



# Department of Justice

FOR IMMEDIATE RELEASE  
FRIDAY, JUNE 22, 2007  
[WWW.USDOJ.GOV](http://WWW.USDOJ.GOV)

CRM  
(202) 514-2008  
TDD (202) 514-1888

## **FORMER PACIFIC CONSOLIDATED INDUSTRIES LP EXECUTIVE ARRESTED FOR CONSPIRING TO BRIBE U.K. MINISTRY OF DEFENCE OFFICIAL**

WASHINGTON – A former executive of Santa Ana, Calif.-based Pacific Consolidated Industries LP (PCI) has been arrested for allegedly violating the Foreign Corrupt Practices Act (FCPA) as part of a conspiracy to bribe a United Kingdom Ministry of Defence official in order to obtain lucrative contracts with the U.K. Royal Air Force, Assistant Attorney General Alice S. Fisher of the Criminal Division and U.S. Attorney George S. Cardona of the Central District of California announced today.

Leo Winston Smith of Newport Beach, Calif., was arrested on June 18, 2007, and will appearance at federal court in Santa Ana today for an initial appearance before Magistrate Judge Robert N. Block. Smith was initially indicted by a federal grand jury in Santa Ana on April 25, 2007. The indictment alleges that Smith conspired to make over \$300,000 in bribe payments for the benefit of the U.K. Ministry of Defence official in order to obtain equipment contracts for Pacific Consolidated Industries valued at over \$11 million dollars. In addition to the FCPA violations, the indictment also charges Smith with money laundering and tax offenses.

PCI was a private company headquartered in Santa Ana that manufactured air separation units (ASUs) and nitrogen concentration trolleys (NCTs) for defense departments throughout the world. ASUs and NCTs generate oxygen and nitrogen in remote, extreme and confined locations for aircraft support and military hospitals.

At the time of the conduct alleged in the indictment, Smith, a U.S. citizen, was the executive vice president and director of sales and marketing at PCI. Smith's main responsibility was to obtain business from and negotiate equipment contracts with various domestic and international defense departments, including the U.K Ministry of Defence. Smith was a founder of PCI and had been employed by the company for more than 25 years.

The indictment alleges that from 1993 through 2003, Smith conspired with others to bribe an official at the Ministry of Defence, referred to in the indictment as the project manager. The project manager was directly involved in the procurement of ASUs and NCTs on behalf of the Ministry of Defence and, as a result of his position, was able to influence the awarding of the ASU and NCT contracts to PCI.

As alleged in the indictment, over \$300,000 in payments were made on behalf of the project manager. The payments included alleged wire transfers from PCI bank accounts in

California to banks in England and Spain. The indictment alleges that payments to the Spanish banks went towards the purchase of a Spanish villa for the project manager.

PCI was ultimately awarded the ASU and NCT contracts valued at over \$11 million. In addition, Smith received more than \$500,000 in commissions from PCI relating to the NCT and other contracts. Smith allegedly did not report those and other payments on his 2003 U.S. tax return.

In late 2003, after the conduct alleged in the indictment, PCI was acquired by a group of investors and re-named Pacific Consolidated Industries, LLC (PCI, LLC). PCI, LLC referred this matter to the Department of Justice and fully cooperated in the government's investigation.

The conspiracy and FCPA charges each carry a maximum sentence of five years in prison. The money laundering charges each carry a maximum sentence of 20 years in prison. The tax charge carries a maximum sentence of three years in prison.

The criminal case is being prosecuted by Trial Attorney Jonathan E. Lopez of the Fraud Section of the Criminal Division and Assistant U.S. Attorney Jennifer Waier of the Central District of California. The criminal case was investigated by agents of the FBI Santa Ana Field Office and the IRS Criminal Investigation Division, Los Angeles Field Office.

The Department acknowledges and expresses its appreciation of the assistance provided by the authorities of the United Kingdom, including the U.K. Ministry of Defence Police and the Crown Prosecution Service.

An indictment contains allegations that a defendant has committed a crime. All defendants are presumed innocent until and unless proven guilty in a court of law.

###

07-445