



U.S. Department of Justice

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FOR IMMEDIATE RELEASE

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PRESS RELEASE

**DAVID H. BROOKS, FOUNDER AND FORMER CHIEF EXECUTIVE
OFFICER OF DHB INDUSTRIES, INC., AND SANDRA HATFIELD, FORMER
CHIEF OPERATING OFFICER, INDICTED FOR INSIDER TRADING,
FRAUD, OBSTRUCTION OF JUSTICE, AND TAX EVASION**

Defendants Allegedly Reaped Nearly \$200 Million Through Their Schemes

A superseding indictment was unsealed this morning in federal court charging two former officers of DHB Industries, Inc. ("DHB"), a leading supplier of body armor to the U.S. military and law enforcement agencies, with insider trading, fraud, obstruction of justice, and tax evasion.¹ The defendants are DAVID H. BROOKS, DHB's former Chief Executive Officer, and SANDRA HATFIELD, former Chief Operating Officer. HATFIELD was previously charged with securities fraud in an indictment returned in August 2006.

The charges were announced by **Benton J. Campbell**, United States Attorney for the Eastern District of New York, **Mark J. Mershon**, Assistant Director-in-Charge of the Federal Bureau of Investigation, New York Field Office, and **Patricia J. Haynes**, Special Agent-in-Charge, New York Field Office, Internal Revenue Service, Criminal Investigation.

The new indictment alleges that the defendants manipulated DHB's financial records to increase reported earnings and profit margins, thereby inflating the price of DHB's stock, of which they both had significant holdings. They also conspired to enrich themselves and their families at the expense of DHB by causing the company to pay personal expenses and millions of dollars above the defendants' authorized compensation. When DHB's stock price rose to nearly \$20 per share in late 2004, BROOKS and HATFIELD sold several million shares of their DHB stock, with BROOKS realizing more than \$185 million and HATFIELD more than \$5

¹ The charges announced today are merely allegations, and the defendants are presumed innocent unless and until proven guilty.

million. The defendants also allegedly defrauded the United States government out of millions of dollars in tax revenue by failing to report to the IRS more than \$10 million dollars in bonus payments to themselves and other DHB employees.

BROOKS' arraignment is scheduled this afternoon before United States District Judge Joanna Seybert at the U.S. Courthouse in Central Islip, New York. HATFIELD's arraignment has not yet been scheduled. BROOKS and HATFIELD resigned from DHB in July 2006 and November 2005, respectively. In July 2006, DHB relocated its headquarters from Westbury, New York, to Pompano Beach, Florida, and on October 1, 2007, DHB changed its name to Point Blank Solutions, Inc. DHB stock was traded on the American Stock Exchange until trading was suspended on May 26, 2006.

The superseding indictment details a number of alleged schemes by which the defendants enriched themselves. These alleged schemes include:

Unauthorized and Undisclosed Compensation

BROOKS and HATFIELD allegedly conspired to unlawfully enrich themselves, their family members, and BROOKS' private business interests by using DHB funds to (1) purchase or lease luxury cars for BROOKS and his family members and HATFIELD; (2) finance expenses related to BROOKS' personal horse racing business; and (3) pay personal expenses for BROOKS and his family members, including vacations, jewelry, cosmetic surgery, country club bills, and family celebrations. BROOKS also allegedly caused DHB to secretly disburse funds to himself, employees of other corporations he controlled, and to members of HATFIELD's family.

The Accounting Frauds

The superseding indictment alleges that BROOKS and HATFIELD engaged in accounting frauds designed to increase the net income and profit margins that DHB reported in its press releases and filings with the SEC by falsely inflating the value of DHB's existing inventory, adding non-existent inventory to the books and records of DHB, and fraudulently reclassifying expenses. For example, HATFIELD fraudulently boosted DHB's inventory by \$7 million in 2004, and BROOKS and HATFIELD fraudulently added more than \$7 million of non-existent inventory to DHB's books and records in the first quarter of 2005. In addition, the defendants caused the inventory of DHB's main body armor product line sold to the U.S. military, the Interceptor vest, to be overvalued by more than \$6 million in 2003 and by more than \$13 million in 2004.

Lying and Obstruction of Justice

The indictment further alleges that BROOKS attempted to cover up several of the schemes by lying to DHB's independent auditors about the inventory inflation fraud and by submitting false reports to the SEC during an investigation of DHB's executive compensation begun in March 2003.

Insider Trading

In November 2004, two days after DHB filed with the SEC and mailed to shareholders a proxy statement containing many of the fraudulent misrepresentations and omissions described above, BROOKS and HATFIELD sold more than \$72 million of their DHB stock. In December 2004, they sold approximately \$118 million of their DHB stock.

Tax Fraud

The superseding indictment alleges that BROOKS and HATFIELD participated in a conspiracy to defraud the IRS of millions of dollars in tax revenue by failing to report more than \$10 million in cash bonuses to themselves, to DHB employees, and to others, and by instructing DHB employees to conceal the bonus payments from the IRS.

“Corporate executives who line their own pockets at the expense of their shareholders flout the responsibilities they owe their companies and the investing public,” stated United States Attorney **Campbell**. “We are committed to ensuring that our markets operate fairly and honestly and will vigorously investigate and prosecute executives who fraudulently enrich themselves.” Mr. **Campbell** thanked the Defense Criminal Investigative Service for their assistance in this case.

FBI Assistant Director-in-Charge **Mershon** stated, “This case is fundamentally about greed and excess and deceit. The defendants pillaged the assets of a publicly traded company for personal luxuries, and they repeatedly lied -- to the public, to shareholders, to the SEC, and to company auditors. If they were thinking they would get away with it, they even lied to themselves.”

IRS Special Agent-in-Charge **Haynes** stated, “Tax evasion is not a victimless crime. Honest, hardworking Americans pay the price when others choose to evade their tax obligations.”

If convicted, BROOKS and HATFIELD face a maximum term of imprisonment of 25 years for securities, mail and wire fraud, insider trading, and conspiracy to commit these offenses; 25 years for insider trading; 20 years for obstruction of justice and false statements; and five years for tax fraud, evasion, and filing false returns. The defendants also face a fine equal to twice the pecuniary gain or loss resulting from their fraud schemes, and the government is seeking forfeiture of approximately \$190 million from the defendants for securities fraud violations. Earlier today the government filed an application to restrain approximately \$130 million of identifiable assets held by BROOKS, including bank accounts and brokerage accounts.

The United States Securities and Exchange Commission today filed a civil complaint against BROOKS in federal court in the Southern District of Florida.

The government's criminal case is being prosecuted by Assistant United States Attorneys John G. Martin and Denise McGinn.

The Defendants:

DAVID H. BROOKS
Age 53

SANDRA HATFIELD
Age 54