

actual payment of the money be broken into smaller increments and spread out over time. These instructions were followed, and the payments were made. Some of the monies were used to reimburse the Titan Benin Agent's purchase of T-shirts adorned with the President's picture and instructions to vote for him in the upcoming election. Titan made these payments to assist the company in its development of a telecommunications project in Benin and to obtain the Benin government's consent to an increase in the percentage of Titan's project management fees for that project.

3. By making these payments, Titan violated the Foreign Corrupt Practices Act of 1977 (the "Foreign Corrupt Practices Act" or "FCPA") as incorporated into the federal securities laws as Sections 30A, 13(b)(2)(A), 13(b)(2)(B) of the Securities Exchange Act of 1934 ("Exchange Act"), and also violated Section 13(b)(5) of the Exchange Act and Exchange Act Rule 13b2-1.

4. From 1999 to 2003, Datron World Communications ("DWC"), a division of Datron Systems Inc., which was acquired by Titan in September 2001, paid commissions to local agents in a number of foreign countries that were disproportionately large when compared to Datron's annual revenues. In some years, Datron's books and records evidence commission payments of nearly 50% of its annual revenues. Datron failed to conduct sufficient due diligence to determine whether these commission payments included monies paid to foreign officials in violation of the Foreign Corrupt Practices Act.

5. From 1999 to 2003, but unrelated to its misconduct in Benin, DWC, and later, Titan, submitted numerous false documents to the United States government and to at least three foreign governments, and under-reported the commission payments made by DWC, and later, Titan, to its foreign agents. These false documents were created at the request of the foreign agents to enable them to misrepresent their income.

6. From 1999 to 2003, Titan improperly recorded payments in its books and records, directed agents to falsify invoices submitted to Titan, and failed to devise or maintain an effective system of internal controls to prevent or detect these FCPA violations. Despite utilizing over 120 agents and consultants in over 60 countries, Titan never had a formal company-wide FCPA policy, failed to implement an FCPA compliance program, disregarded or circumvented the limited FCPA policies and procedures in effect, failed to maintain sufficient due diligence files on its foreign agents, and failed to have meaningful oversight over its foreign agents.

7. In 2002 Titan discontinued its Benin operations, conducted under wholly-owned subsidiary Titan Wireless, and began the process of discontinuing all Titan Wireless business.

8. On September 15, 2003, Titan entered into an agreement, subsequently approved by its shareholders, to be acquired by Lockheed Martin Corporation (“Lockheed”). On June 25, 2004, Lockheed terminated the Merger Agreement.

9. In July 2004, the Titan Board voted to retain a broker to attempt to sell DWC. The sale of DWC closed on November 5, 2004.

10. Titan may, unless restrained and enjoined, continue to engage in the acts and practices set forth in this complaint and in acts and practices of similar purport and object.

JURISDICTION

11. This Court has jurisdiction over this action pursuant to Sections 21(d), 21(e) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. In connection with the conduct described herein, Titan made use of the mails or the means or instrumentalities of interstate commerce.

DEFENDANT

12. Titan is a Delaware corporation headquartered in San Diego, California. Titan is a provider of military intelligence and communications solutions both in the United States and, during the relevant period, through various direct and indirect subsidiaries, in over 60 foreign countries. Titan's common stock is registered with the Commission pursuant to Section 12(g) of the Exchange Act and is listed on the New York Stock Exchange.

FACTS

Background To The Benin Project

13. By a Partnership Agreement dated February 1, 1996, between the Postal and Telecommunications Office of the Republic of Benin ("OPT"), a state-owned enterprise organized and operating under the Benin Ministry of Telcommunications, and Afronetwork Ltd. (later Afronetwork, Inc.) ("Afronetwork"), the parties agreed to develop a telecommunications network in Benin. At that time, the founder and principal of Afronetwork was a relative of the Benin Minister of Telecommunications.

14. In Article 11 of the Partnership Agreement, OPT agreed to "facilitate relations between AFN [Afronetwork] and the Benin Governmental Agencies in order to obtain the authorizations, exemptions and other facilities that will allow rapid implementation of the [project]."

15. On or about August 3, 1998, Afronetwork and OPT entered into a Build, Cooperate and Transfer contract under which Afronetwork agreed to "acquire and install a rural telephone network" and assign the operation of the network to OPT. Afronetwork was to be reimbursed for its costs using the project's revenues. The contract also required that Afronetwork obtain the consent of OPT to assign its rights under the contract.

Titan Invests In Afronetwork

16. By a Memorandum of Agreement dated October 9, 1998, Afronetwork and Titan agreed to establish a joint venture company called Afronetwork, Benin. On October 20, 1998, Titan issued a press release announcing that it had acquired a 50% ownership interest in Afronetwork, Benin. The same press release further stated that Afronetwork, Benin will build “a satellite-based telephone system in Benin” and claimed that “[t]elephone service revenue generated once the system is operational is expected to be many times” the \$10 million to be spent for the project’s equipment. On November 30, 1998, Afronetwork and Titan executed a joint venture agreement memorializing their respective rights and obligations regarding Afronetwork, Benin.

17. In November 1998, officers and/or executives of Titan went to Benin to meet with Afronetwork, the Minister of Telecommunications, and the Director General of OPT. During these meetings, Titan was introduced to the Titan Benin Agent, a business advisor to the President of Benin. At these meetings, Titan was told that the agent had access to the President of Benin.

18. As the relationships developed, at least one former officer of a Titan subsidiary believed that the Titan Benin Agent traveled on a diplomatic Benin passport, was an “ambassador without portfolio” for the Benin government, and was able to arrange for meetings with the President of Benin and other senior government officials. The former officer also understood that, at least on one occasion, the President of Benin sent the Titan Benin Agent to another African nation as the President’s personal ambassador.

19. By a memorandum attached to an e-mail dated April 5, 1999, and sent to at least one former Titan officer, a former officer of a Titan subsidiary described some of the risks of the

proposed project in Benin. In that memorandum he also described the Titan Benin Agent as “[t]he Head of State’s business advisor.”

Titan Engages The President’s Advisor As Its Agent

20. On July 28, 1999, Afronetwork, with the consent of OPT, assigned to Titan all of its rights under various agreements regarding the project to modernize the telecommunications infrastructure of Benin.

21. On the same date as the assignment, Titan entered into a consulting agreement with the Titan Benin Agent. The consulting agreement stated that the Titan Benin Agent would assist Titan in marketing and identifying potential business, and would provide advice on financing requirements in Benin. Titan did not conduct any meaningful due diligence regarding the Titan Benin Agent’s background, qualifications, other employment, or relationships with foreign government officials either before or after he was engaged. Moreover, Titan did not obtain any legal opinion addressing the legality under the FCPA of employing the Titan Benin Agent.

22. Under the consulting agreement, Titan was to pay the Titan Benin Agent five percent of the price of equipment installed in connection with the project. Titan also would pay the agent’s incurred expenses up to a maximum of five percent of the price of equipment “that is installed in Benin.” On August 3, 1999, before virtually any equipment was installed, and only six days after signing the consulting agreement, the Titan Benin Agent submitted an invoice for \$399,919.00, which invoice detailed extensive services purportedly performed by the Titan Benin Agent and various sub-agents and consultants. One week later, on August 10, 1999, with the written approval of a former senior Titan officer located in the United States, and at the request of the Titan Benin Agent, Titan wired \$400,000 in payment of this invoice to an account held not in the agent’s name, but in the name of a relative. Such payment was made with no

evidence that the purported services invoiced -- customs exoneration services, study of the construction site, and travel expenses -- were actually performed or expenses actually incurred by the Titan Benin Agent.

Titan Signs Agreement With OPT

23. On August 17, 1999, Titan executed a Build, Cooperate and Transfer Agreement with OPT (the “BCT Contract”). The agreement was stated to be “made effective retroactive to August 3, 1998.” Under this agreement, many of the prior implementation agreements for the telephone project between Afronetwork, Titan and OPT were cancelled. Going forward, the BCT Contract was to govern the relationship between the parties. Under the BCT Contract, OPT issued a purchase order for the equipment to build the new Benin telephone system and Titan agreed to “install, test . . . and certify for operational readiness” the new telephone system. The project would be financed with loans that would be repaid through the revenues generated from the project. After Titan was paid in full for all equipment and services rendered by Titan, the project was to be transferred to OPT.

24. Under the BCT Contract, OPT agreed to obtain appropriate telecommunications facility sites, the authorization necessary for the use of specific frequencies, and “[a]ssistance in obtaining customs clearance and eventual exoneration of all customs, duties fees and taxes for all products imported into Benin” to implement the BCT Contract.

25. On November 18, 1999, Titan assigned its rights under the BCT contract to Titan Africa Inc., a wholly-owned subsidiary of Titan Wireless. At various times, Titan projected that revenues from this project would exceed \$100 million over the life of the project. In filings with the Commission for 1999-2001, Titan booked revenues of approximately \$98.2 million from the Benin project, comprising approximately \$27.4 million in 2001, \$50.1 million in 2000, and approximately \$20.7 million in 1999.

26. The BCT project was governed by a supervisory group known as the BCT Steering Committee, whose members included a senior Titan officer, a former senior Titan officer and a former officer of a Titan subsidiary, the Director General of OPT, and the Titan Benin Agent. The Steering Committee met either in the United States or in Paris, France, approximately every three months between February 2000 and March 2001.

27. It was Titan's understanding that in order to retain the BCT contract certain revenue from the project had to go to "local investors," chosen and approved by the Benin Head of State. On October 16, 2000, a group of Angolan investors, whom the Titan Benin Agent had introduced to Titan, invested approximately \$17.45 million in the Benin project. In return, according to a Revenue Purchase Agreement dated September 25, 2000, between Titan Africa Inc. and the investors, the investors received a 25% share of "the Titan portion of the net revenues of the BCT Contract," thereby satisfying the local investor requirement.

Payments To The Titan Benin Agent Funneled to 2001 Benin Presidential Campaign

28. The original February 1, 1996 Partnership Agreement signed by Afronetwork and OPT required OPT's project partner (Afronetwork and later, by assignment, Titan) to pay "part of its profits as subsidies for development" of certain "sectors" in Benin. "Health" and "Education" each were to receive two percent of profits and, according to the agreement, the "practical methods of carrying out these subsidies [would] be determined in agreement with the Cabinet Departments responsible for these sectors." These payments initially were contemplated for Benin social programs, such as improved roads, schools and hospitals. After Titan acquired its interest in the project, it became aware that these obligations, known as "social payments", were required under the agreement.

29. Although the payments were not yet due because there were no “profits,” in a December 2000 Steering Committee meeting in Paris, the Titan Benin Agent and the Director General of OPT demanded that Titan accelerate the “social payments” and insisted that those payments be made before the upcoming 2001 Benin Presidential election. Titan understood that the payments made would assist Titan in continuing to do business in Benin. A former Titan senior officer agreed to expedite payment of the “social payments” in the amount of approximately \$2 million. Titan made the payments to the Titan Benin Agent, and not to the government of Benin as contemplated under the original agreements.

30. A former senior officer of Titan based in the United States explicitly authorized expediting the “social payments” and making them directly to the Titan Benin Agent. The same senior officer also mandated that the “social payments” be falsely invoiced by the Titan Benin Agent as consulting services and that actual payment of the money be broken into smaller increments and spread out over time.

31. Consistent with the direction to document falsely the “social payments,” the Titan Benin Agent sent a letter dated January 22, 2001 to a former senior officer of Titan based in the United States. Attached to the letter were two invoices dated January 5 and January 21, 2001 totaling \$2,381,551. Neither the invoices nor the letter referenced “social payments,” but instead falsely identified the purpose of the payments as purported consultations, travel and studies in support of the agent’s alleged customs exoneration services and work on the wireless telephone network. Titan paid approximately \$2 million of the invoiced amount in seven separate payments from January to May 2001. Two of the payments, totaling \$1 million, were wired to the Titan Benin Agent’s offshore account in the Principality of Monaco from Titan’s U.S. headquarters in San Diego. The remaining five payments, totaling approximately \$1.1 million, were made to the agent *in cash* in Benin.

32. Virtually all of the “social payments” that Titan made through the Titan Benin Agent were intended to be, and were, funneled to the re-election efforts of the Benin President. In fact, five of the seven “social payments” made by Titan to its Titan Benin Agent were made prior to the announcement, on March 25, 2001, that the incumbent President of Benin had won the election. Specifically, at least part of the monies were used to reimburse the Titan Benin Agent’s purchase of T-shirts adorned with the President’s picture instructing Beninese citizens to vote for him. Those T-shirts with voting instructions were distributed to the electorate just prior to the Benin presidential election. A former senior officer of Titan and a former officer of a Titan subsidiary understood that at least a portion of the “social payments” would be used to purchase T-shirts to help the President’s re-election.

OPT Gives Titan Four-Fold Increase In Its Management Fee

33. In late 2000 or early 2001, Titan demanded that OPT quadruple Titan’s management fees from five to twenty percent, which OPT was not obligated to do. Titan expected this increase to generate approximately \$6 million in revenue. OPT initially refused to increase Titan’s fees.

34. On March 29, 2001, as “social payments” that ultimately totaled approximately \$2 million were being made to the Titan Benin Agent, the Director General of OPT signed a letter addressed to a former senior officer of Titan based in the United States, increasing Titan’s management fee from five to twenty percent. Titan obtained the increased management fee by making the majority of the approximately \$2 million in “social payments” prior to the re-election of the President of Benin, as instructed by the Titan Benin Agent and the Director General of OPT.

35. On June 25, 2001, Titan and OPT signed an agreement “made effective retroactive to August 3, 1998” that summarized various amendments to the BCT Contract. In

that document, the parties falsely described that “Titan has made substantial contributions to social programs in Benin in year 2000 out of its own resources” when in fact virtually all such payments were to assist in the re-election campaign of Benin’s President in 2001. In addition, the same agreement reconfirmed Titan’s entitlement to an increased management fee.

36. On January 23, 2003, Titan and Titan Africa Inc. submitted a Request for Arbitration under the BCT Contract and claimed that the 20% management fee was worth “not less than \$9,100,000.”

Payments To The Titan Benin Agent

37. The Titan Benin Agent received all of his payments of approximately \$3.5 million from Titan while he was a business advisor to the President of Benin. Of thirteen known Titan payments to the agent, four were specifically approved by a former senior Titan officer based in the United States, and made by wire transfers from Titan in San Diego. Although the agent resides in Benin, \$1 million was wired to his personal offshore bank account in Monaco, approximately \$500,000 was wired to his account in Paris, and \$400,000 was wired to an account in Benin not held in the agent’s name, but in the name of a relative.

38. The remaining nine payments to the Titan Benin Agent, totaled approximately \$1.6 million. One of these payments, made on or about March 10, 2000, was a wire payment of approximately \$300,000 from Titan Africa S.A. to the Titan Benin Agent. Titan Africa S.A. made three additional cash payments to the Titan Benin Agent in 2000 totaling approximately \$172,000. Titan Africa S.A. also made five cash payments totaling approximately \$1.1 million to the Titan Benin Agent in 2001. Regarding four of these 2001 cash payments, a former Titan Africa officer based in Benin signed checks drawn on Titan Africa S.A.’s Benin account made out not to the Titan Benin Agent, but to employees of Titan Africa. The employees cashed the

checks and gave the money to the Titan Benin Agent. The final 2001 cash payment was made from petty cash.

Warnings Regarding Benin Were Not Investigated By Titan

39. In 2002, Independent Benin auditor Afrique Audit & Consulting informed Titan Africa in writing that it was unable to issue an opinion for either 2000 or 2001 because it was unable to substantiate payments made by Titan Africa Inc. Afrique's draft reports describe \$1.8 million in "missing cash" and highlight the lack of internal controls.

40. The Management Letter for the year 2000 from Titan's external auditor, Arthur Andersen, noted "the need to establish standard policies and procedures to be followed by the entities reporting into Titan Wireless" and a "lack of controls related to inventory tracking and reconciliation to the General Ledger." Nevertheless, Titan failed to take sufficient steps to establish adequate internal controls at Titan Wireless.

41. An August 29, 2001 draft of an Arthur Andersen process review of Titan Africa notes "there is no accounting system set up in the company" and the system used to compute accounting data "is not reliable." Among risks Andersen identified were "intentional mistake: loss of cash," "fraud," and "loss of data." Although the draft review was sent to at least two former officers and/or executives of Titan subsidiaries, the issues raised in the review were never further vetted with senior Titan management, brought to the attention of Titan's audit committee, or resolved.

42. In 2001 and 2002, a senior Titan officer and former Titan officers and/or executives received at least two written allegations that a Titan Wireless employee in Benin had forged invoices and bills and paid bribes in Benin. Titan did not conduct an adequate investigation of these allegations.

Gift To The Benin President's wife

43. On or about February 4, 1999, during a time period in which Titan understood the Benin President's support of the BCT project was critical, Titan purchased and gave a \$1,850 pair of earrings to the President's wife. This gift was approved by a senior Titan officer, a former officer of Titan, and a former officer of a Titan subsidiary.

Payments To The Director General of OPT

44. Titan paid the Director General of OPT, a Benin government official, approximately \$14,000 in travel expenses from 1999 to 2001. The BCT Steering Committee authorized payment of \$20,000, "as soon as the cash flow permits," to the Director General for attending four BCT Steering Committee meetings. It is unclear from Titan's books whether the \$20,000 was ever paid. Between 1999 to 2001, the Director General signed the BCT Contract between OPT and Titan, approved the increase in the management fee for Titan from five to twenty percent, and executed the June 25, 2001 agreement reaffirming the increased management fee.

Payments to An Official Of The World Bank

45. On or about November 22, 1999, Titan, at the direction of a former senior Titan officer based in the United States, entered a consulting agreement with a Senior Financial Analyst of the International Bank for Reconstruction and Development, a constituent organization within the World Bank Group, under which Titan paid the consultant \$15,000, plus expenses, to assist in obtaining local investors for the BCT project. As an employee of the World Bank Group, this analyst was a "foreign official" under the FCPA. The \$15,000 payment was wired to an account held not in the consultant's name, but in his wife's name. In addition to the \$15,000 payment, Titan paid the consultant over \$2,000 in travel-related expenses. A former senior Titan Africa executive made these expense payments in cash because the World Bank

official expressly asked Titan not to document payment of his expenses. A senior Titan officer and several former senior officers or executives of Titan knew that the consultant was employed by the World Bank Group.

Incomplete Records Regarding Payments To Three Additional Benin Consultants

46. From 1999 to 2001, Titan paid three additional Benin consultants an aggregate of over \$1.35 million. There are *no* records substantiating what the payments to one of these consultants were for, and the records are incomplete regarding work allegedly performed by the other two consultants.

Falsification of Documents Provided to Foreign Governments

47. Unrelated to the conduct in Benin, but at approximately the same time, employees of Titan and/or Titan subsidiaries falsified documents that enabled their agents to under-report local commission payments in Nepal, Bangladesh, and Sri Lanka. In addition, Titan falsely represented to the United States government commission payments on equipment exported to Sri Lanka, France and Japan.

Documents To The Government Of Nepal

48. On a number of occasions from 1999 to 2003, DWC created false documents that allowed its local agents to represent to the Nepalese government that DWC paid its local Nepalese agent a two to three percent commission, when in fact it paid the agent commissions of approximately 30%. As a result, the Nepalese agent was able to evade local income taxes. During this time period, DWC paid the agent approximately \$880,000 in commissions for \$2.9 million in sales, *i.e.*, approximately 30% in commissions.

49. At the Nepalese agent's request, DWC paid the agent's commissions sometimes to the agent, sometimes to his wife, sometimes to his daughter, sometimes to his son, and

sometimes to a friend in Singapore. Also at the agent's request, DWC made split commission payments to designated accounts in Nepal, Singapore and Canada.

Documents To The Government Of Bangladesh

50. The Bangladesh government allows a maximum commission of one percent on sales to the military.

51. On repeated occasions from 1999 to 2003, DWC created false documents that allowed its local agent to represent falsely to the Bangladesh Ministry of Defense that DWC's local agent commissions were "nil." In fact, DWC paid its Bangladesh agent net commission payments of \$63,395, or approximately two and one half percent of sales.

52. Although DWC's Bangladesh agent resided in Bangladesh, all payments were made to offshore bank accounts in Singapore and London.

Documents To The Government Of Sri Lanka

53. From 1999 to 2003, DWC paid its Sri Lankan agent over \$9 million in "commission" on sales of approximately \$19 million. At the Sri Lankan agent's request, the \$9 million was paid to his offshore account in Hong Kong. At the agent's further request, DWC declared to the Sri Lanka government that the agent's commissions were three to five percent, rather than the actual 47% that DWC paid.

False Documents Presented To The United States Government

54. From 2000 to 2003, Titan and Datron falsified documents presented to the United States government by under-reporting commission payments on equipment exported to Sri Lanka, France and Japan. Specifically, Part 130 of the International Traffic in Arms Regulations ("ITAR") requires prior notification to the Office of Defense Trade Controls as to whether applicants for an export license, or applicants' vendors, have paid, offered or agreed to pay, with respect to the sale of export goods, commissions in an aggregate amount of \$100,000 or more.

55. On June 22, 2000, DWC applied for a license to export to Sri Lanka goods valued at approximately \$2.5 million. On its export license application, Datron falsely represented that it had not “paid, offered or agreed to pay” a commission of \$100,000 or more, when in fact it had paid a \$1.2 million commission on the sale. Both the Datron employee that filled out the export license application, and the employee that reviewed it, knew the agent was paid a commission of over \$1 million.

56. On July 8, 2002, Delfin Systems, a division of Titan, of Titan applied for a license to export to France goods valued at approximately \$870,000. On its export license application, Delfin Systems falsely represented that it had not “paid, offered or agreed to pay” a commission of \$100,000 or more, when in fact it had paid a \$109,000 commission on the sale.

57. On April 17, 2003, the Aerospace Electronics Division of Titan (“AED”) applied for a license to export to Japan goods valued at approximately \$7.4 million. On the application, AED falsely represented that it had not “paid, offered or agreed to pay” a commission of \$100,000 or more, when in fact it had agreed to pay a \$900,000 commission on the sale.

**Titan Made Payments To Its Foreign Agents Without Adequate Due Diligence,
Lacked Sufficient Controls And Failed To Maintain Accurate Books And Records**

58. In its 23 years of existence prior to 2004, Titan has never had a FCPA compliance program or FCPA procedures. Titan’s only related “policy” is a statement in Titan’s Code of Ethics, which all Titan employees were required to sign annually, stating “employees must be familiar with and strictly adhere to such provisions as the Foreign Corrupt Practices Act that prohibit payments or gifts to foreign government officials for the purpose of influencing official government acts or assistance in obtaining business.” Titan did not enforce that policy nor did it provide its employees with any information concerning the FCPA or its purposes.

59. Although Datron, prior to its acquisition by Titan, did have a written FCPA policy, which required that all payments to its foreign agents be made in the name of the recipient and generally should be made in-country, and also explicitly required Datron to compile and keep a diligence file on each of its foreign agents, Datron and its employees, both before and after its acquisition by Titan, ignored this policy.

60. Titan never conducted any FCPA compliance training. Moreover, although Titan Wireless employees were required to sign the Titan Code of Ethics when hired, employees of wholly-owned Titan Africa were never required to sign the Titan Code of Ethics.

61. From 1999 to February 2004, Titan did not maintain any due diligence files on its foreign agents. Prior to making any of the millions of dollars of payments to the Titan Benin Agent, Titan failed to perform adequate due diligence on that agent. In fact, there is no evidence that Titan conducted any due diligence prior to or after retaining foreign agents or consultants.

62. On January 26, 1999, a former senior officer of Titan Wireless, based in the United States, set forth in an e-mail certain FCPA guidelines “with which [he was] familiar.” These included a checklist for the agent containing the name of the agent, banking and trade references, and whether the agent would be paid in country (and if not, an explanation). A sliding commission schedule was also included in the e-mail which provided that if the project amount was less than \$500,000 the commission would be 10%, for projects between \$3,000,000 and \$10,000,000 the commission would be 3%, and if the project was over \$10,000,000 the commission would be negotiated. Finally, the terms and conditions of the agency agreement should include a provision that the commissions be paid after Titan is paid, and any activity contrary to the FCPA be reported to the immediate supervisor. None of these guidelines were implemented at Titan, although some of the guidelines appear in the Datron FCPA compliance policy.

63. DWC made payments in cash and/or to offshore bank accounts to its agents in at least *nine* foreign countries, Benin, Indonesia, Sri Lanka, Nepal, Bangladesh, Thailand, Taiwan, Brazil, and Ecuador. Many of these payments were made to accounts in a name other than the agent being paid.

64. As set forth above, DWC created false documents that permitted its agents to under-report commissions in at least three foreign countries, Nepal, Bangladesh and Sri Lanka. Titan and Datron variously falsified documents to the United States government by making false statements regarding significant commissions on exports to Sri Lanka, France and Japan.

65. In 2001, when Titan acquired DWC, Titan failed to conduct any meaningful FCPA due diligence on Datron prior or subsequent to the acquisition. In at least two countries, the Philippines and South Africa, payments were made by DWC agents without adequate assurance that such payments were not passed to government officials in order to obtain or retain business for DWC.

66. **Philippines.** From 1999 to 2003, DWC sold approximately \$1.1 million in equipment and paid approximately \$48,000 in commissions to its Filipino agent. That agent made cash payments to high-ranking military officials to obtain business for Datron and Titan. The agent tried to discuss these payments with senior officers or executives of Datron, but according to the agent, the officers or executives did not want to discuss the subject.

67. **South Africa.** In 2001, DWC's South African agent requested "clarification" on an FCPA clause in its contract with DWC and suggested that the clause be deleted. The agent sent an e-mail to the Senior V.P. of Sales and Marketing for DWC stating: "[W]e do have to pay certain commissions to the facilitator which in turn feeds through to other parties as part of these large projects. Obviously FCPA could be a problem. Maybe we should delete [this] clause." The message was forwarded to the DWC V.P. of Sales and Marketing in South Africa, who

erroneously responded that: “[The FCPA] relates to Datron’s business department; not yours.” Subsequently, DWC sold over \$7 million of DWC equipment through the agent.

68. In violation of its FCPA policy, DWC paid many of its foreign agents, including its agents in Taiwan, Thailand and Denmark, *via* accounts not located in their respective countries and, in some cases, DWC made split payments to multiple offshore accounts.

CLAIMS FOR RELIEF

FIRST CLAIM

[Violations of Section 30A of the Exchange Act]

69. Paragraphs 1 through 68 are realleged and incorporated by reference.

70. As described above, Titan, and certain of its foreign subsidiaries, knowingly and corruptly paid money to foreign officials for the purposes of influencing their official decisions and assisting Titan in obtaining or retaining business.

71. By reason of the foregoing, Titan violated Section 30A of the Exchange Act [15 U.S.C. §78dd-1].

SECOND CLAIM

[Violations of Section 13(b)(2)(A) of the Exchange Act]

72. Paragraphs 1 through 71 are realleged and incorporated by reference.

73. As described above, a former senior Titan officer, other officers and/or executives of Titan subsidiaries, and authorized agents falsified invoices and records to hide illegal payments made to foreign officials and to under-report commissions paid to foreign agents. In addition, Titan, through its officers, agents and subsidiaries, failed to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflected its transactions and dispositions of its assets.

74. By reason of the foregoing, Titan violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. §78m(b)(2)(A)].

THIRD CLAIM

[Violations of Section 13(b)(2)(B) of the Exchange Act]

75. Paragraphs 1 through 74 are realleged and incorporated by reference.

76. As described above, with respect to improper payments to foreign officials, Titan and certain of its foreign subsidiaries failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) payments were made in accordance with management's general or specific authorization; and (ii) payments were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for its assets.

77. By reason of the foregoing, Titan violated Section 13(b)(2)(B) of the Exchange Act [15 U.S.C. §78m(b)(2)(B)].

FOURTH CLAIM

[Violations of Section 13(b)(5) of the Exchange Act and Rule 13b2-1 thereunder]

78. Paragraphs 1 through 77 are realleged and incorporated by reference.

79. By engaging in the conduct described above, Titan failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurance that transactions were recorded in Titan's books and records in accordance with Section 13(b)(2)(A) of the Exchange Act.

80. Titan also knowingly falsified, or caused to be falsified, its books and records.

81. By reason of the foregoing, Titan violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. § 240.13b2-1].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court enter a final judgment:

- A. Permanently restraining and enjoining Titan from violating Sections 30A, 13(b)(2)(A), 13(b)(2)(B) and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78dd-1; 78m(b)(2)(A) and (B) and 78m(b)(5)] and Rule 13b2-1 thereunder [17 C.F.R. §240.13b2-1];
- B. Ordering Titan to disgorge ill-gotten gains, with prejudgment interest, wrongfully obtained as a result of its illegal conduct;
- C. Ordering Titan to pay civil penalties pursuant to Sections 21(d)(3) and 32(c) of the Exchange Act [15 U.S.C. §§ 78u(d)(3) and 78ff]; and
- D. Granting such further relief as this Court may deem just and appropriate.

Dated: March 1, 2005

Respectfully submitted,

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