

Sandra Hatfield, Former Chief Operating Officer Of DHB Industries, Inc., Sentenced To 7 Years In Prison For Insider Trading, Fraud, And Obstruction Of Justice

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Hatfield's Schemes Caused Investors and DHB Industries to Lose More Than \$200 Million

Earlier today, Sandra Hatfield, the former Chief Operating Officer of DHB Industries, Inc., was sentenced to 7 years in prison, to be followed by 3 years of supervised release, and ordered to forfeit some \$1.8 million in illicit profits made during her fraudulent operation of a Long Island-based supplier of body armor to the U.S. military and law enforcement agencies. The sentence was imposed by United States District Judge Joanna Seybert in at the U.S. Courthouse in Central Islip, New York.

The sentence was announced by Loretta E. Lynch, United States Attorney for the Eastern District of New York; George Venizelos, Assistant Director-in-Charge, Federal Bureau of Investigation, New York Field Office (FBI); and Shantelle P. Kitchen, Acting Special Agent-in-Charge, Internal Revenue Service-Criminal Investigation, New York (IRS).

Hatfield and her co-defendant DHB founder David H. Brooks were convicted in September 2010 on nine counts of conspiracy, insider trading, securities fraud, and obstruction of justice arising out of a \$200 million fraud. Subsequently, Hatfield pleaded guilty to filing a false income tax return. The district court reserved its decision on how much Hatfield will be required to pay in restitution to the victims of her fraud. A decision is expected within 90 days.

“DHB made millions from supplying body armor to protect those who serve this country in the U.S. military and our law enforcement ranks. But, rather than honor the bravery of those who donned DHB’s products, Hatfield preyed upon investors, lied to them, and looted the company, all the while wrapping herself in the American flag,” stated United States Attorney Lynch. “And her lies did not stop there. She lied on her taxes and, when the SEC investigated, she lied to them too. Today, Hatfield was held accountable. This prosecution demonstrates my Office’s unwavering commitment to

exposing and prosecuting corrupt executives.” Ms. Lynch thanked the FBI and IRS for leading the investigation and the Defense Criminal Investigative Service for its assistance in the case.

FBI Assistant Director-in-Charge Venizelos stated “Hatfield took advantage of her position as Chief Operating Officer at DHB to profit at the expense of honest and unsuspecting investors. She placed greed and entitlement above the law. Hatfield’s sentence should be a warning to those who engage in financial crimes that the consequences can be severe. We will continue to work with our law enforcement partners to investigate and present for prosecution those individuals who misuse their positions within the financial market for personal gain.”

IRS Acting Special Agent-in-Charge Kitchen stated, “The real shame is that DHB Industries provided vital products to the men and women of the U.S. military and to law enforcement, but Ms. Hatfield and Mr. Brooks used their positions in the company to satisfy their own voracious greed. Corporate officials hold positions of trust and that trust is broken when they abuse their power by committing crimes of selfishness. IRS-Criminal Investigation is committed to working with our law enforcement in vigorously investigating corporate officers who engage in financial crimes such as conspiracy, insider trading, securities fraud, and obstruction of justice, as well as tax crimes.”

During an eight-month trial, the government’s evidence proved that Hatfield and others conspired to loot DHB for personal gain. Hatfield helped her co-defendant Brooks conceal the related party status of Tactical Armor Products, a company supposedly run independently of DHB by Brooks’ wife, but in fact wholly controlled by Brooks. Through this scheme, Hatfield helped Brooks siphon more than ten million dollars from DHB to support a thoroughbred horse-racing business.

Hatfield also engaged in accounting fraud schemes designed to increase the net income and profits that DHB reported in its press releases and filings with the Securities and Exchange Commission by falsely inflating the value of DHB’s existing inventory, adding non-existent inventory to the company’s books and records, and fraudulently reclassifying expenses. Knowing that DHB’s stock price of \$20 per share had been artificially-inflated through her many and varied schemes, Hatfield sold more than \$5 million of DHB stock in late 2004. After those insider sales, DHB stock plummeted to pennies per share and the company was de-listed from the American Stock Exchange.

Hatfield resigned from DHB in November 2005 and Brooks was removed as DHB’s CEO in July 2006. In July 2006, DHB relocated its headquarters from Westbury, New York, to Pompano Beach, Florida, and on October 1, 2007, DHB changed its name to Point Blank Solutions, Inc. DHB stock was traded on the American Stock Exchange until trading was suspended on May 26, 2006, as the defendants’ schemes came to light

The government’s case was prosecuted by Assistant United States Attorneys Christopher Ott, Christopher Caffarone, James Knapp, Laura Mantell, Bonni Perlin, and Mary Dickman.

This prosecution was the result of efforts by President Barack Obama’s Financial Fraud Enforcement Task Force (FFETF), which was created in November 2009 to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. With more than 20 federal agencies, 94 U.S. Attorneys’ Offices, and state and local partners, it’s the broadest coalition of law enforcement, investigatory, and regulatory agencies ever assembled to combat fraud. Since its formation, the task force has made great strides in facilitating increased investigation and prosecution of financial crimes; enhancing coordination and cooperation among federal, state, and local authorities; addressing discrimination in the lending and financial markets; and conducting outreach to the public, victims, financial institutions, and other organizations. Over the past three fiscal years, the Justice Department

has filed more than 10,000 financial fraud cases against nearly 15,000 defendants. For more information on the task force, visit <http://www.StopFraud.gov>.