

Date: Thu, 16 Mar 2006 21:44:57 -0800 (PST)

From: "AEY INC." <globalarmsco@yahoo.com>

Subject: Martinez Letter (Final Copy)

To: [REDACTED]

Attachments

Files:

 **Martinez_Ltr_1.doc** (39k) [Preview]

AEY-10606

rt Martinez please...

My name is Ralph Merrill, Vice President of AEY. Efraim told me of his conversation with you a few hours ago, wherein the two of you discussed a possible rescinding of our appeal, which inevitably led to a recap of some of the difficulties we have had with LTCDR Brooks, and some of the reasons for the appeal. We understand that an appeal requires considerable document gathering and time spent. It has only just occurred to us that since Brooks has left, and all the documents are still there, this task would fall to someone besides him. We do not wish that task on anyone, especially on any of his replacements. We don't look forward to the time and travel required to go through the appeals process either, but at this point in time, we had no choice. We welcome an opportunity to review the situation with you, and try to resolve it between us, without the necessity of the tedious appeals process.

I would like to recount a brief history of our contracting experience with the Baghdad Contracting Office, and how we got into the situation we are now in. First, however allow me to introduce myself and Efraim, so that you know a little better who we are.

Efraim Diveroli

Efraim worked about three years with a company in LA, which did US government contracting. He was the contact man in the company, which dealt directly with the Government, and as such, learned the procedures. While in LA, he established many valuable contacts with suppliers around the world. He then moved to Miami and started AEY. Efraim has been the contact man working with the Baghdad Contract Office from the beginning of our dealings with that office. Efraim has also established a myriad of contacts and long term customers within the US Government himself as a result of his innovative thinking and absolute mission dedication. (I have been working with vendors behind the scenes, more on the supply side.)

Ralph Merrill

During the Viet Nam Era, Ralph served in the US Army in Europe as a member of the 5th MP Group, CID. After leaving the service, he finished his degree in engineering, and pursued his interests in weapons and ordnance. He founded a weapons manufacturing and importing company known as Vector Arms, Inc., Vector now produces the UZI, twelve different HK models in five calibers, several different AK-47 style weapons, and the East Block RPD. During the last 12 years Ralph has been in the international arms business, and has established many advantageous sources particularly in Eastern Europe and Israel, for arms, ammunition and vehicles. A little over a year ago, Ralph joined AEY to synergize with Efraim in doing business with the Baghdad Contracting Office and other international customers.

Baghdad History

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AEY began its support to Baghdad with the following mission statement:

A commitment to a 24-7 effort to provide the best product at the most competitive price, and to do so with complete integrity. To only quote product that we have already sourced and secured.

AEY began modestly with Baghdad by supplying helmets and other individual contracts to build a track record of confidence, with the aim of qualifying for the largest contracts for arms and ammunition.

This opportunity came when we bid and won a position on the large, 3 year contract currently active under #_ W914NS-05-D-9012.

We started with a bang by taking most of the mini bids on this contract and delivering on time. We were well on our way to becoming Baghdad's prime contractor. One of the indicators was, that the previous prime contractor was becoming very concerned, and offered to buy us out.

Things were going well until the Beretta debacle with Brooks. We offered him some discontinued Beretta 92-F pistols at a very attractive price, and for which we had a open export permit in place. The rest is history and can be reviewed in the email that I sent him. Long story short, things started going wrong with the order, such as, the DHL plane which was carrying the original EUC to the Ministry in Rome for an updated export permit, crashed and destroyed the EUC. This led to many delays. The final delay was that the Italian Ministry for exports, was informed by the Parliament, to stall the export permit until after the elections in March, because the members of Parliament did not want to provide any negative publicity to their opponents during the election campaign. They didn't tell us the reason, however, they just kept offering one excuse after another. Our lawyer recently discovered this truth only after a determined probe into the matter. It's all in the report to Brooks.

From about the time of the plane crash onward, Brooks started suspecting that we were lying to him about the crash, and all of the subsequent delay excuses. He particularly thought the story about the plane crash was really cheesy and insulting - taking him for a fool. (He admitted this to us clear at the end of the whole deal, otherwise we would have addressed this problem immediately with hard evidence). Brooks must have started suspecting that all of the stalling was really due to our inability to deliver - probably

cause we did not have the money to carry the costs until we got paid, or because we didn't really have the goods secured. Just when Brooks was in this frame of mind he got the decisive phone call from the Beretta dealer in Jordan, posing as a sales rep inside Beretta. (More detail in the email report to Brooks). This was the final clincher that convinced Brooks that his suspicions about AEY must be true – they AEY was financially unable to follow through with the deal, and that we had been lying to him all along as he suspected. Brooks sent an angry email stating that if AEY didn't deliver the pistols within 10 days he was going to cancel the contract cause. AEY and their agents in Switzerland and Mr Beretta himself, scrambled once again in an attempt to get a current export permit from the Italian ministry, but to no avail. Brooks followed through with his threat and cancelled the contract for cause.

We had a couple of objections to this action. First, he did not give us a "cause letter" which would have provided the opportunity to offer evidence that the delays were not in our control, and that we had not been negligent. Second, that he cancelled for cause instead of convenience. We would have accepted a cancellation for convenience, because we understood that the time frame had run over, and that the Government needed to move on to fill this order. We voiced these objections to Brooks, asking him why he he didn't extend this courtesy to us, and he answered by cancelling two other contracts for cause, that we were just about to ship – one for misc spare parts, and another for signal grenades. It was clear from the tone of his emails, that these cancellations were to punish us for questioning the Beretta cancellation. We had paid for all three of these contracts in advance, so these cancellations did hurt us. Fortunately, Beretta gave us a refund, but the other goods – spare parts and grenades we still own.

By this time Brooks was convinced that Efraim had been telling him a continuous string of lies about the Beretta delays, so Efraim's credibility was essentially shot, and there was no point in further discussion. I decided to call Brooks after a little time and ask him point blank why he was so angry, and why he was doing all this. It was then that we learned about the phone call from Beker Nimri, the Beretta Dealer in Jordan, and Brook's general state of mind. He was very frank with me and seemed relieved to be speaking to a fresh voice on the other end. I asked him what it would take to get reinstated as a bidder on future contracts, and get the "cause" strikes removed. He felt my inquiry was sincere and said that if we could offer evidence that we had not lied to him, he would seriously consider changing those "cause" strikes. In the process, I intended to clear Efraim's name by proving that as contact person, Efraim had only been the messenger, and that Brooks had "killed the messenger".

I should note here that in my business dealings with Efraim prior to joining AEY, I found him to be entirely trustworthy and credible. He never once misrepresented to me during approximately two years that I did business with him, consequently my decision to join AEY.

Pursuant to Brook's invitation, we gathered affidavits, declarations and other documents to prove that everything we said to Brooks was true, and further, that we had already paid for the Berettas, and therefore financing was not a delay issue. We also performed our own investigation into the mysterious phone call from the Jordanian Dealer, and were able to explain what that was all about.

Brooks disappointed us as a result of this effort, by saying in our most recent conversation, that even though it appeared that he was staken about the Beretta delays, he had decided not to overturn our "cause" strikes, because there were other reasons besides the Beretta deal, not to trust Efraim Diveroli. These reasons were based on some incriminating stories he had heard from our competitor's man on the ground in Baghdad. He further stated that he trusted the judgment of this competitor, and presumed that what he said was true, and that he was going to make a very heavy decision based on this hearsay. He said further, that he had "made the right decision after all".

It is important to note here, that not only had we lost the three cancelled contracts, but all future contracts, because Brooks said he had removed us from the bidders list. So this Beretta debacle has cost us all future business with Baghdad. That is why we filed an appeal. Our position is that Brooks is altogether too close this guy on the ground in Baghdad, and that such weighty decisions affecting our future with Baghdad, should not be made on hearsay from a competitor. Brooks would not tell us what the accusations were, so we have not been able to react to them, in offering a defense.

What we would like to see happen, is simply to get back on the bidders list in good graces, and continue business as usual. We feel we have a great deal to offer the Government in our commitment to support the effort in Iraq. We have tied up and at our immediate disposal to ship: 100 million rounds of excellent ammunition in the East Block, large quantities of unissued AKs, RPKs, PKMs, RPGs, vehicles and so on. We have good relations with all the East Block factories, for any goods that are not currently in stock.

Please review the email we sent Brooks regarding the Beretta evidence, and let us know if there is anything further that you need in terms of evidence, or any questions that you may have. We will be most anxious to respond promptly.

If you find that we have been forthright with Brooks, and that we should be fully reinstated as a viable bidder, we would like to explore with you the possibility of either originating a new contract for the spare parts and signal grenades, or the possibility of granting damage claims for the good we have paid for, but were not allowed to deliver.

Regards,

Ralph Merrill, VP, AEY

AEY-10608