UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA, v. C. E. MILLER CORPORATION, and CHARLES E. MILLER, DEFENDANTS	)	No. CR 82- 788 OFFER OF PROOF

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The evidence would show that Petroleos Mexicanos (hereinafter "Pemex") decided in early 1977, to embark on a major equipment acquisition program designed to end the vast flaring, and therefore loss, of natural gas and, instead, capture and move it to various markets. Large quantities of turbine compression equipment systems, consisting of a turbine power source, a compressor and various process equipment, were needed. To aid the financing of these purchases Pemex arranged a $1.2 billion line of credit with the Export Import Bank of the Uinted States, of which $600 million was dedicated for purchases related to a planned natural gas pipeline and $600 million was dedicated to purchase other necessary equipment. The Solar Turbine Division of International Harvestor Company (hereinafter "Solar"), Ruston Gas Turbines, Inc. (hereinafter "Ruston"), Crawford Enterprises, Inc. (hereinafter "CEI") and other companies were interested in obtaining the purchase orders for the turbine compression systems from Pemex.

The evidence would show that Charles E. Miller (hereinafter "Miller") was the president, chairman of the board and majority shareholder of C. E. Miller Corporation (hereinafter "CEMCO"), a California corporation. CEMCO, was in the business of designing and fabricating compression systems for the petroleum industry. During the mid 1970's CEMCO, had performed process fabrication subcontract work for Solar on sales of its turbine compression equipment to Pemex.

On or about June 25, 1977 Miller and CEMCO were initially contacted by Gary D. Bateman (hereinafter "Bateman") of CEI regarding CEMCO performing the process fabrication subcontract for CEI on a CEI contract with Pemex for six Solar turbine compression systems. Miller and CEMCO eventually received the fabrication subcontract for this contract, which was later designated by CEI as Job 112.

The evidence would show that in late June 1977 the president of CEI, Donald G. Crawford (hereinafter "Crawford"), and CEI had agreed and promised, through Mario Gonzalez, to pay Jesse Chavarria and Nacho DeLeon, officials of Pemex in charge of production and purchasing, five percent (5%) of the purchase order value of any compression equipment contracts awarded to CEI by Pemex. At that time Crawford coined a code word, "folks", to conceal the identities of these Pemex officials. Crawford announced to various CEI employees that henceforth Chavarria and DeLeon, the Pemex officials, would be referred to as the "folks". Miller was told that 5% was to be paid to the "folks" and was given information, which he conciously disregarded, clearly indicating that the "folks" were Chavarria and DeLeon.

The evidence would show that Miller and other CEMCO officers were told of the term "folks" and the inclusion of 5% in the pricing for the "folks" no later than August 13, 1977 when Miller attended a meeting with Crawford at CEI offices in Houston, Texas where pricing proposals for another CEI bid to Pemex to sell 3 Solar turbine compressor sets were being prepared. At that time Crawford indicated to Miller and others that along with other markups he was including 5% for the "folks". CEMCO became the process fabricator for that contract which was later designated by CEI as Job 118.

In June, July and August 1977 Crawford and CEI were utilizing Mario Gonzalez, at that time an engineer with Tennessee Gas Transmission Company, as their Mexican sales representative. On or about August 11, 1977 Crawford, on behalf of CEI, had signed a sales representative agreement with Gonzalez. Miller and other CEMCO officers knew that Crawford and CEI were utilizing Gonzalez as their agent and knew that Gonzalez was the brother-in-law of DeLeon.

In August and September 1977 Gonzalez introduced CEI and Crawford to Ricardo Garcia Beltran. The introduction resulted from Gonzalez's inability to establish an agent company presence in Mexico (i.e. offices, phones, secretaries, etc.) and CEI's need for a company to hold itself out as a sales agent while actually acting as a conduit for the bribe payments to the folks.

This led to the establishment of Grupo Industrial Delta, S.A. (hereininafter "Grupo Delta") by Ricardo Garcia Beltran on September 26, 1977.

Thereafter, Grupo Delta became CEI's representative in Mexico. Miller and CEMCO knew Gonzalez remained the individual involved while Grupo Delta became the entity involved as CEI's agent. Indeed CEMCO agreed to pay one third of the monthly rent and expenses incurred by Grupo Delta on behalf of CEI and CEMCO and began making such expense payments to Grupo Delta in October 1977. In October 1977 both CEI and CEMCO personnel began conducting business out of Grupo Delta's offices in Mexico City.

In mid July 1977 CEI, with the assistance of Miller and other CEMCO personnel, submitted a proposal to Pemex for additional process equipment for Job 112. In early September 1977 Pemex issued a purchase order for this additional process equipment.

In early September 1977 CEI and CEMCO learned from Gonzalez that CEI would receive the purchase order for the three Solar turbine units (Job 118). In mid October 1977 CEI and CEMCO personnel learned from an employee of Dyna Vulkano (Solar's agent in Mexico) that Pemex had cancelled the CEI order for Job 118. A Pemex official later confirmed this fact to CEMCO and CEI employees.

Miller and CEMCO learned that Crawford believed Solar's agent Dyna Vulkano was responsible for the cancellation and that this was a power struggle which CEI could not afford to lose. Crawford and other CEI employees advised Miller and other CEMCO employees that if CEI was to actually become the power in Mexico and control the compression equipment purchases, they needed to stop Solar's agent from "rocking the boat" and convince Solar to join with CEI as an active participant.

The evidence would show that, in order to convince Solar of CEI's power, Crawford planned to have Job 118 reinstated at the original prices by the "folks" without further rebidding and planned to arrange that the next Pemex turbine compression contract be given to Ruston. In addition Crawford would strike a side deal with Dyna Vulkano, thereby ceasing their efforts to subvert Crawford's arrangement with the "folks".

Crawford directed Gonzalez to ascertain from the "folks" what it would take to have the contract reinstated, without further bid, at the original prices. In November 1977 at a meeting, at which Miller was present, Gonzalez indicated that the "folks" had advised him that an extra $45,000 payment was required. During the meeting regarding this extra payment, Miller agreed, on behalf of CEMCO, to contribute, by reducing the subcontract price, $15,000 of the additional $45,000 to be paid to the folks to reinstate Job 118 without further bids at the original prices. CEI, Gonzalez, Crawford and Bateman contributed portions of the necessary $45,000. On December 7, 1977 Pemex reinstated the order by issuing a purchase order, which CEI designated Job 118.

Miller was informed that Crawford had recruited Ruston's assistance with this strategy. Miller and CEMCO participated during December 1977 and early January 1978 in the preparation of prices for the Ruston bid to be submitted to Pemex on or about

January 9, 1978. Miller knew that the bid prices prepared by CEI included 5% plus a $200,000 sweetener for the folks. CEMCO was to be the process fabrication subcontractor. On or about January 9, 1978 Miller and others met with Chavarria to convince him Ruston equipment was technologically capable and would satisfactorily perform the required function. Chavarria advised them that Pemex would buy the equipment from Ruston.

Miller knew of negotiations between CEI and Dyna Vulkano regarding Dyna Vulkano's efforts to under cut CEI's power in Mexico. Miller knew a deal was reached whereby CEI would include for, and pay to, Dyna Vulkano 10% on the CEMCO subcontract portion on contracts where CEI was prime contractor to Pemex. Because Crawford did not want to have two agents on CEI's books, Miller agreed that CEMCO would pay Dyna Vulkano this money on behalf of CEI. On subsequent contracts Miller and CEMCO did in fact pay Dyna Vulkano this 10% which was built into the prices to Pemex when CEI was the prime contractor.

After Pemex announced the reinstatement of the order for three units, after the Dyna Vulkano agreement was reached, and after Pemex announced the purchase of Ruston equipment, Solar agreed to coordinate sales to Pemex with CEI. In mid January 1978 Miller discussed with a Solar employee the pricing formula to be used and was advised that Solar would participate in the Crawford-Pemex pricing arrangement.

Crawford, with Miller's assistance, would calculate the prices to be bid to Pemex by CEI, Solar, and Ruston. In this manner Crawford would insure that the percentage for the folks would be included in every bid and was able to determine in advance which company would receive the prime contracts. Additionally, with CEI, Solar and Ruston submitting bids to Pemex, Pemex purchases of turbine compression equipment would appear competitive thereby concealing the corrupt relationship which Crawford enjoyed with Chavarria and DeLeon.

Miller's role was to compute for Crawford, based upon information supplied by Crawford, the bid prices for CEI, Solar and Ruston which were to be submitted to Pemex. On January 27, 1978 Miller travelled from Los Angeles, California to Houston, Texas by commercial airliner to meet with other CEMCO and CEI personnel to price various bids due to Pemex on January 31, 1978. It is this use of an interstate instrumentality which forms the basis for the violation of the Foreign Corrupt Practices Act contained in the Information. The pricing sessions lasted throughout the weekend. Miller computed all bids, including in all bids, at Crawford's direction, 5% for the folks as well as various other markups including 5% as CEI's profit, 1% for Crawford and Bateman and 2.5% for Gonzalez. The evidence would show that this 2.5% was to be split between Gonzalez, Beltran, Garcia and Grupo Delta. Miller knew the percentage for the folks and for Gonzalez were combined to become the monies paid to Grupo Delta.

On January 30, 1978 Crawford conveyed the prices to be bid by Ruston and Solar to representatives of those companies. On January 31, 1978 CEI, Ruston and Solar submitted these exact bids to Pemex. Throughout February and March 1978 purchase orders, based upon these bids, were issued by Pemex to CEI and Solar.

At a meeting in May 1978, at which Miller was present Gonzalez stated that the "folks" were complaining that they were being shortchanged and not receiving their full percentage. At Crawford's instruction and request Miller devised a new formula to correct the low payments.

The foregoing pricing pattern established in January 1978 was followed throughout 1978 and into 1979, when the Department of Justice investigation commenced. As a result of this bribery scheme, CEI obtained from Pemex through various purchase orders and changes, approximately $225 million in contracts between June 1977 and March 1979. CEMCO received approximately $79 million in process fabrication subcontracts from Pemex, CEI and Solar on these contracts. CEMCO received additional subcontracts on other later Pemex purchases.

The evidence would show that approximately $9.9 million which was included in the above Pemex contracts and intended for the "folks", Chavarria and DeLeon, was paid to Grupo Delta by CEI for delivery to Chavarria and DeLeon.