

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA)	
EX REL. STEPHEN M. SHEA)	C.A. No.
56 Heermance Place)	
Suite 300)	
Ridgewood, NJ 07450,)	
)	
Plaintiffs,)	
v.)	.
)	.
Verizon Communications Inc.)	<u>FILED UNDER SEAL</u>
140 West Street)	
New York, NY 10007,)	
)	JURY TRIAL DEMANDED
Defendant.)	
_____)	

**COMPLAINT FOR VIOLATION
OF THE FEDERAL FALSE CLAIMS ACT**

Plaintiffs Stephen M. Shea alleges, on behalf of the United States of America, for his Complaint against defendant Verizon Communications Inc. based upon personal knowledge and relevant documents, as follows:

I. INTRODUCTION AND SUMMARY OF ALLEGATIONS

1. This is an action to recover damages and civil penalties on behalf of the United States of America arising from false and/or fraudulent claims, false records and/ or statements made, used and caused to be made, used or presented by defendants and/or its agents, employees and co-conspirators in violation of the Federal Civil False Claims Act, 31 U.S.C. ' 3729 et seq., as amended (“the FCA” or “the Act”).

2. This action alleges that Verizon Communications (hereinafter known as “Verizon”) knowingly submits claims to the United States for payment of illegal surcharges under contracts to

provide telecommunication services between defendant Verizon and various federal agencies.

These agencies include, among others, the General Services Administration, the Department of Defense, the United States Postal Service, the United States Senate and the United States House of Representatives.

3. This action seeks reimbursement of all monies paid by the United States for such illegal surcharges under multiple contracts and arrangements for procurement.

4. Verizon conceals from the United States that these illegal surcharges are not reimbursable by designating them as tax, fees or duties.

5. Many such surcharges, however, are not taxes or duties assessed by governmental regulatory or taxing authorities where the incidence of the tax rests on the United States as purchaser of telecommunication services. Verizon presents claims for illegal surcharges to the United States that are camouflaged as taxes or duties but are, in reality, surcharges imposed on Verizon as a cost of doing business in a given jurisdiction.

6. Many surcharges assessed by Verizon are not allowable under the United States' contracts for telecommunication services. These surcharges may be non-allowable either because they are contained within the basic price negotiated for products and services or because they are not among the limited, specified surcharges set forth expressly in the contracts. Some charges are non-allowable because, although they may be legitimate state or local taxes, the United States is constitutionally immune or exempt from paying these charges.

7. In 2007, Relator Stephen Shea filed a related action, Civ. Action No. 07CV0111(GK), also pending in the United States District Court for the District of Columbia. In that action, Relators allege that Verizon has knowingly submitted false and fraudulent claims to the

United States under the United States' primary contracts for telecommunication services, the FTS2001 and the FTS2001 Bridge Contract administered by the General Services Administration (GSA).

8. The illegal practice of knowingly overcharging the United States through claims for payment for "Federal, State and local taxes," "fees," "surcharges," and "tax-like surcharges" began in at least 1999 with administration of the FTS2001 contract by MCI (Contract No. GS00T99NRD2002).

9. Verizon merged with MCI in 2006 and assumed responsibility for administration of the FTS2001 contract.

10. Verizon, like MCI, engages in a pattern or practice of submitting claims to the United States for payment of illegal surcharges similar to its practice of seeking to charge its business and residential customers for such surcharges. Many of these charges are not properly reimbursable by the United States and payments made for these charges are overcharges.

11. The United States' multiple contracts for telecommunications services typically do not permit a pass through of costs imposed on the carrier as part of their costs of business. The contracts are typically firm, fixed-price. The contracts typically provide mechanisms for accounting for after-imposed and after-relieved taxes and permitting the United States to claim immunities and exemptions from state and local taxes. Any permissible surcharges are typically specified in the contract, as they are in the FTS2001 Contract.

12. Submission of these claims for payment of illegal surcharges is part of a knowingly fraudulent scheme to enrich Verizon beyond what is contemplated under its contracts with the United States. Designation of these fraudulent charges as "Federal, State and local taxes," "fees"

“surcharges,” “tax-like surcharges,” and other similar names deceptively represents that these are charges imposed by some regulatory or taxing authority on the transaction, and that the United States is obligated to pay the surcharges.

13. For example, under the WITS2001 and other wireless contracts, Verizon submits claims to the United States for “gross receipts” surcharges, “Federal Regulatory Fee,” and state “regulatory fees” while mischaracterizing these charges as “taxes.”

14. Reimbursement by the United States of these illegal surcharges is an overpayment of the price owed by the United States for services under its contracts for telecommunication services. Reimbursement is inconsistent with the Federal Acquisitions Regulations which provide a mechanism for the United States to claim immunity or exemption from legitimate state and local taxes. Reimbursement is also at odds with the contractual provisions governing pricing structure in the United States’ contracts for telecommunication services.

15. This action alleges that Verizon’s pattern and practice of submitting false claims extends beyond the FTS2001 and FTS2001 Bridge Contract. Verizon submits, or has submitted, such illegal surcharges to the United States for payment under multiple contracts including, but not limited to, the contracts for wireless services including WITS2001 administered by GSA, the Metropolitan Area Acquisition (MAA) contract administered by GSA, and contracts held by the Department of Defense, the United States Postal Service, the United States House of Representatives and the United States Senate, and other federal agencies.

16. Verizon acts “knowingly” within the meaning of the federal False Claims Act in submitting the illegal surcharges to the United States. Verizon has actual knowledge that it has submitted illegal charges, has acted with deliberate indifference of the prohibitions on submission

of these charges, and has been reckless in submitting claims for charges to the United States for which it is not responsible.

17. The FCA was originally enacted in 1863, and was substantially amended in 1986 by the False Claims Amendments Act, Pub.L. 99-562, 100 Stat. 3153 and in 2009 by the Fraud Enforcement and Recovery Act of 2009, Pub. L. No. 111-21. Congress enacted the 1986 amendments to enhance and modernize the Government's tools for recovering losses sustained by frauds against it after finding that federal program fraud was pervasive. The amendments were intended to create incentives for individuals with knowledge of Government frauds to disclose the information without fear of reprisals or Government inaction, and to encourage the private bar to commit resources to prosecuting fraud on the Government's behalf.

18. The Act provides that any person who presents, or causes to be presented, false or fraudulent claims for payment or approval to the United States Government, or knowingly makes, uses, or causes to be made or used false records and statements material to a false or fraudulent claim, is liable for a civil penalty ranging from \$5,500 up to \$11,000 for each such claim, plus three times the amount of the damages sustained by the federal Government.

19. The Act allows any person having information about false or fraudulent claims to bring an action for himself and the Government, and to share in any recovery. The Act requires that the complaint be filed under seal for a minimum of 60 days (without service on the defendant during that time). Based on these provisions, qui tam plaintiff Stephen M. Shea seeks through this action to recover all available damages, civil penalties, and other relief arising from the Defendants' knowing submission of false claims to the United States.

20. While the precise amount of the loss to the federal government cannot

presently be determined, it is estimated that the damages and civil penalties that may be assessed against the defendants under the facts alleged in this Complaint amounts to millions of dollars.

II. PARTIES

21. Relator Stephen M. Shea is a telecommunications consultant and is the former managing director of TechCaliber LLC. Mr. Shea specializes in negotiating telecommunication contracts for large commercial clients and helping to manage the costs of these telecommunication contracts for these clients. TechCaliber's client list includes many Fortune 100 companies. Relator Shea has been responsible for collecting in excess of \$50 million in overcharges from the telecommunication carriers for his clients. Before founding TechCaliber, Relator Shea was a Senior Manager in Deloitte Consulting's networking practice. Relator Shea has managed multiple Custom Network Service Agreement (CNSA) projects, including conducting competitive procurements for new agreements, mid-term benchmarking assignments, and contract compliance reviews. He is known for his expertise in competitive analysis of tariffed and negotiated rates. Relator Shea holds a BS in Engineering Management from the United States Military Academy and an MBA from Columbia University.

22. Relator Shea discovered the false and fraudulent claims that are at issue in this case through his extensive work as a private telecommunications consultant to Fortune 100 companies including reviewing invoices to ensure that the vendors have correctly implemented the negotiated contracts. During the course of this work for private clients, Relator Shea became aware of the practice of MCI, and later its successor Verizon, billing corporate clients not only for federal, state and local taxes levied on the customer but also for surcharges (often labeled as, or lumped together

with, taxes) that were added to bills by Verizon to inflate the revenue it received for telecommunication services.

23. Upon investigation, Relator Shea learned that MCI was attempting to pass on the same illegal surcharges, designated as “federal, state and local taxes,” “fees,” “surcharges,” or “tax-like surcharges” and other similar names, to the United States under the FTS2001 Contract.

24. In addition, during the course of his investigation and based upon his many years of direct experience as a telecommunications consultant, Relator Shea learned that Verizon overcharges the United States by presenting claims for “federal, state and local taxes,” “fees,” “surcharges,” or “tax-like surcharges” and other similar names. Relator Shea has direct knowledge of the conduct alleged in this Complaint and conducted an independent investigation to uncover false claims submitted to the United States.

25. Defendant Verizon Communications Inc. is one of the world’s leading providers of communication services. Verizon Communications Inc. is incorporated in Delaware and headquartered in New York, New York.

III. JURISDICTION AND VENUE

26. Jurisdiction is based on 28 U.S.C. §1331 and 31 U.S.C. §3732, the latter of which specifically confers jurisdiction on this Court for actions brought pursuant to 31 U.S.C. §§3729 and 3730.

27. Under 31 U.S.C. §3730(e), there has been no statutorily relevant public disclosure of the “allegations or transactions” in this Complaint. Relator, moreover, would qualify under the Act as an “original source” even if such a public disclosure were found to exist, because he has direct and independent knowledge of the wrongdoing alleged in this Complaint and because he

voluntarily provided information relating to such misconduct to federal authorities prior to initiating this qui tam lawsuit.

28. This Court has personal jurisdiction over the defendant pursuant to 31 U.S.C. §3732(a) because that section authorizes nationwide service of process and because the defendant has minimum contacts with the United States. Moreover, the defendant can be found in, or has transacted business in, the District of Columbia.

29. Venue is proper in the District of Columbia pursuant to 31 U.S.C. §3732(a) because the defendant can be found in, and transacts or has transacted business, in this district.

IV. BACKGROUND

A. APPLICABLE FEDERAL ACQUISITION REGULATIONS

30. The Federal Acquisition Regulations (FARs) govern Verizon's telecommunications contracts with the United States.

31. Certain provisions of the FARs are important for construing the United States' telecommunication contracts.

32. The FARs set forth requirements for firm, fixed-price contracts. Firm fixed-price contracts provide for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profits or loss. 48 C.F.R. §§ 16-202-1-16.203-4.

33. The government's contracts for telecommunication services are firm, fixed-price contracts.

34. The FTS2001 Contract and the FTS2001 Bridge Contract are firm, fixed-price contracts.

35. Additional contracts for telecommunication services, including the United States' contract with Verizon for wireless telecommunication services, including WITS2001, the Metropolitan Area Acquisition (MAA) contracts, and the United States Navy's contract for telecommunication services, are also firm, fixed-price contracts.

36. The FARs also implement the constitutional immunity or exemption of Federal Government purchases and property from state and local taxation. 48 C.F.R. §§ 29.000-29.402-2.

37. Generally, purchases made by the United States, including purchases of telecommunication services, are immune from state or local taxation. There is a mechanism for notifying the United States of a transaction that is subject to state or local tax and protecting the United States' immunity or exemption. 48 C.F.R. § 29.302(a).

38. Provisions of the FARs also deal with the management of Federal, State and local taxes or duties under the pricing structure of a firm, fixed-price contract. 48 C.F.R. §§ 29.401-3; 52.229-3-52.229-4.

39. Unless the contract excludes Federal, States and local taxes and duties from the contract price, "the contract price includes all applicable Federal, States and local taxes and duties." 48 C.F.R. § 52.229-4(b).

40. 48 C.F.R. § 29.101 sets forth procedures for protecting the Government's interest in immunities and exemptions from state or local tax.

41. The FARs are clear that references to "applicable Federal, State and local taxes and duties" are "taxes and duties, in effect on the contract date, that the taxing authority is imposing

and collecting on the transactions or property covered by this contract.” (Emphasis added). 48 C.F.R. §§ 52.229-3-52.229-4.

42. The FARs set forth a mechanism for price adjustment for taxes and duties that are assessed on the transaction and for which, in the case of state or local taxes, the United States may be immune or exempt. Id. The FARs do not permit price adjustment for taxes, fees, duties or surcharges that the carrier must simply pay as part of its cost of doing business in a particular jurisdiction.

43. The FARs set forth a mechanism for adjusting the contract price depending on changed circumstances. 48 C.F.R. § 52.229-04(c) addresses adjustments for “after-imposed taxes” where the contract price did not include any contingency for such tax. 48 C.F.R. § 52.229-04(d) addresses adjustments for “after-relieved taxes.”

44. 48 C.F.R. § 52-229.04(g) imposes a duty to notify the United States of all matters related to any Federal excise tax or duty that reasonably may be expected to result in a change in the contract price, and sets forth a mechanism for adjustments to price.

45. If the carrier notifies the United States of a tax or duty from which the United States may be immune or exempt, 48 C.F.R. § 52-229.04 (h) requires the United States to furnish evidence, if necessary, to establish an exemption from any Federal, State or local tax when requested and when a reasonable basis for an exemption from paying the tax exists.

46. Nothing in the FARs suggest that the “Federal, State or local taxes” may be submitted as claims to the United States except through the stated mechanisms.

47. The FARs also require that contractors are responsible for, without additional expense to the Government, obtaining any necessary licenses, certifications, authorizations,

approvals and permits and for complying with any applicable Federal, State, and municipal laws, codes and regulation in connection with the performance of the contract. 48 C.F.R. § 52.236-7.

48. Individual contracts may permit the inclusion in invoices of specified surcharges. These surcharges are separate from the unit price negotiated for the service.

49. These surcharges are not taxes imposed on the transaction for purposes of incorporated FAR clauses.

50. Designation of these surcharges as taxes, or describing them as though they were imposed on the transaction by Federal, State or local authorities, conceals that these charges are imposed not on the United States but on the carrier as a cost of doing business.

V. ALLEGATIONS

A. FTS2001 CONTRACT

51. Upon investigation, Relator Shea discovered that Verizon, and its Predecessor on the FTS2001 Contract at issue in Civ. No. 07CV0111(GK), MCI, have made claims for multiple illegal surcharges under the FTS2001 Contract.

52. On or about August 13, 2004, Relator Shea received an MCI document that purported to show “the taxes and surcharges that the Federal Government is responsible for.”

53. The surcharges prepared by MCI were characterized as “a list of taxes that the Government must pay” although the document also states that “what they are exempt from are: Federal taxes, state taxes (except for Arizona and New Mexico).” These charges included Federal Regulatory Fee surcharges, state sales, excise and utility taxes; and surcharges based on the following state and local fees, contributions and taxes assessed on the carrier: public utility commission fees, state universal service fund and high cost fund contributions; state “deaf taxes;”

state and local gross receipts taxes; business license fees; 911 taxes; tele-relay service charges; ad valorem taxes; business, occupational and franchise taxes.

54. As alleged in Civ. No. 07CV0111(GK), many of the charges listed on the MCI document obtained by Relator have been submitted to the United States first by MCI and then later by Verizon and are illegal surcharges.

55. As alleged in Civ. No. 07CV0111(GK), under the FTS 2001 Contract and the FTS2001 Bridge Contract, Verizon may submit claims to the United States for two separate surcharges: the Federal Universal Service Fund (FUSF) and the Federal Pre-Subscribed Interexchange Carrier Charge (PICC). Verizon must provide adequate information to the Government to demonstrate that these charges are fair and reasonable; are limited to the pass through of actual charges associated with FUSF and PICC or are no greater than those charged to other customers; and are no greater than would be charged based on a pro rata allocation among all customers.

56. As alleged in Civ. No. 07CV0111(GK), under the FTS 2001 Contract and the FTS2001 Bridge Contract, all surcharges other than FUSF and PICC, are non-allowable. Knowing presentation of illegal surcharges for payment to the United States violates the False Claims Act.

B. ADDITIONAL TELECOMMUNICATIONS CONTRACTS

57. Based on reasonable investigation, and extensive experience with recovering improperly paid charges under telecommunication contracts for commercial customers and the practices of Verizon as a telecommunications carrier, Relator alleges that Verizon also submits claims for similar illegal surcharges, designated as “Federal, State, and local taxes, fees,

surcharges, and tax-like surcharges” and similar names, to the United States under additional telecommunication contracts.

58. Verizon submits claims for surcharges to the United States much in the same way that it imposes such charges on business and residential customers. Verizon’s “Service Publication and Price Guide” (“Guide”) available at www.verizonbusiness.com/guide that sets forth basic terms and conditions incorporated by reference into all of Verizon’s agreements with its business customers states that Verizon will charge for “federal, state, local and foreign sales and use taxes, excise taxes, utility taxes, gross receipts and value added taxes; . . . other taxes; [and] tax-like charges to recover amounts the Company is required or permitted by a governmental or quasi-governmental authority to collect from others or pay to others in support of statutory or regulatory funds.” The Guide is regularly modified by Verizon. Previously, the Guide also included the term “tax-related surcharges” that included a “pro rata share” of Verizon’s property taxes. In its Guide, Verizon defines “[a]ll taxes, tax-like charges and tax-related surcharges” as “Taxes.”

59. The definition of “taxes” set forth in the Verizon Guide is inconsistent with the definition of taxes set forth in the FARs. The FARs provides that the United States may seek exemption or immunity from state and local taxes where the taxing or regulatory authority has imposed a tax on the transaction or purchase. Surcharges not imposed by a taxing or regulatory authority on the transaction or purchase but on the carrier as a cost of doing business may not be assessed on the United States unless specifically permitted under the contract.

60. Designation of these illegal surcharges as though they are taxes, fees or duties is part of a fraudulent scheme to conceal that the United States is generally not responsible for paying these surcharges including Verizon’s gross receipts tax and other regulatory charges.

a. WITS2001 Contract

61. The WITS2001 contract, one of Verizon's contracts with the United States for wireless services, requires that all management and operations pricing and other services shall be provided as part of the firm, fixed-price.

62. The WITS2001 contract's firm, fixed price does not include state and local taxes. Those taxes must be "stated separately on the invoice" so that presumably the United States may seek exemption or immunity if applicable.

63. The WITS2001 contract further states in Section B.1.3 that the firm, fixed-price under the contract shall not include the contractor's recovery of costs associated with certain regulatory charges including the Pre-Subscribed Interexchange Carrier Charges (PICC), the Subscriber Line Charge (SLC), the Universal Service Fund (USF) obligations or other regulatory commitments at the Federal, state or local level. PICC, SLS, and USF charges are not included in basic service prices. These charges are eligible for pass-through treatment only if separately listed in Table B-0.6.

64. Submission of claims under the WITS2001 contract for any surcharge other than PICC, SLC, or USF is not permitted. The United States will not pay any charges not listed in Table B-0.6.

b. Metropolitan Area Acquisition (MAA) Contracts

65. As another example, Verizon's Metropolitan Area Acquisition (MAA) contracts direct that the firm, fixed price under those contracts include the contractor's right of recovery of costs associated with Pre-Subscribed Interexchange Carrier Charges (PICC), the Subscriber Line Charge (SLC), and the Universal Service Fund (USF) obligations. Such items are expressly not

permitted to be passed through to the United States through separate line item charges and will not be paid as surcharges as these charges are included in the basic service price.

66. Submission of claims for any surcharge under MAA is not permitted. Much as under FTS2001, the MAA contracts require that federal, state or local taxes and duties “in effect on the contract date that the taxing authority is imposing and collecting on the transactions or property covered by the contract” are not included in the firm, fixed price but must be listed in the carrier’s proposal and must disclose “the name of the tax, jurisdiction by name, reference to the statutory source for the tax, and applicable tax rate.” B.1.1. The United States may seek exemption or immunity from state and local taxes under the mechanism set forth in the FARs.

67. The MAA contracts also provide that the Government will pay state and local taxes applicable to telecommunication services delivered under the contract, except taxes from which the United States is exempt or immune.

68. The MAA contracts further provide that the firm, fixed prices under the contract include recovery of costs associated with Universal Service (USF) obligations. Inasmuch as USF assessments paid by Verizon are “included in basic service prices, the government will not pay any surcharges or separate line items for such items” and Verizon is precluded from recovering its USF obligation from the Government.

69. The MAA contracts also provide that it is the contractor, who shall without additional expense to the Government, be responsible for obtaining any necessary licenses, permits, and for complying with any Federal, state and municipal laws, codes and regulations.

70. Several additional contracts between Verizon and Federal agencies for telecommunication services including with the Department of Defense, the United States Postal

Services, and the United States Senate impose similar restrictions on inclusion of surcharges on top of, or in addition to, the basic price for services.

71. Based on his investigation into Verizon's practices, Relator alleges that Verizon submits charges titled "gross receipts surcharge," "Federal Regulatory Fee," and "state regulatory charges" among other illegal surcharges under the government's non-FTS2001 telecommunication contracts including contracts for wireless services.

72. In an attempt to conceal that it engages in the submission of prohibited charges under the contracts, Verizon discloses the inclusion of some surcharges in pricing schedules associated with agreements between it and the Government. For example, in successive modifications to the Verizon Wireless Federal Supply Schedule, Contract No. GS-35F-0119P, (Modifications 7, 12, and 13) Verizon states that it will assess a "Regulatory Charge" and a "Federal Universal Service Charge" to recover or help defray the costs of taxes and governmental surcharges and fees imposed on Verizon as a cost of doing business. Verizon also states that it will pass through a 911 fee as a charge "that we are required by law to bill to customers."

73. Relator is not aware of any federal telecommunications contract that expressly permits Verizon or Verizon Wireless to submit claims for "Federal Regulatory Fees," "state regulatory charges," or "gross receipts surcharges."

74. Numerous additional surcharges may not be submitted to the United States whether designated as "Federal, state or local taxes," "fees," "surcharges," or "tax-like surcharges" under the FTS2001 Contract or any of the other telecommunication contracts between Verizon and/or Verizon Wireless and the United States.

75. Surcharges based on state utility taxes are likely not permitted under the FARs or under Verizon's contracts with the United States.

76. Surcharges based on the following state and local fees, contributions and taxes assessed on the carrier: public utility commission fees, state universal service fund and high cost fund contributions; state "deaf taxes" are not permitted under the FARs or under Verizon's contracts with the United States.

77. Surcharges based on state and local gross receipts taxes are likely not permitted under the FARs or under Verizon's contracts with the United States.

78. Surcharges based on ad valorem taxes are not permitted under the FARs or under Verizon's contracts with the United States.

79. Surcharges based on business license fees; 911 taxes; tele-relay service charges; and business, occupational and franchise taxes are not permitted under the FARs or under Verizon's contracts with the United States.

80. In submitting invoices to the United States with the illegal surcharges listed above, Verizon is invoicing the United States in the same way that it invoices many of its business customers notwithstanding the governing FARs or applicable contracts. Relator has reason to believe, and on that basis alleges, that Verizon uses the same billing systems that it uses for its business customers to bill the United States without modifying these systems to reflect the terms of the contracts with the United States or the FARs

81. Submission of claims to the United States under its telecommunication contracts for surcharges designated as "state and local taxes," "federal excise tax," "federal, state and local surcharges," "local 9-1-1 fee," "state infrastructure maintenance fee," "state high cost fund," "state

universal lifeline telephone service surcharge,” and “state relay devices and common service fund” are not reimbursable under multiple governmental telecommunications contracts.

82. Knowing submission of claims for such surcharges are false or fraudulent claims.

Count I

False Claims Act, 31 U.S.C. § 3729(a)(1) and (a)(2)

83. Plaintiff realleges and incorporates by reference the allegations contained in paragraphs 1 through 82 of this Complaint.

84. This is a claim for treble damages and penalties under the False Claims Act, 31 U.S.C. §3729, et seq., as amended.

85. By virtue of the acts described above, Verizon knowingly presents or causes to be presented, false or fraudulent claims to the United States for payment or approval.

86. By virtue of the acts described above, Verizon knowingly makes, uses, or causes to be made or used false or fraudulent records and statements, and omits material facts, to induce the United States to approve and pay such false or fraudulent claims.

87. Each claim for reimbursement for Federal, State and local taxes, fees, duties, and other surcharges not payable under the telecommunications contract with the United States represents a false or fraudulent claim for payment.

88. Plaintiff cannot at this time identify all of the false claims for payment that have been caused by defendant’s conduct. Defendant and the United States have within their possession the records that demonstrate the false claims and the amount of money improperly paid to defendant Verizon.

89. The United States unaware of the falsity of the records, statements and claims made or caused to be made by defendant paid, and continues to pay, the claims that would not be paid but for defendant's illegal practice

90. By reason of defendant's acts, the United States has been damaged, and continues to be damaged, in substantial amount to be determined at trial.

Prayer

WHEREFORE, Plaintiff prays for judgment against defendant as follows:

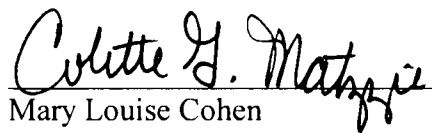
1. that defendant cease and desist from violating 31 U.S.C. §3729 et seq.;
2. that this Court enter judgment against defendant in an amount equal to three times the amount of damages the United States has sustained because of defendant's actions, plus a civil penalty of not less than \$5,500 and not more than \$11,000 for each violation of 31 U.S.C. §3729;
3. that Plaintiff be awarded the maximum amount allowed pursuant to §3730(d) of the federal False Claims Act;
4. that Plaintiff be awarded all costs of this action, including attorneys' fees and expenses; and
5. that Plaintiff recover such other relief as the Court deems just and proper.

Demand for Jury Trial

Pursuant to Rule 38 of the Federal Rules of Civil Procedure, Plaintiffs hereby demands a trial by jury.

Dated: June 5, 2009

By:



Mary Louise Cohen
DC Bar # 298299
Colette G. Matzzie
DC Bar # 451230
PHILLIPS & COHEN LLP
2000 Massachusetts Ave, N.W.
Washington, D.C. 20036
Telephone: (202) 833-4567
Fax: (202) 833-1815

Attorneys for Plaintiff/Relator Stephen Shea

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GK

CIVIL COVER SHEET

JS-44
(Rev. 1/05 DC)

I (a) PLAINTIFFS UNITED STATES OF AMERICA EX REL. STEPHEN M. SHEA 58886 (b) COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF _____ (EXCEPT IN U.S. PLAINTIFF CASES)	DEFENDANTS VERIZON COMMUNICATIONS INC. COUNTY OF RESIDENCE OF FIRST LISTED DEFENDANT _____ (IN U.S. PLAINTIFF CASES ONLY) NOTE IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED
(c) ATTORNEYS (FIRM NAME, ADDRESS, AND TELEPHONE NUMBER) Colette Matzzie Phillips & Cohen LLP 2000 Massachusetts Ave, NW Washington, DC 20036 (202) 833-4567	Case: 1:09-cv-01050 Assigned To : Kessler, Gladys Assign. Date : 6/5/2009 Description: Admn. Agency Review <div style="text-align: right; border: 2px solid black; padding: 5px; transform: rotate(-45deg); font-weight: bold; font-size: 1.2em;"> JURY ACTION </div>

II. BASIS OF JURISDICTION (PLACE AN X IN ONE BOX ONLY) <input type="radio"/> 1 U S Government Plaintiff <input checked="" type="radio"/> 2 U S Government Defendant <input checked="" type="radio"/> 3 Federal Question (U S Government Not a Party) <input type="radio"/> 4 Diversity (Indicate Citizenship of Parties in item III)	III CITIZENSHIP OF PRINCIPAL PARTIES (PLACE AN X IN ONE BOX FOR PLAINTIFF AND ONE BOX FOR DEFENDANT) FOR DIVERSITY CASES ONLY! <table border="0"> <tr> <td></td> <td style="text-align: center;">PTF</td> <td style="text-align: center;">DFT</td> <td></td> <td style="text-align: center;">PTF</td> <td style="text-align: center;">DFT</td> </tr> <tr> <td>Citizen of this State</td> <td style="text-align: center;"><input type="radio"/> 1</td> <td style="text-align: center;"><input type="radio"/> 1</td> <td>Incorporated or Principal Place of Business in This State</td> <td style="text-align: center;"><input type="radio"/> 4</td> <td style="text-align: center;"><input type="radio"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td style="text-align: center;"><input type="radio"/> 2</td> <td style="text-align: center;"><input type="radio"/> 2</td> <td>Incorporated and Principal Place of Business in Another State</td> <td style="text-align: center;"><input type="radio"/> 5</td> <td style="text-align: center;"><input type="radio"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td style="text-align: center;"><input type="radio"/> 3</td> <td style="text-align: center;"><input type="radio"/> 3</td> <td>Foreign Nation</td> <td style="text-align: center;"><input type="radio"/> 6</td> <td style="text-align: center;"><input type="radio"/> 6</td> </tr> </table>		PTF	DFT		PTF	DFT	Citizen of this State	<input type="radio"/> 1	<input type="radio"/> 1	Incorporated or Principal Place of Business in This State	<input type="radio"/> 4	<input type="radio"/> 4	Citizen of Another State	<input type="radio"/> 2	<input type="radio"/> 2	Incorporated and Principal Place of Business in Another State	<input type="radio"/> 5	<input type="radio"/> 5	Citizen or Subject of a Foreign Country	<input type="radio"/> 3	<input type="radio"/> 3	Foreign Nation	<input type="radio"/> 6	<input type="radio"/> 6
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Citizen of this State	<input type="radio"/> 1	<input type="radio"/> 1	Incorporated or Principal Place of Business in This State	<input type="radio"/> 4	<input type="radio"/> 4																				
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Citizen or Subject of a Foreign Country	<input type="radio"/> 3	<input type="radio"/> 3	Foreign Nation	<input type="radio"/> 6	<input type="radio"/> 6																				

IV. CASE ASSIGNMENT AND NATURE OF SUIT

(Place a X in one category, A-N, that best represents your cause of action and one in a corresponding Nature of Suit)

<input type="radio"/> A. Antitrust <input type="checkbox"/> 410 Antitrust	<input type="radio"/> B. Personal Injury/Malpractice <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Medical Malpractice <input type="checkbox"/> 365 Product Liability <input type="checkbox"/> 368 Asbestos Product Liability	<input checked="" type="radio"/> C. Administrative Agency Review <input type="checkbox"/> 151 Medicare Act Social Security: <input type="checkbox"/> 861 HIA ((1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g) Other Statutes <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input checked="" type="checkbox"/> 890 Other Statutory Actions (If Administrative Agency is Involved)	<input type="radio"/> D. Temporary Restraining Order/Preliminary Injunction Any nature of suit from any category may be selected for this category of case assignment. *(If Antitrust, then A governs)*
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<input type="radio"/> E. General Civil (Other) OR <input type="radio"/> F. Pro Se General Civil			
Real Property <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent, Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property Personal Property <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	Bankruptcy <input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 Prisoner Petitions <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition Property Rights <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark Federal Tax Suits <input type="checkbox"/> 870 Taxes (US plaintiff or defendant <input type="checkbox"/> 871 IRS-Third Party 26 USC 7609	Forfeiture/Penalty <input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 RR & Truck <input type="checkbox"/> 650 Airline Regs <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other Other Statutes <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 430 Banks & Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc. <input type="checkbox"/> 460 Deportation	<input type="checkbox"/> 470 Racketeer Influenced & Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Satellite TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 900 Appeal of fee determination under equal access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes <input type="checkbox"/> 890 Other Statutory Actions (if not administrative agency review or Privacy Act)

<input type="radio"/> G. Habeas-Corpus/ 2255 <input type="checkbox"/> 530 Habeas Corpus-General <input type="checkbox"/> 510 Motion/Vacate Sentence	<input type="radio"/> H. Employment Discrimination <input type="checkbox"/> 442 Civil Rights-Employment (criteria: race, gender/sex, national origin, discrimination, disability age, religion, retaliation) *(If pro se, select this deck)*	<input type="radio"/> I. FOIA/PRIVACY ACT <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 890 Other Statutory Actions (if Privacy Act) *(If pro se, select this deck)*	<input type="radio"/> J. Student Loan <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (excluding veterans)
<input type="radio"/> K. Labor/ERISA (non-employment) <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Labor Railway Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<input type="radio"/> L. Other Civil Rights (non-employment) <input type="checkbox"/> 441 Voting (if not Voting Rights Act) <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 440 Other Civil Rights <input type="checkbox"/> 445 American w/Disabilities-Employment <input type="checkbox"/> 446 Americans w/Disabilities-Other	<input type="radio"/> M. Contract <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholder's Suits <input type="checkbox"/> 190 Other Contracts <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	<input type="radio"/> N. Three-Judge Court <input type="checkbox"/> 441 Civil Rights-Voting (if Voting Rights Act)

ORIGIN

1 Original Proceeding
 2 Removed from State Court
 3 Remanded from Appellate Court
 4 Reinstated or Reopened
 5 Transferred from another district (specify)
 6 Multi district Litigation
 7 Appeal to District Judge from Mag. Judge

VI. CAUSE OF ACTION (CITE THE U.S. CIVIL STATUTE UNDER WHICH YOU ARE FILING AND WRITE A BRIEF STATEMENT OF CAUSE.)
 Complaint filed UNDER SEAL by Qui Tam Relator pursuant to the Federal False Claims Act 31 USC 3730(b)(2)

VII. REQUESTED IN COMPLAINT CHECK IF THIS IS A CLASS ACTION UNDER F R C P 23 DEMAND \$ _____ Check YES only if demanded in complaint
JURY DEMAND: YES NO

VIII. RELATED CASE(S) IF ANY (See instruction) YES NO If yes, please complete related case form.

DATE 6/5/09 SIGNATURE OF ATTORNEY OF RECORD Christy G. Mathys

INSTRUCTIONS FOR COMPLETING CIVIL COVER SHEET JS-44
 Authority for Civil Cover Sheet

The JS-44 civil cover sheet and the information contained herein neither replaces nor supplements the filings and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. Consequently a civil cover sheet is submitted to the Clerk of Court for each civil complaint filed. Listed below are tips for completing the civil cover sheet. These tips coincide with the Roman Numerals on the Cover Sheet.

- I. COUNTY OF RESIDENCE OF FIRST LISTED PLAINTIFF/DEFENDANT (b) County of residence. Use 11001 to indicate plaintiff is resident of Washington, D.C., 88888 if plaintiff is resident of the United States but not of Washington, D.C., and 99999 if plaintiff is outside the United States
- III. CITIZENSHIP OF PRINCIPAL PARTIES This section is completed only if diversity of citizenship was selected as the Basis of Jurisdiction under Section II
- IV. CASE ASSIGNMENT AND NATURE OF SUIT The assignment of a judge to your case will depend on the category you select that best represents the primary cause of action found in your complaint. You may select only one category. You must also select one corresponding nature of suit found under the category of case.
- VI. CAUSE OF ACTION Cite the US Civil Statute under which you are filing and write a brief statement of the primary cause.
- VIII. RELATED CASES, IF ANY If you indicated that there is a related case, you must complete a related case form, which may be obtained from the Clerk's Office.

Because of the need for accurate and complete information, you should ensure the accuracy of the information provided prior to signing the form.