



NEWS RELEASE

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MARINE CORPS CAPTAIN WHO SKIMMED \$1.7 MILLION FROM CONTRACTS WHILE IN IRAQ SENTENCED TO SIX YEARS IN PRISON

RIVERSIDE, California – A captain in the United States Marine Corps who worked with his wife to skim about \$1.69 million from government contracts awarded under the Iraqi First Program while he was in Iraq was sentenced today to 72 months in federal prison.

Eric Schmidt, 40, of Murietta, who is assigned to the First Marine Division at Camp Pendleton, was sentenced this morning by United States District Judge Virginia A. Phillips.

During the sentencing hearing, Judge Phillips noted that, in addition to the illicit profits from their fraud, the Schmidts' actions resulted in fewer first aid kits and explosive detecting devices being delivered to personnel in Iraq.

Schmidt pleaded guilty last May to conspiracy to commit wire fraud and filing a false tax return that concealed the illicit income from the Internal Revenue Service.

Schmidt's wife, Janet Schmidt, 39, who formerly resided in Murietta but now lives in Nebraska, pleaded guilty last year to a tax offense for failing to report income received as part of the scheme. Janet Schmidt, who faces up to three years in prison, is scheduled to be sentenced by Judge Phillips on March 7.

According to court documents, Capt. Schmidt was deployed to Iraq for one year in 2008, when he used his position in the contracting process to steer contracts to an Iraqi contractor, the Al-Methwad Company. The contracts were often awarded under the Iraqi First Program, which was designed to award certain contracts to Iraqi vendors

to assist with Iraqi economic expansion and entrepreneurship. Once Al-Methwad had been awarded the contract, Janet Schmidt found United States-based vendors to provide the goods purportedly to be furnished by Al-Methwad under the terms of the contract. Janet Schmidt purchased the goods using money provided by Al-Methwad, often purchasing far fewer or inferior products than those required by the contract. She then arranged for the goods to be delivered to the United States Marines in Iraq. Once the shipment arrived in Iraq, Capt. Schmidt falsely certified that both the number and type of goods required by the contract had been provided by Al-Methwad. Armed with the false certification, representatives from Al-Methwad sought and received payment from the United States.

When he pleaded guilty, Capt. Schmidt specifically admitted to defrauding the Marine Corps in a contract that called for the delivery of exercise machines and dumbbell sets. The Schmidts fraudulently caused the delivery of fewer workout items than called for under the contract and realized illicit gains of approximately \$93,000 on that one contract.

As a result of the scheme, the Schmidts caused the United States Department of Defense to suffer losses of \$1,692,472 and the Internal Revenue Service to suffer losses of \$458,141. Judge Phillips this morning ordered Capt. Schmidt to pay full restitution to the two agencies.

“The Schmidts defrauded U.S. taxpayers, cheated the Iraqi people, and betrayed the trust placed in them,” said Stuart Bowen, Inspector General of the Special Inspector General for Iraq Reconstruction. “They will now pay the price for their criminal wrongdoing.”

Chris Hendrickson, Special Agent in Charge of the Defense Criminal Investigative Service (DCIS), Western Field Office, stated: “This is an example of corruption that directly affected our Marines’ military capabilities in Iraq. Captain Schmidt found an Iraqi partner, exploited his role as a logistics officer, and profited from the Marines’ role in providing security in Iraq. Iraqi contractors bought this Marine with cash, gifts, and a cut of their contracts. The Defense Criminal Investigative Service and our law enforcement partners place a special focus on war procurement cases to ensure the troops can finish their jobs without the burden of shortages created by

wartime opportunists. DCIS will investigate military corruption wherever it occurs.”

During the course of this investigation, government agents seized from the Schmidts two California real properties – one in Big Bear and one in Murietta – two luxury vehicles, and approximately \$40,000 in cash.

“Mr. Schmidt abused his position as a United States Marine Corps logistics officer, for his own and his wife’s financial gain,” stated Leslie P. DeMarco, Special Agent in Charge of IRS-Criminal Investigation’s Los Angeles Field Office. “IRS-Criminal Investigation, in conjunction with our law enforcement partners, is committed to identifying, investigating and prosecuting individuals who engage in fraud and deceit, and exploit programs to satisfy their greed. Today’s sentencing demonstrates our collective efforts to enforce the law and ensure public trust.”

The ongoing investigation in this case is being conducted by the Defense Criminal Investigative Service, the Naval Criminal Investigative Service, the Special Inspector General for Iraq Reconstruction, and IRS-Criminal Investigation.

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