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U.S. ANNOUNCES FOUR GUILTY PLEAS IN OIL-FOR-FOOD CASE

*Two Businessmen and Two Corporations Plead Guilty to
Charges Involving a Scheme to Pay Secret Kickbacks
to the Government of Iraq in Connection with
the United Nations' Oil-for-Food Program*

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced the guilty pleas today of DAVID B. CHALMERS, JR., 53, of Houston, Texas, and two corporations that he operated -- BAYOIL (USA), INC., a Delaware corporation with principal offices in Houston, TX, and BAYOIL SUPPLY & TRADING LIMITED, a Bahamian company with principal offices in Nassau, Bahamas (collectively, the "BAYOIL COMPANIES"). CHALMERS and the BAYOIL COMPANIES each pleaded guilty today before United States District Judge DENNY CHIN to participating in a scheme to pay illegal surcharges to the former Government of Iraq in connection with the purchase of crude oil in the United Nations Oil-for-Food Program between mid-2000 and 2003. Judge CHIN also accepted earlier today the guilty plea of LUDMIL DIONISSIEV, 61, of Houston, Texas, to related smuggling charges. DIONISSIEV worked with CHALMERS and the BAYOIL COMPANIES during the course of this scheme to purchase Iraqi oil.

CHALMERS and the BAYOIL COMPANIES each pleaded guilty to participating in a conspiracy to commit wire fraud related to the payment of secret illegal surcharge payments to the former Government of Iraq. DIONISSIEV pleaded guilty to facilitating the transportation and sale of Iraqi oil in January 2001 despite knowing that an agent of BAYOIL (USA), INC. had promised to pay an unlawful secret surcharge to the Government of Iraq in connection with that oil on behalf of a Russian political figure. According to the Indictment, the felony Information to which DIONISSIEV pleaded, and the defendants' statements during their guilty pleas:

The Hussein regime in or about mid-2000 began conditioning the right to purchase Iraqi oil under the Oil-for-Food Program on the purchasers' willingness to return a portion of the profits secretly to the former Government of Iraq. CHALMERS and the BAYOIL COMPANIES elected to pay these illegal kickbacks so that they could continue to participate in the business of selling Iraqi oil under the United Nations' Oil-for-Food Program. By participating in this scheme, as described in detail in Indictment S5 05 Cr. 59, CHALMERS and the BAYOIL COMPANIES diverted funds that otherwise would have been available to purchase humanitarian goods for the Iraqi people under the Oil-for-Food Program. In early 2001, DIONISSIEV helped to facilitate the export of Iraqi oil by sending a message to a Russian political figure that an agent of the BAYOIL COMPANIES had promised to pay an illegal surcharge on the oil.

The defendants are scheduled to be sentenced by Judge CHIN on November 19, 2007. CHALMERS faces a maximum sentence of 20 years' imprisonment, as well as millions of dollars in fines and restitution. CHALMERS and the BAYOIL COMPANIES also agreed to forfeit a total of \$9,016,151.40, which this Office will seek to transfer to the Development Fund of Iraq (established on May 21, 2003, by United Nations Security Council Resolution 1483) as restitution for the benefit of the people of Iraq. DIONISSIEV faces a maximum sentence of twenty years' imprisonment as well as a fine of \$250,000.

The trial against co-defendant OSCAR S. WYATT, JR., is scheduled to begin on September 5, 2007. With respect to WYATT, the charges contained in the Indictment are merely accusations, and WYATT is presumed innocent unless and until proven guilty.

Mr. GARCIA praised the work of the Federal Bureau of Investigation, Criminal and Counterintelligence Divisions. He also expressed appreciation to the United States Treasury Department, Office of Foreign Assets Control; the United States Department of State; the United Nations Office of Legal Affairs; and the former Independent Inquiry Committee into the United Nations Oil-for-Food Program for their assistance in this investigation.

Assistant United States Attorneys EDWARD C. O'CALLAGHAN, STEPHEN A. MILLER, MICHAEL FARBIARZ, and SHARON LEVIN are in charge of the prosecution.

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