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Pentagon Hires Scandal-hit Brokers for Syria Arms Buy-up

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The Pentagon's battle against ISIS relies on an Eastern European arms supply-line operated, in part, by firms and executives linked to fraud, foreign bribery, Bulgarian organised crime and the death of a contractor.

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“You just gotta be smarter than the government,” boasted arms dealer Marc Morales to an undercover FBI agent in 2008. He was explaining how he had secured lucrative arms deals abroad by giving so-called commissions -- including armoured cars -- to intermediaries.

Following the sting, Morales was indicted alongside 21 others for bribing a foreign official but the trial in Washington DC collapsed in 2011 as a series of juries struggled to reach verdicts.

Marc Morales uploaded photos on January 29, 2015, of him testing weapons at the Zastava factory, Kragujevac, Serbia.
Photo: Facebook

Today, his new firm, Global Ordnance, is one of the most important players in the Pentagon's supply-line arming Syrian rebels fighting the Islamic State in Iraq and Syria, ISIS.

He and 13 other US contractors are competing to secure a slice of up to US\$ 2.2 billion worth of Soviet-style arms and ammunition to be delivered to the rebels by 2022, sourced mostly from state-owned arms producers based in the Balkans and Eastern Europe and often negotiated over drinks and dinners in the restaurants and bars of Belgrade, Budapest and Bucharest [see gallery].

The firms were selected, vetted and contracted through two channels: the Picatinny Arsenal, a New Jersey military base, and the Pentagon's Special Operations Command, SOCOM.

But Morales is not alone in facing or having faced questions about his past, according to an investigation by the Balkan Investigative Reporting Network, BIRN, and the Organized Crime and Corruption Reporting Project, OCCRP.

Senior executives for other two contractors – Vose Technical Services and Purple Shovel – and a major sub-contractor, Regulus Global, have been accused of fraud, providing dangerous ammunition that exploded causing the death of a SOCOM instructor and bribery respectively.

[Leaked flight cargo](#) documents also reveal that SOCOM accepted direct deliveries from a Bulgarian firm Algans, which was investigated for its involvement in the deadly blast and whose owner is the former business partner of a notorious organised crime figure. One set of deliveries was received by the Pentagon after the fatal explosion.

And Heinrich Thomet, a businessman at the centre of a scandal involving the Pentagon's supply of ammunition to Afghanistan from Albania in 2008, is again involved in providing the US government with munitions through one of its blue-chip contractors, UK defence giant Chemring.

The findings raise questions about the Pentagon's vetting process, according to an expert interviewed by BIRN and OCCRP.

But while the Pentagon can decide to bar companies from bidding for contracts based on previous convictions and, in some circumstances, allegations of wrongdoing, it is not obliged to do so.

Pentagon spokesman Mark Wright said contractors were subjected to a "rigorous vetting process." This includes checking the quality and source of the arms and ammunition to avoid supplies from "unapproved sources" such as North Korea, Iran and Syria.

However, he acknowledged, "mistakes are still possible," adding that the vetting process does not routinely include checking the criminal records of company executives.

"They [contracted firms] have to follow the rules in hiring people that are eligible," he said.

Paying the 'Commission'

In 2010, Morales was among 22 arms executives indicted by the US Department of Justice on charges of trying to bribe Gabon's Minister of Defence to secure a \$15 million arms contract. The Gabon deal was, in fact, a work of FBI fiction, set up to root out bribery of foreign officials in the arms industry.

Two undercover FBI agents posed as representatives of Gabon's Ministry of Defence and explained to Morales and his partner, John Gregory Godsey, that they would inflate the price by 20 per cent and call it a "commission". Half of this was to go to the defence minister and the other half was to be split among intermediaries, according to court files.

This is an abridged transcript of a wiretapped conversation between Marc Morales and FBI informant Richard Bistrong from a 2010 court case. Charges were eventually dropped against Morales. [For the full conversation click here.](#)

"If somebody says to me, I need twenty per cent ... I ... [say] is the twenty per cent gonna guarantee me the business?" Morales was recorded saying to the agents in an unnamed Miami restaurant in 2008, prior to the proposal being put to him. "Nobody wants to violate the FCPA [Foreign Corrupt Practices Act] ... but everybody knows it happens."

During the meetings, Morales described "creative" ways he had previously paid "commissions" to foreign agents to secure weapons deals, such as justifying the gift of a \$100k armoured car for an Egyptian middleman as a business expense.

"I mean, that was a \$100,000 vehicle. That's a very creative way of paying a rep's fee," Morales bragged.

After learning that he had won the first contract to procure 30,000 rounds of ammunition from Gabon, Morales and his partner Godsey wired the "commission" to the undercover FBI agent.

This is an abridged transcript of a wiretapped conversation between Marc Morales and FBI informant Richard Bistrong from a 2010 court case. Charges were eventually dropped against Morales. [For the full conversation click here.](#)

Twenty-one other dealers agreed to pay "commissions" as well. It was the biggest ever case of its kind.

Three dealers – Jonathan Spiller, Haim Geri, and Daniel Alvarez – pleaded guilty to bribing a foreign

official, while the 19 others denied the charges, [arguing that a “commission” was not the same as a “bribe”](#).

In February 2012, charges were dropped against all 22 after juries failed to reach a verdict on seven defendants – including Morales - during two separate trials. Three defendants – Godsey, Stephen Giordanella and Patrick Caldwell – were cleared and trials against nine had not even started.

[The US Department of Justice took the unusual step of withdrawing all charges because of criticism by the judge in the second trial, who pointed out “structural deficiencies” in the case.](#)

Morales’ set up Global Ordnance in 2013, after the collapse of the bribery trial. His new company has gone on to secure nearly \$72 million in munitions as part of SOCOM’s contract supplying Syrian rebels with arms, including machine guns, mortar rounds and other weapons and ammunition from mostly state-owned producers in Serbia and Bulgaria.

And his ties to the Pentagon’s arms pipeline to Syria are more extensive than just the SOCOM contract. The Florida-based firm has also been working with British military giant Chemring, one of two firms to secure the largest Pentagon contract for Eastern Bloc ammunition, worth \$750 million over five years and signed in April 2016 to supply munitions to Syria.

The contract is run through the Picatinny Arsenal in New Jersey, which has recently awarded Global Ordnance its own contract and selected it alongside three other firms – including Chemring – to bid to supply a further \$500 million of Eastern Bloc weaponry up until August 2022.

Asked if Chemring was concerned to be working with Morales given his comments in the FBI wiretaps, a Chemring spokesman said, “Chemring Group companies operate strict sale-of-goods and anti-bribery policies which ensure that they are fully compliant with all relevant legislation.”

Contacted on his mobile phone, Morales refused to answer questions.

The Russian Helicopter Fraud

Vose Technical Systems of Tacoma in the US state of Washington has secured SOCOM deals worth \$16 million since the beginning of the Syria train and equip programme, buying weapons and ammunition from Serbia and Bosnia and Herzegovina.

The company is run by Greg Vose, a veteran of the arms trade, and his sister, Deborah, who is the firm's president. This qualifies Vose Technical Systems as a female-owned business, giving it preferential treatment under Pentagon procurement rules.

One of their executives, Jeffrey Howard Stayton, was sentenced to five years jail in 2008 for fraud and obstructing justice. [In 2011, his fraud conviction was overturned, after it was ruled the original judge had misdirected the jury](#), and resentencing ordered for the obstructing justice conviction. A retrial for fraud has never been held "given the age of the case", a spokesman for the DOJ explained.

Court papers reveal that Stayton, then a Pentagon employee, helped award a \$4.7 million contract to supply and refit Russian helicopters to a company owned by his long-time friend, William Curtis Childree. Stayton approved the final payment to the company although it didn't complete the work. Subsequently, Childree wired \$61,000 to Stayton.

Stayton did not disclose the payment and said it was a loan from a friend to pay off the second mortgage on his home.

Greg Vose said Stayton now works for a sister company and was not directly involved in the SOCOM contracts.

Stayton was director of aviation at Vose Technical Systems when it secured the SOCOM deal. In June 2016, according to his LinkedIn profile, he transferred to the newly created sister firm, VTS Aviation LLC.

Deadly Blast and Links to Organised Crime

One of the most successful and controversial contractors for the Syrian train and equip programme is Virginia-based Purple Shovel, which had only \$1.9 million in annual revenue before securing its first major deal with SOCOM – worth \$28 million – in December 2014. Since then, the value of its SOCOM contracts has more than doubled.

In December 2014, the company was employed by SOCOM to provide training and weapons for Syrian rebels, including rocket-propelled grenade, RPG, launchers and anti-tank weapons.

The table shows the value of contracts for Soviet-style weapons and ammunition awarded by the Pentagon since September 2015 through SOCOM or Picatinny when the final destination was either Syria or undeclared.

Purple Shovel hired two other companies, Regulus Global and Skybridge Tactical, to help with the job. Regulus Global's president, Lee Tolleson, was also among the 22 executives indicted for bribery

Small firms, big contracts

Analysis of SOCOM's contracted firms reveals that most are classified as small businesses, while half are owned by veterans or service-disabled veterans, which gives them priority in obtaining US contracts.

All but two – Purple Shovel and Sierra Four – had secured more than \$5million of contracts to supply munitions to the Pentagon before 2015 and seven – Blane International, Global Ordnance, Multinational Defense Services, Purple Shovel, Sierra Four Industries, Trident Rifles and UDC USA - had six or fewer staff and turnovers of less than \$4 million before they began to secure multi-million-dollar weapons deals, according to official procurement documents.

Only Blane International and Purple Shovel responded to written requests for comment on their experience. Purple Shovel said it was skilled and experienced to do the job, while Blane International said it had no comment.

in the Gabon case which collapsed.

When he was arrested as part of the FBI swoop, Lee Tolleson told officers that “he understood that the Minister of Defence, [...], and his family would be receiving a commission” and that “when the term ‘commission’ was used it meant that someone would be paid”. [Tolleson pleaded not guilty](#) and a jury failed to reach a verdict on his case. He did not respond to requests for comment from BIRN and OCCRP.

The firm of which Tolleson is now president, Regulus Global – alongside Purple Shovel and Skybridge Tactical - is being sued over a fatal explosion in June 2015 at an arms testing ground in Bulgaria, which killed instructor Francis Norwillo, a US Army veteran, and injured two others. The men had been in Bulgaria to prepare for training Syrian rebels.

Norwillo’s widow and his injured colleague allege that the firms provided 30-year-old RPGs for testing despite knowing that the same grenades had earlier been rejected by the US government as “defective, unstable and dangerous,” according to court documents.

During the trial, Purple Shovel denied responsibility, claiming the explosion happened during a recreational shoot, a position also taken by SOCOM. Skybridge Tactical said the blast occurred during official training and victims should receive US government compensation. Regulus Global argued the allegations lacked substance.

Purple Shovel insisted in a statement that it was well qualified for the job and although it was not responsible for the deadly accident, it had nonetheless helped to repatriate the injured and deceased. The trial continues. Skybridge and Regulus did not respond to requests for comment.

As part of the contract, Regulus Global outsourced some of its work to a Sofia-based firm, Alguns Ltd. The owner of the firm, Alexander Dimitrov, is a former business partner of Bulgarian organised crime figure Boyan Petrakiev, nicknamed ‘the Baron’, who has been convicted of a string of offences and described by police as an “established figure in the criminal world”.

Dimitrov has previously dismissed his links to the Baron arguing the firm they set up together in 2004, Sib Metal, was never active.

Alguns admits to having organised the Pentagon training for Purple Shovel and Regulus Global in the days running up the fatal session, but denies involvement in the tragedy. The firm was initially fined 62,500 euros by the Bulgarian Ministry of Economy for failing to obtain the proper paperwork for the training on the day of the blast, but was cleared on appeal as it was deemed the ministry had presented insufficient evidence.

SOCOM argued in a statement the explosion did not occur during official training and that its contractors were therefore not implicated. It also refused to discuss the role of Alguns in the Syria supply-line, telling BIRN and OCCRP that it cannot release information on sub-contractors and that questions should be addressed to the firm directly.

But documents related to the Azerbaijani cargo carrier Silk Way, leaked online in June, reveal Alguns had direct ties to SOCOM.

Air freight paperwork shows that it was involved in six deliveries of rocket-propelled grenades by giant Ilyushin-76 planes from Bulgaria to SOCOM’s Turkish base in Incirlik in May 2015. Purple Shovel is named as the shipper in the first, with Alguns listed in that role for the next two.

[Alguns made a further three deliveries in March 2016 to Incirlik and another NATO-base in Turkey, Konya, despite the Sofia-based firms links to the earlier deadly blast.](#) No major US contractor is named in these air cargo documents.

... Due Diligence

Heinrich Thomet, one of the men at the centre of a scandal which rocked the Pentagon and the Albanian government in 2008, is again supplying the US government, OCCRP and BIRN have discovered.

The latest deals relate to Washington's equipping of the Afghan army, but nonetheless raise questions about the vetting of contractors, particularly as the Pentagon scrambles for more munitions for Syrian rebels.

Thomet, although never charged with an offence, was named in Albanian prosecution papers and a Congressional report as a key broker in the Albanian affair, which later inspired the 2016 Hollywood film War Dogs.

The movie was based roughly on the true story of how a tiny firm from Miami run by a 22-year-old landed huge contracts in 2006 to supply the Pentagon with ammunition for its operations in Afghanistan.

That deal ended in court after it emerged that the owner, Efraim Diveroli, had been supplying Chinese-made bullets by repackaging them in Albania. Chinese munitions have been under US sanctions since the crushing of the 1989 pro-democracy demonstrations in Tiananmen Square. Diveroli was given a four-year jail sentence in 2011 by a court in Florida Southern District Court for the fraud.

Thomet acted as a middleman between Diveroli and Albanian officials and was on the CIA watch-list of "arms traffickers" at the time of the deal, according to a Congressional report. He is now the majority shareholder of a Montenegrin factory called Tara Aerospace and Defense Products, based in Mojkovac, northern Montenegro. The reason for Thomet's inclusion on the CIA list was classified and not released in the report.

Following the scandal, the Pentagon promised to tightened up procedures and the job of sourcing Eastern Bloc equipment was primarily handed to the Picatinny Arsenal, which routes most of its business through two large and experienced firms, Chemring and Orbital ATK.

[But a leaked end user certificate and shipping material analysed by reporters show multiple deliveries of military products for Soviet-style helicopters in 2016 and 2017 from Thomet's Montenegrin factory to Afghanistan's army through the Pentagon's Picatinny Arsenal and Chemring. Chemring, the Pentagon and Thomet declined to comment.](#)

A source working in the Syria supply-chain told reporters there were some parallels in the current scrabble for munitions for Syria with the War Dogs scandal.

"It appears that the lessons learned from War Dogs did not serve as a cautionary tale but instead proved to be a blueprint," he said, referring to the sourcing of weapons which he described as having been "chaotic".

Experts also argue the findings by BIRN and OCCRP cast doubt on the Pentagon's claims that it has tightened up the weapons supply-line.

"The arms trade itself is highly corrupt and highly corruptible," said Jeff Abramson, head of the Washington DC-based Forum on the Arms Trade, a network of experts who monitor all aspects of the weapons business.

"The US has systems in place [to prevent deals] with those shady characters but clearly it does still occur," he said. "Desire to complete the sale and get something to the area can outweigh the last ounce of due diligence that's needed."

This investigation is produced by BIRN as a part of Paper Trail to Better Governance project.

Read all the documents used in the investigation at [BIRN's online library BIRN Source](#).

NOTE: This article was amended on September 20, to change the name of FBI agent from Robert Bistrong to Richard Bistrong and to include additional information about Jonathan Howard Stayton's 2011 case.

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