



## OVERVIEW OF THE DIVERSION SCHEMES

2. Since 1984, GENERAL ELECTRIC has, through GEAE, supplied jet aircraft engines and related equipment and services to the Israeli Air Force ("IAF"), pursuant to contracts between GENERAL ELECTRIC and the Government of Israel ("Israel"). Israel's acquisition of these products and services was funded by the U.S. Government through the Foreign Military Financing ("FMF") Program.

3. In connection with these acquisitions, GENERAL ELECTRIC, IAF Brigadier General Rami Dotan ("Dotan"), and other persons known and unknown to the United States conspired to create false billings for fictitious IAF projects to generate funding for projects and uses that Dotan either could not or did not want to have approved through the Israeli Ministry of Defense or -- since U.S. aid funds were involved -- the U.S. Government. In addition, approximately \$11 million was diverted for the personal benefit of Dotan and the then Manager of International Government Sales for GEAE ("the GEAE Sales Manager"). GENERAL ELECTRIC, acting principally through the GEAE Sales Manager, generated the approximately \$11 million from the filing of false and fictitious invoices and supporting documents and paid a portion of these funds to Dotan to influence Dotan to assist GENERAL ELECTRIC in its efforts to secure favorable treatment in connection with the retention of the contracts referred to above.

4. The diversions were effected in part by covertly siphoning funds from FMF-funded projects subcontracted to Ingbir Engineering and Maintenance Company ("Ingbir Engineering"). That

company, based in Tel Aviv, Israel, was owned by Yoram Ingbir ("Ingbir"), an Israeli businessman who provided Dotan with a secret financial interest in his defense contracting business. At Dotan's direction, GENERAL ELECTRIC selected Ingbir Engineering for all subcontract work in Israel on a jet engine support contract Israel had awarded to GENERAL ELECTRIC. GENERAL ELECTRIC then regularly made payments to a New Jersey corporation ("the agent's corporation") purporting to act as Ingbir Engineering's U.S. agent. That corporation, acting as a middleman, transmitted some of these funds (approximately \$23.8 million) to Ingbir Engineering. The remainder (approximately \$3.7 million) was withheld as a secret fee, purportedly for the agent's corporation. This fee was actually a device for diverting funds for the benefit of Dotan and the GEAE Sales Manager, and most of these funds were transferred from the agent's corporation to a network of European bank accounts controlled by Dotan and the GEAE Sales Manager.

5. Diversions were also effected through a scheme whereby GENERAL ELECTRIC paid a total of approximately \$7.875 million, to the agent's corporation, supposedly to finance flight tests of a jet engine model sold under an FMF-funded contract between GENERAL ELECTRIC and Israel. Approximately \$7,425,000 was transmitted from the agent's corporation to the above-referenced network of European bank accounts controlled by Dotan and the GEAE Sales Manager. GENERAL ELECTRIC employees created false documentation attesting that the payments to the agent's corporation represented funding for flight tests. GENERAL ELECTRIC also implemented a plan to

recover the cost of these payments from sales of the engines. This cost and the plan to recover it through the engine sales were not disclosed to Israel or the U.S. Government, which provided FMF funding for the engine procurement.

6. In addition, approximately \$15.5 million was diverted through the following schemes involving fictitious projects, sold under an FMF-funded contract:

a. GENERAL ELECTRIC sold to Israel two jet engine data collection devices called portable test units. No such units were designed or manufactured. Instead, GENERAL ELECTRIC remitted to the agent's corporation approximately \$1,561,960 for uses by Dotan and others not authorized for FMF funding, and retained the balance of the \$4 million it collected from Israel.

b. GENERAL ELECTRIC also sold to Israel a jet engine test facility called an enclosed jet engine test cell and a collection of equipment for this facility referred to as the test cell measurement kit. Neither was ever built or delivered. Israel paid GENERAL ELECTRIC approximately \$6.85 million for the non-existent enclosed test cell, and GENERAL ELECTRIC remitted to the agent's corporation approximately \$2.35 million for undisclosed and unapproved uses. Israel also paid GENERAL ELECTRIC approximately \$614,450.55 for the non-existent test cell measurement kit.

c. GENERAL ELECTRIC also sold to Israel kits to retrofit jet engine test cells so that they would be compatible with an additional configuration of the F110-GE-100 jet engine. Again, no such kits were ever built or delivered. GENERAL ELECTRIC

nevertheless billed and collected from Israel approximately \$3,996,500 for the sale of the non-existent kits. This scheme was devised to generate funding for the development of the F110-GE-100A jet engine. At the time, GENERAL ELECTRIC planned to sell this engine to Israel pursuant to a contract that had not yet been awarded. This use of funds was neither disclosed to nor approved by Israel or the U.S. Government.

#### FOREIGN MILITARY FINANCING AID TO ISRAEL

7. Through the FMF Program, the U.S. Government provides financial aid to certain foreign countries to purchase products and services for military uses. Under this program, Israel receives \$1.8 billion annually, a portion of which is used for acquisitions directly from U.S. manufacturers. In a typical transaction, Israel, through its Ministry of Defense Mission in New York ("MODNY"), uses its national funds to pay the U.S. suppliers. MODNY submits requests for reimbursement for these expenditures ("Requests for Disbursement") to the Defense Security Assistance Agency ("DSAA"), an agency of the U.S. Department of Defense, which is responsible for directing, administering and supervising the FMF Program.

8. Each Request for Disbursement has attachments providing details on Israel's payments to suppliers and the suppliers' billings. Each Request for Disbursement is also accompanied by a cover letter by MODNY which certifies, among other things, that the defense equipment and services set forth in the attachments have been satisfactorily received or rendered, and that the bill is

correct and just. (The cover letter is hereinafter referred to as a "MODNY certification.") The MODNY certifications were based, in material part, on documents submitted to MODNY by the contractor, in this case, GENERAL ELECTRIC.

9. Israel has also been required to submit to DSAA all proposed commercial contracts in excess of \$500,000 for advance approval and, from 1983 to 1990, to send copies of all paid invoices greater than \$100,000 to DSAA on a monthly basis.

10. In addition, from 1985 to the present, DSAA has required Israel to submit certification forms ("contractor certifications"), completed and executed by the contractor, for commercial contracts for amounts greater than \$500,000. These forms contain the following, among other, representations:

a. that the entire agreement consists of the documents listed in the certification and that there are no "other amendments, modifications, side letters, or supplementary agreements";

b. that "no rebates, gifts or gratuities, intended to secure [the contract] or obtain favorable treatment under [the contract], have been given contrary to United States law to officers, officials, or employees of the Government of Israel, by this contractor, its employees, or agents and agrees that no such rebates, gifts, or gratuities will be given"; and

c. that the certification is "complete and correct."

### THE FMF-FUNDED CONTRACTS

11. On August 10, 1984, GENERAL ELECTRIC entered into Contract No. 500/40492-125, an "Integrated Logistical Support" contract ("the ILS Contract"), with Israel, through MODNY, to supply to the IAF, tools, equipment, testing facilities, and training to support F110-GE-100 jet aircraft engines GENERAL ELECTRIC had sold to the U.S. Air Force under another contract for resale to Israel.

12. On May 31, 1988, GENERAL ELECTRIC entered into Contract No. 1296 with Israel, through MODNY, to provide to the IAF seventy-five F110-GE-100 jet aircraft engines, or, at Israel's option, a new engine model called the F110-GE-100A, then under development (the "1988 F110 Contract"). On July 11, 1988, MODNY notified GENERAL ELECTRIC of its decision to exercise this option and acquire the F110-GE-100A engine under the 1988 F110 Contract.

13. In order to obtain financing under the FMF Program, Israel submitted the ILS and 1988 F110 Contracts for approval to DSAA.

14. As more fully described below, GENERAL ELECTRIC, and others known and unknown to the United States, caused MODNY to submit to DSAA false contractor and MODNY certifications and other documents, which in turn caused DSAA to disburse FMF funds to Israel to reimburse Israel for its payments to GENERAL ELECTRIC under the ILS and 1988 F110 Contracts.

15. The GEAE Sales Manager played a leading role in securing and managing the ILS and 1988 F110 Contracts and the other GENERAL

ELECTRIC projects in Israel implemented through GEAE. He also had a longstanding friendship with unindicted co-conspirator Dotan, then an IAF officer, who was GENERAL ELECTRIC's principal contact with the IAF in managing the ILS and the 1988 F110 Contracts.

16. In 1984, Dotan was a Lieutenant Colonel in charge of the IAF's Propulsion Branch. In 1987, he was promoted to the rank of Colonel and placed in charge of the IAF's Aircraft Division. In September 1989, he was promoted to the rank of Brigadier General and named IAF Quartermaster General, in charge of the Equipment Squadron. Dotan was arrested by the Israeli Police in October 1990. On March 27, 1991, before an Israeli Special Court Martial, Dotan was convicted, upon his plea of guilty, of, inter alia, bribery, fraudulently receiving property in aggravating circumstances and theft by a public servant. He was sentenced to 18 years of imprisonment (13 in confinement), reduction in rank to Private and expulsion from the military.

#### DIVERSIONS DISGUISED AS PAYMENTS TO SUBCONTRACTOR

17. In August 1984, Dotan directed GENERAL ELECTRIC employees to engage Ingbir to perform all subcontract work in Israel on the ILS Contract. The GENERAL ELECTRIC employees acquiesced to this demand.

18. In Summer 1984, the GEAE Sales Manager contacted a longstanding friend of his ("the agent") and enlisted him as a middleman in the transactions between Ingbir and GENERAL ELECTRIC.

19. On September 4, 1984, the agent formed the agent's

corporation for use in this venture and thereafter operated this entity from his home in New Jersey.

20. On September 7, 1984, Ingbir Engineering and the agent's corporation entered into an agreement that provided for, among other things, a purported fee for the agent's corporation ("the sham agent's fee") of 17 percent of "new or follow-on" business acquired through the agent's corporation. Thereafter, approximately 17 percent of GENERAL ELECTRIC's payments to the agent's corporation for ILS Contract work was withheld by the agent, and later 13 percent of these payments was withheld after this agreement was modified to reduce the fee in December 1985. These funds were actually withheld for the benefit of Dotan and the GEAE Sales Manager. These funds, totalling approximately \$3.7 million, were paid, in part, to influence Dotan in assisting GENERAL ELECTRIC in its efforts to secure favorable treatment in connection with the retention of the ILS and 1988 F110 Contracts.

21. Between September 1984 and May 1990, GENERAL ELECTRIC transmitted to the agent approximately 24 purchase orders and amendments thereto, in various amounts, for actual and purported subcontract work by Ingbir Engineering related to the ILS Contract.

22. Between September 1984 and May 1990, the agent transmitted to GENERAL ELECTRIC approximately 40 invoices for actual and purported subcontract work by Ingbir Engineering related to the ILS Contract, which GENERAL ELECTRIC paid.

23. Between September 1984 and May 1990, GENERAL ELECTRIC paid a total of approximately \$27.5 million to the agent's

corporation for actual and purported subcontract work on the ILS Contract by Ingbir Engineering. The funds were then distributed as follows:

a. Approximately \$23.8 million was transmitted by the agent to Ingbir for actual and purported subcontract work.

b. The remaining approximately \$3.7 million was withheld as the sham agent's fee.

24. Between July 1986 and August 1990, written instructions, in the form of letters purportedly from a former IAF officer associated with Dotan ("the former IAF officer"), were transmitted to the agent instructing the agent to transfer funds derived from the sham agent's fee to various foreign bank accounts and specifying the amount and destination of each transfer.

25. Pursuant to these instructions, between June 1986 and September 1990, the agent transferred funds, totalling approximately \$3.3 million, to bank accounts in the Netherlands, Belgium and Germany. A material portion of these funds was subsequently transferred, through a series of intermediary bank accounts and transactions, to accounts in Switzerland controlled by Dotan and the GEAE Sales Manager. The transfers were arranged by an Israeli attorney associated with Dotan. This attorney arranged for the above-referenced transfers to Switzerland to be effected, in most cases, by first transferring the funds to accounts in a bank in Konstanz, Germany, converting those funds into cash, and then transporting the cash into Switzerland for deposit, to obscure the trail of the funds. The attorney also arranged for the use of

his daughter's name, the names of Panamanian shell corporations and other names to conceal the true ownership of certain bank accounts involved in these transfers.

26. As compensation for his participation in these transactions, from 1984 through 1990, the agent retained approximately \$158,000 from the funds withheld under the sham agent's fee arrangement.

27. Between August 1984 and January 1991, GENERAL ELECTRIC submitted to MODNY approximately 42 invoices based on actual and purported subcontract work under the ILS Contract, reimbursing GENERAL ELECTRIC for the approximately \$3.7 million of its payments to the agent's corporation that became the undisclosed sham agent's fee. MODNY paid substantially all of these invoices.

28. GENERAL ELECTRIC caused MODNY to submit to DSAA Requests for Disbursement for substantially all the invoice payments referenced in the preceding paragraph. The Requests for Disbursement and accompanying cover letters by MODNY were based in material part on false GENERAL ELECTRIC documents and accordingly failed to disclose the funding of \$3.7 million in payments for the benefit of Dotan and the GEAE Sales Manager and falsely represented that the invoices were correct and just.

#### DIVERSIONS DISGUISED AS FUNDING FOR FLIGHT TESTS

29. Between January and March 1988, GENERAL ELECTRIC, acting through the GEAE Sales Manager, agreed with Dotan to make payments to provide funding for purported flight tests of the F110-GE-100A engine sold under the 1988 F110 Contract. This funding agreement

was unwritten and was never documented in any fashion. As described below, almost all of the funds involved were eventually diverted to European bank accounts controlled by Dotan and the GEAE Sales Manager. These payments were made, in part, to influence Dotan in assisting GENERAL ELECTRIC in its efforts to secure favorable treatment in connection with the retention of the ILS and 1988 F110 Contracts.

30. Between March and June 1988, the GEAE Sales Manager and others known and unknown to the United States created and caused the creation of documents, known as business plans, purporting to identify, by line item, the components of the price and costs of the jet engines to be sold under the 1988 F110 Contract. These business plans included a \$105,000 per engine cost for the flight tests, to be recovered through sales of the engines. This amount bore no relation to any anticipated work on such flight tests. However, the \$105,000 per engine cost, multiplied by the number of engines sold to Israel under the 1988 F110 Contract (75), equalled the \$7.875 million eventually paid by GENERAL ELECTRIC. In the final version of the business plans, the \$105,000 per engine cost was arbitrarily split between two line items which were misleadingly labeled and did not refer to this cost. The \$105,000 per engine cost and the plan to recover this cost through the engine sales were not disclosed to MODNY or DSAA.

31. On or about March 25, 1988, GENERAL ELECTRIC submitted to MODNY for forwarding to DSAA a contractor's certification, signed by a GENERAL ELECTRIC employee, at the direction of the GEAE Sales

Manager, for MODNY's use in securing DSAA's approval of FMF funding for the 1988 F110 Contract. This certification falsely represented the following:

a. that the entire 1988 F110 Contract was disclosed in the certification and there were no side agreements, when in fact GENERAL ELECTRIC, acting through the GEAE Sales Manager, and others known and unknown to the United States, had agreed to the above-described \$7.875 million payment which was not disclosed in the 1988 F110 Contract or any other documents submitted to DSAA;

b. that no improper rebates, gifts or gratuities would be given, when in fact the above-described \$7.875 million payment scheme entailed an improper payment to Dotan; and

c. that the certification was "complete and correct."

32. On or about September 2, 1988, GENERAL ELECTRIC submitted to MODNY for forwarding to DSAA a second contractor's certification for MODNY's use in securing DSAA's approval of FMF funding for the 1988 F110 Contract. This document contained the same false statements and omissions of material information as described in the first certification. The second certification was signed by the GEAE Sales Manager.

33. GENERAL ELECTRIC paid to the agent's corporation a total of approximately \$7.875 million, in the following installments:

<u>Date</u>	<u>Amount</u>
2/23/89	\$2.5 million
7/6/89	\$1.5 million
8/1/89	\$500,000

<u>Date</u>	<u>Amount</u>
10/24/89	\$2 million
1/31/90	\$1.375 million

34. These payments were made pursuant to a subcontract between GENERAL ELECTRIC and the agent's corporation, whereby the agent's corporation was to perform flight test-related services. In fact, the agent's corporation rendered no such services, and the amount paid to the agent's corporation and the schedule of these payments bore no relation to any flight test-related work. At the time the payments commenced in early 1989, GENERAL ELECTRIC employees involved in preparations for the actual flight tests knew that these tests would not begin until late 1989 or early 1990.

35. On January 12 and 20, 1989, GENERAL ELECTRIC employees created memoranda purporting to justify why the agent's corporation should be the "sole source" for the work on the flight tests (i.e., why the contract should be awarded to the agent's corporation without competitive bidding). These memoranda contained the following representations concerning the agent's corporation's capabilities, each of which was entirely false:

a. that the agent's corporation had "unique and extensive knowledge of IAF Operations concerning engine/engine support activities and related aircraft maintenance";

b. that the agent's corporation had "significant experience with design, construction, operation, maintenance, and calibration of Engine Instrumentation Systems and Support Equipment for the IAF";

c. that the agent's corporation had "the required Israeli security clearances and relationships with the IAF allowing them access to all military installations involved in the . . . flight test program"; and

d. that the agent's corporation was "well acquainted" with the existing IAF jet engine maintenance facilities and support equipment.

The agent's corporation performed no substantive engineering or other work in connection with the purported flight tests or any other project involving GENERAL ELECTRIC and had no capability to perform such work.

36. On January 23, 1989, GENERAL ELECTRIC issued a purchase order to the agent's corporation for services in connection with the flight tests, which stated that the agent's corporation would deliver to GENERAL ELECTRIC "test reports and results of performance of services." The agent's corporation never delivered such reports, nor did GENERAL ELECTRIC ever attempt to verify precisely what work was performed in response to this purchase order or who was performing it.

37. In May 1989, the GEAE Sales Manager drafted milestones for the flight test payments to the agent's corporation, describing stages of purported work on the flight tests. Upon the completion of each stage or milestone, the agent's corporation would purportedly be entitled to a progress payment. The milestones bore no relation to any planned or ongoing work. Rather, they were a fiction designed to create the appearance that the payments to the

agent's corporation related to the flight tests. Preparing milestones months after the issuance of the original purchase order and the first payment under this purchase order was contrary to GENERAL ELECTRIC's normal practice.

38. The agent transmitted a total of approximately \$7.425 million to European bank accounts, in the following installments:

<u>Date</u>	<u>Amount</u>	<u>Destination</u>
3/23/89	\$600,000	Belgium
6/5/89	\$1,550,000	Germany
9/18/89	\$2,000,000	Belgium
11/27/89	\$2,000,000	Belgium
3/7/90	\$1,275,000	Belgium

Each of these transfers was effected pursuant to a letter to the agent which was purportedly signed by the former IAF officer. Each of these letters instructed the agent on the amount of the transfer and the identity of the foreign bank account receiving the transfer.

39. The approximately \$7.425 million was transferred, through a series of intermediary bank accounts and transactions, to accounts in Switzerland controlled by Dotan and the GEAE Sales Manager. The transfers were arranged by the attorney who arranged the similar transfers of funds derived from the sham agent's fee and involved the same network of bank accounts. This attorney also arranged for a material portion of these transfers to Switzerland to be effected by converting the funds into cash and then

transporting the cash from Konstanz, Germany to Zurich, Switzerland for deposit, to obscure the trail of the funds. The attorney also arranged for the use of his daughter's name, the names of Panamanian shell corporations and other names to conceal the true ownership of certain bank accounts involved in these transfers.

40. In addition, approximately \$300,000 of the diverted funds was transmitted to Ingbir and to another Israeli businessman associated with Dotan. The remaining approximately \$150,000 was retained by the agent as compensation for his participation in the transactions.

41. Between in or about 1990 and in or about 1991, GENERAL ELECTRIC submitted to MODNY approximately 47 invoices for the F110-GE-100A engine deliveries reimbursing GENERAL ELECTRIC for a portion of the purported flight test payments. MODNY has paid at least 39 of these invoices in full.

42. GENERAL ELECTRIC caused MODNY to submit to DSAA Requests for Disbursement for substantially all the invoice payments referenced in the preceding paragraph. The Requests for Disbursement and accompanying cover letters by MODNY were based, in material part, on false GENERAL ELECTRIC documents and accordingly failed to disclose the payments for the purported flight tests and falsely represented that the invoices were correct and just.

#### NON-EXISTENT PORTABLE TEST UNITS

43. GENERAL ELECTRIC agreed with Dotan to create false and fictitious documentation attesting to the completion of the design and manufacture of two portable F110 engine test units, ordered

under the ILS Contract, for \$4 million. These devices would supposedly receive and display data from aircraft-mounted computers during maintenance checks, but they were only vaguely described in the contract and had never been designed or manufactured. GENERAL ELECTRIC and Dotan agreed to use the funds received from MODNY for the portable test units for other projects that had not been approved or authorized for funding by DSAA.

44. GENERAL ELECTRIC subsequently transmitted the following invoices to MODNY, each of which was signed by a GENERAL ELECTRIC employee, and certain of which were accompanied by Certificates of Milestone Achievement ("CMAs") that specifically certified that GENERAL ELECTRIC had completed progressive stages in the design, manufacture and delivery of the invoiced item; each CMA was signed by a GENERAL ELECTRIC employee and an IAF officer associated with Dotan:

<u>Date</u>	<u>Amount Billed</u>	<u>CMA Accompanying Invoice</u>
8/28/84	\$400,000	none - initial GENERAL ELECTRIC invoice for 10 percent advance payment
7/18/86	\$600,000	CMA attesting to completion of preliminary design review
9/18/86	\$2,000,000	CMAs attesting to release of drawings and completion of critical design review
12/22/86	\$800,000	CMA attesting to commencement of construction
10/24/88	\$200,000	CMA attesting to functional acceptance

45. Through the submission of false invoices and related documentation to MODNY, GENERAL ELECTRIC caused MODNY to pay it a

total of approximately \$4 million for the portable test units, and caused MODNY to obtain reimbursement in the same amount from the United States under the FMF Program.

46. GENERAL ELECTRIC remitted a portion of the approximately \$4 million for use by Dotan and others on projects not authorized for FMF financing. These funds were transmitted to the agent's corporation and Ingbir pursuant to a subcontract for work on the portable test units awarded by GENERAL ELECTRIC to the agent's corporation.

47. Based on the purported subcontract, the agent transmitted the following invoices to GENERAL ELECTRIC, each of which represented that the indicated work on the portable test units had been completed, when in fact this equipment was never designed or constructed and there were not even specifications for this equipment:

<u>Date</u>	<u>Amount Billed</u>	<u>Purported Work Completed</u>
9/5/84 and 11/29/84	\$3,947	advance payment - planning, consultation
1/25/85	\$11,111	advance payment - consultation
12/18/86	\$1,546,902	design, purchase and assembly

48. Based on these invoices, GENERAL ELECTRIC made the following payments to the agent's corporation:

<u>Date</u>	<u>Description of Transaction</u>
9/28/84 and 12/20/84	two checks paying September 5, 1984 and November 29, 1984 invoices referencing the \$3,947 charge
3/25/85	check including payment of approximately \$11,111 for January 25, 1985 invoice

<u>Date</u>	<u>Description of Transaction</u>
1/12/87	wire transfer including payment of approximately \$1,546,902 for December 18, 1986 invoice

49. In turn, the agent transmitted approximately \$1.36 million to Ingbir's bank accounts in Israel and transferred all or most of the remainder to European banks pursuant to the sham agent's fee arrangement described above.

50. GENERAL ELECTRIC retained the balance of the funds collected from MODNY for the sale of the non-existent portable test units, totalling approximately \$2,438,040.

NON-EXISTENT JET ENGINE TEST CELL  
AND TEST CELL MEASUREMENT KIT

51. GENERAL ELECTRIC agreed with Dotan to create false and fictitious documentation attesting to the completion of the design and manufacture of an enclosed jet engine test cell at an IAF base known as Base 4, and a related test cell measurement kit. An enclosed test cell is a facility for testing jet engines, housed in its own building. The test cell measurement kit was a vaguely defined collection of accessories for the non-existent enclosed test cell. Both projects were ordered under the ILS Contract. The GENERAL ELECTRIC employees involved and Dotan knew that the IAF did not need the new enclosed test cell, and in fact, GENERAL ELECTRIC never provided the new enclosed test cell or the related test cell measurement kit.

52. GENERAL ELECTRIC and Dotan agreed to use the funds received from MODNY for the new enclosed test cell and the test

cell measurement kit for other projects that had not been approved or authorized for funding by DSAA.

53. Subsequently, GENERAL ELECTRIC transmitted the following invoices to MODNY, each of which was signed by a GENERAL ELECTRIC employee, and certain of which were accompanied by CMAs; each CMA attested to the completion of a phase of the construction and provision of the new enclosed test cell -- which was never designed or constructed -- and was signed by a GENERAL ELECTRIC employee and an IAF officer associated with Dotan:

<u>Date</u>	<u>Amount Billed</u>	<u>CMA Accompanying Invoice</u>
		<u>for New</u>
		<u>Enclosed</u>
		<u>Test Cell</u>
1/13/88	\$685,000	none - initial GENERAL ELECTRIC invoice for 25 percent advance payment
3/17/88	\$1,027,500	CMA attesting to completion of preliminary design review
7/20/88	\$4,242,500	CMAs attesting to completion of critical design review and release of drawings and commencement of construction
10/24/88	\$895,000	CMA attesting to functional acceptance of the new enclosed test cell

54. Through the submission of false invoices and related documentation to MODNY, GENERAL ELECTRIC caused MODNY to pay it a total of approximately \$6.85 million for the new enclosed test cell, and caused MODNY to obtain reimbursement in the same amount from the United States under the FMF Program.

55. GENERAL ELECTRIC remitted a portion of the \$6.85 million for use by Dotan and others on projects not authorized for FMF

financing. These funds were transmitted to the agent's corporation and Ingbir pursuant to a subcontract for work on the new enclosed test cell awarded by GENERAL ELECTRIC to the agent's corporation.

56. On March 21 and 28, 1988, GENERAL ELECTRIC employees created memoranda purporting to justify why Ingbir Engineering, represented by the agent's corporation, should be the "sole source" for the new enclosed test cell. As there was no intention to ever construct this new enclosed test cell, these memoranda were a cosmetic device designed to obscure the fraudulent nature of this transaction.

57. Based on GENERAL ELECTRIC's subcontract to the agent's corporation, the agent transmitted the following invoices to GENERAL ELECTRIC, each of which represented that the indicated work on the new enclosed test cell had been completed, when in fact the test cell was never designed or constructed and no such efforts had even commenced:

<u>Date</u>	<u>Amount Billed</u>	<u>Purported Work Completed</u>
6/13/88	\$1,048,731	completion of the preliminary design review for the new enclosed test cell
12/21/88	\$524,366	completion of the critical design review for the new enclosed test cell
5/7/90	\$1,303,400	functional acceptance of the new enclosed test cell

58. Based on these invoices, GENERAL ELECTRIC made the following payments to the agent's corporation:

<u>Date</u>	<u>Description of Transaction</u>
6/27/88	wire transfer including payment of approximately \$1,048,731 for June 13, 1988 invoice
5/17/90	wire transfer including payment of approximately \$1,303,400 for May 7, 1990 invoice

59. The agent disposed of these funds as follows:

<u>Date</u>	<u>Description of Transaction</u>
6/28/88	wire transfer to Ingbir's Israeli bank account, including approximately \$912,396 (approximately 87 percent of \$1,048,731 paid for June 13, 1988 invoice) for uses not approved by DSAA; and transfer to agent's bank account of approximately \$136,335 (approximately 13 percent of \$1,048,731 paid for June 13, 1988 invoice), most of which funds were eventually transferred to European banks pursuant to the sham agent's fee arrangement described above
5/18/90	wire transfer to Ingbir's Israeli bank accounts including approximately \$1,133,958 (approximately 87 percent of \$1,303,400 paid for May 7, 1990 invoice) for uses not approved by DSAA; and transfer to agent's bank account of approximately \$169,442 (approximately 13 percent of \$1,303,400 paid for May 7, 1990 invoice), which funds were eventually transferred to European banks pursuant to the sham agent's fee arrangement described above

60. GENERAL ELECTRIC retained the balance of the funds collected from MODNY for the sale of the non-existent new enclosed test cell.

61. GENERAL ELECTRIC also agreed with Dotan to create false documents certifying that it had produced a test cell measurement kit for the new enclosed test cell, when in fact no such equipment was ever designed, manufactured or delivered.

62. On June 21, 1989, a GENERAL ELECTRIC employee created a memorandum purporting to justify why the agent's corporation should be the "sole source" for the test cell measurement kit. As there

was no intention to ever supply test cell measurement kits for the non-existent test cell, this memorandum was a cosmetic device designed to obscure the fraudulent nature of this transaction.

63. On August 31, 1990, GENERAL ELECTRIC submitted four separate invoices to MODNY for a test cell measurement kit.

64. Through the submission of false invoices, GENERAL ELECTRIC caused MODNY to pay it a total of approximately \$614,450.55 for the test cell measurement kit, and caused MODNY to obtain reimbursement in the same amount from the United States under the FMF Program.

#### NON-EXISTENT TEST CELL RETROFIT KITS

65. GENERAL ELECTRIC agreed with Dotan to create false and fictitious documentation attesting to the completion of the design and manufacture of non-existent kits to retrofit jet engine test cells so that they would be compatible with a new configuration of the F110-GE-100 jet engine. These kits were ordered under the ILS Contract.

66. GENERAL ELECTRIC and Dotan agreed to use the funds received from MODNY for the retrofit kits for other projects that had not been approved or authorized for funding by DSAA, specifically the development of the F110-GE-100A engine, which GENERAL ELECTRIC planned to attempt to sell to Israel pursuant to a contract to be subsequently awarded.

67. Through the device of selling non-existent retrofit kits to Israel, GENERAL ELECTRIC was able to, among other things: (a) obtain a guarantee of funding through the ILS Contract for

development of the engine GENERAL ELECTRIC hoped to sell under the 1988 F110 Contract before the 1988 F110 Contract had even been awarded; and (b) avoid having to await compensation for development efforts until years later when the engines were actually delivered and the sales of the engines invoiced.

68. The plan to use the retrofit kit billings in this fashion was created in January 1988, by the then Manager of GEAE's Israel F110 Program ("the GEAE Program Manager") in response to efforts by the GEAE Sales Manager and Dotan to devise a plan to raise \$8 million to fund the engine development. Under the GEAE Program Manager's plan, \$4 million would be derived from sales of non-existent test cell retrofit kits to be ordered under the ILS Contract, and \$4 million would be recovered from the eventual sale of the engines. The retrofit kits supposedly rendered the test cells compatible with an additional configuration of the F110-GE-100 jet engine. (The test cells were already compatible with the additional engine configuration, and no modifications were necessary.) GENERAL ELECTRIC never designed, manufactured or delivered the retrofit kits.

69. Subsequently, GENERAL ELECTRIC submitted to MODNY proposals for the sale of the retrofit kits. The work described in these proposals was arbitrarily divided among nine separate proposals, purportedly describing nine separate "kits", so that each kit was valued at under \$500,000. (DSAA required prior approval of FMF funding for contracts valued at \$500,000 or more.) Thereafter, GENERAL ELECTRIC transmitted the following invoices to

MODNY, each of which was signed by a GENERAL ELECTRIC employee, and certain of which were accompanied by CMAs; each CMA attested to the delivery of the retrofit kits -- which were never delivered -- and was signed by a GENERAL ELECTRIC employee and an IAF officer associated with Dotan:

<u>Kit Number</u>	<u>Invoice Date</u>	<u>CMA Accompanying Invoice</u>
1	9/30/88	none - initial invoice for 25 percent advance payment
7	9/30/88	none - initial invoice for 25 percent advance payment
8	12/1/88	none - initial invoice for 25 percent advance payment
1	12/13/88	CMA attesting to delivery, supporting final invoice for 75 percent payment
7	12/13/88	CMA attesting to delivery, supporting final invoice for 75 percent payment
8	12/30/88	CMA attesting to delivery, supporting final invoice for 75 percent payment
2	12/31/88	CMA attesting to delivery, supporting final invoice for 75 percent payment
2	12/31/88	none - amended invoice correcting typographical error on preceding invoice
2	1/13/89	none - amended initial invoice for kit 2
2	1/13/89	none - amended final acceptance invoice for kit 2
6	2/1/89	none - initial invoice for 25 percent advance payment

<u>Kit Number</u>	<u>Invoice Date</u>	<u>CMA Accompanying Invoice</u>
6	2/1/89	CMA attesting to delivery, supporting final invoice for 75 percent payment
3	3/2/89	none - initial invoice for 25 percent advance payment
3	3/2/89	CMA attesting to delivery, supporting final invoice for 75 percent payment
5	3/21/89	none - initial invoice for 25 percent advance payment
5	3/21/89	CMA attesting to delivery, supporting final invoice for 75 percent payment
4	4/13/89	none - initial invoice for 25 percent advance payment
4	4/13/89	CMA attesting to delivery, supporting final invoice for 75 percent payment
9	6/2/89	none - initial invoice for 25 percent advance payment
9	6/2/89	CMA attesting to delivery, supporting final invoice for 75 percent payment

70. Through the submission of false invoices and related documentation to MODNY, GENERAL ELECTRIC caused MODNY to pay it a total of approximately \$3,996,500 for the new enclosed test cell, and caused MODNY to obtain reimbursement in the same amount from the United States under the FMF Program. GENERAL ELECTRIC applied the approximately \$3,996,500 to uses not authorized for FMF financing.

FALSIFICATION OF BOOKS AND RECORDS

71. Title 15, United States Code, Section 78m(b)(2)(A), enacted as part of the Foreign Corrupt Practices Act of 1977, requires certain publicly-held corporations to maintain books, records, and accounts "in reasonable detail" which accurately and fairly reflect the transactions in and dispositions of corporate assets. In connection with the above-described diversion schemes, GENERAL ELECTRIC falsified, among others, the following documents, maintained as part of its corporate records, in violation of this provision:

- a. Non-Existent Portable Test Units
  - (i) One invoice submitted on August 28, 1984;
  - (ii) Five invoices with CMAs submitted between July 18, 1986 and October 24, 1988;
- b. Non-Existent Jet Engine Test Cell
  - (i) One invoice submitted on January 13, 1988;
  - (ii) Five invoices with CMAs submitted between March 17, 1988 and October 24, 1988;
- c. Non-Existent Test Cell Measurement Kit
  - (i) Four invoices submitted on August 31, 1990;
- d. Non-Existent Test Cell Retrofit Kits
  - (i) Twenty invoices submitted between September 30, 1988 and June 2, 1989;
  - (ii) Nine CMAs submitted between September 30, 1988 and June 2, 1989;

e. Diversions Disguised as Funding for Flight Tests

- (i) Records of GENERAL ELECTRIC purporting to show that GENERAL ELECTRIC paid approximately \$7.875 million for flight test-related services;
- (ii) Invoices submitted by GENERAL ELECTRIC for the F110-GE-100A engine deliveries; and

f. Diversions Disguised as Subcontractor Payments

- (i) All invoices submitted under the ILS Contract between 1984 and 1990 for actual and purported subcontract work by Ingbir Engineering.

DEPOSITS OF PAYMENTS FROM MODNY RECEIVED THROUGH FRAUD

72. Title 18, United States Code, Section 1957, enacted as part of the Money Laundering Control Act of 1986, prohibits a person from taking funds or monetary instruments in excess of \$10,000 -- which that person knows are derived from a criminal offense and which in fact are derived from specified unlawful activities defined in the statute -- and depositing, withdrawing, transferring or exchanging the funds or monetary instruments, by, through or to a financial institution. GENERAL ELECTRIC violated this provision by effecting the following deposits of checks received from MODNY in payment of invoices for the non-existent portable test units, the new enclosed test cell for Base 4, the test cell measurement kit and the test cell retrofit kits, such property having been derived from specified unlawful activities,

that is, violations of Title 18, United States Code, Section 1343  
(wire fraud):

<u>Date</u>	<u>Description of Transaction</u>
1/22/87	GENERAL ELECTRIC's deposit of MODNY check including payment of approximately \$800,000 for fourth invoice for portable test units (commencement of construction);
12/1/88	GENERAL ELECTRIC's deposit of MODNY check including payment of approximately \$200,000 for fifth invoice for portable test units (functional acceptance);
2/27/88	GENERAL ELECTRIC's deposit of MODNY check including payment of approximately \$685,000 for initial invoice for the new enclosed test cell at IAF Base 4;
3/29/88	GENERAL ELECTRIC's deposit of MODNY check including payment of approximately \$1,027,500 for second invoice for the new enclosed test cell at IAF Base 4 (preliminary design review);
8/11/88	GENERAL ELECTRIC's deposit of MODNY check including payment of approximately \$4,242,500 for third invoice for the new enclosed test cell at IAF Base 4 (critical design review, drawing release, commencement of construction);
12/1/88	GENERAL ELECTRIC's deposit of MODNY check including payment of approximately \$895,000 for fourth invoice for the new enclosed test cell at IAF Base 4 (functional acceptance);
10/9/90	GENERAL ELECTRIC's deposit of MODNY check including payment of approximately \$614,450.55 for the test cell measurement kit;
10/25/88	GENERAL ELECTRIC's deposit of MODNY check including payments of approximately \$112,000 and \$101,625 for September 30, 1988 invoices for test stand retrofit kits;

<u>Date</u>	<u>Description of Transaction</u>
12/23/88	GENERAL ELECTRIC's deposit of MODNY check including payment of approximately \$115,125 for December 1, 1988 invoice for test stand retrofit kits;
1/4/89	GENERAL ELECTRIC's deposit of MODNY check including payments of approximately \$304,875 and \$336,000 for December 13, 1988 invoices for test stand retrofit kits;
1/23/89	GENERAL ELECTRIC's deposit of MODNY check including payments of approximately \$345,375, \$122,375 and \$367,125 for December 30, 1988 and January 13, 1989 invoices for test stand retrofit kits;
2/23/89	GENERAL ELECTRIC's deposit of MODNY check including payments of approximately \$121,250 and \$363,750 for February 1, 1989 invoices for test stand retrofit kits;
3/24/89	GENERAL ELECTRIC's deposit of MODNY check including payments of approximately \$114,875 and \$344,625 for March 2, 1989 invoices for test stand retrofit kits;
4/12/89	GENERAL ELECTRIC's deposit of MODNY check including payments of approximately \$107,625 and \$322,875 for March 21, 1988 invoices for test stand retrofit kits;
5/5/89	GENERAL ELECTRIC's deposit of MODNY check including payments of approximately \$82,900 and \$248,700 for April 13, 1989 invoices for test stand retrofit kits; and
6/26/89	GENERAL ELECTRIC's deposit of MODNY check including payments of approximately \$121,350 and \$364,050 for June 2, 1989 invoices for test stand retrofit kits.

\* \* \* \* \*

73. All of the foregoing constitute a portion of the evidence which the United States would adduce in proof of the conspiracy count charged in the Information. The United States would also prove each of the overt acts set forth in Count One of the

Information. In addition, the Information, at Counts Two, Three and Four charges substantive counts of violations of the accounting provisions of the Foreign Corrupt Practices Act, the submission of false claims upon the United States and engaging in monetary transactions in property derived from specified unlawful activity. The United States would rely upon the foregoing evidence and the proof of each of the relevant overt acts to show the violations charged in each of these counts.

74. In addition, the United States wishes to advise the Court of GENERAL ELECTRIC's cooperation with the United States' investigation. GENERAL ELECTRIC, through its counsel, conducted an internal investigation of the ILS and 1988 F110 Contracts and presented the results of this investigation through:

(a) production to United States investigators of compilations of documents relevant to particular contract line items under investigation; (b) a series of oral presentations to United States investigators and attorneys from October 1991 through January 1992; and (c) the production, in connection with these presentations, of compilations of documents relevant to each presentation. This information substantially assisted the United States' investigation, facilitated the negotiation of a proposed resolution of this matter, and enabled the parties to reach an agreement in principle on the resolution of this matter by May 22, 1992.

75. In this regard, the United States further wishes to advise the Court that the above-referenced agreement in principle

did not in any way result from administrative actions or proposed administrative actions by government agencies.

76. The United States further wishes to advise the Court that, other than as set forth in the Information filed herewith, the United States has no present intention of prosecuting GENERAL ELECTRIC for violations relating to the ILS Contract, the 1988 F110 Contract or Contract No. F33657-84-C-2011, which was the jet engine sales contract referred to in paragraph 11.

Respectfully submitted,

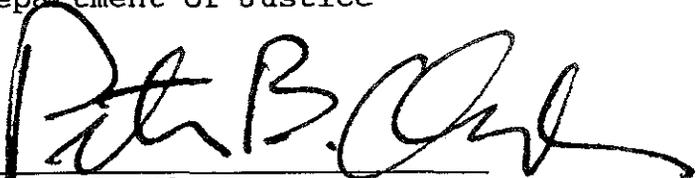
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