

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

UNITED STATES OF AMERICA)	CRIMINAL NO.
)	
v.)	VIOLATION: 18 U.S.C. § 1031(a)(1)
)	(Major Fraud against the United States)
BALFOUR BEATTY COMMUNITIES, LLC)	
)	UNDER SEAL
Defendant.)	
)	

INFORMATION

The United States of America hereby charges that:

Background

At all times material to this Information:

Relevant Individuals and Entities

1. Balfour Beatty Communities LLC (“BBC”) was a diversified real estate services company headquartered in Malvern, Pennsylvania. BBC was a division of a publicly traded multinational real estate and construction company based in the United Kingdom, for which securities were traded as American Depositary Receipts in the United States. BBC was one of the largest for-profit providers of military family housing in the United States.

BBC’s Operation of Military Housing Communities

2. Beginning in approximately 2003, the U.S. Department of Defense engaged a BBC predecessor entity to develop and manage military housing communities at 21 U.S. Air Force, 16 U.S. Army, and 18 U.S. Navy installations across the United States. BBC entered into agreements with branches of the U.S. Armed Forces to own, develop, and manage military housing communities, including at Lackland AFB, Travis AFB, Vandenberg AFB, Tinker AFB, Fairchild

AFB, Fort Stewart, and Hunter Army Airfield. These agreements were generally valued at more than \$1,000,000.

3. BBC was paid fees by the U.S. Air Force, U.S. Army, and U.S. Navy for the various phases of development and management of each housing community, from design and construction to ongoing community management and maintenance.

4. BBC's fees for the ongoing property management and maintenance of its military housing communities generally consisted of (1) a base fee, paid to BBC monthly, and (2) performance incentive fees (the "Performance Incentive Fees"), paid quarterly or semi-annually. Performance Incentive Fees were only payable upon the approval of the relevant service branch. To obtain the service branches' approval, BBC was required to satisfy certain performance objectives that were set out in the agreements that governed the military housing projects (the "Performance Objectives").

5. To obtain Performance Incentive Fees, BBC was required to submit to the service branches documentation and a statement that it had satisfied the Performance Objectives, including the objectives related to maintenance and customer satisfaction described above. These submissions were material to the decision-making of the service branches, which relied on BBC's submissions in deciding whether to approve the payment of relevant Performance Incentive Fees.

6. From in or around 2013 through in or around 2019, employees and agents of BBC, acting in the scope of their employment and at least in part for the benefit of BBC, submitted materially false and fraudulent information to the U.S. Air Force, U.S. Army, and U.S. Navy regarding maintenance requests at the military housing communities. As a result of BBC's false misrepresentations, the service branches had an inaccurate view of the state of BBC's military

housing projects. As a result, the service branches' ability to timely assess and correct BBC's true performance was negatively impacted.

COUNT ONE
Major Fraud Against the United States
(18 U.S.C. § 1031)(a)(1)

The Scheme and Artifice to Defraud

7. From in or around 2013 and continuing through in or around 2019, in the District of Columbia and elsewhere, the defendant,

BALFOUR BEATTY COMMUNITIES,

in any grant, contract, subcontract, subsidy, loan, guarantee, insurance, and other form of Federal assistance, and in any procurement of property and services as a prime contractor with the United States and as a subcontractor and supplier on a contract in which there was a prime contract with the United States, where the value of such grant, contract, subcontract, subsidy, loan, guarantee, insurance, and other form of Federal assistance, and any constituent part thereof, was \$1,000,000 or more, knowingly executed and attempted to execute a scheme and artifice with the intent to defraud the United States.

Purpose of the Scheme and Artifice

8. The purpose of the scheme and artifice was for BBC to unlawfully enrich and benefit itself by: (1) making false and fraudulent representations to obtain certain Performance Incentive Fees from the U.S. Air Force, U.S. Army, and U.S. Navy to which BBC was not entitled; and (2) concealing the scheme and artifice.

Manner and Means of the Scheme and Artifice

9. The manner and means by which BBC sought to, and did, achieve the purpose of the scheme and artifice included the following:

a. BBC employees made false representations to all three service branches that maintenance issues raised by residents were being addressed in a timely manner, when in fact many were not.

b. On multiple occasions, BBC opened work orders in response to resident complaints about acute (*e.g.*, leaks) and long-term (*e.g.*, warped floors) maintenance issues, and then closed the work orders prior to completing the required work. On such occasions, BBC falsely represented to the service branches that the work had been completed in a sufficiently timely manner to qualify for Performance Incentive Fees.

Execution of the Scheme and Artifice

10. From in or around 2013 to in or around 2019, in many quarters in which BBC did not legitimately meet certain Performance Objectives, primarily those related to maintenance and customer satisfaction, at various military housing projects, BBC employees falsified information so that BBC's Performance Incentive Fee requests falsely reflected that BBC had met those objectives. Specifically, BBC employees altered or manipulated data in property management software and destroyed or falsified resident comment cards to falsely inflate BBC's performance metrics and, ultimately, to fraudulently induce the service branches to pay Performance Incentive Fees which BBC had not earned and to which BBC was not entitled.

11. These false submissions were material, in that they influenced and were capable of influencing the decisions of the service branches.

12. In devising and executing this scheme to defraud, BBC employees acted in the scope of their agency and employment at BBC and acted at least in part to benefit BBC.

13. The scheme resulted in gross pecuniary loss to the U.S. Department of Defense of \$18,700,000. BBC's closing of work orders before the work was completed resulted in some

instances in unnecessary delays in the resolution of maintenance issues to the detriment of residents.

All in violation of Title 18, United States Code, Section 1031(a)(1).

Respectfully submitted,

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