

**IN THE SUPERIOR COURT
FOR THE DISTRICT OF COLUMBIA
Civil Division**

DOUGLAS B. ARMENTROUT)	
17260 Pickwick Drive)	
Purcellville, Virginia 20132)	
)	
Plaintiff,)	
)	
v.)	Civ. No.
)	
NEUSTAR, INC.)	
1025 Vermont Avenue, NW)	
Washington, D.C. 20005,)	
)	
NEULEVEL, INC.)	
46000 Center Oak Plaza)	
Sterling, Virginia 20166,)	
)	
and)	
)	
JEFFREY E. GANEK,)	
5816 Marbury Road)	
Bethesda, Maryland 20817,)	
)	
Defendants)	

COMPLAINT

Preliminary Statement

This Complaint is based upon a scheme conducted by the Defendants NEUSTAR, INC. ("NeuStar") and NEULEVEL, INC. ("NeuLevel"), both Internet domain name registrars, and their officers and directors to fraudulently use NeuLevel's resources to operate NeuStar's other lines of business, thereby defrauding an outside investor, Melbourne IT, and misleading ICANN when awarding the ".biz" domain name registry to NeuLevel and misleading the U.S. Department of Commerce when awarding the ".us" domain name registry to NeuStar.

In furtherance of their scheme, the Defendants, including JEFFREY E. GANEK ("Jeffrey Ganek"), induced the Plaintiff Douglas B. Armentrout to accept employment as Vice President of NeuStar and as the Chief Executive Officer of NeuLevel under false pretenses, using and abusing the reputation and expertise of Mr. Armentrout to build-up NeuLevel and to fraudulently portray it as a successful and reputable domain name registry for the benefit of NeuStar and its shareholder, Jeffrey Ganek. Thereafter, the Defendants wrongfully terminated Mr. Armentrout upon learning of his attempts to investigate, identify and disclose fraudulent accounting practices at NeuLevel and NeuStar.

Plaintiff, Douglas B. Armentrout ("Mr. Armentrout"), through his undersigned counsel, hereby alleges the following:

Jurisdiction and Venue

1. This Court has jurisdiction over this Complaint pursuant to D.C. Code § 11-921(a)(6).
2. This Court has personal jurisdiction over Defendants NeuStar and Jeffrey Ganek pursuant to D.C. Code § 13-422; and over Defendants NeuLevel, NeuStar and Jeffrey Ganek pursuant to D.C. Code § 13-423(1), (2), and (3).
3. Many of the acts alleged in this Complaint arose in the District of Columbia; venue is therefore proper in this district.

The Parties and Relevant Persons

4. The Internet Corporation for Assigned Names and Numbers ("ICANN") is a California corporation having responsibility for administering certain domains on the Internet.
5. The United States Department of Commerce ("Department of Commerce") is a department of the United States. The Department of Commerce assigned to ICANN the

responsibility for administering Internet domains, as described above, while retaining responsibility for administering the Internet domain known as ".us."

6. The National Institute for Standards and Technology ("NIST") is an agency of the Department of Commerce.

7. Melbourne IT, Ltd. ("Melbourne IT") is an Australian corporation and an accredited domain name registrar doing business globally in the Internet domain name registration market.

8. Defendant NeuStar, Inc. ("NeuStar") is, and at all relevant times has been, a Delaware corporation with its principal offices at 1120 Vermont Avenue, NW, in Washington, D.C. NeuStar had previously been incorporated and known as the "NeuStar Corporation" and as "CIS Acquisition Corp."

9. At all times pertinent to this Complaint, the following individuals held the following positions with NeuStar:

- (a) Jeffrey E. Ganek ("Jeffrey Ganek" or "Mr. Ganek") was Chief Executive Officer;
- (b) Mark Foster was Chief Technical Officer;
- (c) Robert Dowski was Chief Financial Officer ("CFO");
- (d) Edward Freitag was General Counsel;
- (e) Robert Poulin was Vice President for Corporate Development; and
- (f) Jerome L. Haynesworth was Vice President for Human Resources &

Administration.

10. During 2000, NeuStar and Melbourne IT acted together to create a joint venture ("the joint venture"). On or about September 21, 2000, the joint venture was incorporated in Delaware as NeuDomain, LLC; on or about September 29, 2000, the company name was changed to the JV Team, LLC; on or about November 13, 2000, the company name was changed

to NeuLevel, LLC; and, on or about April 27, 2001, the company was converted and reincorporated, in Delaware, under the name NeuLevel, Inc. ("NeuLevel").

11. At all times pertinent to this Complaint, this joint venture (hereinafter "NeuLevel") has been (a) a Delaware corporation with its principal offices in Sterling, Virginia; and (b) a closely held corporation jointly owned by NeuStar and Melbourne IT.

12. At all times pertinent to this Complaint, Defendant Jeffrey Ganek was the founder of NeuLevel and Chairman of its board of directors. At various times the following individuals were also members of this board: Edward G. Freitag, Benjamin D. Lehman, Robert Poulin, Adrian Kloeden, John Harry, Frank Schiff and Dr. Henry Kressel.

13. At all times pertinent times to this Complaint, the following individuals held the following offices within NeuLevel:

- (a) Jay Darling was Vice President for Operations;
- (b) Tim Switzer was Vice President for Finance;
- (c) Edward G. Freitag was Secretary; and
- (d) beginning in January, 2001, Douglas Armentrout was Chief Executive Officer.

14. At all times pertinent to this Complaint, administrative matters concerning NeuLevel were handled by NeuStar at NeuStar's headquarters in Washington, D.C. Such matters included the issuance of payroll for NeuLevel employees and the control of employee benefits by NeuStar's human resources department.

15. At all times pertinent to this Complaint, monthly meetings of the NeuLevel Board of Directors took place at the headquarters of NeuStar, located in Washington D.C. These meetings included the following:

(a) on May 22, 2001, Jeffrey Ganek, Robert Poulin, and Edward Freitag attended in person, in Washington, D.C., and additional persons participated by telephone;

(b) on June 22, 2001, the meeting occurred by telephone, with some persons participating in person in Washington, D.C.; and

(c) on July 16, 2001, Jeffrey Ganek attended in person in Washington, D.C., and additional persons participated by telephone.

16. At all times pertinent to this Complaint, Defendant Jeffrey Ganek was a founder, the Chief Executive Officer, and a Director of NeuStar; and he maintained his office at NeuStar's headquarters in Washington, D.C.

17. Plaintiff, Douglas B. Armentrout ("Mr. Armentrout") is, and at all relevant times has been, a resident in Purcellville, Virginia.

Definitions & Background

18. At all times pertinent to this Complaint, the following terms had the following meanings:

(a) a "domain name" is a multipart name that is an address on the Internet used, among other things, to locate a website or to send or receive electronic mail ("email");

(b) a "Top Level Domain" ("TLD") is the most general part of a multipart domain name: all domain names include the name of a TLD; all domain names are associated with one and only one TLD; and the number of TLDs are strictly limited by contract and international custom;

(c) a domain name "registrant" is a person to whom a domain name has been assigned or registered;

(d) a domain name "registrar" is a company or other entity that, for a fee, registers domain names within one or more TLDs to persons, and thereafter maintains records identifying which persons have registered which domain names associated with specific TLDs;

(e) a domain name "registry" is a company that, among other things, maintains a master list (or data base) for one or more TLDs containing the following information: the domain names that have been registered, the registrar that issued the registration for that domain name, and the period of time during which the registration for that domain name is effective.

19. At all times pertinent to this Complaint, two types of Top Level Domains existed: generic TLDs ("gTLDs") and country code TLDs ("ccTLDs").

20. Country TLDs were separate and unique for each country, and each country administered its own ccTLD.

21. At all times pertinent to this complaint, the ccTLD for the United States was ".us" (pronounced "dot u-s"), and the government department responsible for administering ".us" was the Department of Commerce.

22. Generic TLDs were used for general categories of Internet activity and for other commercial and non profit purposes. At all times pertinent to this Complaint, ICANN was the organization responsible for administering the Top Level Domains available for use by the general public.

23. When ICANN was established, the gTLDs available for use by the general public were ".com" (pronounced "dot com"), ".net" (pronounced "dot net"), and ".org" (pronounced "dot org"), and the registry for all three domains was VeriSign, Inc.

24. In 1999 and 2000, ICANN established new Top Level Domains. Among the new TLDs eventually established by ICANN was ".biz" (pronounced "dot biz").

BACKGROUND

A. Douglas Armentrout

25. Prior to November 2000, Mr. Armentrout was a well-known and well-respected professional in the business of Internet development and commerce, with extensive experience in Internet domain name registries and registrars. He held an exceptional reputation based on his broad background, experience, and accomplishments.

26. In 1996, Network Solutions, Inc. ("NSI") was the administrator of the .com, .net, and .org TLDs. At that time, NSI hired Mr. Armentrout as a member of its management team, in which capacity he helped to take that company public.

27. Prior to 1998, Verio, Inc. ("Verio") acquired TABnet, then the largest reseller of domain names. In 1998, Verio hired Mr. Armentrout and he eventually ran TABnet for Verio. Over the next nine months, Mr. Armentrout converted TABnet's negative cash flow into a positive case flow, and successfully integrated it into Verio. In May 1999, Verio appointed Mr. Armentrout to be its Vice President of Marketing for its Web Hosting Division.

28. As a result of his employment and success with Verio, as of September 2000 Mr. Armentrout had been awarded options to purchase about 116,000 shares of Verio stock. Provided that he remained with Verio, these options would vest at various times and for various prices ("the strike prices") over the next four years; thereafter, Mr. Armentrout would be entitled to purchase these shares of Verio stock as they vested at a fixed price, provided that he continued his employment until the relevant vesting dates.

29. NTT Communications Corporation ("NTT Communications") is a wholly owned subsidiary of Nippon Telegraph and Telephone Corporation. In or about September 2000, NTT Communications acquired Verio. Pursuant to that acquisition, NTT Communications agreed to

purchase all outstanding shares of Verio stock. As part of this agreement, NTT Communications offered to pay \$60, minus the strike price, for each Verio stock option to the holders of such options as they vested. Mr. Armentrout was among these holders. This agreement was worth more than \$3 million to Mr. Armentrout, provided that he remained employed with Verio until all options vested, over a period beginning in 2001 and concluding in 2004.

B. The NeuLevel Joint Venture

30. In or about 1999 and 2000, ICANN was considering authorizing several new Top Level Domains for use on the Internet. Each new TLD would require the establishment of a domain name registry for the operation of that domain. Among the new TLD names being considered was that of ".biz."

31. In or about August 2000, Melbourne IT contacted Mr. Armentrout and sought his advice regarding how it could best position itself to become a registry for one of the new TLD names.

32. In meetings and discussions with Melbourne IT, Mr. Armentrout recommended that it form a consortium with an American company, advising that such a consortium of an American and a "foreign" company would have an increased chance of being named by ICANN as a registry for a new gTLD. Eventually, Mr. Armentrout suggested that Melbourne IT form an international joint venture with NeuStar.

33. In or about August 2000, Mr. Armentrout brought his idea for such an international consortium to NeuStar. Thereafter he attended meetings with representatives of Melbourne IT and NeuStar, and he facilitated the establishment of a joint venture by these companies.

34. In September 2000, NeuStar and Melbourne IT formed the joint venture as suggested by Mr. Armentrout. This joint venture eventually became NeuLevel.

C. NeuStar and the ".US" Registry

35. At all times pertinent to this Complaint, NeuStar had multiple lines of business ("LOBs"); that is, several products and services that comprised the company's commercial operations. Among these lines of business was the Number Portability Administrator for North America ("Number Portability Administrator").

36. During 2000 and 2001, the Department of Commerce and NIST were considering awarding the operation of the ".us" Registry to a private corporation or other entity.

37. During 2000 and 2001, NeuStar and Jeffrey Ganek decided to submit a proposal seeking to convince the Department of Commerce and NIST to award the ".us" registry to NeuStar and, thereafter, to add the ".us" registry as another NeuStar line of business.

The Defendants' Fraudulent Scheme: The Manner and Means

38. Defendants NeuStar and Jeffrey Ganek never intended to fulfill their obligations under the joint venture. To the contrary, these Defendants intended to use the experience, reputation, capital, and other resources of Melbourne IT for the purpose of inducing ICANN to name the joint venture, that is, NeuLevel, a registry for a new gTLD; and to establish NeuLevel as a financially successful and reputable domain name registry. Using misrepresentations and fraud, the Defendants planned to, and did,

(a) use the resources of NeuLevel to develop and fund NeuStar's other lines of business, including the ".us" registry and the Number Portability Administrator;

(b) exclude Melbourne IT from its equitable and rightful share of the value and control of NeuLevel; and,

(c) ultimately ensure that NeuStar would take financial ownership and managerial control of NeuLevel.

39. It was further a manner and means of this scheme that these Defendants:

(a) planned to hire, and did hire Mr. Armentrout, as the Chief Executive Officer of NeuLevel and as a Vice President of NeuStar; and

(b) planned to use, and did use Mr. Armentrout's abilities, experience, and reputation to establish NeuLevel as a successful and reputable domain name registry; to lull, mislead, and defraud Melbourne IT; and to ensure that the Department of Commerce would name NeuStar the registry for ".us."

40. It was further a manner and means of this scheme that these Defendants would and did use false promises, pretenses, and representations to induce Mr. Armentrout to leave his employment at Verio; to become the CEO of the joint venture and a Vice President of NeuStar; and to forsake financial benefits and compensation that would have been due and owing to him had he remained in Verio's employ. These false promises, pretenses, and representations included:

(a) false statements as to the actual intentions of these Defendants for the business development and ultimate control of the joint venture;

(b) false promises and commitments to Mr. Armentrout regarding the payment of salary, bonuses, stocks, and stock options of NeuStar and of the joint venture; and

(c) false representations and commitments to Mr. Armentrout and others that NeuLevel, initially a privately held company, would be taken through an initial public offering ("IPO") and transformed in to a publicly held and traded company.

41. It was further a manner and means of this scheme that at all pertinent times these Defendants, and Defendant NeuLevel, intended to terminate Mr. Armentrout from his positions as CEO of NeuLevel and as Vice President of NeuStar without compensating him with the

bonuses, or with the stock and stock options of NeuStar and the joint venture, that had been promised to him, and without the full salary due and owing to him.

42. It was further a manner and means of this scheme that at all pertinent times these Defendants, and Defendant NeuLevel, would and did conceal and cover up from Mr. Armentrout their scheme, including: the false nature of the above described promises, pretenses, representations, commitments, and statements; and their true intentions concerning their plans for the joint venture, for Melbourne IT, and for Mr. Armentrout.

43. At all times pertinent to this Complaint, in his dealings with Mr. Armentrout, Mr. Ganek acted as an officer, director, and agent of NeuStar and NeuLevel; and he further acted for himself, promoting his direct and personal financial interest in NeuStar, as an owner and shareholder of that company, and his indirect and personal financial interest in NeuLevel, as a subsidiary of NeuStar.

The Defendants' Fraudulent Inducement of Douglas Armentrout

A. The Financial Promises

44. In or about early November 2000, Mr. Armentrout met with Jeffrey Ganek and Robert Poulin over lunch at the D.C. Convention Center in Washington, D.C. During this meeting, Mr. Ganek asked Mr. Armentrout if he would like to be part of "our team." Mr. Armentrout responded that he found this suggestion to be very interesting, but he was entitled to over three million dollars in guaranteed compensation from NTT Communications provided that he remained in Verio's employ. He told Mssrs. Ganek and Poulin that he "didn't think that we can get there from here" financially. Mr. Ganek responded, "Well, maybe we can." Shortly thereafter, Mr. Armentrout left the luncheon meeting.

45. In or about mid-November 2000, at Mr. Ganek's request, Mr. Armentrout again met with Msrs. Ganek and Poulin over lunch, at McCormick & Schmick Restaurant in Washington, D.C. During this meeting, Mr. Ganek told Mr. Armentrout that they were still interested in having him as part of "the team," and asked him whether he would prefer being the Chief Marketing Officer or the Chief Executive Officer of the joint venture.

46. Mr. Armentrout was extremely interested in the professional opportunity to staff, manage, and operate an Internet start-up from the ground up – particularly one based upon his own ideas and one which he had personally facilitated through discussions with the parties to the joint venture. Mr. Armentrout so informed the Defendants, explaining, however, that he could not afford to forfeit, nor would he agree to forfeit, the \$3.0 million-plus he stood to gain through NTT Communication's tender for his Verio options. Mr. Ganek responded by saying, "Let me worry about that."

47. In or about late November 2000, Mr. Armentrout was outside of his home in Purcellville, Virginia, when he received a phone call from Mr. Ganek on his cell phone. During this conversation, Mr. Ganek told Mr. Armentrout that they wanted him to be the CEO of the joint venture. Mr. Ganek offered Mr. Armentrout a compensation package that specifically included:

- (a) Eighty-thousand NeuStar stock options;
- (b) a yearly salary of \$165,000;
- (c) a performance bonus of at least 30%, which would be much higher if the joint venture exceeded its goals;
- (d) options for NeuLevel stock commensurate with those given to other CEO's of other start-up companies that eventually go public ("commensurate NeuLevel options"); and

(e) additional benefits, including participation in a profit sharing plan.

48. During this conversation, Mr. Ganek told Mr. Armentrout that, although "I'm not supposed to tell you this," the 80,000 shares of NeuStar stock were worth \$2.5 million.

49. During this conversation, Mr. Armentrout made very clear to Mr. Ganek that the NeuStar stock options, the salary, and the bonus were not sufficient for him to leave Verio; that stock options from the joint venture, with the intention that the joint venture proceed with an IPO, was a necessary part of any compensation package for his agreeing to become CEO of the joint venture; and that, absent such stock options, he would not leave Verio. Mr. Ganek agreed to make such stock options part of the compensation package for Mr. Armentrout to leave Verio and become the CEO of the joint venture.

50. On or about December 8, 2000, NeuStar sent a letter to Mr. Armentrout, offering him the position of Vice President, Internet Services of NeuStar, Inc., reporting to Jeffrey Ganek. This letter (hereinafter the "Haynesworth Letter") was signed by Jerome L. Haynesworth and contained the following promises:

(a) Mr. Armentrout's primary duties included the development and execution of the joint venture, that is, NeuLevel, Inc.;

(b) Mr. Armentrout's salary would be \$6,347 per pay period, or \$165,022 per year, with an annual performance-based bonus of up to 35%; and

(c) a recommendation was to be made to the NeuStar board of directors that Mr. Armentrout would be granted an option to purchase eighty-thousand shares of NeuStar stock, "with a strike price of fair-market value at the date of grant."

51. The compensation promised in the Haynesworth Letter was for services to be rendered by Mr. Armentrout as NeuStar's Vice President of Internet Services, and additional

compensation promised by Mr. Ganek was for services to be rendered by Mr. Armentrout as CEO of the joint venture.

52. Mr. Armentrout did not immediately accept Mr. Ganek's offer. First, he spoke with officers at Verio.

53. As a result of his conversations with Verio officers, Mr. Armentrout was approached for a position with Verio's business development team in Denver, Colorado

54. After considering both the discussion concerning Verio's business development team and the offer made by Mr. Ganek, and based upon the promises and representations of Mr. Ganek and those contained in the Haynesworth Letter, regarding the compensation packages as Vice President of NeuStar and CEO of the joint venture, Mr. Armentrout left the employ of Verio to become the Vice President of NeuStar and the CEO of the joint venture (that is, NeuLevel).

55. Mr. Armentrout became the Vice President of NeuStar and CEO of NeuLevel during the first week of January, 2001.

56. In doing so, Mr. Armentrout left the employ of Verio, forsaking the \$3.0 million-plus in compensation that would otherwise have been due and owing to him by NTT Communications, including the salary, bonuses and benefits that came with that employment, and walking away from the financial and career opportunities presented by the Verio business development opportunity.

57. At the time that Mr. Ganek made the above described compensation offer to Mr. Armentrout, both Mr. Ganek and NeuStar knew that the 80,000 shares of NeuStar stock options included in that offer were not worth \$2.5 million.

58. At the time that Mr. Ganek made the offer of the above described compensation to Mr. Armentrout, neither Mr. Ganek, NeuStar, nor the joint venture intended:

(a) to issue the NeuLevel stock options included in Mr. Ganek's offer to Mr. Armentrout;

(b) to pay the bonuses included in that offer, and in the Haynesworth Letter, to Mr. Armentrout; and

(c) to pay the salary included in that offer and the Haynesworth Letter to Mr. Armentrout over a fair, reasonable, and appropriate period.

B. Continuing Promises and Representations

59. Continuously during the period November 2000 through January 2002, Defendants NeuStar, NeuLevel, and Jeffrey Ganek promised Mr. Armentrout that he would be given responsibility for running and building NeuLevel and for staffing this company with, in the words of Mr. Ganek, "outstanding people - the best and the brightest." Mr. Ganek told Mr. Armentrout that he expected him to exploit his personal and professional contacts through his years of experience in the Internet field to staff NeuLevel with "top professionals." Mr. Ganek further asked Mr. Armentrout to convince these professionals to work for NeuLevel, and to induce them to do so by promising these professionals stock ownership, stock options, and an eventual initial public offering for NeuLevel, similar to the representations made to Mr. Armentrout to induce him to leave Verio.

60. During this period, the Defendants repeatedly promised Mr. Armentrout:

(a) that he would participate in ambitious NeuStar and NeuLevel stock ownership plans;

(b) that NeuLevel would set aside 10% of its stock for Mr. Armentrout and for the professional staff that he would hire;

(c) that Mr. Armentrout would personally receive an ownership interest in NeuLevel “in an amount typical of a CEO of a start-up company”;

(d) that they would take NeuLevel public through an IPO within five years; and

(e) that through such an IPO, they Mr. Armentrout would receive a financial benefit in the form of commensurate NeuLevel options.

61. During 2001, the Defendants repeatedly promised Mr. Armentrout that his NeuStar stock options were worth in excess of \$2.5 million; that he would soon be issued shares in NeuLevel “that would make him a very wealthy man”; and that significant progress was being made toward taking NeuLevel public through an IPO.

62. In addition, during this period, Jeffrey Ganek repeatedly promised Mr. Armentrout that NeuStar would issue to him shares of stock “guaranteed” to “more than make up for” his \$3.0 million-plus “Verio loss.”

63. By making these promises, the Defendants intended to induce and did induce Mr. Armentrout to: (a) resign his position with Verio and forfeit his financial compensation from that company; (b) stay as, and maximize his performance as, Chief Executive Officer of NeuLevel and Vice President of NeuStar; and (b) persuade other “top professionals” to accept employment with NeuLevel based upon these promises .

64. At the times that they made the above described promises, these promises were false, and neither Mr. Ganek, nor NeuStar, nor NeuLevel intended to fulfill them.

65. These promises remain unfulfilled as of the date of this Complaint.

66. In reliance on the above-described promises and representations by the Defendants, Mr. Armentrout solicited more than twenty “top professionals” (“the NeuLevel Professionals”), including individuals who were his colleagues and personal acquaintances, to accept

employment with NeuLevel. In doing so, Mr. Armentrout was used as an instrument of the Defendant's fraud; these individuals suffered financially and professionally from that fraud; and Mr. Armentrout suffered damage to his professional reputation.

C. The NeuStar Stock Option Agreement

67. On or about January 24, 2001, NeuStar and Mr. Armentrout executed an "Incentive Stock Option Agreement Under The NeuStar, Inc. 1999 Equity Incentive Plan" (the "Stock Option Agreement"). Among other terms, the Stock Option Agreement provided that Mr. Armentrout had the option to purchase from NeuStar 80,000 shares of Common Stock at an exercise price of \$0.25 per share, and that this option would vest and become exercisable on January 24, 2002 as to 20,000 shares, and at stated times thereafter as to the remaining 60,000 shares

Defendants' Fraudulent Scheme: Misrepresentations to Melbourne IT and ICANN, and the Misuse of Douglas Armentrout's Reputation to Defraud Melbourne IT

68. Pursuant to the joint venture agreement between NeuStar and Melbourne IT, the ownership interests of these parties in NeuLevel varied as their proportional contributions to the joint venture changed. In summary, the agreement provided that, as additional capital contributions to the joint venture became necessary, if NeuStar contributed proportionally more capital than Melbourne IT relative to their respective equity interests, then the following would take place: NeuStar's ownership share in NeuLevel would increase and that of Melbourne IT would decrease. These contributions, in turn, depended upon the following: the expenses incurred by NeuLevel for its start-up, the costs for its routine operation, and the investments needed to maintain and upgrade its infrastructure.

A. Award of the ".biz" Registry to NeuLevel

69. On or about October 1, 2000, the joint venture, that is, NeuLevel, submitted a proposal to ICANN ("the JV Proposal"), seeking to become the gTLD registry for a new top level domain. Defendants NeuStar and Jeffrey Ganek participated in the preparation and submission of this proposal.

70. As part of the JV Proposal, the Defendants represented to ICANN that Melbourne IT owned 45% of NeuLevel and that the participation of Melbourne IT in NeuLevel would be substantially co-equal with that of NeuStar.

71. To the contrary, the Defendants did not intend to permit Melbourne IT to maintain a 45% ownership of NeuLevel. In truth, they intended to marginalize the participation of Melbourne in NeuLevel, and use NeuLevel's capital to finance NeuStar's other lines of business.

72. On or about November 16, 2000, ICANN selected NeuLevel to operate the gTLD registry for ".biz." NeuLevel thereafter became the registry for ".biz."

B. Award of the ".us" Registry to NeuStar

73. On or about June 12, 2001, the Department of Commerce issued a public Request For Quotation ("RFQ") for bids to operate the ".us" Registry. On or about July 27, 2001, NeuStar submitted a proposal in response to this RFQ, in which it expressly referenced and relied upon the success and reputation of its subsidiary, NeuLevel, as the ".biz" Registry. As part of its proposal, NeuStar stated: "NeuStar's technical capabilities have extended even further *since taking on the role of .biz registry operator.*" (Emphasis added.)

74. On or about October 29, 2001, the Department of Commerce awarded the operation of the ".us" Registry to NeuStar.

C. The Scheme to Defraud Melbourne IT by "Cost Dumping" and by Using Doug Armentrout's Reputation

75. As part of their scheme to reduce Melbourne IT's ownership percentage of NeuLevel, the Defendants, after ICANN awarded the .biz registry to NeuLevel, intentionally engaged in conduct designed to increase the costs of NeuLevel's operation. The Defendants' purpose in doing so was to require additional capital contributions for NeuLevel that could not be matched by Melbourne IT, systematically decreasing Melbourne IT's share of NeuLevel's ownership.

76. It was further part of the Defendants' scheme that they "dumped" the costs of labor and computer equipment, procured in preparation for NeuStar's operation of the ".us" registry and for its Number Portability Administrator, and, on information and belief, other lines of NeuStar's business, into NeuLevel by charging these costs to NeuLevel

77. It was further a part of the Defendants' scheme that, after the Department of Commerce had awarded the ".us" Registry to NeuStar, the Defendants effectively merged the management and operation of NeuLevel into NeuStar.

78. It was further part of the Defendants' scheme that this conduct intentionally marginalized the role of Melbourne IT in the management and routine operation of NeuLevel.

79. It was further a part of the Defendants' scheme that they tried to use and abuse, and did use and abuse, the reputation and expertise of Douglas Armentrout to lull and otherwise convince Melbourne IT, ICANN, the Department of Commerce, and the NeuLevel Professionals that NeuLevel and NeuStar operated in an ethical and lawful manner; and to conceal and cover-up from these entities the above described scheme to defraud.

80. The aforesaid conduct on the part of the Defendants included the following:

(a) despite Melbourne IT already having an operational system for running an Internet registry, specifically the ccTLD ".au" for Australia (which the Defendants had highlighted in

the JV Proposal to ICANN as an example of the joint venture's capabilities and expertise), the Defendants ignored Melbourne IT's capabilities and experience in this regard in favor of "re-inventing the wheel" for the .biz Registry;

(b) NeuStar allocated its costs and expenses to NeuLevel and, in at least one instance, directed NeuStar staff to classify purchases and work as "maintenance" on systems that did not exist;

(c) NeuStar procured labor and computer equipment, and charged the costs for such labor and equipment to NeuLevel, that was neither necessary for NeuLevel's business nor, ultimately, used for NeuLevel's business, including labor and equipment for NeuStar to operate the ".us" Registry and its other lines of business;

(d) in presentations made to the Board of Directors of NeuStar and NeuLevel, NeuStar and Jeffrey Ganek presented different capital cost requirements to each board for the same cost components, intentionally inflating such costs to the NeuLevel Board while presenting the lower, actual costs to the NeuStar Board;

(e) NeuStar and Jeffrey Ganek asked NeuStar officers, including Douglas Armentrout, to falsify presentations made to the NeuLevel Board of Directors; specifically, these Defendants asked Mr. Armentrout to present to the NeuLevel Board inflated figures for anticipated registrations for ".biz" domain names that significantly exceeded reasonable projections;

(f) NeuStar and Jeffrey Ganek directed NeuLevel to acquire opulent and unnecessarily expensive premises for NeuLevel's operation; and retained Mr. Ganek's brother as the architect to build out the premises, thereby significantly increasing NeuLevel's operating costs; and

(g) NeuStar and Jeffrey Ganek directed NeuLevel to increase its staff in disregard of any business plan or other rational purpose, purposely and unnecessarily increasing NeuLevel's operational costs.

The Defendants' Cover-Up

81. It was further a part of the Defendants' scheme that they would and did conceal and cover-up their fraudulent conduct from Douglas Armentrout, ICANN, Melbourne IT, and others.

82. The Defendants' means of concealing and covering-up their scheme included purchasing computer hardware that was intended for use by NeuStar and charging the cost of this hardware to NeuLevel, while falsely stating in the orders that the "purchase need" for the hardware was the ".biz" registry. These purchase orders are among the following:

Order No.	Order Date	Amount	Delivery Location	Comment
2329	4/17/01	\$2,109.71	Chicago, IL	Dot Biz
2341	4/17/01	\$2,109.71	Sterling, VA	Dot Biz
2342	4/17/01	\$24,935.85	Sterling, VA	Dot Biz
2343	4/17/01	\$24,935.85	Chicago, IL	Dot Biz
2345	4/17/01	\$4,224.71	Sterling, VA	Dot Biz
2398	5/9/01	\$12,002.63	Sterling, VA	Dot Biz
2421	5/9/01	\$42,257.70	Sterling, VA	Dot Biz
2422	5/9/01	\$42,257.70	Sterling, VA	Dot Biz
2466	5/21/01	\$76,890.00	Sterling, VA	Dot Biz
2467	5/21/01	\$76,890.00	Chicago, IL	Dot Biz
2759	8/10/01	\$16,856.54	Sterling, VA	.Biz Training

Order No.	Order Date	Amount	Delivery Location	Comment
2806	8/10/01	\$127,840.00	Sterling, VA	Testing Dot Biz Phase 4
2925	N/A	\$13,199.43	Chicago, IL	.Biz
2926	N/A	\$25,964.07	Sterling, VA	.Biz
3001	8/24/01	\$224,100.00	Sterling, VA	Dot Biz Pre-Prod
3002	8/24/01	\$20,820.00	Sterling, VA	Dot Biz Pre-Prod

83. The Defendants' means of concealing and covering-up their scheme further included:

(a) making decisions about NeuLevel operational and management issues while intentionally excluding Mr. Armentrout from the processes through which such decisions were made;

(b) holding meetings and telephone conferences with Melbourne IT involving disputes about NeuLevel operational and management issues while intentionally excluding Mr. Armentrout from such meetings and conferences;

(c) directing Mr. Armentrout to not discuss financing matters with officials of Melbourne IT, and, upon information and belief, asking Melbourne IT not to independently discuss such matters with NeuLevel officers;

(d) repeatedly and continuously representing to Mr. Armentrout and others throughout 2001 that NeuLevel would proceed with an IPO and would issue stock options to its officers and to other employees;

(e) terminating employees who made inquiries about the location of missing hardware that had supposedly been purchased by NeuStar for NeuLevel's use; and

(f) terminating in bad faith employees whom Mr. Armentrout had persuaded to join NeuLevel.

84. The Defendants' means of concealing and covering-up their scheme further included Jeffrey Ganek representing to NeuLevel officers and others attending a NeuLevel Board meeting, held on May 22, 2002 at NeuStar's offices, in Washington, D.C., that "progress" was being made on NeuLevel's stock option plan, a representation that Mr. Ganek then knew was false.

85. Mr. Armentrout first learned that the Defendants were holding meetings and telephone conferences with Melbourne IT, involving significant disputes about NeuLevel operational and management issues, without including him in such meetings, conferences, and disputes when he read a copy of a memorandum from Melbourne IT to NeuStar sometime after April 12, 2001. This memorandum concerned NeuLevel's budget and capitalization, and Melbourne's IT's anticipated additional contributions to NeuLevel's capitalization. (A copy of this memorandum, dated April 12, 2001, is attached as Exhibit A.)

86. Mssrs. Ganek and Haynesworth repeatedly made representations to Mr. Armentrout that NeuLevel would proceed with an IPO, and would issue stock options to its officers and other employees, throughout 2001. The conversations during which these representations were made occurred on the premises of NeuStar in Washington, D.C. Mr. Ganek repeatedly made these representations after NeuStar executive staff meetings; and Mr. Haynesworth repeatedly promised that the matter would be voted on by NeuLevel's Board of the Directors at the Board's "next" meeting.

Armentrout's Termination

A. Armentrout's Attempt to Expose the Defendants' Fraud

87. During the period January 2001 through January 2002, Mr. Armentrout's performance as CEO of NeuLevel and Vice President of NeuStar was outstanding, as indicated by the following:

(a) while NeuLevel's financial goals for this period was to generate approximately \$2.3 million in recognized revenue (later corrected to \$1.6 million), through Mr. Armentrout's efforts and leadership the company realized approximately \$11 million in recognized revenue and \$17 million in cash;

(b) while NeuStar's business plan called for it to introduce and operate a single product during its first year, this being the registry for ".biz," through Mr. Armentrout's efforts and leadership the company introduced or commenced additional products, such as the IP Claims product;

(c) Mr. Armentrout assembled an excellent and effective professional team to run NeuLevel, and he generated significant positive publicity and news coverage for the company and its primary product, the ".biz" domain name; and

(d) the NeuLevel Board and its various members, both formally and informally, repeatedly complimented Mr. Armentrout on his work, his performance, and his successes on behalf of the Company.

88. On January 7, 2002, NeuStar and Jeffrey Ganek issued a memorandum ("the January 7th Memorandum") praising Douglas Armentrout as an "industry leader in the registry business" with "great knowledge of the market and vision for the business, especially in marketing and product management," and as someone who provides "strong, multi-talented top

management leadership.” Mr. Ganek continued by announcing that, for these reasons, Mr. Armentrout was assigned the responsibility, on behalf of both NeuStar and NeuLevel, to manage “the plan development, strategy, execution, and overall performance of the Internet Registry LOB, as well as developing business opportunities.”

89. Mr. Ganek further announced in the January 7th Memorandum that both the “.biz” business organization of NeuLevel and the “.us” business organization of NeuStar “have been combined into the new Internet Registry organization,” and that NeuLevel officers and employees were, effectively, to report to a senior vice president of NeuStar. Mr. Ganek's announcement effectively destroyed the independence of NeuLevel.

90. During early January 2002, Mr. Armentrout was ill, and notified NeuLevel and NeuStar of that fact. Mr. Ganek responded on January 8, 2002 by an email (“the January 8th Email”) that read in part (emphasis added):

I understand from your email that you are so ill that you are unable to conduct any business. When you recover, I look forward to talking with you.

Until then, I will manage all of your responsibilities with respect to Melbourne IT. I will handle all communications with them. Devote all of your strength to regaining your health. If there is anything that must be done, let me know and I will take care of it. Do not do any work until you speak with me.

91. During January 2002, Mr. Armentrout realized that computer hardware charged to NeuLevel and supposedly delivered to the company's offices in Sterling, Virginia, was not present in the company's Sterling offices nor otherwise available to NeuLevel. He arranged for an independent auditor and investigator to conduct an audit of all the computer equipment at NeuLevel's Sterling offices and to examine financial records pertaining to the purchase of computer equipment.

92. This audit was scheduled to begin on the morning of January 17, 2002, and Mr. Armentrout notified Robert Dowski, NeuStar's CFO, of his plan for this audit.

93. On January 17, 2002, Jeffrey Ganek terminated Douglas Armentrout as Vice President of NeuStar and purported to terminate him as CEO of NeuLevel. The Defendants prohibited Mr. Armentrout from entering his NeuLevel offices and from conducting his planned audit of equipment and records.

94. As part of his purported justification for terminating Mr. Armentrout as Vice President of NeuStar and purporting to terminate him as CEO of NeuLevel, Mr. Ganek falsely asserted:

(a) that Mr. Armentrout had demonstrated inadequate job performance, flatly contradicting Mr. Ganek's own January 7th Memorandum; and

(b) that Mr. Ganek was "bewildered" that Mr. Armentrout had been "out of contact for days," flatly contradicting his own January 8th Email.

B. NeuLevel's Bad Faith and the NeuStar Stock Option Agreement

95. On January 18, 2002, Mr. Armentrout, through counsel, notified Mr. Ganek that he lacked the authority to terminate Mr. Armentrout as CEO of NeuLevel.

96. Effective January 24, 2002, Mr. Armentrout was eligible for the NeuLevel stock options pursuant to the NeuStar Stock Option Agreement.

97. On the evening of January 23, 2002, in Washington, D.C., and the morning of January 24, 2001, in Australia, Mr. Ganek convened the NeuLevel Board of Directors by telephone. During this meeting, some of the participants were physically located in Australia.

During the meeting the Board voted to terminate Mr. Armentrout. This termination was, according to the Board's own statement, not for cause.

98. The vote by NeuLevel's Board to terminate Douglas Armentrout did not take place until January 24, 2002, as the Board's meeting was conducted by telephone and the date and time that the meeting took place in Australia was January 24, 2002.

99. NeuLevel did not notify Mr. Armentrout of his termination until on or after January 24, 2002; and his termination was not effective until the date of such notification.

100. The termination of Mr. Armentrout as Vice President of NeuStar, and the termination of Mr. Armentrout as CEO of NeuLevel, were not and could not be for cause, as neither company had a lawful or good faith basis for terminating Mr. Armentrout for cause.

101. Statements made by and on behalf of NeuStar and NeuLevel by Mr. Ganek that Mr. Armentrout was terminated for cause were made fraudulently and for the purpose of attempting to deny Mr. Armentrout his rights to compensation under his agreements with these companies.

102. Pursuant to the Stock Option Plan executed by Mr. Ganek on behalf of NeuStar and by Mr. Armentrout on his own behalf, Mr. Armentrout had the right to purchase 80,000 shares of Common Stock of NeuStar at an exercise price of twenty-five cents per share. Twenty-five percent of these shares vested, that is, became subject to this option, on January 24, 2002, and the remaining shares vested, in portions of 2.083% of the total, on the last day of each succeeding month so long as Mr. Armentrout continued in the employ of NeuStar. The vesting of the initial twenty-five percent of the shares had no such limitation, and, therefore, the option to purchase these twenty-thousand shares vested on January 24th regardless of whether Mr. Armentrout was or was not employed by NeuStar on that date.

103. On March 27, 2002, Mr. Armentrout exercised his right to purchase the first 20,000 shares of NeuStar stock pursuant to the Stock Option Agreement by tendering \$5,000 for the purchase of 20,000 shares of NeuStar Common Stock. NeuStar refused to accept Mr. Armentrout's tender and did not issue any NeuStar shares of stock to him.

COUNT I
Fraudulent Inducement
(NeuStar, NeuLevel, and Jeffrey Ganek)

104. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three of this Complaint, and further charges:

105. The above described representations and promises made to Mr. Armentrout by the Defendants, NeuStar, NeuLevel, and Jeffrey Ganek, during the period in or about November 2000 until on or about January 24, 2001, were false and fraudulent when made, and were purposely made by the Defendants to induce Mr. Armentrout: to resign his position with Verio; forfeit his Verio stock and stock options; accept employment with NeuLevel and NeuStar; and persuade other professionals to join NeuLevel.

106. Defendants' representations and promises would likely have induced a reasonable person to rely upon them. These promises and representations were material to Mr. Armentrout, and he reasonably relied upon them. Were it not for these promises and representations, he would not have: resigned his position with Verio; forfeited his Verio stock and stock options; accepted employment with NeuLevel and NeuStar; and persuaded other professionals to join NeuLevel.

107. As a result of the Defendants' fraudulent conduct in making these promises and representations, and Mr. Armentrout's reliance upon them, the Plaintiff, Douglas Armentrout, suffered actual damages.

COUNT II
Fraud
(NeuStar, NeuLevel and Jeffrey Ganek)

108. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three of this Complaint, and further charges:

109. The above described representations and promises made to Mr. Armentrout by the Defendants, NeuStar, NeuLevel, and Jeffrey Ganek, during the period in or about November 2000 until on or about January 25, 2002, were false and fraudulent when made, and were purposely made by the Defendants to induce Mr. Armentrout: to resign his position with Verio; to forfeit his Verio stock and stock options; to accept employment with NeuLevel and NeuStar; to remain with these companies and perform duties as the CEO of NeuLevel and Vice President of NeuStar; and to persuade other professionals to join NeuLevel.

110. Defendants' representations and promises would likely have induced a reasonable person to rely upon them. These promises and representations were material to Mr. Armentrout, and he reasonably relied upon them. Were it not for these promises and representations, he would not have: resigned his position with Verio; forfeited his Verio stock and stock options; accepted employment with NeuLevel and NeuStar; performed the duties of NeuStar's Vice President and NeuLevel's CEO; and persuaded other professionals to join NeuLevel.

111. As a result of the Defendants' fraudulent conduct in making these promises and representations, and Mr. Armentrout's reliance upon them, the Plaintiff, Douglas Armentrout, suffered actual damages.

COUNT III
Wrongful Termination
(NeuStar)

112. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three of this Complaint, and further charges:

113. During all times that Douglas Armentrout was an officer of NeuStar, that is, a Vice President, he owed a duty of care to NeuStar and to the company's shareholders to investigate, identify, and report to the company's board of directors any fraud or unlawful conduct in which NeuStar was engaged, or of which it was the victim.

114. On or about January 17, 2002, Defendant NeuStar, Inc. purposely terminated Mr. Armentrout as Vice President of NeuStar to prevent Mr. Armentrout from investigating, identifying and reporting to the board of directors fraud or unlawful conduct in which NeuStar was engaged, or of which it was the victim; and to cover-up and conceal such fraud and unlawful conduct.

115. NeuStar's termination of Mr. Armentrout was done in bad faith and against public policy.

116. As the result of NeuStar's wrongful termination of Mr. Armentrout as its Vice President, Mr. Armentrout suffered actual damages.

COUNT IV
Wrongful Termination
(NeuLevel)

117. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three of this Complaint, and further charges:

118. During all times that Douglas Armentrout was NeuLevel's Chief Executive Officer, he owed a duty of care to NeuLevel and to the company's shareholders to investigate, identify, and report to the company's board of directors any fraud or unlawful conduct in which NeuLevel was engaged, or for which it was the victim.

119. On or about January 17, 2002, Defendant NeuLevel, Inc. purposely terminated Mr. Armentrout as its Chief Executive Officer to prevent Mr. Armentrout from investigating, identifying and reporting to the board of directors fraud or unlawful conduct in which NeuLevel was engaged, or for which it was the victim; and to cover-up and conceal such fraud and unlawful conduct.

120. NeuStar's termination of Mr. Armentrout was done in bad faith and against public policy.

121. As the result of NeuLevel's wrongful termination of Mr. Armentrout employment as its Chief Executive Officer, Mr. Armentrout suffered actual damages.

COUNT V
Breach of Contract
(NeuStar)

122. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three of this Complaint, and further charges:

123. In or about December 2000 and January 2001, Defendant NeuStar, Inc. and Plaintiff Douglas Armentrout entered into an agreement and contract ("contract") pursuant to which:

(a) Armentrout agreed to assume employment as Vice President of Internet Services for NeuStar, and to carry out all of the duties and responsibilities of that office; and

(b) NeuStar agreed to compensate Mr. Armentrout as described above.

124. Mr. Armentrout fulfilled all of his duties, responsibilities and obligations under this contract, acting in good faith at all times; and was willing and able to continue to do so.

125. On or about January 17, 2002 Defendant NeuStar breached its contract with Douglas Armentrout by terminating him as an employee and Vice President of NeuStar.

126. Defendant NeuStar further breached its contract by:

(a) refusing to pay Mr. Armentrout his salary bonus earned under the terms and conditions described above;

(b) refusing to accept Mr. Armentrout's tender for the purchase of 20,000 shares of NeuStar stock and refusing to issue such stock to him; and

(c) refusing to fulfill the above described representations and promises made to Mr. Armentrout.

127. As the result of NeuStar's breach of contract, Mr. Armentrout suffered actual damages.

COUNT VI
Breach of Contract
(NeuLevel)

128. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three of this Complaint, and further charges:

129. In or about December 2000 and January 2001, Defendant NeuLevel, Inc. and Plaintiff Douglas Armentrout entered into an agreement and contract ("contract") pursuant to which:

(a) Mr. Armentrout agreed to assume employment as the Chief Executive Officer for NeuLevel, and to carry out all of the duties and responsibilities of that office; and

(b) NeuLevel agreed to compensate Mr. Armentrout with the above described salary, benefits, stock and stock options, and an ownership interest; and

(c) refusing to fulfill the above described representations and promises made to Mr. Armentrout.

130. Mr. Armentrout fulfilled all of his duties, responsibilities and obligations under this contract, acting in good faith at all times; and was willing and able to continue to do so.

131. On or about January 24, 2002 Defendant NeuLevel breached its contract with Douglas Armentrout by terminating him as an employee and Chief Executive Officer of NeuStar.

132. As the result of NeuLevel's breach of contract, Mr. Armentrout suffered actual damages.

COUNT VII
Breach of the Implied Covenant of Good Faith and Fair Dealing
(NeuStar)

133. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three, and paragraphs one hundred twenty-three through one hundred twenty-six of this Complaint, and further charges:

134. The contracts between Defendant NeuStar and Mr. Armentrout and between Defendant NeuLevel and Mr. Armentrout each contained an implied covenant of good faith and fair dealing, requiring each company to deal fairly and honestly with Mr. Armentrout in all matters pertaining to its contract.

135. NeuStar breached its duty of good faith and fair dealing with Mr. Armentrout by the following conduct:

(a) during the period November 2000 through January 24, 2002, withholding from him financing information, goals and plans concerning the relationship between NeuLevel and NeuStar for the purpose of preventing him from fulfilling his responsibilities as Vice President of NeuStar;

(b) on or about January 17, 2002, locking-out Mr. Armentrout from his offices at NeuLevel for the purpose of preventing him from auditing NeuStar's computer equipment located at NeuLevel's offices;

(c) on or about January 17, 2002, terminating Mr. Armentrout without cause for the purpose of preventing Mr. Armentrout from fulfilling his responsibilities as Vice President of NeuStar;

(d) during the period January 2001 through January 2002, requiring him to provide services to NeuStar as Vice President while intending to withhold promised compensation for such services, and failing to disclose this intention to him;

(e) rejecting his tender of \$5,000 for 20,000 shares of NeuStar stock and refusing to issue such shares to him; and

(f) during the period January 2001 through January 2002, directing Mr. Armentrout to persuade other professionals to join its subsidiary, NeuLevel, with promises that NeuLevel would proceed with an IPO and thereafter they would receive NeuLevel stock options, while intending to not proceed with such IPO nor award such options, and failing to disclose this intention to him.

136. As a result of the Defendant's breach of its duty of good faith and fair dealing, the Plaintiff, Douglas Armentrout, suffered actual damages.

COUNT VIII
Breach of the Implied Covenant of Good Faith and Fair Dealing
(NeuLevel)

137. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three, and paragraphs one hundred twenty-nine through one hundred thirty-one of this Complaint, and further charges:

138. NeuLevel breached its duty of good faith and fair dealing with Mr. Armentrout through the following conduct:

(a) during the period November 2000 through January 24, 2002, withholding from him financing information, goals and plans concerning the relationship between NeuLevel and NeuStar for the purpose of preventing him from fulfilling his responsibilities as Chief Executive Officer of NeuLevel;

(b) on or about January 17, 2002, locking-out Mr. Armentrout from his offices at NeuLevel for the purpose of preventing him from auditing NeuLevel's computer equipment and financial records;

(c) on or about January 23, 2002, deciding to terminate Mr. Armentrout for the purpose of preventing him from qualifying for NeuStar stock options;

(d) on or about January 24, 2002, terminating Mr. Armentrout without cause for the purpose of preventing Mr. Armentrout from fulfilling his responsibilities as Chief Executive Officer of NeuLevel;

(e) during the period January 2001 through January 2002, requiring him to provide services to NeuLevel as that company's Chief Executive Officer while intending to withhold promised compensation for such services, and failing to disclose this intention to him; and

(f) during the period January 2001 through January 2002, directing Mr. Armentrout to persuade other professionals to join NeuLevel with promises that NeuLevel would proceed with an IPO and thereafter they would receive NeuLevel stock options, while intending to not proceed with such IPO nor award such options, and failing to disclose this intention to him.

139. As a result of the Defendant's breach of its duty of good faith and fair dealing, the Plaintiff, Douglas Armentrout, suffered actual damages.

COUNT IX
Tortious Interference with Contractual Relations
(NeuStar and Jeffrey Ganek)

140. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three, and paragraphs one hundred twenty-three through one hundred twenty-six of this Complaint, and further charges:

141. At all times pertinent to this Complaint, Defendants NeuStar, Inc. and Jeffrey Ganek knew that Plaintiff Douglas Armentrout had a valid and ongoing employment agreement and contract ("contract") with NeuLevel, Inc., and knew the terms and conditions of that contract.

142. Acting with malice and deliberate intent to injure Mr. Armentrout, the Defendants caused NeuLevel to breach this contract for the reasons and by the means described above.

143. As a result of the Defendants' procuring NeuLevel's breach of this contract, Douglas Armentrout suffered actual damages.

COUNT X
Tortious Interference with Contractual Relations
(Jeffrey Ganek)

144. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three, and paragraphs one hundred twenty-nine through one hundred thirty-one of this Complaint, and further charges:

145. At all times pertinent to this Complaint, Defendant Jeffrey Ganek knew that Plaintiff Douglas Armentrout had a valid and ongoing employment agreement and contract ("contract") with NeuStar, Inc., and knew the terms and conditions of that contract.

146. Acting with malice and deliberate intent to injure Mr. Armentrout, Jeffrey Ganek caused NeuLevel to breach this contract for the reasons and by the means described above.

147. As a result of Defendant Jeffrey Ganek' procuring NeuStar's breach of this contract, Douglas Armentrout suffered actual damages.

COUNT XI
Promissory Estoppel
(NeuStar and NeuLevel)

148. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three, paragraphs one hundred twenty-three through one hundred twenty-six, and paragraphs one hundred twenty-nine through one hundred thirty-one of this Complaint, and further charges:

149. Beginning in or about November 2000, and continuing until January 2002, Defendants NeuStar and NeuLevel made promises and representations to Douglas Armentrout that, if he resigned his position with Verio, forfeited his Verio stock and stock options, assumed the positions of Vice President of NeuStar and Chief Executive Officer of NeuLevel, and continued to perform the duties of these positions:

- (a) they would pay him the compensation described above;
- (b) they would maintain a relationship with each other, and with Melbourne IT, that was ethical, lawful, and in accord with the purposes described to him; and
- (c) they would permit him to exercise his duty of care to each company and its shareholders.

150. At all times pertinent to this Complaint, the Defendants did not intend to, and purposely concealed and cover-up from Mr. Armentrout that they did not intend to:

- (a) pay him the compensation described above;
- (b) have a relationship with each other, and with Melbourne IT, that was ethical, lawful, and in accord with the purposes described to him; and
- (c) permit him to exercise his duty of care to each company and its shareholders.

151. At all times pertinent to this Complaint, the Defendants planned for NeuLevel to absorb costs incurred for the benefit of NeuStar, as described above, and knew that such absorption was ongoing.

152. At all times pertinent to this Complaint, the Defendants had a duty to disclose such absorption of costs to Mr. Armentrout in his positions as Vice President of NeuStar and Chief Executive Officer of NeuLevel, and it was in the public interest that an officer in the positions held by Mr. Armentrout should know about such absorption.

153. Contrary to their duty to disclose, and in furtherance of their scheme to conceal and cover-up from Mr. Armentrout the nature of their relationship with Melbourne IT and preventing him from exercising his duty of care, the Defendants purposely concealed and otherwise failed to disclosure such absorption of costs from Mr. Armentrout.

154. This absorption of costs and failure to disclose was material to Douglas Armentrout in that he would not have assumed the positions of Vice President of NeuStar and Chief Executive Officer of NeuLevel had he known such absorption was occurring and being hidden by the companies; and he would not have continued to perform the duties of such positions.

155. Defendants' representations and promises, and their concealment of facts, would likely have induced a reasonable person to rely upon such. These promises, representations, and concealed facts were material to Mr. Armentrout, and he reasonably relied upon such. Were it not for these promises, representations, and concealment of facts, he would not have: resigned his position with Verio; forfeited his Verio stock and stock options; accepted employment with NeuLevel and NeuStar; performed the duties of NeuStar's Vice President and NeuLevel's CEO; and persuaded other professionals to join NeuLevel.

156. Defendants NeuStar and NeuLevel made these promises and representations to Armentrout, and concealed and cover-up these facts from him, with the reasonable and foreseeable expectation that these promises and this cover-up would induce substantial action and reliance by Mr. Armentrout, and they did induce such action and reliance in that Mt. Armentrout resigned his position with Verio, forfeited his Verio stock and stock options, assumed the positions of Vice President of NeuStar and Chief Executive Officer of NeuLevel, and performed the duties of these positions for the benefit of the Defendants.

157. After Mr. Armentrout left Verio and accepted the positions of Vice President with NeuStar and Chief Executive Officer with NeuLevel, and provided services to these companies in these positions:

- (a) NeuStar terminated Mr. Armentrout on or about January 17, 2002;
- (b) NeuLevel terminated Mr. Armentrout on or about January 24, 2002; and
- (c) refused to pay to him the compensation represented and promised to him for leaving Verio and assuming these positions .

158. It is against the public interest not to enforce the promises and representations made by the Defendants to Mr. Armentrout, and substantial injustice to Mr. Armentrout would result from a failure to enforce such promises and representations.

159. As a result of the Defendants' fraudulent conduct in making these promises and representations, engaging in the cover-up of these facts, and Mr. Armentrout's reliance upon such, the Plaintiff, Douglas Armentrout, suffered actual damages.

COUNT XII
Civil Conspiracy
(NeuStar, NeuLevel and Jeffrey Ganek)

160. The Plaintiff realleges and incorporates by reference the allegations contained in paragraphs one through one hundred three of this Complaint, and further charges:

161. Defendants NeuStar, NeuLevel, and Jeffrey Ganek conspired to participate in unlawful conduct, and to engage in lawful conduct through unlawful means, such conduct including the following:

(a) the **Fraudulent Inducement** of Douglas Armentrout to leave Verio and become a corporate officer of NeuStar and NeuLevel, as further described in paragraphs one hundred four through one hundred seven of this Complaint (Count One), the allegations of which are realleged and incorporated by reference;

(b) the **Fraud** of Douglas Armentrout in his resignation from Verio, his becoming an officer of NeuStar and NeuLevel, and his performance of the duties as an officer of these companies, as further described in paragraphs one hundred eight through one hundred eleven of this Complaint (Count Two), the allegations of which are realleged and incorporated by reference;

(c) the **Wrongful Terminations** of Douglas Armentrout as an officer and employee of NeuStar and NeuLevel, as further described in paragraphs one hundred twelve through one hundred twenty-one of this Complaint (Counts Three and Four), the allegations of which are realleged and incorporated by reference;

(d) the **Breaches of Contract** between Douglas Armentrout and NeuStar and NeuLevel, as further described in paragraphs one hundred twenty-two through one hundred thirty-two of

this Complaint (Counts Five and Six), the allegations of which are realleged and incorporated by reference;

(e) the **Breaches of the Covenant of Good Faith and Fair Dealing** between Douglas Armentrout and NeuStar and NeuLevel, as further described in paragraphs one hundred thirty-three through one hundred thirty-nine of this Complaint (Counts Seven and Eight), the allegations of which are realleged and incorporated by reference;

(f) the **Tortious Interference** with contracts between Douglas Armentrout and NeuStar and NeuLevel, as further described in paragraphs one hundred forty through one hundred forty-seven of this Complaint (Counts Nine and Ten), the allegations of which are realleged and incorporated by reference; and

(g) the False Representation and Concealment of Material Facts, resulting in **Promissory Estoppel**, engaged in by NeuStar and NeuLevel, as further described in paragraphs one hundred forty-eight through one hundred fifty-nine of this Complaint (Count Eleven), the allegations of which are realleged and incorporated by reference.

162. As a result of the Defendants' conspiracy and agreement to participate in the above described unlawful conduct, Mr. Armentrout suffered actual damages, including:

- (a) loss of the salary he would have received from Verio;
- (b) loss of Verio stock and stock options and the proceeds from these securities;
- (c) loss of salary from NeuStar after January 17, 2002;
- (d) loss of the salary from NeuLevel after January 23, 2002;
- (e) loss of the salary bonus earned by Mr. Armentrout;
- (f) NeuLevel and NeuStar stock and stock options and an ownership interest in NeuLevel, and the proceeds from such securities and ownership interest;

(g) 80,000 shares of NeuStar stock, and the \$2.5 million value of these shares, promised on behalf of all Defendants by Jeffrey Ganek to Mr. Armentrout;

(h) loss of benefits from NeuStar and NeuLevel, including the profit sharing plan;

(i) loss of professional reputation in the Internet business community and among the professionals he recruited to join NeuLevel; and

(j) mental and emotional distress.

REQUEST FOR RELIEF

The Plaintiff, Douglas B. Armentrout, hereby demands and seeks that judgment be entered in his favor, and against the Defendants NeuStar, Inc, NeuLevel, Inc., and Jeffrey F. Ganek, jointly and severally as will be proved at trial for the following:

A. For Count One (Fraud in the Inducement), Against All Defendants:

(1) compensatory damages for lost compensation and opportunity from Verio and NTT Communications: (a) loss of the salary he would have received from Verio in the amount of \$500,000; and (b) loss of Verio stock and stock options and over \$3 million as proceeds from these securities;

(2) loss of professional reputation in the Internet business community and among the professionals he recruited to join NeuLevel, in the amount of \$5million;

(3) mental and emotional distress, in the amount of \$1 million; and

(4) punitive damages, in the amount of \$10 million.

B. Count Two (Fraud) Against All Defendants:

(1) compensatory damages for lost compensation and opportunity from Verio and NTT Communications: (a) loss of the salary he would have received from Verio in the amount of \$500,000; and (b) loss of Verio stock and stock options and over \$3 million as proceeds from these securities;

(2) compensatory damages for lost compensation from NeuStar and NeuLevel, including: (a) back pay and front pay, in the amount of \$500,000; (b) the salary bonus earned by Mr. Armentrout, in the amount of \$60,000; (c) NeuStar stock and stock options and the proceeds from such securities, including 80,000 shares of NeuStar stock and the \$2.5 million value of

these shares; (d) NeuLevel stock options and ownership interest, and the proceeds from such securities and ownership interest; and (e) NeuStar benefits, including the value of the profit sharing plan, in the amount of \$200,000;

(3) loss of professional reputation in the Internet business community and among the professionals he recruited to join NeuLevel, in the amount of \$5million;

(4) mental and emotional distress, in the amount of \$1 million; and

(5) punitive damages, in the amount of \$10 million.

C. Wrongful Termination (Count Three) Against NeuStar:

(1) compensatory damages for lost compensation from NeuStar, including: (a) back pay and front pay, in the amount of \$500,000; (b) the salary bonus earned by Mr. Armentrout, in the amount of \$60,000; (c) NeuStar stock and stock options and the proceeds from such securities, including 80,000 shares of NeuStar stock and the \$2.5 million value of these shares; and (d) NeuStar benefits, including the value of the profit sharing plan, in the amount of \$200,000;

(2) loss of professional reputation in the Internet business community and among the professionals he recruited to join NeuLevel, in the amount of \$5million;

(3) mental and emotional distress, in the amount of \$1 million; and

(4) punitive damages, in the amount of \$10 million.

D. Wrongful Termination (Count Four) Against NeuLevel:

(1) compensatory damages for lost compensation from NeuLevel, including: (a) back pay and front pay, in the amount of \$500,000; (b) the salary bonus earned by Mr. Armentrout, in the amount of \$60,000; (c) NeuStar stock and stock options and the proceeds from such

securities, including 80,000 shares of NeuStar stock and the \$2.5 million value of these shares; (d) NeuLevel stock options and ownership interest, and the proceeds from such securities and ownership interest; and (e) NeuStar benefits, including the value of the profit sharing plan, in the amount of \$200,000;

(2) loss of professional reputation in the Internet business community and among the professionals he recruited to join NeuLevel, in the amount of \$5million;

(3) mental and emotional distress, in the amount of \$1 million; and

(4) punitive damages, in the amount of \$10 million.

E. Breach of Contract (Count Five) Against NeuStar:

(1) compensatory damages for lost compensation from NeuStar, including: (a) back pay and front pay, in the amount of \$500,000; (b) the salary bonus earned by Mr. Armentrout, in the amount of \$60,000; (c) NeuStar stock and stock options and the proceeds from such securities, including 80,000 shares of NeuStar stock and the \$2.5 million value of these shares; and (d) NeuStar benefits, including the value of the profit sharing plan, in the amount of \$200,000.

F. Breach of Contract (Count Six) Against NeuLevel:

(1) compensatory damages for lost compensation from NeuLevel, including: (a) back pay and front pay, in the amount of \$500,000; (b) the salary bonus earned by Mr. Armentrout, in the amount of \$60,000; (c) NeuStar stock and stock options and the proceeds from such securities, including 80,000 shares of NeuStar stock and the \$2.5 million value of these shares; (d) NeuLevel stock options and ownership interest, and the proceeds from such securities and

ownership interest; and (e) NeuStar benefits, including the value of the profit sharing plan, in the amount of \$200,000.

G. Breach of the Implied Covenant of Good Faith and Fair Dealing (Count Seven) Against NeuStar:

(1) compensatory damages for lost compensation from NeuStar, including: (a) back pay and front pay, in the amount of \$500,000; (b) the salary bonus earned by Mr. Armentrout, in the amount of \$60,000; (c) NeuStar stock and stock options and the proceeds from such securities, including 80,000 shares of NeuStar stock and the \$2.5 million value of these shares; and (d) NeuStar benefits, including the value of the profit sharing plan, in the amount of \$200,000;

(2) loss of professional reputation in the Internet business community and among the professionals he recruited to join NeuLevel, in the amount of \$5million;

(3) mental and emotional distress, in the amount of \$1 million; and

(4) punitive damages, in the amount of \$10 million.

H. Breach of the Implied Covenant of Good Faith and Fair Dealing (Count Eight) Against NeuLevel:

(1) compensatory damages for lost compensation from NeuLevel, including: (a) back pay and front pay, in the amount of \$500,000; (b) the salary bonus earned by Mr. Armentrout, in the amount of \$60,000; (c) NeuStar stock and stock options and the proceeds from such securities, including 80,000 shares of NeuStar stock and the \$2.5 million value of these shares; (d) NeuLevel stock options and ownership interest, and the proceeds from such securities and ownership interest; and (e) NeuStar benefits, including the value of the profit sharing plan, in the amount of \$200,000;

(2) loss of professional reputation in the Internet business community and among the professionals he recruited to join NeuLevel, in the amount of \$5million;

(3) mental and emotional distress, in the amount of \$1 million; and

(4) punitive damages, in the amount of \$10 million.

I. Tortious Interference with Contractual Relations (Count Nine) Against NeuStar and Jeffrey Ganek:

(1) compensatory damages for lost compensation from NeuLevel, including: (a) back pay and front pay, in the amount of \$500,000; (b) the salary bonus earned by Mr. Armentrout, in the amount of \$60,000; (c) NeuStar stock and stock options and the proceeds from such securities, including 80,000 shares of NeuStar stock and the \$2.5 million value of these shares; (d) NeuLevel stock options and ownership interest, and the proceeds from such securities and ownership interest; and (e) NeuStar benefits, including the value of the profit sharing plan, in the amount of \$200,000;

(2) loss of professional reputation in the Internet business community and among the professionals he recruited to join NeuLevel, in the amount of \$5million;

(3) mental and emotional distress, in the amount of \$1 million; and

(4) punitive damages, in the amount of \$10 million.

J. Tortious Interference with Contractual Relations (Count Ten) Against Jeffrey Ganek:

(1) compensatory damages for lost compensation from NeuStar, including: (a) back pay and front pay, in the amount of \$500,000; (b) the salary bonus earned by Mr. Armentrout, in the amount of \$60,000; (c) NeuStar stock and stock options and the proceeds from such securities,

including 80,000 shares of NeuStar stock and the \$2.5 million value of these shares; and (d) NeuStar benefits, including the value of the profit sharing plan, in the amount of \$200,000;

(2) loss of professional reputation in the Internet business community and among the professionals he recruited to join NeuLevel, in the amount of \$5million;

(3) mental and emotional distress, in the amount of \$1 million; and

(4) punitive damages, in the amount of \$10 million.

K. Promissory Estoppel and Detrimental Reliance (count Eleven) Against NeuStar and NeuLevel:

(1) compensatory damages for lost compensation from NeuStar and NeuLevel, including: (a) back pay and front pay, in the amount of \$500,000; (b) the salary bonus earned by Mr. Armentrout, in the amount of \$60,000; (c) NeuStar stock and stock options and the proceeds from such securities, including 80,000 shares of NeuStar stock and the \$2.5 million value of these shares; (d) NeuLevel stock options and ownership interest, and the proceeds from such securities and ownership interest; and (e) NeuStar benefits, including the value of the profit sharing plan, in the amount of \$200,000;

(2) loss of professional reputation in the Internet business community and among the professionals he recruited to join NeuLevel, in the amount of \$5million;

(3) mental and emotional distress, in the amount of \$1 million; and

(4) punitive damages, in the amount of \$10 million.

L. Conspiracy (Count Twelve) Against All Defendants:

(1) compensatory damages for lost compensation and opportunity from Verio and NTT Communications: (a) loss of the salary he would have received from Verio in the amount of \$500,000; and (b) loss of Verio stock and stock options and \$3.5 million as proceeds from these securities;

(2) compensatory damages for lost compensation from NeuStar and NeuLevel, including: (a) back pay and front pay, in the amount of \$500,000; (b) the salary bonus earned by Mr. Armentrout, in the amount of \$60,000; (c) NeuStar stock and stock options and the proceeds from such securities, including 80,000 shares of NeuStar stock and the \$2.5 million value of these shares; (d) NeuLevel stock options and ownership interest, and the proceeds from such securities and ownership interest; and (e) NeuStar benefits, including the value of the profit sharing plan, in the amount of \$200,000;

(3) loss of professional reputation in the Internet business community and among the professionals he recruited to join NeuLevel, in the amount of \$5million;

(4) mental and emotional distress, in the amount of \$1 million; and

(5) punitive damages, in the amount of \$10 million.

M. For All Counts and Against All Defendants:

(1) pre- and post-judgment interest;

(2) reasonable costs and attorneys fees; and

(3) such further relief as this Court may deem just and proper.

JURY TRIAL DEMAND

Plaintiff hereby demands a trial by jury with respect to each claim in this Complaint.

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