

FD-302 (Rev. 10-6-95)

- 1 -

## FEDERAL BUREAU OF INVESTIGATION

Date of transcription 09/18/2009

MATTHEW HOFFMAN, date of birth [REDACTED] Social Security Account Number [REDACTED], was interviewed at the Office of the United States Attorney in Greenbelt, Maryland. Also present for the interview were Internal Revenue Service - Criminal Investigation Special Agent Rolando Velez, and Assistant United States Attorneys Michael Pauze and Christen Sproule. After being advised of the identities of the participants and the nature of the interview, HOFFMAN provided the following information:

HOFFMAN graduated from George Mason with an undergraduate degree in Government and International Relations in 1996. He received his law degree from George Mason in 1999. In March of 2000, HOFFMAN began working at CLIENT NETWORK SERVICES, INCORPORATED (CNSI) as their director of contracts, and shortly thereafter when he passed the Virginia Bar exam, HOFFMAN also became CNSI's Corporate Counsel. In 2004 or 2005, he was named Vice President and Corporate Counsel. At CNSI HOFFMAN had a junior attorney/legal specialist who worked for him named SYLVIA YARDLEY, as well as a junior assistant named EDMOND YARBO. HOFFMAN was terminated from CNSI on July 31, 2009. HOFFMAN currently works for EVOLVER, in Reston, Virginia as Corporate Counsel. EVOLVER is a small government contractor with contracts at DHS, the Census Bureau, and Patent.

When HOFFMAN left CNSI, there were four owners. INDERPAL aka JAYTEE KANWAL, the Chief Financial Officer, BISHWAJEET CHATTERJEE, the President, REET SINGH, the Chief Administrative Officer, and ADNAN AHMED, the Chief Strategic Officer. These four owners also comprised the Board of Directors. Under the four owners were multiple Senior Vice President's. BRUCE ADAMS, a Senior VP who has been there since almost the start of the company is a 9% equity shareholder. Somewhere along the line ADAMS' name was no longer listed as a shareholder. HOFFMAN knows this from seeing bank documents and security clearance paperwork as well as the stock register. ADAMS told HOFFMAN that the removal of his name was not with his consent.

Four or five years ago, HOFFMAN was asked by the owners to form a company, but he did not represent any of them as a lawyer. They told him they wanted to form a real estate company as

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FD-302a (Rev. 10-6-95)

316A-BA-110648

Continuation of FD-302 of

MATTHEW HOFFMAN. On 09/11/2009, Page 2

a secondary business venture. The company is called KASC Properties, LLC. The letters KASC are the first letters of the last names of the four owners. HOFFMAN received no additional compensation for assisting them with forming this company. HOFFMAN has had no other involvement since filing. KASC used the home address of SINGH, which he believes is on Stringfellow Place, in Montgomery Village.

From public documents and observed conduct, HOFFMAN knows that the owners purchased a house in Augusta, Maine located at 108 Parkwood Avenue in the company's name. This house was purchased prior to the formation of KASC. In early 2005, Chevy Chase Bank was requiring updates from CNSI about their assets. The document given to Chevy Chase did not list the house in Maine as an asset. HOFFMAN then accessed the property register in Kennebunk County in Maine, and saw that the house purchased in CNSI's name with CNSI funds was transferred to the names of the owners. The owners never compensated the company in exchange for the house. Later, from viewing invoices in the regular course of his job, HOFFMAN learned that CNSI was paying KASC for leasing the house. The house in Maine was purchased in 2002 for \$195,000 and was sold in 2008 for \$193,000.

In early 2005, CNSI landed a contract with the State of Washington, and as a result, had to open an office in Olympia, Washington. HOFFMAN ultimately saw the project accounting records and saw transfers of money to [REDACTED] or [REDACTED] that were booked as project expenses. Also, CNSI began renting the house in Olympia from KASC, HOFFMAN knows this because he saw the invoices. HOFFMAN pulled the records and saw that the house was purchased by the four owners. The purchase price was equal to the amount of money HOFFMAN saw transferred to the owners.

CNSI also purchased condominiums in Lansing, Michigan when they won a contract there. HOFFMAN initially reviewed the purchase documents for about three condominiums, and thought the condos would be for use by the staff. HOFFMAN stayed in one of them once when he traveled to Michigan on business. After conducting a records search, HOFFMAN learned that the condominiums had been purchased in the individual owners' names, a different owner for each condo, and that they had transferred several hundred thousand dollars for the purchase and then charged the money to the project. The project manager for the Michigan project was JEFF GOTTLIEB. HOFFMAN had no involvement in the decision to remove the condos from the balance sheet.

FD-302a (Rev. 10-6-95)

318A-BA-110648

Continuation of FD-302 of

MATTHEW HOFFMAN, On 09/11/2009, Page 3

In July of 2008, CNSI won a fixed price contract with the State of South Dakota. When HOFFMAN was there for contract negotiations, he did walk-thrus with the owners of properties in Pierre. Through public records HOFFMAN saw that the property was purchased in the name of one or more of the owners, and then based on invoices saw that they were renting the property back to CNSI even though it had been purchased with CNSI funds. All of the properties purchased were in the name of one or more of the owners, SINGH was usually listed as one.

Through invoices, HOFFMAN learned that several townhouses in the King Farm development in Rockville, Maryland were being rented to CNSI through KASC properties. HOFFMAN noted that CNSI was paying well above market rate, about \$20,000- \$30,000 per month, and this money was being allocated to interest expenses (like what they pay to Bank of America for their line of credit). KASC also invoiced about \$5,000 per month for a monthly management fee to CNSI, although CNSI maintenance personnel were used for maintenance on the homes.

50-70% of CNSI's revenue base comes from Federal Government contracts. When you have these contracts you must adhere to government cost accounting standards. Under these rules, the hourly rate is determined by time and materials; the actual direct cost of an employees time, plus other indirect costs and overhead, such as corporate facilities.

The owners of CNSI employed at least one of each's parents at a salary of approximately \$30,000 per year. HOFFMAN had conversations with people in Human Resources related to employee health insurance for the owners parents.

The owners of CNSI also purchased possibly \$2-3 million dollars in properties with CNSI funds. For all of the properties, when HOFFMAN saw that records reflected the individual owners as the owners of the properties, he talked to the owners about it, but he spoke to [REDACTED] the most. And during the purchase of the Michigan properties, HOFFMAN made it clear to them that he was not their attorney with respect to real estate. There was some email traffic to that effect, and as a result, [REDACTED] emailed JEFF GOTTLIEB, the Michigan project manager, and told him to leave HOFFMAN off of the emails about the properties because he was not their counsel for that matter.

FD-302a (Rev. 10-6-95)

318A-BA-110648

Continuation of FD-302 of

MATTHEW HOFFMAN

On 09/11/2009, Page 4

HOFFMAN also spoke to the company's auditors about the misconduct at CNSI. One of the auditing firms they used was called ARGY, WILTSE, and ROBINSON (ARGY), in McLean, Virginia. They handled CNSI's annual financial audit and corporate tax returns. In February of 2009, HOFFMAN spoke to one of the ARGY auditors, KATHY MORAN about the illegal activity at CNSI, including the real estate transactions. He answered her questions, and she subsequently withdrew from the CNSI audit.

Early in 2009, Bank of America (BOA) directed CNSI to get an outside auditor. CNSI subsequently hired FTI, a consulting firm that provided forensic accountants to perform the required audit at CNSI. Two of the main auditors from FTI were BARBARA NORVATH and DAVID FARELL. HOFFMAN had many discussions with FARELL about what was going on with CNSI's finances. Initially, counsel for BOA, MCGUIRE-WOODS, hired FTI. MCGUIRE-WOODS had their main office in North Carolina. Their lead attorney was STACI ROSCHE, their secondary contact was STEVE RITCHIE (not the same person as the one at ARGY). CNSI's main point of contact at BOA was originally JESSICA TENCZA, however she is no longer on the CNSI account and works elsewhere within the bank. The other BOA points of contact for CNSI are RUTH ANN CLARK and BARBARA LEVY, the most recent account representative. CNSI has been moved to the high risk and special assets section at BOA and their account is being handled by JOHN MCDUFFY.

Another issue that HOFFMAN saw was with the State of Washington contract. HOFFMAN was also Senior Director of Contracts in addition to being Corporate Counsel. On the Washington contract he handled amendments and other issues. In the course of these duties HOFFMAN saw documents presented to BOA that were far from accurate. The misstatements were with respect to the status and summary of projects and account receivables. These documents overstated the revenue from the Washington contract and understated the costs. And in these documents the contract price was overstated more than once. These documents were sent to BOA in Tyson's Corner, Virginia, who then forwarded them to M&T and 1ST COMMONWEALTH banks. These three banks formed a syndicate that handled CNSI's lines of credit and accounts. BOA was the lead lender and the administrative agent for the syndicate. Documents sent to the bank were usually signed by [REDACTED]. There were similar misstatements made to the bank on other projects. HOFFMAN spoke to [REDACTED] numerous times about this issue; basically whenever documents were being sent to BOA. HOFFMAN had oral conversations with [REDACTED] about this, and there may have been a few email

FD-302a (Rev. 10-6-95)

318A-BA-110648

Continuation of FD-302 of

MATTHEW HOFFMAN

On 09/11/2009, Page 5

exchanges as well. JEFFREY WEISENBORNE, CNSI's Vice President of Accounting and Finance, may have been present for a few of these conversations, as well as some project staff, like TINA SPHAR, ARVINDER SINGH, and MICHELLE FALETTI. HOFFMAN overheard [REDACTED] talking to the auditors and bank staff, lying about things and he knows she was uncomfortable with it. [REDACTED] is involved in maintaining financial records for healthcare projects. HOFFMAN would not call her honest or a straight-shooter.

GOTTLIEB resigned three weeks ago, he had worked under ARVINDER SINGH. SINGH apparently told GOTTLIEB that he wasn't far behind him. HOFFMAN is not sure who is currently in charge at CNSI. HOFFMAN spoke with a CNSI employee yesterday who told him that someone by the last name of Goldstein is in charge and was put there by BOA.

Another thing that CNSI owners were doing was receiving large bonus payments that were booked as repayments for loans that were never made in the first place.

On 07/31/2009, HOFFMAN was called in to a meeting with CHATTERJEE, SINGH, KANWAL, and an attorney named KAREN SHAPIRO from a firm in Rockville. During this meeting HOFFMAN was told that he was being fired for owning a second company that he does not own. HOFFMAN believes that they were referring to PRO FORCE SOLUTIONS, a company that is owned by an acquaintance of his. HOFFMAN reviewed non-disclosure agreements, and WEISENBORNE provided him with accounting guidance. HOFFMAN was terminated outside of the Human Resources procedures, and believes that the real reason he was fired is that he was cooperating with the auditors. HOFFMAN had been told in the past to shut up or be fired.

On or about 03/07/2009, HOFFMAN attended a Saturday meeting at the CNSI offices in Rockville for a conversation about who should be furloughed or fired. About 15 people attended this meeting in the conference room. HOFFMAN was asked by the owners to stay behind when the meeting concluded. [REDACTED] then told HOFFMAN in front of the other three owners that if he ever disclosed the misconduct at the company they would have him killed. At that point [REDACTED] stepped in and said they should move on. HOFFMAN was once told on a performance review by [REDACTED] to stop telling the owners when he thinks something is illegal.

In or around October of 2008, BOA and M&T received anonymous letters outlining a number of fraudulent acts by CNSI.

FD-302a (Rev. 10-6-95)

318A-BA-110648

Continuation of FD-302 of

MATTHEW HOFFMANOn 09/11/2009

Page

6

These letters also said that the owners had made death threats to employees not going along with the way things were being done. HOFFMAN has no clue who wrote the letters. These letters are what led to the audit by BOA.

After being threatened by [REDACTED], HOFFMAN began looking for a new job. HOFFMAN told BRUCE ADAMS about the threat, as well as his friend in Human Resources, MAYA CHAVEZ. CHAVEZ did not document it. HOFFMAN may have also told WEISENBORNE, but did not tell anyone outside of the company. ADAMS told HOFFMAN he has turned down offers of additional cash from the four owners. HOFFMAN believes he has handwritten notes about the threat made to him. He may have also sent himself an email about it to his personal hotmail account.

HOFFMAN currently has a demand letter in to the company for equity compensation and accrued vacation time. HOFFMAN has retained an attorney for this matter named JIM RUBIN, who is based in Rockville.

Right after he was fired, HOFFMAN received a call from FTY auditor DAVID FARELL expressing his outrage.

CNSI has an international subsidiary based in India, and HOFFMAN is not sure if money is being funneled through there back to the owners. He saw documents indicating that a lot of money was being sent there. The employees there are for the support of CNSI in the United States, and the amount of money being sent over there is above market prices for employee salaries.

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FD-302 (Rev. 10-6-95)

-1-

## FEDERAL BUREAU OF INVESTIGATION

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On 06/28/2010, a telephone call was placed to JEFFREY WEISENBORNE. Also participating in the conversation were Assistant United States Attorney Michael Pauze, and IRS-CI Special Agent Rolando Velez. After being advised of the identities of the participants, WEISENBORNE provided the following information:

WEISENBORNE and MATTHEW HOFFMAN were offered a settlement with respect to their wrongful termination lawsuit against CLIENT NETWORK SERVICES, INCORPORATED (CNSI). They have accepted the offer and the terms of the agreement are sealed. Part of the agreement is that if anyone approaches them with questions about CNSI, they are supposed to notify CNSI's attorneys. WEISENBORNE does not believe that this applies to the Federal government, but will ask his attorney for clarification.

Investigation on 06/28/2010 at Greenbelt, Maryland

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