



U.S. Department of Justice

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## **PRESS RELEASE**

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**FOR IMMEDIATE RELEASE**

Friday, February 24, 2006

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**Public Affairs**

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**Defense contractor Mitchell Wade pleads guilty**  
**to bribing former Congressman "Duke" Cunningham,**  
**corrupting Department of Defense officials, and**  
**election fraud**

**Washington, D.C.** - Mitchell Wade, the former owner of MZM, Inc., a major defense contractor based in the District of Columbia, has pleaded guilty to bribing former Congressman "Duke" Cunningham, corrupting defense officials, and election fraud, announced United States Attorney Kenneth L. Wainstein, Joseph A. McMillan, Special Agent in Charge, Defense Criminal Investigative Service, Joseph Persichini, Jr., Acting Assistant Director in Charge of the FBI's Washington Field Office, and Rick A. Raven, Special Agent in Charge, Internal Revenue Service, Criminal Investigation.

Wade, 46, of Great Falls, Virginia, entered his guilty plea earlier today in U.S. District Court before the Honorable Ricardo M. Urbina to multiple felony counts related to his wholesale corruption of the defense procurement process. The conduct includes Wade making over \$1 million in payoffs to then-Congressman Duke Cunningham, providing illegal benefits to Defense Department officials, and attempting to curry favor with two other members of Congress by making illegal campaign contributions.

Specifically, Wade pled to a four-count information, including one count of conspiring both to bribe Congressman Randall "Duke" Cunningham and to tax evasion; one count of Use of Interstate Facilities to Promote Bribery; one count of conspiring to deprive the Defense Department of the honest services of its employees; and one count of election fraud. Under the terms of the agreement, Wade, who has been cooperating with officials in this ongoing investigation, faces up to 135 months of

incarceration. A sentencing date has not yet been set.

United States Attorney Wainstein stated, "The Department of Justice and this Office have made combatting corruption within the multi-billion dollar defense contracting industry a top priority. Today's prosecution makes the clear statement that legislators, civil servants and defense contractors alike have a duty to maintain the integrity of the defense appropriations and contracting process. Those who violate that duty can expect to be investigated, prosecuted and sent to prison."

Defense Criminal Investigative Service Special Agent in Charge McMillan stated, "The American public expects the Department of Defense and other government agencies to manage an acquisition system that is devoid of corrupt behavior and influence. We are committed to dedicating the necessary resources to identify, investigate and prosecute the corrupt actions of public officials and contractors."

Acting Assistant Director in Charge Persichini added, "The American people are entitled to lawful and ethical public service. The FBI will continue to apply resources to achieve that goal."

According to the government's evidence, Wade grew his company, MZM, into a defense contracting company that, since 2002, received over \$150 million in Department of Defense government contracts by engaging in a series of corrupt acts throughout the defense procurement process: from ensuring that the members of Congress who could appropriate funds for special Defense Department projects looked favorably on MZM, to the Department of Defense officials -- some of whom Wade knew when he was a government official -- who could give him favorable reviews and inside information to ensure that the work would continue to flow.

Wade was able to exploit the procurement system in three distinct ways: by bribing a sitting United States Congressman; by conspiring to give favors to Department of Defense officials responsible for procuring services from Wade's company; and by funneling illegal campaign contributions to two Members of Congress.

#### Bribery of Congressman Cunningham

Randall "Duke" Cunningham was a powerful member of the Defense appropriations subcommittee, and Wade understood that Cunningham had the ability to make or break MZM. In order to

become a Cunningham favorite in the use of special Congressional appropriations, Wade:

- showered the Congressman with many types of gifts, including checks, cash, rugs, antiques, furniture, yacht club fees, boat repairs, and the use of a Rolls Royce;
- Wade also purchased Cunningham's house at a wildly inflated price and arranged for Cunningham to live on a yacht, the "Duke-Stir," anchored in the Potomac. Wade paid these bribes, totaling over \$1 million, in order to;
- receive special consideration in Cunningham's use of his special defense appropriations; and
- to pay for Cunningham's use of his power in an effort to steer funds and contracts to MZM.

Cunningham has pled guilty to bribery conspiracy, and will be sentenced in San Diego on Friday, March 3.

#### Corrupt Activities within the Department of Defense

One key to MZM's ability to receive government contracts was an umbrella contracting vehicle called "Blanket Purchase Agreement" and known in the field as a "BPA." A BPA is a contract vehicle that permitted the Defense Department and other departments and agencies to obtain supplies and services on an as-needed basis through a "charge account" system. Operating under a BPA, MZM and Wade were shielded from the normal competitive bidding process used in government procurement and could solicit business from government components directly.

In September of 2002, MZM received its BPA from the Defense Information Technology Contracting Organization, with the acronym "DITCO," making MZM eligible to receive up to \$225 million by performing work for Defense Department customers.

The next step was for Wade to arrange for Defense Department officials to buy what he was selling. Wade extended his corrupt behavior into the Defense Department to ensure that the business kept coming regardless of MZM's performance. Wade, himself a former Defense Department employee, knew a number of individuals within the Defense Department who could help him. Wade convinced two Defense Department components, the Counterintelligence Field Activity (CIFA), located in Arlington, Virginia, and the Department of the Army's National Ground Intelligence Center (NGIC), located in Charlottesville, Virginia, to provide task orders that MZM could perform under the BPA.

Wade then shielded MZM from the normal performance review by crossing the line into corrupt activities. Wade's activities included:

- arranging for a Defense Department official's son to be hired as an MZM employee; the cost of that job was ultimately paid for by the government in reimbursement agreement with MZM; and
- extending an offer of employment, and then ultimately hiring, a Department of Defense official who was responsible for overseeing much of MZM's work. Federal law prohibits government employees from, among other things, discussing potential employment with companies with whom they do government business.
- Certain Department of Defense employees provided: valuable procurement information that MZM could use to tailor a proposal for work that MZM could perform under the BPA;
- an official recommendation that MZM receive contracts under the BPA for certain activities involving the imaging and archiving of Defense Department documents; and
- favorable performance reviews about MZM. These performance reviews were critical to MZM. Notwithstanding the fact that Wade received these purchase orders without competitive bidding as a result of his earlier receipt of the \$225 million BPA, MZM could not be assured that they would continue to receive new purchase orders without receiving these type of favorable reviews by Defense Department officials.

In engaging in this corrupt activity, Wade deprived the citizens of the United States of their right to the honest services of government -- the right of the Defense Department to make decisions free from bias and favoritism.

#### Illegal Campaign Contributions

Wade also made about \$80,000 in illegal campaign contributions to the campaigns of two sitting Members of Congress. Wade targeted these two Members of Congress because he believed that these representatives had the ability to request appropriations funding that would benefit MZM.

Federal law prohibits campaigns from receiving more than \$2,000 from any one individual per election, and prohibits entirely corporate contributions. Wade wanted to curry favor

with these two members of Congress, so he needed a way around the campaign contribution laws. His solution was to have his employees and their spouses make contributions to these two campaigns under their own names, then reimburse them -- a technique, known as "straw contributions" that is a felony under federal election law when the straw contributions amount to over ten thousand dollars. He did so often by simply handing the employees cash - two thousand dollars for each person - and then immediately "asking" them to make a contribution. All in all, he made 39 different "straw" contributions, with 19 different employees or spouses. In order to maximize the impact of these contributions, Wade personally handed a number of the campaign contributions, in the form of personal checks from employees and their spouses, to one of the representatives.

After Wade made the campaign contributions, Wade asked that one of the Representatives and his staff request appropriations funding for an MZM facility. The Representative's staff later confirmed to Wade that an appropriations bill would include \$9 million for the facility.

After making the illegal campaign contributions to the other Representative, Wade had a personal dinner with the Representative, in which the two discussed the possibility of MZM's hosting a fundraiser for the Representative later in the year, and the possibility of obtaining funding and approval for a Navy counterintelligence program. That program was never funded.

Wade did not inform the two Representatives that the contributions were illegal.

In announcing today's guilty plea, United States Attorney Wainstein, Defense Criminal Investigative Special Agent in Charge Joseph A. McMillan, FBI Acting Assistant Director in Charge Persichini, and IRS Special Agent in Charge Rick Raven praised the efforts of FBI Special Agents Julie Hemmy and Matthew Young and DCIS Special Agent Edward Cassin. They further acknowledged the efforts of prosecutors and federal agents in the Eastern District of Virginia, Southern District of California and the Eastern District of New York. Finally, they commended the work of Legal Assistants Shavonne Rush, April Peeler and Teesha Tobias, and Assistant United States Attorneys Howard Sklamberg and John Carlin, who are prosecuting the case.

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