

**EXHIBIT 1**

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AMERICAN ARBITRATION ASSOCIATION

THE SANDI GROUP, INC., on behalf )  
of itself and derivatively on behalf of )  
INTERNATIONAL PROTECTIVE )  
SERVICES, INC., )  
2215 M ST., N.W. )  
WASHINGTON, D.C. 20037, )  
Claimant, )  
v. )  
PROTECTION STRATEGIES INCORP. )  
2300 9<sup>th</sup> ST., South, Suite 400 )  
ARLINGTON, VA 22204 )  
Serve: Its Registered Agent )  
Keith Hedman, President & CEO )  
2300 9<sup>th</sup> ST., SOUTH )  
ARLINGTON, VA 22204, )  
Respondent. )

Case No.: \_\_\_\_\_

**STATEMENT OF CLAIM**

CLAIMANT THE SANDI GROUP, INC. ("TSG"), by counsel, on behalf of itself and derivatively on behalf of INTERNATIONAL PROTECTIVE SERVICES, INC. ("IPS"), and for its claims against RESPONDENT PROTECTION STRATEGIES INCORPORATED ("PSI"), states as follows:

**INTRODUCTION**

This action, brought by TSG on behalf of itself and derivatively on behalf of International Protective Services, Inc., stems from the Respondent PSI's deliberate, willful and malicious: (1) purloining of a lucrative U.S. government contract and conspiracy with non-parties hereto to commit same; (2) tortious interference with TSG's existing contractual relationships, as well as

interference with prospective economic advantage and contractual relationships and conspiracy; (3) misappropriation of TSG's trade secrets in violation of the Virginia Trade Secrets Act; (4) statutory civil conspiracy and common law conspiracy to injure TSG in its trade and business (and/or reputation); (5) usurpation of corporate opportunities belonging to IPS and (6) conversion of property belonging to TSG.

### PARTIES AND JURISDICTION

1. Claimant TSG is a Delaware corporation, whose headquarters are located at 2215 M Street, N.W., Washington, D.C. 20037.

2. IPS is a Delaware corporation which was formed pursuant to a joint venture agreement between TSG, Respondent PSI and non-party Dreshak International North America, LLC ("Dreshak"). Pursuant to the written agreement of PSI and Dreshak, TSG is the largest shareholder of IPS with 45% of ownership and participation in profits.

3. Respondent PSI is as Delaware Corporation, whose headquarters are located at 2300 9<sup>th</sup> St., South, Arlington, VA 22204.

### FACTS COMMON TO ALL COUNTS

4. Dr. Rubar Sandi founded TSG in 2002. TSG is a Delaware company engaged in real estate development, construction, security services, life support services and local national personnel and management. It has served as both a prime contractor and as a subcontractor for multiple U.S. government contracts in support of the Iraq War Reconstruction and the war in Afghanistan, as well as provided services to foreign governments and non-governmental entities. TSG's headquarters are in Washington, D.C. It employs 15 people in its office in Washington, D.C. and nearly half of its employees reside in Virginia.

5. PSI is a Delaware company, based in Arlington, Virginia.

6. In or about January 2009, TSG became aware of a valuable government contract bidding opportunity with the U.S. Defense Department (Joint Contracting Command - Iraq/Afghanistan ("JCCI") known as the "Theatre Wide Internal Security Services II" ("TWISS II" or the "Project").

7. The Project is an IDIQ contract, which is expected to require \$485,000,000 worth of work. TSG put together a joint venture team, spearheaded the bid effort and submitted a bid to the U.S. Department of Defense (JCCI) for TWISS II on or about April 6, 2009.

8. The original joint venture consisted of three entities, TSG, non-party Dreshak and non-party ViaGlobal LLC. The joint venture was known as "International Protective Services" and at all times material hereto, the parties agreed that it was to be managed and led by TSG.

9. At all times material hereto, TSG served as the point of contact for IPS. The solicitation instructions for bids on TWISS II had specified that a member of any bidding joint venture or teaming arrangement would need a secret facility clearance ("Security Clearance" or "FCL").

10. Originally, non-party ViaGlobal possessed the requisite Security Clearance and was a member of the joint venture team. TSG was listed as the prime contractor, reflecting its position as the joint venture leader and majority owner of IPS.

11. In or about April 2009, the U.S. government (the "Government") notified TSG and IPS that IPS's its proposal had been accepted into the competitive range for consideration, which effectively meant that it had been accepted for TWISS II work.

12. In May 2009, ViaGlobal dropped out of the joint venture. As the joint venture needed an FCL to qualify, Dreshak recommended PSI to TSG.

13. PSI's contribution to the team was its FCL. It was the smallest holder in the Joint Venture with 20%. PSI and Dreshak could never have qualified as successful bidders on the TWISS II without, among other things, TSG's Iraq Ministry of Trade and Ministry of Interior Operating, Security and Business licenses, TSG's leadership, management, participation, capabilities and experience in Iraq, bid experience and leadership. Moreover, PSI had not even been aware of or even attempted to bid on the TWISS II contract before TSG permitted it to join its venture on May 28, 2009.

14. TSG, PSI and Dreshak signed a written joint venture agreement on or about May 28, 2009 (the "JV Agreement"). A true and correct copy of the JV Agreement is attached hereto as **Exhibit A**.

15. On or about May 28, 2009, TSG and PSI also signed a Non-Disclosure/Non-Circumvention Agreement ("NDA"). A true and correct copy of the NDA is attached hereto as **Exhibit B**.

16. Among other things, the JV Agreement states that "...the Parties wish to join together in a joint venture for the purpose of responding to and performing on the Theatre Wide Internal Security Services II . . . ." Agreement, Recitals, p. 1.

17. The JV Agreement provides that "[t]he Parties have associated themselves as a Joint Venture for the purpose of submitting a proposal, TWISS II, and if successful, performing the Project [TWISS II]. The Parties shall cooperate in the preparation of the proposal and shall not team with any other party to pursue the Project, except as agreed among the parties." Section 1(a), p. 1.

18. The JV Agreement provides that "Each Party shall owe to the other Parties a duty of good faith and fair dealing in the performance of its obligations under the Agreement and the

performance of the Contract, if awarded. Under this duty, each Party shall not engage in any activity or omission that deprives the other of the benefit of this Agreement.” Section 1(b), pp 1-2.

19. On August 1, 2009, the Government notified TSG and IPS that there had been a change in the requirements for TWISS II, and that the Government had decided that it was not sufficient that a member of a joint venture team hold an FCL; instead, the government required that the prime contractor to hold the FCL prior to the award of work under TWISS II or, for applying joint ventures, for the joint venture to hold the FCL itself. It gave a short time frame for TSG and IPS to respond to this change

20. In accordance with the JV Agreement that the parties cooperate to obtain the TWISS II contract work and owing to the short amount of time that IPS had to respond, the JV members agreed that they would name Respondent PSI as the prime contractor. However, TSG, PSI and Dreshak all agreed that this would not change the ownership and profit participation as set forth in their JV Agreement.

21. On August 5, 2009, PSI submitted a Proposal Response to Amendment 9 Solicitation # W91GDW-09-R-4011, noting the change to PSI as the prime. A true and correct copy of the Proposal Response to Amendment 9 Solicitation # W91GDW-09-R-4011 is attached hereto **Exhibit C** (the “August 9<sup>th</sup> Proposal Response”). The August 9<sup>th</sup> Proposal Response specifies that TSG and IPS would perform work and that TSG is a vital member necessary for performance under TWISS II.

22. Among other things, PSI was unfamiliar with and could not have drafted the August 9<sup>th</sup> Proposal Response. As with all of IPS’s bid submission materials for the TWISS II contract, TSG, using its trade secrets and knowledge of the process, drafted the August 9<sup>th</sup>

Proposal Response. At all times material hereto, PSI knowingly and willingly relied upon TSG and its proprietary information and trade secrets and know-how to obtain the TWISS II contract.

23. On August 25, 2009, the Government notified PSI that the Proposal Response had been acceptable and that PSI had been selected to receive one of the TWISS II contracts.

24. After that notification in August 2009, PSI initially provided numerous assurances to TSG that it would honor the parties' prior JV Agreement and sign a new written agreement that reflected the JV Agreement and the Government's amended requirement that for the TWISS II contract, the FCL holder be identified as the Prime Contractor.

25. PSI would never have been in a position to obtain any portion of the TWISS II contract but for TSG's inclusion of PSI in the joint venture established and spearheaded by TSG. At all times material hereto, PSI represented to the Government that TSG would be a key part of the team providing services. Notwithstanding that fact, the JV Agreement and PSI's numerous promises and express representations (including representations to the Government), PSI has refused to enter into an exclusive subcontract with TSG/IPS for the TWISS II performance. Additionally, PSI has knowingly and maliciously made false statements to TSG's Contractors and Vendors in an effort to compel them to end their relationship with TSG and instead to work with PSI.

26. Instead, having won the TWISS II work entirely through the JV team led by TSG and relying on TSG's trade secrets and know-how, pain-staking efforts and contract submissions, PSI has taken the incredible position that it owns the fruits of the Joint Venture.

27. On multiple occasions, TSG's senior executives, including its Chairman and founder, Dr. Sandi, have sought to resolve this dispute with PSI's senior executives, including Mr. Keith Hedman, its CEO and President. However, these diligent efforts to find a resolution

have been stymied, *inter alia*, by PSI's unethical, improper and illegal conduct and material breaches of the JV Agreement. These efforts began in August 2009 and continued into October 2009. Any further effort or demand upon PSI to take corrective or remedial action would be futile.

28. Despite TSG's multiple demands—on both its own behalf as well as IPS's behalf—that PSI cease its conduct which has damaged TSG (and continues to damage TSG) irreparably and irreparably harmed IPS, PSI—through the date of the filing of its demand for arbitration, has willfully and maliciously ignored such demands, despite knowing of the damages it has wrought.

29. The Government has already sought bids for Task Orders under the TWISS II Contract. Upon information and belief, PSI (i) has misappropriated for its use trade secrets, including pricing and bid strategy, belonging to TSG to bid on such Task Orders; (ii) has wrongfully disclosed TSG's trade secrets, including pricing and bid strategy, to third parties; and (iii) defamed TSG.

**COUNT I**  
**BREACH OF CONTRACT**  
**By TSG against PSI**

30. Claimant incorporates the allegations of Paragraphs 1 through 29 above, as if fully set forth in this paragraph.

31. The JV Agreement is an existing, enforceable contract.

32. The NDA is also an existing, enforceable contract.

33. The JV Agreement includes, among other things, the duty of good faith and fair dealing and the duty that the parties cooperate in obtaining the TWISS II contract work. The JV Agreement provides that “[t]he Parties have associated themselves as a Joint Venture for the



purpose of submitting a proposal, TWISS II, and if successful, performing the Project [TWISS II]. The Parties shall cooperate in the preparation of the proposal and shall not team with any other party to pursue the Project, except as agreed among the parties." Section 1(a), p. 1.

34. The JV Agreement also provides that "Each Party shall owe to the other Parties a duty of good faith and fair dealing in the performance of its obligations under the Agreement and the performance of the Contract, if awarded. Under this duty, each Party shall not engage in any activity or omission that deprives the other of the benefit of this Agreement." Section 1(b), pp 1-2.

35. All conditions precedent to the enforcement of TSG's rights under the JV Agreement have been met or otherwise been satisfied.

36. All conditions precedent to the enforcement of TSG's rights under the JV Agreement have been met or otherwise been satisfied.

37. PSI has materially breached the JV Agreement and the Non-Disclosure Agreement, inter alia, by (i) attempting to steal the TWISS II contract and the fruits of TSG's efforts and its rightful share and participation in the TWISS II; (ii) misappropriating TSG's trade secrets and using same to obtain for itself (and its co-conspirators) contract work and Task Orders under TWISS II; (iii) keeping for itself the benefits of the Joint Venture's efforts and anticipatorily refusing to give the shareholders their agreed upon share of profits as set forth in the Joint Venture; (iv) freezing TSG out of the negotiation and bid process with the Government for Task Orders under TWISS II; (v) wrongfully competing with TSG; and (vi) wrongfully conspiring with others to replace TSG and/or to give work which was to go to TSG under the JV Agreement to third parties.

38. As a direct and proximate cause of Respondent PSI's material breaches of contract and unlawful acts and omissions, Claimant TSG has sustained injury and damages, including, but not limited, to lost profits, in an amount not less than \$7,500,000.00.

WHEREFORE, Claimant TSG respectfully requests that an award be entered in its favor and against Respondent PSI as follows:

A. That the Arbitrator enter an award in favor of TSG and against PSI and declare: (1) that PSI has materially breached the JV Agreement; (2) that PSI must recognize TSG's participation as set forth in the JV in the form, among other things, management, provision of services, payment of expenses, distribution of profits, bidding on Task Orders with the Government, etc.; and (3) such other equitable relief that the Arbitrator may deem to be appropriate and just, including but not limited to, awarding TSG its costs and reasonable attorney's fees.

B. That the Arbitrator enter judgment in favor of TSG and against PSI in the amount of no less than \$7,500,000.00 in compensatory damages or in such other amount of actual damages as may be proven at hearing in this case, plus pre-judgment and post-judgment interest and costs, including reasonable attorneys' fees as allowed by law and costs for arbitration.

**COUNT II**  
**USURPATION OF CORPORATE BUSINESS OPPORTUNITY**  
**By TSG, derivatively on behalf of IPS**

39. Claimant incorporates the allegations of Paragraphs 1 through 38 above, as if fully set forth in this paragraph.

40. As a member of the IPS joint venture team and a signatory to the JV Agreement, Respondent PSI had an express duty and obligation to work to obtain TWISS II contract work to IPS and to cooperate with TSG and Dreshak to bring prospective business under TWISS II to IPS.

41. Instead of pursuing TWISS II work for IPS, PSI has wrongfully and unlawfully pursued TWISS II work for itself and diverted prospective business from IPS to PSI and/or its co-conspirators and its own competing business.

42. As set forth above, TSG has made multiple demands upon PSI to cease this conduct and to remedy the wrongs and to give the work to IPS. Its senior executives have tried since August 2009 to resolve this matter. However, PSI has refused on multiple occasions to acknowledge TSG's rights and the rights of IPS. Any further demand would be futile.

43. As a direct and proximate result of Respondent PSI's wrongful acts and omissions, IPS has sustained injury and damages, including lost future profits, in an amount no less than \$12,000,000.00.

WHEREFORE, Claimant TSG, derivatively and on behalf of IPS, respectfully requests that the Arbitrator enter an award in Claimant's favor and against Respondent PSI in an amount to be proven at hearing in this case, but no less than \$12,000,000.00 in compensatory damages, punitive damages in an amount triple the award of compensatory damages, plus pre-judgment interest and post-judgment interest, attorneys' fees and expenses, costs for arbitration, and such other relief that the Arbitrator deems just and appropriate.

**COUNT III**  
**TORTIOUS INTERFERENCE WITH EXISTING AND PROSPECTIVE**  
**CONTRACTUAL RELATIONSHIPS FOR ECONOMIC ADVANTAGE**  
**By TSG against PSI**

44. Claimant incorporates the allegations of Paragraphs 1 through 43 above, as if fully set forth in this paragraph.

45. Respondent PSI knowingly, intentionally and deliberately has interfered with TSG's existing contractual relationships with one or more contractors of TSG in Iraq and has worked to solicit one or more contractors away from TSG and to work for PSI.

46. More specifically, Respondent PSI and/or its agents contacted a known TSG contractor and interfered in that relationship, inter alia, by soliciting that person to abandon TSG to work for PSI on the TWISS II project, in violation of the JV Agreement and by defaming TSG in its communications with that TSG contractor. Among other things, PSI's representative or agent made false statements about TSG to the contractor, including such defamatory remarks as the TSG is unethical in its business. This false statement constitutes defamation per se.

47. Upon information and belief, which is based in part upon the above incident and the facts that (a) PSI must find contractors in Iraq to perform the work that TSG was to do and (b) PSI had access to TSG's trade secrets, including its employee, contractor and vendor lists, PSI has approached and defamed TSG to other TSG contractors and vendors and possibly TSG's employees.

48. As a result of Respondent PSI's defamatory remarks, Claimant TSG has suffered injury and damages, including damage to its reputation and goodwill, in an amount no less than \$7,500,000.00.

WHEREFORE, Claimant TSG respectfully requests that the Arbitrator enter an award in TSG's favor and against Respondent PSI in an amount to be proven hearing in this case, but in any event no less than \$7,500,000.00 in compensatory damages, punitive damages of \$15,000,000.00 plus pre-judgment interest and post-judgment interest, costs for arbitration, attorneys' fees and expenses, and such other relief that the Arbitrator deems just and appropriate.

**COUNT IV**  
**MISAPPROPRIATION OF TRADE SECRETS IN**  
**VIOLATION OF D.C. CODE ANN. § 36-401, et seq.**  
**By TSG against PSI**

49. Claimant incorporates the allegations of Paragraphs 1 through 48 above, as if fully set forth in this paragraph.

50 Respondent PSI has willfully and maliciously misappropriated trade secrets, including but not limited to pricing and bid strategy as well as trade secret information and lists regarding TSG employees, contractors and vendors and TSG pricing information regarding same (the "Trade Secrets"). Upon information and belief, PSI has disclosed the Trade Secrets, in whole or in part, to third parties who are not yet known at this time. At all times material hereto TSG made all reasonable efforts to safeguard secrecy of the Trade Secrets.

51. Respondent PSI knew, or had reason to know that the Trade Secrets belonged to, was confidential to and key to TSG's business and its efforts to obtain the TWISS II work for its joint venture, IPS. PSI knew that by breaching its duty to maintain secrecy, unlawfully acquiring, using and disclosing TSG' trade secrets for use in his own competing business that he would irreparably injure TSG's business.

52. As a result of Respondent PSI's acts and omissions, Claimant TSG has sustained injury and damages in an amount no less than \$10,000,000.00.

WHEREFORE, Claimant TSG respectfully requests that the Arbitrator enter an award in TSG's favor and against Respondent PSI in an amount to be proven at hearing in this case, but in any event no less than \$10,000,000.00 in compensatory damages, \$20,000,000.00 in punitive damages, plus pre-judgment interest and post-judgment interest, costs for arbitration, attorneys' fees and expenses, and such other relief that the Arbitrator deems just and appropriate.

**COUNT V**  
**UNFAIR COMPETITION**  
**By TSG against PSI**

53. Claimant incorporates the allegations of Paragraphs 1 through 52 above, as if fully set forth in this paragraph.

54. Respondent PSI, in concert with Dreshak and other third parties who have not yet been identified, has willfully and maliciously conspired to injure TSG in its trade, reputation and business and violate the JV Agreement, and take the TWISS II work which was to go to IPS and to TSG as its largest shareholder and to take the TWISS II work for themselves.

55. Upon information and belief, which is grounded, *inter alia*, upon the working relationship and positions taken by PSI and Dreshak during the bid and amendment process and after the August 9<sup>th</sup> Proposal Response was sent, PSI and Dreshak conspired to appropriate, take over and control the work which was to be performed by TSG under the JV Agreement and to force TSG out of the TWISS II project work that the IPS joint venture team had bid upon and pursued.

56. In the furtherance of the conspiracy, PSI and Dreshak, each acting on their own and as agent for the other, have or are secretly pursuing a business relationship with unknown third parties and in violation of the JV Agreement. That is, neither PSI nor Dreshak has the capabilities to perform the work that was to be contributed by TSG. Additionally, PSI has defamed TSG by making damaging and false statements to at least one TSG contractor (and probably others) in furtherance of the conspiracy to hurt TSG and take the benefits of the TWISS II award for itself and for Dreshak and others and has misappropriated the trade secrets of TSG, including but not limited to bid strategy and pricing.

57. The aforementioned actions constitute unfair competition by PSI against TSG.

58. As a direct and proximate result of Respondent PSI's acts and omissions, Claimant TSG has sustained injury and damages, including but not limited to lost future profits.

WHEREFORE, Claimant TSG respectfully requests that the Arbitrator enter an award in TSG's favor and against Respondent PSI in an amount to be proven at hearing in this case, but in any event no less than \$7,500,000.00 in compensatory damages, \$15,000,000.00 in punitive damages, plus pre-judgment interest and post-judgment interest, costs for arbitration, attorneys' fees and expenses, and such other relief that the Arbitrator deems just and appropriate.

**COUNT VI**  
**UNJUST ENRICHMENT**  
**By TSG against PSI**

59. Claimant incorporates the allegations of Paragraphs 1 through 58 above, as if fully set forth in this paragraph.

60. Respondent PSI, in concert with Dreshak and other third parties who have not yet been identified, has willfully and maliciously conspired to take for themselves the TWISS II work, which was to go to IPS and to TSG as its largest shareholder.

61. Upon information and belief, which is grounded, *inter alia*, upon the working relationship and positions taken by PSI and Dreshak during the bid and amendment process and after the August 9<sup>th</sup> Proposal Response was sent, PSI and Dreshak conspired to appropriate, take over and control the work which was to be performed by TSG under the JV Agreement and to force TSG out of the TWISS II project work that the IPS joint venture team had bid upon and pursued.

62. As a result of this wrongful misappropriation, Respondent would gain substantial monetary and other benefits from the TWISS II project work.

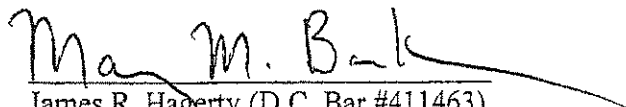
63. It would be wholly unfair and would great injustice if Respondent retains the benefits acquired at Claimant's expense.

WHEREFORE, Claimant TSG respectfully requests that the Arbitrator enter an award in TSG's favor and against Respondent PSI in an amount to be proven at hearing in this case, but in any event no less than \$7,500,000.00 in compensatory damages, plus pre-judgment interest and post-judgment interest, costs for arbitration, attorneys' fees and expenses, and such other relief that the Arbitrator deems just and appropriate.

November 9, 2009

Respectfully submitted,

KALBIAN HAGERTY L.L.P.



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