



REPLY TO  
ATTENTION OF

**DEPARTMENT OF THE ARMY**  
UNITED STATES ARMY LEGAL SERVICES AGENCY  
901 NORTH STUART STREET  
ARLINGTON VA 22203-1837

March 24, 2011

Contract and Fiscal Law Division  
Procurement Fraud Branch

**CERTIFIED MAIL  
RETURN RECEIPT  
REQUESTED**

Mr. Efraim Diveroli  
AEY, Inc.  
Ammoworks, Inc.  
LOW, LLC  
Pinnacle Minerals Corporation  
Advanced Munitions Distribution, Inc.  
Manchester Property Corporation  
1000 5<sup>th</sup> Street, Suite 200  
Miami Beach, Florida 33139-6510

SUBJECT: Notice of Debarment

Dear Mr. Diveroli:

This letter is to advise you that I have decided, pursuant to Section 9.406 of the Federal Acquisition Regulation (FAR), to debar you and your companies. Effective this date, and continuing until March 24, 2025, both you and your company, AEY, Inc., are debarred. In addition, your companies, Ammoworks, Inc., LOW, LLC, Pinnacle Minerals Corporation, Advanced Munitions Distribution, Inc. and Manchester Property Corporation are also debarred until September 28, 2021, as your affiliates and imputees. The enclosed memorandum sets out the factors that I considered in arriving at this decision. Enclosures to the memorandum, which were previously provided to you or by you, are not included.

Debarment is effective throughout the Executive Branch of the United States Government, and extends to all divisions or other organizational elements of the contractor. Agencies will not solicit offers from, award contracts to, renew or extend existing contracts with, or consent to subcontracts with a debarred contractor, unless the acquiring agency's head or a designee determines in writing that there is a compelling reason to do so. Debarred contractors also are excluded from conducting business with the Government as representatives or agents of other contractors and from acting as individual sureties. Further, debarred contractors are excluded from non-procurement transactions with the Government, such as grants, cooperative agreements, scholarships, fellowships, contracts of assistance, loans, loan guarantees, subsidies, insurance, payments for specified use, and donation agreements.

With regard to the length of debarment of your companies, this time period is based on the circumstances noted in the enclosed memorandum. FAR 9.406-4 (b) authorizes me to extend this period to protect the Government's interest. If your companies intend to commence

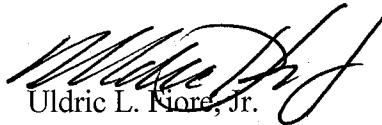
Government contracting upon completion of their period of debarment, or sooner, steps should be taken to demonstrate their present responsibility consistent with FAR 3.10, Contractor Code of Business Ethics and Conduct. This provision sets forth the Government's policy that contractors conduct themselves with the "highest degree of integrity and honesty." Specifically, FAR 3.1002 states that contractors should establish a written code of business ethics and conduct, as well as an internal control system that promotes the goals of integrity and honesty, facilitates the timely discovery and disclosure of improper conduct, and insures that appropriate corrective action is taken. (See <http://farsite.hill.af.mil/vffara.htm>).

*Accordingly, not later than one year prior to the end date of your firms' period of debarment*, it is requested that you provide the Army Procurement Fraud Branch a written statement of all actions taken to resolve the issues that gave rise to your firms' debarment and that demonstrate their present responsibility. Failure to provide this information will result in appropriate action consistent with FAR 9.406-4 (b).

Your personal debarment is for the length of time stated above and, as you are an individual, is not affected by the requirements of FAR 3.10.

All written submissions should be addressed to: U.S. Army Procurement Fraud Branch, 901 North Stuart Street, Suite 500, Arlington, Virginia 22203. You may also contact the U.S. Army Procurement Fraud Branch at (703) 696-1500 regarding any questions involving this submission.

Sincerely,



Uldric L. Fiore, Jr.  
Army Suspension and Debarment Official

Enclosure



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ARLINGTON VA 22203-1837

March 24, 2011

Contract and Fiscal Law Division  
Procurement Fraud Branch

**CERTIFIED MAIL  
RETURN RECEIPT  
REQUESTED**

Mr. Jacob Franklin Shprecher  
a.k.a. "Jake Shprecher,"  
2750 NE 183rd Street, Apartment 612  
Aventura, Florida 33160

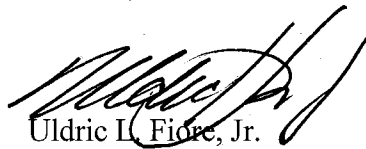
SUBJECT: Notice of Debarment

Dear Mr. Shprecher:

This letter is to advise you that I have decided, pursuant to Section 9.406 of the Federal Acquisition Regulation, to debar you effective this date and continuing until September 28, 2021. The enclosed memorandum sets out the factors that I considered in arriving at this decision. Enclosures to the memorandum, which were previously provided to you or by you, are not included.

Debarment is effective throughout the Executive Branch of the United States Government, and extends to all divisions or other organizational elements of the contractor. Agencies will not solicit offers from, award contracts to, renew or extend existing contracts with, or consent to subcontracts with a debarred contractor, unless the acquiring agency's head or a designee determines in writing that there is a compelling reason to do so. Debarred contractors also are excluded from conducting business with the Government as representatives or agents of other contractors and from acting as individual sureties. Further, debarred contractors are excluded from non-procurement transactions with the Government, such as grants, cooperative agreements, scholarships, fellowships, contracts of assistance, loans, loan guarantees, subsidies, insurance, payments for specified use, and donation agreements.

Sincerely,



Uldric L. Fiore, Jr.  
Army Suspension and Debarment Official

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March 24, 2011

Contract and Fiscal Law Division  
Procurement Fraud Branch

**CERTIFIED MAIL  
RETURN RECEIPT  
REQUESTED**

Mr. Aaron L. Monahan  
Advanced Munitions Distribution, Inc.  
1108 Valencia Avenue  
Coral Gables, Florida 33134-5538

SUBJECT: Notice of Debarment

Dear Mr. Monahan:

This letter is to advise you that I have decided, pursuant to Section 9.406 of the Federal Acquisition Regulation (FAR), to debar you and the company that employs you, Advanced Munitions Distribution, Inc., effective this date and continuing until September 28, 2021. The enclosed memorandum sets out the factors that I considered in arriving at this decision. Enclosures to the memorandum, which were previously provided to you or by you, are not included.

Debarment is effective throughout the Executive Branch of the United States Government, and extends to all divisions or other organizational elements of the contractor. Agencies will not solicit offers from, award contracts to, renew or extend existing contracts with, or consent to subcontracts with a debarred contractor, unless the acquiring agency's head or a designee determines in writing that there is a compelling reason to do so. Debarred contractors also are excluded from conducting business with the Government as representatives or agents of other contractors and from acting as individual sureties. Further, debarred contractors are excluded from non-procurement transactions with the Government, such as grants, cooperative agreements, scholarships, fellowships, contracts of assistance, loans, loan guarantees, subsidies, insurance, payments for specified use, and donation agreements.

With regard to the length of debarment of your employer, this time period is based on the circumstances noted in the enclosed memorandum. FAR 9.406-4 (b) authorizes me to extend this period to protect the Government's interest. If your employer intends to commence Government contracting upon completion of their period of debarment, or sooner, steps should be taken to demonstrate their present responsibility consistent with FAR 3.10, Contractor Code of Business Ethics and Conduct. This provision sets forth the Government's policy that contractors conduct themselves with the "highest degree of integrity and honesty." Specifically, FAR 3.1002 states that contractors should establish a written code of business ethics and conduct, as well as an internal control system that promotes the goals of integrity and honesty,


facilitates the timely discovery and disclosure of improper conduct, and insures that appropriate corrective action is taken. (See <http://farsite.hill.af.mil/vffara.htm>).

*Accordingly, not later than one year prior to the end date of your firms' period of debarment*, it is requested that you provide the Army Procurement Fraud Branch a written statement of all actions taken to resolve the issues that gave rise to your firms' debarment and that demonstrate their present responsibility. Failure to provide this information will result in appropriate action consistent with FAR 9.406-4 (b).

Your personal debarment is for the length of time stated above and, as you are an individual, is not affected by the requirements of FAR 3.10.

All written submissions should be addressed to: U.S. Army Procurement Fraud Branch, 901 North Stuart Street, Suite 500, Arlington, Virginia 22203. You may also contact the U.S. Army Procurement Fraud Branch at (703) 696-1500 regarding any questions involving this submission.

Sincerely,

  
Uldric L. Fiore, Jr.  
Army Suspension and Debarment Official

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March 24, 2011

Contract and Fiscal Law Division  
Procurement Fraud Branch

**CERTIFIED MAIL  
RETURN RECEIPT  
REQUESTED**

Mr. Dejan Djuric  
AEY, Inc.  
Ammoworks, Inc.  
Advanced Munitions Distribution, Inc.  
LOW, LLC  
Pinnacle Minerals Corporation  
Balkan Export, Inc.  
2228 Park Avenue, Unit 2  
Miami Beach, Florida 33139

SUBJECT: Notice of Debarment

Dear Mr. Djuric:

This letter is to advise you that I have decided, pursuant to Section 9.406 of the Federal Acquisition Regulation (FAR), to debar you and your companies. Effective this date, and continuing until March 24, 2025, your company, Aey, Inc., is debarred. In addition, as affiliates and imputees of Mr. Efraim Diveroli and Aey, Inc., you and your companies, Ammoworks, Inc., LOW, LLC, Pinnacle Minerals Corporation, Advanced Munitions Distribution, Inc. and Balkan Export, Inc. are also debarred until 28 September 28, 2021. The enclosed memorandum sets out the factors that I considered in arriving at this decision. Enclosures to the memorandum, which were previously provided to you or by you, are not included.

Debarment is effective throughout the Executive Branch of the United States Government, and extends to all divisions or other organizational elements of the contractor. Agencies will not solicit offers from, award contracts to, renew or extend existing contracts with, or consent to subcontracts with a debarred contractor, unless the acquiring agency's head or a designee determines in writing that there is a compelling reason to do so. Debarred contractors also are excluded from conducting business with the Government as representatives or agents of other contractors and from acting as individual sureties. Further, debarred contractors are excluded from non-procurement transactions with the Government, such as grants, cooperative agreements, scholarships, fellowships, contracts of assistance, loans, loan guarantees, subsidies, insurance, payments for specified use, and donation agreements.

With regard to the length of debarment of your companies, this time period is based on the circumstances noted in the enclosed memorandum. FAR 9.406-4 (b) authorizes me to extend this period to protect the Government's interest. If your companies intend to commence

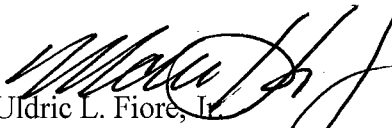
Government contracting upon completion of their period of debarment, or sooner, steps should be taken to demonstrate their present responsibility consistent with FAR 3.10, Contractor Code of Business Ethics and Conduct. This provision sets forth the Government's policy that contractors conduct themselves with the "highest degree of integrity and honesty." Specifically, FAR 3.1002 states that contractors should establish a written code of business ethics and conduct, as well as an internal control system that promotes the goals of integrity and honesty, facilitates the timely discovery and disclosure of improper conduct, and insures that appropriate corrective action is taken. (See <http://farsite.hill.af.mil/vffara.htm>).

*Accordingly, not later than one year prior to the end date of your firms' period of debarment,* it is requested that you provide the Army Procurement Fraud Branch a written statement of all actions taken to resolve the issues that gave rise to your firms' debarment and that demonstrate their present responsibility. Failure to provide this information will result in appropriate action consistent with FAR 9.406-4 (b).

Your personal debarment is for the length of time stated above and, as you are an individual, is not affected by the requirements of FAR 3.10.

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Sincerely,

  
Uldric L. Fiore, Jr.  
Army Suspension and Debarment Official

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March 24, 2011

Contract and Fiscal Law Division  
Procurement Fraud Branch

**CERTIFIED MAIL  
RETURN RECEIPT  
REQUESTED**

Mr. Alexander Podrizki  
AEY, Inc.  
c/o Ms. Anita M. Moss, Esq.  
Fowler White Burnett  
1395 Brickell Avenue  
14<sup>th</sup> Floor  
Miami, Florida 33131-3302

SUBJECT: Notice of Proposed Debarment

Dear Mr. Podrizki:

This letter is to advise you that I have decided, pursuant to Section 9.406 of the Federal Acquisition Regulation (FAR), to debar you effective this date and continuing until September 28, 2022. In addition, I have decided to debar your company, AEY, Inc, effective this date and continuing until March 24, 2025. The enclosed memorandum sets out the factors that I considered in arriving at this decision. Enclosures to the memorandum, which were previously provided to you or by you, are not included.

Debarment is effective throughout the Executive Branch of the United States Government, and extends to all divisions or other organizational elements of the contractor. Agencies will not solicit offers from, award contracts to, renew or extend existing contracts with, or consent to subcontracts with a debarred contractor, unless the acquiring agency's head or a designee determines in writing that there is a compelling reason to do so. Debarred contractors also are excluded from conducting business with the Government as representatives or agents of other contractors and from acting as individual sureties. Further, debarred contractors are excluded from non-procurement transactions with the Government, such as grants, cooperative agreements, scholarships, fellowships, contracts of assistance, loans, loan guarantees, subsidies, insurance, payments for specified use, and donation agreements.

With regard to the length of debarment of your company, this time period is based on the circumstances noted in the enclosed memorandum. FAR 9.406-4 (b) authorizes me to extend this period to protect the Government's interest. If your company intends to commence Government contracting upon completion of their period of debarment, or sooner, steps should be taken to demonstrate their present responsibility consistent with FAR 3.10, Contractor Code of Business Ethics and Conduct. This provision sets forth the Government's policy that contractors conduct themselves with the "highest degree of integrity and honesty." Specifically,



FAR 3.1002 states that contractors should establish a written code of business ethics and conduct, as well as an internal control system that promotes the goals of integrity and honesty, facilitates the timely discovery and disclosure of improper conduct, and insures that appropriate corrective action is taken. (See <http://farsite.hill.af.mil/vffara.htm>).

*Accordingly, not later than one year prior to the end date of your firms' period of debarment,* it is requested that you provide the Army Procurement Fraud Branch a written statement of all actions taken to resolve the issues that gave rise to your firms' debarment and that demonstrate their present responsibility. Failure to provide this information will result in appropriate action consistent with FAR 9.406-4 (b).

Your personal debarment is for the length of time stated above and, as you are an individual, is not affected by the requirements of FAR 3.10.

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Sincerely,



Uldric L. Fiere, Jr.  
Army Suspension and Debarment Official

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ARLINGTON VA 22203-1837

March 24, 2011

Contract and Fiscal Law Division  
Procurement Fraud Branch

**CERTIFIED MAIL  
RETURN RECEIPT  
REQUESTED**

Mr. David Packouz  
Vice President, AEY, Inc.  
c/o Mr. Kenneth J. Kukec, Esq.  
2 South Biscayne Boulevard  
Suite 2600  
Miami, Florida 33132

SUBJECT: Notice of Debarment

Dear Mr. Packouz:

This letter is to advise you that I have decided, pursuant to Section 9.406 of the Federal Acquisition Regulation (FAR), to debar you effective this date and continuing until September 28, 2022. In addition, I have decided to debar your company, AEY, Inc, effective this date and continuing until March 24, 2025. The enclosed memorandum sets out the factors that I considered in arriving at this decision. Enclosures to the memorandum, which were previously provided to you or by you, are not included.

Debarment is effective throughout the Executive Branch of the United States Government, and extends to all divisions or other organizational elements of the contractor. Agencies will not solicit offers from, award contracts to, renew or extend existing contracts with, or consent to subcontracts with a debarred contractor, unless the acquiring agency's head or a designee determines in writing that there is a compelling reason to do so. Debarred contractors also are excluded from conducting business with the Government as representatives or agents of other contractors and from acting as individual sureties. Further, debarred contractors are excluded from non-procurement transactions with the Government, such as grants, cooperative agreements, scholarships, fellowships, contracts of assistance, loans, loan guarantees, subsidies, insurance, payments for specified use, and donation agreements.

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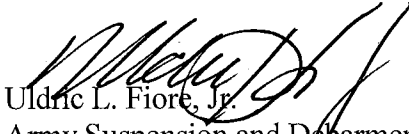
conduct, as well as an internal control system that promotes the goals of integrity and honesty, facilitates the timely discovery and disclosure of improper conduct, and insures that appropriate corrective action is taken. (See <http://farsite.hill.af.mil/vffara.htm>).

*Accordingly, not later than one year prior to the end date of your firms' period of debarment*, it is requested that you provide the Army Procurement Fraud Branch a written statement of all actions taken to resolve the issues that gave rise to your firms' debarment and that demonstrate their present responsibility. Failure to provide this information will result in appropriate action consistent with FAR 9.406-4 (b).

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Sincerely,

  
Uldric L. Fiore, Jr.  
Army Suspension and Debarment Official

Enclosure



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**DEPARTMENT OF THE ARMY**  
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901 NORTH STUART STREET  
ARLINGTON VA 22203-1837

24 March 2011

JALS-KFLD-PF

DECISION MEMORANDUM

SUBJECT: Debarment of AEY, Inc., Efraim Diveroli, David Packouz, Alexander Podrizki, Dejan Djuric, Jacob Franklin Shprecher, a.k.a. "Jake Shprecher," Aaron L. Monahan, LOW LLC, Pinnacle Minerals Corporation, Advanced Munitions Distribution, Inc., Balkan Export, LLC, Ammoworks, Inc. and Manchester Property Corporation

1. Findings of Fact.

a. AEY, Inc. (AEY), is a Miami Beach, Florida, based company formerly engaged in the supply of non-standard ammunition to the Afghan National Police (ANP) and Afghan National Army (ANA) in accordance with a contract awarded by the Army Sustainment Command (ASC), Rock Island, Illinois. Mr. Efraim Diveroli (Mr. Diveroli) is President of AEY and was the company's primary point of contact for Government contracts until mid-2008. (Encl 1) Mr. David Packouz (Mr. Packouz) was the company's Vice-President and Mr. Alexander Podrizki (Mr. Podrizki) was AEY's representative in Tirana, Albania. (Encl 1; Encl 2, pp. 1 – 2)

b. In addition to AEY, Mr. Diveroli owns multiple other companies directly or indirectly engaged in the arms trade, operated with the assistance of several individuals that are his employees or business partners. Manchester Property Company (MPC) is a Nevada corporation established by Mr. Diveroli on 6 August 2004. Mr. Diveroli is the sole officer of this corporation (Encl 3). Ammoworks, Inc. (Ammoworks), is a Florida corporation, established by Mr. Diveroli in his capacity as President of MPC, on 10 March 2008. Operating from the same offices as AEY in Miami Beach, Florida, Ammoworks was engaged in the retail and internet sale of weapons, ammunition and tactical equipment. (Encl 4). Between 30 July and 11 August 2010, during multiple telephone discussions with Bureau of Alcohol, Tobacco and Firearms (BATF) Mr. Diveroli identified Mr. Jacob Franklin Shprecher, a.k.a. "Jake Shprecher," (Mr. Shprecher) and Mr. Aaron L. Monahan (Mr. Monahan) as persons that assist him in arms and ammunition transactions. (Encl 5, paras 20 and 22 through 25) Mr. Monahan was subsequently identified as an employee of Advanced Munitions Distribution, Inc. (AMD), a company that was in the process of purchasing Ammoworks from Mr. Diveroli during the August of 2010. (Encl 5, paras 22, 23 and 25) According to records on file with the Florida Department of State, Division of Corporation, AMD is owned by Mr. Dejan Djuric (Mr. Djuric) and was incorporated on 27 July 2010. (Encl 5, paras 26 and 31; Encl 6) Mr. Djuric has also been identified as Mr. Diveroli's business partner in Pinnacle Minerals Corporation (PMC), described by Mr. Diveroli a "his mining company" and LOW LLC (LOW). Both PMC and LOW are operated out of the same addresses used by AEY and Ammoworks in Miami. (Encl 5, paras 25 and 26; Encls 7 and 8) Mr. Djuric is also the listed owner of Balkan Export LLC (Balkan Export), a Florida corporation established on 6 August 2008. (Encl 9) Finally, during his discussions with BATF agents, Mr.

JALS-KFLD-PF

SUBJECT: Debarment of AEY, Inc., Efraim Diveroli, David Packouz, Alexander Podrizki, Dejan Djuric, Jacob Franklin Shprecher, a.k.a. "Jake Shprecher," Aaron L. Monahan, LOW LLC, Pinnacle Minerals Corporation, Advanced Munitions Distribution, Inc., Balkan Export, LLC, Ammoworks, Inc. and Manchester Property Corporation

Diveroli again stated that he was a "consultant" for AMD following its purchase of Ammoworks due to the pending criminal charges, however, he kept getting "drawn into the ammunition business," stating to the agents that "once a gun runner, always a gun runner." (Encl 5, para 25)

c. On 25 March 2008, the Army suspended AEY and Mr. Diveroli from contracting with the Government based on allegations that AEY had provided ammunition of direct or indirect origin from the People's Republic of China (PRC), as part of contract number W52P1J-07-D-0004, in violation of Section 252.225-7007 of the Defense Federal Acquisition Regulation (DFARS). During the period between the award of this contract to AEY on 26 January 2006 and the suspension of the company by the Army, 29 task orders, valued at \$201,707,453.00, were placed under this contract to provide non-standard ammunition to the Afghan National Police (ANP) and Afghan National Army (ANA), by the Army Sustainment Command (ASC), Rock Island, Illinois. The majority of these task orders involved the delivery of 7.62x39mm ammunition for AK-47 assault rifles. Examination of markings on this ammunition showed that the majority had been manufactured in the PRC between 1962 and 1974. Each of the shipments provided by AEY under contract W52P1J-07-D-0004 included a statement that the ammunition met all contract specifications and applicable regulations, including DFARS 252.225-7007. (Encl 10)

d. AEY operated an operation in Albania for the purpose of repackaging ammunition in a manner that would remove markings placed on the ammunition storage containers by the manufacturer in the PRC. Specifically, it is alleged that in April 2007, Mr. Diveroli received notice from the Department of State that AEY would not be issued a license from the U.S. Government for the brokering of ammunition stored in Albania for a twenty-year period. In response to this denial, Mr. Diveroli, Mr. Packouz and Mr. Podrizki took steps to remove PRC marking from ammunition storage containers by various means, including complete repackaging of the ammunition in paper and cardboard boxes. In addition, Mr. Diveroli provided certificates of conformance to ASC stating that the manufacturer of the ammunition was MEICO (Military Export and Import Company), a company operated by the Albanian Ministry of Defense (Encl 2, pp. 4 – 7). Between 26 June and 31 October 2007, Mr. Diveroli provided 35 certificates of conformance that falsely certified MEICO as the manufacturer of ammunition provided under contract W52P1J-07-D-0004 (Encl 2, pp. 8 – 10). These fraudulent certificates of conformance resulted in payments totaling \$10,331,736.44 to AEY from the Government (Encl 2, pp. 10 – 17).

e. On 19 June 2008, AEY, Mr. Diveroli, Mr. Packouz and Mr. Podrizki were indicted in the United States District Court for the Southern District of Florida, on one count of conspiracy, in violation of 18 U.S.C. § 371, 35 counts of false statement, in violation of 18 U.S.C. §§ 1001(a)(2) and 2, and 35 counts of Major Fraud Against the United States, in violation of 18 U.S.C. §§ 1031 and 2. (Encl 2) As a result, Mr. Diveroli, Mr. Packouz, Mr. Podrizki and AEY were suspended from contracting with the Government based on this indictment on 29 September 2008 in accordance with the provisions of FAR 9.407-2(a)(1), (3), (7) and 9.407-2(c). Ammoworks and MPC were also suspended as affiliates and imputees of AEY and Mr. Diveroli

JALS-KFLD-PF

SUBJECT: Debarment of AEY, Inc., Efraim Diveroli, David Packouz, Alexander Podrizki, Dejan Djuric, Jacob Franklin Shprecher, a.k.a. "Jake Shprecher," Aaron L. Monahan, LOW LLC, Pinnacle Minerals Corporation, Advanced Munitions Distribution, Inc., Balkan Export, LLC, Ammoworks, Inc. and Manchester Property Corporation

in accordance with the provisions of FAR 907-1(b) and 9.406-5(a). (Encl 11) This second suspension of AEY and Mr. Diveroli took place due to the fact that the 19 June 2008 indictment was an independent cause of action from the 25 March 2008 fact-based suspension by the Army. In addition, the U.S. Department of State's Directorate of Defense Trade Controls (DDTC) took steps to prevent AEY, Mr. Diveroli, Mr. Packouz and Mr. Podrizki from obtaining licenses to buy, sell or broker sales of weapons or ammunition internationally. These licenses are required by the International Traffic in Arms Regulations (ITAR) for all persons and companies engaged in the international arms trade and are issued by the DDTC pursuant to 22 U.S.C. 2778 and 22 C.F.R. § 127.1.

f. On 22 May 2009 Mr. Podrizki entered into a plea agreement with the Department of Justice in which he agreed to plead guilty to count one of the 19 June 2008 indictment, conspiracy to commit false statements, commit major fraud against the United States and commit wire fraud, all in violation of 18 U.S.C. § 371. (Encl 12) Mr. Packouz entered into a similar plea agreement on 26 May 2009 in which he agreed to plead guilty to one count of conspiracy. (Encl 13) Mr. Diveroli and AEY entered into plea agreements on 19 June 2009 in which they also agreed to plead guilty to one count of conspiracy. (Encls 14 and 15) As part of these agreements, Mr. Diveroli, Mr. Packouz, Mr. Podrizki and AEY all provided a factual proffer in which they admitted to participating in a scheme to repackage ammunition sold to the Army to conceal the fact that it was originally manufactured in the PRC. In addition, all admitted to providing false certifications that this ammunition met the all the requirements found in contract W52P1J-07-D-0004. (Encls 16 through 19)

g. On 10 August 2010, a criminal complaint was filed against Mr. Diveroli in the U.S. District Court for the Middle District of Florida based on an investigation conducted by the BATF. Mr. Diveroli was charged with one count each in violation of 18 U.S.C. § 922(g)(1), unlawful possession of a firearm by a convicted felon, and 18 U.S.C. 922(n), possession of a firearm by a person under indictment for a felony offense. (Encl 5) This investigation was initiated on 16 July 2010 based upon the receipt of information by BATF agents that Mr. Diveroli was continuing to engage in the brokering of arms sales in violation of ITARs. According to the affidavit submitted in support of the 10 August 2010 criminal complaint against Mr. Diveroli made multiple admissions that he was aware of the restrictions on his ability to engage in the international sale of arms and ammunition. Despite this knowledge, he also stated that he had ownership interests in multiple companies and that he has a "large stock" of domestic and imported ammunition that is currently available for sale. (Encl 5 paras 14, 15, 39 and 40) Mr. Diveroli stated that he was acting as a "consultant" to another company that had "five to six million rounds of ammunition available for sale" and needed assistance avoiding DDTC controls in order to importation of 120,000 100-round ammunition magazines from Korea. He also admitted to acting as a consultant and money lender to other companies engaged in the defense business, including a company that he had recently sold to a friend. (Encl 5, paras 16, 39 and 40)

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h. Between 30 July and 11 August 2010, during multiple telephone discussions with BATF agents regarding the sale of a pallet of small arms ammunition and the importation of the 100-round magazines, Mr. Diveroli identified Mr. Shprecher and Mr. Monahan as persons that would be assisting him in the transaction. (Encl 5, paras 20 and 22 through 25) On 12 August 2010, Mr. Diveroli, Mr. Djuric, Mr. Shprecher and Mr. Monahan met with the IC and BATF agents to discuss the sale of ammunition and the import of the 100-round magazines. During the meeting, Mr. Monahan, at the request of Mr. Diveroli, provided BATF agents with 760 rounds of small arms ammunition. (Encl 5, paras 35 through 38)

i. On 20 August 2010, Mr. Diveroli was arrested at the conclusion of a meeting during which he discussed the purchase of automatic weapons from BATF agents and was observed purchasing small arms ammunition for the purpose of test firing them. Mr. Djuric, Mr. Shprecher and Mr. Monahan were also present at this meeting. (Encl 5, paras 45 through 50) On 28 September 2010, Mr. Djuric, Mr. Shprecher Mr. Monahan, AEY, LOW, PMC, AMD and Balkan Export we all suspended as affiliates and imputees of Mr. Diveroli in accordance with FAR 9.406-5(a) and 9.405-1(c). (Encl 20)

j. On 3 January 2011, criminal judgments were entered against Mr. Diveroli and AEY in the U.S. District Court for the Southern District of Florida, Miami Division based on their guilty pleas to one count of conspiracy. Mr. Diveroli was sentenced to 48 months confinement, three years supervised release, 200 hours community service, a \$250,000 fine and a \$100 assessment. AEY was sentenced to two years probation, a \$500,000 fine and a \$400 assessment. Mr. Diveroli and AEY were jointly ordered to pay \$149,279.28 in restitution to the U.S. Army Sustainment Command, Rock Island Arsenal, Illinois. (Encls 21 and 22)

k. On 13 January 2011, criminal judgments were entered against Mr. Packouz and Mr. Podrizki in the U.S. District Court for the Southern District of Florida, Miami Division based on their guilty pleas to one count of conspiracy. Mr. Packouz was sentenced to 14 months confinement and a \$100 assessment. Mr. Podrizki was sentenced to 10 months confinement and a \$100 assessment. (Encls 23 and 24)

l. As part of the respective criminal judgments entered against Mr. Diveroli, Mr. Packouz, Mr. Podrizki and AEY, all were jointly ordered to pay \$149,279.28 in restitution to the U.S. Army Sustainment Command, Rock Island Arsenal, Illinois. (Encls 21 through 24)

m. On 10 February 2011 Mr. Diveroli, Mr. Packouz, Mr. Podrizki and AEY were proposed for debarment from contracting with the Government in accordance with the provisions of FAR 9.406-2(a)(3), (5) and 9.406-2(c). On that same date, Mr. Djuric, Mr. Shprecher Mr. Monahan, AEY, LOW, PMC, AMD, Ammoworks, MPC and Balkan Export were also proposed for debarment as imputees of the actions of Mr. Diveroli, and as his affiliates, in accordance with the provisions of FAR 9.406-5(a), (b) and 9.406-1(b). All were listed on the General Services Administration's Excluded Parties List System as proposed for debarment on 10 February 2011.

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Notice of the proposals for debarment was received by the parties proposed for debarment via certified mail between 15 and 22 February 2011.

2. Matters In Opposition. Respondents have made no written or oral submissions in opposition to their 10 February 2011 proposals for debarment.

3. Regulatory Basis for Debarment.

a. FAR 9.403 provides that a "contractor" means any individual or other legal entity that directly or indirectly (e.g., through an affiliate), submits offers for or is awarded, or reasonably may be expected to submit offers for or be awarded a Government contract, including a contract for carriage under Government or commercial bills of lading, or a subcontract under a Government contract. Alternatively, a "contractor" is one that conducts business or reasonably may be expected to conduct business with the Government as an agent or representative of a contractor.

b. FAR 9.406-2(a) provides that a contractor may be debarred based on conviction of or civil judgment for:

(1) Commission of fraud or a criminal offense in connection with (i) obtaining, (ii) attempting to obtain, or (iii) performing a public contract or subcontract;

\* \* \*

(3) Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, tax evasion, violating Federal criminal tax laws or receiving stolen property;

\* \* \*

(5) Commission of any other offense indicating a lack of business integrity or business honesty that seriously and directly affects the present responsibility of a Government contractor.

c. FAR 9.406-2(c) provides that a contractor may be debarred for any cause of so serious or compelling a nature that it affects the present responsibility of a Government contractor or subcontractor.

d. FAR 9.406-5(a) provides that the fraudulent, criminal, or other seriously improper conduct of any officer, director, shareholder, partner, employee, or other individual associated with a contractor may be imputed to the contractor when the conduct occurred in connection with the individual's performance of duties for or on behalf of the contractor, or with the contractor's knowledge, approval, or acquiescence. The contractor's acceptance of the benefits derived from the conduct shall be evidence of such knowledge, approval, or acquiescence.



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e. FAR 9.406-5(b) provides that the fraudulent, criminal, or other seriously improper conduct of a contractor may be imputed to any officer, director, shareholder, partner, employee, or other individual associated with the contractor who participated in, knew of, or had reason to know of the contractor's conduct.

f. FAR 9.406-1(b) provides that debarment may be extended to affiliates of a contractor if they are specifically named and given written notice of the proposed debarment and an opportunity to respond. FAR 9.403 provides that business concerns or individuals are affiliates if, directly or indirectly, either one controls or can control the other or a third party controls or can control both.

g. FAR 9.406-1(a) provides that it is the debarring official's responsibility to determine whether debarment is in the Government's interest. Before arriving at any debarment decision, the debarring official should consider the seriousness of the contractor's acts or omissions, remedial measures, and mitigating factors as set forth in this subsection.

#### 4. Conclusions.

a. Mr. Diveroli, Mr. Packouz, Mr. Podrizki, Mr. Djuric, Mr. Shprecher, Mr. Monahan, AEY, LOW, PMC, AMD, Ammoworks, MPC and Balkan Export are all contractors based on the definition provided by FAR 9.403. Mr. Diveroli, Mr. Packouz, Mr. Podrizki, Mr. Djuric, Mr. Shprecher and Mr. Monahan have all engaged in the import, export and sale of weapons and ammunition. LOW, PMC, AMD and Balkan Export are all affiliated with Mr. Diveroli, AEY or Ammoworks through ownership or overlapping managerial controls and shared facilities. All are directly or indirectly benefit from the efforts of Mr. Diveroli, Mr. Djuric, Mr. Shprecher and Mr. Monahan to engage in the arms trade either as his employees or business associates. Furthermore, based on their past business history and relationship with Mr. Diveroli, AEY and Ammoworks, it is highly likely that all of these individuals and companies will seek Government contracts in the future for the supply of weapons and ammunition to the Department of Defense or civilian law enforcement.

b. The guilty pleas of Mr. Diveroli, Mr. Packouz, Mr. Podrizki and AEY to one count of conspiracy in violation of 18 U.S.C. § 371, as well as the information found in their factual proffers and the judgments entered against them, constitute a preponderance of evidence to show that they participated in a scheme to defraud the Government through the supply of non-conforming ammunition for use by the ANA and ANP. In addition, the actions of Mr. Diveroli, Mr. Packouz, Mr. Podrizki and AEY indicate a lack of business integrity, honesty and are of such a compelling nature that they seriously and directly affect their present responsibility as Government contractors or subcontractors. These facts constitute cause for debarment of Mr. Diveroli, Mr. Packouz, Mr. Podrizki and AEY in accordance with FAR 9.406-2(a)(3), (5) and 9.406-2(c).

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c. The information contained in publically available corporate documents, as well as the information contained in the 20 August 2010 criminal complaint, show that by a preponderance of the available evidence that Mr. Diveroli was assisted by Mr. Djuric, Mr. Shprecher and Mr. Monahan in his continued pursuit of work in the international arms and ammunition trade. These materials also show that Mr. Diveroli utilized the services Ammoworks, LOW, PMC AMD and MPC to engage in these activities, both before and after his 19 June 2008 indictment and the revocation of all licenses to engage in international arms transactions by the DDTC. These companies all share the same addresses as AEY, the company Mr. Diveroli utilized as part of his scheme to repackage ammunition sold to the Army to conceal the fact that it was originally manufactured in the PRC and all are owned or were recently owned by Mr. Diveroli. In addition, all have the potential to gain financially from Mr. Diveroli's continued involvement in their affairs, either formally as part of their management or informally as a "consultant." Based on these facts, a preponderance of available evidence exists to debar Mr. Djuric, Mr. Shprecher, Mr. Monahan, Ammoworks, LOW, PMC AMD and MPC as imputees of Mr. Diveroli pursuant to FAR 9.406-5(a) and (b) and as his affiliates pursuant to FAR 9.406-1(b). Similarly, a preponderance of evidence exists to show that Balkan Export is also an affiliate of Mr. Diveroli. Therefore, Balkan Export may also be proposed for debarment pursuant to FAR 9.406-1(b).

d. The nature of the misconduct in which Mr. Diveroli, Mr. Packouz, Mr. Podrizki and AEY participated calls into question whether they may ever be determined to be responsible to do business with the Federal Government again. The available record offers no evidence that Mr. Diveroli, Mr. Packouz, Mr. Podrizki and AEY appreciate the gravity of their misconduct. Although afforded an opportunity to present matters in his defense or mitigation, this office has received no evidence of remorse or mitigation by Mr. Diveroli, Mr. Packouz, Mr. Podrizki and AEY regarding their misconduct. This absence of information gives reason to question if they will appropriately modify their personal and business behavior in the future.

e. On 3 January 2011 and 13 January 2011, Mr. Diveroli, Mr. Packouz, Mr. Podrizki were sentenced to periods of confinement ranging from 10 months to 48 months. During their respective periods of confinement, their activities will be highly restricted and afford little-to-no insight as to their "present responsibility" for purposes of contracting with Government agencies. Therefore, the period of debarment will be adjusted to allow them the opportunity, following their release from custody, to demonstrate the they meets the standards of responsibility required of a Government contractor.

f. The circumstances surrounding the misconduct of Mr. Diveroli and AEY warrant debarment effective today and extending to 24 March 2025, a period of about 14 years. This period of debarment is in addition to the time Mr. Diveroli and AEY have been temporarily excluded from Federal contracting through suspension and proposed debarment (i.e., from 25 March 2008).

g. The circumstances surrounding the misconduct of Mr. Packouz and Mr. Podrizki warrant debarment effective today and extending to 28 September 2022, a period of about 11 years. This

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period of debarment is in addition to the time Mr. Packouz and Mr. Podrizki have been temporarily excluded from Federal contracting through suspension and proposed debarment (i.e., from 29 September 2008).

h. Due to their status as Mr Diveroli's affiliates and imputees Mr. Djuric, Mr. Shprecher, Mr. Monahan, Ammoworks, LOW, PMC, AMD, MPC and Balkan Export are debarred effective today and extending to 28 September 2021, a period of about 10 years This period of debarment is in addition to the time they have been temporarily excluded from Federal contracting through suspension and proposed debarment (i.e., from 29 September 2008 for Ammoworks and MPC and from 28 September 2010 for Mr. Djuric, Mr. Shprecher, Mr. Monahan, LOW, PMC, AMD and Balkan Export ).

5. Decision. Based on the foregoing findings of fact, conclusions, and the underlying administrative record, I have decided that the debarment of Mr. Efraim Diveroli, Mr. David Packouz, Mr. Alexander Podrizki, Mr. Dejan Djuric, Mr. Jacob Franklin Shprecher, a.k.a. "Jake Shprecher," Mr. Aaron L. Monahan, AEY, Inc., LOW LLC, Pinnacle Minerals Corporation, Advanced Munitions Distribution, Inc., Balkan Export, LLC, Ammoworks, Inc. and Manchester Property Corporation is in the public interest and for the Government's protection. I further make this decision after carefully considering the factors, as appropriate, cited in FAR 406-1(a). Accordingly, all are debarred effective this date for the periods cited herein. I have considered the period of proposed debarment and the periods of prior suspensions in determining the debarment periods.

25 Encls

1. Corporate Information, AEY, Inc.
2. Indictment, 19 Jun 08
3. Corporate Information,  
Manchester Property Corporation
4. Corporate Information, Ammoworks, Inc.
5. Criminal Complaint and Supporting  
Affidavit, 20 Aug 10
6. Corporate Information, Advanced  
Munitions Distribution, Inc.
7. Corporate Information,  
Pinnacle Minerals Corporation
8. Corporate Information, LOW, LLC
9. Corporate Information, Balkan Export, Inc.
10. Notice of Suspension and Suspension  
Recommendation Memorandum, 25 Mar 08



ULDRIC L. FIORE, JR.

Army Suspension and Debarment Official

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11. Notices of Suspension and Suspension  
Recommendation Memorandum, 29 Sep 08
12. Plea Agreement, Alexander Podrizki, 22 May 09
13. Plea Agreement, David Packouz, 26 May 09
14. Plea Agreement, Efraim Diveroli, 19 Jun 09
15. Plea Agreement, AEY, Inc., 19 Jun 09
16. Factual Proffer, Efraim Diveroli, 19 Jun 09
17. Factual Proffer, David Packouz, 26 May 09
18. Factual Proffer, Alexander Podrizki, 22 May 09
19. Factual Proffer, AEY, Inc., 19 Jun 09
20. Notices of Suspension and Suspension  
Recommendation Memorandum, 28 Sep 10
21. Criminal Judgment, Efraim Diveroli, 3 Jan 11
22. Criminal Judgment, AEY, Inc., 3 Jan 11
23. Criminal Judgment, David Packouz, 13 Jan 11
24. Criminal Judgment, Alexander Podrizki, 13 Jan 11
25. Notices of Proposed Debarment and Debarment  
Decision Memorandum, 10 Feb 11