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Statement Concerning Filing of Amended Class Action Tax Misclassification Against Xe Services (formerly Blackwater) on Behalf of Personal Security Specialists for Loss of Benefits and Withholding, Expenses, Penalties, and Treble Damages

Scott Bloch files Amended Complaint against Blackwater on behalf of thousands of former employees for unlawful, fraudulent and unconscionable treatment of employees in fraudulent misclassification as independent contractors

WASHINGTON, DC (September 21, 2011) – Since 2007, Blackwater Industries, which has changed its name to Xe Services, has employed over 10,000 personal security specialists to perform operations in Iraq and Afghanistan under lucrative contracts with departments of the United States Government including the State Department and CIA. While employing these individuals, many of whom are decorated veterans of the armed services including Special Forces, Army Rangers, Navy Seals, Blackwater sought to avoid millions of dollars in taxes, withholding, and payments of benefits to these employees by classifying them improperly as independent contractors.

Yesterday, Scott Bloch filed an Amendment to the class action lawsuit on behalf of four former security specialists, who were injured while working for Blackwater, in order to recover their payment of social security, unemployment insurance, and unpaid benefits and state and local withholding and unemployment insurance, and other unspecified damages. It includes new allegations about illegal activities of Blackwater in its handling of contracts with misclassified employees, consumer protection violations, treble damages, \$120,000,000 in actual damages and an additional \$120,000,000 in punitive damages, as well as additional amounts as proved for the class of specialists.

“These brave individuals who worked in support of Operation Iraqi Freedom and Afghani Enduring Freedom, deserve better than to be turned away without health insurance, pension benefits, unemployment benefits, and other withholding afforded to Blackwater’s other employees,” said Scott Bloch.

The amended complaint shows how Blackwater engaged in unconscionable conduct in getting senior personnel to work on government contracts, and sign away their rights. Blackwater was warned by the IRS that they were misclassifying employees, but they kept intentional doing it, evading taxes and misrepresenting the facts. The government has been paying Blackwater billions of dollars to engage in a scheme to defraud the government out of taxes and to

withhold overtime and other benefits from employees who laid down their lives for the United States.

According to the lawsuit, the United States treasury loses billions of dollars annually to misclassified employees. Under the common law and the IRS 20 questions put out in 1987 pursuant to a regulation, Blackwater was obliged to classify these individuals as employees if Blackwater had the right to control the employees' actions, manner of performing duties, hours, training, equipment, whether the duties of the employees go to a core function of the employer or are duties that are consider ancillary to the main purpose of the company, and other factors.

"In a time when fat is being cut from budgets," said Bloch, "the United States government is looking for ways to legitimately raise revenue, it should hold Xe Services and Blackwater accountable for millions of dollars of lost revenues and overtime to the employees."

The lawsuit states that Blackwater provided their equipment, including weapons issued by the government, training, and control over employees' duties, manner of performing their security duties, operations they went on, protection details and other duties. The lawsuit also notes that employees were forced to engage in conduct that was illegal, which would only be disclosed under seal to the court.

"These veterans were actually given diplomatic passports and classified as employees of Blackwater to the United States government in the contracts as they procured insurance required for employees, and also represented to the State Department that they were employees," said Bloch in a statement upon filing, "yet when it came to paying taxes, paying their employer portion of social security and Medicare taxes that all Americans expect their employers to pay, they simply claimed they were independent contractors."

The suit also states that one of the representative plaintiffs already had a determination from the IRS that Blackwater misclassified him as an independent contractor. "The IRS already determined in the case of one of my clients that he should have been classified as an employee," said Bloch. "Now thousands of people will have to file amended returns. Thousands of people will likely be entitled to benefits they were denied due to the misclassification, including payment of their employer share of pension, health and disability insurance premiums, and other plans that Blackwater filed with the government for its employees, promising it would not discriminate against those employees as they did here."

In addition, claims the suit, the United States Congress previously held hearings under the Oversight and Government Reform committee, Rep. Henry Waxman, Chair, which determined that Blackwater and its related companies misclassified employees in order to avoid millions of dollars in taxes. In addition, the IRS prior to making the determination on the plaintiff in this suit, had ruled on behalf of other Blackwater security specialists, and related job titles, that Blackwater had misclassified these employees who performed services under contracts in Iraq and Afghanistan.

“It is a grave injustice,” reiterated Bloch, “to those who were mistreated and left without any health insurance or other benefits for their families and left to fend for themselves in paying into Social Security and Medicare. They laid down their lives to protect dignitaries and carry out duties in support of wars for America, and they deserve better than this. Many of these same men risked their lives to protect everyone from the President of the United States to U.S. Senators, Congressman, U.S. Diplomats, to Foreign Presidential & Diplomatic Figures in one of the most dangerous places on the planet. Such dignitaries included the just assassinated Former Afghan President Burhanuddin Rabbani as well as current Secretary of State and then Senator Hillary Clinton.”

The Amended Complaint was filed in the United States District Court for the District of Columbia and covers individuals from all over the United States and some Americans living abroad, including all former and current Blackwater and Xe employees and so-called independent contractors.

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