

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

98 OCT 15 PM 2:00

UNITED STATES OF AMERICA : CASE NO. CR-3-98-73

V. :

CONTROL SYSTEMS SPECIALIST, INC. :

PLEA AGREEMENT

It is hereby agreed between CONTROL SYSTEMS SPECIALIST, INCORPORATED, an Ohio Corporation, by and through its current President, Darrold Richard Crites, acting with full authority and power to bind the defendant corporation regarding all matters herein, and through its attorney, David P. Williamson, and the United States Attorney for the Southern District of Ohio, by counsel as follows:

1. CONTROL SYSTEMS SPECIALIST, INCORPORATED, will enter a plea of guilty to a three count Information filed in the above-captioned case. Count 1 charges a violation of 18 U.S.C. § 371, conspiracy to violate 15 U.S.C. § 78dd-2, known as the Foreign Corrupt Practices Act; Count 2 charges a violation of 15 U.S.C. § 78dd-2; and Count 3 charges a violation of 18 U.S.C. § 201(c).

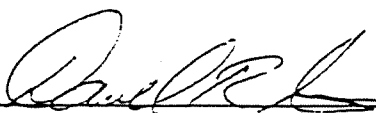
2. Once said guilty plea is entered and not withdrawn, the United States Attorney for the Southern District of Ohio agrees to not file any other charges against CONTROL SYSTEMS SPECIALIST, INCORPORATED, or any charges against any parent, subsidiary, affiliate or successor of CONTROL SYSTEMS SPECIALIST, INCORPORATED, or against any of its or their present or past officers, employees or agents arising out of this investigation except charges against co-defendant DARROLD RICHARD CRITES.

3. CONTROL SYSTEMS SPECIALIST, INCORPORATED, understands that the maximum possible statutory penalty for violations of Counts 1, 2 and 3 is a fine of up to \$500,000.00 for each count (or a maximum fine of \$1,500,000) and a total payment of \$800.00 as required in 18 U.S.C. § 3013 (\$200.00 for Counts 1 and 2 and \$400.00 for Count 3). CONTROL SYSTEMS SPECIALIST, INCORPORATED, further understands that its sentence is subject to the provisions of the Sentencing Reform Act and the Sentencing Guidelines.

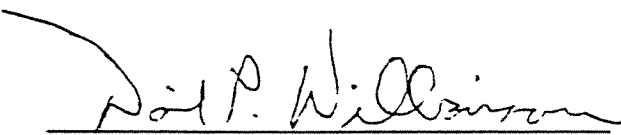
4. CONTROL SYSTEMS SPECIALIST, INCORPORATED, agrees to make full restitution pursuant to 18 U.S.C. § 3663(a)(3). CONTROL SYSTEMS SPECIALIST, INCORPORATED, understands that the Court will determine the amount of restitution owed the United States after receiving a recommendation on same from the U.S. Probation Department.

5. This written agreement embodies all of the agreements between the parties. There are no other agreements or promises.

DATE 10/15/98



CONTROL SYSTEMS SPECIALIST, INC.
Defendant, by and through its
President, Darrold R. Crites

DATE 10/15/98


DAVID P. WILLIAMSON
Attorney for Defendant

SHARON J. ZEALEY
United States Attorney

DATE 10/15/98

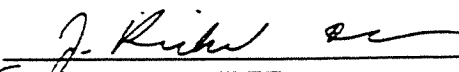

U. RICHARD CHEMA
Assistant U.S. Attorney

MARY C. SPEARING, CHIEF
Fraud Section, Criminal Division
U.S. Department of Justice

DATE 10/15/98


FO PETER R. CLARK, Deputy Chief

DATE 10/15/98


FO DAVID A. BYBEE
Trial Attorney

STATEMENT OF FACTS

Had this matter proceeded to trial, the United States would have proven, by admissible evidence, the following facts beyond a reasonable doubt:

1. The defendant knowingly entered into a conspiracy to violate the Foreign Corrupt Practices Act, 15 U.S.C. 78dd-2, which affected interstate commerce, and in so doing also violated the substantive provision of that Act. Further, the defendant paid an illegal gratuity to a public official as prohibited in 18 U.S.C. 201(c).

2. The defendant, DARROLD RICHARD CRITES, is President of co-defendant CONTROL SYSTEMS SPECIALIST INC. (CSS), an Ohio corporation in the business of buying and repairing surplus military equipment for resale.¹ A Dayton, Ohio area businessman ("Businessman X") is the President of Company Y, a second Ohio corporation also in the business of buying and repairing surplus military equipment for resale.² From approximately December 1993 to

¹Defendants DARROLD RICHARD CRITES and CONTROL SYSTEMS SPECIALIST INC. are "domestic concerns" as defined in the Foreign Corrupt Practices Act, 15 U.S.C. § 78dd-2(h)(1).

²Businessman X and Company Y are "domestic concerns" as defined in the Foreign Corrupt Practices Act, 15 U.S.C. § 78dd-2(h)(1).

approximately February 1996, a Brazilian Air Force Lt. Colonel ("BAF/Lt. Col. Z") was the Foreign Liaison Officer for the Brazilian Air Force stationed at Wright Patterson Air Force Base.³ BAF/Lt. Col. Z was authorized to make purchases of military equipment on behalf of the Government of Brazil. From approximately the fall of 1993 to approximately the fall of 1995, a civilian employee of the United States Air Force, who is a citizen of the United States, worked at Wright Patterson Air Force Base as the Command Country Manager ("Country Manager") for Brazil. As such, he was responsible for representing the United States Air Force in dealings with BAF/Lt. Col. Z.

3. Beginning in or about October 1994, and continuing thereafter up to and including in or about February 1996, the defendants, DARROLD RICHARD CRITES and CONTROL SYSTEMS SPECIALIST INC., agreed with BAF/Lt. Col. Z, Businessman X, and Company Y to make payments to BAF/Lt. Col. Z for the purpose of inducing him to use his official position and influence with Government of Brazil to obtain business for the defendants and for Businessman X and Company Y.

4. Beginning sometime in 1994, the Country Manager began tracking the location of surplus military equipment by accessing

³BAF/Lt. Col. Z is a "foreign official" as defined in the Foreign Corrupt Practices Act, 15 U.S.C. § 78dd-2(h)(2).

government databases and information sources available to him as the Country Command Manager for Brazil. The Country Manager, defendant CRITES, and BAF/Lt. Col. Z met numerous times throughout 1994 to plan purchases of the equipment located by the Country Manager which would then be repaired and sold to the Brazilian Air Force. The Country Manager provided defendant CRITES with part numbers, model numbers, manufacturers, and sources of parts to be used by defendant CRITES to locate and to repair the equipment. On December 18 & 19, 1995, defendants CRITES and CSS paid the Country Manager a total of \$66,000.00 for having assisted in tracking the location of surplus military equipment. The work that the Country Manager performed for and for which he was paid by defendants CRITES and CSS was work relating to the Country Manager's official duties as a U.S. Air Force civilian employee. Defendant CRITES knew that the Country Manager was an employee of the U.S. Air Force and that his official duties involved the sale of U.S. military equipment to foreign countries including Brazil.

5. Beginning in the fall of 1994, defendant CRITES, after consulting with the Country Manager, prepared and submitted bids to BAF/Lt. Col. Z to provide services and to sell equipment to the Brazilian Air Force. These bids were accepted by the Government of Brazil, and defendants CRITES and CSS performed work on the resulting contracts. Defendants CRITES and CSS received

approximately \$ 672,298.00 as a result of the contracts received from the Government of Brazil. At BAF/Lt. Col. Z's suggestion, defendants CRITES and CSS paid BAF/Lt. Col. Z a series of bribes, designated as consultant fees, to ensure that the contract payments would be given to the defendants. Defendant CRITES paid BAF/Lt. Col. Z with CSS checks and required BAF/Lt. Col. Z to sign a Foreign Sales Representative Agreement. Between October 11, 1995 and December 11, 1995 at least 12 such payments were made to BAF/Lt. Col. Z, including a payment made on or about October 11, 1995, in the amount of \$40,000.00. This payment was made in Fairborn, Ohio, where defendant CRITES gave BAF/Lt. Col. Z CSS check #1044, which check was drawn on CSS's account at Star Bank. During the course of the entire course of dealings between the defendants and BAF/Lt. Col. Z between November 1994 and December 1995, the defendants issued approximately 21 checks totaling approximately \$189,576.00 to BAF/Lt. Col. Z.

6. To assist in the purchase of surplus military equipment and making the payments to BAF/Lt. Col. Z, the defendant enlisted the aid of Businessman X, who, together with defendant CRITES, incorporated Company Y in September 1995. Businessman X, through Company Y, thereafter also purchased equipment and paid BAF/Lt. Col. Z bribes in order to obtain additional business from the Government of Brazil. Businessman X paid BAF/Lt. Col. Z with

Company Y checks which were designated "consultant fees" and also required BAF/Lt. Col. Z to sign a Foreign Sales Representative Agreement. In December 1995, Businessman X and Company Y made two payments totaling approximately \$67,563.00 to BAF/Lt. Col. Z.

7. Throughout the course of dealings between defendants CRITES and CSS and BAF/Lt. Col. Z, the mails were extensively used to transmit in interstate commerce documents needed to effectuate the contracts given by the Government of Brazil to the defendants. Additionally, interstate telephone calls were made and the bribe payments were made with checks drawn on a bank that operates in interstate commerce.