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Akal Security Announces Settlement and Dismissal of Claims

Highlights:

- Akal cooperates with Government in resolution of 2003-04 training claims; pays $18 million to resolve all civil investigation issues; all claims will be dismissed.
- Akal’s comprehensive Quality, Training, Compliance (QTC) program ensures current compliance and integrity of operations.
- Akal continues to provide critical security services to the United States and other governmental and private entities.
- Settlement amount is covered by previous reserves, and has largely been accounted for in past fiscal periods.

ESPAÑOLA, NM, July 13, 2007 – Akal Security, Inc. today announced the conclusion of its two-year cooperative investigation with the Department of Justice, resulting in a final settlement of all claims.

The Government’s claims related to a civil investigation regarding Akal’s compliance with provisions of U.S. Army armed guard contracts in 2003 and early 2004. While denying these claims, the company agreed to pay $18 million to the Government, in order to avoid the uncertainty and expense of a drawn-out legal dispute. All claims will now be fully dismissed.

“Akal has protected critical Government and corporate facilities throughout America and the world for over 20 years, and serves as a valued security partner to many Government agencies and law enforcement organizations. Our 14,000 employees deliver great services every day,” said Daya Khalsa, president of Akal Security. “We have done everything possible, since these violations were discovered, to voluntarily uncover and disclose all discrepancies. In fact, it was Akal’s own internal investigation that discovered some of the problems and reported them to the Government.”

During the last three months of 2003, Akal recruited, screened, hired and trained 1,800 new guards to perform access control services for the U.S. Army at eight posts from North Carolina to Washington State. Akal’s managers and trainers were unable to meet all of the contracts’ specific training requirements during the start-up of contract performance activities in late 2003 and early 2004, and in some cases failed to maintain proper training records. A number of guards who did not receive some of the contractually mandated training were assigned to work.

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“While this settlement relates to the deficiencies of a few Akal managers and trainers during the start-up of these contracts, we take them very seriously, and have taken major steps to strengthen our company-wide commitment to quality, compliance and integrity. Our Quality Training Compliance program ensures the Government and all Akal clients that our programs of oversight and compliance assurance are second to none,” said Khalsa.

In 2004, Akal moved quickly to correct its training deficiencies, and corrected them within months. To ensure that no violations of this kind could ever occur again, Akal implemented a formal, highly prescribed and effective training program that meets all contract requirements. Any Akal managers and trainers who were found to have been negligent in meeting contract requirements, or who failed to exercise their oversight responsibilities, were removed.

Akal continues to perform these armed guard services for the Army through September, 2007, and has received formal evaluation ratings from the Army averaging over 98% from the beginning of contract performance in 2004. Akal guards have improved access control results at every Army post, greatly increasing the numbers of unauthorized persons and vehicles refused entry, as well as dramatically increasing the quantity of contraband items including drugs and weapons, discovered and confiscated during screening.

“Akal deeply regrets its failure to initially meet all contract training specifications. Every guard assigned by Akal did receive extensive security training, including firearms training, by qualified instructors. No other violations of this nature by Akal have ever occurred in connection with any of the dozens of other Government contracts we have performed since 1987, either before or after this time period,” said Khalsa.

The company has implemented comprehensive new measures, such as:

- Naming of a Chief Compliance Officer, with executive level authority
- Working with leading independent experts to design many enhancements to our compliance and training programs
- Establishing a Corporate Values statement, and Ethics Policy, and training every key employee on their meaning and importance
- Increasing and formalizing a company-wide, continuous audit program, to examine compliance on every contract
- Reinforcing individual accountability for compliance and quality at every level

“We will continue to improve our services and our oversight systems, and have worked very hard in the past three years to establish one of the strongest quality programs in the industry. I’m proud of these efforts, and of Akal’s people, who work out on the front lines of America’s homeland security efforts,” Khalsa said.

About Akal Security

Akal Security (www.akalsecurity.com) provides security officers and other specialized security personnel to the U.S. Government, state and local Governments, and private industry. We are a 100 percent U.S.-owned firm, founded in 1980. Akal’s 14,000 employees protect many of America’s most critical national security and civilian facilities, including federal court houses, military bases, major Government buildings and infrastructure. Akal is a privately held company, headquartered in New Mexico, with offices from coast to coast.

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