

UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA : Criminal No. 24- (JXN)  
v. :  
ALAN ARANOWITZ, : 18 U.S.C. § 1349  
a/k/a “Al Aranowitz” : (2 Counts)

**INFORMATION**

The defendant having waived in open court prosecution by Indictment, the United States Attorney for the District of New Jersey charges:

**Count 1**  
**(Conspiracy to Commit Wire Fraud – Product Substitution)**

The Defendant and Other Entities or Organizations

1. At all times relevant to this Information:

a. The United States Department of Defense (“DoD”) was a department of the Executive Branch of the United States that provided military forces to protect the security of our country and managed military installations and facilities on behalf of the United States.

b. The Defense Logistics Agency (“DLA”) was a component of the DoD. The DLA provided the DoD with worldwide logistics support by supplying the United States military with equipment, supplies and services. The DLA provided worldwide combat logistics support to DoD customers, including the Army, Navy, Air Force, and Marine Corps. United States military units requested equipment and products from the DLA for repair and

maintenance of United States military aircraft, vehicles, naval vessels, and weapons systems, among other things. These requests were filled through purchase orders (contracts) awarded to DoD contractors. Some of the products procured by the DLA were critical application items, defined as items essential to the performance or operation of weapons systems, or the preservation of life or safety of personnel.

c. The Defense Finance and Accounting Service (“DFAS”) was the financial and accounting organization for the DoD. One of the services provided by DFAS was payment on DoD contracts. Upon shipment or delivery of the supplies, the contractor would submit an electronic invoice which represented to the DoD that the products shipped met the requirements of the contract. Upon receipt of the electronic invoice, the contractor was paid by DFAS via Electronic Fund Transfer (“EFT”), from its origination location outside of New Jersey.

d. Defendant ALAN ARANOWITZ, a/k/a “Al Aranowitz” (“ARANOWITZ”) was a resident of Roseland, New Jersey. ARANOWITZ owned and operated Arlo Corporation (“Arlo”), located in Roseland, New Jersey.

e. Among other functions, Arlo entered into contracts with DLA to supply the DoD with hardware and replacement parts—such as screws, nuts, and bolts—for the United States Armed Forces.

f. “Company 1” was a corporation located in New Jersey that entered into contracts with DLA to supply the DoD with hardware and

replacement parts for the United States Armed Forces. “Co-Conspirator 1” was a co-owner/co-operator of Company 1.

g. “Company 2” was a corporation located in New Jersey that entered into contracts with DLA to supply the DoD with hardware and replacement parts for the United States Armed Forces. “Co-Conspirator 2” was the owner/operator of Company 2.

### The Department of Defense Contracting Procedure

2. Requests by DLA to procure spare parts for DoD customers were put out to bid via a system known as the DLA Internet Bid Board System (“DIBBS”). DIBBS was a web-based application that provided contractors with the capability to search for, view, and submit secure bids in response to requests for quotations (“RFQs”) for items DLA was seeking to procure for the United States Armed Forces.

3. Electronic bids submitted through DIBBS were received and logged on computer servers maintained by DLA outside of New Jersey.

4. RFQs provided the technical specifications that the DoD sought for a particular contract. For instance, an RFQ might specify the type of metal, the size, or the shape required of a particular part. Some RFQs also specified that the product sought must be “exact product.”

5. “Exact product” meant a product identified by the name of an approved source and its corresponding part number, which was manufactured by, or under the direction of, that approved source. If a bidder indicated that

an “exact product” was being offered on its bid to the federal government, the parts must have been manufactured by, or under the direction and authorization of, an approved source for that part.

6. A contractor seeking to do business with the DoD electronically was required to request and be assigned a Commercial and Government Entity code (“CAGE” code), which was a five-position unique identifier for entities doing business with the federal government. Using the CAGE code, prospective contractors were able to access DIBBS and submit a quote responsive to a given RFQ. The DLA evaluated these quotes and awarded a purchase order—or contract—to the contractor. Like the RFQ, the purchase order specified the exact part, quantity, delivery date, and other relevant information.

7. The Federal Acquisition Regulations (“FAR”), the Defense Federal Acquisition Regulation Supplement (“DFARS”), and the Defense Logistics Acquisition Directive (“DLAD”) were the guidelines and federal regulations that governed DoD acquisitions. The purpose of these regulations and clauses was to provide uniform policies and procedures for government acquisitions. When the DoD issued RFQs, it specified the relevant FAR, DFARS, and DLAD provisions that were applicable to that particular purchase.

8. The System for Award Management (“SAM”) was a government database through which government contractors, including DoD contractors, provided the government with corporate contact information, including financial information and information about corporate leadership.

a. In order to obtain a CAGE code, and at least annually thereafter, DoD contractors were required to complete a certification through SAM that confirmed that the individual had “read each of the FAR and DFARS provisions presented on this page. By submitting this certification, I, [name of individual], am attesting to the accuracy of the representations and certifications contained herein . . . . I understand that I may be subject to penalties if I misrepresent [name of company] in any of these representations or certifications to the Government.”

b. Defendant ARANOWITZ submitted such a certification on behalf of Arlo in or around 2012. Thereafter, another employee of Arlo submitted such a certification approximately once per year through in or around 2018.

c. Co-Conspirator 1 submitted multiple such certifications on behalf of Company 1 during the relevant time period.

d. Co-Conspirator 2 submitted multiple such certifications on behalf of Company 2 during the relevant time period.

e. Among other provisions, ARANOWITZ, Co-Conspirator 1, and Co-Conspirator 2 each certified that they had read and would comply with FAR 52.203-2 Certificate of Independent Price Determination, which reads in part,

**(a)** The offeror certifies that -

**(1)** The prices in this offer have been arrived at independently, without, for the purpose of restricting competition, any consultation, communication, or agreement with any other offeror or competitor relating to (i) those prices, (ii) the intention to submit

an offer, or (iii) the methods or factors used to calculate the prices offered;

**(2)** The prices in this offer have not been and will not be knowingly disclosed by the offeror, directly or indirectly, to any other offeror or competitor before bid opening (in the case of a sealed bid solicitation) or contract award (in the case of a negotiated solicitation) unless otherwise required by law; and

**(3)** No attempt has been made or will be made by the offeror to induce any other concern to submit or not to submit an offer for the purpose of restricting competition.

**(b)** Each signature on the offer is considered to be a certification by the signatory that the signatory -

**(1)** Is the person in the offeror's organization responsible for determining the prices being offered in this bid or proposal, and that the signatory has not participated and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above; or

**(2)**

**(i)** Has been authorized, in writing, to act as agent for the following principals in certifying that those principals have not participated, and will not participate in any action contrary to subparagraphs (a)(1) through (a)(3) above[;]

and that, if such person is an agent, then neither they nor their principal engaged in any action contrary to subparagraphs (a)(1) through (a)(3).

9. Requests that DLA received from DoD military customers were filled through purchase orders awarded to DoD contractors by DLA.

10. Typically, after receiving a request from a DoD military customer (*e.g.*, the U.S. Air Force), DLA would electronically issue an RFQ, also referred to as a solicitation, specifying various criteria to potential contractors. The RFQ or solicitation generally contained a description of the exact part being sought for purchase. Many DLA solicitations sought the purchase of parts

manufactured by specified approved manufacturers of that particular part. These solicitations specified the name of the approved manufacturer or manufacturers, the CAGE code of the approved manufacturer, and the part number used by the approved manufacturer. Many solicitations also contained the following language (emphasis added):

WHEN THE PURCHASE ORDER TEXT (POT) DESCRIBES THE REQUIRED PRODUCT(S) BY NAME AND PART NUMBER OF A SPECIFIC ENTITY, BY THE NAMES AND PART NUMBERS OF A NUMBER OF SPECIFIC ENTITIES, OR BY THE NAME(S) AND PART NUMBER(S) OF SPECIFIC ENTITY/ENTITIES AS MODIFIED BY ADDITIONAL REQUIREMENTS SET FORTH IN THE POT, ONLY THAT/THOSE PRODUCT(S) HAVE BEEN DETERMINED TO MEET THE NEEDS OF THE GOVERNMENT AND ARE ACCEPTABLE. SUCH PRODUCT(S) ARE **“EXACT PRODUCTS”** AS DEFINED IN “DLAD 52.217-9002, CONDITIONS FOR EVALUATION AND ACCEPTANCE OF OFFERS FOR PART NUMBERED ITEMS.”

A VENDOR OFFER/QUOTATION, **“BID WITHOUT EXCEPTION,”** IS A CERTIFICATION THAT THE **“EXACT PRODUCT,”** MANUFACTURED AND/OR SUPPLIED BY ONE OF THE ENTITIES CITED IN THE POT WILL BE FURNISHED UNDER THE CONTRACT OR ORDER. ANY PRODUCT NOT MANUFACTURED AND/OR SUPPLIED BY ONE OF THE ENTITIES CITED IN THE POT IS AN **“ALTERNATE PRODUCT,”** EVEN THOUGH IT MIGHT BE MANUFACTURED IN ACCORDANCE WITH THE DRAWING(S) AND/OR SPECIFICATIONS OF ONE OF THE ENTITIES CITED IN THE PURCHASE ORDER TEXT.

IF AN ALTERNATE PRODUCT IS FURNISHED UNDER A CONTRACT OR ORDER FOR AN EXACT PRODUCT, **THE ALTERNATE PRODUCT WILL BE AN UNAUTHORIZED SUBSTITUTION, AND MAY YIELD CRIMINAL PENALTIES IN ADDITION TO ANY CIVIL REMEDIES AVAILABLE TO THE GOVERNMENT.**

11. Private company contractors then submitted their quotes to the DoD electronically through the DIBBS database. DLA evaluated these quotes

and awarded a purchase order to one of the contractors. Like the RFQ, the purchase order: (a) specified the exact part, quantity, and delivery date; (b) referenced the relevant FAR, DFARS, and DLAD clauses; (c) described the criticality of the part; and (d) included other relevant information about the purchase order.

12. When a contractor submitted a quote of “Exact Product,” a notice appeared on the quote advising the bidder that it has stated to DLA that it would provide an exact product, and that Exact Products must be manufactured by, under the direction of, or under agreement with the approved source.

13. As noted in the quoted language above, if a contractor bid “without exception” for a contract that required Exact Product, the RFQ explained that such a bid was a certification that the Exact Product would be furnished under the contract. The RFQ also informed the bidder that if the bidder did not supply Exact Product, that would be an unauthorized substitution, subjecting the bidder to potential penalties.

14. Additionally, products supplied pursuant to a DoD contract were required to meet military specifications (“MIL-SPEC”), which are often more demanding than might be required by a non-military (commercial) end user. MIL-SPEC is a name commonly used to describe the military standard for parts the DoD uses in the production of military equipment. MIL-SPEC parts might have similar characteristics to commercial parts, but the MIL-SPEC parts



contain the physical and operational characteristics needed for the military use of the part, and MIL-SPEC details the processes and materials to be used to make the part. MIL-SPEC parts further require supply chain traceability documentation to ensure the parts conform to the technical requirements. Commercial parts do not typically require traceability documentation.

15. A Product Quality Deficiency Report (“PQDR”) was a report that U.S. military end users could make to inform DLA that a particular part did not physically conform to the contract specifications for that part (“non-conforming”).

#### The Conspiracy

16. From at least as early as in or around 2015 through in or around August 2018, in Essex County, in the District of New Jersey and elsewhere, the defendant,

ALAN ARANOWITZ,  
a/k/a “Al Aranowitz,”

did knowingly and intentionally conspire and agree with others to devise a scheme and artifice to defraud the DoD and to obtain money and property from the DoD by means of materially false and fraudulent pretenses, representations, and promises, and, for the purpose of executing such scheme and artifice, did transmit and cause to be transmitted by means of wire communications in interstate and foreign commerce, certain writings, signs, signals, pictures, and sounds, contrary to Title 18, United States Code, Section 1343.

### The Object of the Conspiracy

17. It was the object of the conspiracy to obtain money from the DoD by engaging in an unlawful product substitution scheme designed to deliver cheaper, substitute replacement parts without authorization from the DoD or notice to the purchasing military parties.

### Manner and Means of the Conspiracy

18. It was part of the conspiracy that ARANOWITZ, Co-Conspirator 1, and Co-Conspirator 2, submitted false electronic bids for the award of DLA contracts, which bids falsely represented that Arlo, Company 1, or Company 2 would provide specific and unique replacement parts that were manufactured or supplied by specific entities, and/or met certain specifications, including but not limited to being "MIL-SPEC."

19. It was further part of the conspiracy that ARANOWITZ submitted bids that represented that Arlo would be the manufacturer of the product, but Arlo did not have manufacturing capabilities.

20. It was further part of the conspiracy that ARANOWITZ submitted bids on DIBBS on behalf of Arlo, using Arlo's CAGE code.

21. It was further part of the conspiracy that ARANOWITZ submitted bids on DIBBS on behalf of Company 1, with Co-Conspirator 1's knowledge, using Company 1's CAGE code.

22. It was further part of the conspiracy that ARANOWITZ and Co-Conspirator 1 on occasion caused Arlo and Co-Conspirator 1 to bid on the

same contract and caused Company 1 to represent that it would be the manufacturer of the product. Instead, however, ARANOWITZ and Co-Conspirator 1 intended to—and did—cause Company 1 to obtain the products through ARANOWITZ and Arlo, from a different source.

23. It was further part of the conspiracy that ARANOWITZ, Co-Conspirator 1, and Co-Conspirator 2 agreed to deceive DoD—and to thwart DoD’s efforts at inspection—regarding the actual origin of the parts DoD was provided. For instance, on or about July 27, 2018, ARANOWITZ e-mailed Co-Conspirator 1 and Co-Conspirator 2 regarding the procedure for bidding on a contract that required a certain type of inspection, known as an origin inspection, by the government (emphasis in the original):

1- [Co-Conspirator 2] WILL QUOTE TO AL [ARANOWITZ] TO ENTER IN [Company 1] DIBBS

2-[Co-Conspirator 2] WILL ADVISE [Company 1] WHERE TO AND AMOUNT OF MATERIAL TO PURCHASE AND SHIPPED TO [Company 1]

3-[Co-Conspirator 2] WILL MFG [i.e., manufacture] THE PRODUCT AND SEND TO OUTSIDE SOURCES IF REQUIRED **UNDER A [Company 1] PO [purchase order].**

4- [Co-Conspirator 2] WILL PROVIDE A[n] INSPECTION SHEET FOR THE GOV [Government] INSPECTION”

24. In the e-mail above, ARANOWITZ set forth that he would obtain quotes from Co-Conspirator 2 and use that information to bid on behalf not of his own company, Arlo, but of Company 1. Then, Co-Conspirator 2 would in fact manufacture the product if the bid was accepted, but the conspirators

would deceive the DoD and any other outsiders as to the true origin of the product.

25. It was further part of the conspiracy that once awarded the contracts by DLA, ARANOWITZ and his co-conspirators, Co-Conspirator 1 and Co-Conspirator 2, knowingly and intentionally sourced unauthorized and cheaper replacement parts without notifying DLA of their plan to substitute the alternative parts for the required replacement parts.

26. As a result, DLA began to receive PQDRs from military end users complaining that parts supplied by Arlo, Company 1, and Company 2 were non-conforming and/or had failed. As a result, DLA tested Arlo-supplied parts that were in DLA's possession but had not been provided to any military end-user (*e.g.*, in storage) to determine whether those parts physically conformed to the requirements set forth in their respective RFQs and contracts.

Approximately 27.0% of parts were judged to be "major" failures, meaning the parts were not suitable for use on their intended weapon systems. An additional 10.4% of the parts were found to be non-conforming to their contract specifications. In total, 37.4% of tested parts failed the test.

27. Notably, these figures do not include products lacking an obvious physical non-conformity but for which ARANOWITZ or his co-conspirators submitted bids falsely representing that they would provide DoD with Exact Product, when in fact they intended to, and did, provide parts that were not the

Exact Product specified in the RFQ and contract, or for which ARANOWITZ and his co-conspirators provided non-MIL-SPEC parts.

28. By furtively substituting cheaper replacement parts for the contractually-required parts, ARANOWITZ and his co-conspirators increased Arlo's, Company 1's, and Company 2's revenues and profit margins, and deceived the downstream purchasers of the replacement parts, who believed they were receiving the parts explicitly identified in the DLA contracts. The DoD paid Arlo, Company 1, and Company 2 for the non-conforming parts through EFT.

In violation of Title 18, United States Code, Section 1349.

**COUNT 2**  
**(Conspiracy to Commit Wire Fraud – Bid-Rigging)**

1. Paragraphs One through Fifteen and Seventeen through Twenty-Eight of Count One of the Information are incorporated as if set forth in full herein.

Legal Background

2. At all times relevant to Count Two of this Information:

a. Under FAR 52.203-2 (set forth in more detail in Paragraph 8(e) of Count One of this Information), which defendant ARANOWITZ certified he had read and would comply with, contractors bidding on contracts to supply the DoD with products were required to submit those bids competitively, that is, without colluding with other contractors regarding the prices and terms they would offer the DoD in their bids. Among other reasons, this certification had the purpose of promoting genuine competition, in which bidders have an incentive to submit the lowest bid that will allow them to make an acceptable profit.

The Conspiracy

3. From in or around 2017 through in or around August 2018, in Essex County, in the District of New Jersey, and elsewhere, the defendant,

ALAN ARANOWITZ,  
a/k/a “Al Aranowitz,”

did knowingly and intentionally conspire and agree with others to devise a scheme and artifice to defraud the DoD and to obtain money and property from

the DoD by means of materially false and fraudulent pretenses, representations, and promises, and, for the purpose of executing such scheme and artifice, did transmit and cause to be transmitted by means of wire communications in interstate and foreign commerce, certain writings, signs, signals, pictures, and sounds, contrary to Title 18, United States Code, Section 1343.

#### Object of the Conspiracy

4. It was the object of the conspiracy to coordinate bid prices (*i.e.*, engage in bid-rigging), in violation of FAR 52.203-2, for DoD contracts on which ARANOWITZ and his co-conspirators bid over the DIBBS system.

#### Manner and Means of the Conspiracy

5. It was part of the conspiracy that defendant ARANOWITZ and Co-Conspirator 2 regularly exchanged e-mails and other communications in which they specifically instructed each other on the exact price that they were bidding and/or that the other co-conspirator should bid on a specific DoD RFQ. ARANOWITZ and Co-Conspirator 2 manipulated their bids to create the false appearance of genuine competition.

6. It was further part of the conspiracy that Co-Conspirator 2 instructed ARANOWITZ what to cause Arlo to bid and/or what to cause Company 1 to bid (using Company 1's CAGE code). Co-Conspirator 2 often instructed ARANOWITZ to cause Arlo and/or Company 1 to submit a slightly higher bid than Co-Conspirator 2 was submitting on behalf of Company 2, in

order falsely to give the appearance that Company 2 was the low bidder under conditions of genuine competition. For instance, on or about September 6, 2017, Co-Conspirator 2 e-mailed ARANOWITZ, “I quoted [\$]9.87 [per unit] . . . / have [Company 1] quote [\$]9.90.” Company 2 in fact bid \$9.87 per unit on the RFQ in question, while Company 1 in fact bid slightly higher than Co-Conspirator 2 had instructed, at \$10.20 per unit. On another occasion, Co-Conspirator 2 e-mailed ARANOWITZ the price Co-Conspirator 2 had caused Company 2 to bid and asked, “Could you or [Company 1] quote a few pennies higher”.

7. By way of further example, on or about January 4, 2018, Co-Conspirator 2 e-mailed ARANOWITZ that he was causing Company 2 to bid \$4.65 per unit on a particular contract. Company 2 in fact bid \$4.65 per unit on the RFQ in question, representing that it was the manufacturer of the parts. Company 1 bid \$5.00 per unit on the RFQ in question, falsely representing that it was the manufacturer of the parts. Based on IP address information, ARANOWITZ placed the bid on Company 1’s behalf. DLA awarded the contract to Company 1. ARANOWITZ then caused Arlo to issue a purchase order to Company 2 for the parts in question after e-mailing Co-Conspirator 2 to ask what price Co-Conspirator 2 needed for the parts. Company 2 then issued an invoice to Arlo for the same. Arlo then supplied the parts to Company 1, which supplied the parts to DLA. DLA paid Company 1 for the parts.



8. It was further part of the conspiracy that ARANOWITZ and his co-conspirators shared with one another the profits from the DoD contracts that their respective companies were awarded.

9. By sharing their bid amounts ahead of time and instructing each other what specific bid to make, ARANOWITZ and his co-conspirators suppressed competition for DoD contracts, falsely created the appearance of genuine competition, and likely caused DoD to pay more than it would have for certain contracts under a purely competitive system.

In violation of Title 18, United States Code, Section 1349.

**FORFEITURE ALLEGATION AS TO COUNT ONE**


1. Upon conviction of the wire fraud conspiracy offense in violation of 18 U.S.C. § 1349, as charged in Count One of this Information, defendant ALAN ARANOWITZ shall forfeit to the United States, pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), all property, real and personal, the defendant obtained that constitutes or is derived from proceeds traceable to the commission of the said offense, the value of which totaled \$684,167.79.

**Substitute Assets Provision**

2. If any of the above-described forfeitable property, as a result of any act or omission of the defendant:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third person;
- c. has been placed beyond the jurisdiction of the Court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty,

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), as incorporated by 28 U.S.C. § 2461(c), to seek forfeiture of any other property of the defendant up to the value of the above forfeitable property.

  
PHILIP R. SELLINGER  
United States Attorney

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INFORMATION FOR  
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