



Department of Justice



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SK FOODS FORMER OWNER AND CEO SCOTT SALYER PLEADS GUILTY TO RACKETEERING AND PRICE FIXING IN CALIFORNIA

SACRAMENTO, Calif. – Frederick Scott Salyer, 56, of Pebble Beach, Calif., pleaded guilty today to racketeering and price fixing, U.S. Attorney Benjamin B. Wagner announced. Salyer entered his plea before U.S. District Judge Lawrence K. Karlton.

Between 1990 and 2009, Salyer was the CEO and owner of SK Foods LP, a grower, processor and international seller of tomato paste and other processed agricultural products with facilities in Monterey, Lemoore, Williams and Ripon, Calif. In his plea, Salyer admitted that he operated SK Foods as a racketeering organization. According to the plea agreement, from January 2004 to April 2008, Salyer encouraged food broker Randall Rahal to pay bribes and kickbacks to purchasing officers employed by SK Foods's customers Kraft Foods, Frito-Lay and B&G Foods. The intent was to induce Kraft's Robert Watson, Frito-Lay's Richard Wahl and B&G's Robert Turner to promote the interests of SK Foods over their employers' interests. Salyer also admitted that at his direction, SK Foods routinely falsified the lab test results for its tomato paste. Salyer ordered former employees Alan Huey and Jennifer Dahlman to falsify tomato paste grading factors, and SK Foods lied about its product's percentage of natural tomato soluble solids, mold count, production date and whether the tomato paste qualified as "organic." Finally, Salyer admitted that he had discussed an illegal target price agreement with other sellers of tomato paste and, when another co-conspirator offered a lower price, Salyer got the co-conspirator to agree to withdraw that offer to a customer.

U.S. Attorney Benjamin B. Wagner said: "Food grown in California's Central Valley feeds people all over the United States; agriculture and food processing are critical to this region's economy. This case of corporate corruption was met with the government's full arsenal of law enforcement tools, which included grand jury process, an informant operation, wiretaps, search warrants, computer forensics and arrests. This office and its partners will continue to use these tools to attack fraud and corruption wherever it is detected in this district."

"The Antitrust Division has made antitrust enforcement in the agriculture sector a priority," said Acting Assistant Attorney General Sharis A. Pozen in charge of the Department of Justice's Antitrust Division. "The division is committed to continuing to work with its law

enforcement partners to crack down on illegal price fixing conspiracies that affect products used by consumers in their everyday lives.”

“Corruption in any form is despicable, but when such occurs within the food industry, it erodes public trust in products and threatens the industry as a whole,” said Herbert M. Brown, Special Agent in Charge of the FBI’s Sacramento Field Office. “The FBI continues to tirelessly combat white collar crime that is motivated by unscrupulous greed.”

“Today’s guilty plea is the result of a combined law enforcement effort against a corrupt organization motivated by greed and profit,” said Internal Revenue Service-Criminal Investigation (IRS-CI) Assistant Special Agent in Charge Rick Goss. “These crimes touched the lives of many unsuspecting citizens and the public should know that we will hold accountable those individuals who put personal financial gain above the safety and well-being of the general public.”

“The Food and Drug Administration-Office of Criminal Investigations is fully committed to investigating and supporting the prosecution of those who defraud consumers by manufacturing and selling adulterated foods to an unsuspecting public for economic gain. We continue to look forward to working with our law enforcement partners and commend the U.S. Attorney’s Office for their diligence,” said Thomas Emerick, Special Agent in Charge, Food and Drug Administration (FDA)-Office of Criminal Investigations, Los Angeles Field Office.

Salyer’s plea caps an investigative effort that began in August 2006, when federal agents executed a search warrant at the home of Anthony Manuel, an SK Foods employee who had embezzled approximately \$1 million from his former employer, a competitor of SK Foods. Manuel promptly confessed to the embezzlement and later told agents about the crimes to which Salyer and others have now pleaded guilty. In 2007 and 2008, Manuel recorded conversations with SK Foods executives, including Salyer, and provided documents corroborating his account of the crimes being committed at SK Foods. Wiretaps of Rahal telephones revealed that Rahal was discussing bribery and food mislabeling with Salyer and other senior officers of SK Foods. The wiretap also confirmed that Rahal was bribing Watson, Wahl, Turner and Safeway Inc. employee Michael Chavez. On April 18, 2008, agents of the FBI, IRS-CI and FDA Office of Criminal Investigations executed search warrants at the offices of SK Foods and at Salyer’s residence in Pebble Beach, seizing documents and copying SK Foods’s computer servers.

In 2009, the bribe recipients and many of Salyer’s subordinates at SK Foods pleaded guilty before Judge Karlton. Also that year, creditors forced SK Foods into bankruptcy. According to court documents, in late 2009, Salyer moved more than \$3 million to Andorra and made a \$50,000 deposit on a condominium there. Andorra is a small principality in the Pyrenees Mountains between France and Spain and has no extradition treaty with the United States. When agents learned of Salyer’s plans, they obtained an arrest warrant for him, which was executed on Feb. 4, 2010, when Salyer made what was to have been a short visit back to the United States. Salyer was jailed as a flight risk until Sept. 3, 2010, when he was released to house arrest after posting a \$6 million bond.

Salyer was indicted by a federal grand jury on Feb. 18, 2010, with a superseding indictment brought against him on April 29, 2010. According to court documents, several issues have been litigated, such as whether the evidence against Salyer had been obtained lawfully.

Judge Karlton ultimately rejected Salyer's efforts to suppress the evidence gathered by Manuel. Judge Karlton also upheld the wiretap and search warrant applications.

Salyer is scheduled to be sentenced by Judge Karlton on July 10, 2012, at 9:15 a.m EDT. The maximum statutory penalty for a Racketeer Influenced and Corrupt Organizations (RICO) violation is 20 years in prison and a \$250,000 fine. The maximum statutory penalty for price fixing is 10 years in prison and a \$1 million fine. The actual sentence, however, will be determined at the discretion of the court after consideration of any applicable statutory factors and the Federal Sentencing Guidelines, which take into account a number of variables. In the plea agreement, Salyer may argue for a sentence as low as four years and the government may argue for a sentence up to seven years. Salyer also agrees to forfeit to the United States all of his interest in the \$3 million that he transferred to Andorra.

This is the 11th guilty plea in an extensive investigation by the FBI, IRS-CI, FDA Office of Criminal Investigations and the Antitrust Division of the U.S. Department of Justice. The case is currently being prosecuted by Assistant U.S. Attorneys Matthew D. Segal, R. Steven Lapham and Jared C. Dolan, and Antitrust Division Trial Attorneys Anna T. Pletcher and Tai Milder.

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