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Connecticut Investor Found Guilty in Massive Scheme to Bribe Senior Government Officials in the Republic of Azerbaijan

Frederic A. Bourke Jr., 63, was found guilty today by a federal jury in Manhattan of conspiracy to violate the Foreign Corrupt Practices Act (FCPA) and the Travel Act, and making false statements to the FBI. Bourke, of Greenwich, Conn., was convicted following a six-week jury trial before U.S. District Judge Shira A. Scheindlin.

Evidence presented at trial established that Bourke

was a knowing participant in a scheme to bribe senior government officials in Azerbaijan with several hundred million dollars in shares of stock, cash, and other gifts. According to evidence presented at court, the bribes were meant to ensure that those officials would privatize the State Oil Company of the Azerbaijan Republic (SOCAR) in a rigged auction that only Bourke, fugitive Czech investor Viktor Kozeny and members of their investment consortium could win, to their massive profit. According to evidence presented at trial, the scheme involved the purchase of vouchers and options that could be used to bid for shares in SOCAR. The vouchers and options were largely purchased with millions of dollars of cash flown into Azerbaijan on private planes. The vouchers and options were intended to be exercised by Oily Rock Ltd., a company Kozeny allegedly controlled, according to evidence presented at trial. Bourke, a friend and neighbor of Kozeny's in Aspen, Colo., invested approximately \$8 million in Oily Rock, on behalf of himself and family members and friends. Evidence also showed that Bourke obtained directorships, salary and stock options with related companies that Kozeny allegedly set up and funded.

Beginning in August 1997 through fall 1998, evidence presented at trial showed that Bourke and others conspired to pay or cause to be paid millions of dollars worth of bribes to Azeri government officials to ensure that their investment consortium would gain, in secret partnership with the Azeri officials, a controlling interest in SOCAR and its substantial oil reserves. For example, evidence presented at trial showed that in August 1997, Kozeny allegedly agreed to transfer to corrupt Azeri officials two-thirds of the vouchers and options Oily Rock purchased, and to give them two-thirds of all of the profits arising from his investment consortium's participation in SOCAR's privatization. In addition, evidence presented at trial showed that in June 1998, Bourke knew that Kozeny arranged for Oily Rock to increase its authorized share capital from \$150 million to \$450 million so that the additional \$300 million worth of Oily Rock shares could be transferred to one or more of the Azeri officials as a further bribe payment. Bourke also arranged for two of the corrupt officials to travel to New York City on different occasions in 1998 to receive medical treatment, for which Oily Rock paid. Thereafter, in interviews with the FBI in April and May of 2002, Bourke falsely stated that he was not aware that Kozeny had made the alleged payments to the Azeri Officials.

Bourke and Kozeny were indicted in October 2005. At sentencing, scheduled for Oct. 13, 2009, Bourke faces a maximum penalty of five years in prison and a maximum fine of \$250,000 or twice the gross gain or loss resulting from the alleged violations on each of the two counts on which he was convicted. Bourke was acquitted of one count of money laundering.

The prosecution and the related case against Kozeny are being handled jointly by the U.S. Attorney's Office for the Southern District of New York and the Criminal Division's Fraud Section. Assistant U.S. Attorneys Harry A. Chernoff and Iris Lan, as well as Fraud Section Deputy Chief Mark F. Mendelsohn and Assistant Chief Robertson Park are prosecuting the case.

The charges contained in the indictment are merely accusations and defendants are presumed innocent unless and until proven guilty.

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