



U.S. Department of Justice

David B. Barlow

**United States Attorney
District of Utah**

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CONTACT: MELODIE RYDALCH
U. S. Attorney's Office
801-325-3206
801-243-6475 (cell)

NEWS RELEASE

UTAH MAN, FLORIDA COUPLE INDICTED FOR ALLEGED ROLES IN PROCUREMENT FRAUD SCHEME INVOLVING FOREIGN MILITARY MATERIALS

SALT LAKE CITY — Three individuals are charged in an indictment returned today by a federal grand jury in Utah for their alleged roles in a bribery and fraud scheme involving federal procurement contracts, announced U.S. Attorney for Utah David B. Barlow and Assistant Attorney General Lanny A. Breuer of the Justice Department's Criminal Division.

The four-count indictment returned today in U.S. District Court in Salt Lake City charges Sylvester Zugrav, 68, and Maria Zugrav, 66, both of Sarasota, Fla., and Jose Mendez, 49, of Farr West, Utah, with conspiracy to commit bribery and procurement fraud. The Zugravs and Mendez also are each charged with bribery. In addition, Mendez is charged with procurement fraud.

According to the indictment, Mendez worked as a program manager for the U.S. Air Force Foreign Materials Acquisition Support Office (FMASO). The mission of FMASO is to purchase foreign military materials on behalf of their customers, which are various U.S. military divisions. The materials are acquired outside of the United States by third party companies, or vendors, and then purchased by FMASO on behalf of its customers. There are a limited number of vendors permitted to contract for the sale of foreign materials to FMASO, one of which is Atlas International Trading Corporation (Atlas). According to the indictment, Sylvester and Maria Zugrav were the principals of Atlas.

According to the indictment, the Zugravs and Mendez conspired to enrich one another by exchanging money and other things of value for non-public information and favorable treatment in the procurement process. The Zugravs allegedly offered Mendez approximately \$1,240,500 in payments and other things of value throughout the course of the conspiracy. The Zugravs allegedly made bribe payments to Mendez in three different ways: cash payments via FedEx to Mendez's home address; in-person payments of cash and other things of value; and electronic wire transfers to a bank account in Mexico opened by and in the name of Mendez's cousin. According to the indictment, from approximately 2008 to August 2011, the Zugravs gave Mendez and a person close to him more than \$185,000 in payments and other things of value, with promises of additional bribe payments if Atlas were to receive future contracts for the sale of foreign materials to FMASO customers.

In return for the bribes offered and paid, Mendez gave Atlas and the Zugravs favorable treatment during the FMASO procurement process, including disclosing government budget and competitor bid information, which helped Atlas and the Zugravs in winning FMASO contracts.

According to the indictment, Mendez and Sylvester Zugrav allegedly communicated offers and requests for bribes in person and through email, and took steps to conceal their activity, using covert email addresses, password-protected computer documents, code words and false names. Within the encrypted documents, Mendez adopted the name "Chuco" and Sylvester Zugrav used the name "Jugo," and they referred to cash as "literature."

The Zugravs and Mendez are each charged with one count of conspiracy to commit bribery and procurement fraud, and one count of bribery. Mendez is also charged with one count of procurement fraud for disclosing nonpublic information to a separate FMASO vendor other than Atlas.

The maximum penalty for conspiracy is five years in prison and a \$250,000 fine. The maximum penalty for procurement fraud is five years in prison and a \$250,000 fine, while the maximum penalty for bribery is 15 years in prison and a \$250,000 fine, or three times the monetary equivalent of the thing of value, whichever is greater. The indictment also seeks forfeiture from all three defendants, if convicted.

An indictment is merely an allegation and defendants are presumed innocent unless and until proven guilty beyond a reasonable doubt in a court of law.

The case is being investigated by the FBI and the Air Force Office of Special Investigations, Office of Special Projects. The case is being prosecuted by DOJ Trial Attorneys Marquest J. Meeks and Edward P. Sullivan of the Criminal Division's Public Integrity Section, and Assistant U.S. Attorney Carlos A. Esqueda for the District of Utah.

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