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UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION
October 2008 Grand Jury

UNITED STATES OF AMERICA,	)	SA CR No. _____
)	
Plaintiff,	)	<u>I N D I C T M E N T</u>
)	
v.	)	[18 U.S.C. § 371: Conspiracy;
	)	15 U.S.C. § 78dd-2: Foreign
STUART CARSON,	)	Corrupt Practices Act; 18
HONG CARSON,	)	U.S.C. § 1952: Travel Act; 18
a/k/a "Rose Carson,"	)	U.S.C. § 1519: Destruction of
PAUL COSGROVE,	)	Records; 18 U.S.C. § 2: Aiding
DAVID EDMONDS,	)	and Abetting and Causing an Act
FLAVIO RICOTTI, and	)	To Be Done]
HAN YONG KIM,)	
)	
Defendants.)	
)	
)	
)	

The Grand Jury charges:

INTRODUCTION

At all times relevant to this Indictment:

1. The Foreign Corrupt Practices Act of 1977 ("FCPA"), as amended, Title 15, United States Code, Sections 78dd-1, et seq., was enacted by Congress for the purpose of making it unlawful,

1 among other things, for certain United States persons and
2 business entities to act corruptly in furtherance of an offer,
3 promise, authorization, or payment of money or anything of value
4 to a foreign government official (or to any person, while knowing
5 that the money or thing of value will be offered, given or
6 promised to a foreign official), for the purpose of securing any
7 improper advantage, or of assisting in obtaining or retaining
8 business for and with, or directing business to, any person.

9 2. The Travel Act, Title 18, United States Code, Section
10 1952, makes it unlawful to travel in interstate or foreign
11 commerce or use the mail or any facility in interstate or foreign
12 commerce, with intent to promote, manage, establish, carry on, or
13 facilitate the promotion, management, establishment, or carrying
14 on, of certain unlawful activity, including commercial bribery in
15 violation of the laws of the state of California.

16 Relevant Individuals and Entities

17 3. Company A was a Delaware corporation headquartered in
18 Rancho Santa Margarita ("RSM"), California, that designed and
19 manufactured control valves for use in the nuclear, oil and gas,
20 and power generation industries worldwide. Company A sold its
21 products to both state-owned and private companies in over thirty
22 countries around the world. Because Company A was organized
23 under the laws of a State of the United States and had its
24 principal place of business in the United States, it was a
25 "domestic concern" as that term is defined in the FCPA.

26 4. Defendant STUART CARSON ("S. CARSON") was the Chief
27 Executive Officer ("CEO") of Company A from in or around 1989
28 through in or around 2005. Defendant S. CARSON was the prime

1 architect of Company A's friend-in-camp ("FIC") sales model, in
2 which Company A employees and agents cultivated special
3 relationships with employees of its state-owned and private
4 customers. In many instances, Company A employees and agents
5 made corrupt payments to the FICs for the purpose of obtaining
6 and retaining business for Company A. Company A personnel
7 sometimes referred to these corrupt payments as "flowers." From
8 in or around January 2003 through in or around August 2005,
9 defendant S. CARSON caused Company A employees and agents to make
10 corrupt payments totaling approximately \$4.3 million to officers
11 and employees of state-owned companies, and corrupt payments
12 totaling approximately \$1.8 million to officers and employees of
13 private companies. Defendant S. CARSON was a citizen of the
14 United States and thus was a "domestic concern" and an officer,
15 director, employee and agent of a "domestic concern" as those
16 terms are defined and used in the FCPA.

17 5. Defendant HONG CARSON, also known as "Rose Carson" ("R.
18 CARSON"), was Company A's Manager of Sales for China and Taiwan
19 from in or around 1995 through in or around 2000 and then served
20 as the Director of Sales for China and Taiwan from in or around
21 2000 through in or around 2007. Defendant R. CARSON was the wife
22 of defendant S. CARSON. From in or around 2003 through in or
23 around 2007, defendant R. CARSON caused Company A employees and
24 agents to make corrupt payments totaling approximately \$1 million
25 to officers and employees of state-owned companies, and corrupt
26 payments totaling approximately \$43,000 to officers and employees
27 of private companies. Additionally, on or about August 17, 2007,
28 after learning that Company A had hired counsel to conduct an

1 internal investigation into Company A's corrupt payments, and
2 just prior to her interview with Company A's counsel, defendant
3 R. CARSON intentionally destroyed documents by flushing the
4 documents down a toilet in the Company A ladies' room. Defendant
5 R. CARSON was a citizen of the United States and thus was a
6 "domestic concern" and an employee and agent of a "domestic
7 concern" as those terms are defined and used in the FCPA.

8 6. Defendant PAUL COSGROVE ("COSGROVE") was Executive Vice
9 President of Company A from in or around 2002 through in or
10 around 2007 and served as the Head of Company A's Worldwide Sales
11 Department from in or around 1992 through in or around 2007.
12 Defendant COSGROVE was the second highest ranking executive at
13 Company A and was responsible for approving many of the corrupt
14 payments made by employees and agents of Company A to officers
15 and employees of state-owned and private companies. From in or
16 around 2003 through in or around 2007, defendant COSGROVE caused
17 Company A employees and agents to make corrupt payments totaling
18 approximately \$1.9 million to officers and employees of state-
19 owned companies, and corrupt payments totaling approximately
20 \$300,000 to officers and employees of private companies.
21 Defendant COSGROVE was a citizen of the United States and thus
22 was a "domestic concern" and an officer, director, employee and
23 agent of a "domestic concern" as those terms are defined and used
24 in the FCPA.

25 7. Defendant DAVID EDMONDS ("EDMONDS") was the Vice-
26 President of Worldwide Customer Service at Company A from in or
27 around 2000 through in or around 2007. In this capacity,
28 defendant EDMONDS oversaw Company A's replacement parts sales and

1 the servicing of existing valves. From in or around 2003 through
2 in or around 2007, defendant EDMONDS caused Company A employees
3 and agents to make corrupt payments totaling approximately
4 \$430,000 to officers and employees of state-owned companies, and
5 corrupt payments totaling approximately \$220,000 to officers and
6 employees of private companies. Defendant EDMONDS was a citizen
7 of the United States and thus was a "domestic concern" and an
8 employee and agent of a "domestic concern" as those terms are
9 defined and used in the FCPA.

10 8. Defendant FLAVIO RICOTTI ("RICOTTI") was Company A's
11 Vice-President and Head of Sales for Europe, Africa, and the
12 Middle East ("EAME") from in or around 2001 through in or around
13 2007. From in or around 2003 through in or around 2007,
14 defendant RICOTTI caused Company A employees and agents to make
15 corrupt payments totaling approximately \$750,000 to officers and
16 employees of state-owned companies, and corrupt payments totaling
17 approximately \$380,000 to officers and employees of private
18 companies. Defendant RICOTTI was a citizen of Italy and served
19 as an agent of Company A and thus was an agent of a "domestic
20 concern" as that term is defined and used in the FCPA.

21 9. Defendant HAN YONG KIM ("KIM") was the President of
22 Company A's Korean office from in or around 1997 through in or
23 around 2005. From in or around 2005 through in or around 2007,
24 defendant KIM served as a consultant to Company A's Korean
25 office. From in or around 2003 through in or around 2007,
26 defendant KIM caused Company A employees and agents to make
27 corrupt payments totaling approximately \$200,000 to officers and
28 employees of state-owned companies, and corrupt payments totaling

1 approximately \$350,000 to officers and employees of private
2 companies. Defendant KIM was a citizen of Korea and served as an
3 agent of Company A and thus was an agent of a "domestic concern"
4 as that term is defined and used in the FCPA.

5 10. Richard Morlok ("Morlok") was Company A's Finance
6 Director from in or around 2002 through in or around 2007. From
7 in or around 2003 through in or around 2006, Morlok caused
8 Company A employees and agents to make corrupt payments totaling
9 approximately \$628,000 to officers and employees of state-owned
10 companies. Morlok was a citizen of the United States and thus
11 was a "domestic concern" and an employee and agent of a "domestic
12 concern" as those terms are defined and used in the FCPA.

13 11. Mario Covino ("Covino") was Company A's Director of
14 Worldwide Factory Sales from in or around March 2003 through in
15 or around 2007. In this capacity, he was responsible for
16 overseeing Company A's new construction projects and the
17 replacement of existing valves made by other companies and
18 installed at Company A's customer's plants. From in or around
19 2003 through in or around 2007, Covino caused Company A employees
20 and agents to make corrupt payments totaling approximately \$1
21 million to officers and employees of state-owned companies.
22 Covino was a resident of the United States and thus was a
23 "domestic concern" and an employee and agent of a "domestic
24 concern" as those terms are defined and used in the FCPA.

25 12. Company A's state-owned customers included, but were
26 not limited to, Jiangsu Nuclear Power Corporation ("JNPC")
27 (China), Guohua Electric Power (China), China Petroleum Materials
28 and Equipment Corporation ("CPMEC"), PetroChina, Dongfang

1 Electric Corporation (China), China National Offshore Oil
2 Corporation ("CNOOC"), Korea Hydro and Nuclear Power ("KHNP"),
3 Petronas (Malaysia), and National Petroleum Construction Company
4 ("NPCC") (United Arab Emirates). Each of these state-owned
5 entities was a department, agency, and instrumentality of a
6 foreign government, within the meaning of the FCPA. The officers
7 and employees of these entities, including the Vice-Presidents,
8 Engineering Managers, General Managers, Procurement Managers, and
9 Purchasing Officers, were "foreign officials" within the meaning
10 of the FCPA.

11 13. Company A's private company customers included, but
12 were not limited to, Company 1, Company 2, Company 3, Company 4,
13 and Company 5.

14 Overview of the Corrupt Payments

15 14. Beginning in or around 1998 and continuing through in
16 or around August 2007, defendants S. CARSON, R. CARSON, COSGROVE,
17 EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A
18 and others known and unknown to the Grand Jury, made and caused
19 Company A employees and agents to make corrupt payments to
20 officers and employees of numerous state-owned and privately-
21 owned customers around the world for the purpose of assisting in
22 obtaining or retaining business for Company A. Between in or
23 around 2003 and in or around 2007, these corrupt payments to
24 officers and employees of state-owned customers totaled \$4.9
25 million, and the corrupt payments to officers and employees of
26 privately-owned customers totaled approximately \$1.95 million.
27 Thus, approximately \$6.85 million in total improper payments were
28 made in approximately 236 payments in over thirty countries and

1 resulted in net profits to Company A of approximately \$46.5
2 million from the sales related to those corrupt payments.

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1 COUNT ONE

2 [18 U.S.C. § 371]

3 15. Paragraphs 1 through 14 are realleged and incorporated
4 by reference as though set forth herein.

5 OBJECTS OF THE CONSPIRACY

6 16. Beginning in or around 1998, and continuing through in
7 or around 2007, in the Central District of California, and
8 elsewhere, defendants S. CARSON, R. CARSON, COSGROVE, EDMONDS,
9 RICOTTI, and KIM, as well as Morlok, Covino, Company A and others
10 known and unknown to the Grand Jury, did unlawfully, willfully
11 and knowingly combine, conspire, confederate and agree to commit
12 offenses against the United States, that is,

13 (A) being a domestic concern and an agent of a domestic
14 concern, to willfully make use of the mails and the means and
15 instrumentalities of interstate commerce corruptly in furtherance
16 of an offer, payment, promise to pay, and authorization of the
17 payment of any money, offer, gift, promise to give, and
18 authorization of the giving of anything of value to any foreign
19 official, and to any person, while knowing that the money or
20 thing of value will be offered, given, or promised to a foreign
21 official, for purposes of: (i) influencing acts and decisions of
22 such foreign official in his official capacity; (ii) inducing
23 such foreign official to do and omit to do acts in violation of
24 the lawful duty of such official; (iii) securing an improper
25 advantage; and (iv) inducing such foreign official to use his
26 influence with a foreign government and instrumentalities thereof
27 to affect and influence acts and decisions of such government and
28 instrumentalities, in order to assist defendants S. CARSON, R.

1 CARSON, COSGROVE, EDMONDS, RICOTTI, and KIM, as well as Morlok,
2 Covino, Company A and others known and unknown to the Grand Jury
3 in obtaining and retaining business for and with, and directing
4 business to, Company A and others, in violation of Title 15,
5 United States Code, Section 78dd-2(a); and

6 (B) to travel and cause travel in interstate and foreign
7 commerce and use the mail and any facility in interstate and
8 foreign commerce, with the intent to promote, manage, establish,
9 carry on, and facilitate the promotion, management,
10 establishment, and carrying on of an unlawful activity, that is,
11 commercial bribery in violation of California Penal Code Section
12 641.3, and thereafter to perform and attempt to perform and cause
13 the performance of an act to promote, manage, establish and carry
14 on, and to facilitate the promotion, management, establishment
15 and carrying on of such unlawful activity, in violation of Title
16 18, United States Code, Section 1952(a)(3).

17 PURPOSE OF THE CONSPIRACY

18 17. The purpose of the conspiracy was to make corrupt
19 payments to officers and employees of state-owned and private
20 companies in order to secure and maintain business for Company A.

21 THE MANNERS AND MEANS OF THE CONSPIRACY

22 18. Defendants S. CARSON, R. CARSON, COSGROVE, EDMONDS,
23 RICOTTI, and KIM, as well as Morlok, Covino, Company A and others
24 known and unknown to the Grand Jury employed various manners and
25 means to carry out the conspiracy, including but not limited to
26 the following:

27 a. Defendants S. CARSON, R. CARSON, COSGROVE,
28 EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A

1 and others known and unknown to the Grand Jury would and did
2 follow a sales model that encouraged Company A salespeople to
3 cultivate FICs, who were typically officers and employees of
4 Company A's state-owned and private customers and who had the
5 authority either to award contracts to Company A or to influence
6 the technical specifications of an order in a manner that would
7 favor Company A.

8 b. As part of the cultivation of FICs at Company A's
9 customers, defendants S. CARSON, R. CARSON, COSGROVE, EDMONDS,
10 RICOTTI, and KIM, as well as Morlok, Covino, Company A and others
11 known and unknown to the Grand Jury would and did cause corrupt
12 payments to be made to the FICs in order to secure business.

13 c. Defendants S. CARSON, R. CARSON, COSGROVE,
14 EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A
15 and others known and unknown to the Grand Jury would and did
16 cause the Company A Finance Department to arrange for direct
17 payments to the FICs, payments to the FICs through Company A's
18 representatives and salespeople, and payments to the FICs through
19 Company A's "consultants" who were retained for the purpose of
20 acting as pass-through entities for the improper payments.

21 d. Defendants S. CARSON, R. CARSON, COSGROVE,
22 EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A
23 and others known and unknown to the Grand Jury would and did
24 cause Company A to make corrupt payments to FICs at numerous
25 state-owned entities including, but not limited to, JNPC (China),
26 Guohua Electric Power (China), CPMEC, PetroChina, Dongfang
27 Electric Corporation (China), CNOOC, KHNP, Petronas (Malaysia),
28 and NPCC (United Arab Emirates).

1 e. Defendants S. CARSON, R. CARSON, COSGROVE,
2 EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A
3 and others known and unknown to the Grand Jury would and did
4 cause Company A to make corrupt payments to FICs at numerous
5 private companies including, but not limited to, Company 1,
6 Company 2, Company 3, Company 4, and Company 5.

7 19. Defendants S. CARSON, R. CARSON, COSGROVE, EDMONDS, and
8 RICOTTI, as well as Covino, Company A and others known and
9 unknown to the Grand Jury would and did participate in and
10 arrange for overseas holidays to places such as Disneyland and
11 Las Vegas for officers and employees of state-owned and private
12 customers under the guise of training and inspection trips. The
13 actual purposes of the trips were to reward the customers'
14 officers and employees for causing their employers to purchase
15 Company A products, retain current business for Company A, and
16 obtain new business for Company A.

17 20. Defendants S. CARSON and R. CARSON would and did
18 arrange for the purchase of numerous extravagant vacations they
19 took with executives of both state-owned and private customers
20 for the purpose of securing business and charge all expenses,
21 including those of the customers, to Company A. Such expenses
22 included first-class airfare to destinations such as Hawaii,
23 five-star hotel accommodations, charter boat trips, and similar
24 luxuries.

25 21. Defendants S. CARSON, R. CARSON, and COSGROVE would and
26 did cause Company A to pay the college tuition of the children of
27 at least two executives at Company A's state-owned customers for
28 the purpose of securing business.

1 22. Defendants S. CARSON, R. CARSON, COSGROVE, EDMONDS, and
2 RICOTTI, as well as Covino, Company A and others known and
3 unknown to the Grand Jury would and did host and attend lavish
4 sales events to entertain current and potential state-owned and
5 private customers for the purpose of securing business. Company
6 A paid for a large portion of the costs associated with these
7 events, including hotel costs, meals, greens fees for golf, and
8 travel expenses.

9 23. Defendants S. CARSON, R. CARSON, COSGROVE, and EDMONDS
10 and others known and unknown to the Grand Jury would and did give
11 expensive gifts to officers and employees of state-owned and
12 private customers for the purpose of assisting in securing
13 business.

14 24. Defendant S. CARSON would and did attempt to halt a
15 2004 internal audit of commission payments conducted by Company
16 A's parent company.

17 25. Defendants R. CARSON, EDMONDS, and KIM, as well as
18 Morlok, Covino, Company A and others known and unknown to the
19 Grand Jury would and did provide false information to internal
20 auditors in connection with Company A's parent company's audit of
21 commission payments, falsely deny that improper payments had
22 occurred, and provide false and misleading responses to the
23 auditors.

24 26. Defendant EDMONDS would and did cause the creation of
25 false invoices in an attempt to mislead the internal auditors and
26 to convince the auditors that certain commission payments made to
27 Company A's customers were actually legitimate payments, when
28 defendant EDMONDS knew that the payments were actually improper.

1 27. Following the internal audit, defendants S. CARSON,
2 COSGROVE, EDMONDS, and RICOTTI, as well as Morlok, Covino and
3 others known and unknown to the Grand Jury would and did continue
4 to encourage and approve improper payments to officers and
5 employees of state-owned and private customers, but would and did
6 instruct Company A employees not to use terms such as "FIC,"
7 "flowers," or "special arrangement" in emails.

8 28. Defendant EDMONDS would and did cause the preparation
9 of a spreadsheet for the purpose of making it appear that several
10 FIC payments in Korea were legitimate, when defendant EDMONDS
11 knew that the payments were actually improper.

12 29. Defendants R. CARSON, COSGROVE, EDMONDS, and RICOTTI,
13 as well as Covino and others known and unknown to the Grand Jury
14 would and did provide false and misleading information to Company
15 A's attorneys in connection with an August 2007 internal
16 investigation into Company A's commission payments, and would and
17 did falsely deny that improper payments had been made.

18 30. Defendant R. CARSON would and did destroy documents in
19 connection with Company A's August 2007 internal investigation
20 into Company A's commission payments by, among other things,
21 taking such documents to the Company A ladies' room, tearing up
22 the documents, and flushing them down a toilet. Defendant R.
23 CARSON would and did continue to flush documents down the toilet
24 even after a representative of the Company A Human Resources
25 Department instructed her to stop doing so.

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1 account at UBS in Switzerland for the purpose of making a corrupt
2 payment to a JNPC official with regard to the Tianwan Nuclear
3 Power Plant project.

4 Overt Act No. 5: On or about July 14, 2000, defendant R.
5 CARSON sent a "confidential" email to other Company A executives
6 stating that "we have already paid them \$100,000 so that rest of
7 \$100,000 will be pay to them when they stay here."

8 **Corrupt Dealings with KHNP Officials**

9 Overt Act No. 6: On or about November 1, 2003, defendant S.
10 CARSON sent an email to defendant KIM stating "Please try very
11 hard to find a Friend in Camp for us on Shin Kori/Wolsong. Use
12 your contacts, [President of Company A's representative in
13 Korea's, CCI employee's], anybodies, but get us a FIC who can
14 help us win this order. I'm will to pay big money for a
15 FIC/Consultant."

16 Overt Act No. 7: On or about November 4, 2003, defendant
17 KIM wrote a return email to defendant S. CARSON stating "The
18 biggest problem is not the volume of flower or how close we are
19 with those guys. The problem is the overall climate of KHNP and
20 Korean society. The former president of KHNP, Mr. [foreign
21 official] who is a good friends of Company A, was fired because
22 he helped some vendors. Everybody is talking that he must go to
23 jail. . . . We need a strong guy who can take the risk but there
24 is no one nowadays. . . . The possibility is not so high but
25 [President of Company A's representative in Korea] and I am still
26 trying very hard to get the consultant."

27 Overt Act No. 8: On or about February 12, 2004, Covino sent
28 an email to defendant COSGROVE stating "Paul, I need your

1 approval on the commission for the Condense Stem Dump valves for
2 Wolsong 3 & 4 valued at \$1.8MM (GM: 55%). Besides what Hanyong
3 is asking, the real situation is as follows: (1) 5% for [Company
4 A's representative in Korea]; (2) 5% for Mr. [foreign official]
5 (KHNP Vice-President) - [Company A's representative in Korea] has
6 already committed; (3) 2% for other three people at site."

7 Overt Act No. 9: On or about February 5, 2004, defendant
8 KIM sent an email to a Company A employee indicating that, with
9 regard to the KHNP Wolsong 3 & 4 project, a 5% commission to
10 Company A's representative in Korea was appropriate and that he
11 needed "another 2% for site people."

12 Overt Act No. 10: On or about February 12, 2004, defendant
13 COSGROVE approved the payment of a 12% commission on the Wolsong
14 3 & 4 project, with 5% going to a KHNP Vice President and 2%
15 going to three other employees of KHNP for the purpose of
16 securing KHNP's business with regard to the Wolsong 3 & 4 project
17 in Korea.

18 Overt Act No. 11: On or about March 30, 2004, defendant KIM
19 wrote to a Company A salesperson that "[President of Company A's
20 representative in Korea] promised 5% to FIC. So FIC made a
21 budget and approved it very quickly."

22 Overt Act No. 12: On or about September 21, 2004,
23 defendants S. CARSON, COSGROVE and KIM caused Company A to wire a
24 commission payment of approximately \$250,200 from its Wells Fargo
25 bank account in California to an account at Citibank in New York
26 for the purpose of making corrupt payments to KHNP officials with
27 regard to the Wolsong 3 & 4 project.

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1 **Additional Corrupt Dealings with KHNP Officials**

2 Overt Act No. 13: On or about April 21, 2004, defendants
3 EDMONDS and KIM, as well as Morlok caused Company A to wire a
4 commission payment of approximately \$57,658 from its Wells Fargo
5 bank account in California to an account at Industrial Bank in
6 Korea for the purpose of making a corrupt payment to a KHNP
7 official related to the Wolsong and YGN projects in Korea.

8 Overt Act No. 14: On or about April 29, 2004, defendants
9 EDMONDS and KIM, as well as Morlok caused Company A to wire a
10 payment of approximately \$17,479 from its Wells Fargo bank
11 account in California to an account at Industrial Bank in Korea
12 for the purpose of concealing the corrupt payment to the KHNP
13 official related to the Wolsong and YGN projects in Korea.

14 Overt Act No. 15: In or around August 2004, defendant
15 EDMONDS caused the creation of a false invoice that was
16 purportedly from "Power Engineering Company" in the amount of
17 \$29,426 to cover up the corrupt payment to the KHNP official
18 related to the Wolsong project in Korea.

19 Overt Act No. 16: In or around August 2004, defendant
20 EDMONDS caused the creation of a false invoice that was
21 purportedly from "Namkwang Company" in the amount of \$27,747 to
22 cover up the corrupt payment to the KHNP official related to the
23 YGN project in Korea.

24 **Corrupt Dealings with PetroChina Official**

25 Overt Act No. 17: On or about March 18, 2004, defendant R.
26 CARSON approved the payment of approximately \$15,000 to an
27 official of PetroChina, a Chinese state-owned oil and gas
28 company, for the purpose of securing PetroChina's business with

1 regard to the Sichuan Natural Gas project in China.

2 Overt Act No. 18: On or about April 6, 2004, defendant
3 COSGROVE approved the release of a payment of approximately
4 \$15,000 from Company A to an official of PetroChina for the
5 purpose of securing PetroChina's business with regard to the
6 Sichuan Natural Gas project in China.

7 Overt Act No. 19: On or about April 13, 2004, defendants R.
8 CARSON and COSGROVE caused Company A to wire a commission payment
9 of approximately \$15,000 from its Wells Fargo bank account in
10 California to an account at the Bank of China for the purpose of
11 making a corrupt payment to a PetroChina official with regard to
12 the Sichuan Natural Gas project in China.

13 **Corrupt Dealings with CPMEC Officials**

14 Overt Act No. 20: On or about November 10, 2003, a Company
15 A salesperson sent an email to defendant R. CARSON stating, with
16 respect to the sale of a valve on the Kela-2 project to CPMEC, a
17 Chinese state-owned company, that Company A's price was \$520,040
18 and that "the customer marked the price to USD749,040 and
19 required USD229,000 feeded back as consultant fee."

20 Overt Act No. 21: On or about November 25, 2003, at
21 defendant R. CARSON'S request, defendant COSGROVE approved the
22 payment of approximately \$229,000 from Company A to officials of
23 CPMEC for the purpose of securing CPMEC's business with regard to
24 the Kela-2 project in China.

25 Overt Act No. 22: On or about April 20, 2004, defendants R.
26 CARSON and COSGROVE caused Company A to make a cash payment of
27 approximately \$2,000 at Los Angeles International Airport to
28 officials of CPMEC for the purpose of securing CPMEC's business

1 with regard to the Kela-2 project in China.

2 Overt Act No. 23: On or about January 20, 2004, defendants
3 R. CARSON and COSGROVE caused Company A to wire a commission
4 payment of approximately \$30,000 from its Wells Fargo bank
5 account in California to an account at the Bank of China for the
6 purpose of making a corrupt payment to a CPMEC official with
7 regard to the Kela-2 project in China.

8 Overt Act No. 24: On or about October 15, 2004, defendants
9 R. CARSON and COSGROVE caused Company A to wire a commission
10 payment of approximately \$100,000 from its Wells Fargo bank
11 account in California to an account at Hang Seng Bank in China
12 for the purpose of making a corrupt payment to a CPMEC official
13 with regard to the Kela-2 project in China.

14 Overt Act No. 25: On or about January 14, 2005, defendants
15 R. CARSON and COSGROVE caused Company A to wire a commission
16 payment of approximately \$59,005.20 from its Wells Fargo bank
17 account in California to an account at Hang Seng Bank in China
18 for the purpose of making a corrupt payment to a CPMEC official
19 with regard to the Kela-2 project in China.

20 Overt Act No. 26: On or about March 1, 2005, defendants R.
21 CARSON and COSGROVE caused Company A to wire a commission payment
22 of approximately \$33,706.80 from its Wells Fargo bank account in
23 California to an account at Hang Seng Bank in China for the
24 purpose of making a corrupt payment to a CPMEC official with
25 regard to the Kela-2 project in China.

26 **Corrupt Dealings with CNOOC Officials**

27 Overt Act No. 27: On or about December 30, 2003, a Company
28 A salesperson in China sent an email to defendant R. CARSON, as

1 well as Covino and others with regard to the sale of valves for
2 the Chunxiao Gas Complex Development by Company A to CNOOC, a
3 Chinese state-owned entity, stating "the customer agreed to
4 marked up the price to \$250,000, and required \$65,000 feedback
5 beside the 2% of the commission. . . . Therefore the total
6 commission is \$68,700. The distribution of this commission as
7 following: \$3700 as consultant fee to the Design Institute;
8 \$65,000 as commission to the enduser."

9 Overt Act No. 28: On or about April 14, 2004, defendant
10 COSGROVE sent an email regarding this project to defendant S.
11 CARSON stating that "Rose says we need to take this for future
12 opportunities I need your approval."

13 Overt Act No. 29: On or about April 15, 2004, defendant S.
14 CARSON approved the proposed payment from Company A to an
15 official of CNOOC for the purpose of securing CNOOC's business
16 with regard to the Chunxiao Gas Complex Development in China and
17 future business, stating in an email that "It is my understanding
18 that this job has been delayed by us for 3 months. I authorize
19 engineering procurement and manufacturing to begin. I make this
20 authorization based on my agreement that Rose will reduce
21 commissions payable and clean up the T&C's on this job"

22 Overt Act No. 30: On or about April 16, 2004, defendant R.
23 CARSON's assistant sent an email to defendants S. CARSON and
24 COSGROVE, as well as Morlok and others stating "Hereinafter is
25 the message from Rose: The commission included in the contract
26 price is actually what the customer added on our quotation which
27 won't influence our margin. . . . [Company A salesperson in
28 China] - Rose instructed you to explain the details regarding

1 commission to all the gentlemen on the above email list."

2 Overt Act No. 31: On or about April 18, 2004, the Company A
3 salesperson explained the arrangement to defendants S. CARSON, R.
4 CARSON and COSGROVE, as well as Morlok by email: "Our final
5 decision price is \$185k and including 2% commission. Customer
6 marked up to \$250k as final contract price and required the
7 balance feedback as commission, therefore the total commission is
8 \$68.7k."

9 Overt Act No. 32: On or about January 14, 2005, defendants
10 S. CARSON, R. CARSON and COSGROVE, as well as Morlok caused
11 Company A to wire a commission payment of approximately \$58,500
12 from its Wells Fargo bank account in California to a bank account
13 at Hang Seng Bank in China for the purpose of making a corrupt
14 payment to a CNOOC official with regard to the Chunxiao Gas
15 Complex Development in China.

16 **Corrupt Dealings with NPCC Officials**

17 Overt Act No. 33: On or about April 28, 2005, a Company A
18 salesperson sent an email to defendant RICOTTI stating "Munther
19 called me up today and he wants me to confirm a 5% commission on
20 the OGDIII Chokes job (NPCC), he's got two key FICs within NPCC
21 under his control (including the Project Direct [foreign
22 official]) and deals have to be made now. Out of these 5%, 3%
23 will go to his FICs and 2% to him. I told him that we could
24 commit only 4% at this stage, and if we are not required to
25 reduce our current pricing too much we could increase it back to
26 5%, he agreed. What do you think, can I proceed?"

27 Overt Act No. 34: On or about April 28, 2005, defendant
28 RICOTTI sent a reply email to the Company A salesperson stating

1 "well done and approved" and thereby approved the payment of
2 \$67,791 from Company A to officials of NPCC, a state-owned
3 petroleum company in the United Arab Emirates ("UAE"), for the
4 purpose of securing NPCC's business with regard to the OGD III
5 project in the UAE.

6 Overt Act No. 35: On or about April 2, 2007, defendant
7 RICOTTI caused Company A to wire a commission payment of
8 approximately \$161,413.31 from its Wells Fargo bank account in
9 California to an account at Arab Bank in the UAE for the purpose
10 of making corrupt payments to NPCC officials with regard to the
11 OGD III project in the UAE.

12 Overt Act No. 36: On or about April 13, 2007, defendant
13 RICOTTI caused Company A to wire a commission payment of
14 approximately \$100,000 from its Wells Fargo bank account in
15 California to an account at Arab Bank in the UAE for the purpose
16 of making corrupt payments to NPCC officials with regard to the
17 OGD III project in the UAE.

18 **Corrupt Dealings with Dongfang Electric Corporation Officials**

19 Overt Act No. 37: On or about March 19, 2004, defendant R.
20 CARSON sent an email to defendants COSGROVE and EDMONDS
21 requesting approval to pay three officials of Dongfang Electric
22 Corporation, a Chinese state-owned company, 9% of the total
23 contract value and an additional \$2,000 to each FIC with regard
24 to the Huizhou, Qianwan, and Shenzhen projects in China.

25 Overt Act No. 38: On or about March 24, 2004, defendants
26 COSGROVE and EDMONDS approved the payment of approximately
27 \$671,695 from Company A to officials of Dongfang Electric
28 Corporation for the purpose of securing business with regard to

1 the Huizhou, Qianwan, and Shenzhen projects in China.

2 Overt Act No. 39: On or about February 1, 2005, defendants
3 R. CARSON, COSGROVE, and EDMONDS caused Company A to wire a
4 commission payment of approximately \$104,539.25 from its Wells
5 Fargo bank account in California to an account at HSBC in China
6 for the purpose of making corrupt payments to Dongfang officials
7 with regard to the Huizhou, Qianwan, and Shenzhen projects in
8 China.

9 Overt Act No. 40: On or about February 2, 2005, defendants
10 R. CARSON, COSGROVE, and EDMONDS caused Company A to wire a
11 commission payment of approximately \$125,447.10 from its Wells
12 Fargo bank account in California to an account at HSBC in China
13 for the purpose of making corrupt payments to Dongfang officials
14 with regard to the Huizhou, Qianwan, and Shenzhen projects in
15 China.

16 **Corrupt Dealings with Guohua Electric Power Official**

17 Overt Act No. 41: On or about October 19, 2003, defendant
18 COSGROVE, at the request of defendant R. CARSON, approved the
19 payment of approximately \$36,146 from Company A to an official of
20 Guohua Electric Power, a Chinese state-owned power company, for
21 the purpose of securing Guohua Electric Power's business with
22 regard to the Taishan II project in China.

23 Overt Act No. 42: On or about October 21, 2003, defendants
24 R. CARSON and COSGROVE caused Company A to wire a commission
25 payment of approximately \$24,500 from its Wells Fargo bank
26 account in California to an account at Mellon Bank in
27 Pennsylvania to pay the tuition of the Guohua Electric Power
28 official's son, a student at the University of Pennsylvania, for

1 the purpose of making a corrupt payment to the Guohua Electric
2 Power official with regard to the Taishan II project in China.

3 Overt Act No. 43: On or about October 21, 2003, defendants
4 R. CARSON and COSGROVE caused Company A to wire a commission
5 payment of approximately \$11,646 from its Wells Fargo bank
6 account in California to an account at PNC Bank in Pennsylvania
7 to pay the tuition of the Guohua Electric Power official's son, a
8 student at the University of Pennsylvania, for the purpose of
9 making corrupt payments to the Guohua Electric Power official
10 with regard to the Taishan II project in China.

11 **Corrupt Dealings with Petronas Official**

12 Overt Act No. 44: On or about November 6, 2003, defendant
13 EDMONDS approved the payment of approximately \$98,000 from
14 Company A to an official of Petronas, a Malaysian state-owned
15 petroleum company, for the purpose of securing Petronas' business
16 with regard to the Petronas GPP shutdown project.

17 Overt Act No. 45: On or about January 6, 2004, defendant
18 EDMONDS caused Company A to wire a commission payment of
19 approximately \$98,000 from its Wells Fargo bank account in
20 California to an account at RHB Bank in Malaysia for the purpose
21 of making a corrupt payment to a Petronas official with regard to
22 the Petronas GPP shutdown project.

23 **Corrupt Dealings with Company 1 Employee**

24 Overt Act No. 46: On or about December 2, 2003, defendant
25 EDMONDS approved the payment of approximately \$10,000 from
26 Company A to an employee of Company 1, a private company in
27 China, for the purpose of securing Company 1's business with
28 regard to the Meizhouwan project in China.

1 Overt Act No. 47: On or about March 9, 2004, defendant
2 EDMONDS caused Company A to wire a commission payment of
3 approximately \$10,000 from its Wells Fargo bank account in
4 California to an account at China Construction Bank in China for
5 the purpose of making a corrupt payment to a Company 1 employee
6 with regard to the Meizhouwan project in China.

7 **Additional Corrupt Dealings with Company 1 Employee**

8 Overt Act No. 48: On or about April 5, 2004, defendant
9 EDMONDS approved the payment of approximately \$5,000 from Company
10 A to an employee of Company 1 for the purpose of securing Company
11 1's business with regard to the Meizhouwan project in China.

12 Overt Act No. 49: On or about April 25, 2005, defendant
13 EDMONDS caused Company A to wire a commission payment of
14 approximately \$5,000 from its Handelsbanken bank account in
15 Sweden to an account at the Bank of China for the purpose of
16 making a corrupt payment to a Company 1 employee with regard to
17 the Meizhouwan project in China.

18 **Corrupt Dealings with Company 4 Employee**

19 Overt Act No. 50: On or about May 2, 2003, a Company A
20 employee sent an email to defendant RICOTTI, as well as Covino
21 and others with regard to Company 4, a private engineering
22 procurement company headquartered in Milan, Italy that controlled
23 certain business in connection with the Kashagan Field
24 Development project in Kazakhstan: "Thru a good contact of mine I
25 have been told that we need to make a deal with [employee],
26 Project Procurement Manager [Company 4] EVERY purchase
27 order will be screened and signed off by [employee]. . . . He is
28 working with a 'bag man' and is looking to take commission on all

1 major orders.”

2 Overt Act No. 51: In or around December 2003, defendant
3 RICOTTI approved the payment of approximately \$69,420 from
4 Company A to an employee of Company 4 for the purpose of securing
5 Company 4's business with regard to the Kashagan Field
6 Development project in Kazakhstan.

7 Overt Act No. 52: On or about December 21, 2006, defendant
8 RICOTTI caused Company A to wire a commission payment of
9 approximately \$69,420 from its Wells Fargo bank account in
10 California to an account at Barclays Bank in London for the
11 purpose of making a corrupt payment to a Company 4 employee with
12 regard to the Kashagan Field Development project in Kazakhstan.

13 **Corrupt Dealings with Company 3 Employee**

14 Overt Act No. 53: In or around March 2005, defendant
15 COSGROVE approved the payment of approximately \$163,449 from
16 Company A to an employee of Company 3, a private company
17 headquartered in Moscow, Russia, for the purpose of securing
18 Company 3's business with regard to the SIPAT Thermal Power Plant
19 in India.

20 Overt Act No. 54: On or about November 29, 2005, defendants
21 COSGROVE and RICOTTI caused Company A to wire a commission
22 payment of approximately \$26,865 from its Handelsbanken bank
23 account in Sweden to an account at Dresdner Bank in New York for
24 the purpose of making a corrupt payment to a Company 3 employee
25 with regard to the SIPAT Thermal Power Plant in India.

26 Overt Act No. 55: On or about October 24, 2006, defendants
27 COSGROVE and RICOTTI caused Company A to wire a commission
28 payment of approximately \$136,584.98 from its Handelsbanken bank

1 account in Sweden to an account at Baltic International Bank in
2 Latvia for the purpose of making a corrupt payment to a Company 3
3 employee with regard to the SIPAT Thermal Power Plant in India.

4 **Corrupt Dealings with Company 5 Employee**

5 Overt Act No. 56: In or around January 2002, defendant
6 RICOTTI approved the payment of approximately \$20,045 from
7 Company A to an employee of Company 5, a private company
8 headquartered in Houston, Texas, for the purpose of securing
9 Company 5's business with regard to the Ras Laffan Choke Valves
10 project in Qatar.

11 Overt Act No. 57: On or about February 28, 2005, defendant
12 RICOTTI caused Company A to wire a commission payment of
13 approximately \$11,800 from its Wells Fargo bank account in
14 California to an account at Qatar National Bank for the purpose
15 of making a corrupt payment to a Company 5 employee with regard
16 to the Ras Laffan Choke Valves project in Qatar.

17 **Corrupt Dealings with Company 2 Employee**

18 Overt Act No. 58: On or about July 12, 2003, defendant S.
19 CARSON traveled in interstate commerce, from California to
20 Hawaii, for the purpose of making a corrupt payment to an
21 employee of Company 2, a private company headquartered in San
22 Francisco, California, for the purpose of purchasing a lavish
23 Hawaii vacation for the Company 2 employee to secure future
24 Company 2 business.

25 **Destruction of Records**

26 Overt Act No. 59: On or about August 17, 2007, defendant R.
27 CARSON destroyed documents relevant to Company A's August 2007
28 internal investigation into Company A's commission payments by,

1 among other things, taking such documents to the Company A
2 ladies' room, tearing up the documents, and flushing them down a
3 toilet.

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COUNTS TWO THROUGH TEN

[15 U.S.C. § 78dd-2(a), (g)(2)(A); 18 U.S.C. § 2]

32. Paragraphs 1 through 31 are realleged and incorporated by reference as though set forth herein.

33. On or about the dates set forth below, in the Central District of California, and elsewhere, defendants S. CARSON, R. CARSON, COSGROVE, EDMONDS, RICOTTI, and KIM, who were domestic concerns and agents of domestic concerns within the meaning of the FCPA, willfully made use of, and aided, abetted, and caused others to make use of, the mails and the means and instrumentalities of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, and authorization of the payment of any money, offer, gift, promise to give, and authorization of the giving of anything of value to any foreign official, and to any person, while knowing that the money or thing of value will be offered, given, or promised to any foreign official, for purposes of: (i) influencing acts and decisions of such foreign official in his official capacity; (ii) inducing such foreign official to do and omit to do acts in violation of the lawful duty of such official; (iii) securing an improper advantage; and (iv) inducing such foreign official to use his influence with a foreign government and instrumentalities thereof to affect and influence acts and decisions of such government and instrumentalities, in order to assist defendants S. CARSON, R. CARSON, COSGROVE, EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A and others known and unknown to the Grand Jury in obtaining and retaining business for and with, and directing business to, Company A and others, as follows:

COUNT	DEFENDANTS	ON OR ABOUT DATE	INSTRUMENTALITY OF INTERSTATE COMMERCE	INTENDED FOREIGN PUBLIC OFFICIAL BENEFICIARY
TWO	S. CARSON COSGROVE KIM	9/21/2004	Wire transfer of approximately \$250,200 from California to New York	Official(s) at KHNP
THREE	EDMONDS KIM	4/21/2004	Wire transfer of approximately \$57,658 from California to Korea	Official(s) at KHNP
FOUR	R. CARSON COSGROVE	4/13/2004	Wire transfer of approximately \$15,000 from California to China	Official(s) at PetroChina
FIVE	R. CARSON COSGROVE	3/1/2005	Wire transfer of approximately \$33,706.80 from California to China	Official(s) at CPMEC
SIX	S. CARSON R. CARSON COSGROVE	1/14/2005	Wire transfer of approximately \$58,500 from California to China	Official(s) at CNOOC
SEVEN	RICOTTI	4/2/2007	Wire transfer of approximately \$161,413.31 from California to the UAE	Official(s) at NPCC
EIGHT	R. CARSON COSGROVE EDMONDS	2/2/2005	Wire transfer of approximately \$125,447.10 from California to China	Official(s) at Dongfang
NINE	R. CARSON COSGROVE	10/21/2003	Wire transfer of approximately \$24,500 from California to Pennsylvania	Official(s) at Guohua

TEN	EDMONDS	1/6/2004	Wire transfer of approximately \$98,000 from California to Malaysia	Official(s) at Petronas
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In violation of Title 15, United States Code, Section 78dd-2, and Title 18, United States Code, Section 2.

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COUNTS ELEVEN THROUGH FIFTEEN

[18 U.S.C. § 1952(a)(3); 18 U.S.C. § 2]

34. Paragraphs 1 through 31 are realleged and incorporated by reference as though set forth herein.

35. On or about the dates set forth below, in the Central District of California and elsewhere, defendants COSGROVE, EDMONDS, and RICOTTI did travel in interstate and foreign commerce and use and cause to be used, and aided, abetted, and caused others to make use of, the mail and any facility in interstate and foreign commerce as described below, with the intent to promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of an unlawful activity, that is, commercial bribery in violation of California Penal Code Section 641.3, and thereafter performed and attempted to perform and caused the performance of an act to promote, manage, establish and carry on, and to facilitate the promotion, management, establishment and carrying on of such unlawful activity as follows:

COUNT	DEFENDANTS	ON OR ABOUT DATE	FACILITY OF INTERSTATE AND FOREIGN COMMERCE	INTENDED PRIVATE COMPANY BENEFICIARY
ELEVEN	EDMONDS	3/9/2004	Wire transfer of approximately \$10,000 from California to China	Employee(s) at Company 1
TWELVE	EDMONDS	4/25/2005	Wire transfer of approximately \$5,000 from Sweden to China	Employee(s) at Company 1
THIRTEEN	RICOTTI	12/21/2006	Wire transfer of approximately \$69,420 from California to the United Kingdom	Employee(s) at Company 4
FOURTEEN	COSGROVE RICOTTI	10/24/2006	Wire transfer of approximately \$136,584.98 from Sweden to New York	Employee(s) at Company 3
FIFTEEN	RICOTTI	2/28/2005	Wire transfer of approximately \$11,800 from California to Qatar	Employee(s) at Company 5

In violation of Title 18, United States Code, Sections 1952(a)(3) and 2.

COUNT SIXTEEN

[18 U.S.C. § 1519]

36. Paragraphs 1 through 31 are realleged and incorporated by reference as though set forth herein.

37. On or about August 17, 2007, in the Central District of California, defendant R. CARSON did knowingly alter, destroy, mutilate, conceal, and cover up a record, document, and tangible object with the intent to impede, obstruct, and influence the investigation and proper administration of a matter within the jurisdiction of any department or agency of the United States, or in relation to or contemplation of any such matter or case, by tearing up documents relevant to the investigation and flushing the documents down the toilet in the Company A ladies' room just prior to her interview with Company A's counsel in connection

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1 with Company A's internal investigation into commission payments,
2 in violation of Title 18, United States Code, Section 1519.

3
4 A TRUE BILL

5
6 Foreperson

7 THOMAS P. O'BRIEN
8 United States Attorney

9 CHRISTINE C. EWELL
10 Assistant United States Attorney
11 Chief, Criminal Division

12 
13 ROBB C. ADKINS
14 Assistant United States Attorney
15 Chief, Santa Ana Office

16 DOUGLAS F. McCORMICK
17 Assistant United States Attorney
18 Deputy Chief, Santa Ana Office

19 STEVEN A. TYRRELL, Chief
20 MARK F. MENDELSON, Deputy Chief
21 HANK BOND WALTHER, Assistant Chief
22 ANDREW GENTIN, Trial Attorney
23 Fraud Section, Criminal Division
24 U.S. Department of Justice
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