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U.S. DISTRICT COURT  
CENTRAL DISTRICT OF CALIF.  
SANTA ANA

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UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA  
SOUTHERN DIVISION

October 2008 Grand Jury

**SACR09-0077**

UNITED STATES OF AMERICA, )  
 )  
 ) Plaintiff, )  
 )  
 ) v. )  
 )  
 ) STUART CARSON, )  
 ) HONG CARSON, )  
 ) a/k/a "Rose Carson," )  
 ) PAUL COSGROVE, )  
 ) DAVID EDMONDS, )  
 ) FLAVIO RICOTTI, and )  
 ) HAN YONG KIM, )  
 )  
 ) Defendants. )

SA CR No. \_\_\_\_\_  
I N D I C T M E N T  
[18 U.S.C. § 371: Conspiracy;  
15 U.S.C. § 78dd-2: Foreign  
Corrupt Practices Act; 18  
U.S.C. § 1952: Travel Act; 18  
U.S.C. § 1519: Destruction of  
Records; 18 U.S.C. § 2: Aiding  
and Abetting and Causing an Act  
To Be Done]

The Grand Jury charges:

INTRODUCTION

At all times relevant to this Indictment:

1. The Foreign Corrupt Practices Act of 1977 ("FCPA"), as amended, Title 15, United States Code, Sections 78dd-1, et seq., was enacted by Congress for the purpose of making it unlawful,

1 among other things, for certain United States persons and  
2 business entities to act corruptly in furtherance of an offer,  
3 promise, authorization, or payment of money or anything of value  
4 to a foreign government official (or to any person, while knowing  
5 that the money or thing of value will be offered, given or  
6 promised to a foreign official), for the purpose of securing any  
7 improper advantage, or of assisting in obtaining or retaining  
8 business for and with, or directing business to, any person.

9       2. The Travel Act, Title 18, United States Code, Section  
10 1952, makes it unlawful to travel in interstate or foreign  
11 commerce or use the mail or any facility in interstate or foreign  
12 commerce, with intent to promote, manage, establish, carry on, or  
13 facilitate the promotion, management, establishment, or carrying  
14 on, of certain unlawful activity, including commercial bribery in  
15 violation of the laws of the state of California.

16                   Relevant Individuals and Entities

17       3. Company A was a Delaware corporation headquartered in  
18 Rancho Santa Margarita ("RSM"), California, that designed and  
19 manufactured control valves for use in the nuclear, oil and gas,  
20 and power generation industries worldwide. Company A sold its  
21 products to both state-owned and private companies in over thirty  
22 countries around the world. Because Company A was organized  
23 under the laws of a State of the United States and had its  
24 principal place of business in the United States, it was a  
25 "domestic concern" as that term is defined in the FCPA.

26       4. Defendant STUART CARSON ("S. CARSON") was the Chief  
27 Executive Officer ("CEO") of Company A from in or around 1989  
28 through in or around 2005. Defendant S. CARSON was the prime

1 architect of Company A's friend-in-camp ("FIC") sales model, in  
2 which Company A employees and agents cultivated special  
3 relationships with employees of its state-owned and private  
4 customers. In many instances, Company A employees and agents  
5 made corrupt payments to the FICs for the purpose of obtaining  
6 and retaining business for Company A. Company A personnel  
7 sometimes referred to these corrupt payments as "flowers." From  
8 in or around January 2003 through in or around August 2005,  
9 defendant S. CARSON caused Company A employees and agents to make  
10 corrupt payments totaling approximately \$4.3 million to officers  
11 and employees of state-owned companies, and corrupt payments  
12 totaling approximately \$1.8 million to officers and employees of  
13 private companies. Defendant S. CARSON was a citizen of the  
14 United States and thus was a "domestic concern" and an officer,  
15 director, employee and agent of a "domestic concern" as those  
16 terms are defined and used in the FCPA.

17 5. Defendant HONG CARSON, also known as "Rose Carson" ("R.  
18 CARSON"), was Company A's Manager of Sales for China and Taiwan  
19 from in or around 1995 through in or around 2000 and then served  
20 as the Director of Sales for China and Taiwan from in or around  
21 2000 through in or around 2007. Defendant R. CARSON was the wife  
22 of defendant S. CARSON. From in or around 2003 through in or  
23 around 2007, defendant R. CARSON caused Company A employees and  
24 agents to make corrupt payments totaling approximately \$1 million  
25 to officers and employees of state-owned companies, and corrupt  
26 payments totaling approximately \$43,000 to officers and employees  
27 of private companies. Additionally, on or about August 17, 2007,  
28 after learning that Company A had hired counsel to conduct an

1 internal investigation into Company A's corrupt payments, and  
2 just prior to her interview with Company A's counsel, defendant  
3 R. CARSON intentionally destroyed documents by flushing the  
4 documents down a toilet in the Company A ladies' room. Defendant  
5 R. CARSON was a citizen of the United States and thus was a  
6 "domestic concern" and an employee and agent of a "domestic  
7 concern" as those terms are defined and used in the FCPA.

8 6. Defendant PAUL COSGROVE ("COSGROVE") was Executive Vice  
9 President of Company A from in or around 2002 through in or  
10 around 2007 and served as the Head of Company A's Worldwide Sales  
11 Department from in or around 1992 through in or around 2007.

12 Defendant COSGROVE was the second highest ranking executive at  
13 Company A and was responsible for approving many of the corrupt  
14 payments made by employees and agents of Company A to officers  
15 and employees of state-owned and private companies. From in or  
16 around 2003 through in or around 2007, defendant COSGROVE caused  
17 Company A employees and agents to make corrupt payments totaling  
18 approximately \$1.9 million to officers and employees of state-  
19 owned companies, and corrupt payments totaling approximately  
20 \$300,000 to officers and employees of private companies.

21 Defendant COSGROVE was a citizen of the United States and thus  
22 was a "domestic concern" and an officer, director, employee and  
23 agent of a "domestic concern" as those terms are defined and used  
24 in the FCPA.

25 7. Defendant DAVID EDMONDS ("EDMONDS") was the Vice-  
26 President of Worldwide Customer Service at Company A from in or  
27 around 2000 through in or around 2007. In this capacity,  
28 defendant EDMONDS oversaw Company A's replacement parts sales and

1 the servicing of existing valves. From in or around 2003 through  
2 in or around 2007, defendant EDMONDS caused Company A employees  
3 and agents to make corrupt payments totaling approximately  
4 \$430,000 to officers and employees of state-owned companies, and  
5 corrupt payments totaling approximately \$220,000 to officers and  
6 employees of private companies. Defendant EDMONDS was a citizen  
7 of the United States and thus was a "domestic concern" and an  
8 employee and agent of a "domestic concern" as those terms are  
9 defined and used in the FCPA.

10 8. Defendant FLAVIO RICOTTI ("RICOTTI") was Company A's  
11 Vice-President and Head of Sales for Europe, Africa, and the  
12 Middle East ("EAME") from in or around 2001 through in or around  
13 2007. From in or around 2003 through in or around 2007,  
14 defendant RICOTTI caused Company A employees and agents to make  
15 corrupt payments totaling approximately \$750,000 to officers and  
16 employees of state-owned companies, and corrupt payments totaling  
17 approximately \$380,000 to officers and employees of private  
18 companies. Defendant RICOTTI was a citizen of Italy and served  
19 as an agent of Company A and thus was an agent of a "domestic  
20 concern" as that term is defined and used in the FCPA.

21 9. Defendant HAN YONG KIM ("KIM") was the President of  
22 Company A's Korean office from in or around 1997 through in or  
23 around 2005. From in or around 2005 through in or around 2007,  
24 defendant KIM served as a consultant to Company A's Korean  
25 office. From in or around 2003 through in or around 2007,  
26 defendant KIM caused Company A employees and agents to make  
27 corrupt payments totaling approximately \$200,000 to officers and  
28 employees of state-owned companies, and corrupt payments totaling

1 approximately \$350,000 to officers and employees of private  
2 companies. Defendant KIM was a citizen of Korea and served as an  
3 agent of Company A and thus was an agent of a "domestic concern"  
4 as that term is defined and used in the FCPA.

5 10. Richard Morlok ("Morlok") was Company A's Finance  
6 Director from in or around 2002 through in or around 2007. From  
7 in or around 2003 through in or around 2006, Morlok caused  
8 Company A employees and agents to make corrupt payments totaling  
9 approximately \$628,000 to officers and employees of state-owned  
10 companies. Morlok was a citizen of the United States and thus  
11 was a "domestic concern" and an employee and agent of a "domestic  
12 concern" as those terms are defined and used in the FCPA.

13 11. Mario Covino ("Covino") was Company A's Director of  
14 Worldwide Factory Sales from in or around March 2003 through in  
15 or around 2007. In this capacity, he was responsible for  
16 overseeing Company A's new construction projects and the  
17 replacement of existing valves made by other companies and  
18 installed at Company A's customer's plants. From in or around  
19 2003 through in or around 2007, Covino caused Company A employees  
20 and agents to make corrupt payments totaling approximately \$1  
21 million to officers and employees of state-owned companies.  
22 Covino was a resident of the United States and thus was a  
23 "domestic concern" and an employee and agent of a "domestic  
24 concern" as those terms are defined and used in the FCPA.

25 12. Company A's state-owned customers included, but were  
26 not limited to, Jiangsu Nuclear Power Corporation ("JNPC")  
27 (China), Guohua Electric Power (China), China Petroleum Materials  
28 and Equipment Corporation ("CPMEC"), PetroChina, Dongfang

1 Electric Corporation (China), China National Offshore Oil  
2 Corporation ("CNOOC"), Korea Hydro and Nuclear Power ("KHNP"),  
3 Petronas (Malaysia), and National Petroleum Construction Company  
4 ("NPCC") (United Arab Emirates). Each of these state-owned  
5 entities was a department, agency, and instrumentality of a  
6 foreign government, within the meaning of the FCPA. The officers  
7 and employees of these entities, including the Vice-Presidents,  
8 Engineering Managers, General Managers, Procurement Managers, and  
9 Purchasing Officers, were "foreign officials" within the meaning  
10 of the FCPA.

11 13. Company A's private company customers included, but  
12 were not limited to, Company 1, Company 2, Company 3, Company 4,  
13 and Company 5.

14 Overview of the Corrupt Payments

15 14. Beginning in or around 1998 and continuing through in  
16 or around August 2007, defendants S. CARSON, R. CARSON, COSGROVE,  
17 EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A  
18 and others known and unknown to the Grand Jury, made and caused  
19 Company A employees and agents to make corrupt payments to  
20 officers and employees of numerous state-owned and privately-  
21 owned customers around the world for the purpose of assisting in  
22 obtaining or retaining business for Company A. Between in or  
23 around 2003 and in or around 2007, these corrupt payments to  
24 officers and employees of state-owned customers totaled \$4.9  
25 million, and the corrupt payments to officers and employees of  
26 privately-owned customers totaled approximately \$1.95 million.  
27 Thus, approximately \$6.85 million in total improper payments were  
28 made in approximately 236 payments in over thirty countries and

1 resulted in net profits to Company A of approximately \$46.5  
2 million from the sales related to those corrupt payments.

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1 CARSON, COSGROVE, EDMONDS, RICOTTI, and KIM, as well as Morlok,  
2 Covino, Company A and others known and unknown to the Grand Jury  
3 in obtaining and retaining business for and with, and directing  
4 business to, Company A and others, in violation of Title 15,  
5 United States Code, Section 78dd-2(a); and

6 (B) to travel and cause travel in interstate and foreign  
7 commerce and use the mail and any facility in interstate and  
8 foreign commerce, with the intent to promote, manage, establish,  
9 carry on, and facilitate the promotion, management,  
10 establishment, and carrying on of an unlawful activity, that is,  
11 commercial bribery in violation of California Penal Code Section  
12 641.3, and thereafter to perform and attempt to perform and cause  
13 the performance of an act to promote, manage, establish and carry  
14 on, and to facilitate the promotion, management, establishment  
15 and carrying on of such unlawful activity, in violation of Title  
16 18, United States Code, Section 1952(a)(3).

17 PURPOSE OF THE CONSPIRACY

18 17. The purpose of the conspiracy was to make corrupt  
19 payments to officers and employees of state-owned and private  
20 companies in order to secure and maintain business for Company A.

21 THE MANNERS AND MEANS OF THE CONSPIRACY

22 18. Defendants S. CARSON, R. CARSON, COSGROVE, EDMONDS,  
23 RICOTTI, and KIM, as well as Morlok, Covino, Company A and others  
24 known and unknown to the Grand Jury employed various manners and  
25 means to carry out the conspiracy, including but not limited to  
26 the following:

27 a. Defendants S. CARSON, R. CARSON, COSGROVE,  
28 EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A

1 and others known and unknown to the Grand Jury would and did  
2 follow a sales model that encouraged Company A salespeople to  
3 cultivate FICs, who were typically officers and employees of  
4 Company A's state-owned and private customers and who had the  
5 authority either to award contracts to Company A or to influence  
6 the technical specifications of an order in a manner that would  
7 favor Company A.

8           b.       As part of the cultivation of FICs at Company A's  
9 customers, defendants S. CARSON, R. CARSON, COSGROVE, EDMONDS,  
10 RICOTTI, and KIM, as well as Morlok, Covino, Company A and others  
11 known and unknown to the Grand Jury would and did cause corrupt  
12 payments to be made to the FICs in order to secure business.

13           c.       Defendants S. CARSON, R. CARSON, COSGROVE,  
14 EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A  
15 and others known and unknown to the Grand Jury would and did  
16 cause the Company A Finance Department to arrange for direct  
17 payments to the FICs, payments to the FICs through Company A's  
18 representatives and salespeople, and payments to the FICs through  
19 Company A's "consultants" who were retained for the purpose of  
20 acting as pass-through entities for the improper payments.

21           d.       Defendants S. CARSON, R. CARSON, COSGROVE,  
22 EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A  
23 and others known and unknown to the Grand Jury would and did  
24 cause Company A to make corrupt payments to FICs at numerous  
25 state-owned entities including, but not limited to, JNPC (China),  
26 Guohua Electric Power (China), CPMEC, PetroChina, Dongfang  
27 Electric Corporation (China), CNOOC, KHNP, Petronas (Malaysia),  
28 and NPCC (United Arab Emirates).

1 e. Defendants S. CARSON, R. CARSON, COSGROVE,  
2 EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A  
3 and others known and unknown to the Grand Jury would and did  
4 cause Company A to make corrupt payments to FICs at numerous  
5 private companies including, but not limited to, Company 1,  
6 Company 2, Company 3, Company 4, and Company 5.

7 19. Defendants S. CARSON, R. CARSON, COSGROVE, EDMONDS, and  
8 RICOTTI, as well as Covino, Company A and others known and  
9 unknown to the Grand Jury would and did participate in and  
10 arrange for overseas holidays to places such as Disneyland and  
11 Las Vegas for officers and employees of state-owned and private  
12 customers under the guise of training and inspection trips. The  
13 actual purposes of the trips were to reward the customers'  
14 officers and employees for causing their employers to purchase  
15 Company A products, retain current business for Company A, and  
16 obtain new business for Company A.

17 20. Defendants S. CARSON and R. CARSON would and did  
18 arrange for the purchase of numerous extravagant vacations they  
19 took with executives of both state-owned and private customers  
20 for the purpose of securing business and charge all expenses,  
21 including those of the customers, to Company A. Such expenses  
22 included first-class airfare to destinations such as Hawaii,  
23 five-star hotel accommodations, charter boat trips, and similar  
24 luxuries.

25 21. Defendants S. CARSON, R. CARSON, and COSGROVE would and  
26 did cause Company A to pay the college tuition of the children of  
27 at least two executives at Company A's state-owned customers for  
28 the purpose of securing business.

1           22. Defendants S. CARSON, R. CARSON, COSGROVE, EDMONDS, and  
2 RICOTTI, as well as Covino, Company A and others known and  
3 unknown to the Grand Jury would and did host and attend lavish  
4 sales events to entertain current and potential state-owned and  
5 private customers for the purpose of securing business. Company  
6 A paid for a large portion of the costs associated with these  
7 events, including hotel costs, meals, greens fees for golf, and  
8 travel expenses.

9           23. Defendants S. CARSON, R. CARSON, COSGROVE, and EDMONDS  
10 and others known and unknown to the Grand Jury would and did give  
11 expensive gifts to officers and employees of state-owned and  
12 private customers for the purpose of assisting in securing  
13 business.

14           24. Defendant S. CARSON would and did attempt to halt a  
15 2004 internal audit of commission payments conducted by Company  
16 A's parent company.

17           25. Defendants R. CARSON, EDMONDS, and KIM, as well as  
18 Morlok, Covino, Company A and others known and unknown to the  
19 Grand Jury would and did provide false information to internal  
20 auditors in connection with Company A's parent company's audit of  
21 commission payments, falsely deny that improper payments had  
22 occurred, and provide false and misleading responses to the  
23 auditors.

24           26. Defendant EDMONDS would and did cause the creation of  
25 false invoices in an attempt to mislead the internal auditors and  
26 to convince the auditors that certain commission payments made to  
27 Company A's customers were actually legitimate payments, when  
28 defendant EDMONDS knew that the payments were actually improper.

1           27. Following the internal audit, defendants S. CARSON,  
2 COSGROVE, EDMONDS, and RICOTTI, as well as Morlok, Covino and  
3 others known and unknown to the Grand Jury would and did continue  
4 to encourage and approve improper payments to officers and  
5 employees of state-owned and private customers, but would and did  
6 instruct Company A employees not to use terms such as "FIC,"  
7 "flowers," or "special arrangement" in emails.

8           28. Defendant EDMONDS would and did cause the preparation  
9 of a spreadsheet for the purpose of making it appear that several  
10 FIC payments in Korea were legitimate, when defendant EDMONDS  
11 knew that the payments were actually improper.

12           29. Defendants R. CARSON, COSGROVE, EDMONDS, and RICOTTI,  
13 as well as Covino and others known and unknown to the Grand Jury  
14 would and did provide false and misleading information to Company  
15 A's attorneys in connection with an August 2007 internal  
16 investigation into Company A's commission payments, and would and  
17 did falsely deny that improper payments had been made.

18           30. Defendant R. CARSON would and did destroy documents in  
19 connection with Company A's August 2007 internal investigation  
20 into Company A's commission payments by, among other things,  
21 taking such documents to the Company A ladies' room, tearing up  
22 the documents, and flushing them down a toilet. Defendant R.  
23 CARSON would and did continue to flush documents down the toilet  
24 even after a representative of the Company A Human Resources  
25 Department instructed her to stop doing so.

1 OVERT ACTS

2 31. In furtherance of the conspiracy and to achieve its  
3 purpose and objects, defendants S. CARSON, R. CARSON, COSGROVE,  
4 EDMONDS, RICOTTI, and KIM, as well as Morlok, Covino, Company A  
5 and others known and unknown to the Grand Jury committed various  
6 overt acts in the Central District of California, and elsewhere,  
7 including, but not limited to, the following:

8 **Corrupt Dealings with JNPC Official**

9 Overt Act No. 1: In or around February 1999, defendants S.  
10 CARSON and R. CARSON held a strategy meeting with other Company A  
11 employees concerning the Tianwan Nuclear Power Plant project in  
12 China, which was owned by JNPC, a state-owned entity, at which  
13 meeting defendants S. CARSON and R. CARSON stated that Company A  
14 must cultivate FICs at the customer and mentioned the names of  
15 possible FICs.

16 Overt Act No. 2: In or around August 1999, defendant R.  
17 CARSON arranged for a 2.2% commission to be paid to a purported  
18 Chinese "consultant," who was actually an employee of JNPC who  
19 had influence in awarding the JNPC contract to Company A.

20 Overt Act No. 3: On or about June 9, 2000, defendants S.  
21 CARSON and R. CARSON caused Company A to wire approximately  
22 \$50,000 from its Wells Fargo bank account in California to an  
23 account at UBS in Switzerland for the purpose of making a corrupt  
24 payment to a JNPC official with regard to the Tianwan Nuclear  
25 Power Plant project.

26 Overt Act No. 4: On or about July 3, 2000, defendants S.  
27 CARSON and R. CARSON caused Company A to wire approximately  
28 \$50,000 from its Wells Fargo bank account in California to an

1 account at UBS in Switzerland for the purpose of making a corrupt  
2 payment to a JNPC official with regard to the Tianwan Nuclear  
3 Power Plant project.

4 Overt Act No. 5: On or about July 14, 2000, defendant R.  
5 CARSON sent a "confidential" email to other Company A executives  
6 stating that "we have already paid them \$100,000 so that rest of  
7 \$100,000 will be pay to them when they stay here."

8 **Corrupt Dealings with KHNP Officials**

9 Overt Act No. 6: On or about November 1, 2003, defendant S.  
10 CARSON sent an email to defendant KIM stating "Please try very  
11 hard to find a Friend in Camp for us on Shin Kori/Wolsong. Use  
12 your contacts, [President of Company A's representative in  
13 Korea's, CCI employee's], anybodies, but get us a FIC who can  
14 help us win this order. I'm will to pay big money for a  
15 FIC/Consultant."

16 Overt Act No. 7: On or about November 4, 2003, defendant  
17 KIM wrote a return email to defendant S. CARSON stating "The  
18 biggest problem is not the volume of flower or how close we are  
19 with those guys. The problem is the overall climate of KHNP and  
20 Korean society. The former president of KHNP, Mr. [foreign  
21 official] who is a good friends of Company A, was fired because  
22 he helped some vendors. Everybody is talking that he must go to  
23 jail. . . . We need a strong guy who can take the risk but there  
24 is no one nowadays. . . . The possibility is not so high but  
25 [President of Company A's representative in Korea] and I am still  
26 trying very hard to get the consultant."

27 Overt Act No. 8: On or about February 12, 2004, Covino sent  
28 an email to defendant COSGROVE stating "Paul, I need your

1 approval on the commission for the Condense Stem Dump valves for  
2 Wolsong 3 & 4 valued at \$1.8MM (GM: 55%). Besides what Hanyong  
3 is asking, the real situation is as follows: (1) 5% for [Company  
4 A's representative in Korea]; (2) 5% for Mr. [foreign official]  
5 (KHNP Vice-President) - [Company A's representative in Korea] has  
6 already committed; (3) 2% for other three people at site."

7 Overt Act No. 9: On or about February 5, 2004, defendant  
8 KIM sent an email to a Company A employee indicating that, with  
9 regard to the KHNP Wolsong 3 & 4 project, a 5% commission to  
10 Company A's representative in Korea was appropriate and that he  
11 needed "another 2% for site people."

12 Overt Act No. 10: On or about February 12, 2004, defendant  
13 COSGROVE approved the payment of a 12% commission on the Wolsong  
14 3 & 4 project, with 5% going to a KHNP Vice President and 2%  
15 going to three other employees of KHNP for the purpose of  
16 securing KHNP's business with regard to the Wolsong 3 & 4 project  
17 in Korea.

18 Overt Act No. 11: On or about March 30, 2004, defendant KIM  
19 wrote to a Company A salesperson that "[President of Company A's  
20 representative in Korea] promised 5% to FIC. So FIC made a  
21 budget and approved it very quickly."

22 Overt Act No. 12: On or about September 21, 2004,  
23 defendants S. CARSON, COSGROVE and KIM caused Company A to wire a  
24 commission payment of approximately \$250,200 from its Wells Fargo  
25 bank account in California to an account at Citibank in New York  
26 for the purpose of making corrupt payments to KHNP officials with  
27 regard to the Wolsong 3 & 4 project.

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1                   **Additional Corrupt Dealings with KHNP Officials**

2           Overt Act No. 13: On or about April 21, 2004, defendants  
3 EDMONDS and KIM, as well as Morlok caused Company A to wire a  
4 commission payment of approximately \$57,658 from its Wells Fargo  
5 bank account in California to an account at Industrial Bank in  
6 Korea for the purpose of making a corrupt payment to a KHNP  
7 official related to the Wolsong and YGN projects in Korea.

8           Overt Act No. 14: On or about April 29, 2004, defendants  
9 EDMONDS and KIM, as well as Morlok caused Company A to wire a  
10 payment of approximately \$17,479 from its Wells Fargo bank  
11 account in California to an account at Industrial Bank in Korea  
12 for the purpose of concealing the corrupt payment to the KHNP  
13 official related to the Wolsong and YGN projects in Korea.

14           Overt Act No. 15: In or around August 2004, defendant  
15 EDMONDS caused the creation of a false invoice that was  
16 purportedly from "Power Engineering Company" in the amount of  
17 \$29,426 to cover up the corrupt payment to the KHNP official  
18 related to the Wolsong project in Korea.

19           Overt Act No. 16: In or around August 2004, defendant  
20 EDMONDS caused the creation of a false invoice that was  
21 purportedly from "Namkwang Company" in the amount of \$27,747 to  
22 cover up the corrupt payment to the KHNP official related to the  
23 YGN project in Korea.

24                   **Corrupt Dealings with PetroChina Official**

25           Overt Act No. 17: On or about March 18, 2004, defendant R.  
26 CARSON approved the payment of approximately \$15,000 to an  
27 official of PetroChina, a Chinese state-owned oil and gas  
28 company, for the purpose of securing PetroChina's business with

1 regard to the Sichuan Natural Gas project in China.

2 Overt Act No. 18: On or about April 6, 2004, defendant  
3 COSGROVE approved the release of a payment of approximately  
4 \$15,000 from Company A to an official of PetroChina for the  
5 purpose of securing PetroChina's business with regard to the  
6 Sichuan Natural Gas project in China.

7 Overt Act No. 19: On or about April 13, 2004, defendants R.  
8 CARSON and COSGROVE caused Company A to wire a commission payment  
9 of approximately \$15,000 from its Wells Fargo bank account in  
10 California to an account at the Bank of China for the purpose of  
11 making a corrupt payment to a PetroChina official with regard to  
12 the Sichuan Natural Gas project in China.

13 **Corrupt Dealings with CPMEC Officials**

14 Overt Act No. 20: On or about November 10, 2003, a Company  
15 A salesperson sent an email to defendant R. CARSON stating, with  
16 respect to the sale of a valve on the Kela-2 project to CPMEC, a  
17 Chinese state-owned company, that Company A's price was \$520,040  
18 and that "the customer marked the price to USD749,040 and  
19 required USD229,000 feeded back as consultant fee."

20 Overt Act No. 21: On or about November 25, 2003, at  
21 defendant R. CARSON'S request, defendant COSGROVE approved the  
22 payment of approximately \$229,000 from Company A to officials of  
23 CPMEC for the purpose of securing CPMEC's business with regard to  
24 the Kela-2 project in China.

25 Overt Act No. 22: On or about April 20, 2004, defendants R.  
26 CARSON and COSGROVE caused Company A to make a cash payment of  
27 approximately \$2,000 at Los Angeles International Airport to  
28 officials of CPMEC for the purpose of securing CPMEC's business

1 with regard to the Kela-2 project in China.

2 Overt Act No. 23: On or about January 20, 2004, defendants  
3 R. CARSON and COSGROVE caused Company A to wire a commission  
4 payment of approximately \$30,000 from its Wells Fargo bank  
5 account in California to an account at the Bank of China for the  
6 purpose of making a corrupt payment to a CPMEC official with  
7 regard to the Kela-2 project in China.

8 Overt Act No. 24: On or about October 15, 2004, defendants  
9 R. CARSON and COSGROVE caused Company A to wire a commission  
10 payment of approximately \$100,000 from its Wells Fargo bank  
11 account in California to an account at Hang Seng Bank in China  
12 for the purpose of making a corrupt payment to a CPMEC official  
13 with regard to the Kela-2 project in China.

14 Overt Act No. 25: On or about January 14, 2005, defendants  
15 R. CARSON and COSGROVE caused Company A to wire a commission  
16 payment of approximately \$59,005.20 from its Wells Fargo bank  
17 account in California to an account at Hang Seng Bank in China  
18 for the purpose of making a corrupt payment to a CPMEC official  
19 with regard to the Kela-2 project in China.

20 Overt Act No. 26: On or about March 1, 2005, defendants R.  
21 CARSON and COSGROVE caused Company A to wire a commission payment  
22 of approximately \$33,706.80 from its Wells Fargo bank account in  
23 California to an account at Hang Seng Bank in China for the  
24 purpose of making a corrupt payment to a CPMEC official with  
25 regard to the Kela-2 project in China.

26 **Corrupt Dealings with CNOOC Officials**

27 Overt Act No. 27: On or about December 30, 2003, a Company  
28 A salesperson in China sent an email to defendant R. CARSON, as

1 well as Covino and others with regard to the sale of valves for  
2 the Chunxiao Gas Complex Development by Company A to CNOOC, a  
3 Chinese state-owned entity, stating "the customer agreed to  
4 marked up the price to \$250,000, and required \$65,000 feedback  
5 beside the 2% of the commission. . . . Therefore the total  
6 commission is \$68,700. The distribution of this commission as  
7 following: \$3700 as consultant fee to the Design Institute;  
8 \$65,000 as commission to the enduser."

9 Overt Act No. 28: On or about April 14, 2004, defendant  
10 COSGROVE sent an email regarding this project to defendant S.  
11 CARSON stating that "Rose says we need to take this for future  
12 opportunities I need your approval."

13 Overt Act No. 29: On or about April 15, 2004, defendant S.  
14 CARSON approved the proposed payment from Company A to an  
15 official of CNOOC for the purpose of securing CNOOC's business  
16 with regard to the Chunxiao Gas Complex Development in China and  
17 future business, stating in an email that "It is my understanding  
18 that this job has been delayed by us for 3 months. I authorize  
19 engineering procurement and manufacturing to begin. I make this  
20 authorization based on my agreement that Rose will reduce  
21 commissions payable and clean up the T&C's on this job . . . ."

22 Overt Act No. 30: On or about April 16, 2004, defendant R.  
23 CARSON's assistant sent an email to defendants S. CARSON and  
24 COSGROVE, as well as Morlok and others stating "Hereinafter is  
25 the message from Rose: The commission included in the contract  
26 price is actually what the customer added on our quotation which  
27 won't influence our margin. . . . [Company A salesperson in  
28 China] - Rose instructed you to explain the details regarding

1 commission to all the gentlemen on the above email list."

2 Overt Act No. 31: On or about April 18, 2004, the Company A  
3 salesperson explained the arrangement to defendants S. CARSON, R.  
4 CARSON and COSGROVE, as well as Morlok by email: "Our final  
5 decision price is \$185k and including 2% commission. Customer  
6 marked up to \$250k as final contract price and required the  
7 balance feedback as commission, therefore the total commission is  
8 \$68.7k."

9 Overt Act No. 32: On or about January 14, 2005, defendants  
10 S. CARSON, R. CARSON and COSGROVE, as well as Morlok caused  
11 Company A to wire a commission payment of approximately \$58,500  
12 from its Wells Fargo bank account in California to a bank account  
13 at Hang Seng Bank in China for the purpose of making a corrupt  
14 payment to a CNOOC official with regard to the Chunxiao Gas  
15 Complex Development in China.

16 **Corrupt Dealings with NPCC Officials**

17 Overt Act No. 33: On or about April 28, 2005, a Company A  
18 salesperson sent an email to defendant RICOTTI stating "Munther  
19 called me up today and he wants me to confirm a 5% commission on  
20 the OGDIII Chokes job (NPCC), he's got two key FICs within NPCC  
21 under his control (including the Project Direct [foreign  
22 official]) and deals have to be made now. Out of these 5%, 3%  
23 will go to his FICs and 2% to him. I told him that we could  
24 commit only 4% at this stage, and if we are not required to  
25 reduce our current pricing too much we could increase it back to  
26 5%, he agreed. What do you think, can I proceed?"

27 Overt Act No. 34: On or about April 28, 2005, defendant  
28 RICOTTI sent a reply email to the Company A salesperson stating

1 "well done and approved" and thereby approved the payment of  
2 \$67,791 from Company A to officials of NPCC, a state-owned  
3 petroleum company in the United Arab Emirates ("UAE"), for the  
4 purpose of securing NPCC's business with regard to the OGD III  
5 project in the UAE.

6 Overt Act No. 35: On or about April 2, 2007, defendant  
7 RICOTTI caused Company A to wire a commission payment of  
8 approximately \$161,413.31 from its Wells Fargo bank account in  
9 California to an account at Arab Bank in the UAE for the purpose  
10 of making corrupt payments to NPCC officials with regard to the  
11 OGD III project in the UAE.

12 Overt Act No. 36: On or about April 13, 2007, defendant  
13 RICOTTI caused Company A to wire a commission payment of  
14 approximately \$100,000 from its Wells Fargo bank account in  
15 California to an account at Arab Bank in the UAE for the purpose  
16 of making corrupt payments to NPCC officials with regard to the  
17 OGD III project in the UAE.

18 **Corrupt Dealings with Dongfang Electric Corporation Officials**

19 Overt Act No. 37: On or about March 19, 2004, defendant R.  
20 CARSON sent an email to defendants COSGROVE and EDMONDS  
21 requesting approval to pay three officials of Dongfang Electric  
22 Corporation, a Chinese state-owned company, 9% of the total  
23 contract value and an additional \$2,000 to each FIC with regard  
24 to the Huizhou, Qianwan, and Shenzhen projects in China.

25 Overt Act No. 38: On or about March 24, 2004, defendants  
26 COSGROVE and EDMONDS approved the payment of approximately  
27 \$671,695 from Company A to officials of Dongfang Electric  
28 Corporation for the purpose of securing business with regard to

1 the Huizhou, Qianwan, and Shenzhen projects in China.

2 Overt Act No. 39: On or about February 1, 2005, defendants  
3 R. CARSON, COSGROVE, and EDMONDS caused Company A to wire a  
4 commission payment of approximately \$104,539.25 from its Wells  
5 Fargo bank account in California to an account at HSBC in China  
6 for the purpose of making corrupt payments to Dongfang officials  
7 with regard to the Huizhou, Qianwan, and Shenzhen projects in  
8 China.

9 Overt Act No. 40: On or about February 2, 2005, defendants  
10 R. CARSON, COSGROVE, and EDMONDS caused Company A to wire a  
11 commission payment of approximately \$125,447.10 from its Wells  
12 Fargo bank account in California to an account at HSBC in China  
13 for the purpose of making corrupt payments to Dongfang officials  
14 with regard to the Huizhou, Qianwan, and Shenzhen projects in  
15 China.

16 **Corrupt Dealings with Guohua Electric Power Official**

17 Overt Act No. 41: On or about October 19, 2003, defendant  
18 COSGROVE, at the request of defendant R. CARSON, approved the  
19 payment of approximately \$36,146 from Company A to an official of  
20 Guohua Electric Power, a Chinese state-owned power company, for  
21 the purpose of securing Guohua Electric Power's business with  
22 regard to the Taishan II project in China.

23 Overt Act No. 42: On or about October 21, 2003, defendants  
24 R. CARSON and COSGROVE caused Company A to wire a commission  
25 payment of approximately \$24,500 from its Wells Fargo bank  
26 account in California to an account at Mellon Bank in  
27 Pennsylvania to pay the tuition of the Guohua Electric Power  
28 official's son, a student at the University of Pennsylvania, for

1 the purpose of making a corrupt payment to the Guohua Electric  
2 Power official with regard to the Taishan II project in China.

3 Overt Act No. 43: On or about October 21, 2003, defendants  
4 R. CARSON and COSGROVE caused Company A to wire a commission  
5 payment of approximately \$11,646 from its Wells Fargo bank  
6 account in California to an account at PNC Bank in Pennsylvania  
7 to pay the tuition of the Guohua Electric Power official's son, a  
8 student at the University of Pennsylvania, for the purpose of  
9 making corrupt payments to the Guohua Electric Power official  
10 with regard to the Taishan II project in China.

11 **Corrupt Dealings with Petronas Official**

12 Overt Act No. 44: On or about November 6, 2003, defendant  
13 EDMONDS approved the payment of approximately \$98,000 from  
14 Company A to an official of Petronas, a Malaysian state-owned  
15 petroleum company, for the purpose of securing Petronas' business  
16 with regard to the Petronas GPP shutdown project.

17 Overt Act No. 45: On or about January 6, 2004, defendant  
18 EDMONDS caused Company A to wire a commission payment of  
19 approximately \$98,000 from its Wells Fargo bank account in  
20 California to an account at RHB Bank in Malaysia for the purpose  
21 of making a corrupt payment to a Petronas official with regard to  
22 the Petronas GPP shutdown project.

23 **Corrupt Dealings with Company 1 Employee**

24 Overt Act No. 46: On or about December 2, 2003, defendant  
25 EDMONDS approved the payment of approximately \$10,000 from  
26 Company A to an employee of Company 1, a private company in  
27 China, for the purpose of securing Company 1's business with  
28 regard to the Meizhouwan project in China.

1 Overt Act No. 47: On or about March 9, 2004, defendant  
2 EDMONDS caused Company A to wire a commission payment of  
3 approximately \$10,000 from its Wells Fargo bank account in  
4 California to an account at China Construction Bank in China for  
5 the purpose of making a corrupt payment to a Company 1 employee  
6 with regard to the Meizhouwan project in China.

7 **Additional Corrupt Dealings with Company 1 Employee**

8 Overt Act No. 48: On or about April 5, 2004, defendant  
9 EDMONDS approved the payment of approximately \$5,000 from Company  
10 A to an employee of Company 1 for the purpose of securing Company  
11 1's business with regard to the Meizhouwan project in China.

12 Overt Act No. 49: On or about April 25, 2005, defendant  
13 EDMONDS caused Company A to wire a commission payment of  
14 approximately \$5,000 from its Handelsbanken bank account in  
15 Sweden to an account at the Bank of China for the purpose of  
16 making a corrupt payment to a Company 1 employee with regard to  
17 the Meizhouwan project in China.

18 **Corrupt Dealings with Company 4 Employee**

19 Overt Act No. 50: On or about May 2, 2003, a Company A  
20 employee sent an email to defendant RICOTTI, as well as Covino  
21 and others with regard to Company 4, a private engineering  
22 procurement company headquartered in Milan, Italy that controlled  
23 certain business in connection with the Kashagan Field  
24 Development project in Kazakhstan: "Thru a good contact of mine I  
25 have been told that we need to make a deal with [employee],  
26 Project Procurement Manager [Company 4] . . . . EVERY purchase  
27 order will be screened and signed off by [employee]. . . . He is  
28 working with a 'bag man' and is looking to take commission on all

1 major orders."

2 Overt Act No. 51: In or around December 2003, defendant  
3 RICOTTI approved the payment of approximately \$69,420 from  
4 Company A to an employee of Company 4 for the purpose of securing  
5 Company 4's business with regard to the Kashagan Field  
6 Development project in Kazakhstan.

7 Overt Act No. 52: On or about December 21, 2006, defendant  
8 RICOTTI caused Company A to wire a commission payment of  
9 approximately \$69,420 from its Wells Fargo bank account in  
10 California to an account at Barclays Bank in London for the  
11 purpose of making a corrupt payment to a Company 4 employee with  
12 regard to the Kashagan Field Development project in Kazakhstan.

13 **Corrupt Dealings with Company 3 Employee**

14 Overt Act No. 53: In or around March 2005, defendant  
15 COSGROVE approved the payment of approximately \$163,449 from  
16 Company A to an employee of Company 3, a private company  
17 headquartered in Moscow, Russia, for the purpose of securing  
18 Company 3's business with regard to the SIPAT Thermal Power Plant  
19 in India.

20 Overt Act No. 54: On or about November 29, 2005, defendants  
21 COSGROVE and RICOTTI caused Company A to wire a commission  
22 payment of approximately \$26,865 from its Handelsbanken bank  
23 account in Sweden to an account at Dresdner Bank in New York for  
24 the purpose of making a corrupt payment to a Company 3 employee  
25 with regard to the SIPAT Thermal Power Plant in India.

26 Overt Act No. 55: On or about October 24, 2006, defendants  
27 COSGROVE and RICOTTI caused Company A to wire a commission  
28 payment of approximately \$136,584.98 from its Handelsbanken bank

1 account in Sweden to an account at Baltic International Bank in  
2 Latvia for the purpose of making a corrupt payment to a Company 3  
3 employee with regard to the SIPAT Thermal Power Plant in India.

4 **Corrupt Dealings with Company 5 Employee**

5 Overt Act No. 56: In or around January 2002, defendant  
6 RICOTTI approved the payment of approximately \$20,045 from  
7 Company A to an employee of Company 5, a private company  
8 headquartered in Houston, Texas, for the purpose of securing  
9 Company 5's business with regard to the Ras Laffan Choke Valves  
10 project in Qatar.

11 Overt Act No. 57: On or about February 28, 2005, defendant  
12 RICOTTI caused Company A to wire a commission payment of  
13 approximately \$11,800 from its Wells Fargo bank account in  
14 California to an account at Qatar National Bank for the purpose  
15 of making a corrupt payment to a Company 5 employee with regard  
16 to the Ras Laffan Choke Valves project in Qatar.

17 **Corrupt Dealings with Company 2 Employee**

18 Overt Act No. 58: On or about July 12, 2003, defendant S.  
19 CARSON traveled in interstate commerce, from California to  
20 Hawaii, for the purpose of making a corrupt payment to an  
21 employee of Company 2, a private company headquartered in San  
22 Francisco, California, for the purpose of purchasing a lavish  
23 Hawaii vacation for the Company 2 employee to secure future  
24 Company 2 business.

25 **Destruction of Records**

26 Overt Act No. 59: On or about August 17, 2007, defendant R.  
27 CARSON destroyed documents relevant to Company A's August 2007  
28 internal investigation into Company A's commission payments by,

1 among other things, taking such documents to the Company A  
2 ladies' room, tearing up the documents, and flushing them down a  
3 toilet.

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COUNT	DEFENDANTS	ON OR ABOUT DATE	INSTRUMENTALITY OF INTERSTATE COMMERCE	INTENDED FOREIGN PUBLIC OFFICIAL BENEFICIARY
TWO	S. CARSON COSGROVE KIM	9/21/2004	Wire transfer of approximately \$250,200 from California to New York	Official(s) at KHNP
THREE	EDMONDS KIM	4/21/2004	Wire transfer of approximately \$57,658 from California to Korea	Official(s) at KHNP
FOUR	R. CARSON COSGROVE	4/13/2004	Wire transfer of approximately \$15,000 from California to China	Official(s) at PetroChina
FIVE	R. CARSON COSGROVE	3/1/2005	Wire transfer of approximately \$33,706.80 from California to China	Official(s) at CPMEC
SIX	S. CARSON R. CARSON COSGROVE	1/14/2005	Wire transfer of approximately \$58,500 from California to China	Official(s) at CNOOC
SEVEN	RICOTTI	4/2/2007	Wire transfer of approximately \$161,413.31 from California to the UAE	Official(s) at NPCC
EIGHT	R. CARSON COSGROVE EDMONDS	2/2/2005	Wire transfer of approximately \$125,447.10 from California to China	Official(s) at Dongfang
NINE	R. CARSON COSGROVE	10/21/2003	Wire transfer of approximately \$24,500 from California to Pennsylvania	Official(s) at Guohua

TEN	EDMONDS	1/6/2004	Wire transfer of approximately \$98,000 from California to Malaysia	Official(s) at Petronas
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In violation of Title 15, United States Code, Section 78dd-2, and Title 18, United States Code, Section 2.

COUNTS ELEVEN THROUGH FIFTEEN

[18 U.S.C. § 1952(a) (3); 18 U.S.C. § 2]

34. Paragraphs 1 through 31 are realleged and incorporated by reference as though set forth herein.

35. On or about the dates set forth below, in the Central District of California and elsewhere, defendants COSGROVE, EDMONDS, and RICOTTI did travel in interstate and foreign commerce and use and cause to be used, and aided, abetted, and caused others to make use of, the mail and any facility in interstate and foreign commerce as described below, with the intent to promote, manage, establish, carry on, and facilitate the promotion, management, establishment, and carrying on of an unlawful activity, that is, commercial bribery in violation of California Penal Code Section 641.3, and thereafter performed and attempted to perform and caused the performance of an act to promote, manage, establish and carry on, and to facilitate the promotion, management, establishment and carrying on of such unlawful activity as follows:

COUNT	DEFENDANTS	ON OR ABOUT DATE	FACILITY OF INTERSTATE AND FOREIGN COMMERCE	INTENDED PRIVATE COMPANY BENEFICIARY
ELEVEN	EDMONDS	3/9/2004	Wire transfer of approximately \$10,000 from California to China	Employee(s) at Company 1
TWELVE	EDMONDS	4/25/2005	Wire transfer of approximately \$5,000 from Sweden to China	Employee(s) at Company 1
THIRTEEN	RICOTTI	12/21/2006	Wire transfer of approximately \$69,420 from California to the United Kingdom	Employee(s) at Company 4
FOURTEEN	COSGROVE RICOTTI	10/24/2006	Wire transfer of approximately \$136,584.98 from Sweden to New York	Employee(s) at Company 3
FIFTEEN	RICOTTI	2/28/2005	Wire transfer of approximately \$11,800 from California to Qatar	Employee(s) at Company 5

In violation of Title 18, United States Code, Sections 1952(a) (3) and 2.



1 with Company A's internal investigation into commission payments,  
2 in violation of Title 18, United States Code, Section 1519.

4 A TRUE BILL

5 |S|  
6 \_\_\_\_\_  
Foreperson

7 THOMAS P. O'BRIEN  
8 United States Attorney

9 CHRISTINE C. EWELL  
Assistant United States Attorney  
10 Chief, Criminal Division

11   
12 ROBB C. ADKINS  
Assistant United States Attorney  
13 Chief, Santa Ana Office

14 DOUGLAS F. McCORMICK  
Assistant United States Attorney  
15 Deputy Chief, Santa Ana Office

16 STEVEN A. TYRRELL, Chief  
17 MARK F. MENDELSON, Deputy Chief  
HANK BOND WALTHER, Assistant Chief  
18 ANDREW GENTIN, Trial Attorney  
Fraud Section, Criminal Division  
19 U.S. Department of Justice