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14

15 UNITED STATES DISTRICT COURT
16 FOR THE CENTRAL DISTRICT OF CALIFORNIA
17 SOUTHERN DIVISION

18 UNITED STATES OF AMERICA,	)	SA CR NO. <u>09-00005</u>
	)	
19 Plaintiff,	)	<u>PLEA AGREEMENT FOR</u>
	)	<u>DEFENDANT RICHARD MORLOK</u>
20 v.	)	
	)	
21 RICHARD MORLOK,	)	
	)	
22 Defendant.	)	
	)	

23
24
25 1. This constitutes the plea agreement between RICHARD
26 MORLOK (the "defendant") and the United States Attorney's Office
27 for the Central District of California (the "USAO") and the
28 United States Department of Justice, Criminal Division, Fraud

1 Section (the "Fraud Section") (the USAO and the Fraud Section
2 are, together, referred to as the "Department of Justice") in the
3 above-captioned case. This agreement is limited to the
4 Department of Justice and cannot bind any other federal, state or
5 local prosecuting, administrative or regulatory authorities.

6 PLEA

7 2. The defendant gives up the right to indictment by a
8 grand jury and agrees to plead guilty to an information charging
9 the defendant with one count of conspiracy to violate the laws of
10 the United States in violation of Title 18, United States Code,
11 Section 371, that is, to violate the Foreign Corrupt Practices
12 Act ("FCPA") (Title 15, United States Code, Section 78dd-2).

13 THE OFFENSE

14 3. In order for the defendant to be guilty of a violation
15 of Title 18, United States Code, Section 371, the following must
16 be true: (1) the defendant and at least one other person agreed
17 with each other to commit an offense as charged in the
18 Information; (2) the defendant became a member of the conspiracy
19 knowing of at least one of its objects and intending to help
20 accomplish it; and (3) one of the members of the conspiracy
21 performed at least one overt act for the purpose of carrying out
22 the conspiracy.

23 PENALTIES AND RESTITUTION

24 4. The statutory maximum sentence that the Court can
25 impose for a violation of Title 18, United States Code, Section
26 371 is five years' imprisonment; a three-year period of
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1 supervised release; a fine of \$250,000 or twice the pecuniary
2 gain or loss resulting from the offense, whichever is greater;
3 and a mandatory special assessment of \$100.

4 5. Supervised release is a period of time following
5 imprisonment during which the defendant will be subject to
6 various restrictions and requirements. The defendant understands
7 that if he violates one or more of the conditions of any
8 supervised release imposed, he may be returned to prison for all
9 or part of the term of supervised release, which could result in
10 the defendant serving a total term of imprisonment greater than
11 the statutory maximum stated above.

12 6. The defendant also understands that, by pleading
13 guilty, he may be giving up valuable government benefits and
14 valuable civil rights, such as the right to vote, the right to
15 possess a firearm, the right to hold office, and the right to
16 serve on a jury.

17 7. The defendant further understands that his conviction
18 in this case may subject him to various collateral consequences,
19 including but not limited to, deportation, revocation of
20 probation, parole, or supervised release in another case, and
21 suspension or revocation of a professional license. The
22 defendant understands that unanticipated collateral consequences
23 will not serve as grounds to withdraw his guilty plea.

24 8. The defendant understands that he may be required to
25 pay restitution to the victims of the offense. The defendant
26 agrees that the amount of restitution ordered, if any, is not
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1 restricted to the amounts alleged in the Information to which he
2 is pleading guilty and may include losses arising from all
3 relevant conduct in connection with this Information. The
4 defendant further agrees that he will not seek the discharge of
5 any restitution obligation, in whole or in part, in any present
6 or future bankruptcy proceeding.

7 FACTUAL BASIS

8 9. The defendant and the Department of Justice agree and
9 stipulate to the statement of facts in the attached Exhibit A.
10 This statement of facts includes facts sufficient to support a
11 plea of guilty to the charge described in this agreement and to
12 establish the sentencing guideline factors set forth in paragraph
13 12 below. It is not meant to be a complete recitation of all
14 facts relevant to the underlying criminal conduct or all facts
15 known to the defendant that relate to that conduct.

16 WAIVER OF CONSTITUTIONAL RIGHTS

17 10. By pleading guilty, the defendant gives up the
18 following rights:

- 19 a) The right to persist in a plea of not guilty.
20 b) The right to a speedy and public trial by jury.
21 c) The right to the assistance of legal counsel at
22 trial and at every other stage of the proceeding, including, if
23 the defendant could not afford an attorney, the right to have the
24 Court appoint one for him.
25 d) The right to be presumed innocent and to have the
26 burden of proof placed on the government to prove the defendant
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1 guilty beyond a reasonable doubt.

2 e) The right to confront and cross-examine witnesses
3 against the defendant.

4 f) The right, if the defendant wished, to testify on
5 the defendant's own behalf and present evidence in opposition to
6 the charges, including the right to call witnesses and to
7 subpoena those witnesses to testify.

8 g) The right not to be compelled to testify, and, if
9 the defendant chose not to testify or present evidence, to have
10 that choice not be used against him.

11 By pleading guilty, the defendant also gives up any and all
12 rights to pursue any defenses to the charge the defendant is
13 pleading guilty to, including affirmative defenses, Fourth
14 Amendment or Fifth Amendment claims, and other pretrial motions
15 that have been filed or could be filed.

16 SENTENCING FACTORS

17 11. The defendant understands that the Court is required to
18 consider the United States Sentencing Guidelines ("U.S.S.G." or
19 "Sentencing Guidelines"), among other factors, in determining the
20 defendant's sentence. The defendant understands, however, that
21 the Sentencing Guidelines are only advisory, and that after
22 considering the Sentencing Guidelines, the Court is free to
23 exercise its discretion to impose any reasonable sentence up to
24 the maximum set by statute for the crime of conviction. The
25 defendant and the Department of Justice agree, pursuant to United
26 States v. Booker, that they will not seek any departures from the

applicable Sentencing Guidelines range other than a reduction for acceptance of responsibility or via a motion for substantial assistance brought in the sole discretion of the Department of Justice, as described in paragraph 18.

12. The defendant and the Department of Justice agree and stipulate that the 2007 Sentencing Guidelines apply in this case and that, provided the defendant enters a plea of guilty to the Information and otherwise meets his obligations under this agreement, they will jointly recommend that the following applicable sentencing guideline factors apply:

Base Offense Level	12	U.S.S.G. § 2C1.1(a) (2)
More than one bribe	2	U.S.S.G. § 2C1.1(b) (1)
Net value of benefit to company is more than \$2,500,000 but less than \$7,000,000	18	U.S.S.G. §§ 2C1.1(b) (2), 2B1.1(b) (1) (J)
Manager or Supervisor of criminal activity involving 5 or more participants and activity that was otherwise extensive	3	U.S.S.G. § 3B1.1(b)
Acceptance of Responsibility	-3	U.S.S.G. § 3E1.1

TOTAL OFFENSE LEVEL 32

13. Based on a total offense level of 32, the applicable guidelines range (assuming a Criminal History Category of I) is 121-151 months. Section 5G1.1(a) of the U.S.S.G. states that where the statutorily authorized maximum sentence is less than the minimum of the applicable guideline range, the statutorily

1 authorized maximum sentence shall be the guideline sentence.
2 Because the statutory maximum sentence that the Court can impose
3 for a violation of Title 18, United States Code, Section 371, is
4 five years' imprisonment and is less than the bottom of the
5 applicable guideline range, the defendant and the Department of
6 Justice agree that the U.S.S.G. sentence is five years'
7 imprisonment.

8 14. There is no agreement as to the defendant's criminal
9 history or criminal history category.

10 15. The stipulations in this agreement do not bind either
11 the United States Probation Office or the Court. Both the
12 defendant and the Department of Justice are free to: (a)
13 supplement the facts by supplying relevant information to the
14 United States Probation Office and the Court; (b) correct any and
15 all factual misstatements relating to the calculation of the
16 sentence; and (c) argue on appeal and collateral review that the
17 Court's Sentencing Guidelines calculations are in error, although
18 each party agrees to maintain its view that the calculations in
19 paragraph 12 are correct and consistent with the facts of this
20 case.

21 THE DEFENDANT'S OBLIGATIONS

22 16. The defendant agrees that he will:

- 23 a) Plead guilty as set forth in this agreement.
24 b) Abide by all sentencing stipulations contained in
25 this agreement.
26 c) Appear as ordered for all court appearances,
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1 surrender as ordered for service of sentence, obey all conditions
2 of bond, and obey any other ongoing court order in this matter.

3 d) Not commit any crime (offenses which would be
4 excluded for sentencing purposes under U.S.S.G. § 4A1.2(c) are
5 not within the scope of this agreement).

6 e) Be truthful at all times with the Department of
7 Justice, Pretrial Services, the U.S. Probation Office, and the
8 Court.

9 f) Pay the applicable special assessment at or before
10 the time of sentencing unless the defendant lacks the ability to
11 pay.

12 17. The defendant further agrees to cooperate fully with
13 the Department of Justice, including the Federal Bureau of
14 Investigation, and, as directed by the Department of Justice,
15 with any other federal, state, local, or foreign law enforcement
16 agency. This cooperation requires the defendant to:

17 a) Respond truthfully and completely to all questions
18 that may be put to the defendant, whether in interviews, before a
19 grand jury, or at any trial or other court proceeding.

20 b) Attend all meetings, grand jury sessions, trials
21 or other proceedings at which the defendant's presence is
22 requested by the Department of Justice or compelled by subpoena
23 or court order.

24 c) Produce voluntarily all documents, records, or
25 other tangible evidence relating to matters about which the
26 Department of Justice, or its designee, inquires.

1 d) Make a full, accurate, and complete disclosure to
2 the Department of Justice and the Probation Office of the
3 circumstances surrounding the relevant offense and the
4 defendant's present financial condition.

5 THE DEPARTMENT OF JUSTICE'S OBLIGATIONS

6 18. If the defendant complies fully with all his
7 obligations under this agreement, the Department of Justice
8 agrees:

9 a) To abide by all sentencing stipulations contained
10 in this agreement.

11 b) At the time of sentencing, provided that the
12 defendant demonstrates an acceptance of responsibility for the
13 offense up to and including at the time of sentencing, to
14 recommend a two-level reduction in the applicable sentencing
15 guideline offense level, pursuant to U.S.S.G. § 3E1.1, and to
16 recommend and, if necessary, move for an additional one-level
17 reduction if available under that section.

18 c) In connection with the defendant's sentencing, to
19 bring to the Court's attention the nature and extent of the
20 defendant's cooperation.

21 d) If the Department of Justice determines, in its
22 sole and exclusive judgment, that the defendant has provided
23 substantial assistance to law enforcement in the prosecution or
24 investigation of others ("substantial assistance"), to move the
25 Court pursuant to U.S.S.G. § 5K1.1 or Rule 35 of the Federal
26 Rules of Criminal Procedure to impose a sentence below the
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1 sentencing range otherwise dictated by the sentencing guidelines,
2 provided that the defendant complies with all his obligations
3 under this agreement. The defendant acknowledges and agrees,
4 however, that nothing in this agreement may be construed to
5 require the Department of Justice to file such a motion and that
6 the Department of Justice's assessment of the nature, value,
7 truthfulness, completeness, and accuracy of the defendant's
8 cooperation shall be binding on the defendant.

9 e) Except for criminal tax violations (including
10 conspiracy to commit such violations chargeable under 18 U.S.C.
11 § 371), not to further prosecute defendant for violations arising
12 out of and relating to the defendant's conduct described in the
13 stipulated statement of facts set forth in Exhibit A. The
14 defendant understands that the Department of Justice is free to
15 prosecute the defendant, however, for any other unlawful past
16 conduct, any unlawful conduct that occurs after the date of this
17 agreement, or any unlawful conduct that arose during the period
18 referenced in the stipulated statement of facts if such conduct
19 was not disclosed by the defendant to the Department of Justice
20 prior to the date of this agreement. The defendant agrees that
21 at the time of sentencing the Court may consider the uncharged
22 conduct in determining the applicable Sentencing Guidelines
23 range, where the sentence should fall within that range, the
24 propriety and extent of any departure from that range, and the
25 sentence to be imposed after consideration of the Sentencing
26 Guidelines and all other relevant factors.

THE DEFENDANT'S UNDERSTANDINGS REGARDING SUBSTANTIAL ASSISTANCE

19. The defendant understands the following:

a) Any knowingly false or misleading statement by the defendant will subject him to prosecution for false statement, obstruction of justice, and perjury and will constitute a breach by the defendant of this agreement.

b) Nothing in this agreement requires the Department of Justice or any other prosecuting or law enforcement agency to accept any cooperation or assistance that the defendant may offer, or to use it in any particular way.

c) The defendant cannot withdraw his guilty plea if the Department of Justice does not make a motion pursuant to U.S.S.G. § 5K1.1 or Rule 35 of the Federal Rules of Criminal Procedure for a reduced sentence or if the Department of Justice makes such a motion and the Court does not grant it.

d) At this time, the Department of Justice makes no agreement or representation as to whether any cooperation that the defendant has provided or intends to provide constitutes substantial assistance. The decision whether the defendant has provided substantial assistance rests solely within the discretion of the Department of Justice.

e) The Department of Justice's determination of whether the defendant has provided substantial assistance will not depend in any way on whether the government prevails at any trial or court hearing in which the defendant testifies.

f) The Court is under no obligation to grant a motion

1 by the Department of Justice pursuant to U.S.S.G. § 5K1.1 or Rule
2 35 should the Department of Justice exercise its discretion to
3 file such a motion.

4 BREACH OF AGREEMENT

5 20. If the defendant, at any time between the execution of
6 this agreement and the defendant's sentencing on a non-custodial
7 sentence or surrender for service on a custodial sentence,
8 knowingly violates or fails to perform any of his obligations
9 under this agreement ("a breach"), the Department of Justice may
10 declare this agreement breached. If the Department of Justice
11 declares this agreement breached, the defendant will not be able
12 to withdraw his guilty plea, and the Department of Justice will
13 be relieved of all of its obligations under this agreement.

14 21. Following a breach of this agreement by the defendant,
15 should the Department of Justice elect to pursue any charge that
16 was either dismissed or not filed as a result of this agreement,
17 then:

18 a) The defendant agrees that any applicable statute of
19 limitations is tolled between the date of the defendant's signing
20 of this agreement and the commencement of any such prosecution or
21 action.

22 b) The defendant gives up all defenses based on the
23 statute of limitations, any claim of preindictment delay, or any
24 speedy trial claim with respect to any such prosecution, except
25 to the extent that such defenses existed as of the date of the
26 defendant's signing of this agreement.

1 c) The defendant agrees that all prior statements made
2 by the defendant, including but not limited to the stipulated
3 statement of facts attached to this agreement, and all evidence
4 derived from these statements are admissible against the
5 defendant in any future prosecution of the defendant, and the
6 defendant shall assert no claim under the United States
7 Constitution, any statute, Rule 410 of the Federal Rules of
8 Evidence, Rule 11(f) of the Federal Rules of Criminal Procedure,
9 or any other federal rule, that the statements or any evidence
10 derived from any statements should be suppressed or are
11 inadmissible.

12 LIMITED MUTUAL WAIVER OF APPEAL

13 22. The defendant gives up the right to appeal any sentence
14 imposed by the Court, and the manner in which the sentence is
15 determined, provided that the sentence is within the statutory
16 maximum specified above and the Court imposes a sentence within
17 or below the range corresponding to the agreed determined total
18 offense level and the criminal history category determined by the
19 Court. Notwithstanding the foregoing, the defendant retains the
20 ability to appeal the conditions of supervised release imposed by
21 the Court, with the exception of the following: standard
22 conditions set forth in district court General Orders 318 and 01-
23 05; the drug testing conditions mandated by 18 U.S.C. §§
24 3563(a)(5) and 3583(d); and the alcohol and drug use conditions
25 authorized by 18 U.S.C. § 3563(b)(7).

26 23. The Department of Justice gives up its right to appeal
27
28

1 the sentence, provided that the Court imposes a sentence within
2 or above the range corresponding to the agreed determined total
3 offense level and the criminal history category determined by the
4 Court.

5 COURT NOT A PARTY

6 24. The Court is not a party to this agreement and need not
7 accept any of the Department of Justice's sentencing
8 recommendations or the parties' stipulations. Even if the Court
9 ignores any sentencing recommendation, finds facts or reaches
10 conclusions different from any stipulation, and/or imposes any
11 sentence up to the maximum established by statute, the defendant
12 cannot, for that reason, withdraw his guilty plea, and the
13 defendant will remain bound to fulfill all the defendant's
14 obligations under this agreement. No one - not the prosecutor,
15 the defendant's attorney, or the Court - can make a binding
16 prediction or promise regarding the sentence the defendant will
17 receive, except that it will be within the statutory maximum.

18 NO ADDITIONAL AGREEMENTS

19 25. Except as set forth herein, there are no promises,
20 understandings or agreements between the Department of Justice
21 and the defendant or his counsel. Nor may any additional
22 agreement, understanding or condition be entered into unless in a
23 writing signed by all parties or on the record in court.

24 PLEA AGREEMENT PART OF THE GUILTY PLEA HEARING

25 26. The parties agree and stipulate that this agreement
26 will be considered part of the record of the defendant's guilty
27
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plea hearing as if the entire agreement had been read into the record of the proceeding.

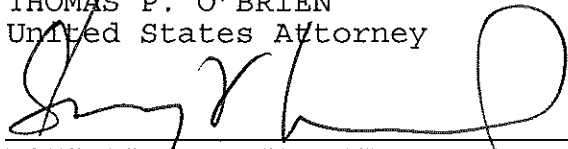
EFFECTIVE DATE

27. This agreement is effective upon signature by the defendant, his attorney, an Assistant United States Attorney with the USAO, and a Trial Attorney with the Fraud Section.

AGREED AND ACCEPTED

UNITED STATES ATTORNEY'S OFFICE
FOR THE CENTRAL DISTRICT OF CALIFORNIA

THOMAS P. O'BRIEN
United States Attorney



DOUGLAS P. MCCORMICK
Assistant United States Attorney

1/7/2009
Date

FRAUD SECTION, CRIMINAL DIVISION
U.S. DEPARTMENT OF JUSTICE

STEVEN A. TYRRELL
Chief

HANK BOND WALTHER
Assistant Chief

Date

ANDREW GENTIN
Trial Attorney

1 plea hearing as if the entire agreement had been read into the
2 record of the proceeding.

3 EFFECTIVE DATE

4 27. This agreement is effective upon signature by
5 the defendant, his attorney, an Assistant United States Attorney
6 with the USAO, and a Trial Attorney with the Fraud Section.

7 AGREED AND ACCEPTED

8 UNITED STATES ATTORNEY'S OFFICE
9 FOR THE CENTRAL DISTRICT OF CALIFORNIA

10 THOMAS P. O'BRIEN
United States Attorney

11
12 _____
DOUGLAS F. McCORMICK
Assistant United States Attorney

Date

13
14 FRAUD SECTION, CRIMINAL DIVISION
15 U.S. DEPARTMENT OF JUSTICE

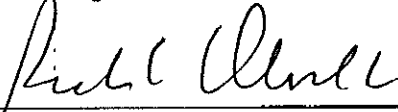
16 STEVEN A. TYRRELL
Chief

17 H. Walther /ag
18 HANK BOND WALTHER
Assistant Chief

1/6/09
Date

19 ANDREW GENTIN
20 Trial Attorney

1 I have read this agreement and carefully discussed every
2 part of it with my attorney. I understand the terms of this
3 agreement, and I voluntarily agree to those terms. My attorney
4 has advised me of my rights, of possible defenses, of the
5 Sentencing Guidelines' provisions, and of the consequences of
6 entering into this agreement. No promises or inducements have
7 been made to me other than those contained in this agreement. No
8 one has threatened or forced me in any way to enter into this
9 agreement. Finally, I am satisfied with the representation of my
10 attorney in this matter.

11 
12 _____
13 RICHARD MORLOK
14 Defendant

1/7/2009

Date

15 I am Richard Morlok's attorney. I have carefully discussed
16 every part of this agreement with my client. Further, I have
17 fully advised my client of his rights, of possible defenses, of
18 the Sentencing Guidelines' provisions, and of the consequences of
19 entering into this agreement. To my knowledge, my client's
20 decision to enter into this agreement is an informed and
21 voluntary one.

22 
23 _____
24 WHITNEY ELLERMAN
25 Counsel for Defendant RICHARD MORLOK

1/06/2009

Date

EXHIBIT A - STATEMENT OF FACTS

The Department of Justice and RICHARD MORLOK ("MORLOK"), the defendant, agree that the following facts are true and correct:

1. Defendant MORLOK served as the Finance Director for an unnamed co-conspirator company, hereinafter referred to as Company A, from in or around 2002 through in or around 2007. In this capacity, he oversaw the Finance Department and had responsibility for approving certain commission payments and signing off on wire transfers to the recipients of those commission payments. Approximately ten Company A employees reported to defendant MORLOK during this time. Defendant MORLOK was a citizen of the United States and thus was a "domestic concern" as that term is defined in the Foreign Corrupt Practices Act ("FCPA"), Title 15, United States Code, Section 78dd-2(h)(1)(A).

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

1 3. Company A's state-owned customers included, but were
2 not limited to, China National Offshore Oil Company, PetroChina,
3 Jiangsu Nuclear Power Corporation (China), Korea Hydro and
4 Nuclear Power ("KHNP") (Korea), Rovinari Power (Romania), and
5 Safco (Saudi Arabia). Each of these state-owned entities was a
6 department, agency, and instrumentality of a foreign government
7 within the meaning of the FCPA, Title 15, United States Code,
8 Sections 78dd-2(h)(2)(A). The officers and employees of these
9 entities, including their Vice-Presidents, Engineering Managers,
10 General Managers, Procurement Managers, and Purchasing Officers,
11 were "foreign officials" within the meaning of the FCPA, Title
12 15, United States Code, Section 78dd-2(h)(2)(A).

13 4. During his tenure as Finance Director, defendant MORLOK
14 caused Company A employees and agents to make corrupt payments to
15 foreign officials employed at state-owned enterprises through the
16 payment of "commissions" to "friends-in-camp" ("FICs") who
17 successfully assisted Company A in obtaining and retaining
18 business. Numerous FICs were officers and employees of Company
19 A's state-owned customers holding such positions as Vice-
20 President, Engineering Manager, General Manager, Procurement
21 Manager, and Purchasing Officer, and had the authority either to
22 award contracts or to influence the technical specifications of
23 an order in a manner that would favor Company A.

24 5. From in or around 2003 through in or around 2006,
25 defendant MORLOK caused Company A employees and agents to make
26 corrupt payments totaling approximately \$628,000 to foreign
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officials employed at state-owned companies in order to assist in obtaining and retaining business for Company A, and Company A earned approximately \$3.5 million in profits from the contracts that it obtained as a result of these corrupt payments. The corrupt payments were made to foreign officials at state-owned entities including, but not limited to, China National Offshore Oil Company, Petrochina, Jiangsu Nuclear Power Corporation (China), KHNP (Korea), Rovinari Power (Romania), and Safco (Saudi Arabia).

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

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

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