

1 promised to a foreign official), for the purpose of securing any
2 improper advantage, or of assisting in obtaining or retaining
3 business for and with, or directing business to, any person.

4 2. An unnamed co-conspirator company, hereinafter referred
5 to as Company A, was a Delaware corporation headquartered in
6 Rancho Santa Margarita ("RSM"), California, that designed and
7 manufactured service control valves for use in the nuclear, oil
8 and gas, and power generation industries worldwide. Company A
9 sold its products to both state-owned enterprises and private
10 companies in approximately thirty countries around the world.
11 Because Company A was organized under the laws of a State of the
12 United States and had its principal place of business in the
13 United States, it was a "domestic concern" as that term is
14 defined in the FCPA, Title 15, United States Code, Section 78dd-
15 2(h)(1)(B).

16 3. Defendant RICHARD MORLOK ("MORLOK") served as Company
17 A's Finance Director from in or around 2002 through in or around
18 2007. In this capacity, MORLOK oversaw the Finance Department
19 and had responsibility for approving certain commission payments
20 and signing off on wire transfers to the recipients of those
21 commission payments. Approximately ten Company A employees
22 reported to defendant MORLOK during this time. Defendant MORLOK
23 was a citizen of the United States and thus was a "domestic
24 concern" as that term is defined in the FCPA, Title 15, United
25 States Code, Section 78dd-2(h)(1)(A).

26 4. Company A's state-owned customers included, but were
27 not limited to, China National Offshore Oil Company, PetroChina,
28 Jiangsu Nuclear Power Corporation (China), Korea Hydro and

1 Nuclear Power ("KHNP") (Korea), Rovinari Power (Romania), and
2 Safco (Saudi Arabia). Each of these state-owned entities was a
3 department, agency, and instrumentality of a foreign government,
4 within the meaning of the FCPA, Title 15, United States Code,
5 Sections 78dd-2(h)(2)(A). The officers and employees of these
6 entities, including their Vice-Presidents, Engineering Managers,
7 General Managers, Procurement Managers, and Purchasing Officers,
8 were "foreign officials" within the meaning of the FCPA, Title
9 15, United States Code, Section 78dd-2(h)(2)(A).

10 THE CONSPIRACY

11 5. Beginning in or around 2002, and continuing through in
12 or around 2007, in the Central District of California, and
13 elsewhere, defendant MORLOK did unlawfully, willfully, and
14 knowingly combine, conspire, confederate, and agree with others
15 known and unknown to commit an offense against the United States,
16 that is, being a domestic concern, to willfully make use of the
17 mails and the means and instrumentalities of interstate commerce
18 corruptly in furtherance of an offer, payment, promise to pay,
19 and authorization of the payment of any offer, payment, promise
20 to pay, and authorization of the payment of any money, offer,
21 gift, promise to give, and authorization of the giving of
22 anything of value to any foreign official, and to any person,
23 while knowing that the money or thing of value will be offered,
24 given, or promised to a foreign official, for purposes of: (i)
25 influencing acts and decisions of such foreign official in his
26 official capacity; (ii) inducing such foreign official to do and
27 omit to do acts in violation of the lawful duty of such official;
28 (iii) securing an improper advantage; and (iv) inducing such

1 foreign official to use his influence with a foreign government
2 and instrumentalities thereof to affect and influence acts and
3 decisions of such government and instrumentalities, in order to
4 assist defendant MORLOK, Company A, and others known and unknown
5 in obtaining and retaining business for and with, and directing
6 business to, Company A and others, in violation of Title 15,
7 United States Code, Section 78dd-2(a).

8 PURPOSE OF THE CONSPIRACY

9 6. The purpose of the conspiracy was to make corrupt
10 payments to foreign officials of state-owned enterprises in order
11 to assist in obtaining and retaining business for and with, and
12 directing business to, Company A.

13 THE MANNER AND MEANS OF THE CONSPIRACY

14 7. Defendant MORLOK and his co-conspirators employed
15 various manner and means to carry out the conspiracy, including
16 but not limited to the following:

17 a. Company A's executives would and did implement a
18 sales approach which encouraged Company A's salespeople to
19 cultivate "friends-in-camp" ("FICs") at Company A's customers.
20 Numerous FICs were officers and employees of Company A's state-
21 owned customers holding such positions as Vice-President,
22 Engineering Manager, General Manager, Procurement Manager, and
23 Purchasing Officer, and had the authority either to award
24 contracts or to influence the technical specifications of an
25 order in a manner that would favor Company A. As part of the
26 cultivation of FICs at Company A's customers, defendant MORLOK
27 and his co-conspirators often made payments to the FICs in order
28 to assist in obtaining and retaining business for Company A.

1 Company A personnel often referred to these payments as
2 "flowers."

3 b. Defendant MORLOK and his co-conspirators would and
4 did authorize and approve payments to FICs for the purpose of
5 assisting in obtaining and retaining business.

6 c. Defendant MORLOK and his co-conspirators would and
7 did cause Company A's Finance Department to arrange for payment
8 of the predetermined commission payments to the FICs either
9 directly or through Company A's agents and salespeople. Such
10 payment would and did usually occur after Company A had received
11 payment from the customer for the parts or service Company A was
12 providing.

13 d. Defendant MORLOK would and did cause Company A
14 employees and agents to make corrupt payments totaling
15 approximately \$628,000 to foreign officials employed at state-
16 owned entities in order to assist in obtaining and retaining
17 business for Company A, and Company A would and did earn
18 approximately \$3.5 million in profits from the contracts that it
19 obtained as a result of these corrupt payments. The corrupt
20 payments were made to foreign officials at state-owned entities
21 including, but not limited to, China National Offshore Oil
22 Company, PetroChina, Jiangsu Nuclear Power Corporation (China),
23 Korea Hydro and Nuclear Power ("KHNP") (Korea), Rovinari Power
24 (Romania), and Safco (Saudi Arabia).

25 OVERT ACTS

26 8. In furtherance of the conspiracy and to achieve its
27 purpose and object, defendant MORLOK and his co-conspirators
28 committed the following overt acts in the Central District of

1 California, and elsewhere, among others:

2 a. On or about April 21, 2004, MORLOK caused Company
3 A to wire a commission payment of \$57,658 from its bank account
4 in California to an account in Korea for the purpose of making a
5 corrupt payment to a KHNP official.

6 b. In or around August 2004, during an internal audit
7 of Company A's commission payments conducted by Company A's
8 parent company, defendant MORLOK provided false and misleading
9 information to the internal auditors regarding his knowledge of
10 and participation in improper payments made by Company A to
11 foreign officials at state-owned entities.

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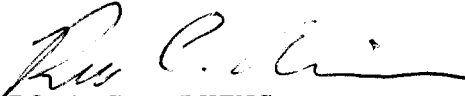
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1 c. In or around December 2004, during an external
2 accounting audit of Company A, defendant MORLOK provided false
3 and misleading information to Company A's external auditors
4 regarding his knowledge of and participation in improper payments
5 made by Company A to foreign officials at state-owned entities.

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