



***United States Attorney
Southern District of New York***

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**CONNECTICUT INVESTOR FOUND GUILTY IN SCHEME TO
BRIBE GOVERNMENT OFFICIALS IN AZERBAIJAN**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, and JOSEPH M. DEMAREST, JR., the Assistant Director-In-Charge of the New York Field Office of the FBI, announced that FREDERIC A. BOURKE, JR., was found guilty, following a six-week jury trial in Manhattan federal court, of conspiracy to violate the Foreign Corrupt Practices Act ("FCPA") and related prohibitions, and of making false statements to the FBI. The FCPA makes it a crime to pay or offer to pay foreign government officials in order to obtain or retain business.

As established by the evidence at the trial before United States District Judge SHIRA A. SCHEINDLIN:

BOURKE participated in a scheme to bribe senior government officials in Azerbaijan with several hundred million dollars in shares of stock, cash, and other gifts, to ensure that those officials would privatize the State Oil Company of the Azerbaijan Republic ("SOCAR") in a rigged auction that only BOURKE, fugitive Czech investor VIKTOR KOZENY (who is charged in a related case), and members of their investment consortium could win, to their massive profit. Under the privatization program, citizens of Azerbaijan could use free government-issued vouchers to bid for shares of state-owned industries that were to be privatized. Privatization vouchers were bearer instruments that were freely tradable, and they typically were bought and sold using United States currency. Foreigners could also participate in Azerbaijan's privatization program and own vouchers, but only if they purchased a government-issued "option" for each voucher they held. The vouchers and options were largely purchased with millions of dollars of cash flown into Azerbaijan on private planes, and were intended to be exercised by Oily Rock Ltd., a company KOZENY allegedly controlled. BOURKE, a friend and neighbor of KOZENY's in Aspen, Colorado, invested approximately \$8 million in Oily Rock, on behalf of himself and family members

and friends. BOURKE also obtained directorships, salary, and stock options with related companies that KOZENY allegedly set up and funded.

The takeover of SOCAR, however, could only take place if the president of Azerbaijan issued a decree directing SOCAR's privatization. Beginning in August 1997 through fall 1998, KOZENY, BOURKE, and others conspired to pay or cause to be paid millions of dollars worth of bribes to Azeri government officials to ensure that their investment consortium would gain, in secret partnership with the Azeri officials, a controlling interest in SOCAR and its substantial oil reserves. For example, in August 1997 KOZENY allegedly agreed to transfer to corrupt Azeri officials two-thirds of the vouchers and options Oily Rock purchased, and to give them two-thirds of all of the profits arising from his investment consortium's participation in SOCAR's privatization. In June 1998 BOURKE knew that KOZENY arranged for Oily Rock to increase its authorized share capital from \$150 million to \$450 million so that the additional \$300 million worth of Oily Rock shares could be transferred to one or more of the Azeri officials as a further bribe payment. BOURKE also arranged for two of the corrupt officials to receive medical treatment in New York City on different occasions in 1998, for which Oily Rock paid. Thereafter, in interviews with the FBI in April and May of 2002, BOURKE falsely stated that he was not aware that KOZENY had made payments to the Azeri Officials.

BOURKE, 63, resides in Greenwich, Connecticut, and is scheduled to be sentenced on October 13, 2009, at 4:30 p.m.

BOURKE faces a maximum penalty of five years in prison and a maximum fine of \$250,000 or twice the gross gain or loss resulting from the alleged violations on each of the two counts on which he was convicted. BOURKE was acquitted of one count of money laundering.

The charges against KOZENY remain merely accusations, and he remains presumed innocent unless and until proven guilty.

Mr. DASSIN praised the investigative work of the FBI and thanked the Department of Justice Criminal Division.

The prosecution and the related case against KOZENY are being handled jointly by the United States Attorney's Office for the Southern District of New York and the Fraud Section of the United States Department of Justice. Assistant United States Attorneys HARRY A. CHERNOFF and IRIS LAN, Fraud Section Deputy Chief MARK F. MENDELSON, and Fraud Section Assistant Chief ROBERTSON PARK are in charge of the prosecution.