

UNITED STATES DISTRICT COURT
DISTRICT OF KANSAS
(KANSAS CITY DOCKET)

FILED
U.S. DISTRICT COURT
DISTRICT OF KANSAS
2009 JUL 17 PM 1:54
TERRY J. BAKER
CLERK

UNITED STATES OF AMERICA)
)
 v.)
)
 PATRIOT SERVICES, INC. and)
 STEPHANIE D. BLACKMON,)
)
 Defendants.)

BY: _____ DEPUTY
ATTORNEY GENERAL
Criminal No.: 09-20100 - KHV - JPO
Violation: 15 U.S.C. § 645(a)
Filed:

INFORMATION

The United States of America charges PATRIOT SERVICES, INC. ("PATRIOT") and
STEPHANIE D. BLACKMON ("BLACKMON") with:

**MAKING A FALSE STATEMENT TO THE UNITED
STATES SMALL BUSINESS ADMINISTRATION
IN VIOLATION OF 15 U.S.C. § 645(a)**

I. INTRODUCTION

A. Relevant Parties

1. Defendant PATRIOT is a corporation organized and existing under the laws of Georgia with its principal place of business in Griffin, Georgia. Between November 2003 and April 2007 (the "relevant period"), Defendant PATRIOT was engaged in the business of providing temporary staffing services to various agencies and departments of the United States Government at various locations throughout the United States.

2. During the relevant period, Defendant BLACKMON, a service-disabled, African-American female, was the owner and nominal President of Defendant PATRIOT. Beginning in or about January 2000 and continuing through approximately April 2007, Defendant BLACKMON also was an employee of Company A.

3. During the relevant period, Company A was a Georgia corporation engaged in the business of providing temporary staffing services to various agencies and departments of the United States Government, including United States Department of Veterans Affairs (“VA”) and United States Department of Defense facilities, at various locations throughout the United States. During the relevant period, Company A’s annual revenues exceeded the Small Business Administration’s (“SBA”) limit for companies to qualify for contracts set aside for small businesses and, therefore, Company A was ineligible for such contracts. Similarly, Company A was not qualified as a socially and economically disadvantaged company under Section 8(a) of the Small Business Act (“8(a)”), nor could it have qualified as an 8(a) company, because it was not owned and operated by a socially and economically disadvantaged individual. On or about June 4, 2005, Company A was acquired by another company. All references to Company A in this Information on or after June 4, 2005, shall mean Company A as a subsidiary of that parent company.

4. Beginning in or about 1997 and continuing until on or about June 4, 2005, the exact dates being unknown to the United States, Individual A, a Caucasian male, was co-owner and President of Company A. Individual A sold his interest in Company A on or about June 4, 2005, but remained President of Company A until approximately June 2006. As President of Company A, Individual A was Defendant’s employer from at least as early as January 2000, when Defendant BLACKMON began working at Company A, until approximately June 2006, when Individual A left Company A. Beginning at least as early as June 2006 and continuing until in or about April 2007, the exact dates being unknown to the United States, Individual A held himself out as the Vice President of Defendant PATRIOT.

5. Beginning at least as early as January 2000 and continuing until at least December 2005, the exact dates being unknown to the United States, Individual B, a Caucasian male, was co-owner and Vice President of Company A and, as such, also was Defendant BLACKMON's employer during that time. Beginning in or about November 2003 and continuing until in or about December 2005, Individual B also was involved in the operation of Defendant PATRIOT's business.

6. During the relevant period and continuing until November 2006, the exact dates being unknown to the United States, Individual C, a Caucasian female, served as Director of Human Resources for Company A. Individual C also was Marketing Director for Company A. Beginning at least as early as November 2005 and continuing until in or about April 2007, the exact dates being unknown to the United States, Individual C was involved in the operation of Defendant PATRIOT's business.

7. Whenever in this Information reference is made to any act, deed, or transaction of any corporation, such allegation shall be deemed to mean that the corporation engaged in such act, deed, or transaction by or through its officers, directors, agents, employees, or representatives while they were actively engaged in the management, direction, control, or transaction of its business or affairs.

B. The SBA and 8(a) Certification

8. The SBA is an agency of the United States Government responsible for aiding, counseling, assisting, and protecting the interests of small business concerns. The purpose of the Small Business Act is to promote the business development of small business concerns owned and controlled by socially and economically disadvantaged individuals so that such concerns can compete on an equal basis in the American economy.

9. The SBA is responsible for, among other things, reviewing and approving or denying

applications received from individuals seeking to have companies certified under Section 8(a) of the Small Business Act. Obtaining 8(a) certification from the SBA is necessary for a company to be eligible to bid on and receive federal government contracts that have been set aside for 8(a) certified companies. Defendant BLACKMON sought 8(a) status for Defendant PATRIOT.

10. In reviewing applications for 8(a) certification, the SBA considers numerous factors including, but not limited to, affiliation.

- a. Affiliation issues arise where there are concerns that a company which is ineligible for 8(a) status controls or has the power to control the 8(a) applicant company, regardless of whether that control is exercised. The SBA considers factors such as management of the 8(a) applicant and the 8(a) applicant's previous relationships with, or ties to, another concern to determine whether affiliation exists. SBA regulations prohibit a former employer or a principal of a former employer of any disadvantaged owner of an 8(a) applicant company from being involved in the management of the 8(a) applicant company unless the Director, Office of Business Development of the SBA, determines that the relationship between the former employer or principal and the disadvantaged owner or 8(a) applicant company does not give the former employer or principal actual control of the 8(a) applicant company or the potential to control the 8(a) applicant company and such relationship is in the best interest of the 8(a) applicant company.
- b. In order to help the SBA determine whether affiliation issues existed, the SBA's 8(a) application required Defendant PATRIOT, as an 8(a) applicant, to: state whether any owner, director, officer, or management member of Defendant PATRIOT was a

former employer or principal of a former employer of Defendant BLACKMON; identify any directors, officers, management members, partners, key employees, or owners of Defendant PATRIOT; state whether Defendant PATRIOT had any existing management or consulting agreements; and state whether any individual other than Defendant BLACKMON provided financial or bonding support, office space, or equipment to Defendant PATRIOT on the 8(a) application.

11. SBA regulations require that 8(a) applicants, such as Defendant PATRIOT, inform the SBA of any changed circumstances that occur either during the 8(a) application review process and which could adversely affect the applicant's eligibility for the 8(a) program, or after admission to the 8(a) program and which would adversely affect the applicant's eligibility for the 8(a) program.

C. The United States Department of Veterans Affairs

12. The VA is an agency of the United States Government whose mission is to provide veterans of the United States with medical and other benefits they have earned through their service to the country. The Leavenworth Consolidated Mail Outpatient Pharmacy ("CMOP") is one of seven regional facilities of the VA that provide mail prescription refill services to veterans of the United States. Contracting officials at the VA often negotiate contracts on behalf of the CMOPs.

II. DESCRIPTION OF THE OFFENSE

13. In order to secure 8(a) certification from the SBA for Defendant PATRIOT, on or about February 22, 2006, Defendant BLACKMON, at the direction of Individual A, began an online 8(a) application on behalf of Defendant PATRIOT. On or about May 4, 2006, with the assistance of Individual A, Individual C, and others, Defendant BLACKMON completed Defendant PATRIOT's initial online 8(a) application and submitted it to the SBA. On various dates and at various times

after May 4, 2006, and before August 10, 2006, Defendant BLACKMON supplemented Defendant PATRIOT's 8(a) application by providing the SBA with additional information.

14. At the direction of Individuals A and C, Defendant BLACKMON and Defendant PATRIOT made the following representations to the SBA in Defendant PATRIOT's 8(a) application, knowing each to be false, for the purpose of influencing the action of the SBA, including having the SBA certify Defendant PATRIOT as an 8(a) business and having the SBA authorize the VA to negotiate multi-million dollar 8(a) set-aside contracts for the VA's Leavenworth CMOP with Defendant PATRIOT:

- a. Defendant BLACKMON and Defendant PATRIOT represented that no owner, director, officer, or management member of Defendant PATRIOT was a former employer or principal of a former employer of Defendant BLACKMON, when in truth and in fact, as the Defendants then and there well knew, Individual A, a former employer of Defendant BLACKMON, was an officer and management member of Defendant PATRIOT;
- b. Defendant BLACKMON and Defendant PATRIOT represented that Defendant PATRIOT had no director, officer, management member, partner, key employee, or owner other than Defendant BLACKMON, when in truth and in fact, as the Defendants then and there well knew, Individual A was an officer and management member of Defendant PATRIOT and Individual C was a management member of PATRIOT;
- c. Defendant BLACKMON and Defendant PATRIOT represented that Defendant PATRIOT did not have any existing management or consulting agreements, when in

truth and in fact, as the Defendants then and there well knew, Defendant PATRIOT had an arrangement with Company A pursuant to which Company A performed payroll, bookkeeping, and “back office” functions for PATRIOT; and

d. Defendant BLACKMON and Defendant PATRIOT represented that no individual or entity other than Defendant BLACKMON provided financial or bonding support, office space, or equipment to Defendant PATRIOT, when in truth and in fact, and as the Defendants then and there well knew:

- (1) Defendant PATRIOT had received financial support from Individual A;
- (2) Individual A had verbally agreed to provide future financial support to meet Defendant PATRIOT’s payroll obligations under its contract with the United States Army Reserve’s 81st Regional Readiness Command;
- (3) Defendant PATRIOT had received financial support from Company A; and
- (4) Defendant PATRIOT shared office space with Company A.

15. Defendant BLACKMON and Defendant PATRIOT provided the false and misleading information described in this Information to the SBA as part of Defendant PATRIOT’s application for 8(a) certification. Defendant BLACKMON and Defendant PATRIOT understood that had the Defendants provided truthful responses to the SBA, Defendant PATRIOT’s application for 8(a) certification likely would have been rejected.

16. On or about August 10, 2006, Defendant PATRIOT’s 8(a) application was verified as complete by the SBA and accepted for review.

17. On or about November 16, 2006, in reliance on information and materials submitted by Defendant BLACKMON and Defendant PATRIOT, including Defendant BLACKMON’s and

Defendant PATRIOT's false statements set forth in Paragraph 14, the SBA awarded Defendant PATRIOT 8(a) certification.

18. Before Defendant PATRIOT could receive any 8(a) contracts, it had to have a business plan approved by the SBA. Individual C drafted Defendant PATRIOT's business plan. In order to conceal Individual A's level of involvement with Defendant PATRIOT, shortly before Defendant BLACKMON took Defendant PATRIOT's business plan with her to meet with a representative of the SBA for 8(a) program orientation, Individual C removed references in the business plan to Individual A as Vice President of Defendant PATRIOT; Individual C also instructed Defendant BLACKMON to remove Individual A's resume from Defendant PATRIOT's business plan before it was submitted to the SBA.

19. Similarly, prior to Defendant BLACKMON's orientation meeting with representatives of the SBA on or about December 6, 2006, Individual A instructed Defendant BLACKMON to "downplay" his involvement with Defendant PATRIOT's business when she met with representatives of the SBA. Defendant BLACKMON understood that Individual A wanted her to lie to the SBA about his involvement with Defendant PATRIOT because Individual A was not a socially and economically disadvantaged individual and if the SBA knew the level of his involvement with Defendant PATRIOT it could cause Defendant PATRIOT to lose its 8(a) certification.

20. On or about December 6, 2006, Defendant BLACKMON met with a representative of the SBA for 8(a) program orientation to discuss PATRIOT's participation in the 8(a) program. Defendant BLACKMON brought a copy of Defendant PATRIOT's business plan that had been drafted by Individual C with her to the meeting. During that meeting, Defendant Blackmon and

the SBA representative also discussed the Leavenworth CMOP contracts, which had been set aside for 8(a) certified companies and which Defendant PATRIOT was interested in obtaining. During that December 6, 2006 meeting with the SBA, Defendant BLACKMON did not disclose that she had procured Defendant PATRIOT's 8(a) certification by providing the SBA with false and misleading information, knowing such information to be false, for the purpose of influencing the action of the SBA, including having the SBA certify Defendant PATRIOT as an 8(a) business and having the SBA authorize the VA to negotiate multi-million dollar 8(a) set-aside contracts for the VA's Leavenworth CMOP with Defendant PATRIOT.

21. On or about December 7, 2006, Defendant BLACKMON formally submitted a copy of Defendant PATRIOT's business plan, which had been drafted by Individual C, to the SBA. Subsequently, Individual C revised PATRIOT's business plan for re-submission to the SBA and instructed Defendant BLACKMON to tell Defendant PATRIOT's SBA representative that Defendant BLACKMON had drafted it.

22. On or about December 8, 2006, in reliance on information and materials submitted by Defendant BLACKMON and Defendant PATRIOT, including Defendant BLACKMON's and Defendant PATRIOT's false statements set forth in Paragraph 14, the SBA faxed to the VA in Leavenworth, Kansas a document authorizing the VA to negotiate multi-million dollar 8(a) set-aside contracts for the VA's Leavenworth CMOP with Defendant PATRIOT.

23. On or about December 19, 2006, the VA awarded Defendant PATRIOT three 8(a) set-aside contracts to provide temporary staffing services at the Leavenworth CMOP. Those contracts, which were worth approximately \$5.4 million, were set aside for, and could only be awarded to, 8(a) certified businesses.

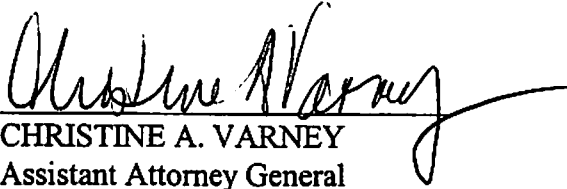
24. On or about April 11, 2007, Defendant BLACKMON met with Individual A at the Atlanta airport on the way to their meeting in Leavenworth, Kansas with representatives of the VA to discuss Defendant PATRIOT's pending contracts with the Leavenworth CMOP. En route to their meeting, Individual A again instructed Defendant BLACKMON as to what she should and should not say during their meeting with VA representatives in order to advance and conceal the false statements and misrepresentations Defendant BLACKMON and Defendant PATRIOT had made to the SBA, and so that the VA would not revoke Defendant PATRIOT's contracts for the Leavenworth CMOP because Defendant PATRIOT's 8(a) certification was based on false and misleading information. On April 11, 2007, Defendant BLACKMON and Individual A met with representatives of the VA in Leavenworth, Kansas and discussed Defendant PATRIOT's pending contracts with the Leavenworth CMOP.

25. At various other times during the relevant period, Defendant BLACKMON, Defendant PATRIOT, and Individual A communicated by telephone, electronic mail, and United States mail with representatives of the VA's Leavenworth CMOP in Leavenworth, Kansas for the purpose of advancing and concealing the false statements made by Defendant BLACKMON and Defendant PATRIOT.

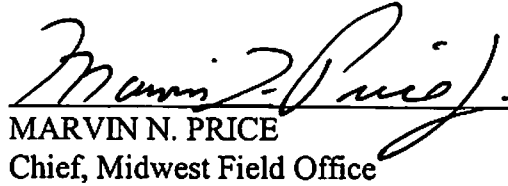
III. JURISDICTION AND VENUE

26. The false statement charged in this Count had an effect, in part, in the District of Kansas within the five years preceding the return of this Count.

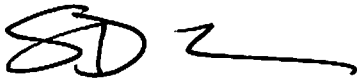
ALL IN VIOLATION OF TITLE 15, UNITED STATES CODE, SECTION 645(a).



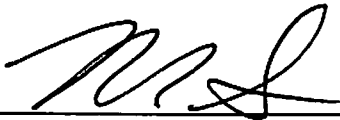
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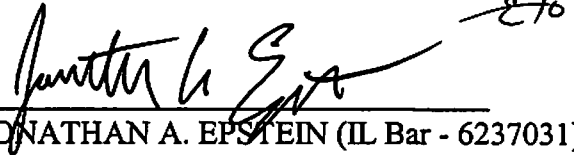
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