

exemption from prosecution granted to foreign officials by the later and more specific FCPA. Following the Supreme Court's admonition in an analogous criminal case that "[a]ll laws are to be given a sensible construction; and a literal application of a statute, which would lead to absurd consequences, should be avoided whenever a reasonable application can be given to it, consistent with the legislative purpose." *United States v. Katz*, 271 U.S. 354, 357, 46 S.Ct. 513, 514, 70 L.Ed. 986 (1926), the Court declines to extend the reach of the FCPA through the application of the conspiracy statute.

Accordingly, Defendants Castle and Lowry may not be prosecuted for conspiring to violate the Foreign Corrupt Practices Act, and the indictment against them is DISMISSED.

SO ORDERED.

Barefoot Sanders /s/
 Barefoot Sanders, Chief Judge
 United States District Court
 Northern District of Texas

ENDNOTES

/1/ With but one exception, our adoption of Judge Sanders's exemplary opinion is plenary. On page 835 [741 F. Supp. at 199], Judge Sanders notes:

The Government argues that the following statement in the House Report evinces a clear intent by Congress to allow conspiracy prosecutions of foreign officials: "The concepts of aiding and abetting and joint participation would apply to a violation under this bill in the same manner in which those concepts have always applied in both SEC civil actions and implied private actions brought under the securities laws generally." H.R. Rep. No. 640 at 8. The Government's reliance is misplaced. Congress included this statement to clarify the rights of civil litigants pursuing a private right of action under the Act, an area entirely different from criminal prosecutions.

R. 242-43 (emphasis in original). We believe Judge Sanders erred in his conclusion that this shred of legislative history refers only to civil cases; rather, at the time in question, Congress was contemplating both civil and criminal actions. See H.R. Rep. No. 640 at 8. We find that this reference fails to detract from the ultimate correctness of the conclusion that Congressional intent supports the dismissal of the indictment

against these foreign official defendants.

- /2/ In the Mann Act the two necessary parties were the transporter and the transported woman, and in the FCPA the necessary parties were the U.S. company paying the bribe and the foreign official accepting it.
- /3/ Congress considered, and rejected, the idea that a demand for a payment by a foreign official would be a valid defense to a criminal prosecution under the Act, because *at some point the U.S. company would make a conscious decision whether or not to pay a bribe. That the payment may have been first proposed by the recipient rather than the U.S. company does not alter the corrupt purpose on the part of the person paying the bribe.* S. Rep. No. 114 at 10-11, 1977 U.S. Cong. & Admin. News at 4108. The very fact that Congress considered this issue underscores Congress' exclusive focus on the U.S. companies in *making* the payment. If the drafters were concerned that a demand by a foreign official might be considered a defense to a prosecution, they clearly were expecting that only the payors of the bribes, and not the foreign officials demanding and/or receiving the bribes, would be prosecuted.

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**IN THE UNITED STATES DISTRICT COURT
 FOR THE SOUTHERN DISTRICT OF TEXAS
 BROWNSVILLE DIVISION**

 UNITED STATES OF AMERICA)

v.)

EAGLE BUS MANUFACTURING, INC.)

 CIVIL ACTION No. B-91-171

COMPLAINT FOR PERMANENT INJUNCTION
 Plaintiff, United States of America, for its complaint herein alleges as follows:

1. Defendant Eagle Bus Manufacturing, Inc. (Eagle) has engaged in acts and practices which constitute violations of Section 104(a) of the Foreign Corrupt Practices Act of 1977 [the Act], as amended, 15 U.S.C. § 78dd-2(a).

2. The plaintiff brings this action to enjoin such acts and practices pursuant to Section 104(d) of the Act, 15 U.S.C. § 78dd-2(d).

3. The Court has jurisdiction of this action pursuant to Section 104(d) of the Act, 15 U.S.C. § 78dd-2(d).

4. The defendant may, unless restrained and enjoined, continue to engage in the acts and practices set forth in this complaint and in acts and practices of similar purport and object.

5. The acts and practices constituting the violations herein have occurred within the Southern District of Texas and elsewhere.

THE DEFENDANT

6. The defendant Eagle Bus Manufacturing, Inc. is a corporation engaged in the manufacture and sale of buses and maintains its principal place of business in Brownsville, Texas. Eagle is a "domestic concern" as that term is defined in 15 U.S.C. § 78dd-2(h)(1)(B).

COUNT I

[15 U.S.C. § 78dd-2(a)]

7. Paragraphs 1 through 6 are hereby realleged and incorporated herein by reference.

8. The defendant Eagle Bus Manufacturing, Inc., has engaged in business with the Saskatchewan Transportation Company [STC], a Canadian Crown corporation located in Regina in the Province of Saskatchewan, Canada, in connection with the sale of eleven buses to STC to be manufactured by Eagle. Donald Castle and Darrell W.T. Lowry, both Canadian nationals, were the president and vice president, respectively, of STC, an instrumentality of the government of the Province of Saskatchewan, Canada, and were "foreign officials" as that term is defined in the Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. § 78dd-2(h)(2).

9. Beginning in or about July 1989 and continuing through January 20, 1990, the defendant Eagle Bus Manufacturing, Inc., in the Southern District of Texas and elsewhere, corruptly used means and instrumentali-

ties of interstate commerce, to wit, commercial aircraft and mail communications, in furtherance of the offer, payment and promise to pay money to officials of an instrumentality of the Government of the Province of Saskatchewan, Canada, to wit, the Saskatchewan Transportation Company, a Crown corporation, to induce said officials to use their influence to affect and influence acts of said government instrumentality, to wit, the obtaining and retaining of contracts between Eagle Bus Manufacturing, Inc. and the Saskatchewan Transportation Company, in order to assist the defendant Eagle Bus Manufacturing, Inc. in obtaining and retaining its business with Saskatchewan Transportation Company, all in violation of Section 104(a)(1) of the Act, 15 U.S.C. § 78dd-2(a)(1), as more fully alleged in the subsequent paragraphs of this complaint.

10. In or about July 1989, the defendant Eagle Bus Manufacturing, Inc., through its Canadian agent, George V. Morton, was attempting to negotiate the sale of buses manufactured by Eagle to the Saskatchewan Transportation Company, a Crown corporation located in Regina in the Province of Saskatchewan, Canada. George V. Morton met with Donald Castle and Darrell W.T. Lowry, who told him that a payment of Canadian \$50,000 would be necessary in order for the defendant Eagle Bus Manufacturing, Inc. to receive an order for eleven buses. George V. Morton agreed to travel to Brownsville, Texas, to attempt to obtain the defendant Eagle's agreement to make the requested payment.

11. On or about July 27, 1989, the defendant Eagle Bus Manufacturing, Inc., through its Canadian agent, George V. Morton, prepared a hand-written purchase order signed by Darrell W.T. Lowry — subject to approval by the defendant Eagle's then president, John Blondek — for the sale of eleven buses to be manufactured by the defendant Eagle to STC.

12. On or about August 1, 1989, George V. Morton, the Canadian agent of the defendant Eagle Bus Manufacturing, Inc., travelled from his home in Peterborough, Ontario, Canada, to Brownsville, Texas, by commercial aircraft for the purpose of conveying Donald Castle's and Darrell W.T. Lowry's request for a payment to defendant Eagle's management.

13. On or about August 2, 1989, in Brownsville, Texas, George V. Morton met with Vernon R. Tull and John Blondek, the vice president and president, respectively, of the defendant Eagle Bus Manufacturing, Inc., at which time John Blondek authorized George V. Morton to make the arrangements to pay the money demanded by Donald Castle and Darrell W.T. Lowry.

14. In or about August 1989, in Brownsville, Texas, the defendant Eagle Bus Manufacturing, Inc., through its president, John Blondek, directed Vernon R. Tull to travel to Regina, Saskatchewan, Canada, to ensure that George V. Morton had conveyed to Donald Castle and Darrell W.T. Lowry his agreement to pay the requested monies so that the defendant Eagle could sell the eleven buses to STC.

15. On or about August 14, 1989, the defendant Eagle Bus Manufacturing, Inc., through its agent and employee, George V. Morton and Vernon R. Tull, met with Darrell W.T. Lowry in an automobile parked at Regina Airport, in Regina, Saskatchewan, Canada, and agreed upon the manner in which the funds demanded by Darrell W.T. Lowry and Donald Castle would be paid.

16. On or about August 15, 1989, the defendant Eagle Bus Manufacturing, Inc., through its agent, George V. Morton, in the STC office in Regina, Saskatchewan, Canada, received from Darrell W.T. Lowry an STC check in the amount of Canadian \$52,000 payable to a corporation owned by George V. Morton. Thereafter, George V. Morton deposited the STC check in the Royal Bank of Canada, in Peterborough, Ontario, Canada, obtained a bank draft payable to himself in the amount of Canadian \$50,000, and on August 23, 1989, he presented the bank draft at the Royal Bank of Canada in Regina, Saskatchewan, Canada, and obtained fifty Canadian \$1,000 denomination bills. George V. Morton went from the bank to the Regina office of STC and delivered the bills to Donald Castle, the President of STC.

17. On or about August 16, 1989, in Brownsville, Texas, the defendant, Eagle Bus Manufacturing, Inc., through its president John Blondek, signed a contract for the sale of eleven buses, manufactured by the

defendant Eagle, to STC. The purchase price of the buses was approximately U.S. \$2.77 million.

18. Between October 24 and November 27, 1989, Donald Castle and Darrell W.T. Lowry returned the bills in the \$1,000 denomination to George V. Morton, the agent of defendant Eagle Bus Manufacturing, Inc., and requested that he convert them into bills of Canadian \$100 denomination, which he did, thereafter returning the bills of Canadian \$100 denomination to Donald Castle and Darrell W.T. Lowry.

19. In or about October 1989, in Brownsville, Texas, the defendant Eagle Bus Manufacturing, Inc., through its vice president Vernon R. Tull — in order to conceal from STC the true purpose of the Canadian \$52,000 check paid earlier to George V. Morton's personal corporation — directed Morton to prepare a letter on the letterhead of the defendant Eagle Bus Manufacturing, Inc. to Ontario Bus Industries, Inc., a Canadian firm which was assisting the defendant Eagle in the sale of the eleven buses to STC, which letter falsely stated that STC had been granted a "volume discount" amounting to U.S. \$43,940.

20. By reason of the activities described in paragraphs 1 through 19 above, the defendant Eagle Bus Manufacturing, Inc., directly and indirectly, violated and may continue to violate Section 104(a) of the Foreign Corrupt Practices Act of 1977, as amended [15 U.S.C. § 78dd-2(a)].

WHEREFORE, the plaintiff, United States of America respectfully prays and demands Final Judgment and Permanent Injunction restraining and enjoining the defendant Eagle Bus Manufacturing, Inc., its agents, servants, employees, assigns, attorneys in fact and each of them from violating Sections 104(a)(1), (2), and (3) of the Foreign Corrupt Practices Act of 1977, as amended, [15 U.S.C. §§ 78dd-2 (a)(1), (2), and (3)], directly or indirectly, by using the mails, or any means or instrumentalities of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value to:

(1) any foreign official for purposes of

(A) (i) influencing any act or decision of such foreign official in his official capacity, or (ii) inducing such foreign official to do or omit to do any act in violation of the lawful duty of such official, or

(B) inducing such foreign official to use his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist the defendant, Eagle Bus Manufacturing, Inc., its officers, directors, agents, servants, employees, successors, assigns, attorneys in fact, affiliates and subsidiaries and those persons in active concert or participation with them, in obtaining or retaining business for or with, or directing business to, any person; or

(2) any foreign political party or official thereof or any candidate for foreign political office for purposes of

(A) (i) influencing any act or decision of such party, official, or candidate in its or his official capacity, or (ii) inducing such party, official, or candidate to do or omit to do an act in violation of the lawful duty of such party, official, or candidate,

(B) inducing such party, official, or candidate to use its or his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist the defendant, Eagle Bus Manufacturing, Inc., its officers, directors, agents, servants, employees, successors, assigns, attorneys in fact, affiliates and subsidiaries and those persons in active concert or participation with them, in obtaining or retaining business for or with, or directing business to, any person; or

(3) any person, while knowing that all or a portion of such money or thing of value will be offered, given, or promised, directly or indirectly, to any foreign official, to any foreign political party or official thereof, or to any candidate for foreign political office, for purposes of

(A) (i) influencing any act or decision of such foreign official, political party, party official, or candidate in his or its official capacity, or (ii) inducing such foreign official, political party, party official, or candidate to do or omit to do any act in violation of the lawful duty of such foreign official, political party, party official, or candidate, or (B) inducing such foreign official, political party, party official, or candidate to use his or its influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality,

in order to assist the defendant Eagle Bus Manufacturing, Inc., its officers, directors, agents, servants, employees, successors, assigns, attorneys in fact, affiliates and subsidiaries, and those persons in active concert or participating with them, in obtaining or retaining business for or with, or directing business to, any person.

AND, for such further relief as this Court deems appropriate under the circumstances.

Respectfully submitted,

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**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
BROWNSVILLE DIVISION**

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