

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

UNITED STATES OF AMERICA,

Plaintiff,

vs.

No. 14-40066-01-05-DDC

1) JOHN SULLIVAN RALPH III,

2) JAMES CRAIG DUTTON,

3) LISA DELAINE DUTTON,

**4) WELCOME D. WOOD, JR.
a.k.a. "BO" WOOD**

5) PAULA ANN WOOD,

Defendants.

INDICTMENT

BACKGROUND:

At all times relevant to this Indictment :

Introduction:

1. The defendant, JOHN SULLIVAN RALPH III, paid kickbacks and bribes to defendants JAMES CRAIG DUTTON, and WELCOME D. WOOD, JR., a.k.a. "BO" WOOD, high ranking executives of Glock, a firearms manufacturer, to receive preferential treatment over other distributors of firearms including, directing potential customers to OMB, giving it priority relative to the allocation of limited products, steering of government contracts and sales to government agencies of firearms and accessories to OMB, as well

as providing confidential Glock information to RALPH and OMB. Defendants LISA DELAINE DUTTON and PAULA ANN WOOD, conspired and aided and abetted their co-conspirators by concealing the payment of bribes and kickbacks and their purpose.

Relevant Entities and Individuals:

2. Glock Incorporated (Glock) is a Georgia corporation with its principal place of U.S. business in Smyrna, Georgia. Glock manufactures and sells pistols and firearm accessories. Most of Glock's pistol sales are made to independent firearm distributors who have contracts with Glock to resell its pistols. Glock has a formal, written Employment Policy Handbook which explicitly prohibits actual or potential conflicts of interest. This policy also obligates its employees to conduct business within guidelines that are in the best interests of Glock. Each year, Glock employees receive a copy of the Employment Policy Handbook and ethics training at the national sales meeting. As high-ranking managers of Glock, defendants JAMES CRAIG DUTTON and WELCOME D. WOOD, JR., a.k.a. "BO" WOOD owed Glock a fiduciary duty to make recommendations and decisions in the best interests of Glock.

3 Defendant JAMES CRAIG DUTTON was and is a resident of Georgia, and was Glock's Assistant National Sales Manager. As Assistant National Sales Manager, Dutton supervised all of Glock's Regional and District Managers, as well as the daily operations of Glock's law enforcement ("LE") and commercial sales departments, customer service department, and the Stocking Dealer Program. Dutton was responsible for allocation of Glock firearms among Glock's distributors. Allocation of Glock pistols was important because the demand frequently exceeded the supply.

Dutton received monthly reports from Glock's Regional and District Managers that included highly confidential information, including information on Glock's distributors, and which LE agencies were looking to purchase firearms.

4. Defendant LISA DELAINE DUTTON was and is JAMES CRAIG DUTTON's wife. On or about May 14, 2009, LISA DELAINE DUTTON formed and/or organized Supreme Solutions LLC (SSLLC) in Georgia. On or about June 12, 2009, LISA DELAINE DUTTON opened a Regions Bank checking account for SSLLC with an account number ending in 3329 at a branch located in Dallas, Georgia. LISA DELAINE DUTTON had sole signatory authority on SSLLC's bank account at Regions Bank which had an account number ending in 3329.

5. Defendant WELCOME D. "BO" WOOD JR., was and is a resident of Florida, and was Glock's Eastern Regional Manager. The Eastern Region contains approximately half of the LE agencies in the United States and more LE agencies than the Central and Western Regions combined. As Glock's Eastern Regional Manager, Wood knew what LE agencies in his region were seeking to purchase pistols, as well as what the LE distributors were bidding to supply them with Glock pistols. Wood also received copies of the monthly reports from the Central and Western Regional Managers, as well as the district managers in their regions.

6. Defendant PAULA ANN WOOD, was and is WELCOME "BO" WOOD JR's wife. On or about May 12, 2009, PAULA ANN WOOD formed and/or organized Tropical Marketing & Consulting LLC (TMC) in Florida. On or about May 21, 2009, PAULA ANN WOOD opened a Wachovia Bank checking account for TMC with an account number

ending in 8245 at a branch located in Oviedo, Florida. PAULA ANN WOOD had sole signatory authority on TMC's bank account at Wachovia Bank which had an account number ending in 8245.

7. Defendant JOHN SULLIVAN RALPH III was a resident of Olathe, Kansas, and was the Owner/Manager of Global Guns & Hunting, Inc. d/b/a OMB Guns ("OMB") a federally licensed independent distributor of firearms. Prior to 2008 OMB Police Supply, Inc., was a predecessor of OMB and participated in both Glock's LE and Commercial sales channels and was run by defendant JOHN SULLIVAN RALPH III and his brother Bob Ralph and their father Jack Ralph. In late 2007, defendant JOHN SULLIVAN RALPH III, left OMB Police Supply and moved the Glock account to OMB, a corporation he owned and controlled.

8. Glock created two different sales channels for purposes of licensing its independent distributors. One channel is for sales to the Law Enforcement market ("LE Market"), which includes Federal, State and local law enforcement agencies across the United States. Independent distributors are authorized to resell Glock pistols to the LE Market within a specified geographic territory. The other channel is the "Commercial Market" for most other sales, which are not restricted to a particular geographic area.

9. Prior to 2008, OMB Police Supply, Inc. ("OMB Police Supply"), a predecessor of OMB, had participated in both Glock's LE and Commercial sales channels. From late 2007 until 2011 OMB participated in both Glock's LE and Commercial sales channels. From late 2007 until December 31, 2010, the majority of OMB's revenues and profits were on account of its sales of Glock pistols.

10. A UPC Code is a method used by manufacturers to identify products quickly. UPC stands for "Universal Product Code." A UPC code generally has two parts - numbers, which people can read, and a series of bars which can be scanned and tracked by computers. To differentiate pistols that are sold for resale to the LE Market, Glock affixes a blue UPC code label to their pistol case, while pistols sold for resale to the Commercial Market have a white or red UPC code label affixed to their pistol case.

11. Glock maintains two different price lists for these two different sales channels. The price list for sales to the LE Market are less than for sales to the Commercial Market. This price differential reflects that sales to the LE Market are routinely done on a bulk basis and are often subject to bidding or other competitive process.

12. In addition to the price differential, Glock Gen3 (3rd generation pistols) intended for resale to the LE Market include three magazines, instead of the two magazines included with pistols intended for resale to the Commercial Market.

Count 1
Conspiracy

13. Paragraphs 1 through 12 of the Introduction are re alleged and incorporated fully herein by reference.

14. Beginning about 2003, and continuing through 2011, in the District of Kansas and elsewhere, the defendants

JOHN SULLIVAN RALPH III,
JAMES CRAIG DUTTON,
WELCOME D. WOOD, JR., a.k.a. "BO" WOOD,

LISA DELAINE DUTTON, and
PAULA ANN WOOD,

did knowingly, willfully and unlawfully conspire, confederate, and agree with each other and persons known and unknown to the Grand Jury to commit offenses against the United States as follows:

A. having devised and intending to devise a scheme and artifice to defraud Glock of the intangible right of honest services, and OMB competitors, who were entitled to fundamental honesty, fair play and right dealing, for the purpose of executing and attempting to execute said scheme and artifice, places in any post office and authorized depository for mail matter, any matter and thing to be sent and delivered by the Postal Service in violation of Title 18, United States Code, Sections 2, and 1341; and, transmit in interstate and foreign commerce any writings, signs, signals, pictures and sounds, for the purpose of executing said scheme and artifice to defraud, in violation of Title 18, United States Code, Sections 2 and 1343; and,

B. to unlawfully and knowingly conduct financial transactions affecting interstate and foreign commerce, involving the proceeds of a specified unlawful activity, namely, mail fraud in violation of Title 18 United States Code, Section 1341, and wire fraud in violation of Title 18 United States Code Section 1343, knowing that the transactions were designed in whole and in part to conceal and disguise the nature, the location, the source, the ownership, and the control of the proceeds of the scheme and conspiracy and knowing that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, in violation of Title 18, United States Code, Sections 2 and 1956(a)(1)(B)(i); and,

C. to knowingly and willfully make materially false, fictitious, or fraudulent statement(s) or representation(s) to Federal Bureau of Investigation (FBI) Special Agents (SAs) during the FBI's criminal investigation of the defendants' scheme, in violation of Title 18 United States Code, Sections 2 and 1001.

Manner and Means of Committing the Conspiracy and Scheme to Defraud:

15. In furtherance and execution of the conspiracy and scheme to defraud,

defendants Dutton and Woods deceived their employer Glock by depriving the employer of the honest services of the employees, free from self-dealing and conflicts of interest and included the nondisclosure or concealment of the bribes and kickbacks being paid to them by defendant the JOHN SULLIVAN RALPH III, while pretending loyalty to Glock, when in fact the defendants were participating in a bribery or kickback scheme.

16. In furtherance and execution of the conspiracy and scheme to defraud, the defendants Wood and Dutton provided defendant Ralph with the equipment and/or software that would allow him to convert Blue Label firearms, which were sold by Glock to Ralph at a discount, to Red or White label firearms that were sold at a premium to the commercial market. Ralph sold at least 14,000 blue label LE pistols that it had purchased from Glock pursuant to its LE agreements to the commercial market, most of these pistols going to Cabelas.

17. In furtherance and execution of the conspiracy and scheme to defraud defendant Ralph would cause the third magazine, that would be available for the LE sale, to be removed and sold separately, allowing for additional revenue and profit on in excess of 12,000 Converted Magazines, selling most of these to Midwest Gun Exchange.

18. In furtherance and execution of the conspiracy and scheme to defraud, defendants DUTTON and WOOD secretly used their positions to enrich themselves by soliciting and accepting gifts, payments, and other things of value from defendant RALPH and OMB in exchange for favorable and preferential action, to enrich the payors by secretly obtaining favorable and preferential treatment through fraudulent means.

19. In furtherance and execution of the conspiracy and scheme to defraud, the

defendants DUTTON and WOOD solicited and accepted gifts, payments, and other things of value totaling more than \$1,000,000 from defendants JOHN SULLIVAN RALPH III and OMB.

Overt Acts:

20. Between 2003 and 2009, in furtherance and execution of the scheme to defraud, the defendants JOHN SULLIVAN RALPH III and OMB did knowingly utilize the U.S. Postal Service and/or private or commercial interstate carrier to send and receive approximately 140 discreet bribes and kickbacks delivered to defendants LISA DELAINE DUTTON and PAULA ANN WOOD, to conceal the fact that such payments were to enrich their husbands for providing preferential treatment to Ralph and OMB.

21. Between 2009 and 2011, in furtherance and execution of the scheme to defraud, the defendants JOHN SULLIVAN RALPH III and OMB, transmitted and caused to be transmitted by means of wire communication in interstate commerce, writings, signs signals, pictures and sounds, consisting of electronic wire transfers of funds on more than 40 discreet transfers of bribes and kickbacks to LISA DELAINE DUTTON and/or Supreme Solutions (SLLC), an LLC formed by her for purposes of concealing the source and purpose of the funds.

22. Between 2009 and 2011, in furtherance and execution of the scheme to defraud, the defendants JOHN SULLIVAN RALPH III and OMB, transmitted and caused to be transmitted by means of wire communication in interstate commerce, writings, signals, and sounds, consisting of electronic wire transfers of funds on more than 40 discreet transfers of bribes and kickbacks to PAULA ANN WOOD and/or Tropical

Marketing & Consulting (“TMC”), an LLC formed by her for purposes of concealing the source and purpose of the funds.

23. The defendant also committed overt acts consisting of the substantive crimes of wire fraud and money-laundering as set forth in Counts 2 through 22 which follow.

24. The foregoing is all in violation of Title 18 United States Code Section 371.

Counts 2 through 12
Wire Fraud

25. Paragraphs 1 through 24 of the indictment are re alleged and incorporated fully herein by reference.

26. Between on or about June 4, 2009, and March 31, 2011, from the District of Kansas, to the states of Georgia and Florida and elsewhere, the defendants,

JOHN SULLIVAN RALPH III,
JAMES CRAIG DUTTON,
WELCOME D. WOOD, JR., a.k.a. “BO” WOOD,
LISA DELAINE DUTTON, and
PAULA ANN WOOD,

for the purpose of executing the material scheme to defraud Glock and distributors competing against OMB, transmits in interstate and foreign commerce any writings, signs, signals, pictures and sounds as follows:

Count	Date	Transmission
2	June 4, 2009	OMB wire transfer of \$10,000 to defendant PAULA ANN WOOD's TMC
3	June 12, 2009	OMB wire transfer of \$10,000 to defendant PAULA ANN WOOD's TMC and on June 15, 2009, WOOD sent a check to LISA DELAINE DUTTON's SLLC for \$10,000

4	June 26, 2009	OMB wire transfer of \$15,000 to LISA DELAINE DUTTON's SLLC and DUTTON sent a check to PAULA ANN WOOD's TMC for \$7,500
5	August 4, 2009	OMB wire transfer of \$15,000 to LISA DELAINE DUTTON's SLLC
6	August 12, 2009	OMB wire transfer of \$5,500 to LISA DELAINE DUTTON's SLLC
7	August 14, 2009	OMB wire transfer of \$5,000 to LISA DELAINE DUTTON's SLLC
8	August 4, 2009	OMB wire transfer of \$15,000 to defendant PAULA ANN WOOD's TMC
9	August 12, 2009	OMB wire transfer of \$5,500 to defendant PAULA ANN WOOD's TMC
10	August 14, 2009	OMB wire transfer of \$5,000 to defendant PAULA ANN WOOD's TMC
11	August 31, 2009	OMB wire transfer of \$5,000 to defendant PAULA ANN WOOD's TMC
12	September 15, 2009	OMB wire transfer of \$5,000 to defendant PAULA ANN WOOD's TMC

27. Counts 2 through 12 are all in violation of Title 18 United States Code, Sections 2 and 1343.

28. Between 2003 and 2011, defendant JOHN SULLIVAN RALPH III and OMB provided the defendants JAMES CRAIG and LISA DELAINE DUTTON, and defendants WELCOME D. and PAULA ANN WOOD, more than \$1,000,000 in monetary and non-monetary bribes and kickbacks.

29. As noted previously in this indictment, in the same month, May of 2009, within two days of each other, defendant LISA DELAINE DUTTON formed and/or organized Supreme Solutions LLC (SLLC) in Georgia, and defendant PAULA ANN WOOD formed and/or organized Tropical Marketing & Consulting LLC (TMC) in Florida. See paragraphs 4 and 6 above. SLLC and TMC were formed by the defendants for the purpose of concealing the source and purpose of payments from defendant JOHN SULLIVAN RALPH III and OMB as bribes and kickbacks to their defendant husbands in

exchange for receiving preferential treatment.

30. As noted above, within three weeks of each other, defendant LISA DELAINE DUTTON opened a Regions Bank checking account for SSSLIC in Georgia and defendant PAULA ANN WOOD opened a Wachovia Bank checking account for TMC in Florida. The creation of these accounts were intended to provide an additional layer of concealment of the source and purpose of payments from defendant JOHN SULLIVAN RALPH III and OMB as bribes and kickbacks to their defendant husbands in exchange for receiving preferential treatment.

31. Subsequent to the payments to the wives and the wives' companies, the defendants agreed that the money would be transferred to other bank accounts for the Dutton and Wood families.

32. Beginning on or about March 29, 2011, the defendants JAMES CRAIG DUTTON, LISA DELAINE DUTTON, WELCOME D. "BO" WOOD JR., and PAULA ANN WOOD talked with each other on the telephone in an effort to coordinate some or all of the following false, fictitious, and/or fraudulent statements and representations, knowingly and willfully made to representatives of the Federal Bureau of Investigation, an agency of the United States:

- A. The money from RALPH and/or OMB was completely unrelated to Glock.
- B. The money from RALPH and/or OMB compensated the wives for work for RALPH/OMB.
- C. The money from RALPH and/or OMB was based friendship and/or RALPH's generosity.
- D. PAULA ANN WOOD was unaware that the DUTTONS received similar money from RALPH/OMB.
- E. LISA DELAINE DUTTON did not know why PAULA ANN WOOD received similar money from RALPH/OMB.

F. LISA DELAINE DUTTON formed SLLC without direction or coordination with PAULA ANN WOOD or RALPH

Counts 13 through 22
Money-Laundering

33. Paragraphs 1 through 32 of the indictment are re alleged and incorporated fully herein by reference.

34. From on or about 2003 to on or about 2011, in the District of Kansas and elsewhere, the defendants

JOHN SULLIVAN RALPH III,
JAMES CRAIG DUTTON, and
WELCOME D. WOOD, JR., a.k.a. "BO" WOOD,
LISA DELAINE DUTTON,
PAULA ANN WOOD

did knowingly wilfully and unlawfully conduct and attempt to conduct financial transactions affecting interstate commerce and foreign commerce, which transactions involved the proceeds of the specified unlawful activity, including, but not limited to, mail fraud in violation of 18 U.S.C. 1341 and wire fraud in violation of 18 U.S.C. 1343, knowing that the transactions identified below were designed in whole or in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of specified unlawful activity, and that while conducting and attempting to conduct such financial transactions, knew that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i):

Count	Date	Transaction
13	November 1, 2010	Transfer of \$2000 from PAULA ANN WOOD's TMC business account to the personal accounts of defendants WELCOME D. and PAULA ANN WOOD
14	November 1, 2010	Transfer of \$2000 from PAULA ANN WOOD's TMC business account to the personal accounts of defendants WELCOME D. and PAULA ANN WOOD
15	November 1, 2010	Transfer of \$2000 from PAULA ANN WOOD's TMC business account to the personal accounts of defendants WELCOME D. and PAULA ANN WOOD
16	November 16, 2010	Transfer of \$3000 from PAULA ANN WOOD's TMC business account to the personal accounts of defendants WELCOME D. and PAULA ANN WOOD
17	December 2, 2010	Transfer of \$3000 from PAULA ANN WOOD's TMC business account to the personal accounts of defendants WELCOME D. and PAULA ANN WOOD
18	August 5, 2009	Transfer of \$15,000 from LISA DELAINE DUTTON's SLLC business account to the personal accounts of defendants JAMES CRAIG and LISA DELAINE DUTTON
19	August 25, 2009	Transfer of \$9,000 from LISA DELAINE DUTTON's SLLC business account to the personal accounts of defendants JAMES CRAIG and LISA DELAINE DUTTON
20	October 16, 2009	Transfer of \$10,000 from LISA DELAINE DUTTON's SLLC business account to the personal accounts of defendants JAMES CRAIG and LISA DELAINE DUTTON
21	November 16, 2009	Transfer of \$10,000 from LISA DELAINE DUTTON's SLLC business account to the personal accounts of defendants JAMES CRAIG and LISA DELAINE DUTTON
22	February 2, 2010	Transfer of \$10,000 from LISA DELAINE DUTTON's SLLC business account to the personal accounts of defendants JAMES CRAIG and LISA DELAINE DUTTON

35. Counts 13 through 22 constitute violations of Title 18, United States Code, Sections 2 and 1956(a)(1)(B)(i).

FORFEITURE ALLEGATION:

36. Paragraphs 1 through 35 are reincorporated herein as though fully set forth for the purpose of alleging forfeitures to the United States of America, pursuant to the provisions of Title 18 United States Code, Section 982(a)(1) & (2).

37. As a result of committing the offenses alleged in Counts 1 through 22 of this

indictment, involving the substantive offenses of mail fraud in violation of Title 18, United States Code Section 1341; wire fraud in violation of Title 18, United States Code Section 1343; and, money-laundering in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i), and conspiracy to commit those offenses, the defendants,

JOHN SULLIVAN RALPH III,
JAMES CRAIG DUTTON, and
WELCOME D. WOOD, JR., a.k.a. "BO" WOOD,
LISA DELAINE DUTTON,
PAULA ANN WOOD

shall forfeit to the United States all property, real and personal, which constitutes proceeds of, is derived from or involved in the aforesaid offense and all property traceable to such property, including, but not limited to:

A) A monetary judgment of approximately \$1,000,000.

38. In the event any of the foregoing property: i) cannot be located upon the exercise of due diligence; ii) is transferred, sold to, or deposited with, a third party; iii) is placed beyond the jurisdiction of the Court; iv) is substantially diminished in value; or, v) is commingled with other property which cannot be divided without difficulty, as a result of any act or omission of any defendant, the Court shall order the forfeiture of any other property of the defendants, up to the value of the property described in the foregoing paragraphs.

A TRUE BILL.

June 4, 2014
DATE

s/ Foreperson
FOREPERSON OF THE GRAND JURY

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[It is requested that trial be held in Topeka, Kansas]