



*United States Attorney  
Southern District of New York*

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CONTACT: U.S. ATTORNEY'S OFFICE  
YUSILL SCRIBNER,  
EDELI RIVERA,  
JESSIE ERWIN  
PUBLIC INFORMATION OFFICE  
(212) 637-2600

**MANHATTAN U.S. ATTORNEY RECOVERS \$30 MILLION  
TO RESOLVE CIVIL FRAUD LAWSUIT AGAINST  
LEADING FOOD DISTRIBUTOR**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced today the filing and simultaneous settlement of a civil fraud lawsuit against U.S. Foodservice, Inc. ("USF"), a major food supplier to the U.S. Department of Defense and the Department of Veterans Affairs. Pursuant to the settlement, which was approved today by U.S. District Judge JOHN F. KEENAN, USF agreed to pay \$30 million to the United States to resolve fraud charges that USF used shell companies to fraudulently overcharge the Department of Defense and the Department of Veterans Affairs for food products that USF supplied under contracts with the United States, including contracts to supply food for American service men and women serving at military bases in the United States.

According to allegations in the Complaint filed in Manhattan federal court:

From at least 2000 until 2005, USF fraudulently inflated the prices it charged the United States under its cost-based contracts to supply agencies of the United States with food products. Under its contracts with the United States, USF was allowed to charge only the price it paid for acquiring each product the Government ordered plus a contractually pre-determined add-on fee. Instead of charging the Government the actual cost and add-on fee contractually agreed-upon, USF charged the Government a falsely-inflated price.

USF perpetrated this scheme by creating shell companies which were known within USF as "third party billing entities" and later as "Value Added Service Providers" or "VASPs." USF directed the VASPs to purchase goods from specified vendors at pre-negotiated prices. USF then instructed the VASPs to "resell" the same goods to USF. At the direction of USF, the VASPs

created invoices reflecting that the price "charged" to USF was the resale price, rather than the actual amount that the VASPs paid to the vendors. USF billed the United States the higher amount shown on the VASP invoice. The VASP invoice, though, was not USF's actual cost of acquiring the food products; rather, after USF "paid" the VASPs for the food products, the VASPs passed back to USF the entire difference between the actual cost of the food products and the inflated amount charged to the Government, less a small transaction fee.

As a result of the scheme, USF received millions of dollars from the United States to which it was not entitled.

In the Complaint, the United States charges USF with violations of the False Claims Act, common law fraud, unjust enrichment, and other claims.

Manhattan U.S. Attorney PREET BHARARA stated: "Skimming money off the top of valuable government contracts cheats all of us. Today's \$30 million recovery represents a substantial accomplishment for this Office's Civil Frauds Unit and a significant return for taxpayers. It also sends the clear message that we will hold accountable entities that engage in fraudulent business practices with the United States."

The case is being handled by the Office's Civil Frauds Unit. Assistant U.S. Attorneys MARA E. TRAGER, JEFFREY S. OESTERICHER and JOSEPH N. CORDARO are in charge of the case.

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