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                        UNITED STATES DISTRICT COURT
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                  FOR THE CENTRAL DISTRICT OF CALIFORNIA
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                             SOUTHERN DIVISION
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    UNITED STATES OF AMERICA,
                                       SA CR No. 09-00077-JVS
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                    Plaintiff,
                                       PLEA AGREEMENT FOR DEFENDANT
                                       PAUL COSGROVE
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    PAUL COSGROVE,
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                    Defendant.
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1. This constitutes the plea agreement between PAUL COSGROVE ("defendant") and the United States Attorney's Office for the Central District of California ("the USAO") and the

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United States Department of Justice, Criminal Division, Fraud Section ("the Fraud Section") (the USAO and the Fraud Section are, together, referred to as "the Department of Justice") in the above-captioned case. This agreement is limited to the Department of Justice and cannot bind any other federal, state, local, or foreign prosecuting, enforcement, administrative, or regulatory authorities.

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#### RULE 11(c)(1)(C) AGREEMENT

Defendant understands that this agreement is entered into pursuant to Federal Rule of Criminal Procedure 11(c)(1)(C). Accordingly, defendant understands that, if the Court determines that it will not accept this agreement, absent a breach of this agreement by defendant prior to that determination and whether or not defendant elects to withdraw any guilty plea entered pursuant to this agreement, this agreement will, with the exception of paragraph 19 below, be rendered null and void and both defendant. and the Department of Justice will be relieved of their obligations under this agreement. Defendant agrees, however, that if defendant breaches this agreement prior to the Court's determination whether or not to accept this agreement, the breach provisions of this agreement, paragraphs 21 and 22 below, will control, with the result that defendant will not be able to withdraw any guilty plea entered pursuant to this agreement, the Department of Justice will be relieved of all of its obligations under this agreement, and the Court's failure to follow any recommendation or request regarding sentence set forth in this agreement will not provide a basis for defendant to withdraw defendant's guilty plea.

## DEFENDANT'S OBLIGATIONS

# 3. Defendant agrees to:

- a) At the earliest opportunity requested by the Department of Justice and provided by the Court, appear and plead guilty to a one-count information in the form attached to this agreement as Exhibit A or a substantially similar form, which charges defendant with a violation of the Foreign Corrupt Practices Act ("FCPA"), 15 U.S.C. § 78dd-2(a), (g)(2)(A).
  - b) Not contest facts agreed to in this agreement.
- c) Abide by all agreements regarding sentencing contained in this agreement and affirmatively recommend to the court that it impose sentence in accordance with paragraph 13 of this agreement.
- d) Appear for all court appearances, surrender as ordered for service of sentence, obey all conditions of any bond, and obey any other ongoing court order in this matter.
- e) Not commit any crime; however, offenses that would be excluded for sentencing purposes under United States

  Sentencing Guidelines ("U.S.S.G." or "Sentencing Guidelines")

  § 4A1.2(c) are not within the scope of this agreement.
- f) Be truthful at all times with Pretrial Services, the United States Probation Office, and the Court.
- g) Pay the applicable special assessment at or before the time of sentencing unless defendant lacks the ability to pay and prior to sentencing submits a completed financial statement on a form to be provided by the Department of Justice.

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#### THE DEPARTMENT OF JUSTICE'S OBLIGATIONS

- 4. The Department of Justice agrees to:
  - a) Not contest facts agreed to in this agreement.
- b) Abide by all agreements regarding sentencing contained in this agreement and affirmatively recommend to the court that it impose sentence in accordance with paragraph 13 of this agreement.
- c) At the time of sentencing, move to dismiss the underlying indictment as against defendant.

#### NATURE OF THE OFFENSE

- 5. Defendant understands that for defendant to be guilty of the crime charged in count one of the information, that is, a violation of the Foreign Corrupt Practices Act, in violation of Title 15, United States Code, Section 78dd-2(a), (g)(2)(A), the following must be true:
- (1) defendant is a domestic concern, or an officer, director, employee, or agent of a domestic concern;
  - (2) defendant acted corruptly and willfully;
- (3) defendant made use or caused the use of the mails, wires, or any means or instrumentality of interstate commerce in furtherance of conduct that violates the FCPA;
- (4) defendant offered, paid, promised to pay, or authorized the payment of money, or offered, gave, promised to give, or authorized the giving of anything of value to a foreign official;
- (5) the payment or gift at issue in element (4) was to (a) a person the defendant knew or believed to be a foreign official or (b) any person and the defendant knew that all or a portion of such money or thing of value would be offered, given, or promised

- (6) the payment or gift at issue was intended for at least one of four purposes: (a) to influence any act or decision of a foreign official in his or her official capacity; (b) to induce a foreign official to do or omit to do any act in violation of that official's lawful duty; (c) secure any improper advantage; or (d) to induce a foreign official to use his or her influence with a foreign government or department, agency, or instrumentality thereof to affect or influence any act or decision of such government, department, agency, or instrumentality; and
- (7) the payment or gift was intended to assist the defendant in obtaining or retaining business for or with, or directing business to, any person.

For the purposes of the FCPA, a person's state of mind is "knowing" with respect to conduct, a circumstance, or a result if (1) the person is aware that the person is engaging in the conduct, that the circumstance exists, or that the result is substantially certain to occur, or (2) the person has a firm belief that such circumstance exists or that such result is substantially certain to occur. Knowledge is established if a person is aware of a high probability of the existence of a circumstance.

#### PENALTIES

6. Defendant understands that the statutory maximum sentence that the Court can impose for a violation of Title 15,

United States Code, Section 78dd-2(a), (g)(2)(A), is: five years imprisonment; a three-year period of supervised release; a fine of \$100,000 or twice the gross gain or gross loss resulting from the offense, whichever is greater; and a mandatory special assessment of \$100.

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- 7. Defendant understands that supervised release is a period of time following imprisonment during which defendant will be subject to various restrictions and requirements. Defendant understands that if defendant violates one or more of the conditions of any supervised release imposed, defendant may be returned to prison for all or part of the term of supervised release authorized by statute for the offense that resulted in the term of supervised release, which could result in defendant serving a total term of imprisonment greater than the statutory maximum stated above.
- 8. Defendant understands that, by pleading guilty, defendant may be giving up valuable government benefits and valuable civic rights, such as the right to vote, the right to possess a firearm, the right to hold office, and the right to serve on a jury. Defendant understands that once the court accepts defendant's guilty plea, it will be a federal felony for defendant to possess a firearm or ammunition. Defendant understands that the conviction in this case may also subject defendant to various other collateral consequences, including but not limited to revocation of probation, parole, or supervised release in another case and suspension or revocation of a professional license. Defendant understands that unanticipated collateral consequences will not serve as grounds to withdraw

defendant's guilty plea.

9. Defendant understands that, if defendant is not a United States citizen, the felony conviction in this case may subject defendant to: removal, also known as deportation, which may, under some circumstances, be mandatory; denial of citizenship; and denial of admission to the United States in the future. The court cannot, and defendant's attorney also may not be able to, advise defendant fully regarding the immigration consequences of the felony conviction in this case. Defendant understands that unexpected immigration consequences will not serve as grounds to withdraw defendant's guilty plea.

## FACTUAL BASIS

10. Defendant admits that defendant is, in fact, guilty of the offense to which defendant is agreeing to plead guilty.

Defendant and the Department of Justice agree to the statement of facts provided below and agree that this statement of facts is sufficient to support a plea of guilty to the charge described in this agreement and to establish the Sentencing Guidelines factors set forth in paragraph 12 below but is not meant to be a complete recitation of all facts relevant to the underlying criminal conduct or all facts known to either party that relate to that conduct.

Defendant PAUL COSGROVE was Executive Vice President of CCI from in or around 2002 through in or around 2007 and served as the Head of CCI's Worldwide Sales Department from in or around 1997 through in or around 2007. Defendant COSGROVE was a citizen of the United States and thus was a "domestic concern" as that term is defined in the Foreign Corrupt Practices Act ("FCPA"),

Title 15, United States Code, Section 78dd-2(h)(1)(A).

CCI was a Delaware corporation headquartered in Rancho Santa Margarita, California, that designed and manufactured control valves for use in the nuclear, oil and gas, and power generation industries worldwide. CCI sold its products to both state-owned and private companies in over thirty countries around the world. Because CCI was organized under the laws of a State of the United States and had its principal place of business in the United States, it was a "domestic concern" as that term is defined in the FCPA, Title 15, United States Code, Section 78dd-2(h)(1)(B).

In conducting its business, CCI utilized a sales model known as "friend-in-camp" ("FIC"), in which CCI employees and agents cultivated relationships with, among other people, employees of its customers. FICs, who were also referred to as "consultants," sometimes included employees of CCI's state-owned customers who had the ability to influence the technical specifications of an order or otherwise to direct business to CCI. Defendant COSGROVE advocated the FIC sales model and encouraged CCI employees to take good care of FICs.

One of CCI's customers was Sichuan Chemical Works Group,
Ltd. ("Sichuan Chemical"). Defendant COSGROVE knew Sichuan
Chemical was a Chinese state-owned entity. Defendant COSGROVE
understands that at any trial, the government would prove
sufficient facts to demonstrate that Sichuan Chemical was a
government instrumentality within the meaning of the FCPA, Title
15, United States Code, Section 78dd-2(h)(2)(A) and its employees
"foreign officials" within the meaning of the FCPA.

In 2003, CCI bid on an order to provide a valve to Sichuan

Chemical in China. In a series of e-mails with the heading "Commission for Sichuan Chemical," a CCI salesperson in China explained that he had promised a commission in the amount of \$7,500 to the customer. He indicated that the customer was "very kind and important to us" and had given CCI a separate order. The deal was set up so that the customer would be paid via a consultant. On July 2, 2003, defendant COSGROVE approved via e-mail the payment of \$7,500 for the commissions associated with this sale. As a result of this payment, CCI earned profits of approximately \$5,625 in connection with the sale of the valve.

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Although defendant COSGROVE did not actually know that the \$7,500 was to be offered, given, or promised to an employee at Sichuan Chemical for the purpose of securing Sichuan Chemical's business, he was aware of a high probability of this circumstance and failed to make additional inquiries concerning the nature of the commission and the suspected recipient in order to determine whether the proposed commission payment might be made to an employee at Sichuan Chemical for the purpose of securing Sichuan Chemical's business. This awareness arose, at least in part, from defendant COSGROVE's knowledge that, as described above, CCI's sales model included the cultivation of FICs who sometimes included employees of CCI's customers.

Although defendant COSGROVE did not know about the prohibitions of the FCPA, defendant COSGROVE was aware that the law would forbid making an undisclosed payment to an employee of a customer for the purpose of securing the customer's business.

#### SENTENCING FACTORS AND AGREED-UPON SENTENCE

11. Defendant understands that in determining defendant's

sentence the Court is required to calculate the applicable Sentencing Guidelines range and to consider that range, possible departures under the Sentencing Guidelines, and the other sentencing factors set forth in 18 U.S.C. § 3553(a). Defendant understands that the Sentencing Guidelines are advisory only.

12. Defendant and the Department of Justice agree to the following applicable sentencing guideline factors:

Base Offense Level	•	12	0.S.S.G. § 2C1.1(a)(2)
Specific Offense Characteristics			,
Benefit	•	+2	U.S.S.G. § 2C1.1(b)(2)
Acceptance of Responsibility	:	-2	U.S.S.G. § 3E1.1

Total Offense Level: 12

Criminal History

Category : I

17 Guideline Range

10 - 16 months imprisonment

\$3,000 - \$30,000 fine

Except as set forth in paragraph 13, the parties agree not to argue that any other specific offense characteristics, adjustments, or departures be imposed.

13. Defendant and the Department of Justice agree that, taking into account the factors listed in 18 U.S.C. § 3553(a)(1)-(7), an appropriate disposition of this case is that the court impose a sentence of: no more than 15 months imprisonment; three years supervised release with conditions to be fixed by the Court; up to a \$20,000 fine; no amount of restitution; and a \$100 special assessment. Defendant reserves the right to seek a

1 variance or downward departure in the offense level based upon defendant's medical condition. At sentencing, defendant will 2 3 present evidence of his medical condition, to include the following: Defendant has a lengthy history of coronary problems, 4 5 gastric bleeding, and other serious health issues for which he has received treatment since at least 2003. On August 16, 2010, 6 defendant underwent emergency heart quadruple bypass surgery and has since been under the treatment and care of his cardiologist 8 to ensure defendant remains in stable condition. Defendant has 10 been hospitalized twice in the two months preceding the date of 11 execution of this plea agreement as a result of highly elevated blood pressure levels resulting from stress and a recent 12 13 diagnosis of severe sleep apnea. Defendant continues under the treatment and care of doctors for his elevated blood pressure, 14 1.5 heart disease, sleep apnea, and a recent preliminary diagnosis of 16 type 2 diabetes.

#### WAIVER OF CONSTITUTIONAL RIGHTS

14. Defendant understands that by pleading guilty, defendant gives up the following rights:

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- a) The right to persist in a plea of not guilty.
- b) The right to a speedy and public trial by jury.
- c) The right to be represented by counsel and if necessary have the court appoint counsel at trial. Defendant understands, however, that, defendant retains the right to be represented by counsel and if necessary have the court appoint counsel at every other stage of the proceeding.
- d) The right to be presumed innocent and to have the burden of proof placed on the government to prove defendant

guilty beyond a reasonable doubt.

- e) The right to confront and cross-examine witnesses against defendant.
- f) The right to testify and to present evidence in opposition to the charges, including the right to compel the attendance of witnesses to testify.
- g) The right not to be compelled to testify, and, if defendant chose not to testify or present evidence, to have that choice not be used against defendant.
- h) Any and all rights to pursue any affirmative defenses, Fourth Amendment or Fifth Amendment claims, and other pretrial motions that have been filed or could be filed.

#### WAIVER OF STATUTE OF LIMITATIONS

15. Having been fully advised by defendant's attorney regarding application of the statute of limitations to the offense to which defendant is pleading guilty, defendant hereby knowingly, voluntarily, and intelligently waives, relinquishes, and gives up: (a) any right that defendant might have not to be prosecuted for the offenses to which defendant is pleading guilty because of the expiration of the statute of limitations for those offenses prior to the filing of the superseding information alleging those offenses; and (b) any defense, claim, or argument defendant could raise or assert that prosecution of the offenses to which defendant is pleading guilty is barred by the expiration of the applicable statute of limitations, pre-indictment delay, or any speedy trial violation.

## WAIVER OF APPEAL OF CONVICTION

16. Defendant understands that, with the exception of an

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appeal based on a claim that defendant's guilty plea were involuntary, by pleading guilty defendant is waiving and giving up any right to appeal defendant's conviction on the offense to which defendant is pleading guilty.

## LIMITED MUTUAL WAIVER OF APPEAL OF SENTENCE

- 17. Defendant agrees that, provided the Court imposes the sentence specified in paragraph 13 above, defendant gives up the right to appeal any portion of that sentence.
- 18. The Department of Justice agrees that, provided the Court imposes the sentence specified in paragraph 13 above, the Department of Justice gives up its right to appeal any portion of that sentence.

### RESULT OF WITHDRAWAL OF GUILTY PLEA

19. Defendant agrees that if, after entering a-guilty plea pursuant to this agreement, defendant seeks to withdraw and succeeds in withdrawing defendant's guilty plea on any basis other than a claim and finding that entry into this plea agreement was involuntary, then (a) the Department of Justice will be relieved of all of its obligations under this agreement; and (b) should the Department of Justice choose to pursue any charge that was either dismissed or not filed as a result of this agreement, then (i) any applicable statute of limitations will be tolled between the date of defendant's signing of this agreement and the filing commencing any such action; and (ii) defendant waives and gives up all defenses based on the statute of limitations, any claim of pre-indictment delay, or any speedy trial claim with respect to any such action, except to the extent that such defenses existed as of the date of defendant's signing

this agreement.

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20. This agreement is effective upon signature and execution of all required certifications by defendant, defendant's counsel, and an Assistant United States Attorney.

## BREACH OF AGREEMENT

EFFECTIVE DATE OF AGREEMENT

- Defendant agrees that if defendant, at any time after the signature of this agreement and execution of all required certifications by defendant, defendant's counsel, and an Assistant United States Attorney, knowingly violates or fails to perform any of defendant's obligations under this agreement ("a breach"), the Department of Justice may declare this agreement breached. All of defendant's obligations are material, a single breach of this agreement is sufficient for the Department of Justice to declare a breach, and defendant shall not be deemed to have cured a breach without the express agreement of the Department of Justice in writing. If the Department of Justice declares this agreement breached, and the Court finds such a breach to have occurred, then: (a) if defendant has previously entered a guilty plea pursuant to this agreement, defendant will not be able to withdraw the guilty plea, (b) the Department of Justice will be relieved of all its obligations under this agreement, and (c) the Court's failure to follow any recommendation or request regarding sentence set forth in this agreement will not provide a basis for defendant to withdraw defendant's guilty plea.
- 22. Following the Court's finding of a knowing breach of this agreement by defendant, should the Department of Justice

- a) Defendant agrees that any applicable statute of limitations is tolled between the date of defendant's signing of this agreement and the filing commencing any such action.
- b) Defendant waives and gives up all defenses based on the statute of limitations, any claim of pre-indictment delay, or any speedy trial claim with respect to any such action, except to the extent that such defenses existed as of the date of defendant's signing this agreement.
- c) Defendant agrees that: (i) any statements made by defendant, under oath, at the guilty plea hearing (if such a hearing occurred prior to the breach); (ii) the agreed to factual basis statement in this agreement; and (iii) any evidence derived from such statements, shall be admissible against defendant in any such action against defendant, and defendant waives and gives up any claim under the United States Constitution, any statute, Rule 410 of the Federal Rules of Evidence, Rule 11(f) of the Federal Rules of Criminal Procedure, or any other federal rule, that the statements or any evidence derived from the statements should be suppressed or are inadmissible.

#### COURT AND PROBATION OFFICE NOT PARTIES

23. Defendant understands that the Court and the United States Probation Office are not parties to this agreement and need not accept any of the Department of Justice's sentencing recommendations or the parties' agreements to facts, sentencing factors, or sentencing. Defendant understands that the Court will determine the facts, sentencing factors, and other

considerations relevant to sentencing and will decide for itself whether to accept and agree to be bound by this agreement.

Defendant understands that both defendant and the Department of Justice are free to: (a) supplement the facts by supplying relevant information to the United States Probation Office and the Court, (b) correct any and all factual misstatements relating to the Court's Sentencing Guidelines calculations and determination of sentence, and (c) argue on appeal and collateral review that the Court's Sentencing Guidelines calculations and the sentence it chooses to impose are not error, although each party agrees to maintain its view that the calculations and sentence referenced in paragraphs 12 and 13 are consistent with the facts of this case. While this paragraph permits both the Department of Justice and defendant to submit full and complete factual information to the United States Probation Office and the Court, even if that factual information may be viewed as inconsistent with the facts agreed to in this agreement, this paragraph does not affect defendant's and the Department of Justice's obligations not to contest the facts agreed to in this agreement.

## NO ADDITIONAL AGREEMENTS

25. Defendant understands that, except as set forth herein, there are no promises, understandings, or agreements between the Department of Justice and defendant or defendant's attorney, and that no additional promise, understanding, or agreement may be entered into unless in a writing signed by all parties or on the record in court.

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#### PLEA AGREEMENT PART OF THE GUILTY PLEA HEARING

The parties agree that this agreement will be 3 considered part of the record of defendant's guilty plea hearing as if the entire agreement had been read into the record of the 5 proceeding. AGREED AND ACCEPTED б UNITED STATES ATTORNEY'S OFFICE FOR THE CENTRAL DISTRICT OF CALIFORNIA ANDRÉ/BIROTTE JR. United States Attorney 10 May 23, 2012 DOUGLAS F. McCORMICK Assistant United States Attorney 11 12 FRAUD SECTION, CRIMINAL DIVISION U.S. BEPARTMENT OF JUSTICE 13 14 CHARLES G. LA BELLA Deputy Chief 15 16 17 18 .19 20 Defendant 2] THOMAS H BIENERT, JR. Attorney for Defendant PAUL COSGROVE 24 25 26 27 28

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#### CERTIFICATION OF DEFENDANT

I have read this agreement in its entirety. I have had enough time to review and consider this agreement, and I have carefully and thoroughly discussed every part of it with my attorney. I understand the terms of this agreement, and I voluntarily agree to those terms. I have discussed the evidence with my attorney, and my attorney has advised me of my rights, of possible pretrial motions that might be filed, of possible defenses that might be asserted either prior to or at trial, of the sentencing factors set forth in 18 U.S.C. § 3553(a), of relevant Sentencing Guidelines provisions, and of the consequences of entering into this agreement. No promises, inducements, or representations of any kind have been made to me other than those contained in this agreement. No one has threatened or forced me in any way to enter into this agreement. I am satisfied with the representation of my attorney in this matter, and I am pleading guilty because I am guilty of the charges and wish to take advantage of the promises set forth in this agreement, and not for any other reason.

L COSGROVE /

Defendant

Date

5/23/12

## CERTIFICATION OF DEFENDANT'S ATTORNEY

I am PAUL COSGROVE's attorney. I have carefully and thoroughly discussed every part of this agreement with my client. Further, I have fully advised my client of his rights, of possible pretrial motions that might be filed, of possible defenses that might be asserted either prior to or at trial, of the sentencing factors set forth in 18 U.S.C. § 3553(a), of relevant Sentencing Guidelines provisions, and of the consequences of entering into this agreement. To my knowledge: no promises, inducements, or representations of any kind have been made to my client other than those contained in this agreement; no one has threatened or forced my client in any way to enter into this agreement; my client's decision to enter into this agreement is an informed and voluntary one; and the factual basis set forth in this agreement is sufficient to support my client's entry of a guilty pleas pursuant to this agreement.

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THOMAS" H. BIENERT, JR. Attorney for Defendant PAUL COSGROVE

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