

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

FILED
SEP 16 2010

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

UNITED STATES OF AMERICA,

CRIMINAL NO. 10-00021 (RJL)

v.

VIOLATION: 18 U.S.C. § 371
(Conspiracy to Make Corrupt Payments
to Foreign Officials, to Falsify Books and
Records, and to Export Controlled Goods
Without Authorization)

RICHARD T. BISTRONG,

Defendant.

STATEMENT OF THE OFFENSE

The United States and RICHARD T. BISTRONG, the defendant, agree that the following facts are true and correct:

1. An unnamed co-conspirator company (hereinafter "Company A"), was headquartered in Jacksonville, Florida, organized under the laws of Delaware, and listed as a public company on the New York Stock Exchange. Company A was a manufacturer of security products, vehicle armor systems, protective equipment and other products for use, primarily, by military, law-enforcement, security and corrections personnel. Company A maintained a class of securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934 (15 U.S.C. § 78l) and was required to file reports with the United States Securities and Exchange Commission under Section 13 of the Securities Exchange Act (15 U.S.C. § 78m). Accordingly, Company A was an "issuer" as that term is used in the Foreign Corrupt Practices Act ("FCPA"), 15 U.S.C. § 78dd-1.

2. Company A's Products Group (the "Products Group") was a wholly-owned subsidiary of Company A that manufactured and sold a variety of military and law-enforcement equipment such as body armor, holsters, anti-riot products, pepper spray, police batons and

weapon maintenance products. The Products Group operated throughout most of the world and had a presence in the United States, the United Kingdom, and Switzerland.

3. Defendant RICHARD T. BISTRONG (“BISTRONG”) was a United States citizen and the Products Group’s Vice President of International Sales. BISTRONG also maintained some responsibility for international sales for Company A’s other business units. BISTRONG was an “officer,” an “employee,” and an “agent” of an issuer within the meaning of the FCPA, 15 U.S.C. § 78dd-1.

4. “Products Employee A,” a citizen of the United Kingdom, was the managing director of a wholly-owned subsidiary of Company A that was a part of the Products Group and headquartered in the United Kingdom (hereinafter the “International Sales Subsidiary”). The International Sales Subsidiary manufactured and sold protective gear such as ballistic helmets and armored vests.

5. “U.N. Agent,” an Italian citizen, was an independent sales agent who BISTRONG and the International Sales Subsidiary used to assist the International Sales Subsidiary in winning contract tenders for body armor with the U.N. As part of the International Sales Subsidiary’s financial arrangement with the U.N. Agent, the International Sales Subsidiary agreed to pay the U.N. Agent a success fee in the form of a percentage of the value of any contract with the U.N. that the U.N. Agent assisted the International Sales Subsidiary in obtaining.

6. “Products Consultant B,” a Norwegian citizen based in the United States, was an independent sales consultant retained by Company A, whose sales territory included the Netherlands.

7. "Products Employee C," a United States citizen, was a senior employee in the Products Group's finance department.

8. "Products Employee D," a citizen of Colombia, was an employee of the Products Group specializing in the sale of forensic equipment.

9. Company A, through the International Sales Subsidiary, manufactured and sold protective gear such as ballistic helmets and armored vests, including vests known as 103A-2 ballistic armor vests and 102-2 ballistic armor vests. The vests were designated by the National Institute of Justice ("NIJ") as Level II and Level IIIA body armor and the helmets were designated by the NIJ as Level IIIA helmets. In connection with these designations, the United States Department of Commerce ("Commerce Department") required any person or company seeking to export these vests and helmets to obtain a validated export license.

The United Nations

10. In or about January 2001, BISTRONG and Products Employee A, on behalf of the International Sales Subsidiary, retained the U.N. Agent to assist the International Sales Subsidiary in obtaining contracts to supply goods to the U.N. After retaining the U.N. Agent, the U.N. Agent introduced BISTRONG and Products Employee A to several high-level U.N. procurement officials with whom the U.N. Agent regularly worked to obtain U.N. business for the U.N. Agent's clients.

11. In or about March 2001, the International Sales Subsidiary, with the assistance of the U.N. Agent, bid approximately \$1,693,000 on a contract to supply body armor and other goods, including vests and uniforms, to U.N. peacekeeping forces.

12. In or about March 2001, after the International Sales Subsidiary bid

approximately \$1,693,000 on a contract to supply body armor and other goods to U.N. peacekeeping forces, but before the U.N. awarded the contract or made bidding information public, the U.N. Agent notified BISTRONG and Products Employee A that the International Sales Subsidiary was the lowest bidder and that the next lowest bidder had submitted a bid of approximately \$2,143,000. The U.N. Agent also showed BISTRONG confidential, non-public documents containing pricing information from the International Sales Subsidiary's competitors' bids, which BISTRONG knew could only be obtained from a U.N. procurement official or employee.

13. Sometime after March 2001, the U.N. Agent notified BISTRONG and Products Employee A that the U.N. had decided to re-issue the March 2001 tender in two separate tenders: one to supply body armor and a second to supply the other goods listed in the original March 2001 tender. The U.N. Agent also told BISTRONG and Products Employee A that he would submit a bid on behalf of the International Sales Subsidiary for the new body armor tender.

14. In or about September 2001, the U.N. published a Request for Proposal ("RFP") for the body armor for U.N. peacekeeping forces originally included in the March 2001 tender. The International Sales Subsidiary submitted a bid to the U.N., with the assistance of the U.N. Agent, in response to this RFP.

15. In or about September 2001, the U.N. Agent instructed BISTRONG and Products Employee A that in addition to submitting a pricing sheet to the U.N. as part of the International Sales Subsidiary's bid to supply body armor to the U.N., BISTRONG and Products Employee A should also provide the U.N. Agent with a signed, but otherwise blank, pricing sheet in case the International Sales Subsidiary's pricing had to be revised after the bidding was closed. The U.N.

Agent assured BISTRONG and Products Employee A that providing him with a signed, blank pricing sheet would ensure that the International Sales Subsidiary won the tender. BISTRONG understood that the U.N. Agent would obtain information regarding the confidential and non-public bids of the International Sales Subsidiary's competitors and, if necessary, use the blank pricing sheet to ensure that the International Sales Subsidiary submitted the lowest bid (or, if the U.N. Agent knew the International Sales Subsidiary had already submitted the lowest bid, to increase the International Sales Subsidiary's bid such that the International Sales Subsidiary remained the lowest bidder but was able to earn additional profit on the deal). BISTRONG knew that the bid prices of the International Sales Subsidiary's competitors were confidential and non-public, and could only be obtained from a U.N. procurement official or employee.

16. In or about September 2001, after the International Sales Subsidiary submitted its bid to supply body armor to the U.N., the U.N. Agent contacted Products Employee A and told him that the International Sales Subsidiary's bid was not the lowest bid and that it would have to be lowered in order to win the tender. BISTRONG and Products Employee A then authorized the U.N. Agent to submit a lower bid on behalf of the International Sales Subsidiary, knowing that the determination of the price of the revised bid was based on the U.N. Agent's knowledge of the confidential, non-public bids of the International Sales Subsidiary's competitors. BISTRONG also knew that bidding for the tender was already closed and that the only way a revised bid could be submitted was by a U.N. procurement official or employee. The U.N. Agent then submitted the lower bid on behalf of the International Sales Subsidiary.

17. On or about September 27, 2001, the U.N. Agent sent an email to BISTRONG's Company A email account, attaching a confidential, non-public internal U.N. procurement memo

recommending that the International Sales Subsidiary be awarded the 2001 U.N. body armor contract. The U.N. Agent stated in this email that he had not sent the non-public memo to Products Employee A and "YOU WILL PLEASE DESTROY AFTER READING."

18. On or about October 17, 2001, the U.N. publicly announced that it awarded the 2001 U.N. body armor contract to the International Sales Subsidiary. After receiving the award, BISTRONG and Products Employee A caused the International Sales Subsidiary to pay a sales commission to the U.N. Agent, believing that a portion of that money would be forwarded on to the U.N. procurement official who was providing the confidential, non-public bid information to the U.N. Agent.

19. From in or about October 2001 through in or about February 2003, the International Sales Subsidiary performed the U.N. body armor contract.

20. In or about February 2003, upon receiving notice from the U.N. Agent that the U.N. had issued another tender to supply U.N. peacekeeping forces with additional body armor, BISTRONG sent an email to the U.N. Agent from his Company A email account asking the U.N. Agent how the International Sales Subsidiary could win that tender.

21. In or about February 2003, the U.N. Agent replied over email that he could assist the International Sales Subsidiary in winning the new contract. The U.N. Agent added that the same rules would apply to the new tender as applied to the 2001 tender. BISTRONG understood this to mean that the International Sales Subsidiary would again provide a signed, blank pricing sheet to the U.N. Agent so the U.N. Agent could, if necessary, submit a revised, winning bid on behalf of the International Sales Subsidiary after reviewing the International Sales Subsidiary's competitors' confidential, non-public bidding information.

22. In or about August 2003, the U.N. awarded the body armor contract to the International Sales Subsidiary. BISTRONG and Products Employee A then caused the International Sales Subsidiary to pay a sales commission to the U.N. Agent, believing that a portion of that money would be forwarded on to the U.N. procurement official who had provided the confidential, non-public bidding information to the U.N. Agent.

23. The total price of the goods sold by the International Sales Subsidiary under the 2001 and 2003 U.N. body armor contracts was approximately \$6 million, resulting in a total net profit to the International Sales Subsidiary of approximately \$1 million.

24. From in or about September 2001 through in or about 2006, BISTRONG and Products Employee A caused the International Sales Subsidiary to pay the U.N. Agent approximately \$227,750 in sales commissions for the 2001 and 2003 U.N. body armor contracts, believing that a portion of that money would be forwarded on to the U.N. procurement official who had provided the confidential, non-public bidding information to the U.N. Agent.

The Netherlands

25. In or about June 2001, BISTRONG and Products Consultant B, using a third-party intermediary (the "Dutch Agent"), caused the Products Group to bid on a tender issued by the National Police Services Agency of the Netherlands ("KLPD") for the supply of pepper spray to the KLPD.

26. Prior to the tender of the pepper spray contract, BISTRONG, Products Consultant B, and the Dutch Agent agreed to pay a City of Rotterdam police officer working on procurement matters for the KLPD (the "Dutch Procurement Officer") for his assistance in obtaining the pepper spray contract for Company A.

27. To assist Company A in obtaining the pepper spray contract, the Dutch Procurement Officer provided the Dutch Agent, Products Consultant B, and BISTRONG with confidential, non-public KLPD information regarding the specifications of the pepper spray tender prior to the issuance of the tender.

28. At the request of Products Consultant B and the Dutch Agent, the Dutch Procurement Officer used his influence within the KLPD to cause the KLPD to issue a tender specifying a specific type of pepper spray manufactured by Company A and no other bidder, as opposed to an alternate type the KLPD was considering, which was manufactured by a competitor but not by Company A.

29. In or about February 2002, the KLPD awarded Company A the pepper spray contract, resulting in approximately \$2.4 million in revenue for Company A and a total net profit for Company A of approximately \$480,000.

30. In or about 2003, BISTRONG and Products Consultant B agreed with the Dutch Agent that the Dutch Agent, in order to pay the Dutch Procurement Officer for his assistance in tailoring the specifications on the pepper spray tender to favor Company A, would issue an invoice to Company A for marketing services allegedly, but not actually, performed by the Dutch Agent. At the time, BISTRONG, Products Consultant B, and the Dutch Agent knew that Company A would pay the invoiced amount to the Dutch Agent and that the Dutch Agent would then pass all or some of that money to the Dutch Procurement Officer.

31. In or about 2003, BISTRONG and Products Consultant B caused Company A to pay the Dutch Agent approximately \$15,000 based on an invoice for marketing services knowing

that the Dutch agent would then pass some or all of that money to the Dutch Procurement Officer.

Nigeria

32. In or about March 2006, on behalf of Company A, Products Employee D entered into discussions with the Independent National Election Commission (“INEC”) of Nigeria regarding the sale of Company A fingerprint ink pads to INEC.

33. In or about April 2006, an official with INEC (the “INEC Official”) informed Products Employee D that INEC would purchase Company A fingerprint ink pads if the INEC Official was paid a kickback on the sale.

34. In or about April 2006, BISTRONG told Products Employee D that Company A should not pay the INEC Official directly, but that the INEC Official should designate a company to which Company A should pay the kickback, knowing that the kickback would then be passed on to the INEC Official.

35. In or about April 2006, BISTRONG instructed Products Employee D to pay a kickback to a company designated by the INEC Official in exchange for INEC’s purchase of the Company A fingerprint ink pads, a purchase that was never made.

Books and Records

36. From in or about 2001 through in or about 2006, BISTRONG, Products Employee C, and others caused the Products Group to keep off Company A’s books and records approximately \$4.4 million in payments to agents and other third-party intermediaries (collectively, “the Products Group Agents”) used by the Products Group to assist it in obtaining business from foreign government customers. Specifically, BISTRONG, Products Employee C,

and others caused the Products Group to send to the end users, primarily government customers, an invoice that included a fee the Products Group would pay to the Products Group Agents – a so-called “pro-forma” invoice. At the same time, BISTRONG, Products Employee C, and others caused the Product Group to create a false invoice – a so-called “net” invoice – that would not contain the amount to be paid to the Products Group Agents. BISTRONG, Products Employee C, and others then caused the Products Group accounting department to enter the data from the false “net” invoices into Company A’s books and records.

Export Controls

37. In or about November 2003, the International Sales Subsidiary, located in the United Kingdom, received an order, valued at approximately \$76,000, for 100 Type 103A-2 ballistic armor vests, 25 Type 102-2 ballistic armor vests, and 100 Level IIIA ballistic helmets from a governmental entity known as the Kurdistan Regional Government (“KRG”), which was located in Iraq.

38. In or about December 2003, Products Employee A caused the International Sales Subsidiary to apply to the United Kingdom Department of Trade and Industry (“DTI”) for a license to export the vests and helmets from the U.K. to Iraq. This application was denied by DTI in or about February 2004.

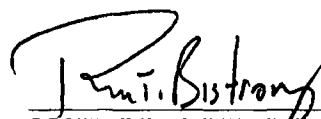
39. In or about March 2004, Products Employee A and BISTRONG, having been denied an export license by DTI to ship the vests and helmets to Iraq, agreed to ship, and did ship, the vests and helmets from the United Kingdom to the United States for the purpose of shipping those products from the United States to the KRG in Iraq. Products Employee A and

BISTRONG agreed to use, and did use, the International Sales Subsidiary's existing United States Department of Commerce open license to the United Arab Emirates to export the vests and helmets from the United States to KRG representatives in the United Arab Emirates, although they knew that the ultimate end user was the KRG in Iraq and that the open license only authorized the shipment of goods to the United Arab Emirates, not Iraq.


40. In or about March 2004, after the vests and helmets reached the United States, Products Employee A and BISTRONG caused the vests and helmets to be shipped to KRG representatives in the United Arab Emirates for further delivery to the KRG in Iraq, knowing that they had not obtained a proper license from the Department of Commerce to do so.

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: 16 September 2010



RICHARD T. BISTRONG
Defendant



BRADY TOENSING, ESQ.
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