

STIPULATION OF OFFENSE CONDUCT

The United States of America and the defendants F.G. Mason Engineering, Inc. (MEI) and Francis G. Mason hereby stipulate and agree to the following offense conduct which gives rise to the agreement of each defendant to plead guilty to the one count information to be filed in this matter. This stipulation is intended to supplement and explain the information and the defendants expressly acknowledge that they have reviewed that information in its entirety and that it is true and accurate in all respects.

This stipulation is expressly made a part of the plea agreement of each defendant and shall be filed with the Court, in open Court, as part of the case.

The defendant, MEI, is a Connecticut corporation, established in approximately 1961 and currently located at 35 Brentwood Avenue, Fairfield, Connecticut. The company is engaged primarily in the manufacture, development and sale of technical security countermeasure (TSCM) equipment or so-called "anti-bugging" devices, that is, devices designed to detect the presence of electronic surveillance. The company's products are sold to both domestic and foreign military and law enforcement agencies and to the private sector. Francis G. Mason is the founder, president and owner of one-hundred percent of the stock of MEI. He is sixty-two years old and resides at [REDACTED] Weston, Connecticut. Catherine Mason is the daughter of

Francis G. Mason. For approximately the past five years Catherine Mason has been the general manager of MEI. She is thirty-seven years old and resides at [REDACTED], Stratford, Connecticut.

MEI began selling TSCM equipment and related products to the West German Government, including the German Military Intelligence Service (known by the acronym MAD) in the 1960s. In the mid-1970s Adolph Poetschke of Poetschke, GmbH, Frankfurt, West Germany, advised Francis G. Mason that, because of currency fluctuations between the dollar and the deutschemark, MAD did not wish to continue purchasing TSCM equipment directly from MEI. Instead, MAD preferred to deal through Poetschke, GmbH, as a middleman. During the period from approximately the mid-1970s through 1983 MEI would sell its products to Poetschke, GmbH, based upon a firm, quoted price in U.S. dollars. Poetschke, in turn, would then sell the equipment to MAD at a firm price in German deutschemarks. Poetschke, GmbH, also handled most of MAD's repair work on MEI equipment during this period. For its services as a sales agent, MEI paid Poetschke, GmbH, a commission of fifteen percent of the sales price charged by MEI to Poetschke, GmbH.

Sometime in or between 1981 and 1983, Dirk Ekkehard Zoeller, a civilian employee of MAD who had responsibility for procurement, testing, inspection and acceptance of TSCM equipment on behalf of MAD, advised Francis G. Mason that MAD believed

Poetschke, GmbH, was grossly inflating the prices it was charging MAD for MEI's TSCM equipment and that MAD wanted MEI to start providing Zoeller with copies of its invoices showing the price MEI was charging Poetschke, GmbH, for each product and service sold or quoted to Poetschke that was ultimately intended for MAD. Shortly thereafter, Zoeller informed MEI that MAD had changed its position and now wanted to deal directly with MEI for procurement of TSCM equipment. Accordingly, in approximately 1983, MEI did begin to deal directly with MAD in the sale of TSCM equipment, although Poetschke, GmbH, continued for some time to be responsible for repair and servicing work on MAD's TSCM equipment.

At about the same time that Zoeller informed Francis G. Mason that MAD wished to deal directly with MEI instead of through Poetschke, GmbH, MEI and MAD also began negotiation for the development by MEI of a new generation TSCM device, known as the MICRO-G, that was to be designed to meet the particular requirements of MAD and other agencies of the Government of the Federal Republic of German. On or about April 28, 1983, Francis G. Mason prepared and forwarded to MAD a quotation for the development of a prototype MICRO-G receiver and for the subsequent sale to MAD of three production units of the MICRO-G. Based in part upon recommendations of Zoeller, in June, 1983, MAD informed MEI that it found MEI's MICRO-G "the best in meeting our specifications" and indicated that it would be ordering three

MICRO-G units from MEI. A formal Letter of Intent, indicating that MAD planned to purchase three MICRO-G units from MEI during the year 1984, was issued by MAD on July 12, 1983. The Letter of Intent specifically indicated that MAD's obligation to purchase was contingent upon the prototype and the production units meeting required specifications and testing by MAD.

On January 3, 1984, at the request of Zoeller, Francis G. Mason sent MAD quotations reflecting prices that would be charged by MEI for various quantities of MICRO-G units if such units were ordered by MAD during the years 1984 through 1989.

On July 13, 1984, Francis G. Mason, on behalf of MEI, executed a "contract" with Dirk Ekkehard Zoeller, which read in its entirety as follows:

STATEMENT

This is to certify that Mr. Dirk Ekkehard Zoeller will receive the following commission for procuring the TSCM-Special-Receiver "MICRO-G":

For all systems 13.3% of the selling-price
 in U.S. Dollars in each case.

This statement is valid for all "MICRO-G" systems resp. all systems that are technically equivalent to the "MICRO-G", which are being sold due to the direct procuring of Mr. Zoeller.

Should Mr. Zoeller die in the meantime, this statement covers all those systems, for which fixed orders or equivalent options ("Letter of Intent") are submitted.

The commission will then be paid to his wife Marlies Zoeller resp. his children Tobias and Christian Zoeller.

The payment of the commission will always be made

immediately after the receipt of the respective amount of the invoice of Mason Engineering, Inc.

Fairfield, Connecticut /s/ _____
FRANK G. MASON
PRESIDENT 7/13/84

At the time Francis G. Mason executed the above contract, he knew that Dirk Ekkehard Zoeller was an official of the Government of the Federal Republic of Germany. Mason knew that it was wrong to enter into such an arrangement with Zoeller or to make payments to him and he thought that such conduct was illegal, but he did not make any effort to specifically inquire of the German Government or to seek advice from his attorneys or anyone else, because he consciously chose to avoid learning of the specific provisions of law that prohibited such conduct. Although Zoeller may have provided some minor level of technical advice or assistance to MEI in the development of the MICRO-G, Francis G. Mason and MEI knew that the primary purpose for making payments to Zoeller pursuant to the above "contract" was as a quid pro quo for Zoeller's influence with MAD. Specifically, Mason and MEI knew at the time that the contract was executed that MAD had not yet satisfactorily completed its inspection and testing of the prototype MICRO-G unit and had not yet issued purchase orders for any of the production units of the MICRO-G. Mason and MEI also knew that Zoeller was the MAD representative who was responsible, in large part, for the testing and acceptance of the MICRO-G units and that his recommendations for or against them would

carry great weight with MAD.

Based at least in part upon Zoeller's recommendations MAD eventually did accept the prototype MICRO-G as meeting its requirements and specifications and thereafter, on or about May 30, 1985, MAD issued a purchase order to MEI for the purchase of three MICRO-G units with certain options, at a total cost of \$250,800.

On July 26, 1985, Zoeller transmitted to MEI a Letter of Intent from MAD, indicating that, in addition to the first three MICRO-G units referred to above, MAD planned to purchase an additional eight MICRO-G units from MEI during the years 1987 and 1988.

On November 18, 1985, Zoeller took delivery of the first three MICRO-G units from MEI at its plant in Fairfield, Connecticut. Thereafter, on December 18, 1985, MAD transmitted \$250,800 from outside the State of Connecticut to the account of MEI at the Westport Bank and Trust Company, Westport, Connecticut, in payment of MICRO-G units 1, 2 and 3. Two days later, on December 20, 1985, Francis G. Mason issued an MEI check in the amount of \$33,356.40 to Zoeller and caused the check to be transmitted from the State of Connecticut to Zoeller in the Federal Republic of Germany.

On March 20, 1986, MAD ordered from MEI 180 formatted floppy disks for use in the MICRO-G, at a cost of \$3,556.44. Zoeller picked up the 180 floppy disks from MEI in Fairfield on April 17,

1986. On May 22, 1986, MAD sent \$3,556.44 to MEI in payment of the 180 disks. On June 11, 1986, Francis G. Mason issued an MEI check to Zoeller in the amount of \$473, representing his "commission" on the disk purchase. At the same time, Mason directed the MEI bookkeeper to falsely record the \$473 payment to Zoeller as a travel expense on the books of MEI.

On February 9, 1987, MAD issued a purchase order to MEI for the purchase of four additional MICRO-G units (Nos. 4, 5, 6 and 7) with certain options, at a total cost of \$336,800. These four MICRO-G units were picked up by Zoeller on behalf of MAD at MEI's Fairfield plant on September 22, 1987. On January 13, 1988, MAD transmitted \$336,790 from outside of the State of Connecticut to MEI's account at the Westport Bank and Trust Company in payment of MICRO-G units 4, 5, 6 and 7. One week later, on January 20, 1988, Catherine Mason issued an MEI check to Zoeller in the amount of \$54,830.89 and caused said check to be transmitted to Zoeller in the Federal Republic of Germany.

In addition to the 13.3% "commission" which MEI paid Zoeller on the purchases of MICRO-G units and related equipment made by MAD, in approximately 1987 Zoeller informed Catherine Mason who in turn informed her father, that Poetschke, GmbH, had been charging MAD a so-called "general alignment" charge for the alignment of MAD's TSCM equipment. Zoeller indicated that MEI should be doing the general alignment work on MAD equipment and that he (Zoeller) would see to it that MEI did get such work in

the future. Zoeller also indicated that he expected to receive fifty percent (50%) of the monies which MEI received from MAD in respect of general alignment charges. Francis G. Mason and MEI agreed to this proposal and thereafter did pay Zoeller 50% of certain of the monies MEI received from MAD for the "general alignment" of MAD's TSCM equipment.

On September 22, 1987, Catherine Mason issued two MEI checks, one in the amount of \$11,217.08 and the other in the amount of \$3,000, to Zoeller while Zoeller was at the MEI plant in Fairfield, Connecticut. The \$11,217.08 check was equal to 50% of the general alignment portion of repair invoices submitted to MAD by MEI during the period from May through September, 1987, and paid for by MAD. The \$3,000 check also represented a payment to Zoeller in respect of the agreement between Zoeller and MEI for Zoeller to receive kickbacks in relation to contractual payments made to MEI by MAD.

On September 14, 1987, Catherine Mason on behalf of MEI sent MAD a quotation reflecting prices that would be charged by MEI for various quantities of MICRO-G formatted disks if ordered by MAD prior to September 30, 1988. On April 21, 1988, Zoeller caused MAD to issue a purchase order to MEI in the amount of \$7,596 for 360 MICRO-G formatted disks. However, Zoeller indicated to Francis G. Mason that he could actually purchase the disks in question in Germany and that he could also do the formatting of the disks. Thereafter, Zoeller did purchase the

360 disks in Germany and also performed the formatting of the disks in Germany. Because Zoeller could not directly charge his employer for this work, it was agreed between Zoeller and Francis G. Mason and MEI that MEI would send MAD a bill for \$7,596 and that when MAD paid this bill, MEI would remit \$7,000 of the payment to Zoeller. Francis G. Mason and MEI knew and understood that this mechanism was designed to permit Zoeller to receive compensation that he would not have been permitted to receive had he billed MAD directly for the disk purchase and formatting work he performed. On June 9, 1988, MAD caused \$7,596 to be transmitted from outside of the State of Connecticut to MEI's account at Westport Bank and Trust Company in payment of the 360 formatted MICRO-G disks. On June 20, 1988, Catherine Mason issued an MEI check in the amount of \$7,000 payable to Zoeller and caused the check to be transmitted to Zoeller in the Federal Republic of Germany.

On December 12, 1988, Catherine Mason issued an MEI check in the amount of \$19,600 to Zoeller and caused this check to be transmitted to Zoeller in the Federal Republic of Germany. This check equals approximately fifty percent of the total general alignment charges reflected on Mason invoices sent to MAD and paid for by MAD during the period from October, 1987 through December 12, 1988, and the \$19,600 payment to Zoeller was made pursuant to the arrangement between Zoeller and MEI for Zoeller to receive kickbacks of a certain percentage of the contractual

payments made to MEI by MAD.

On or about April 28, 1988, MAD ordered from MEI certain software enhancements for the MICRO-G at a total cost of \$25,600. These software enhancements were personally picked up by Zoeller on behalf of MAD at MEI's Fairfield plant on November 29, 1988. These software enhancements were paid for by a wire transfer sent by MAD to MEI's account at Westport Bank and Trust Company on December 12, 1988. On January 11, 1989, Catherine Mason on behalf of MEI issued a check to Zoeller in the amount of \$3,404.80, representing his 13.3% share of the software enhancement contract, and caused said check to be transmitted to Zoeller in the Federal Republic of Germany.

On or about April 18, 1988, MAD issued a purchase order to MEI for the purchase of a MICRO-G Programmer, at a total cost of \$55,400. This Programmer was picked up by Zoeller on behalf of MAD at MEI's Fairfield plant on or about November 25, 1988. Thereafter, on or about January 3, 1989, MAD issued a wire transfer of funds from outside of the State of Connecticut to MEI's account at Westport Bank and Trust Company in payment of the MICRO-G Programmer. On February 2, 1989 Catherine Mason on behalf of MEI issued an MEI check to Zoeller in the amount of \$7,246.65, representing his 13.3% payment on the MICRO-G Programmer contract, and caused said check to be transmitted to Zoeller in the Federal Republic of Germany.

On April 19, 1988, MAD issued a purchase order to MEI for

the purchase of four additional MICRO-G units, (Nos. 8, 9, 10 and 11) with certain options, at a total cost of \$356,800. These four MICRO-G units were picked up by Zoeller on behalf of MAD at MEI's plant in Fairfield, Connecticut on or about November 29, 1988. These four MICRO-G units were paid for by MAD on January 3, 1989, by a wire transfer of \$356,790 from outside of the State of Connecticut to MEI's account at Westport Bank and Trust Company. On February 2, 1989, Catherine Mason on behalf of MEI issued an MEI check in the amount of \$47,573.35 to Zoeller, representing Zoeller's "commission" on MICRO-G units 8, 9, 10 and 11, and caused said check to be transmitted to Zoeller in the Federal Republic of Germany.

On or about October 11, 1988, MEI and the German Office for Military Technology and Procurement entered into a contract for the production by MEI and delivery to MAD of a MICRO-G Test Measurement System, at a total cost of \$403,700. The contract called for the payment of the purchase price to be made in three milestone installments as follows: 70% upon completion of the major components; 20% upon completion of certain additional hardware; and the final 10% upon delivery of the completed and tested system. On February 1, 1989, Zoeller, on behalf of MAD, and Francis G. Mason, on behalf of MEI, executed a document at Fairfield, Connecticut, releasing ownership of certain equipment relating to the MICRO-G Test Measurement System from MEI to MAD and acknowledging completion of the first milestone on the Test

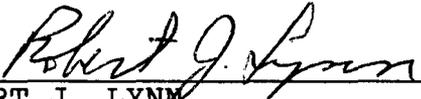
Measurement System contract. On or about March 14, 1989, MAD caused \$282,590, representing the first milestone payment on the MICRO-G Test Measurement System, to be transmitted from outside of the State of Connecticut to MEI's account at the Westport Bank and Trust Company. On March 23, 1989, Francis G. Mason on behalf of MEI issued an MEI check to Zoeller in the amount of \$37,978.47, representing Zoeller's "commission" on the first milestone payment made to MEI pursuant to the Test Measurement System contract.

The total corrupt payments made to Zoeller by MEI during the course of the scheme amounted to \$225,680.64.

During the course of the conspiracy Zoeller provided information and guidance concerning the amount that MEI should charge MAD for various MICRO-G and MICRO-G related products and for repair and general alignment services. As a result of such guidance and assistance by Zoeller, MEI was able to and did in fact "pad", that is, artificially inflate its prices to MAD.

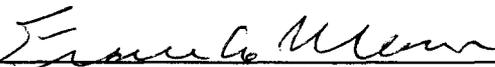
The above written stipulation is incorporated into the plea agreement between the United States and the defendants Francis G. Mason and MEI. It is understood, however, that the defendants and the Government reserve their right to present additional

relevant offense conduct to the Court in connection with sentencing.



ROBERT J. LYNN
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F.G. MASON ENGINEERING, INC.

By: 

FRANCIS G. MASON,
ITS DULY AUTHORIZED PRESIDENT



FRANCIS G. MASON



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