

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA

v.

GARY D. BATEMAN

Criminal No. 83-00005

OFFER OF PROOF

The evidence would show that Crawford Enterprises, Inc. (hereinafter "CEI") was a corporation organized under the laws of the State of Texas with principal offices in Houston, Texas and engaged in, among other things, the sale of turbine compression systems and equipment to Pemex. From August 26, 1977, Crawford International, Inc. was a corporation organized under the laws of the State of Texas and was a wholly owned subsidiary of CEI engaged in the same business.

Between June 1976 and February 1979, Gary D. Bateman (hereinafter "Bateman") was an employee of CEI. At various times he held the title of Western Division Sales Manager, International Sales Manager and, from on or about November 1, 1978, Vice-President of Marketing for Crawford International, Inc. In these positions he was responsible for, among other things, sales and marketing efforts in Mexico with Petroleos Mexicanos (hereinafter "Pemex").

At various times between March 1977 and February 1979, Bateman travelled between Houston, Texas and Mexico City, Mexico for the purpose of conducting business on behalf of, and in the course of his employment with, CEI. Prior to these business trips, Bateman

would receive cash advances for the purpose of covering company business expenses while he was in Mexico. On November 2, 1977 Bateman obtained a travel advance from CEI of \$5000, combined it with \$1000 he already had and travelled with this \$6000 in cash by commercial aircraft from Houston, Texas to Mexico City, Mexico without filing a report with U.S. Customs as required by the Currency and Foreign Transactions Reporting Act (31 U.S.C. §1051 et.seq.). Bateman, a frequent international traveler while employed at CEI, was aware of, and admits that he had specific knowledge of, these reporting requirements which, in part, require a traveller to report to U.S. Customs the transportation out of the United States of over \$5000 in negotiable instruments. It is this transportation of cash which forms the basis of the violation in Count I.

In early 1977, CEI decided to pursue business opportunities in Mexico. Both the President of CEI and Bateman travelled to Mexico on several occasions to explore possibilities of leasing or selling compression equipment to Pemex. Eventually CEI obtained a purchase order from Pemex. Essentially, CEI contracted to be a middleman, purchasing the turbine, compressor and related equipment from suppliers and delivering the packaged compression system to Pemex. In order to provide the packaged units, CEI needed a subcontractor to complete the engineering and perform the process fabrication work. Bateman contacted several process fabricators, including the C.E. Miller Corporation (hereinafter "CEMCO"), offering them the opportunity to bid for this subcontract, as well as anticipated future jobs. In discussions during

June and July 1977 with C.E. Miller, the president of CEMCO, Bateman requested a two percent (2%) kickback. Mr. Miller and CEMCO agreed.

CEMCO received this CEI process fabrication subcontract order. Thereafter CEMCO performed the process fabrication subcontract work on this and on all subsequent turbine compression system sales by CEI to Pemex, accruing a two percent kickback for Bateman on all CEI subcontracts. CEMCO records and other evidence establish that the amounts accrued for Bateman as of April, 1979 totaled approximately \$1,330,021.07. These kickbacks to Bateman were concealed as commissions due to two fictitious entities, Empaques y Carton Corrugado (Empaques) and Centaur Engineering (Centaur).

Three checks totalling \$537,117.82 were issued to Empaques and to Centaur by CEMCO. In each instance, the check had been made payable to a fictitious payee but was intended for and received by Bateman. This was designed to conceal both the purpose of the payment and the recipient. The first check for \$54,145 dated July 18, 1977 representing the kickbacks on the first subcontract, was made payable to Centaur. Two additional checks on December 18, 1978 and January 24, 1979 were issued by CEMCO payable to Empaques and represented kickbacks on other completed subcontracts. These checks were converted by a CEMCO employee, pursuant to instructions from Bateman, to a Bank of America cashier's check in the amount of \$147,747.44 and a Bank of America foreign draft in the amount of \$335,225.38.

In this form, these checks were bearer negotiable instruments. The \$335,225.38 check payable to Empaques was transported by Bateman from Houston, Texas to Mexico City, Mexico on January 28, 1978 without satisfying the reporting requirement which Bateman knew existed. It is this transportation of a bearer negotiable instrument which forms the basis for the violation in Count II.

On February 9, 1979, Bateman's employment at CEI was terminated. In late February 1979 Bateman determined to pursue business with Pemex. In March and April 1979, Bateman established a company and began doing business with Pemex primarily as a supplier of various smaller items which Pemex needed to import from the United States. In April 1979, Applied Process Products Overseas, Inc. (hereinafter "Applied") was incorporated in Texas. Bateman was President, Chairman of the Board and sole shareholder of Applied.

On March 15, 1979, Bateman met with Guillermo Cervera, the Administrative Secretary to the Chief of Purchasing at Pemex, to discuss his new company. In that meeting, Bateman offered to pay 30% of Applied's gross profit derived from Pemex contracts to Cervera in exchange for assistance in obtaining business. Cervera agreed, indicating he would have to discuss the matter with his Pemex colleagues.

In later meetings between Bateman and Cervera, additional details were worked out. Cervera indicated that he would be the administrator and handle all the money. Cervera indicated, and Bateman understood, that the money would be split with other Pemex officials depending upon which department approved the

purchase order. Cervera indicated he would, and later did, provide fake invoices from a company called Mexequipo, falsely labelling the payments as agent commissions. By agreement, Applied would pay half of the estimated 30% gross profit when Pemex issued the purchase order and the other half when Pemex paid Applied.

As a result of this agreement with Cervera, Applied obtained approximately \$5 million in purchase orders from Pemex between October 1979 and March 1981. In accordance with their arrangement, Bateman delivered approximately \$342,000 to Cervera on various occasions between October 1979 and March 1981. Bateman delivered the money in cash (Mexican Pesos) to Cervera at various locations in Mexico City. The \$342,000 which Bateman delivered to Cervera represented approximately 30% of the gross profits of Applied on these purchase orders.

In order to obtain the cash to deliver to Cervera, and to disguise the payments, Bateman would cause Applied to issue a check payable to a fictitious payee, Joaquin Mendoza. In this form, these checks were bearer negotiable instruments. Bateman would negotiate the checks in Mexico City and later deliver to Cervera the cash along with the bank's computation of the exchange rate and deduction of its fee. The first checks for the payments to Cervera were issued out of Applied's Mexico City office. Three later checks payable to Mendoza were issued out of Applied's offices in Houston, Texas - a November 5, 1980 check for \$66,188.74, a January 3, 1981 check for \$51,838.53 and a March 11, 1981 check for \$61,464.80. On or about the dates indicated

on the checks, Bateman transported each of these checks from Houston, Texas to Mexico City Mexico without satisfying the reporting requirement, which Bateman knew existed. It is these transportations which form the basis for Counts III, IV, and V.