

Transportation Special Services District, Uintah Special Services District Administrative Control Board, Uintah County, Uintah County Commission, Lloyd Swain, and John Does I through XX and, for causes of action, allege the following:

INTRODUCTION AND BACKGROUND

1. United States of America, by and through Relators Kathryn Erickson (“Erickson”) and Lonnie Hogan (“Hogan”), brings this civil action under the False Claims Act (the “Act”), 31 U.S.C. §3729 et seq., and common law theories of breach of contract, unjust enrichment, and negligent or intentional misrepresentation.

2. The Act provides that any person who knowingly presents, or causes to be presented, a false or fraudulent claim, a false statement in support of a false claim, or causes a false record of statement to be used to decrease an obligation to pay the United States Government is liable to the United States for a civil penalty of not less than \$5,000 and not more than \$10,000 for each false claim or statement, plus three times the amount of the damages sustained by the United States Government because of the false claim or statement.

3. The Act provides that a person having knowledge of any violation of the Act may act as a Relator in commencing action on behalf of the United States to enforce the Act. Erickson and Hogan qualify as Relators under the Act.

JURISDICTION AND VENUE

4. This action arises under the False Claims Act, 31 U.S.C. §§ 3729-3733 (1986), and is asserted on behalf of the United States by the above named Relators, pursuant to 31 U.S.A. §3730(b). This Court has jurisdiction over claims asserted

thereunder and over all related and pendent state claims pursuant to 28 U.S.C. §§1331 and 1345, and 31 U.S.C. §§3730 and 3732(a).

5. Venue is proper in this Court pursuant to 28 U.S.C. §1391(b) and 31 U.S.C. § 3730(a) inasmuch as the Defendants transact business in the district of Utah and the conduct that gave rise to this complaint occurred in substantial part in this district.

PARTIES

6. Relator Erickson is a resident of the state of Utah. Erickson was employed by Defendant Uintah Special Services District aka Uintah Transportation Special Services District (“USSD”) from June 1996 to May 2001 in the capacity of the District Manager. Erickson served in her position until she was place on administrative leave in November 2000 in retaliation for her activities in reporting violations of the Act by USSD, and was thereafter terminated in May 2001.

7. Relator Hogan is a resident of the state of Utah. Hogan was employed by Defendant Uintah County (the “County”) from 1973 to 1976 and from 1981 to 1991 as a heavy equipment operator, from 1991 to 1994 as the Assistant Road Superintendent, and from 1994 to 2000 as the Road Superintendent.

8. Defendant USSD is a single purpose special services district created by the County Commission, under the authority of the Utah Special Service District Act, Utah Code § 17A-2-1301 et seq. (the “SSD Act”), which has the rights, powers and authority of a service district in the state of Utah, as enumerated in the SSD Act. USSD is a political subdivision in the state of Utah. USSD’s principal place of business is 134 West Main, Suite 201, Vernal, Utah 84078.

9. Defendant Uintah Special Service District Administrative Control Board (“USSD Board”) was created by resolution of the Uintah County Commission (the “Commission”) to which is delegated, without limitation, the power to act as the governing authority of the USSD, and to exercise all powers of the USSD. The Board consists of three members appointed by the County Commission. The USSD Board is a political subdivision in the State of Utah. The USSD Board’s principal place of business is 134 West Main, Suite 201, Vernal, Utah 84078.

10. Defendant Uintah County (the “County”) is a political subdivision in the State of Utah.

11. Defendant Uintah County Commission is the legal and administrative authority for Uintah County. The Commission is a political subdivision in the State of Utah. The Commission’s principal place of business is 152 East 100 North, Vernal, Utah 84078.

12. Defendant Lloyd Swain is a resident of Uintah County, State of Utah, and was at times pertinent to this action, a Uintah County Commissioner, who exercised authority and control over the actions of the Commission.

13. Defendants John Does I through XX were, at pertinent times to this action, County Commissioners or members of the USSD Board, who exercised authority and control over actions of the Commission or the USSD Board.

GENERAL ALLEGATIONS

A. False Claims Activity -- USSD.

14. On November 21, 1988, the County Commission adopted a resolution creating and establishing the USSD, as a single purpose special services district, pursuant to the SSD Act.

15. The single purpose and mission of the USSD is to construct, repair and maintain roads in Uintah County, Utah and to generally provide transportation services district wide.

16. In furtherance of the performance of its single purpose and mission, on approximately November 21, 1988, USSD as a single purpose service district, was designated as the authorized governmental entity in Uintah County to receive federal funds from the United States Department of Interior ("Department of Interior") and the United States Bureau of Land Management ("BLM") for the construction, repair and maintenance of county roads, ("Mineral Lease Funds"), and for no other purpose under applicable Utah state law regarding single purpose districts. To qualify for mineral lease funds under federal law, the Service District must be financially and politically independent from Uintah County.

17. As the authorized governmental entity, USSD received Mineral Lease Funds from the BLM under conditions that included among others: (1) USSD's truthful submissions of claims for funds based upon its representations of its control and use of received funds, and (2) USSD's promise, covenant and agreement to hold, apply or expend and account for the Federal funds it received in compliance with Federal and

State regulations, as a single purpose service district, and financially and politically independent from Uintah County.

18. Since its designation as the authorized governmental entity for receipt of Mineral Lease Funds, USSD has submitted false claims to the Department of the Interior and BLM by, among other things:

- a. Falsely representing its status as a single purpose service district in compliance with Utah state law; and thereby falsely obtaining mineral lease funds while allowing Uintah County to obtain PILT funds without reduction as required by law.
- b. Falsely representing its qualifications to receive Mineral Lease Funds;
- c. Falsely representing that it was in compliance with applicable State and Federal regulations governing receipt, handling and accounting of Mineral Lease Funds;
- d. Making unauthorized and improper transfers of Mineral Lease Funds to the County and to other governmental and non-governmental entities within the county, under the false representation that the Mineral Lease Funds were being applied to authorized purposes.

19. Since its designation as an authorized governmental entity for receipt of Mineral Lease Funds, USSD has breached the terms and conditions of participation in the Mineral Lease Funds program, and has violated the provisions of state and federal law as is described with greater specificity below.

20. In furtherance of the False Claims activity described below, Defendants failed to act as a single purpose service district financially and politically independent of Uintah County, or otherwise act in compliance with state and federal law and have

further participated in conjunction with Uintah County and the Uintah County Commission in a scheme to obtain both mineral lease funds and PILT funds all of which were used as Uintah County general funds, and thereby have submitted the following False Claims:

- a. USSD paid for construction of Western Park Community Center. The total cost of the project ran to approximately \$11,000,000. Construction costs were paid from Mineral Lease monies in violation of law.
- b. The USSD carried on a practice of funding most of the cost of operating the city/county airport from the Mineral Lease monies. USSD has illegally paid for such things as snow removal, weed control, equipment costs, etc., at the city/county airport from the Mineral Lease money, without requesting or receiving reimbursement.
- c. For at least three years USSD has allowed the County to remove valuable deposits of tar sands from USSD without accountability. The County has used the tar sands for County projects such as patching, repair and paving of County roads. There has been no accounting by the County for these tar sands. USSD stockpiled a large deposit of tar sands (approx. 38,000 tons) on the west side of Uintah County in 2001, which the County then removed for its own uses. There has additionally been no accountability for removal of

tar sands by individuals such as Larry Allred, who has not been required to pay for removed tar sands. These costs have been paid from the Mineral Lease Funds with no reimbursement.

- d. In 1997, as a result of flooding, USSD performed the bridge protection work using USSD contractors and County equipment at a cost of approximately \$500,000. The County billed FEMA and also billed B-Road Fund for work USSD paid for without reimbursing the District Mineral Lease monies or the B-Road Fund.
- e. The USSD paid \$780,000 in engineering fees from Mineral Lease Funds which were not accounted for and were not reimbursed. USSD paid an additional \$280,000 to the total cost, but was never reimbursed and never given a requested accounting report from the project.
- f. USSD has allowed the County to use USSD's gravel for County purposes. The crushed gravel has been used by the county without reimbursement to USSD. Reimbursement should have gone to the Mineral Lease monies. After the gravel was used by the county, it was charged to the B-Road Fund, without reimbursement.
- g. From 1988 to 1996, USSD made direct "blank check" payments (no accounting) to Vernal City. The payment assisted Vernal City to qualify to receive CIB money. When Mayor Heeney demanded that USSD make the foregoing payments in 1996, he instructed USSD to

account for payments under an extension of a fictitious paving contract with Vernal City. There has been no accountability to USSD for such funds.

- h. USSD has paid approximately \$3 million to the County Road Department that was then placed in the general fund by the Auditor. Some of these payments were on double billed items (double billed to B-Road Fund and Mineral Lease Fund) for such things as labor, equipment and materials. The items have been billed to B-Road Fund
- i. USSD obtained loans from CIB which were for the general benefit of the County and other governmental entities, excluding USSD. These loans include: (1) approximately \$1,000,000 for Seep Ridge; \$1,000,000 for equipment purchases; \$1,600,000 for construction of oil field service roads on state, tribal and BLM lands; \$250,000 for the Naples Fifth East project; and \$100,000 for Ballard Town. Not all work for which these loans were placed has been completed. However, the loans are being repaid by USSD from Mineral Lease Funds. USSD did not receive any benefit from these loans but has paid or is paying them off, nonetheless.
- j. USSD paid in excess of \$800,000 to Cramer and Noble, an engineering firm, to engineer 91 miles of road (Cisco highway project). However, little or no engineering was actually performed.

Despite that, USSD paid the full amount of the engineering fee.

- k. USSD let out for a competitive bid multiple rock crushing projects. Sam Burdick was awarded contracts to crush rock, but exceeded the contract amount and over crushed. He then submitted the bill for the entire amount of the material which exceeded the amount agreed to in the contract and was paid for the over crushing in addition to the contract amount.
- l. USSD paid \$100,000 for sand material for a walking path at Ashley Valley Water and Sewer. Water districts, recreation districts, and others often had other projects and needed road materials, and other materials, which were provided by USSD. There has been no reimbursement to USSD.
- m. The County on multiple occasions took USSD materials without accounting for the same.
- n. USSD supplied labor, housing, and equipment (a vehicle) to the County Geographical Information System (GIS). USSD did not obtain any benefit and was refused access to the information. The County then double billed all costs, including USSD paid items, to a contract with USU and to B-Road Funds.
- o. The USSD paid for gravel crushing. The crushed gravel was then used by the County without reimbursement to USSD. After it was used by the County, it was double charged to B-Road Fund. This

was also done with other materials.

- p. The USSD purchased \$30,000 worth of culverts for the six year planned projects. In 1997, County installed some of the culverts. The B-Road Fund was billed for the entire \$30,000 worth of culverts and the cost of each culvert was then double billed into the project each time the culverts were placed.
- q. Mineral Lease dollars have been funneled through USSD to the Uintah Recreation District with no accountability since approximately 1998. When it was determined that USSD was entitled to increased Mineral Lease Funds the County Commission took the additional funds and funneled them to the Recreation District. This is a violation of federal and state laws relating to single purpose districts.
- r. USSD negotiated a contract for the back haul of gravel from Hamaker Bottoms Pit. The contract amount was in the maximum amount of \$15,000 per year (the maximum that could be awarded without competitive bidding). Backhauling was performed for one year for which the contractor received full payment. No further work was performed and no contract was in place for further work. Despite the lack of a contract or performance of any work, the contractor was paid \$75,000 from Mineral Lease money.
- s. A contractor entered into a contract with the USSD (through the

Ute Tribe) to provide crushed materials for Glen Bench road. The contractor started crushing but couldn't meet the specifications because he was using a pulverizer instead of a crusher and he wasn't putting necessary plastics in the materials. The USSD paid for all materials including materials that failed to meet specifications. The USSD then provided an unearned benefit to the contractor by paying for rejected materials so that the contractor could pay a subcontractor for work done on unrelated projects. Materials then had to be crushed and the USSD paid for the materials a second time.

- t. A bid was put out to do reclamation work and seeding. The work was substandard and not in accordance with BLM guidelines. The USSD put up \$150,000 cash bond (posted in 1996) with the BIA. When the job was finished USSD should have obtained the cash bond back together with 2% over prime for a period of five years. However, it has never received the cash bond or interest.
- u. USSD paid \$78,000 to Ute Tribe in prepaid royalties for pit materials. However, the pit was closed early and the Ute Tribe received approximately \$30,000 for 80,000 tons of material that were never used.
- v. USSD personnel regularly used USSD gas cards for their personal vehicles from 1990 to 1996.

- w. Tom Wardell, past USSD manager, and Nyle Bigelow, past County Commissioner and USSD board member, obtained CD's in the amount of approximately \$130,000 from USSD which amount was not for the payment of services or salary. USSD did not receive reimbursement and did not require repayment of such sums.
- x. USSD agreed to pay the sum of \$10,000 for airport building improvements in order to pay the County for use of the building. Without authorization, Max Haslam, chairman of the USSD board, acting through a fictitious company, performed landscaping work and billed USSD the approximate sum of \$9,800. Because Mr. Haslam used the entire budgeted amount allowed for the improvements, USSD had to pay an additional sum of money to pay for insulation and painting.
- y. USSD paid \$40,000 to the County Commission. The County Commission then endorsed the check and gave it to Gayle F. McKeachnie as attorney for Burt Delambert in return for a right of way in Grand County, Utah. The right of way was granted to Uintah County and USSD was not reimbursed.
- z. Other false claims activity as will be shown at trial of this matter.

B. False Claims Activity -- The County and the Commission.

21. Uintah County received federal money under the Federal Payment in Lieu of Tax Payments ("PILT"), 31 USC section 1601 *et.seq*, under conditions that

included, among others: (1) Uintah County's truthful submission of claims for funds based upon its representations (2) Uintah County's duty to reduce PILT payments for all mineral lease funds received in the preceding year.

22. Uintah County set up the USSD to receive mineral lease funds and to operate as a single purpose district, financially and politically independent from Uintah County, in administering such funds, for the construction, repair and maintenance of county roads, in accordance with Utah law.

23. Uintah County and the Uintah County Commission, failed to operate or to allow the operation of USSD as a single purpose services district or to act financially or politically independent of Uintah County as required by law and diverted USSD funds to the general funds of Uintah County and otherwise usurped the power and authority of USSD so as to destroy its role as an independent single purpose district and thereby diverting the mineral lease funds to the general funds of Uintah County.

24. Uintah County, and the Uintah County Commission through USSD, continued to submit claims for mineral lease funds and otherwise accepted mineral lease funds as described above, and simultaneously submitted claims for and otherwise accepted PILT funds, without reduction, in violation of federal and state law relating to the use of mineral lease funds, and PILT funds.

25. Uintah County and the Uintah County Commission continued to accept and use mineral lease funds for general County purposes, through USSD, and continued to accept PILT without reduction for the receipt of mineral lease funds and thereby knowingly acted or recklessly acted with deliberate ignorance of state and

federal laws regulating the receipt of mineral lease funds and PILT funds.

26. Uintah County, and the Uintah County Commission, has operated USSD as a “sham” entity in order to claim entitlement to mineral lease funds while simultaneously obtaining PILT funds without reduction, contrary to state and federal law.

27. Uintah County and the Uintah County Commission has submitted false claims to the Department of the Interior and BLM, through USSD, as set forth in paragraph 20, and further by making claims for PILT funds without reduction as described above.

28. Uintah County further received federal and state money (“ B-Road Funds”) under conditions that included, among others: (1) Uintah County’s truthful submission of claims for funds base upon its representations (2) Uintah County’s promise, covenant and agreement to hold, apply, or expend and account State and Federal funds it receives in compliance with state and federal regulations.

29. As the governmental entity authorized to receive B-Road Funds, Uintah County and the Uintah County Commission have submitted further false claims to the Department of the Interior and BLM by, among other things:

- a. Mineral lease funds were commingled with B Roads funds and subsequently funneled into the general county fund in order to obtain both mineral lease funds and PILT funds in violation of state and federal law.
- b. Falsely representing the miles of B-Road Funds and/or

improvements to B-Road Funds in the County during the reporting period;

- c. Falsely representing its qualifications to receive B-Road Funds;
- d. Falsely representing that it was in compliance with applicable state and federal regulations governing the receipt, handling and accounting of B-Road Funds; and
- e. Making unauthorized and improper transfers of B-Road Funds to the County and to other governmental and non-governmental entities within the County, under the false representation that the B-Road Funds were being applied to authorized purposes.

30. As the authorized governmental entity receiving B-Road Funds, the County and County Commission have breached the terms and conditions of participation in the B-Road Funds program, and have violated the provisions of State and Federal Law by:

- a. Making transfers of “excess” B-Road Funds to the County’s general fund for unauthorized and illegal uses of federal funds;
- b. Applying or expending B-Road Funds to pay for County projects and purposes not qualified for the expenditure of B-Road Funds;
- c. Making duplicate or multiple payments for reimbursement of County expenses in performing work or providing equipment on qualified B-Road Funds projects;
- d. Making double payments on vendor invoices with the intent to

obtain a reimbursement and depositing reimbursement checks back to general funds;

- e. Making unauthorized and improper modifications to the County Road Dept. budget for purposes of making improper claims on B-Road Funds; and
- f. Making payments to vendors and contractors of B-Road projects when no work was performed or insufficient work was performed to justify the payment;
- g. Other breaches and violations as will be established at trial.

31. In furtherance of the False Claims activity described above, Defendants have submitted the following False Claims and used B-Road Funds for the following unauthorized and non-qualified purposes:

- a. From 1991 through 1997, the County engaged in a pattern of paying the cost of maintenance, painting and repair of the County Sheriff's Office vehicles from B-Road Funds with such misuse of funds averaging approximately \$30,000 per year.
- b. The County paid for maintenance and construction of the Western Park Community Center, including the parking lots, sand arenas, rodeo grounds, and leveling and building of the ice hockey rink. The B-Road Funds were also used by the County to pay for a Ford truck, a Dodge pickup truck, a 1986 Blazer, a dump truck and a water truck which were used at the Western Park Community

Center.

- c. The County regularly paid for repairs to County vans used by the Golden Age Center from B-Road Funds from 1991 through 1998.
- d. The County Commission illegally transferred from the County Road Department to the County Landfill several pieces of heavy equipment, which had each been purchased with B-Road Funds, including a bulldozer purchased for \$232,000 and a scraper worth an unknown amount in excess of \$200,000 together with other pieces of equipment that were thereafter given to the Landfill.
- e. The County has illegally paid for such things as snow removal, weed control, and equipment costs at the City/Airport from the B-Road Funds.
- f. The County has engaged in the theft of B-Road Funds through deceptive accounting practices wherein the following pattern of false claims activity has been employed: the County purchases expensive equipment from a vendor for which the vendor sends an invoice or billing slip. The equipment is usually of a type for which B-Road Funds can be properly applied. However, upon receipt of the billing slip, the county Auditors, Patricia McNeil and Mike Wilkins, with assistance from the county Treasurer, Donna Richens, have then authorized checks to be drawn on B-Road Funds for double the amount of the cost of equipment, by paying both invoice and County

purchase orders. Overpayments were then received from vendors and placed in the County General Fund.

- g. In 1998 and 1999, the County performed road improvements on SR 121 in front of the high school. The work included construction of curb and gutter, and sidewalks. The cost of the work was estimated at \$680,000. The project costs were to be paid from a combination of County funds, federal highway funds and UDOT funds. The County's portion was \$80,000. The County did not process a request for funds from the federal highway grants or UDOT and never received those funds. Instead, the County charged the entire cost to the B-Road Funds.
- h. In 1995, the County purchased a 350 Road Reclaimer, which was used to strip asphalt from the road. It was purchased at a cost of \$364,000. After the Road Reclaimer had approximately 1500 hours of use, the County sold or traded the Road Reclaimer for a value of approximately \$75,000 even though it had most of its useful life remaining, and deposited the proceeds in the general fund. After the machine was sold, the County Commission gave a contract to Larry Allred to remove asphalt for approximately five times the County's cost using the Road Reclaimer. This was done even though the County had received competitive bids for approximately half the cost of Mr. Allred's contract.

- i. Uintah County has engaged in the practice of charging B-Road Funds to pay for the immediate costs of emergency disasters, such as flooding, etc. The County submits costs to FEMA for reimbursement. The County deposited the amount received from FEMA directly into the general fund of the County, without reimbursing the B-Road Funds. A similar scenario occurred during the flooding work in 1993, 1994, and 1995.
- j. The County Road Department routinely charged all of its shop costs for repairs on District equipment to USSD. The County also uses B-Road money to pay for the County's fleet maintenance, rather than using the County general budget. The amount was billed to the B-Road Funds on a particular project and was then double billed to maintenance and USSD projects. When USSD reimbursed the County, the amount was placed into the County general fund.
- k. The White Rocks Highway Project is a Bureau of Indian's Affairs ("BIA")/Ute Tribe project. The County took \$100,000 from the B-Road Funds for rotomilling and received a reimbursement of \$204,000 from the BIA/Ute Tribe, all of which was placed in the general fund (for a profit of \$104,000).
- l. The County was billed in excess of \$780,000.00 for engineering on the White Rocks Highway Project. USSD paid the engineering fee and was to be reimbursed from BIA/Ute Tribe. Instead, the

County placed the reimbursement in the County General Fund.

- m. The County received approximately \$3 million from B-Road Funds, which went to the County Road Department and was placed in the general fund by the Auditor. Some of these payments were on double billed items (double billed to B-Road Funds and USSD) for such things as labor, equipment and materials. The items have been billed to B-Road and USSD, using the Data Quest rates, and in separate line items for fuel, maintenance and operations.
- n. The County “extended” the Hunter Hill contract to a crushing contract at Seep Ridge. The cost of construction was approximately \$1,500,000. The County charged this cost to the B-Road Funds and has not reimbursed the fund, and also billed the USSD for the same work. In connection with this project, Cramer and Noble were retained as the engineers by the District. Cramer and Noble’s representative on the project was Russ Vernon, whom we understand to be a relative of Thom Wardell, past USSD Manager. Russ Vernon’s brother, Glen Vernon acted as legal counsel for the Commission.
- o. The State Extension Office requested that the County purchase a vehicle on its behalf. A County Road Department Bronco was then given to the State Extension Office. There should have been a trade-in value in the amount of \$14,000 which should have been

credited back to the road department (B-Road Funds). However, the B-Road Funds never received any reimbursement and the amount of the unauthorized gift was never accounted for.

- p. The County arranged for drilling of native tar sands. The land had previously been explored by SOHIO. The property was owned by Jim Barnes. The County incurred costs in the amount of \$60,000 for the drilling, which was then charged back to the B-Road Funds. Although a contract had been prepared by the County, no agreement was ever signed. There was no benefit to the County.
- q. Burdick Paving was awarded a contract to crush rock. The amount was paid out of the B-Road Funds. Burdick Paving was to pay for construction of a crusher pad and the road to the crusher. However, the County decided to change the site for the rock crushing to a site that the County had already purchased. It was no longer necessary to construct the pad and road. Burdick's costs were significantly reduced but he still got paid full contract price. It was all charged to B-Road Funds. The fund was never reimbursed, even though the County may have double billed FEMA.
- r. The County Commission obtained a Dodge Durango which was purchased by the road department and paid for out of B-Road Funds, for the approximate sum of \$28,000. The County did not reimburse the B-Road Funds or the road department for the

Durango, which is currently being used by the County Commission. Similarly, the County provided a 1995 Chevrolet Silverado to the Sheriff's Department for animal control under similar circumstances, without reimbursement.

- s. The County has retained the interest earned on deposits of B-Road Funds and has reported no interest in the annual reports provided to the State Auditor.
- t. Stanton Road was being constructed on a 6 year plan wherein USSD was to pay \$50,000 per year, and the County was to pay an additional \$50,000 per year. Regulations governing the use of B-Road Funds require that any expenditure over \$100,000 must go out to competitive bidding. The County completed the remaining 11 miles in a single year, 2001, going well over the \$100,000 limit without competitive bidding. Additionally, materials used to construct the road were paid for by USSD, without accounting or reimbursement.
- u. The USSD paid for gravel crushing. The crushed gravel was then used by the County without reimbursement to USSD. After the crushed gravel was used by the County, it was double charged to the B-Road Funds. This was also done with other materials.
- v. USSD purchased \$30,000 worth of culverts. The County then installed some of the culverts in 1997. The B-Road Funds was billed

for the entire \$30,000 worth of culverts and for the cost of each culvert, which was then double billed into the project each time the culverts were installed. The B-Road Funds was thereby double billed. The money was then placed in the County's general fund. The County additionally took culverts to be used on other projects and failed to account for them. It was therefore necessary to purchase additional culverts which were billed to the B-Road Funds.

- w. The County billed the USSD for a landfill scraper used on the Diamond Mountain Road and USSD paid the bill to the County Landfill. B-Road Funds were then billed for the same work. USSD money was then put into the general fund and the B-Road Funds was then used to reimburse the County.
- x. Other False Claims activity as will be shown at trial of this matter

FIRST CLAIM FOR RELIEF

(False Claims Activity -- USSD)

32. Relators incorporate the foregoing allegations as if set forth in full herein.

33. During the course of its operations, and over the period during which USSD has been the authorized governmental entity in Uintah County for receiving Mineral Lease Funds, USSD has knowingly presented or caused to be presented to an officer or employee of the United States government false and fraudulent claims for payment or approval of applications for the payment of Mineral Lease Funds, and has knowingly made, used or caused to be made or used, false records and statements, to

obtain payment on a false or fraudulent claim, in violation of 31 U.S.C. §3729(a).

34. As a result of USSD's acts set forth above, the United States has been injured and damaged in an amount to be determined at trial. As a result of the violation by USSD of 31 U.S.C. §3729(a), USSD is liable for penalties associated with each such false or fraudulent claim submitted to the United States, in the amount of not less than \$10,000 per each false claim submitted, plus three times the amount of actual damages sustained by the United States, and for such other penalties, costs and fees as may be determined by the finder of fact at the trial of this action.

SECOND CLAIM

(False Claims Activity -- Uintah County and County Commission)

35. Relators incorporate the foregoing allegations as if set forth in full herein.

36. During the course of its operations, and over the period during which Uintah County and the County Commission have been the authorized governmental entity for receiving PILT funds, B-Roads funds, and other state and federal money Defendants have knowingly presented or caused to be presented to an officer or employee of the United States government false and fraudulent claims for payment or approval of applications for the payment of PILT and B-Roads Funds, and further, for payment of mineral lease funds, through the operation of the USSD, and has knowingly made, used or caused to be made or used, false records and statements, to obtain payment on a false or fraudulent claim, in violation of 31 U.S.C. §3729(a).

37. As a result of Defendants' acts set forth above, the United States has been injured and damaged in an amount to be determined at trial. As a result of the violation

by Uintah County and the County Commission of 31 U.S.C. §3729(a), Defendants are liable for penalties associated with each such false or fraudulent claim submitted to the United States, in the amount of not less than \$10,000 per each false claim submitted, plus three times the amount of actual damages sustained by the United States, and for such other penalties, costs and fees as may be determined by the finder of fact at the trial of this action.

THIRD CLAIM

(Wrongful and Retaliatory Discharge — Erickson)

38. Relators incorporate the foregoing allegations as if set forth in full herein.

39. Relator Erickson was employed by USSD from June 1996 through May 2001. During all times of her employment with USSD, Erickson's performance as an employee was at or above expectations.

40. Erickson disapproved of the fraudulent and illegal practices of USSD and the Board, as described in the preceding paragraphs and repeatedly voiced her disapproval of and refusal to participate in such practices to the Board of USSD. Erickson attempted to and engaged in an effort to investigate the fraudulent and deceitful practices of USSD in order to bring to a halt these illegal practices, to initiate this claim, and to provide assistance and proffered testimony to representatives of the United States government for the furtherance of such claim. Erickson repeatedly reported the deceitful and illegal practices of the USSD to representatives of state and federal government.

41. In direct response to and in retaliation for Erickson's activities described in

the preceding paragraph, USSD, through the Board and its agents and employees, threatened, harassed, demoted and ultimately discharged Erickson, within the meaning of 31 U.S.C. §3730(h), because of the lawful acts which she had undertaken to stop the fraudulent practices of USSD and to prevent their further occurrence.

42. USSD and the Board's actions in threatening, harassing, demoting and discharging Erickson were undertaken for the purpose and with the intent of preventing Erickson from further investigation and from further disclosure of information regarding the fraudulent and illegal practices of USSD so as to protect USSD, its Board and its individual Board members, including Hadlock from having such practices discovered by the United States and the individual actors brought to justice.

43. USSD and the Board's retaliatory threats against Erickson, and their harassment, demotion and discharge of Erickson from employment were against public policy and in direct violation of 31 U.S.C. §3730(h). As a direct and proximate result of the threats, harassment, demotion and discharge, Erickson has been severely damaged and has sustained loss of employment, loss of income and special damages, as will be proven at the trial of this action. In addition to the foregoing, Erickson has suffered humiliation, embarrassment, severe emotional pain and distress, physical harm and substantial economic loss.

44. Pursuant to 31 U.S.C. §3730(h), Erickson is entitled to reinstatement with the same seniority status she would have had but for her discharge, double the amount of back pay which she would have earned from and after the date of her discharge, interest on the back pay at the legal rate, compensation for all special damages sustained

as a result of her discharge, costs and attorneys' fees incurred herein, and such other relief as allowed by law. In the event USSD refuses to reinstate Erickson to the same seniority status she would have enjoyed but for her discharge, Erickson is entitled, in addition to other relief, to front pay in an amount to be determined by the court.

FOURTH CLAIM

(Wrongful and Retaliatory Discharge - Hogan)

45. Relators incorporate the foregoing allegations as if set forth in full herein.

46. Relator Hogan was employed by Uintah County from June 1981 through July 2000. During all times of his employment with Uintah County, Hogan's performance as an employee was at or above expectations.

47. Hogan disapproved of the fraudulent and illegal practices of Uintah County, as described in the preceding paragraphs and voiced his disapproval of and refusal to participate in such practices. Hogan attempted to and engaged in an effort to investigate the fraudulent and deceitful practices of Uintah County in order to bring to a halt these illegal practices, to initiate this claim, and to provide assistance and proffered testimony to representatives of the United States government for the furtherance of such claim. Hogan reported the deceitful and illegal practices of Uintah County to representatives of state and federal government.

48. In direct response to and in retaliation for Hogan's activities described in the preceding paragraph, Uintah County, through its agents and employees, threatened, harassed, demoted and ultimately discharged Hogan, within the meaning of 21 U.S.C §3730(h), because of the lawful acts which he had undertaken to stop the fraudulent

practices of Uintah County and to prevent their further occurrence.

49. Uintah County's actions in threatening, harassing, demoting and discharging Hogan were undertaken for the purpose and with the intent of preventing Hogan from further investigation and from further disclosure of information regarding the fraudulent and illegal practices of Uintah County as to protect Uintah County from having such practices discovered by the United States and the individual actors brought to justice.

50. Uintah County's retaliatory threats against Hogan, and their harassment, demotion and discharge of Hogan from employment were against public policy and in direct violation of 31 U.S.C §3730(h). As a direct and proximate result of the threats, harassment, demotion and discharge, Hogan has been severely damaged and has sustained loss of employment, loss of income and special damages, as will be proven at the trial of this action. In addition to the foregoing, Hogan has suffered humiliation, embarrassment, severe emotional pain and distress, physical harm and substantial economic loss.

51. Pursuant to 31 U.S.C §3730(h), Hogan is entitled to reinstatement with the same seniority status he would have had but for his discharge, double the amount of back pay which he would have earned from and after the date of his discharge, interest on the back pay at the legal rate, compensation for all special damages sustained as a result of his discharge, costs and attorneys' fees incurred herein, and such other relief as allowed by law. In the event Uintah County refuses to reinstate Hogan to the same seniority status he would have enjoyed but for his discharge, Hogan is entitled, in

addition to other relief, to front pay in an amount to be determined by the court.

WHEREFORE, Relators acting in behalf of the United States pray for judgment against Defendant as follows:

1. Under the First Claim, for judgment against Defendants USSD, the Board and John Does I through XX, for a civil penalty of not less than \$5,000.00, nor more than \$10,000.00, for each claim submitted to and paid by the United States government, containing any false, fraudulent or deceptive claim or representation related to a claim for payment, together with damages in an amount of triple the actual losses sustained by the United States government as a result of the payment of such false or fraudulent claims, as shall be determined by the court at the trial of this action, pursuant to 31 U.S.C. §3729, together with attorneys' fees and costs of this action, and such other and further relief as the court deems just and equitable under the circumstances.

2. Under the Second Claim, for judgment against Defendants Uintah County, the County Commission, Swain and John Does I through XX, for a civil penalty of not less than \$5,000.00, nor more than \$10,000.00, for each claim submitted to and paid by the United States government, containing any false, fraudulent or deceptive claim or representation related to a claim for payment, together with damages in an amount of triple the actual losses sustained by the United States government as a result of the payment of such false or fraudulent claims, as shall be determined by the court at the trial of this action, pursuant to 31 U.S.C. §3729, together with attorneys' fees and costs of this action, and such other and further relief as the court deems just and equitable

under the circumstances.

3. Under the Third Claim, for judgment in favor of Relator Erickson and against Defendant USSD, in the amount equal to two times the amount of back pay, interest on the back pay at the highest legal rate, and compensation for any special damages sustained as a result of the conduct of USSD, including attorneys' fees and costs sustained by such Relator as a proximate result of Defendant's actions. In addition to the foregoing, for injunctive relief requiring Defendant to reinstate Erickson in a position of the same seniority she would have enjoyed but for her discharge, or front pay in an amount to be determined by the court. In addition to the foregoing, for judgment awarding general damages in an amount to be determined by the court.

4. Under the Fourth Claim, for judgment in favor of Relator Hogan and against Defendant Uintah County, in the amount equal to two times the amount of back pay, interest on the back pay at the highest legal rate, and compensation for any special damages sustained as a result of the conduct of Uintah County, including attorneys' fees and costs sustained by such Relator as a proximate result of Defendant's actions. In addition to the foregoing, for injunctive relief requiring Defendant to reinstate Hogan in a position of the same seniority he would have enjoyed but for his discharge, or front pay in an amount to be determined by the court. In addition to the foregoing, for judgment awarding general damages in an amount to be determined by the court.

5. On all claims, for judgment against Defendants for an award of punitive or exemplary damages in an amount sufficient to deter Defendants or their successors, taking into consideration the relative wealth of the Defendants, from committing further

and future violations of the False Claims Act, and to set an example to other contractors of the United States sufficient to dissuade them from committing violations of the Act.

6. For such other and further relief as the court may deem just in the premises.

JURY DEMAND

Plaintiff hereby demands a trial by jury on all issues triable of right in this action, pursuant to Rule 38(b), Federal Rules of Civil Procedure.

DATED this 14th day of October, 2003.

HILL, JOHNSON & SCHMUTZ, L.C.



EVAN A. SCHMUTZ
M. REED ADAMS
Attorneys for Relators

Address of Relators:

Kathryn Erickson
P.O. Box 575777
Murray, UT 84157

Lonnie Hogan
HC 69 Box 109
Randlett, UT 84063

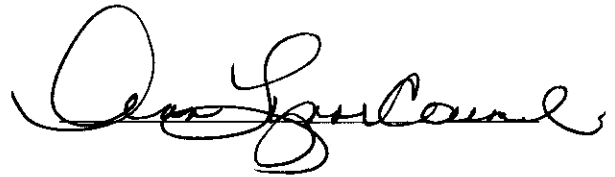
CERTIFICATE OF SERVICE

I certify that on the ~~14~~ day of October, 2003, I caused to be served the foregoing, U.S. First

Class mail a true and correct copy and addressed as follows:

US Attorneys' Office
185 South State, #400
Salt Lake City, UT 84111
Attn: Civil Process Clerk

Honorable John Ashcroft
Attorney General of the U.S.
10th and Constitution Avenue N.W.
Washington, D.C. 20530

A handwritten signature in cursive script, appearing to read "Dan L. ...", is written in black ink on the right side of the page.