



NEWS RELEASE

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MARINE CORPS CAPTAIN CHARGED WITH SKIMMING HUNDREDS OF THOUSANDS OF DOLLARS FROM MILITARY CONTRACTS

Riverside, California – A captain in the United States Marine Corps was charged today with conspiring with his wife to skim approximately \$1.75 million from government contracts awarded under the Iraqi First Program while he was acting as a Marine Corps contracting officer's representative in Iraq.

Eric Schmidt, 39, of Murietta, California, who is assigned to the First Marine Division at Camp Pendleton, was charged this morning with conspiracy to commit wire fraud and filing a false tax return that concealed the illicit income from the Internal Revenue Service.

Capt. Schmidt's wife, Janet Schmidt, 39, also of Murietta, also was charged today with the same two felony counts.

According to the criminal information filed this morning, Capt. Schmidt used his position in the contracting process to steer contracts to his favored 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 Company to the Marines. Armed with the false certification, representatives from Al-Methwad Company sought and received payment from the United States.

The criminal information filed today outlines how the Schmidts defrauded the Marine Corps in a contract that called for the delivery of exercise machines and dumbbell sets. According to the charging document, 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.

Investigators have determined that the Schmidts collected a total of approximately \$1.75 million in illegal payments during Capt. Schmidt's one-year deployment to Iraq in 2008. Because they failed to report any of these illegal payments on their tax return for 2008, they substantially understated their income to the Internal Revenue Service.

"This is an example of public corruption that directly affected our Marines' military capabilities in Iraq," said Chris Hendrickson, Acting Special Agent in Charge of the Defense Criminal Investigative Service, Western Field Office. "Captain Schmidt found an Iraqi partner, exploited his role as a logistics officer, and profited from the Marines' role in providing security in Iraq. The Defense Criminal Investigative Service places a special focus on these 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 motor vehicles, and approximately \$40,000 in cash.

"Mr. Schmidt exploited the Iraqi First Program, as well as the trust placed in him by the United States Marine Corps and the people of this country, for his own and his wife's personal financial gain. That's a crime," 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 designed to benefit others to satisfy their greed.”

As a result of this case, Capt. Schmidt and his wife each face a statutory maximum penalty of 23 years in federal prison.

Both defendants will be summoned to appear in federal court in Riverside for arraignments in the coming weeks.

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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