



# Department of Justice

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## **ISRAELI EXECUTIVE EXTRADITED AND ARRAIGNED ON FRAUD CHARGES INVOLVING THE FOREIGN MILITARY FINANCING PROGRAM**

WASHINGTON – An Israeli national was extradited from Bulgaria and arraigned on charges arising from his participation in multiple schemes to defraud a multi-billion dollar United States foreign aid program, the Department of Justice announced today.

According to the allegations contained in a five-count indictment filed in the United States District Court for the District of Connecticut in Hartford, Yuval Marshak, a former owner and executive of an Israel-based defense contractor, carried out three separate schemes between 2009 and 2013 to defraud the Foreign Military Financing program (FMF) and used a company in the United States to launder some of the proceeds of his fraud.

Marshak and others falsified bid documents to make it appear that certain FMF contracts had been competitively bid when they had not, according to the indictment. Marshak further caused false certifications to be made to the United States Department of Defense (DOD) stating that no commissions were being paid and no non-United States content was used in these contracts, when, in fact, Marshak had arranged to receive commissions and to have services performed outside the United States, all in violation of the DOD's rules and regulations. Marshak arranged for these undisclosed commission payments to be made to a Connecticut-based company that was owned by a close relative to disguise the true nature and destination of these payments.

“By falsifying bid documents and receiving undisclosed side payments through a company in the United States, Marshak’s actions threatened the integrity of the FMF program, through which the United States government provides billions of dollars each year in foreign aid to countries around the world,” said Acting Assistant Attorney General Renata Hesse of the Department of Justice’s Antitrust Division. “Marshak’s extradition marks another step forward in our efforts to coordinate investigations with foreign authorities and is further evidence that the Antitrust Division will continue to vigorously pursue individuals and companies that compromise essential government programs regardless of where they reside.”

“This alleged fraud scheme targeting the FMF program erodes public confidence in the United States government to properly execute our fiduciary responsibilities for spending United States tax dollars in an efficient and prudent manner,” said Special Agent in Charge Craig W. Rupert of the U.S. Department of Defense’s Defense Criminal Investigative Service (DCIS).

“DCIS and its federal and international partners will continue to pursue and investigate similar fraud allegations in order to shield the American taxpayers' investment in defense.”

“This indictment shows that the Department of Justice will work tirelessly to bring those like Mr. Marshak who are alleged to have defrauded our country's foreign aid programs to justice – even those who reside abroad,” said U.S. Attorney Deirdre M. Daly of the District of Connecticut.

The United States spends billions of dollars each year through the FMF program to provide foreign governments, including Israel, with money which must be used to purchase American-made military goods and services. The rules and regulations of the FMF program require the disclosure of and approval for any FMF-funded commissions and require that all goods and services be of United States origin to qualify for FMF funding. These same rules also strongly encourage the use of competitive bidding in the award of all FMF contracts. American vendors who receive FMF funded contracts are required to certify their compliance with these regulations to the DOD.

Marshak is charged with two counts of wire fraud, one count of mail fraud, one count of major fraud against the United States and one count of international money laundering. The wire and mail fraud charges carry a maximum penalty of 20 years in prison and a \$250,000 fine. The major fraud against the United States count carries a maximum penalty of 10 years in prison and a \$1 million fine, while the international money laundering charge carries a maximum penalty of 20 years in prison and a \$500,000 fine.

As a result of the investigation, earlier this year the Antitrust Division entered into a non-prosecution agreement with Octal Corp., a New Jersey-based defense contractor that received one of the FMF contracts at issue. Octal acknowledged that its employees concealed the agreement to pay, and the payment of, the commission on the FMF contract the company received and falsely denied the commission in a written certification to the DOD. Under the terms of this agreement, Octal agreed to cooperate in the division's investigation and to pay a monetary penalty of \$100,000 and \$360,000 in restitution to the DOD.

The Antitrust Division also entered into a non-prosecution agreement with Hale Products Inc., a Florida-based company that received another FMF contract referenced in the indictment. Hale acknowledged that, in connection with this FMF contract, its employees concealed the agreement to pay, and the payment of, the commission and falsely denied the commission in a written certification to the DOD. Hale agreed to cooperate in the division's investigation and to pay a monetary penalty of \$50,000 and \$10,200 in restitution to the DOD.

Marshak is being prosecuted by the Antitrust Division's New York Office and the Defense Criminal Investigative Service, with assistance from the United States Attorney's Office for the District of Connecticut and Israel's Ministry of Defense. Anyone with information on price fixing, bid rigging or other anticompetitive conduct related to government contracts should contact the Antitrust Division's Citizen Complaint Center at 1-888-647-3258, or visit [www.justice.gov/atr/contact/newcase.html](http://www.justice.gov/atr/contact/newcase.html).

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