

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

| | | | |
|---------------------------|---|-----------------------------------|--|
| UNITED STATES OF AMERICA, | : | CRIMINAL NO. 09-335-19 (RJL) | |
| | : | | |
| Plaintiff, | : | VIOLATIONS: | |
| | : | | |
| v. | : | 18 U.S.C. § 371 (Counts 1 and 2); | |
| | : | Conspiracy to Violate the Foreign | |
| DANIEL ALVIREZ, | : | Corrupt Practices Act | |
| | : | | |
| Defendant. | : | 18 U.S.C. § 982; | |
| | : | Forfeiture | |
| | : | | |

FILED
MAR 01 2011

Clerk, U.S. District & Bankruptcy
Courts for the District of Columbia

STATEMENT OF THE OFFENSE

1. DANIEL ALVIREZ (“ALVIREZ”) entered into agreements to supply military and law enforcement products to foreign governments knowing that bribes were being paid to foreign government officials in order to assist in obtaining and retaining business. ALVIREZ entered into the agreements with others, knowing that others were participating in the foreign bribery conduct.

2. The Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. §§ 78dd-1, *et seq.* (“FCPA”), prohibits certain classes of persons and entities from making payments to foreign government officials to assist in obtaining or retaining business. Specifically, the FCPA prohibits the willful use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of money or anything of value to any person, while knowing that all or a portion of such money or thing of value would be offered, given or promised, directly or indirectly, to a foreign official for the purpose of assisting in the obtaining or retaining of business.

3. ALVIREZ was a citizen of the United States and, as such, was a “domestic concern” as that term is defined in the FCPA. 15 U.S.C. § 78dd-2(h)(1). ALVIREZ was the President of Company A, an Arkansas company based in Bull Shoals, Arkansas, that manufactured and sold law enforcement and military equipment. As a company that maintained its principal place of business in the United States, and that was organized under the laws of a state of the United States, Company A was a “domestic concern” as that term is defined in the FCPA. 15 U.S.C. § 78dd-2(h)(1).

4. Lee Allen Tolleson (“Tolleson”) was a citizen of the United States and, as such, was a “domestic concern” as that term was defined in the FCPA. 15 U.S.C. § 78dd-2(h)(1). Tolleson was the Director of Acquisitions and Logistics for Company A.

5. Richard Bistrong, an individual cooperating with the government and referred to as Individual 1 in the Superseding Indictment (“Bistrong”), was the former Vice President of International Sales for a company that manufactured and supplied law enforcement and military equipment to law enforcement and military customers around the world and was a business associate of ALVIREZ and Tolleson.

6. Undercover Agent 1, using the name “Pascal Latour” (“Latour”), was an undercover Special Agent with the Federal Bureau of Investigation (“FBI”) posing as a representative of the Minister of Defense of a country in Africa (“Country A”).

7. Undercover Agent 2, using the name “Jean-Pierre Mahmadou” (“Mahmadou”), was an undercover Special Agent with the FBI posing as a procurement officer for Country A’s Ministry of Defense who purportedly reported directly to the Minister of Defense.

COUNT 1 CONDUCT

Tear Gas Launchers and Projectiles Deal with the Government of Country A

8. On or about April 20, 2009, ALVIREZ had a telephone conversation with Bistrong in which ALVIREZ and Bistrong discussed the names of companies and individuals that would be invited to participate in a \$15 million deal to outfit Country A's Presidential Guard with various different types of military-related products. Bistrong told ALVIREZ that in return for ALVIREZ's assistance in identifying companies and individuals that would be invited to participate in the \$15 million Country A deal, Bistrong would split with ALVIREZ the commissions Bistrong would receive on all sales to Country A in connection with the entire \$15 million Country A deal. Additionally, ALVIREZ agreed that Company A would supply tear gas launchers and projectiles in connection with the Country A deal.

9. In or about April 2009, ALVIREZ discussed the \$15 million Country A deal with Tolleson, including the fact that Company A would supply tear gas launchers and projectiles in connection with the deal.

10. In or about May 2009, ALVIREZ agreed with Tolleson that ALVIREZ would share with Tolleson a portion of the commission ALVIREZ would receive from Bistrong in connection with the entire \$15 million Country A deal.

11. On or about May 13, 2009, ALVIREZ and Tolleson met with Bistrong and Latour at the Mandarin Oriental Hotel in Miami, Florida. At that meeting, Bistrong and Latour explained that the entire Country A "deal" would be worth a total of approximately \$15 million, which included a built-in, 20% "commission," amounting to \$3 million; that it would involve several suppliers; and that the deal would proceed in two phases: Phase One would

involve a “test sale” of defense articles for Country A’s Presidential Guard, and Phase Two would involve the sale of a larger quantity of those articles to outfit the rest of the Presidential Guard.

12. On or about May 13, 2009, at the Mandarin Oriental meeting in Miami, ALVIREZ and Tolleson agreed to proceed with the Country A deal, after being told by Latour and Bistrong that in order to win the Country A business, Company A would need to add a 20% “commission” to the invoices it sent to Latour in connection with Phase One and Phase Two, half of which would be paid to Country A’s Minister of Defense and half of which would be split between Latour and Bistrong as a fee for their services. ALVIREZ and Tolleson agreed to supply tear gas launchers and projectiles in connection with the Country A deal on these terms, with the additional understanding that they would also split Bistrong’s share of the commission on all sales by all suppliers in the entire \$15 million Country A deal.

13. On or about May 13, 2009, at the Mandarin Oriental in Miami, ALVIREZ participated in a meeting that John Gregory Godsey (“Godsey”) and Mark Frederick Morales (“Morales”) had with Latour and Bistrong in which the Country A deal was discussed. Prior to this meeting, ALVIREZ had a conversation with Godsey about the Country A deal and told Godsey that, among other things, the Minister of Defense of Country A would receive payments from each supplier, including Godsey and Morales, in return for awarding the Country A business to them. Then, at the meeting, Latour explained to Godsey and Morales, in ALVIREZ’s presence, the fact that the Minister of Defense would have to be paid in order for Godsey and Morales to win the Country A deal. In particular, Latour explained that in order to win the Country A business, Godsey and Morales would need to add a 20% “commission” to the

invoices they sent to Latour in connection with the Phase One and Phase Two deals, half of which would be paid to Country A's Minister of Defense and half of which would be split between Latour and Bistrong as a fee for their services.

14. On or about May 13, 2009, at the Mandarin Oriental in Miami, ALVIREZ participated in a meeting that Jonathan Spiller ("Spiller") had with Latour and Bistrong in which the County A deal was discussed. At the meeting, Latour explained to Spiller, in ALVIREZ's presence, the fact that the Minister of Defense would have to be paid in order for Spiller to win the Country A deal. In particular, Latour explained that in order to win the Country A business, Spiller would need to add a 20% "commission" to the invoices he sent to Latour in connection with the Phase One and Phase Two deals, half of which would be paid to Country A's Minister of Defense and half of which would be split between Latour and Bistrong as a fee for their services.

15. On or about May 13, 2009, Tolleson sent an e-mail to Latour, Bistrong, and ALVIREZ attaching a price quotation in connection with Phase One that contained the true sales price (the sales price absent the commission) for the 25 tear gas launchers ALVIREZ and Tolleson agreed to sell through Company A.

16. On or about May 13, 2009, Tolleson sent an e-mail to Latour, Bistrong, and ALVIREZ attaching a price quotation in connection with Phase Two that contained the true sales price for the 70,000 tear gas projectiles ALVIREZ and Tolleson agreed to sell through Company A.

17. On or about May 18, 2009, ALVIREZ sent an e-mail to Bistrong and Tolleson

attaching a second price quotation in connection with Phase One that contained an inflated sales price for the 25 tear gas launchers, i.e., the true sales price plus the 20% “commission” that would be used to pay and facilitate the bribe to Country A’s Minister of Defense. The inflated sales price was approximately \$16,231, and it included the 20% commission in the amount of approximately \$2,705.

18. In or about May 2009, after Godsey and Morales had agreed to participate in the Country A deal, ALVIREZ agreed with Godsey and Morales to allow Godsey and Morales to purchase the ammunition they intended to sell to Country A from Company A through their personal company, for the purpose of hiding the transaction from Morales’s employer and to allow Godsey, Morales, and Company A to make more money on the deal.

19. From in or about May 2009 through in or about December 2009, ALVIREZ had telephone conversations with other Country A deal participants – including Andrew Bigelow (“Bigelow”), Godsey, Saul Mishkin (“Mishkin”), Morales, Pankesh Patel (“Patel”), Spiller, Tolleson, and John Benson Wier III (“Wier”) – to discuss those suppliers’ participation in the Country A deal.

20. On or about June 17, 2009, ALVIREZ and Tolleson caused Company A to receive approximately \$16,231 from a bank account ALVIREZ understood to be controlled by Country A for the purpose of funding the purchase of the tear gas launchers sold by Company A to Country A’s Ministry of Defense for Phase One of the scheme.

21. On or about June 19, 2009, ALVIREZ and Tolleson arranged for a wire payment

of the 20% “commission” to be sent from a Company A bank account to Latour’s bank account for the purpose of making the payment to Country A’s Minister of Defense and paying the commissions to Latour and Bistrong for facilitating the scheme.

22. On or about August 21, 2009, ALVIREZ had a telephone conversation with Bistrong in which ALVIREZ stated that the tear gas launchers Company A sold in connection with Phase One had been shipped to a storage facility in Virginia, for the purpose of consolidating those goods with the other goods being sold by his conspirators to Country A in the Country A deal. ALVIREZ also stated that the ammunition Godsey and Morales were purchasing from Company A for sale to Country A had been shipped to Virginia, for the purpose of consolidating all goods being shipped to Country A.

23. On or about September 11, 2009, ALVIREZ sent an e-mail to Bistrong and Tolleson attaching a price quotation in connection with Phase Two that contained an inflated sales price for the 70,000 tear gas projectiles that included the true sales price plus the 20% “commission” that would be used to pay and facilitate the bribe to Country A’s Minister of Defense. The inflated sales price was approximately \$1,260,000, and it included the 20% commission in the amount of approximately \$210,000.

24. On or about October 5, 2009, ALVIREZ attended a cocktail reception at Clyde’s, a restaurant in Washington, D.C., along with several other Country A deal participants – including Tolleson, Helmie Ashiblie (“Ashible”), Bigelow, R. Patrick Caldwell (“Caldwell”), Yochanan Cohen (“Cohen”), Haim Geri (“Geri”), Godsey and Morales, Mishkin, David R. Painter (“Painter”) and Lee M. Wares (“Wares”), Patel, Ofer Paz (“Paz”), Israel Weisler (“Weisler”) and Michael Sacks (“Sacks”), and Wier – to celebrate the completion of Phase One

of the Country A deal and to meet with Mahmadou to discuss Phase Two of the Country A deal. At that reception, in front of the other suppliers, Bistrong praised ALVIREZ for his role in helping the Country A deal succeed.

25. On or about October 5, 2009, ALVIREZ and Tolleson had a private meeting with Bistrong and Mahmadou during the cocktail reception at Clyde's. At that meeting, Mahmadou told ALVIREZ and Tolleson that the Minister of Defense, who had recently been elected President of Country A, was pleased with the tear gas launchers sent in Phase One and with the "commission" the Minister of Defense had received. Mahmadou also told ALVIREZ and Tolleson that the Minister of Defense had given his approval to proceed with Phase Two. ALVIREZ then accepted two copies of the purchase agreement for Phase Two from Bistrong. Throughout the cocktail reception at Clyde's, ALVIREZ witnessed the other suppliers having private meetings with Bistrong and Mahmadou, in the same manner that ALVIREZ and Tolleson had a private meeting with Bistrong and Mahmadou, and saw that the other suppliers received packages that looked like the package ALVIREZ received that contained the purchase agreement for Phase Two of the Country A deal.

26. On or about October 23, 2009, ALVIREZ and Tolleson arranged and caused to be sent by U.S. mail from Bull Shoals, Arkansas, to Washington, D.C., two original copies of the purchase agreement, which had been executed by ALVIREZ.

27. On or about January 17, 2010, ALVIREZ and Tolleson traveled to Las Vegas, Nevada, for the purpose of attending a meeting between the suppliers in the Country A deal – including ALVIREZ, Tolleson, Ashiblie, Bigelow, Caldwell, Cohen, Geri, Godsey and Morales, Amaro Goncalves, Mishkin, John M. Mushriqui, Jeana Mushriqui, Painter and Wares, Patel, Paz,

Spiller, Weisler and Sacks, and Wier – and the new Minister of Defense of Country A.

ALVIREZ and Tolleson, along with the other suppliers, expected to receive a payment at that meeting amounting to 60% of the inflated sales price of goods sold by the suppliers to Country A in Phase Two of the Country A deal.

COUNT 2 CONDUCT

Ammunition Deal with the Government of Georgia

28. In or about February 2008, an Israel-based sales representative (the “Israeli sales agent”) contacted ALVIREZ to discuss purchasing 36 million rounds of M855 ammunition for the Republic of Georgia (“Georgia”).

29. In or about March 2008, ALVIREZ learned that a Miami-based sales agent (the “Miami sales agent”) was helping facilitate the sale of the ammunition to the government of Georgia.

30. ALVIREZ believed that the Israeli sales agent and the Miami sales agent were directly or indirectly paying bribes to government officials in Georgia to assist in obtaining and retaining the ammunition contract.

31. In or about March 2008, ALVIREZ contacted an executive of a company that supplied ammunition (“Co-Conspirator 1”) to facilitate the Israeli sales agent’s purchase of the ammunition for sale to the government of Georgia.

32. In or about July 2008, the Israeli sales agent agreed to purchase 36 million rounds of M855 ammunition from Co-Conspirator 1’s company for approximately \$0.278 per round, for a total of \$10,008,000, for the purpose of selling that ammunition to the government of Georgia.

33. From in or about July 2008 through in or about August 2008, the government of Georgia paid Co-Conspirator 1’s company approximately \$11,124,000 for the 36 million rounds of ammunition purchased by the Israeli sales agent on behalf of the government of Georgia.

34. From on or about July 18, 2008 through on or about August 13, 2008, Co-

Conspirator 1's company paid ALVIREZ approximately \$659,880 for facilitating the deal. In accordance with ALVIREZ's agreement with Co-Conspirator 1 and the Miami sales agent, ALVIREZ kept \$8 per thousand rounds for himself, for a total of approximately \$288,000, and sent the remaining approximately \$371,880 to the Miami sales agent.

MRE Deal with the Government of Georgia

35. In or about October 2008, the Miami sales agent told ALVIREZ that he had contacted a company that manufactured Meals, Ready to Eat ("MREs") that ALVIREZ had previously introduced him to in order to obtain MREs to sell to the government of Georgia.

36. In or about October 2008, the Miami sales agent told ALVIREZ that because ALVIREZ had originally introduced him to the supplier of the MREs, he would pay ALVIREZ a finder's fee in connection with his sale of MREs to the government of Georgia. ALVIREZ agreed to accept the finder's fee, believing that the Miami sales agent was directly or indirectly making payments to government officials in Georgia in order to assist in obtaining and retaining the MRE contract.

37. On or about December 24, 2008, ALVIREZ received approximately \$15,000 from the Miami sales agent, which represented a partial payment of ALVIREZ's finder's fee on the sale of MREs to the government of Georgia.

OTHER RELEVANT CONDUCT

Gas and Smoke Projectiles Deals with the Government of Mexico

38. On or about August 25, 2008, ALVIREZ met with Bistrong and an independent sales agent who conducted business with the government of Mexico (the "Mexican sales agent") to discuss a possible deal for Company A to sell gas and smoke projectiles to the government of Mexico. At that meeting, the Mexican sales agent told ALVIREZ and Bistrong that he would mark up the products provided by Company A by 22% to cover the agent's 12% commission and the "commission" he would pay to Mexican government officials.

39. On or about September 9, 2008, ALVIREZ caused Company A to send a price quotation for approximately \$387,000 to the Mexican sales agent, which represented Company A's price quotation for the gas and smoke projectile deal discussed at the August 25, 2008 meeting ("Mexico One").

40. On or about September 9, 2008, the Mexican sales agent sent a price quotation of approximately \$497,000 to the Mexican military, which represented the price that the Mexican sales agent would charge the government of Mexico for Mexico One. The Mexican sales agent's price quotation included the Mexican sales agent's 12% commission and the "commission" for the Mexican government officials.

41. On or about December 5, 2008, ALVIREZ caused Company A to enter into a contract with the government of Mexico, which was facilitated by the Mexican sales agent, for the sale of an additional 1000 gas and smoke projectiles and 24 launchers to the government of Mexico ("Mexico Two"), believing that the Mexican sales agent would directly or indirectly pay

a “commission” to Mexican government officials in order to assist in obtaining and retaining the gas and smoke projectile and launcher contract.

42. On or about December 23, 2008, the government of Mexico sent Company A approximately \$248,561, which represented partial payment for Mexico One.

43. On or about July 24, 2009, ALVIREZ caused Company A to invoice the Mexican government \$80,810 for Mexico Two.

44. On or about August 5, 2009, the government of Mexico sent Company A approximately \$40,405 as partial payment for Mexico Two.

45. On or about November 10, 2009, the government of Mexico sent Company A approximately \$40,405, which was the remaining payment for Mexico Two.

46. On or about January 22, 2010, Company A sent the Mexican sales agent a “commission” of approximately \$18,462, part of which ALVIREZ believed would be passed on to Mexican government officials for the purpose of obtaining and retaining Mexico Two.

Ammunition Deal with the Government of Mexico

47. On or about October 10, 2008, ALVIREZ caused Company A to send a price quotation for approximately \$315,000 to the Mexican sales agent in connection with the sale of 938,935 rounds of ammunition to the government of Mexico, believing that the Mexican sales agent would directly or indirectly pay a “commission” to Mexican government officials in order to assist in obtaining and retaining the ammunition contract.

48. On or about March 12, 2009, the government of Mexico awarded Company A

the contract for 938,935 rounds of ammunition at a price of \$370,879, which ALVIREZ knew and understood included a commission for the Mexican sales agent and a "commission" for the Mexican government officials.

49. On or about July 6, 2009, the government of Mexico sent Company A approximately \$370,879, as payment for the 938,935 rounds of ammunition that Company A sold to the government of Mexico. This payment included a commission of approximately \$55,879 for the Mexican sales agent, part of which ALVIREZ believed the Mexican sales agent would directly or indirectly pay as a "commission" to Mexican government officials in order to assist in obtaining and retaining the ammunition contract.

Tear Gas Deal with the Government of Peru

50. On or about May 6, 2008, ALVIREZ met with Bistrong and sales agents that conducted business with the government of the Republic of Peru (the "Peruvian sales agents") to discuss a transaction in which Company A would sell tear gas to the government of Peru. At that meeting, the Peruvian sales agents showed ALVIREZ and Bistrong "confidential papers" regarding Company A's competitor's bids for the Peruvian tear gas tender and said that they had access to the decision-makers who would award the tear gas deal. The Peruvian sales agents also said that they knew how much the government officials wanted to get paid by a company for awarding that company the contract. The Peruvian sales agents explained how the deal would work – Company A would send a commission to the Peruvian sales agents and the Peruvian sales agents would handle the payments to the government officials in Peru. The Peruvian sales agents further explained that they would have to pay 50% of their commission in advance to government officials in Peru.

51. On or about August 12, 2008, ALVIREZ caused Company A to send a price quotation for approximately \$9,380 to the Peruvian sales agent, which represented Company A's price quotation for the tear gas discussed at the May 6, 2008 meeting.

52. On or about October 2008, Company A received approximately \$9,380 from the Peruvian sales agents, which represented payment for the tear gas Company A sold to the government of Peru through the Peruvian sales agents.

Tactical Equipment Deal with the Government of Guatemala

53. On or about May 8, 2008, ALVIREZ met with Bistrong and a sales agent that conducted business with the government of the Republic of Guatemala (the "Guatemalan sales agent"). During this meeting, the Guatemalan sales agent explained that he has a local agent in Guatemala who pays bribes to government officials to get business and that the agent has Presidential level contacts in Guatemala.

54. On or about July 9, 2008, the Guatemalan sales agent sent an e-mail to ALVIREZ and Bistrong requesting a price quotation from Company A for tactical equipment for sale to the Guatemalan government.

55. On or about August 13, 2008, ALVIREZ caused Company A to send the Guatemalan sales agent a price quotation for the tactical equipment referenced in the Guatemala sales agent's July 9, 2008 e-mail.

56. On or about January 17, 2009, the Guatemalan sales agent sent an e-mail to ALVIREZ and Bistrong requesting a price quotation from Company A for tear gas and smoke projectiles for sale to the government of Guatemala.

57. On or about January 17, 2009, ALVIREZ met with the Guatemalan sales agent

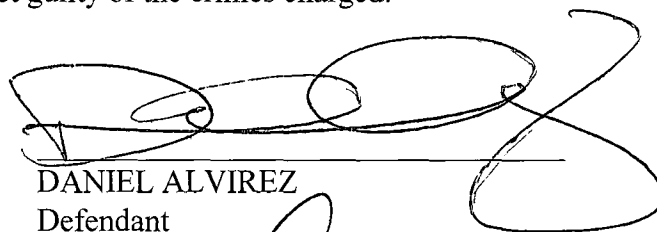
and Bistrong. During that meeting, the Guatemalan sales agent told ALVIREZ and Bistrong that it looks like they are going to win certain line items from the August 13, 2008, quotation.

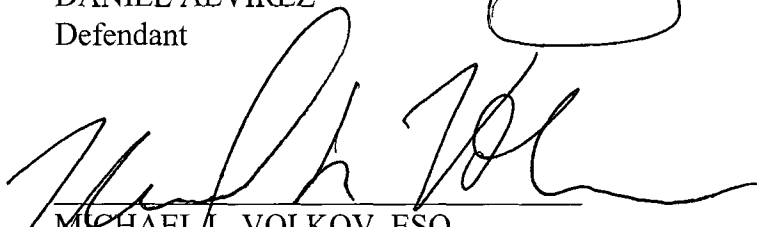
ALVIREZ said "it's called buying the business." The Guatemalan sales agent said that his agent in Guatemala had paid government officials from the previous administration in order to get this business for Company A but that given the change in administration, they have to "butter up" and "grease" the new officials as well in order to retain the business.

58. On or about January 21, 2009, ALVIREZ caused Company A to send the Guatemalan sales agent a price quotation for the tear gas and smoke projectiles discussed on or about January 17, 2009, for the government of Guatemala, believing that the Guatemalan sales agent would "grease" government officials in order to win the contract.

The preceding statement is a summary, made for the purpose of providing the Court with a factual basis for my guilty plea to the charges against me. It does not include all of the facts known to me concerning criminal activity in which I and others engaged. I make this statement knowingly and voluntarily and because I am in fact guilty of the crimes charged.

DATE: 3/1/11


DANIEL ALVIREZ
Defendant


MICHAEL L. VOLKOV, ESQ.
Attorney for Defendant