

June 5, 2008

Blackwater USA
P.O. Box 1029
Moyock, NC 27958

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including Blackwater. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Blackwater, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure

Instances

1. Tax Evasion

Date: 03/30/2007 (Date of IRS Letter)

Misconduct Type: Tax

Enforcement Agency: Treasury – IRS

Contracting Party: None

Court Type: Administrative

Amount: \$0

Disposition: Investigative Finding

Synopsis: In March 2007, the IRS issued a letter to Blackwater USA ruling that the company misclassified one of its guards as an independent contractor and therefore would be responsible for withholding and paying employment taxes for the guard as required by federal law. Later in the year, after Blackwater personnel were involved in a fatal shooting in Iraq, Blackwater's owner, Erik Prince, testified before the United States House of Representatives Committee on Oversight and Government Reform. Committee Chairman Rep. Henry Waxman's subsequent discovery of the IRS letter and a nondisclosure agreement Blackwater allegedly used to keep the IRS matter secret led Waxman to issue a letter to Prince warning that his committee would investigate Blackwater for possible large-scale tax evasion a corresponding cover-up. In March 2008, Rep. Waxman requested the IRS, the Small Business Administration, and the Department of Labor investigate Blackwater's compliance with federal tax, small business and labor laws vis-a-vis its classification of security guards as independent contractors rather than employees.

Pending Instances

Afghanistan Plane Crash

Date: 06/13/2005 (Date of Filing)

Misconduct Type: Poor Contract Performance

Enforcement Agency: Non-Governmental

Contracting Party: Defense - General

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: The families of three U.S. Army soldiers who died in a plane crash in Afghanistan in November 2004 sued Blackwater Lodge and Training Center and several aviation companies owned by Blackwater USA. The plaintiffs claim at least one of the companies was operating the plane, which was underequipped and poorly manned at the time of the crash. In December 2006, a National Transportation Safety Board report blamed the crash on pilot error. It blamed Blackwater subsidiary Presidential Airways for failing to provide adequate oversight of flight crews. The report also said that a passenger who survived the crash but died while waiting for rescuers might have lived had the company followed proper procedures.

Fallujah Deaths

Date: 01/05/2005 (Date of Filing)

Misconduct Type: Non-governmental Contract Fraud

Enforcement Agency: Non-Governmental

Contracting Party: Non-Governmental

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: The families of four Blackwater Security Consulting contractors who were killed and mutilated in Fallujah, Iraq in 2004 filed a wrongful death lawsuit against the company in North Carolina state court. The plaintiffs claim Blackwater broke its contractual obligations to the contractors by deploying them on their mission without proper equipment and personnel. In May 2007, a federal judge ordered the case to go before a three-man panel of arbitrators, where the proceedings and outcome are confidential. The case is currently stayed and remains in state court pending plaintiffs' appeal of the judge's order.

Weapons Smuggling

Date: 09/21/2007 (Date of Media Accounts)

Misconduct Type: Import/Export

Enforcement Agency: Multiple Agencies

Contracting Party: None

Court Type: Criminal

Amount: \$0

Disposition: Pending

Synopsis: It was reported in September 2007 that the U.S. Attorney's Office in Raleigh, N.C., with help from Pentagon and State Department auditors, is investigating whether employees of Blackwater USA illegally smuggled unlicensed automatic weapons and military goods into Iraq that may have been purchased on the black market by members of the Kurdistan Workers Party, or PKK, a U.S.-designated terrorist organization. Two former Blackwater employees — Kenneth Wayne Cashwell and William Ellsworth "Max" Grumiaux — pleaded guilty in early 2007 to possession of stolen firearms and are reportedly cooperating in the investigation of the company.

Atban v. Blackwater USA (Sept. 16, 2007 Baghdad Shooting)

Date: 10/11/2007 (Date of Filing)

Misconduct Type: Human Rights

Enforcement Agency: Non-Governmental

Contracting Party: State Dept.

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: Talib Mutlaq Deewan and the estates of Himoud Saed Atban, Usama Fadil Abbass and Oday Ismail Ibraheem are suing Blackwater USA for its alleged culpability in the September 16, 2007 firefight in Nisoor Square in Baghdad in which as many as 17 civilians, including Atban, Abbass and Ibraheem, were killed and as many as 22, including Deewan, were injured. The lawsuit alleges Blackwater violated the federal Alien Tort Statute in committing extrajudicial killing and war crimes, and that the company is liable for assault and battery, wrongful death, intentional and negligent infliction of emotional distress, and negligent hiring, training and supervision. See related Blackwater USA pending misconduct instance, "Sept. 16, 2007 Baghdad Shooting Investigation."

Sept. 16, 2007 Baghdad Shooting Investigation

Date: 09/17/2007 (Date of Announcement)

Misconduct Type: Human Rights

Enforcement Agency: Multiple Agencies

Contracting Party: State Dept.

Court Type: Administrative

Amount: \$0

Disposition: Pending

Synopsis: Blackwater USA is being investigated by various Iraqi and American authorities for its involvement in the deaths of 17 civilians and the wounding of at least 22 others in a firefight that followed a car bomb explosion near a State Department motorcade in western Baghdad on September 16, 2007. The Iraqi government, which allegedly has a videotape showing Blackwater opened fire without provocation, temporarily barred Blackwater from working in Iraqi territory and referred the matter to Iraqi judicial authorities. Blackwater claims that its guards came under fire from armed insurgents and shot back only to defend themselves. See related Blackwater USA pending misconduct instance, "Atban v. Blackwater USA (Sept. 16, 2007 Baghdad Shooting)."