security of the U.S. Embassy was in jeopardy because Defendants had failed, *inter alia*, to provide a qualified and trained guard force, including relief guards, to safeguard the U.S. Embassy.

52. During his seven month tenure as Director of Operations, Mr. Gordon worked diligently to rectify this critical contract breach and properly recruit, vet, train and staff the Embassy guard force. However, his efforts were stymied at every step of the way by AGI's refusal to expend the necessary resources to fulfill the contract requirements, as set forth in the examples that follow.

53. From the outset, AGNA never had even close to the necessary administrative staff to run the Kabul Embassy contract. Instead, as described above, AGNA was little more than a shell company set up by AGI to bid for and obtain U.S. contracts that could only be awarded to American companies. During most of Mr. Gordon's tenure, the entire AGNA staff consisted of 21 people whose time was spent overseeing several U.S. contracts that had been awarded to AGNA. Of the people on Mr. Gordon's staff, only two were dedicated to the Kabul Embassy contract. Although Mr. Gordon repeatedly informed AGI that AGNA could never bring the contract into compliance with the skeletal staff on hand, AGI Chief Operating Officer Noel Philp

refused to permit AGNA to hire additional administrative staff. As a consequence of AGNA's lack of administrative staff, AGNA repeatedly failed to perform requisite background checks for new employees. This resulted in AGNA's hiring and training of unqualified personnel who lacked the requisite qualifications, licenses and clearances, which later resulted in DoS's rejecting many of these unqualified persons.

54. AGI's subsidiary International Training Inc. ("ITI") failed to provide training for AGNA recruits as promised in AGNA's contract proposal. When Mr. Gordon pushed to set up training courses required to get qualified guards on board, ITI resisted and in fact obstructed his efforts. The ITI representative who was supposed to assist in the training joked with his boss about what a joke AGNA was and how they were waiting for the company to fail. ITI resented AGNA's use of ITI's training facilities because it prevented ITI from using these facilities for "paying customers," and ITI threatened to move AGNA recruits to tents if ITI needed classroom space. What little training ITI did was unsatisfactory. A DoS review of the training provided by ITI revealed that ITI had not even bothered to review the contract training requirements, it used unqualified staff, and it received largely negative feedback from trainees.

55. Despite AGNA's representation in its contract proposal that it had a rigorous program to ensure all guards assigned on post were able to converse in the required languages with employees and visitors, and that it would conduct language proficiency tests for its TCN workforce, Defendants hired Ghurka guards who could not speak English, and Defendants falsified the guards' language qualifications on submissions to DoS. When Mr. Gordon sought to ascertain what language tests had been administered to the workforce to ascertain whether their language skills complied with contract requirements, he learned that no language tests had been administered. Mr. Gordon informed DoS of this contract violation and immediately sought

to rectify it. Language assessments performed by a teacher hired by AGI revealed that the Ghurka workforce would need years of language training to meet the contract language requirements.

56. Mr. Gordon repeatedly briefed AGNA and AGI executives on these serious contract breaches and sought assistance in rectifying them. During an AGNA Board meeting that took place in Washington, D.C. in late October or early November 2007, Mr. Gordon complained to AGI's CEO Dave Seaton, Mr. Semancik, and the AGNA Board about AGNA's improper recruiting and vetting of personnel for the U.S. Embassy contract and the serious manpower shortage. Although Mr. Seaton assured Mr. Gordon that improvements would be made, this promise was empty and Mr. Gordon's complaints did not result in any real changes.

57. Mr. Gordon also sought to keep DoS informed about the critical shortage of guards and the potentially disastrous consequences it posed for the Embassy's security. For example, in an email from Mr. Gordon dated September 6, 2007 to the Contracting Officer's Representative Heidi McMichael, in which Mr. Gordon discussed AGNA's firing of two members of its guard force, he warned Ms. McMichael that there was not a single relief guard available should AGNA have to replace any other guards. Mr. Gordon stated: "For now we are OK but if one person gets sick or slips on a banana peel the whole thing falls apart like a cheap suit."

#### Defendants' Failure to Renew AGNA's ITAR License

58. Under the International Traffic in Arms Regulations (ITAR), a set of U.S. government regulations that control the export and import of defense-related articles and services, AGNA was required to possess a license issued by the United States Directorate of Defense Trade Controls to conduct training of non-U.S. personnel for the conduct of guard

services at the U.S. Embassy in Kabul and to export munitions from the U.S. to Afghanistan for training.

59. On October 19, 2007, AGNA became aware that it had allowed its ITAR license to lapse on August 31, 2007. Consequently, all training that AGNA had conducted of non-U.S. personnel after the lapse of its license was unlawful and in violation of the Kabul Embassy contract. After learning of this, Mr. Gordon ordered a halt to all trainings of non-U.S. personnel until the issue was resolved. Defendant Semancik discussed this problem with AGI's CEO Seaton, who told him that AGNA should delay disclosing the ITAR lapse to Contracting Officer Rogers pending further word from the Directorate of Defense Trade Controls about how long it would take to renew the license.

60. Subsequently, and pursuant to the advice provided by Mr. Seaton, AGNA President Karl Semancik informed Mr. Gordon that he planned to withhold the fact that AGNA had allowed its license to lapse from the DoS in the hopes that AGNA's license could be re-activated before the DoS discovered what had occurred. Mr. Gordon refused to be a party to this deceptive course of action and warned Mr. Semancik that the suggested conduct was unlawful and could have dire repercussions for AGNA if it were discovered by DoS. With Mr. Semancik's begrudging acquiescence, Mr. Gordon reported AGNA's violation to DoS by email dated October 26, 2007. In response, DoS Contracting Officer Rogers informed AGNA that it was "in breach of contract" and that the management official responsible for this "lapse in management, judgment and/or performance" must be "removed from any position, authority or responsibility under my contract."

61. In response to Mr. Semancik's admission to Mr. Rogers that he was personally responsible for the lapse in the license, Mr. Rogers instructed Mr. Semancik to submit a written

explanation of how this had occurred and directed AGNA to keep DoS informed of any impact that this would have on the contract. He emphasized that any future lapses of this nature would be seen in a very serious light, as without the appropriate ITAR licenses, it would be impossible for AGNA to perform on the contract.

62. By letter to DoS dated October 31, 2007, Mr. Semancik admitted that, as a result of the lapse, AGNA was no longer authorized to export ammunitions or other defense articles to Afghanistan, nor was it authorized to train foreign national employees. He further acknowledged that, as a result, AGNA would suffer a delay in final shipment of training ammunition and would be unable to conduct training for foreign nationals, both of which were requirements under the contract.

AGI'S Improper Exercise of Management and Control Over AGNA's Contracts

63. As described above, because AGNA's Kabul Embassy contract required a top secret facility clearance, AGNA was required, as a condition of this contract, to ensure that its parent company, Defendant AGI, and its foreign subsidiaries were precluded from exercising control or influence over AGNA's performance of the contract. Pursuant to this legal mandate, AGI executed a Proxy Agreement, with the self-described purpose of insulating AGNA "from foreign ownership, control and influence by ArmorGroup International plc." Under the Proxy Agreement, three appointed Proxy Holders were granted authority to exercise all voting rights with respect to shares owned by AGI in AGNA. Furthermore, on information and belief, according to AGI's self-described practices, the terms of the Proxy Agreements were designed to insure that the Proxy Holders did not "accept direction from [AGI] nor permit [AGI] to exercise any control or influence over [AGNA]."

64. Contrary to Defendants' legal and contractual mandates, Defendant AGI exercised increasing control and influence over AGNA's performance on the Kabul Embassy and NSA Bahrain contracts, often to the detriment of both AGNA's ability to properly perform its contractual obligations and to Mr. Gordon's efforts to investigate, report, and rectify contractual and statutory violations committed by Defendants.

65. As it did over the NSA Bahrain contract, AGI sought to exercise management and control over the performance of the Kabul Embassy contract. One means that AGI used to exercise day-to-day control over the Kabul Embassy contract was to ignore communication restrictions imposed on AGNA and AGI employees under the Proxy Agreement.

66. Pursuant to procedures set up under the Proxy Agreement to insulate AGNA personnel from the control and influence of AGI, Mr. Gordon was prohibited from communicating with AGI Executive Board members, including Chief Operating Officer Noel Philp, without the advanced authorization of the Proxy Board. Despite this restriction, AGI Director of Operations Nick Powis -- a person with whom Mr. Gordon was permitted to talk without restriction -- regularly telephoned Mr. Gordon, and then conferenced Mr. Philp into the same conversation. Mr. Philp would then direct these three-way conversations. Upon information and belief, the Proxy Board did not know of and/or authorize these communications.

67. In addition to circumventing the Proxy Board requirements on a day-to-day basis, AGI demanded and was given oversight over the critical function of investigating incidents involving the U.S. Embassy in Afghanistan. AGNA's operational policies and procedures, as described in an email from AGNA President Karl Semancik dated October 10, 2007, required that certain field incidents -- including those that involved the escalation of force or could result in adverse publicity -- be formally and promptly reported to AGNA corporate management in

Virginia. These incidents were to be “thoroughly investigated by senior management” with Mr. Gordon, as Director of Operations, “determin[ing] who conducts the investigations.” Contrary to this policy and to the FOCI program requirements described above, AGI routinely interfered with and usurped Mr. Gordon’s ability to oversee the investigation of incidents in the field. Moreover, as some of these incidents became more serious, AGI’s exercised increasingly heavy-handed control over this critical investigative responsibility.

68. On October 10, 2007, AGNA’s Emergency Response Team guard force in Kabul was involved in a number of serious incidents which included: (1) the detention by AGNA guards of a group of Afghan civilians, and the involuntary transport of these civilians to the U.S. Embassy; (2) a verbal and physical altercation between AGNA guards and an Afghanistan Ministry of Interior policeman, in the course of which the guards handcuffed the policeman; (3) a confrontation between AGNA guards and an Afghanistan General and several Ministry of Interior policemen; and (4) the refusal of AGNA guards to obey an order given by a U. S. Regional Security Officer to withdraw from a checkpoint in order to defuse the potentially explosive situation.

69. In an email written that same day, AGNA President Karl Semancik castigated Program Manager Nick Du Plessis for failing to timely report these incidents to AGNA corporate headquarters. Mr. Semancik further stated: “Our industry is under extreme scrutiny both in the press and with US government authorities. We as senior managers must be timely in our notification and rigorous in our investigations of incidents.” In order to insure a “rigorous investigation,” Mr. Semancik directed Mr. Gordon to embark immediately to Kabul to conduct an investigation.

70. After being apprised of this planned course of action, AGI's CEO Seaton and AGI's Chief Operating Officer Philp countermanded Mr. Semancik's order. By email dated October 11, 2007, Mr. Seaton stated that he did not "see the merit of James deploying to Kabul" and advised "everyone to let the dust settle for a day or two." Mr. Seaton further stated that emphasis should be placed on "better utilising and collaborating with [AGI's foreign subsidiaries] on the ground." AGI's interference in this matter, and the course of action suggested by its executives, contravened the legal requirements that AGNA manage and control the U.S. Embassy contract without AGI's control and influence.

71. In or around October 13, 2007, Mr. Gordon and Hal Simpson, AGNA's Training and Deployment Manager, attended a meeting with DoS contracting officer Paul H. Desilets. During this meeting, Mr. Desilets berated Mr. Gordon for failing to insure that the Program Manager had provided adequate information about incidents in theater for inclusion in AGNA's reports to DoS. Mr. Desilets directed AGNA either to take steps to ensure that Mr. Du Plessis was adhering to contract reporting requirements "pretty damn quickly," or to terminate Mr. DuPlessis' employment. By email dated October 14, 2007, Mr. Gordon informed Mr. Semancik that DoS had requested that AGNA either: "1. Recalibrate the PM 'and do it pretty damn quickly', or 2. Get rid of him."

72. Increasingly concerned that AGNA was not properly investigating incidents that involved the U.S. Embassy contract and improper actions taken by members of the guard force, Mr. Gordon sent an email to Mr. Semancik on October 12, 2007, that was forwarded to AGI CEO David Seaton, with the subject line "Transparency and Corporate Responsibility – For Dave Seaton." Referencing the heightened congressional scrutiny that members of the private security companies were facing, Mr. Gordon emphasized that "Congressman Waxman and his

colleagues were particularly concerned about how incidents were dealt with after the fact. Questions focused on determining what actions company management may have taken to ensure that individuals were held accountable for their actions and what corrective measures were established to ensure that if an individual was at fault that the situation did not repeat itself.” Mr. Gordon warned that “[i]vestigations, where required must be carried out without delay and should be thorough...If we fail to be thorough and deliberate in our actions we will serve to place the company at risk.”

73. Because of AGI’s interference, AGNA’s corporate management was never able to investigate the October 10, 2007 events. This was despite AGNA’s ongoing concerns about these events, as expressed by President Semancik in an email dated October 16, 2007: “Both parties, USE [AGNA’s Embassy Guard force] and Mol [Afghanistan Ministry of Interior] must act in partnership if we are not to see retribution. The matter is far from over; it is only cosmetically covered up and the root causes not dealt with.”

Defendants’ Violations of the Trafficking Victims Protection Act and  
Their Obstruction of Plaintiff’s Efforts to Conduct a Meaningful Investigation

74. In early November 2007, Mr. Gordon received alarming information alleging that AGNA employees in Kabul, including Program Manager Nick Du Plessis, had violated the Trafficking Victims Protection Act (“TVPA”) by frequenting brothels where women were trafficked from China for prostitution.

75. In a conference call on or about November 8, 2007, the Deputy Program Manager in Kabul, Jimmy Lemon, informed Mr. Gordon and Puja Power, AGNA’s Acting Director of Human Resources, that the AGNA Armorer was not properly performing his duties, and that he had recently been forcibly removed from a brothel in Kabul during work hours. Mr. Gordon instructed Ms. Power to initiate action to terminate the Armorer at once.

76. A short time later, Ms. Power reported to Mr. Gordon that when she had confronted the Armorer about his misconduct, he stated that he could not be terminated because Program Manager Nick Du Plessis and AGNA medic Neville Montefiore had frequented these brothels with him. Mr. Gordon knew that the procurement of commercial sex acts by AGNA employees violated the laws of the United States and the terms of the Kabul Embassy contract. He was particularly disturbed for two reasons: because the frequenting of brothels by AGNA personnel raised security concerns about the guard force's ability to safeguard the U.S. Embassy, and because it was well-known that young Chinese girls were trafficked to Kabul for commercial sexual exploitation.

77. After receiving this information from Ms. Power, Mr. Gordon immediately reported the information to Mr. Semancik, and also to DoS during his weekly meeting with DoS representatives. Mr. Gordon recommended to Defendant Semancik that AGNA's corporate management commence a thorough investigation of the matter, and that the investigation be directed by either Mr. Gordon or AGNA's Deputy Director of Operations Gregory Vrentas, a former U.S. Army Lieutenant Colonel with the Office of Military Cooperation-Afghanistan. Mr. Semancik concurred that this was the appropriate course of action.

78. Once again, however, AGI obstructed Mr. Gordon's efforts to ensure that AGNA conduct a full investigation and fully report the circumstances to DoS. Shortly after receiving Mr. Gordon's recommendation, Mr. Semancik informed Mr. Gordon that AGI officials had decided that the investigation would be handled not by AGNA but, instead, by AGI through its Chief Operating Officer Noel Philp and its Director of Operations Nick Powis. This plan of action directly contravened the FOCI program requirements, as well as AGNA's own policy, as

articulated by Defendant Semancik in an email dated October 10, 2007, that the “Director of Operations (Mr. Gordon), after due consultation, will determine who conducts the investigation.”

79. Around the same time, Chris Duffy, a temporary medic for AGNA who had relieved Mr. Montefiore while he was on leave, discovered a number of irregularities and anomalies in the delivery of medical services, including the improper storage of regulated narcotics such as morphine. Mr. Duffy also noted that there had been an outbreak of sexually transmitted diseases (STDs) among AGNA workers in 2007. He reported this to Mr. Powis in London, who in turn informed Mr. Gordon during a routine telephone call that these issues had been uncovered.

80. As a condition of the Kabul Embassy contract, AGNA was required to report any outbreak of communicable diseases to the DoS, and Mr. Gordon immediately brought this contractual requirement to the attention of Mr. Semancik. Mr. Gordon reiterated that the frequenting of brothels by AGNA personnel, in addition to being a likely explanation for the STD outbreak, constituted a violation of United States law and the DoS contract. Mr. Semancik communicated this information to Mr. Philp and Mr. Powis.

81. Subsequently, Messrs. Philp and Powis claimed to conduct an investigation into the allegations that AGNA employees, including the Program Manager, had violated the Trafficking Victims Protection Act, and that there were unreported outbreaks of sexual transmitted diseases. Mr. Gordon was denied access to the investigative reports or any information about the nature and extent of the investigation conducted.

82. Mr. Gordon was furnished only with a three-page report of the findings of Messrs. Philp and Powis entitled “Investigation into allegations of misconduct by the PM of the ESEK contract, Afghanistan,” and dated November 14, 2007. The report stated that Program Manager

Du Plessis was aware that “some members of workforce had abused the MWR [Moral, Welfare and Recreation] policy for the purpose of seeking out prostitutes, but this represented only a minority against the overall net benefit of having a ‘light-touch’ MWR policy.” No mention was made of the fact that the conduct at issue violated the Trafficking Victims Protection Act’s blanket prohibition of the procurement of commercial sex acts, or the State Department’s “zero tolerance” policy for violations of this law. The report also stated that the Program Manager admitted that members of the workforce had suffered venereal disease in 2006 and 2007, but it failed to address any further issues raised by this disclosure, including why the Program Manager had not reported this information to AGNA corporate management for investigation and transmission to DoS, or what steps, if any, were taken by the Program Manager to address the issue. Finally, the report stated that it found “no direct evidence or testimony” that the Program Manager “directly” facilitated the workforce utilization of houses of prostitution, or that the Program Manager had personally used houses of prostitution.

83. Per the report, the only corrective action taken was to direct the Program Manager to revise the MWR policy, which had allowed AGNA personnel to frequent bars, restaurants and other places in which human trafficking activity was engaged, to ensure “the safety and security of the workforce,” and to prevent “activities that compromise the integrity or reputation of the Department of State or ArmorGroup.” The report also stated that, because the Program Manager “was aware of the possibility of un-sanctioned activities that could bring discredit on both the company and the client,” AGNA had issued a formal letter of sanction and warning for inclusion in the Program Manager’s personnel file.

84. Finally, the report stated that Messrs. Philp and Powis “discussed the issue of MWR and the PM leadership of the project” with the Regional Security Officer (RSO) for DoS.

Upon information and belief, Defendants failed, however, to inform the RSO or the Contracting Officer in writing that: (1) AGNA's Armorer had violated the Trafficking Victims Protection Act; (2) the Armorer had stated that AGNA's Program Manager and Medic had engaged in the same illegal activity; and (3) AGI's investigation revealed that members of AGNA's workforce had frequented brothels and had suffered outbreaks of STDs, and that the Program Manager knew about it.

85. On November 13, 2007, Mr. Beese, AGI's Chief Administrative Officer, forwarded an article to Messrs. Philp and Powis regarding trafficking of women in Kabul. Specifically, he noted that "we need to be aware of the allegation in the article below because visits to 'Chinese girls' may not only be prejudicial to security, but be in breach of international laws against 'Trafficking.'" The article recounted how Chinese girls were promised work as waitresses in Dubai, but instead were transported to Kabul and forced into prostitution.

86. After receiving a copy of Mr. Beese's email and the attached article, Mr. DuPlessis sent an email to Mr. Philp, Mr. Semancik, Mr. Gordon, and others dated November 23, 2007, indicating that he had discussed amending AGNA's MWR Policy with AGI's CEO Seaton, and AGI's Director of Operations. Mr. Du Plessis objected to AGNA giving DoS information about the investigation, and requested an opportunity to meet with AGI officials in London the following week -- in violation of FOCI program requirements.

87. Upon reviewing AGI's so-called "investigative report," Mr. Gordon became extremely disturbed by AGI's apparent failure to perform a meaningful investigation of the serious violations of law and human rights alleged to have been committed, its failure to make full disclosure to the DoS, its failure to take meaningful action to stop violations of the TVPA from recurring, and its general denigration of the issues at stake. Mr. Gordon disagreed with the

corrective action ordered and vigorously complained to Mr. Semancik about AGI's decision to protect Mr. Du Plessis from termination or meaningful disciplinary sanctions. Mr. Semancik and Mr. Gordon discussed this issue with Mr. Beese, AGI's Chief Administrative Officer, who directed them to retain Mr. Du Plessis and take no further disciplinary action. Mr. Semancik adhered to Mr. Beese's instructions and informed Mr. Gordon that Mr. Du Plessis would not be fired unless he engaged in additional acts of misconduct.

88. On or about November 14, 2007, Mr. Gordon held a counseling session with Mr. Du Plessis, informing him that AGNA was issuing a formal letter of sanction and warning for inclusion in his personnel file. Mr. Gordon informed Mr. Du Plessis that allowing members of the workforce to abuse the MWR policy "for the purpose of seeking out prostitutes" represented "a lack of senior management judgement (sic) and was contrary to the requirements of the contract and acceptable ArmorGroup management practices." Mr. Du Plessis objected to the issuance of the warning letter and asserted, both during the oral counseling session and in the Employee Comments portion of the counseling report, that "President Karl Semancik was fully aware of the MWR policy from inception." Mr. Du Plessis insisted that Mr. Semancik was well aware that restrictions were not placed on the activities of AGNA personnel during their non-work hours, and that "boys will be boys." Both during the course of the counseling session and in the Employee Counseling report itself, Mr. DuPlessis was directed to revise and promulgate a new MWR policy, to be ratified by both AGNA and AGI, that "does not allow for any activities which compromise the reputation of the Department of State or ArmorGroup." As with many explicit directions given to him, Mr. DuPlessis failed to comply. Accordingly, Mr. Gordon subsequently promulgated a new MWR policy which explicitly banned AGNA employees from visiting brothels.

Defendants' Misrepresentations to DoS to Obtain Withheld Funds

89. Throughout the fall of 2007, AGNA routinely delayed sending invoices to DoS because the data received from Mr. Du Plessis about personnel and hours worked did not comport with the time cards. When invoices were submitted, DoS routinely rejected them because audits revealed errors. This in turn contributed to significant cash-flow problems for AGNA.

90. On November 27, 2007 AGI announced that its operating profits had dropped from the prior year and that CEO David Seaton been asked to resign. AGI blamed its declining profits in part on the “onerous administrative and human resource requirements for the US Embassy contract in Afghanistan, which have had a significant impact on the profitability of its operations in the country.”

91. On or around December 3, 2007, Mr. Semancik informed Mr. Gordon and AGNA's Finance Manager Mark Power that “the word from London was AGNA had to stand on its own two feet, and that if it failed to secure the release of the funds from DoS, AGNA would not survive.” Mr. Philp instructed Mr. Gordon to do everything he could to get DoS to release funds so that AGNA could meet its payroll and pay its outstanding bills. Otherwise, Mr. Philp warned, AGNA would have to consider defaulting on the contract.

92. Defendants were aware that one issue of extreme concern both to DoS and the AGNA workforce was that the troop transport vehicles used by AGNA to transport its guard force to and from the U.S. Embassy were easily identifiable and of such poor quality that they were vulnerable to attack. In fact, the transport vehicles were considered so unsafe that they were referred to by the workforce as the “white coffins” and “white elephants,” and AGNA's

shift change procedures were described by an AGI Project Coordinator as “somewhat of a laughing matter within the Kabul private security industry at present.” In addition to fearing for the workforce’s safety, both AGNA and DoS were concerned that the workforce used overly-aggressive tactics in responding to incidents during transport because it felt exposed and unprotected. To remedy this serious problem, AGNA had agreed in early 2007 to purchase armored escort vehicles to safeguard the troops during transport. Although a supplier for the escort vehicles had been contacted, AGNA had insufficient funds on hand to make the purchase, and troops continued to be transported in hazardous vehicles without the protection of armored escort vehicles.

93. Accordingly, Defendants directed Mr. Gordon to promise DoS -- as a “sweetener” to induce DoS to release the withheld funds -- that if the funds were released they would be used, in part, for the immediate purchase of the critically needed armored escort vehicles.

94. On December 5, 2007, Mr. Gordon met with DoS Contracting Officer Rogers to appeal to DoS to release some of the funds due to AGNA. Per his instructions from Defendants, Mr. Gordon promised Mr. Rogers that a portion of the released funds would be used to procure the armored vehicles that AGNA had agreed to purchase. Mr. Gordon also represented, per his instructions from Defendants, that the monies would be used to meet payroll and pay AGNA’s outstanding invoices. Mr. Gordon advised Mr. Rogers that if AGNA did not receive payment of the outstanding invoices immediately, its financial crisis would most likely lead the company to default on the contract. With these promises, Mr. Gordon successfully persuaded DoS to release the funds. On December 6, 2007, DoS released approximately \$5.5 million in contract funds.

95. Unbeknownst to Mr. Gordon, at the time he made these representations to Contracting Officer Roger, AGI had no intention of permitting AGNA to retain the released

funds to pay AGNA's outstanding bills and honor its contractual commitments. Rather, AGI intended instead to immediately transfer the funds to AGI's own accounts to satisfy outstanding loan obligations, leaving AGNA with only a fraction of the funds that would remain after AGI made its payments. Upon information and belief, at the time Defendants instructed Mr. Gordon to seek funding from Mr. Rogers, neither the Proxy Holders, Messrs. Greg Govan and Felix Dupre, nor AGNA President Karl Semancik knew of or authorized AGI to expropriate the released funds for AGI's use.

96. Following the release of the funds, on December 6, 2007 Mr. Gordon prepared and forwarded a spread sheet to Mr. Semancik, the Proxy Holders, and AGI executives listing \$2,963,040 in outstanding bills to AGNA that required immediate payment. By email that same day, Mr. Semancik reiterated that "the outstanding bills were critical .... If we do not pay we risk severe repercussions from clients and vendors alike." However, as soon as the money was transferred into AGNA's account, AGI's Chief Financial Officer, Matthew Braben, directed AGNA's Finance Manager to send AGI all funds AGNA had received from DoS, leaving AGNA without funds to pay its bills or to purchase the requisite armored escort vehicles.

97. Mr. Gordon was outraged that he had been set up by AGI to dupe DoS into paying government funds by making false statements as to how the funds were to be used. At Mr. Gordon's insistence, by email dated December 7, 2007, Mr. Semancik complained to Messrs. Dupre and Govan, members of the Proxy Board, about AGI's confiscation of the DoS funds. He stated, "Matt Braben (CFO of AGI) said via email they need all of the payment from DoS. This puts AGNA in serious jeopardy of satisfying clients and keeping suppliers . . . Mark (Power) is going in to talk to Braben as I write this email . . . Should he not be able to convince him of the urgent requirement to satisfy our creditors I then leave it to you to deal with London

as the (sic) obviously do not care to listen to me or the rest of the staff in McLean.” Proxy Holders Messrs Dupre and Govan expressed complete surprise at AGI’s action and indicated that they had no advance knowledge of the plan.

98. In lieu of purchasing the required armored vehicles as promised, AGI sought to transfer subpar, refurbished AGI vehicles from Iraq. These vehicles that did not come close to meeting the workforce needs. By email dated December 11, 2007, Mr. Gordon told Mr. Dupre, Mr. Govan, and Mr. Semancik this solution “isn’t going to cut mustard.” Mr. Gordon stated that “delivering a second rate solution” in the form of refurbished old platforms instead of “the vehicles we promised for 6 months ... is not going to endear us to the client” or the workforce. Mr. Gordon was very alarmed that AGNA had not fulfilled its commitment to DoS that Mr. Gordon had made on AGNA’s behalf.

99. On December 11, 2007, Proxy Holder Felix Dupre informed AGI that the only acceptable course of conduct was to purchase new vehicles and demanded that funds be wired back to AGNA. However, by the time the funds were returned, Ultimate Armor, the company with whom AGNA had arranged to purchase the vehicles, no longer had chassis available for the order and the purchase fell through. At the time of Mr. Gordon’s discharge on February 29, 2008, AGNA still had not secured armored escort vehicles for the protection of its workforce.

Mr. Gordon Informs AGI Executives That He Will Not  
Violate the Law or Make Misrepresentations to DoS

100. By December 2007, it became clear to Mr. Gordon that AGNA intended to continue misleading the DoS about its compliance with the contract and the illegal activities it had engaged in, and continued to engage in, under the contract. Mr. Gordon feared that he would unknowingly be placed again in the position of making misrepresentations to the DoS about Defendants’ intentions to cure contractual deficiencies. Indeed, by this time, Mr. Gordon

no longer believed that AGNA was trying to come into compliance with contract requirements but, instead, was seeking to maximize “the bottom line” while the ArmorGroup Defendants engaged in active negotiations to sell their company to the London-based security services company G4S.

101. Mr. Gordon again expressed his continuing concerns both to AGNA management and the AGNA Proxy Board members Govan and Dupre. On December 19, 2007, Mr. Gordon communicated with AGNA’s Financial Director Mark Power about AGI’s unlawful interference with AGNA’s contract performance and about AGNA’s misrepresentations to the DoS and its failure to remedy its contractual and statutory violations. Mr. Gordon stated that he did not believe that AGNA would investigate or put a halt to the illegalities he had identified or honor its commitments to DoS to bring the contract into compliance. Mr. Gordon told Mr. Power that it was impossible for him to do his job in these circumstances. He further stated that he could no longer work in an environment where illegal activities were condoned and misstatements were routinely made to the DoS. Mr. Gordon specifically stated that he would no longer make representations to the DoS about AGNA’s contractual compliance and the steps that it would take to achieve compliance, given its clear intent not to follow through.

102. On December 20, 2007, Mr. Gordon sent Mr. Semancik an email stating, “I will talk to the [Proxy] board tomorrow but I can’t go on like this.” Mr. Gordon also sent an email to AGNA’s Proxy Board members Govan and Dupre that same day saying that he could no longer “do business this way. I find myself in a position where I can not continue to work with a program management team that is completely incompetent and my efforts to rescue this ill fated US Embassy contract continue to be undermined.”

103. Messrs. Govan and Dupre informed Mr. Gordon that they were very concerned about his departure since he (Mr. Gordon) had succeeded in repairing the relationship between AGNA and the DoS, and they had confidence in his ability to interface with the DoS. By email December 21, 2007, Mr. Govan wrote to Mr. Gordon, "You have the confidence of everyone I know of who counts." Mr. Dupre also assured Mr. Gordon by email dated December 21, 2007 that "Greg [Govan] and I have both agreed that we want to work on whatever has you frustrated to the point of departure. Don't do it yet. Let's talk."

104. In December 2007, Defendant Semancik was asked to resign and was replaced by Jerry Hoffman, a former Chief Executive Officer for AGI in London who had agreed to come out of retirement. Accordingly, in December 2007 and January 2008, Mr. Gordon met with Mr. Hoffman daily to discuss the Kabul Embassy contract, including AGNA's failures to comply with material terms of the contract. Mr. Gordon informed Mr. Hoffman that AGNA staff had frequented brothels, and that Program Manager Nick Du Plessis routinely failed to comply with the incident reporting requirements of the contract. Mr. Gordon also informed Mr. Hoffman that Mr. Du Plessis had failed to carry out his instructions regarding the reallocation of staff that served on the contract and that Mr. Gordon intended to issue a final written warning to him for this failure to carry out instructions.

105. During the course of the meetings described above, Mr. Hoffman expressed support for Mr. Gordon's actions and acknowledged the good working relationship Mr. Gordon had established with the Contracting Officer Mr. Rogers, and the staff at DoS as a result of Mr. Gordon's diligent efforts to bring the contract into compliance. He also stated that he approved of Mr. Gordon's efforts to maintain strict control by AGNA over the contract and his decision to take disciplinary action against Mr. Du Plessis. By email dated December 31, 2007, Mr.

Hoffman assured Mr. Gordon that if Kabul staff did not carry out Mr. Gordon's instructions, they would be removed from the contract. He stated, "You can count on my support and I will so state that to London!" and acknowledged that "a lot needed fixing" on the contract.

106. Despite these assurances, however, the ArmorGroup Defendants continued to violate contract and Proxy Agreement requirements and to cover up their improper conduct.

AGI's Continued Efforts to Control and Influence  
AGNA's Performance of the Kabul Embassy Contract

107. In December 2007, there was a reoccurrence of armed incidents involving the AGNA workforce, which AGI admitted was the result of Mr. Du Plessis and his program management team's "aggressive interpretation" of standard operating procedures. However, rather than replace Mr. Du Plessis or support Mr. Gordon's efforts to bring him under control, AGI Director of Operations Nick Powis sought to cede operational control of the contract to its Afghanistan foreign subsidiary. In an email dated December 28, 2007 to Mr. Gordon, Mr. Powis stated: "OPCON (operational control) on this contract needs to be (sic) accommodate our Country Management Team, whilst being technically compliant with the FAR's and FOCl, please could you give us a proposal on how we might achieve this[?]" Mr. Gordon responded by email that same day, which he copied to Mr. Hoffman, that it was simply not possible to insert AG's Afghanistan Country Management team into the chain of command and remain compliant with the proxy agreement. He further noted, "Unless the AG AFG Country Management team report to AGNA there can be no OPCON. Even the mere mention of this with the USG will have them doing back flips. They have stated on numerous occasions that they do not wish to see any foreign involvement and in fact got upset when I sent an email to a DoS member of staff that had staff with AG London as CC addressees." Mr. Gordon stated that he intended to spend

a month in Kabul “to ensure that we get it all sorted out once and for all” and indicated his plan to arrive on January 12, 2008.

108. By email to Mr. Gordon dated December 29, 2007, Mr. Powis warned that AGNA would become “isolated and unsupported” unless it established “a close working relationship” with AGI’s foreign subsidiaries.

109. In an effort to accommodate AGI while still complying with Proxy Agreement and FOCI program requirements, Mr. Gordon responded the same day with a proposal whereby AGNA could avail itself of the resources of AGI’s foreign subsidiaries while still maintaining control of the contract. Mr. Gordon noted, “As far as the USG and DoS is concerned there can not be any doubt about the reporting line and controlling interest of AGNA for USG contracts that are held by this entity. Until AG as a whole get their heads around this issue it will continue to be a mine field.” By email dated December 31, 2007, Mr. Powis curtly refused to consider Mr. Gordon’s proposal, stating it would “not be workable or acceptable.”

AGNA’s Purchase of Counterfeit Goods with U.S. Funds and Defendants’  
Concealment of Their Failure to Remove the Culpable Party from the Contract

110. In order to perform its responsibilities under the Kabul Embassy Contract, AGNA had to purchase suitable cold weather gear for its guard force. By email dated January 10, 2008, Mr. Lemon, the Deputy Program Manager in Kabul, informed Mr. Gordon that the cold weather clothing that Mr. Du Plessis had purchased under AGNA’s contract with DoS was possibly counterfeit. Mr. Lemon reported that the goods received were “knock offs,” were “of inferior quality” and were “insufficient for winter wear in Afghanistan.” Mr. Gordon relayed these developments to Mr. Hoffman and in a meeting with Contracting Officer James Rogers, Messrs. Hoffman and Gordon informed DoS that they were conducting an investigation into the procurement procedures followed in sourcing the items. Mr. Rogers noted that under the

contract these counterfeit items would eventually revert to government ownership, to the detriment of the legitimate U. S. suppliers of the brands, and directed AGNA to conduct a full investigation.

111. Mr. Gordon's inquiries revealed that Mr. Du Plessis had authorized placement of the order of counterfeit cold weather clothing and boots by the Logistics Manager, Sean Garcia, who had ordered the goods through his wife's company, Trends General Trading and Marketing, LLC. Mr. Gordon consulted with North Face and Altama Boots, the companies whose goods had supposedly been purchased, and both companies confirmed that the items were counterfeit. Mr. Gordon ordered a formal investigation to be conducted by Cornelius Medley, then the Guard Force Commander and fill-in Deputy Program Manager in Kabul, and instructed Mr. Medley to assume all of Mr. Garcia's duties immediately.

112. By email dated January 24, 2008, Mr. Rogers directed that Logistics Manager Sean Garcia "is no longer to be employed under this contract." Mr. Gordon immediately sent Mr. Du Plessis and Mr. Medley an email, stating that the issue of the counterfeit goods "has the highest level of attention at Department of State" and directing that "As of receipt of this email, Sean Garcia will hand over control of all logistics management to Cornelius Medley." He provided DoS Contracting Officer Rogers and DoS Program Officer Ms. McMichael, with a copy of that instruction.

113. After representing to the DoS that Mr. Garcia had been relieved of his duties and receiving Mr. DuPlessis' representation that "he had instructed Sean accordingly," Mr. Gordon learned that Mr. Garcia in fact continued to perform tasks under the U. S. Embassy contract, including the oversight of weapons and ammunition, in violation of Mr. Gordon's orders and those of the DoS. Mr. Gordon immediately reported this to Mr. Hoffman and objected to the fact

that AGNA had misled the DoS by assuring DoS that Mr. Garcia was being stripped of his duties and removed from the contract. Mr. Gordon further objected that this same sort of double-dealing and dishonesty had previously resulted in the Contracting Officer issuing a Cure Notice to AGNA before Mr. Gordon had become Director of Operations.

Defendants' Concealment of Information from Congressional Committees  
Regarding Human Trafficking Activity by AGNA Personnel

114. By letter dated December 13, 2007, Congressman Henry A. Waxman, then Chairman of the Committee on Oversight and Government Reform, sent a letter to AGI requesting information about ArmorGroup's security services in Iraq and Afghanistan from January 1, 2003 to the present, as part of the Oversight Committee's ongoing investigation into the role of private military contractors in Iraq and Afghanistan. Congressman Waxman requested *inter alia*: "all incident reports, investigative reports, correspondence and other documents relating to . . . (b) all incidents involving improper or unprofessional behavior by company personnel, including all incidents resulting in termination or other disciplinary action against security contractor personnel . . . (c) all incidents that could reflect negatively on the company or its clients, including all incidents that led to complaints or allegations of misconduct by company personnel." Along with the requested documents, AGI was to provide "a written certification by an authorized company official that ArmorGroup has provided all [responsive] information and documents." Furthermore, ArmorGroup, and by extension its successor in interest WSI, were under a continuing duty to produce immediately "any newly discovered document."

115. In or around January 3, 2008, Mr. Gordon learned that an AGNA trainee who had previously worked under Mr. Du Plessis' supervision for another security contractor in Kabul had bragged to other employees in training that his primary reason for returning to Kabul was to

take advantage of the human trafficking activities there. This trainee boasted that his friend in Kabul owned a brothel and six Asian women, that he (the trainee) was considering purchasing a woman for \$20,000, and that he could start making a profit on this purchase after a month. Another trainee who was privy to this conversation reported it to AGNA officials. Mr. Gordon obtained a statement from the witness and reported the incident to Heidi McMichael, a DoS official, and to AGNA senior management, including Defendants Schmitt and Hoffman. In discussions with Defendants Schmitt and Hoffman, Mr. Gordon insisted that AGNA needed to take decisive action to investigate and repudiate these activities.

116. In mid-to-late January 2008, AGNA formulated a response to Congress' document demand that deliberately omitted inclusion of any documents relating to the allegations that AGNA's Program Manager, Armorer and Medic frequented brothels, the subsequent investigation of and disciplinary action taken against Mr. Du Plessis, the outbreak of STDs among the workforce, or the incident involving the trainee, described above. Upon information and belief, AGNA also omitted information on the purchase of counterfeit goods by the AGNA Logistic Manager from his wife's company.

117. Mr. Gordon discussed the submission with AGNA Senior Vice President James Schmitt, who had assumed responsibility for preparing the report to Congressman Waxman. During this discussion, it became clear to Mr. Gordon that Defendants were concealing information from Congress. In response to Mr. Gordon's strong objections, Mr. Schmitt responded that AGNA decided that those items "were best left out of the report," as it would "not look good for the company." Mr. Gordon also raised the issue with Mr. Hoffman, who responded that these incidents would not be helpful to AGNA and should not be disclosed.

118. On February 27, 2008, Defendant Schmitt provided false testimony to Congress about AGNA's business practices during his appearance before the United States Senate Committee on Homeland Security and Governmental Affairs. Mr. Schmitt stated, "In the case of ArmorGroup, we have long established formal corporate programs to ensure that company employees act at all time within the relevant international and local legal and humanitarian frameworks including an employee Code of Conduct, a stringent ethics policy, and an ethics review board." Mr. Schmitt failed to disclose the illegalities of U.S. and international law that plagued the Kabul contract, and made no mention of AGNA personnel's patronage of brothels with trafficked women. He also did not mention that, when these illegalities came to light, AGNA failed to abide by any such ethics policy or bring such issues to an ethics review board.

119. Mr. Schmitt further falsely testified, "We ensure our employees are trained and certified on the tenets of international humanitarian law as well as the local laws of the countries in which they operate." He did not mention that AGNA had deliberately violated Afghan law by failing to register its armaments. He further gave examples of corporate ethics programs, such as providing "protective services only using defensive measures (effective security management, armored vehicles, body armor and low caliber firearms)" and "Full adherence to and mandatory induction and continuation training on U.S. and host nation local laws and international human rights and humanitarian law," fully knowing that AGNA had been woefully deficient in providing armored vehicles, legally procured weapons, and other items necessary for effective security management and with the knowledge that AGNA employees had violated local, U.S., and international laws with impunity.

120. Indeed, in the days leading up to Mr. Schmitt's Congressional appearance, an AGNA recruiter, Towanda Lyon, informed Mr. Schmitt that she had been contacted by a reporter

from Afghanistan who asked her questions about whether AGNA's Program Manager and AGNA personnel frequented brothels, whether AGNA's Logistics Manager had ordered counterfeit goods from his wife's company, and whether AGNA used smuggled weapons. Mr. Schmitt appeared unconcerned and told her, "It is nothing" and further still that AGNA employees "were all adults" by way of explanation that their patronage of brothels was understandable.

After Removing Mr. Gordon from His Job, Defendants Continued Engaging in Misconduct and Concealing it from the Government

121. Because of Mr. Gordon's persistent objections to Defendants' misconduct, Defendants replaced him with Cornelius Medley, a manager who would go along with Defendants' misconduct and their efforts to mislead DoS about AGNA's lack of compliance. Upon information and belief, since the removal of Mr. Gordon as Director of Operations, Defendants have continued to violate terms and conditions of the Kabul Embassy contract and their statutory obligations by failing to ensure that employees are properly recruited, vetted, trained, and supervised; failing to ensure the availability of a sufficient number of personnel to provide backups and reinforcements in the event of a crisis, or to fill in for other employees who are not available for duty; failing to prevent employees from violating TVPA and Afghan law, engaging in sexual misconduct, or engaging in other unprofessional and potentially embarrassing behavior; and failing to properly investigate complaints of misconduct. Furthermore, since removing Mr. Gordon from his position as Director of Operations, the Defendants have routinely withheld information from the DoS Contracting Officer and other responsible government officials, falsely blamed Mr. Gordon for any problems that occurred on the contract, and made serious misrepresentations to DoS about AGNA's compliance with the Kabul Embassy Contract.

122. In or around early March 2008, for example, Defendants Hoffman and Medley instructed Ms. Power to lie to the DoS regarding Mr. Garcia's continued employment with AGNA. They instructed Ms. Power to represent to the DoS that AGNA had terminated Mr. Garcia from the contract when, in fact, he was still working under the Kabul contract and assisting AGNA in conducting contractually required inventories of its ammunition for its reports to DoS.

123. In fact, after Defendant Medley assumed responsibility for the Kabul Embassy contact, the ammunition inventory count revealed a shortfall of tens of thousands of rounds of ammunition. Mr. Medley directed AGNA employee Misty Maldonado, who was responsible for preparing the inventory report for DoS, to alter the report to remove any reference to the missing ammunition or the disappearance of the inventory. Only when Deputy Director of Operations Gregory Vrentas challenged Mr. Medley's direction to provide false reports to DoS did Mr. Medley back down.

124. Upon information and belief, after Mr. Gordon's departure, AGNA again violated its ITAR license. AGNA had a valid ITAR license which listed David Smallwood as the ITAR-approved trainer. Mr. Du Plessis dismissed Mr. Smallwood; however, AGNA did not obtain a modified ITAR license, as required by law. Consequently, it was conducting training in Afghanistan without a valid ITAR license.

Mr. Gordon's Efforts to Secure G4S' Compliance with its Contractual Obligations

125. After Mr. Gordon's departure from AGNA, he continued to hear reports about violations of the Kabul contract even after G4S acquired AGI and AGNA. As such, Mr. Gordon felt that Wackenhut, the U.S. subsidiary of G4S that took over the contract, should be fully apprised of the problems that plagued the contract so as to remedy the situation and provide

adequate security to the U.S. Embassy. By email dated June 19, 2008, Mr. Gordon wrote to Sam Brinkley, the Vice President of Defendant WSI, regarding its acquisition of AGNA and his ongoing concerns about AGNA's failure to comply with its contract with DoS. He reported, "I was forced to resign from AGNA when I was marginalized by my superiors after refusing to go along with the way that the USE Kabul Guard Force contract was being mismanaged and my steadfast refusal to allow illegal and immoral activities to go on in my area of responsibility." He asked to meet with Mr. Brinkley to detail the issues he had encountered during his time as the Director of Operations.

126. On July 15, 2008, Mr. Gordon met with Mr. Brinkley. He detailed the illegalities, material contract violations, and deliberate misrepresentations to the DoS that he witnessed during his time as the Director of Operations of AGNA. Specifically, Mr. Gordon told Mr. Brinkley about violations of the TVPA and the purchase of counterfeit equipment, both of which Mr. Du Plessis had been involved in and sanctioned. He also informed Mr. Brinkley that Messrs. Schmitt and Hoffman had deliberately withheld information about these issues from Congressman Waxman. Mr. Brinkley said he had never heard of these issues and stated that his goal was to bring the contract into compliance and clean up all of the illegalities. Mr. Gordon told Mr. Brinkley that Mr. Du Plessis was not qualified to be the Program Manager given that he lacked U.S. citizenship and a top security clearance. Mr. Brinkley acknowledged that Mr. Du Plessis was not qualified to hold the position and stated that he intended to remove Mr. Du Plessis. Yet, Mr. Du Plessis remained in his position as the Program Manager until October 2008, when he resigned of his own accord. Even though Defendant WSI was aware of the issues Mr. Gordon raised to Mr. Brinkley in July 2008, including AGNA's deliberate withholding of information from Congressman Waxman, it failed to act to address or correct them. On the

contrary, on information and belief, under WSI's leadership, Defendants have continued to violate terms and conditions of the Kabul Embassy Contract and their statutory obligations by failing to ensure that employees are properly recruited, vetted, trained, and supervised; failing to ensure the availability of a sufficient number of personnel to provide backups and reinforcements in the event of a crisis, or to fill in for other employees who are not available for duty; failing to prevent employees from violating TVPA and Afghan law, engaging in sexual misconduct, or engaging in other unprofessional and potentially embarrassing behavior; and failing to properly investigate complaints of misconduct. Moreover, upon information and belief, even after Defendants' principals have received credible evidence of serious misconduct, Defendants have failed to self-report the misconduct to responsible government officials.

**COUNT I: Knowingly Presenting False Claims: NSA Bahrain Contract - FOCI**  
(31 U.S.C. § 3729(a)(1) (2008), § 3729(a)(1)(A) (2009))

127. Plaintiff re-alleges and incorporates the allegations contained in paragraphs 1 through 19, and 22 through 34, as if fully set forth herein. This Count is a civil action against all Defendants for violating 31 U.S.C. § 3729(a)(1) (2008) or, alternatively, 31 U.S.C. § 3729(a)(1)(A) (2009) to the extent that this provision may apply to conduct that preceded its enactment on May 20, 2009.

128. In performing the NSA Bahrain Contract, Defendants knowingly disregarded the applicable laws, rules, regulations, and contractual provisions concerning FOCI, which were conditions of payment under the contract.

129. Defendants knowingly presented, or caused to be presented, false claims for payment to officers or employees of the United States Navy.

130. Because of the Defendants' conduct under this Count, the United States suffered actual damages of at least \$24.9 million.

**COUNT II: False Statements or Records: NSA Bahrain Contract – FOCI**  
(31 U.S.C. § 3729(a)(2) (2008), § 3729(a)(1)(B) (2009)

131. Plaintiff re-alleges and incorporates the allegations contained in paragraphs 1 through 19, and 22 through 34, as if fully set forth herein. This Count is a civil action against all Defendants for violating 31 U.S.C. § 3729(a)(2)(2008) or, alternatively, 31 U.S.C. § 3729(a)(1)(B)(2009) to the extent that this provision may apply to conduct that preceded its enactment on May 20, 2009.

132. In connection with the NSA Bahrain Contract, Defendants knowingly made or used, and caused to be made or used, false statements for the purpose of getting false or fraudulent claims paid or approved by the Government. Defendants made or used these false statements, or caused them to be made or used, with the specific intent to get paid by the United States Navy.

133. Because of the Defendants' conduct under this Count, the United States suffered actual damages of at least \$24.9 million.

**COUNT III: Conspiracy to Defraud the Government: NSA Bahrain Contract – FOCI**  
(31 U.S.C. § 3729(a)(3) (2008), § 3729(a)(1)(C) (2009)

134. Plaintiff re-alleges and incorporates the allegations contained in paragraphs 1 through 19, and 22 through 34, as if fully set forth herein. This Count is a civil action against all Defendants for violating 31 U.S.C. § 3729(a)(3)(2008) or, alternatively, 31 U.S.C. § 3729(a)(1)(C)(2009) to the extent that this provision may apply to conduct that preceded its enactment on May 20, 2009.

135. In connection with the NSA Bahrain Contract, Defendants conspired with each other and/or others to defraud the United States Navy by getting false or fraudulent claims allowed or paid.

136. Because of the Defendants' conduct under this Count, the United States suffered actual damages of at least \$24.9 million.

**COUNT IV: Knowingly Presenting False Claims: Kabul Embassy Contract – FOCI**  
(31 U.S.C. § 3729(a)(1) (2008), § 3729(a)(A) (2009)

137. Plaintiff re-alleges and incorporates the allegations contained in paragraphs 1 through 19, and 35 through 126, as if fully set forth herein. This Count is a civil action against all Defendants for violating 31 U.S.C. § 3729(a)(1)(2008) or, alternatively, 31 U.S.C. § 3729(a)(1)(A)(2009) to the extent that this provision may apply to conduct that preceded its enactment on May 20, 2009.

138. In performing the Kabul Embassy Contract, Defendants knowingly disregarded the applicable laws, rules, regulations, and contractual provisions concerning FOCI, which were conditions of payment under the contract.

139. Defendants knowingly presented, or caused to be presented, false claims for payment to officers or employees of the United States Department of State.

140. Because of the Defendants' conduct under this Count, the United States suffered actual damages of at least \$30 million.

**COUNT V: False Statements or Records: Kabul Embassy Contract – FOCI**  
(31 U.S.C. § 3729(a)(2) (2008), § 3729(a)(1)(B) (2009)

141. Plaintiff re-alleges and incorporates the allegations contained in paragraphs 1 through 19, and 35 through 126, as if fully set forth herein. This Count is a civil action against all Defendants for violating 31 U.S.C. § 3729(a)(2)(2008) or, alternatively, 31 U.S.C. § 3729(a)(1)(B)(2009) to the extent that this provision may apply to conduct that preceded its enactment on May 20, 2009.

142. In connection with the Kabul Embassy Contract, Defendants knowingly made or used, and caused to be made or used, false statements for the purpose of getting false or fraudulent claims paid or approved by the Government. Defendants made or used these false statements, or caused them to be made or used, with the specific intent to get paid by the United States Department of State.

143. Because of the Defendants' conduct under this Count, the United States suffered actual damages of at least \$30 million.

**COUNT VI: Conspiracy to Defraud the Government: Kabul Embassy Contract – FOCI**  
(31 U.S.C. § 3729(a)(3) (2008), § 3729(a)(1)(C) (2009)

144. Plaintiff re-alleges and incorporates the allegations contained in paragraphs 1 through 19, and 35 through 126, as if fully set forth herein. This Count is a civil action against all Defendants for violating 31 U.S.C. § 3729(a)(3)(2008) or, alternatively, 31 U.S.C. § 3729(a)(1)(C)(2009) to the extent that this provision may apply to conduct that preceded its enactment on May 20, 2009.

145. In connection with the Kabul Embassy Contract, Defendants conspired with each other and/or others to defraud the United States Department of State by getting false or fraudulent claims allowed or paid.

146. Because of the Defendants' conduct under this Count, the United States suffered actual damages of at least \$30 million.

**COUNT VII: Knowingly Presenting False Claims: Kabul Embassy Contract –  
Other Misconduct Not Related to FOCI**  
(31 U.S.C. § 3729(a)(1) (2008), § 3729(a)(A) (2009)

147. Plaintiff re-alleges and incorporates the allegations contained in paragraphs 1 through 21, 35 through 62, 74 through 99, and 110 through 126, as if fully set forth herein. This Count is a civil action against all Defendants for violating 31 U.S.C. § 3729(a)(1)(2008) or, alternatively, 31 U.S.C. § 3729(a)(1)(A)(2009) to the extent that this provision may apply to conduct that preceded its enactment on May 20, 2009.

148. In performing the Kabul Embassy Contract, Defendants knowingly engaged in misconduct including, but not limited to, the following: (a) failing to properly import and register munitions (paragraphs 43-48, 124); (b) continuing to make misrepresentations about Defendants' facilities at Camp Anjuman (paragraphs 49-50); (c) failing to properly recruit, vet, train, or staff the Embassy guard force (paragraphs 51-57); (d) failing to renew AGNA's licence pursuant to the International Traffic in Arms Regulations (paragraphs 58-62); (e) violating the Trafficking Victims Protection Act, and concealing these violations (paragraphs 74-88, 114-120); (f) requesting the release of withheld funds on the grounds that such funds would be used to purchase armored vehicles and to pay AGNA's outstanding obligations, although that was not Defendants' true intention (paragraphs 89-99); (g) knowingly purchasing counterfeit goods, failing to remove Sean Garcia from performing duties under the contract, and concealing his continued participation in the contract (paragraphs 110-113, 122); and (h) failing to account for weapons, parts and ammunitions, and the concealment and attempted concealment of inventory shortfalls from the Department of State (paragraph 123). This misconduct, if known to the Department of State, would have resulted in the disallowance or denial of some or all of the claims submitted under the contract.

149. Upon information and belief, Defendants are continuing to engage in material violations of the terms of the Kabul Embassy Contract, and their statutory obligations, by failing to ensure that employees are properly recruited, vetted, trained, and supervised; failing to ensure the availability of a sufficient number of personnel to provide backups and reinforcements in the event of a crisis, or to fill in for other employees who are not available for duty; failing to prevent employees from violating TVPA and Afghan law, engaging in sexual misconduct, or engaging in other unprofessional and potentially embarrassing behavior; and failing to properly investigate complaints of misconduct. Moreover, upon information and belief, even after Defendants' principals have received credible evidence of serious misconduct, Defendants have failed to self-report the misconduct to responsible government officials.

150. Defendants knowingly presented, or caused to be presented, false claims for payment to officers or employees of the United States Department of State.

151. Because of the Defendants' conduct under this Count, the United States suffered actual damages of at least \$30 million.

**COUNT VIII: False Statements or Records: Kabul Embassy Contract –  
Other Misconduct Not Related to FOCI**

(31 U.S.C. § 3729(a)(2) (2008), § 3729(a)(1)(B) (2009)

152. Plaintiff re-alleges and incorporates the allegations contained in paragraphs 1 through 21, 35 through 62, 74 through 99, and 110 through 126, as if fully set forth herein. This Count is a civil action against all Defendants for violating 31 U.S.C. § 3729(a)(2)(2008) or, alternatively, 31 U.S.C. § 3729(a)(1)(B)(2009) to the extent that this provision may apply to conduct that preceded its enactment on May 20, 2009.

153. In connection with the Kabul Embassy Contract, Defendants knowingly made or used, and caused to be made or used, false statements for the purpose of getting false or

fraudulent claims paid or approved by the Government. These false statements included, but were not limited to, statements involving the following: (a) failing to properly import and register munitions (paragraphs 43-48, 124); (b) continuing to make misrepresentations about Defendants' facilities at Camp Anjuman (paragraphs 49-50); (c) failing to properly recruit, vet, train, or staff the Embassy guard force (paragraphs 51-57); (d) failing to renew AGNA's licence pursuant to the International Traffic in Arms Regulations (paragraphs 58-62); (e) violating the Trafficking Victims Protection Act, and concealing these violations (paragraphs 74-88, 114-120); (f) requesting the release of withheld funds on the grounds that such funds would be used to purchase armored vehicles and to pay AGNA's outstanding obligations, although that was not Defendants' true intention (paragraphs 89-99); (g) knowingly purchasing counterfeit goods, failing to remove Sean Garcia from performing duties under the contract, and concealing his continued participation in the contract (paragraphs 110-113, 122); and (h) failing to account for weapons, parts and ammunitions, and the concealment and attempted concealment of inventory shortfalls from the Department of State (paragraph 123). Defendants made or used these false statements, or caused them to be made or used, with the specific intent to get paid by the Department of State.

154. Upon information and belief, Defendants continue to knowingly make or use, or cause to be made or used, statements concerning their continuing breaches of the terms of the Kabul Embassy Contract by failing to ensure that employees are properly recruited, vetted, trained, and supervised; failing to ensure the availability of a sufficient number of personnel to provide backups and reinforcements in the event of a crisis, or to fill in for other employees who are not available for duty; failing to prevent employees from violating TVPA and Afghan law, engaging in sexual misconduct, or engaging in other unprofessional and potentially embarrassing

behavior; and failing to properly investigate complaints of misconduct. Upon information and belief, Defendants are continuing to make or use these false statements, or cause them to be made or used, with the specific intent to get paid by the Department of State.

155. Because of the Defendants' conduct under this Count, the United States has suffered actual damages of at least \$30 million.

**COUNT IX: Conspiracy to Defraud the Government: Kabul Embassy Contract –  
Other Misconduct Not Related to FOCI**  
(31 U.S.C. § 3729(a)(3) (2008), § 3729(a)(1)(C) (2009)

156. Plaintiff re-alleges and incorporates the allegations contained in paragraphs 1 through 21, 35 through 62, 74 through 99, and 110 through 126, as if fully set forth herein. This Count is a civil action against all Defendants for violating 31 U.S.C. § 3729(a)(3)(2008) or, alternatively, 31 U.S.C. § 3729(a)(1)(C)(2009) to the extent that this provision may apply to conduct that preceded its enactment on May 20, 2009.

157. In connection with the Kabul Embassy Contract, Defendants conspired with each other and/or others to defraud the Government by getting false or fraudulent claims allowed or paid. Defendants entered into unlawful agreements with each other and/or others, with the specific intent to cause the Department of State to pay false claims, with respect to the following: (a) failing to properly import and register munitions (paragraphs 43-48, 124); (b) continuing to make misrepresentations about Defendants' facilities at Camp Anjuman (paragraphs 49-50); (c) failing to properly recruit, vet, train, or staff the Embassy guard force (paragraphs 51-57); (d) failing to renew AGNA's licence pursuant to the International Traffic in Arms Regulations (paragraphs 58-62); (e) violating the Trafficking Victims Protection Act, and concealing these violations (paragraphs 74-88, 114-120); (f) requesting the release of withheld funds on the grounds that such funds would be used to purchase armored vehicles and to pay AGNA's

outstanding obligations, although that was not Defendants' true intention (paragraphs 89-99); (g) knowingly purchasing counterfeit goods, failing to remove Sean Garcia from performing duties under the contract, and concealing his continued participation in the contract (paragraphs 110-113, 122); and (h) failing to account for weapons, parts and ammunitions, and the concealment and attempted concealment of inventory shortfalls from the Department of State (paragraph 123).

158. Upon information and belief, Defendants continue to conspire with each other and/or others to defraud the Government by getting false or fraudulent claims allowed or paid with respect to their continuing failure: to ensure that employees are properly recruited, vetted, trained, and supervised; to ensure the availability of a sufficient number of personnel to provide backups and reinforcements in the event of a crisis, or to fill in for other employees who are not available for duty; to prevent employees from violating TVPA and Afghan law, engaging in sexual misconduct, or engaging in other unprofessional and potentially embarrassing behavior; to properly investigate complaints of misconduct; and to self-report these matters to responsible government officials. Upon information and belief, Defendants are engaging in this continuing conspiracy with the specific intent to get paid by the Department of State.

159. Because of the Defendants' conduct under this Count, the United States suffered actual damages of at least \$30 million.

#### **PRAYER FOR RELIEF**

Plaintiff demands judgment against the Defendants and each of them as follows:

a. That by reason of the violations of the False Claims Act, this Court enter judgment in favor of the United States and against each Defendant, jointly and severally, in an amount equal to three times the amount of damages the United States Government has sustained because

of Defendants' actions, plus a civil penalty of not less than Five Thousand Five Hundred Dollars (\$5,500.00) and not more than Eleven Thousand Dollars (\$11,000.00) for each violation of 31 U.S.C. § 3729;

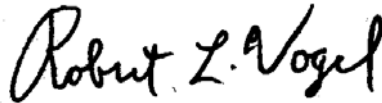
b. That the Relator, as a *qui tam* Plaintiff, be awarded the maximum amount allowed pursuant to Section 3730(d) of the False Claims Act and/or any other applicable provision of law;

c. That the Relator be awarded all costs of this action, including attorney's fees and court costs; and

d. That Plaintiff have such other relief as the Court deems just and proper.

**JURY TRIAL DEMANDED**

Plaintiff demands that this matter be tried before a jury.



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Dated: August 17, 2009