

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

UNITED STATES OF AMERICA :

v.

**ARGENBRIGHT HOLDINGS LIMITED:
STEVEN E. SAFFER,
SANDRA H. LAWRENCE,
HELEN FIELDS**

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CRIMINAL NO. 00-194

GOVERNMENT’S GUILTY PLEA MEMORANDUM

I. INTRODUCTION

On April 17, 2000, the government filed an information against Argenbright Holdings Limited, Steven E. Saffer, Sandra H. Lawrence and Helen Fields charging them with various felony crimes relating to fraudulent and inadequate training, testing and background checks of Argenbright employees at Philadelphia International Airport (“PHL”) responsible for manning the magnetometers and airport security checkpoints. Defendants Saffer and Lawrence are also charged in a \$220,000 billing fraud on various airlines at the airport.

The charges are as follows:

Count #/Charge

Defendants Charged

One: Conspiracy to make false statements to the FAA, in violation of 18 U.S.C. § 371

Steven E. Saffer
Sandra H. Lawrence
Helen Fields

Two-five: False Statements to the FAA, in Violation of 18 U.S.C. § 1001

Argenbright Holdings
Limited (2 counts)
Steven E. Saffer (1 count)
Sandra H. Lawrence (1
count)

Six: Conspiracy to commit mail and wire fraud, in violation of 18 U.S.C. § 371

Steven E. Saffer
Sandra H. Lawrence

Seven: Mail fraud, in violation of 18 U.S.C. § 1341

Steven E. Saffer
Sandra H. Lawrence

Eight: Obstruction of an FAA investigation, in violation of
18 U.S.C. § 1505

Steven E. Saffer

II. PLEA AGREEMENT

A plea agreement has been reached between the government and each of the defendants. An executed copy of each plea agreement is attached hereto as Exhibits “A” through “D.” The essential terms of the agreements are summarized as follows:

A. Argenbright Holdings Limited (Exhibit A)

1. The defendant agrees to plead guilty to Counts Two and Three of the information charging violations of Title 18, United States Code, Section 1001.
2. Defendant agrees to make a restitution payment to air carrier customers in the amount of \$350,000, pay a fine of \$1,000,000, make a \$200,000 payment to cover a portion of the costs of the government’s investigation, and pay the mandatory special assessment of \$800. The defendant agrees to make these payments at or before the time of sentencing.
3. The parties have also reached certain stipulations concerning the calculation of the Sentencing Guideline range and the appropriate sentence that the Court should impose in this case, which the parties agree and understand are not binding on the Probation Department or the Court.
 - a. The defendant agrees that certain of its Philadelphia management employees made or caused the making of more than 100 false statements in files subject to the review of the FAA in connection with the recruitment, hiring, training, testing and recurrent training of Argenbright Security, Inc. pre-departure screeners at Philadelphia International Airport between January 1, 1995 and January 12, 1999 and that, pursuant to U.S.S.G. § 1B1.3, this is relevant conduct that should be considered by the Court in

determining the offense level and sentencing range under the Sentencing Guidelines.

- b. Pursuant to U.S.S.G. § 1B1.2, the parties stipulate and agree that the defendant's employees in Philadelphia engaged in a fraudulent billing scheme whereby they caused hundreds of false entries to be made on time sheets that were used to invoice and bill defendant's airline clients, resulting in overcharges of approximately \$220,000 to these clients. The parties agree that in addition to the offense of convictions, and for the purpose of determining the defendant's Sentencing Guidelines range, Section 1B1.2(c) provides that this described conduct is an additional offense that shall be treated as if the defendant had been convicted of an additional count charging a violation of 18 U.S.C. § 1341.
- c. Pursuant to § 2F1.1(a), the base offense level is 6.
- d. Pursuant to § 2F1.1(b)(1)(H), the loss as a result of defendant's criminal conduct was approximately \$350,000, which increases the offense level by 9 levels.
- e. Pursuant to § 2F1.1(b)(2), the offense involved more than minimal planning and was a scheme to defraud more than one victim, which increases the offense level by 2 levels.
- f. Pursuant to §§ 2F1.1(b)(6), the offense level is increased by 2 levels because the offense involved a conscious or reckless risk of serious bodily injury.
- g. Therefore, the total offense level is 19.
- h. Pursuant to §§ 8C2.4(d), the base fine is \$500,000.
- i. Pursuant to § 8C2.5(a) and (b)(2)(B)(i), the defendant's "Culpability Score" is 9.
- j. Pursuant to § 8C2.5(g)(2), the corporation has fully cooperated in the investigation and clearly demonstrated recognition and affirmative acceptance and responsibility for its criminal conduct, decreasing the culpability score by 2 points, resulting in a total culpability score of 7.
- k. Pursuant to § 8C2.6, based upon a culpability score of 7, the minimum multiplier is 1.40 and the maximum multiplier is 2.80.

- l. Pursuant to § 8C2.7, applying the multiplier set forth in sub-paragraph 9 above, the guideline fine range is **\$700,000 to \$1,400,000**.
- m. Pursuant to Rule 11(e)(1)(C) of the Federal Rules of Criminal Procedure, the government and the defendant agree that the appropriate criminal fine in this case is **\$1,000,000**, to be paid at the time of sentencing, and that the Court should impose a sentence that includes a 3-year probation period during which the following conditions will apply:
 - i. The organization shall develop and submit to the court a program to prevent and detect violations of law, including a schedule for implementation.
 - ii. Upon approval by the court of a program to prevent and detect violations of law, the organization shall notify its employees and shareholders of its criminal behavior and its program to prevent and detect violations of law. Such notice shall be in a form prescribed by the court.
 - iii. The organization shall make periodic reports to the court or probation officer, at intervals and in a form specified by the court, regarding the organization's progress in implementing the program to prevent and detect violations of law. Among other things, such reports shall disclose any criminal prosecution, civil litigation, or administrative proceeding commenced against the organization, or any investigation or formal inquiry by governmental authorities of which the organization learned since its last report.
 - iv. In order to monitor whether the organization is following the program to prevent and detect violations of law, the organization shall submit to: (1) a reasonable number of regular or unannounced examinations of its books and records at appropriate business premises by the Federal Aviation Administration, the Department of Transportation Office of Inspector General, and other regulatory agencies; and (2) interrogation of knowledgeable individuals within the organization.

4. Defendant shall not through a change of name, business reorganization, sale or purchase of assets, divestiture of assets, or similar action, seek to avoid the obligations and conditions set forth in this plea agreement. This plea agreement, together with all of the

obligations that it establishes, shall bind all assignees, successors-in-interest, or transferees of the defendant.

5. The defendant understands and agrees that: (a) the status of any professional license or certification held by the defendant is not protected by this agreement and is a matter solely within the discretion of the appropriate licensing, regulatory and disciplinary authorities; and (b) the government will inform the appropriate professional licensing, regulatory and disciplinary authorities in Pennsylvania and other jurisdictions of the disposition of the criminal charges filed against the defendant in this case. In its disclosures to licensing, regulatory and disciplinary authorities, the government will include a statement acknowledging that the defendant was fully cooperative with the government in this investigation and has fully accepted responsibility for the offenses charged.

6. The defendant is satisfied with the legal representation provided by the defendant's lawyers; the defendant and its lawyers have fully discussed this plea agreement; and the defendant is agreeing to plead guilty because the defendant admits that it is guilty.

B. Steven E. Saffer (Exhibit B)

1. The defendant agrees to waive prosecution by Indictment and plead guilty to an Information charging him with conspiracy to make false statements to the Federal Aviation Administration ("FAA"), in violation of 18 U.S.C. § 371, making false statements to the Federal Aviation Administration, in violation of 18 U.S.C. § 1001, conspiracy to commit mail and wire fraud, in violation of 18 U.S.C. § 371, mail fraud, in violation of 18 U.S.C. § 1341, and obstruction of justice, in violation of 18 U.S.C. § 1505.

2. The defendant stipulates and agrees that, in addition to the false statement charged in the Information, he made or caused the making of more than 100 false statements to the Federal Aviation Administration in connection with the recruitment, hiring, training, testing and recurrent training of ASI checkpoint security screeners at Philadelphia International Airport between January 1, 1995 and January 12, 1999 and that, pursuant to U.S.S.G. § 1B1.3, this is relevant conduct that should be considered by the Court in determining the offense level and imprisonment range under the Sentencing Guidelines.

3. The defendant agrees that, as a result of the conspiracy and scheme to defraud described in the Information, he caused a total loss of between \$200,000 and \$350,000 to ASI airline clients and that, pursuant to U.S.S.G. § 1B1.3, this amount is relevant conduct that should be considered by the Court in determining the offense level and imprisonment range under the Sentencing Guidelines.

4. The defendant agrees to pay the special victims/witness assessment in the amount of \$500 before the time of sentencing and shall provide a receipt from the Clerk to the government before sentencing as proof of this payment.

5. The defendant agrees to make restitution in an amount to be determined by the Court.

6. The parties have also reached certain stipulations concerning the calculation of the Sentencing Guideline range which the parties agree and understand are not binding on the Probation Department or the Court:

- a. Pursuant to § 3D1.2 of the Sentencing Guidelines, Counts One through Five of the Information should be grouped for purposes of determining the offense level.

- b. The defendant and the government stipulate and agree that the base offense level for the offense charged in Counts One through Four is 6 under § 2F1.1(a) of the Sentencing Guidelines.
- c. The total loss for both the conduct charged in Counts Three and Four, as well as the relevant conduct described in Paragraph 3 above is between \$200,000 and \$350,000, and therefore an increase of eight (8) levels is appropriate under § 2F1.1(b)(1)(I).
- d. The offense level should be increased by two (2) levels because the offense involved more than minimal planning under § 2F1.1(b)(2).
- e. Pursuant to § 3B1.1(c) of the Sentencing Guidelines, the offense level should be increased by two (2) additional levels because the defendant was an organizer, leader, manager, or supervisor in the criminal activity described in the Information.
- f. Pursuant to § 3C1.1 of the Sentencing Guidelines, the offense level should be increased by two (2) additional levels because the defendant willfully obstructed and impeded the administration of justice during the investigation of the offenses described in Counts One and Two of the Information.
- g. As of the date of this agreement, the defendant has demonstrated a recognition and affirmative acceptance of personal responsibility for the offenses in this case for which he is pleading guilty, and therefore qualifies for the two point offense level reduction set forth in § 3E1.1(a) of the Sentencing Guidelines.
- h. The defendant has provided in a timely fashion complete information to the government concerning his own involvement in the offense and has timely notified authorities of his intention to enter a plea of guilty, thereby permitting the government to avoid preparing for trial and permitting the court to allocate its resources efficiently, and is therefore entitled to the additional one point offense level reduction set forth in § 3E1.1(b) of the Sentencing Guidelines.

7. Defendant understands that the government will make whatever sentencing recommendation as to imprisonment, fines, forfeiture, restitution and other matters which the government deems appropriate. Defendant understands that the government will comment on

evidence and circumstances of the case, bring to the Court's attention all facts the government deems relevant to sentencing, correct any inaccuracies in the presentence report or sentencing record, and rebut any statement made by or on behalf of the defendant.

8. No one has made any promises to the defendant regarding what sentence the Court may impose. There are no agreements between the government and the defendant other than those specifically set forth in this agreement.

C. Sandra H. Lawrence (Exhibit C)

1. The defendant agrees to waive prosecution by Indictment and plead guilty to an Information charging her with conspiracy to make false statements to the Federal Aviation Administration ("FAA"), in violation of 18 U.S.C. § 371, making false statements to the Federal Aviation Administration, in violation of 18 U.S.C. § 1001, conspiracy to commit mail and wire fraud, in violation of 18 U.S.C. § 371, and mail fraud, in violation of 18 U.S.C. § 1341.

2. The defendant stipulates and agrees that, in addition to the false statement charged in the Information, she made or caused the making of more than 100 false statements to the Federal Aviation Administration in connection with the recruitment, hiring, training, testing and recurrent training of ASI checkpoint security screeners at Philadelphia International Airport between January 1, 1995 and January 12, 1999 and that, pursuant to U.S.S.G. § 1B1.3, this is relevant conduct that should be considered by the Court in determining the offense level and imprisonment range under the Sentencing Guidelines.

3. The defendant agrees that, as a result of the conspiracy and scheme to defraud described in the Information, she caused a total loss of between \$120,000 and \$200,000 to ASI airline clients and that, pursuant to U.S.S.G. § 1B1.3, this amount is relevant conduct that

should be considered by the Court in determining the offense level and imprisonment range under the Sentencing Guidelines.

4. The defendant agrees to pay the special victims/witness assessment in the amount of \$400 before the time of sentencing and shall provide a receipt from the Clerk to the government before sentencing as proof of this payment.

5. The defendant agrees to make restitution in an amount to be determined by the Court.

6. The plea agreement requires that defendant cooperate fully and truthfully with the government, and contains the standard cooperation agreement language. The key provisions of this portion of the plea agreement may be summarized as follows:

a. Defendant will provide truthful, complete and accurate information and testimony and understands that if she testifies untruthfully in any material way she can be prosecuted for perjury. Specifically, defendant will provide all information concerning all of her knowledge of, and participation in, offenses alleged in the information and any other crimes about which she has knowledge.

b. Defendant agrees that she will not falsely implicate any person or entity and he will not protect any person or entity through false information or omission.

c. Defendant agrees and understands that the plea agreement requires that her cooperation may continue after the time that she is sentenced. Failure to continue to cooperate after sentence is imposed shall be grounds for the government to void this agreement.

d. Defendant agrees that she will not commit any additional crimes after the date of the agreement.

e. To enable the Court to have the benefit of all relevant sentencing information, the defendant waives any rights to a prompt sentencing, and will join any request by the government to postpone sentencing until after her cooperation is complete.

f. Defendant understands that her cooperation shall be provided to any federal or any other law enforcement agency (whether federal, state or local), as requested by the government.

g. If the government in its sole discretion determines that the defendant has fulfilled all of her obligations of cooperation as set forth in the guilty plea agreement, at the time of sentencing the government will make the nature and extent of defendant's cooperation known to the Court and may, in its sole discretion, file a motion to allow the Court to depart from the Sentencing Guidelines pursuant to § 5K1.1 and to impose a sentence below any mandatory minimum term of imprisonment pursuant to 18 U.S.C. § 3553(e).

h. Defendant understands that the government will make whatever sentencing recommendation as to imprisonment, fines, forfeiture, restitution and other matters which the government deems appropriate. Defendant understands that the government will comment on evidence and circumstances of the case, bring to the Court's attention all facts the government deems relevant to sentencing, correct any inaccuracies in the presentence report or sentencing record, and rebut any statement made by or on behalf of the defendant.

i. No one has made any promises to the defendant regarding what sentence the Court may impose. There are no agreements between the government and the defendant other than those specifically set forth in this agreement.

7. The parties agree under Guideline Section 1B1.8 that statements and information provided by the defendant after the defendant began to cooperate with the government, including off-the-record proffer statements and information, and not otherwise known to the government prior to the execution of this agreement, will not be used in determining the applicable sentencing guideline range, except that: (a) it may be used as provided in Section 1B1.8(b), including its use in making a decision about where within the Guideline range the defendant should be sentenced and in determining whether, and to what extent, a downward departure from the Guidelines sentence is warranted under Guideline Section 5K1.1 or Criminal Rule 35; and (b) should the defendant make representations at sentencing, either through testimony or counsel's statements, that are materially different from the information provided under this agreement, the government may cross-examine the defendant, offer rebuttal evidence and make representations based on this information. This paragraph does not apply to any criminal acts, or any other acts affecting any Guideline calculation, committed after the defendant began to cooperate with the government on May 7, 1999.

8. The parties have also reached certain stipulations concerning the calculation of the Sentencing Guideline range which the parties agree and understand are not binding on the Probation Department or the Court:

- a. Pursuant to §3D1.2 of the Sentencing Guidelines, Counts One through Four of the Information should be grouped for purposes of determining the offense level.
- b. The defendant and the government stipulate and agree that the base offense level for the offense charged in Counts One through Four is 6 under § 2F1.1(a) of the Sentencing Guidelines.

- c. The total loss for both the conduct charged in Counts Three and Four, as well as the relevant conduct described in Paragraph 3 above is between \$120,000 and \$200,000, and therefore an increase of seven (7) levels is appropriate under §2F1.1(b)(1)(H).
- d. The offense level should be increased by two (2) levels because the offense involved more than minimal planning under §2F1.1(b)(2).
- e. As of the date of this agreement, the defendant has demonstrated a recognition and affirmative acceptance of personal responsibility for the offenses in this case for which she is pleading guilty, and therefore qualifies for the two point offense level reduction set forth in § 3E1.1 of the Sentencing Guidelines.

D. Helen Fields (Exhibit D)

1. The defendant agrees to waive prosecution by Indictment and plead guilty to an Information charging her with one count of conspiracy to make false statements to the Federal Aviation Administration (“FAA”), in violation of 18 U.S.C. § 371.

2. The defendant agrees to pay the special victims/witness assessment in the amount of \$100 before the time of sentencing and shall provide a receipt from the Clerk to the government before sentencing as proof of this payment.

3. The parties have also reached certain stipulations concerning the calculation of the Sentencing Guideline range which the parties agree and understand are not binding on the Probation Department or the Court:

- a. The defendant agrees that, as part of the conspiracy charged in Count One of the Information, she made or caused the making of more than 50 false statements to the FAA in connection with the recruitment, hiring, training, testing and recurrent training of ASI checkpoint security screeners at Philadelphia International Airport between January 1, 1997 and January 12, 1999 and that, pursuant to U.S.S.G. § 1B1.3, this is relevant conduct that should be considered by the Court in determining the offense level and imprisonment range under the Sentencing Guidelines.

- b. The defendant and the government stipulate and agree that the base offense level for the offense charged in Count One is 6 under § 2F1.1(a) of the Sentencing Guidelines.
- c. The offense level should be increased by two (2) levels because the offense involved more than minimal planning under §2F1.1(b)(2).
- d. As of the date of this agreement, the defendant has demonstrated a recognition and affirmative acceptance of personal responsibility for the offenses in this case for which she is pleading guilty, and therefore qualifies for the two point offense level reduction set forth in § 3E1.1 of the Sentencing Guidelines.

4. Defendant understands that the government will make whatever sentencing recommendation as to imprisonment, fines, forfeiture, restitution and other matters which the government deems appropriate. Defendant understands that the government will comment on evidence and circumstances of the case, bring to the Court's attention all facts the government deems relevant to sentencing, correct any inaccuracies in the presentence report or sentencing record, and rebut any statement made by or on behalf of the defendant.

5. No one has made any promises to the defendant regarding what sentence the Court may impose. There are no agreements between the government and the defendant other than those specifically set forth in this agreement.

III. ESSENTIAL ELEMENTS OF THE OFFENSES

A. Conspiracy

To establish a violation of 18 U.S.C. § 371, the government must prove the following essential elements beyond a reasonable doubt:

1. Two or more persons
2. conspire or agree

3. to commit an offense against the United States
4. and one or more of them does any act to effect the object of the conspiracy.

See United States v. Werme, 939 F.2d 108, 112-113 (3d Cir. 1991); United States v. Wander, 601 F.2d 1251, 1258-59 (3d Cir. 1979).

B. False Statements

To establish a violation of 18 U.S.C. § 1001, the government must prove the following essential elements beyond a reasonable doubt:

1. The defendant knowingly made or used a false writing or document containing a false, fictitious or fraudulent statement;
2. In so doing, the defendant acted willfully;
3. The writing or document was material; and
4. The matter was within the jurisdiction of the United States.

C. Mail Fraud

To establish a violation of 18 U.S.C. § 1341, the government must prove the following essential elements beyond a reasonable doubt:

1. The defendant engaged in a scheme to defraud;
2. The defendant used the U.S. mails or a private or commercial interstate carrier in furtherance of the scheme; and
3. The defendant participated in the scheme with the specific intent to deceive or defraud.

See United States v. Boyer, 694 F.2d 58 (3d Cir. 1982).

D. Obstruction of Agency Proceedings

To establish a violation of 18 U.S.C. § 1505, the government must prove the following essential elements beyond a reasonable doubt:

1. There must be a proceeding pending before a department or agency of the United States.
2. The defendant must be aware of the pending proceeding.
3. The defendant must have intentionally endeavored corruptly to influence, obstruct or impede the pending proceeding.

See United States v. Sutton, 732 F.2d 1483, 1490 (10th Cir. 1984), cert. denied, 469 U.S. 1157 (1985). United States v. Laurins, 857 F.2d 529, 536-37 (9th Cir.1988), cert. denied, 492 U.S. 906 (1989). "The obstruction need not be successful; the jury may convict one who 'endeavors' to obstruct such a proceeding." United States v. Vixie, 532 F.2d 1277, 1278 (9th Cir.1976).

An agency investigation is a "proceeding" within the meaning of 18 U.S.C. § 1505. United States v. Price, 951 F.2d 1028, 1031 (9th Cir. 1991); Sutton, 732 F.2d at 1483; Vixie, 532 F.2d at 1278.; United States v. Fruchtman, 421 F.2d 1019, 1021 (6th Cir. 1970); Rice v. United States, 356 F.2d 709, 712, 715 (8th Cir. 1966); see also United States v. Abrams, 427 F.2d 86, 90 (2d Cir. 1970).

IV. MAXIMUM PENALTIES

A. Argenbright Holdings Limited

Counts Two and Three (18 U.S.C. § 1001) (per count): The maximum sentence for a violation of 18 U.S.C. § 1001 is five years probation, a \$500,000 fine, mandatory restitution, and a \$100 special assessment.

MAXIMUM PENALTIES: A fine of \$1,000,000, 5 years probation, mandatory restitution, and a special assessment of \$800.

B. Steven E. Saffer

Count One (18 U.S.C. § 371): The maximum sentence for a violation of 18 U.S.C. § 371 is five years imprisonment, a \$250,000 fine, three years supervised release, mandatory restitution and a \$100 special assessment.

Count Four (18 U.S.C. § 1001): The maximum sentence for a violation of 18 U.S.C. § 1001 is five years imprisonment, a \$250,000 fine, three years supervised release, mandatory restitution and a \$100 special assessment.

Count Six (18 U.S.C. § 371): The maximum sentence for a violation of 18 U.S.C. § 371 is five years imprisonment, a \$250,000 fine, three years supervised release, mandatory restitution and a \$100 special assessment.

Count Seven (18 U.S.C. § 1341): The maximum sentence for a violation of 18 U.S.C. § 1341 is five years imprisonment, a \$250,000 fine, three years supervised release, mandatory restitution and a \$100 special assessment.

Count Eight (18 U.S.C. § 1505): The maximum sentence for a violation of 18 U.S.C. § 1505 is five years imprisonment, a \$250,000 fine, three years supervised release, mandatory restitution and a \$100 special assessment.

MAXIMUM PENALTIES: 25 years imprisonment, a \$1,250,000 fine, mandatory restitution, 3 years of supervised release and a special assessment of \$500.

The defendant further understands that supervised release may be revoked if its terms and conditions are violated. In the case of a person convicted of a Class C felony, when supervised release is revoked, the original term of imprisonment may be increased by 3 years. Thus, a violation of supervised release increases the possible period of incarceration and makes it possible that the defendant will have to serve the original sentence, plus a substantial additional period, without credit for time already spent on supervised release.

C. Sandra H. Lawrence

Count One (18 U.S.C. § 371): The maximum sentence for a violation of 18 U.S.C. § 371 is five years imprisonment, a \$250,000 fine, three years supervised release, mandatory restitution and a \$100 special assessment.

Count Five (18 U.S.C. § 1001): The maximum sentence for a violation of 18 U.S.C. § 1001 is five years imprisonment, a \$250,000 fine, three years supervised release, mandatory restitution and a \$100 special assessment.

Count Six (18 U.S.C. § 371): The maximum sentence for a violation of 18 U.S.C. § 371 is five years imprisonment, a \$250,000 fine, three years supervised release, mandatory restitution and a \$100 special assessment.

Count Seven (18 U.S.C. § 1341): The maximum sentence for a violation of 18 U.S.C. § 1341 is five years imprisonment, a \$250,000 fine, three years supervised release, mandatory restitution and a \$100 special assessment.

MAXIMUM PENALTIES: 20 years imprisonment, a \$1,000,000 fine, mandatory restitution, 3 years of supervised release and a special assessment of \$400.

The defendant further understands that supervised release may be revoked if its terms and conditions are violated. In the case of a person convicted of a Class C felony, when supervised release is revoked, the original term of imprisonment may be increased by 3 years. Thus, a violation of supervised release increases the possible period of incarceration and makes it possible that the defendant will have to serve the original sentence, plus a substantial additional period, without credit for time already spent on supervised release.

D. Helen Fields

Count One (18 U.S.C. § 371): The maximum sentence for a violation of 18 U.S.C. § 371 is five years imprisonment, a \$250,000 fine, three years supervised release, mandatory restitution and a \$100 special assessment.

MAXIMUM PENALTIES: 5 years imprisonment, a \$250,000 fine, mandatory restitution, years of supervised release and a special assessment of \$200. The defendant further understands that supervised release may be revoked if its terms and conditions are violated. In the case of a person convicted of a Class C felony, when supervised release is revoked, the original term of imprisonment may be increased by 3 years. Thus, a violation of supervised release increases the possible period of incarceration and makes it possible that the defendant will have to

serve the original sentence, plus a substantial additional period, without credit for time already spent on supervised release.

V. FACTUAL BASIS OF GUILTY PLEA

In summary, if this case were to proceed to trial, the government would prove the following essential facts:

A. Background

Pre-departure screening is a security procedure performed at all commercial airports in the United States under regulations established by the Federal Aviation Administration (“FAA”), which is part of the U.S. Department of Transportation. At pre-departure screening checkpoints, all passengers and other airport patrons must physically pass through a device called a magnetometer, designed to reveal the presence of metal objects, and all carry-on baggage and other items carried into the concourse or gate area must pass through an X-ray device to determine if they contain suspicious materials.

The basic purpose of the FAA requirements and regulations is to determine if individuals with access to secure areas of an airport present a potential threat to aviation safety and security and to ensure that pre departure screeners have adequate training to operate the security checkpoints.

The relevant FAA requirements and regulations pertaining to this case include the following:

Hiring/Background Verification Requirements

- a. Each PDS must undergo an access investigation review concerning the past 10 years of employment history and verification of the 5 years preceding the date the access investigation is initiated.
- b. In order to be eligible for employment as a PDS, the individual must not have been convicted or found not guilty by reason of insanity of certain crimes including, but not limited to crimes involving air travel and aircraft piracy, violent crimes such as murder, assault, kidnaping, rape, sexual assault, unlawful possession of an explosive or weapon, armed robbery, and narcotics offenses.
- c. A criminal history check is required (a) if a PDS applicant is unable to satisfactorily account for a period of unemployment of 12 months or more during the preceding ten-year period; (b) the individual is unable to support statements made or there are significant inconsistencies between information provided on the application regarding former employment and that which is obtained during the 5-year verification process; or (c) information becomes available to the employer that the PDS candidate may have been convicted of one of the disqualifying crimes.
- d. Each PDS employment file must contain certifications that the above requirements have been followed and that the PDS is eligible for employment based on the successful completion of the access investigation.

Training and Testing Requirements

- a. Twelve hours of initial classroom training on FAA mandated subjects with emphasis on special screening situations and screening equipment operation.
- b. Viewing either the FAA or Air Transport Association audiovisual programs approved by the FAA.
- c. Written testing to determine whether the trainee has absorbed the classroom portion of the initial training. A passing score of 85% or higher is required.
- d. Completion of a formal, 40-hour on-the-job training (“OJT”) program that requires new PDS employees to work with and under the close supervision of fully-qualified screeners, be tested using simulated bombs or other simulated explosive devices, and not make any independent judgments during this OJT period.
- e. Written certifications must be completed by a supervisory level employee that the PDS has completed all of the above requirements in a satisfactory fashion and is capable of making competent, valid, independent screening judgments.
- f. Recurrent training must be given to each PDS at least on an annual basis. This recurrent training includes further classroom discussion on the FAA mandated subjects, watching an FAA approved training video, and completing an FAA approved test with a passing score.

- g. All of the above requirements must be certified as completed satisfactorily in the PDS' file, which is commonly referred to in the industry as an "FAA file," and written certifications of such completion must be contained in this file.

B. The Defendants

Defendant Argenbright Holdings Limited is a Georgia corporation that owns all of the outstanding capital stock of Argenbright Security, Inc. Through its wholly-owned subsidiary, Argenbright Security, Inc., defendant Argenbright Holdings Limited provides pre-departure screener (sometimes referred to as "PDS") services at airports throughout the United States and Europe, including Philadelphia International Airport (sometimes referred to as "PHL").

Defendant Argenbright Holdings Limited is a wholly owned subsidiary of AHL Services, Inc., a publicly held Delaware corporation headquartered in Atlanta, Georgia that conducts business throughout the United States and Europe.

Defendant Argenbright Holdings Limited, through its subsidiary, Argenbright Security, Inc., contracts directly with major airlines at PHL, including American Airlines, Delta Air Lines, United Airlines, and Northwest Airlines, to provide a number of services, including pre-departure screeners, skycaps and cargo handlers. Defendant Argenbright Holdings Limited's pre-departure screener contracts with these airlines provide for payment on an hourly basis for time actually worked by fully trained, tested and certified Argenbright employees who meet all of the rigorous employment requirements and regulations established by the Federal Aviation Administration.

Defendant Steven E. Saffer was the district manager of the Philadelphia office of Argenbright Security, Inc., and was responsible for day-to-day management and operation of Argenbright Security, Inc.'s business operations at Philadelphia International Airport. During the relevant time period, defendant Saffer was responsible for the overall management and supervision of a total of more than 1,300 employees, with annual revenues in Philadelphia of more than \$6 million in 1998 alone.

Defendant Sandra H. Lawrence was the administrative manager of Argenbright's Philadelphia office, and was responsible for, among other things, billing, payroll, personnel, training and recruitment of Argenbright's employees at PHL. Defendant Lawrence reported directly to defendant Steven E. Saffer.

Defendant Helen Fields was the personnel manager of Argenbright's Philadelphia office, and was primarily responsible for recruiting, hiring, training and testing of new employees. Defendant Fields reported directly to defendant Sandra H. Lawrence.

C. False Statements to the Federal Aviation Administration Regarding Hiring, Training, Testing and Background Verification of Argenbright Employees.

Federal Aviation Administration regulations governing the recruitment, hiring, training and testing of pre-departure screener employees impose administrative costs and burdens that are necessary to assure the integrity of the airport security screening process. The evidence at trial would show that defendants Saffer, Lawrence and Fields cut every conceivable corner to avoid the time, expense and burden of complying with FAA regulations, and instead falsified records to create the appearance of compliance.

Defendants Saffer, Lawrence and Fields recruited unqualified persons to fill positions as pre-departure screeners at PHL, failed to give them the training and testing required by FAA regulations, and also engaged in a conspiracy to make false statements and provide false certifications to the Federal Aviation Administration claiming that Argenbright Security, Inc. had complied with all FAA regulations applicable to pre departure screeners.

With the encouragement and approval of defendant Steven E. Saffer, defendants Sandra H. Lawrence and Helen Fields would routinely engage in the following fraudulent activities:

- a. Alter the employment history section of job applications for pre departure screeners to create the illusion that the employee had maintained continuous employment over the preceding 5-10 year period.
- b. Falsely certify to the FAA that each pre departure screener's 5-year employment history had been verified in accordance with FAA regulations when, in fact, it had not.
- c. Falsely certify to the FAA that each pre departure screener had taken and received a passing score on the FAA mandated tests when, in fact, employees were either (i) given passing test scores even though they had failed the test; (ii) provided with the answers to the tests while the test was being administered; or (iii) given a passing test score without ever actually taking the test.

- d. Fail to request a criminal history report for employees with known gaps in their employment history, which resulted in the hiring of many convicted felons to work in PDS positions.
- e. Create phony GED certificates by whiting out names on photocopies of real GEDs and inserting the name of the PDS employee in order to create the illusion that the applicant satisfied the educational requirements for the PDS position.
- f. Falsely certify that each PDS employee had received the FAA required 12 hours of classroom training when, in fact, the only training that was provided consisted of watching a 45 minute video and a test.
- g. Send newly-hired PDS employees out to the security checkpoints without ever completing employment history verifications, criminal history checks and training.

Defendant Steven E. Saffer would encourage and knowingly permit improperly trained and unqualified persons employed as pre departure screeners to make independent judgments without actually receiving the required 40 hours of on the job training and the annual recurrent training that was mandated by FAA regulations. Instead, Steven E. Saffer instructed Sandra H. Lawrence and other employees to falsely certify to the FAA that such recurrent training had been provided when, in fact, it had not.

The evidence at trial would show that, between January 1, 1995 and January 12, 1999, defendants Steven E. Saffer, Sandra H. Lawrence and Helen Fields administered “training” that consisted only of watching a 45 minute video followed, in most cases, by the taking of a

written examination and issuance of a uniform. The entire administrative process of interviewing, hiring and “training” a PDS applicant, which included filling out the job application, watching the video, taking the test, changing into a uniform and reporting for duty at the checkpoint, usually lasted a total of only three to four hours.

As a result of these crimes, the government would prove at trial that Argenbright Security, Inc. hired approximately 1,300 pre-departure screener employees between January 1, 1995 and January 12, 1999 who did not receive the required 12 hours of classroom training on FAA mandated subjects relating to operating the magnetometers and identifying potentially dangerous objects and explosive devices and who were not properly tested regarding their knowledge of these procedures. As a consequence of failing to perform the required background checks and verification procedures, defendants Saffer, Lawrence and Fields hired numerous pre-departure screeners who did not meet the qualification requirements of the job and who had serious criminal records.

If the case were to proceed to trial, the government would prove that, despite the obvious security risks to the flying public created by the employment of untrained and unqualified pre-departure screeners, defendant Argenbright Holdings Limited, its parent company, AHL Services, Inc. and Argenbright Security, Inc., failed to have in place any effective audit or compliance program to detect and prevent the widespread violations of FAA regulations that occurred in the Philadelphia office.

The government would also prove at trial that defendant Steven Saffer’s supervisors, including the regional vice presidents responsible for the Philadelphia office during the relevant time period, received information directly from Saffer in 1997 and 1998 that should

have put them on notice of serious FAA compliance problems in Philadelphia. Saffer explained to them that the personnel in Philadelphia were incapable of performing their jobs properly and, as a result of Argenbright's failures to fully comply with FAA regulations, the company faced significant risks of being heavily fined by the FAA. Despite these red flags, management of Argenbright Security, Inc. failed to conduct any independent audits of the Philadelphia district office's policies and practices regarding FAA compliance during 1996, 1997 and 1998. Instead, defendants Steven E. Saffer, Sandra H. Lawrence and Helen Fields were permitted to operate independently and with little or no oversight from Argenbright Security, Inc.'s corporate or regional headquarters, thereby fostering an atmosphere of noncompliance with FAA regulations.

If this case were to proceed to trial, the government would introduce into evidence the hundreds of PDS files containing false certifications regarding the training, testing and background verification procedures for PDS employees of Argenbright Security, Inc.

The government would call numerous witnesses to testify at trial including, but not limited to, Sandra Lawrence, who would explain that she, Saffer and Fields knew and understood the FAA requirements but disregarded them. She would testify that the only training that was given consisted of a 45 minute video and that applicants were given passing test scores on a routine basis. Lawrence would testify that the 5-year employment verifications were rarely done and, instead, she and Fields would falsely certify that the employment verifications had been completed. Lawrence would testify that she and Fields would routinely white out dates on applications and insert new dates that would create the false appearance that the candidate had worked on a continuous basis throughout the 5-10 year period preceding their employment at Argenbright Security, Inc. Lawrence would testify that criminal history checks were rarely

ordered and, as a consequence, it was likely that persons with criminal convictions were being hired.

Many of the PDS employees hired to work the checkpoints would testify at trial regarding the training and testing procedures they observed. Several former checkpoint security supervisors (“CSS”) of Argenbright Security, Inc. would testify that (a) the majority of PDS employees assigned to their checkpoints did not know how to perform their security functions after they had supposedly been trained; (b) ASI experienced very high turnover among PDS employees; (c) on several occasions they noticed that their own training files contained completed and graded recurrent security exams that were never actually taken; and (d) other screeners noticed that recurrent training exams appeared in their files that they had never actually taken.

The government would also call former aviation managers employed by Argenbright in its Philadelphia office, who would testify that (a) they observed Saffer conduct initial training for PDS employees on several occasions and noticed that it only lasted about one hour instead of the required twelve hours; (b) the training, testing, and issuance of uniforms would, on average, last only two to three hours; (c) several PDS employee reported back in 1995 that they noticed that their recurrent training files contained exams they had never taken; when this was reported to Saffer, Saffer moved all of the recurrent training files out of the airport and into his office so that employees would no longer be able to see their files; (d) ASI often failed to meet FAA’s requirements for fully staffing the security checkpoints because of extremely high turnover and inability to keep PDS employees from quitting or being fired due to job dissatisfaction and/or incompetence.

A former special services manager of Argenbright would testify regarding (a) the discovery that Saffer had hidden numerous PDS files in a secret location at the ASI office in order to prevent FAA agents from finding the files; (b) the fact that Saffer fired dozens of PDS employees as part of his efforts to prevent FAA from learning the names of all PDS employees and obtaining their files; (c) the fact that ASI did not request that criminal history checks be performed on new PDS hires; (d) the fact that ASI was only providing a total of about 3 hours of initial PDS training instead of the required 12 hours; (e) the fact that Saffer became aware that convicted felons were working as PDS employees yet refused to terminate their employment.

A former clerical employee of Argenbright who reported to Helen Fields and Sandra Lawrence would testify that (a) she saw Helen Fields creating phony GEDs to put into PDS files; (b) Steve Saffer instructed her to backdate the PDS file for a PDS employee to falsely reflect that a criminal history check had been requested before he was arrested by the Philadelphia Police at the airport checkpoints on January 7, 1999; (c) Saffer told her to backdate PDS files to reflect that criminal checks had been requested on earlier dates; and (d) Saffer instructed her to delete names of PDS employees from ASI work schedules so that FAA would not know to request their files.

A representative of the Pennsylvania Department of Education would testify at trial and would confirm that many of the GED certificates contained in the PDS files are fake, and were never actually issued by that state agency.

The government would also introduce as evidence at trial the statements given by defendants Saffer, Lawrence and Fields to special agents of the U.S. Department of

Transportation's Office of Inspector General, in which each defendant admitted their respective involvement in the criminal activities described in the Information.

D. Scheme to Defraud Airlines by Charging for PDS Services that Were Not Provided.

Argenbright Security, Inc.'s contracts with its air carrier clients allowed Argenbright Security, Inc. to bill only for actual work performed by fully trained, tested and qualified pre-departure screeners. To improve the office's profit margin and thereby increase his own yearly bonus, however, defendant Steven E. Saffer sought to recover from Argenbright Security, Inc.'s customers the costs associated with paying the salaries of administrative managers, receptionists and other employees whose time was not otherwise chargeable to these customers.

Defendants Steven E. Saffer and Sandra H. Lawrence billed airline customers for services purportedly provided by pre departure screeners who, in reality, provided no such services. Beginning in approximately 1994, and continuing until approximately January 12, 1999, with the encouragement, direction and approval of defendant Steven E. Saffer, defendant Sandra H. Lawrence billed airline customers for the time spent by Argenbright office receptionists answering phones and greeting visitors and falsely characterized this time as the provision of pre-departure screener services at security checkpoints. Defendant Sandra H. Lawrence forged the signatures of these receptionists onto time sheets and caused the airlines to be wrongfully billed in the approximate amount of \$43,000.

Beginning in approximately 1992 and continuing until on or about January 12, 1999, with the encouragement, direction and approval of defendant Steven E. Saffer, defendant

Sandra H. Lawrence signed her own name onto time sheets for the Delta Air Lines security checkpoint at PHL to create the false appearance that she was providing PDS services and to cause Delta Air Lines and other airline customers to be billed for her “services,” even though she provided no services to any airline, thereby defrauding airline customers in the approximate amount of \$114,000.

At various times between January 1, 1995 and January 12, 1999, to hide the fact that Argenbright’s Philadelphia district office had understaffed security checkpoints during certain shifts, defendant Steven E. Saffer instructed Sandra H. Lawrence to bill airline customers for time spent by “overhead” employees of Argenbright, even though the employees were not actually providing pre-departure screening services and instead were providing non-billable services such as administrative or managerial work.

On numerous occasions between January 1, 1995 and January 12, 1999, defendant Sandra H. Lawrence forged the signatures of management employees in order to create the false and misleading appearance that security checkpoints were staffed with the required number of PDS employees when, in fact, they were not.

At various times between January 1, 1995 and January 12, 1999, in order to increase the Philadelphia district office’s profit margin at the expense of its customers and thereby enrich himself in the form of higher bonuses and a bigger salary, defendant Steven E. Saffer instructed administrative and managerial employees to sign in on PDS time sheets even though no actual PDS services were provided by these employees, thereby causing total losses of approximately \$66,000.

As a result of this fraudulent billing scheme, airline customers of Argenbright Security, Inc., including Delta Air Lines, United Airlines, American Airlines and Northwest Airlines, among others, were overcharged by a total of more than \$220,000.

If this case were to proceed to trial, the government would introduce into evidence, among other things, the following documents: the forged time sheets, the inflated billing statements, the contracts with air carrier clients and other internal records of Argenbright Security, Inc. that show the actual work performed for airline customers that should not have been charged to them as PDS services. Sandra Lawrence would testify at trial regarding her role in the fraudulent billing scheme. She would testify that she billed all of her time to Delta Airlines as a PDS, even though her only job function was that of an administrative and payroll manager. In addition, Lawrence billed the air carriers for the ASI office receptionists' time and forged her signature on time sheets. In total, approximately 16 different people were billed to the air carriers for PDS services that were never provided.

In addition, the government would call the employees whose names were forged on time sheets to explain the work they actually performed. Employees from Argenbright Security, Inc.'s billing and payroll departments would authenticate invoices and explain billing procedures. Finally, the government would call contract representatives and station managers of each of the airlines that were defrauded to explain the contractual provisions and what the airlines had actually agreed to pay under their contracts with Argenbright Security, Inc.

E. Obstruction of the FAA's Investigation

On January 7, 1999, inspectors from the Federal Aviation Administration's Civil Aviation Security Field Unit in Philadelphia began an audit and investigation of Argenbright Security, Inc.'s policies and practices concerning compliance with FAA regulations applicable to, among other things, pre-departure screeners. The audit and investigation included a review of the FAA files located at Argenbright Security, Inc.'s Philadelphia office and interviews of its employees there.

The FAA inspectors were examining, among other things, whether Argenbright had complied with FAA requirements that each PDS employee (a) passed a thorough background investigation, including verification of the preceding five years of employment; (b) had no disqualifying criminal convictions; (c) received 12 hours of classroom training; (d) received a passing score of at least 85% on the PDS examination; (e) received at least 40 hours of supervised on-the-job training; and (f) received recurrent training on an annual basis.

As part of its investigation, at approximately 4:30 p.m. on January 7, 1999, the FAA requested that defendant Steven E. Saffer provide all of the original FAA training files for all of the current and recently terminated Argenbright PDS employees at Philadelphia International Airport. Instead of complying with the FAA's request, between January 7, 1999 and approximately January 12, 1999, defendant Steven E. Saffer instead obstructed the FAA's investigation by withholding, concealing and altering files. Specifically, Saffer, who knew at the time that the FAA was conducting an audit and investigation into the Philadelphia operation of Argenbright Security, Inc. that he managed, (a) withheld and concealed PDS employee files requested by the FAA and (b) instructed employees working under his direction to (i) conduct

criminal history checks and then backdate the date on which it was certified that the check had been completed and (ii) complete any other uncompleted certification sections in FAA training files to give the false appearance that all FAA regulations had been complied with in order to mislead and deceive FAA investigators with respect to the matters then under investigation.

If this case were to proceed to trial, the government would introduce as evidence the testimony of employees under Saffer who were given instructions by him to alter and withhold files from the FAA inspectors. The government would also introduce into evidence actual PDS files that were concealed and altered by defendant Saffer in his efforts to obstruct the FAA's investigation.

Respectfully submitted,

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CERTIFICATE OF SERVICE

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EXHIBITS