

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF OHIO  
WESTERN DIVISION

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U.S. DISTRICT COURT  
SOUTHERN DIST OHIO  
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UNITED STATES OF AMERICA.

Plaintiff,

vs.

GARY S. KLEIN,

Defendant.

CRIMINAL

NO. CR 1 93 - 0052

INFORMATION

18 U.S.C. § 371

(Judge Rubin)

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The United States charges that:

A. INTRODUCTION

At times material herein:

The Defendant

1. Defendant GARY S. KLEIN ("KLEIN") resides in Matawan, New Jersey. He is the president, a director and sole owner of GSK Management Consultants, Inc., ("GSK"), a New Jersey corporation which he operated out of his home. His wife is the only other director of GSK and is Executive Vice President of GSK. From 1984 through 1990, GSK purported to serve as the U.S. agent for various Israeli contractors in connection with certain General Electric Company ("General Electric") contracts with the Government of Israel under which General Electric, through its General Electric Aircraft Engines business unit ("GEAE") based in Evendale, Ohio, supplied and purported to supply jet aircraft-related equipment and services to the Israeli Air Force ("IAF"). In connection therewith, GSK functioned as a conduit for paperwork and funds.

General Electric's Jet Engine Contract With Israel

2. On or about May 31, 1988, General Electric entered into Contract No. 1296 with Israel, through Israel's Ministry of Defense Mission in New York ("MODNY"), to provide to the IAF seventy-five F110-GE-100 jet aircraft engines, or, at Israel's option, a new engine model called the F110-GE-100A, then under development (the "1988 F110 Contract"). On or about July 11, 1988, MODNY notified General Electric of its decision to exercise this option and acquire the F110-GE-100A engine under the 1988 F110 Contract. The scope of work for the F110-GE-100A option appended to the 1988 F110 Contract set forth that all required flight test efforts would be accomplished by the IAF.

3. During the negotiations for the 1988 F110 Contract, a former Manager of International Government Sales for GEAE ("the GEAE Sales Manager") represented to other General Electric employees that he, on behalf of General Electric, had negotiated with former IAF Brigadier General Rami Dotan ("General Dotan"), acting on behalf of the Israeli Government, an agreement whereby General Electric would provide funding to the IAF for a flight test program for the F110-GE-100A engine. The amount of funding was set at \$7.875 million. This funding agreement was unwritten and was never documented in any fashion.

4. The GEAE Sales Manager then arranged for GSK to be selected by General Electric as the vehicle through which General Electric would purportedly pay the IAF the \$7.875 million to fund the flight test program. The GEAE Sales Manager had a longstanding

friendship and pre-existing business relationship with the defendant KLEIN.

5. The United States provided funding to the Government of Israel for the 1988 F110 Contract under the U.S. Foreign Military Financing ("FMF") Program. The FMF Program is administered by the Defense Security Assistance Agency ("DSAA"), an agency of the U.S. Department of Defense. Pursuant to the requirements of the FMF Program, Israel paid invoices submitted by General Electric for engines delivered under the 1988 F110 Contract, which was previously submitted to the DSAA for approval. Through the engine invoices, General Electric also recovered all or a portion of the cost of the \$7.875 million in funding for the purported flight test program. MODNY then submitted requests for disbursement to DSAA, which included certain certifications regarding the products and services provided by General Electric. Those certifications were made in reliance upon representations made by General Electric to MODNY. Subsequently, DSAA reimbursed MODNY for its payments to General Electric from the FMF trust fund account established for Israel. In this manner, DSAA reimbursed MODNY for all General Electric invoices submitted in connection with the 1988 F110 Contract.

#### B. THE CONSPIRACY

6. From in or about November 1988, and continuing thereafter until in or about 1990, in the Southern District of Ohio and elsewhere, the defendant KLEIN and other persons known and unknown to the United States did unlawfully, willfully and knowingly

combine, conspire and confederate with other divers persons, known and unknown to the United States, to engage in the following conspiracy to commit offenses against the United States:

a. The defendant KLEIN and other persons known and unknown to the United States conspired to knowingly and willfully devise, and aided and abetted others in devising, a scheme and artifice to defraud and obtain money by means of false and fraudulent pretenses, representations and promises, knowing at that time that the pretenses, representations and promises would be and were false when made, and transmitting and causing to be transmitted by means of wire in interstate and foreign commerce writings and signals for the purpose of executing such scheme and artifice in violation of Title 18, United States Code, Sections 1343 and 2.

b. The defendant KLEIN and other persons known and unknown to the United States conspired to knowingly and willfully engage, attempt to engage and cause and aid and abet others in engaging in monetary transactions in criminally derived property that was of a value greater than \$10,000, in violation of Title 18, United States Code, Sections 1957 and 2.

#### C. MANNER AND MEANS

The said unlawful combination, conspiracy, confederation and agreement was to be and was accomplished by the following means and in the following manners:

7. It was a part of the conspiracy that General Electric, acting through the GEAE Sales Manager and others known and unknown

to the United States, would and did pay to GSK a total of approximately \$7.875 million, in several installments, as a conduit, purportedly to fund a flight test program, to be conducted by the IAF, for the F110-GE-100A jet engines sold to Israel under the 1988 F110 Contract.

8. It was a further part of the conspiracy that, out of approximately \$7.875 million that General Electric paid to GSK, purportedly to fund a flight test program for the F110-GE-100A jet engines sold to Israel under the 1988 F110 Contract, at least approximately \$7.4 million would be and was unlawfully misappropriated and diverted to European bank accounts which accounts were controlled by the GEAE Sales Manager and General Dotan.

9. It was a further part of the conspiracy that the defendant KLEIN, and others known and unknown to the United States, would and did engage in monetary transactions, affecting interstate or foreign commerce, in criminally derived property of a value greater than \$10,000, that is, the withdrawals and transfers of previously deposited criminal proceeds from a New Jersey bank account to European bank accounts, such property having been derived from specified unlawful activity, that is, wire fraud.

10. It was a further part of the conspiracy that KLEIN would and did retain approximately \$150,000 of the \$7.875 million as compensation for his participation in the misappropriation and diversion of funds.

D. OVERT ACTS

11. In order to further the objects and purposes of this conspiracy, the defendant KLEIN and his co-conspirators, known and unknown to the United States, did commit and cause to be committed the following and other overt acts within the Southern District of Ohio and elsewhere:

(1) In or about November 1988, the GEAE Sales Manager contacted the defendant KLEIN to arrange for GSK to serve as a middleman between General Electric and Israeli subcontractors in funding a flight test program for the F110-GE-100A engine sold under the 1988 F110 Contract.

(2) On or about December 7, 1988, a General Electric employee transmitted from the Southern District of Ohio to the defendant KLEIN a draft of a contract between General Electric and GSK containing a description of the purported flight test-related services to be provided and stating that a total of \$7.875 million was to be paid GSK by General Electric. According to the draft contract, this amount was to be paid according to the following payment schedule: \$2.5 million on January 15, 1989, \$1.5 million on March 15, 1989, \$500,000 on July 15, 1989, \$2 million on October 15, 1989 and \$1.375 million on January 15, 1990. The proposed payment schedule bore no relation to any work for a flight test program.

(3) On or about January 5, 1989, General Electric transmitted, by facsimile, from the Southern District of Ohio to the defendant KLEIN a request for quotation ("RFQ") for a contract

to perform services in connection with the flight test program. The RFQ contained a description of the purported services to be performed by GSK and stated that, "Subsequent to award of contract, [GSK], [General Electric] and the [IAF] will meet periodically to determine the efforts and priorities to be applied by the seller." No such meetings were ever held.

(4) On or about January 5, 1989, the defendant KLEIN transmitted, by facsimile, to General Electric, in the Southern District of Ohio, a quotation responding to the RFQ and specifying the price and payment schedule set forth in the December 7, 1988 draft proposal.

(5) On or about January 23, 1989, in the Southern District of Ohio, General Electric issued the first of several purchase orders to GSK for services in connection with the flight test program. The first purchase order was for \$2.5 million, covering the first payment under the previously set payment schedule. This purchase order stated that GSK would deliver to General Electric "test reports and results of performance of services."

(6) On or about February 15, 1989, the defendant KLEIN transmitted, by facsimile, to General Electric, in the Southern District of Ohio, the first invoice for purported flight test-related work.

(7) On or about February 23, 1989, based on the first invoice, General Electric caused the wire transfer of \$2.5 million to GSK's account in a New Jersey bank.

(8) On or about March 23, 1989, pursuant to a letter purportedly from an Israeli national, the defendant KLEIN caused the wire transfer, from the New Jersey bank account to a numbered bank account in Brussels, Belgium, of approximately \$600,000 of the amount received from General Electric in connection with GSK's first invoice. Hereinafter, each of the letters of this type, which all bore the same signature and instructed the defendant KLEIN on the amount of the transfer and the identity of the foreign bank account receiving the transfer, is referred to as an "instruction letter." There was no logical, legitimate reason for the instructions to transfer to numbered bank accounts in Europe funds purportedly designated for a flight test program for the IAF.

(9) On or about March 24, 1989, the defendant KLEIN transmitted to General Electric, in the Southern District of Ohio, the second invoice for purported flight test-related work.

(10) On or about May 24, 1989, the defendant KLEIN transmitted to General Electric, in the Southern District of Ohio, an amended second invoice for purported flight test-related work.

(11) On or about June 5, 1989, pursuant to an instruction letter, the defendant KLEIN caused the wire transfer, from the New Jersey bank account to a numbered bank account in Konstanz, Germany, of approximately \$1,550,000 of the amount received from General Electric in connection with GSK's first invoice.

(12) On or about June 21, 1989, General Electric transmitted from the Southern District of Ohio to the defendant KLEIN a second



purchase order for \$1.5 million, covering the second payment under the previously set payment schedule.

(13) On or about July 6, 1989, based on GSK's amended second invoice, General Electric caused the wire transfer of approximately \$1.5 million to GSK's New Jersey bank account.

(14) On or about July 24, 1989, the defendant KLEIN transmitted to General Electric, in the Southern District of Ohio, a third invoice for purported flight test-related work.

(15) On or about July 28, 1989, General Electric transmitted from the Southern District of Ohio to the defendant KLEIN a third purchase order for \$500,000, covering the third payment under the previously set payment schedule.

(16) Based on GSK's third invoice, on or about August 1, 1989, General Electric caused the wire transfer of approximately \$500,000 to GSK's New Jersey bank account.

(17) On or about September 18, 1989, pursuant to an instruction letter, the defendant KLEIN caused the wire transfer, from the New Jersey bank account to a numbered bank account in Brussels, Belgium, of approximately \$2 million of the amount received from General Electric in connection with GSK's second and third invoices.

(18) On or about September 21, 1989, the defendant KLEIN withdrew, as his share of the criminal proceeds of the fraudulent flight test transaction, approximately \$50,000 from the funds received from General Electric in connection with GSK's first invoice.

(19) On or about October 10, 1989, the defendant KLEIN transmitted to General Electric, in the Southern District of Ohio, a fourth invoice for purported flight test-related work.

(20) On or about October 18, 1989, General Electric transmitted from the Southern District of Ohio to the defendant KLEIN a fourth purchase order for \$2 million, covering the fourth payment under the previously set payment schedule.

(21) Based on GSK's fourth invoice, on or about October 24, 1989, General Electric caused the wire transfer of approximately \$2 million to GSK's New Jersey bank account.

(22) On or about November 27, 1989, pursuant to an instruction letter, the defendant KLEIN caused the wire transfer, from the New Jersey bank account to a numbered bank account in Brussels, Belgium, of the approximately \$2 million received from General Electric in connection with GSK's fourth invoice.

(23) On or about January 7, 1990, the defendant KLEIN transmitted, by facsimile, to General Electric, in the Southern District of Ohio, a fifth invoice for purported flight test-related work.

(24) On or about January 16, 1990, the defendant KLEIN caused the wire transfer, from the New Jersey bank account to a bank in Israel, of approximately \$300,000 of funds received from General Electric in connection with GSK's first invoice for the flight test.

(25) On or about January 23, 1990, General Electric transmitted from the Southern District of Ohio to the defendant

KLEIN a fifth purchase order for \$1.375 million, covering the fifth payment under the previously set payment schedule.

(26) Based on GSK's fifth invoice, on or about January 31, 1990, General Electric caused the wire transfer of approximately \$1.375 million to GSK's New Jersey bank account.

(27) Of the amount received on or about January 31, 1990, the defendant KLEIN retained approximately \$100,000 as his share of the criminal proceeds of the fraudulent flight test transaction.

(28) On or about March 7, 1990, pursuant to an instruction letter, the defendant KLEIN caused the wire transfer, from the New Jersey bank account to a numbered bank account in Brussels, Belgium, of approximately \$1.275 million of the \$1.375 million received from General Electric in connection with GSK's final invoice.

\* \* \* \*

All in violation of Title 18, United States Code, Section 371.



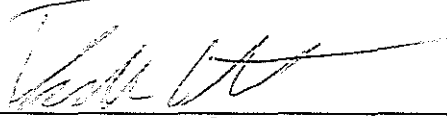
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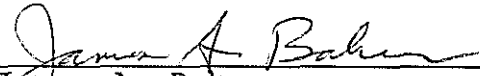
  
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