

Top Food Supplier To Military Indicted

By MIKE ESTERL

ATLANTA—The U.S. government filed a criminal indictment against a Kuwaiti company that is the leading food supplier to the American military in Iraq, in what prosecutors described as the first step in a broader investigation.

The Department of Justice on Monday declined to estimate the scope of the alleged fraud by Kuwait-based Public Warehousing Co. K.S.C., but it said in a statement that it believed the amount to be massive. PWC has received more than \$8.5 billion in food-supply contracts for U.S. military personnel in Iraq, Kuwait and Jordan dating back to 2003, the DOJ said.

PWC, which rebranded itself as Agility in 2006 and continues

The Justice Department said it believes the amount of the alleged fraud to be massive.

to supply food to U.S. troops, said in a statement that it was confident the U.S. government allegations “will be found to be without merit.” PWC is “surprised and disappointed” by the indictment, it said.

Barbara Nelan, assistant U.S. attorney for the Northern District of Georgia, told reporters that the indictment against PWC was “the first step” in a broader investigation of individuals and other companies that may have participated in the alleged fraud.

The criminal indictment by a federal grand jury was filed under seal last week in the U.S. District Court for the Northern District of Georgia. Prosecutors on Monday said it was triggered in part by a whistle-blower civil suit filed with the same court by Kamal Mustafa Al-Sultan in November 2005.

Mr. Mustafa Al-Sultan, a former business partner of PWC, alleged in an amended civil suit against PWC in U.S. District

Court in Atlanta last month that the Kuwaiti logistics company has defrauded the U.S. government of more than \$1 billion by marking up prices by 30% or more.

The DOJ alleges that Sulaihiya, Kuwait-based PWC provided “false invoices and statements” to the Defense Supply Center Philadelphia, a branch of the Department of Defense that gives logistical support to U.S. troops. It says PWC used various tactics to artificially inflate bills and retain “product rebates, allowances and discounts” that should have gone to the U.S. government.

Among other allegations, prosecutors say PWC conspired with Kuwaiti subcontractor The Sultan Center Food Products Co. KSC—known as T.S.C.—to charge the U.S. above-retail prices for fresh fruit and vegetables. It alleges that T.S.C. then paid kickbacks to PWC in the form of a 10% rebate.

PWC received \$62.3 million in such rebates from T.S.C. during the first 41 months of food-supply contracts with the U.S. military, the DOJ alleges. That figure doesn’t include an undisclosed amount of rebates spanning another 35 months of supply contracts between the parties, prosecutors said in the indictment, which was made public on Monday. T.S.C. didn’t return calls seeking comment.

In another case, prosecutors allege that PWC overcharged for food by persuading an unnamed Georgia-based supplier to reduce the pack sizes of products it sold by half so that PWC could bill the U.S. military twice as much.

The Department of Defense said that it has suspended PWC from bidding for contracts during the legal proceedings. The suspension doesn’t preclude PWC from completing its current contracts.

Prosecutors said they hoped to claim as much as two times the money that PWC gained from the food-supply contracts or two times the estimated loss to the U.S.

—Brent Kendall and Yochi Dreazen in Washington contributed to this article.