

Congress of the United States
House of Representatives
Washington, DC 20515

January 10, 2013

Mr. Michael T. Duke
Chief Executive Officer
Wal-Mart Stores, Inc.
702 SW 8th Street
Bentonville, AR 72716

Dear Mr. Duke:

We are writing regarding new allegations that Wal-Mart systematically bribed officials throughout Mexico in order to evade zoning, environmental, and permitting laws at the company's Bodega Aurrera store in Teotihuacan, Mexico. We are concerned that your company's public statements that the company was unaware of the allegations appear to be inconsistent with documents we have obtained through our investigation. Contrary to Wal-Mart's public statements, the documents appear to show that you were personally advised of the allegations in October 2005.

Last month, the New York Times reported that Wal-Mart paid hundreds of thousands of dollars in bribes to secure approvals to build its store in Teotihuacan on the site of ancient ruins. Although the local jurisdiction adopted a zoning map that would have prevented Wal-Mart from building its store, the New York Times reported that "Wal-Mart de Mexico arranged to bribe an official to change the map" before it was published in a newspaper, which was the final requirement before the zoning map became law.¹ According to the New York Times, other payments were made to the mayor and the National Institute of Anthropology and History (INAH). The New York Times described the Wal-Mart store in Teotihuacan as "the most controversial Wal-Mart in Mexico, a powerful symbol of globalism's impact on Mexican culture and commerce."²

In response to this report, the New York Times reported that your company spokesman "said that while executives in the United States were aware of the furor in Teotihuacán they did not know about the corruption allegations."³ However, documents obtained by our staffs from a confidential source indicate that you and other senior Wal-Mart officials were personally informed about these bribery allegations on multiple occasions.

¹ *The Bribery Aisle: How Wal-Mart Got Its Way in Mexico*, New York Times (Dec. 17, 2012) (online at www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?ref=global-home&_r=1&).

² *Id.*

³ *Id.*

For example, on November 1, 2005, Maritza Munich, then General Counsel of Wal-Mart International, e-mailed you and several other senior Wal-Mart officials about specific allegations made by Sergio Cicero Zapata, the former in-house counsel for Wal-Mart de Mexico who was in charge of obtaining building permits throughout Mexico, relating to bribes paid to obtain permits for the Teotihuacan store. Her e-mail forwarded a summary of an interview of Mr. Zapata, which stated:

The payments at the Teotihuacan site were made only to the majority of the Municipal Council because of the difficulty to address all political parties. Eventually the agreement was only reached with the PRI and PRD representatives (sufficient to secure a majority) for a total net payment of 1.2 million pesos.⁴

The document also stated: "Likewise, the National Institute of Anthropology and History ("INAH") required an official donation of \$500,000.00 pesos and also a personal irregular gift of \$400,000.00 for the INAH's Director."⁵

Two weeks earlier, on October 15, 2005, Wal-Mart General Counsel Thomas Mars sent an e-mail to you and Tom Hyde, the Executive Vice President of Wal-Mart Stores, Inc. Notes from an interview with Mr. Zapata which appear to be attached to this e-mail also referenced bribes paid to obtain permits for the Teotihuacan site.⁶

In addition, preliminary results from an internal investigation initiated by Wal-Mart's Internal Audit Services, but closed in 2006, appear to have confirmed these allegations. Documents we have obtained show that check requests were made for the Teotihuacan project for "payment to a gestoria for obtaining the Road/Highway Ruling" and "payment for certification of excavation actions carried out by the INAH."⁷

⁴ E-mail from Maritza Munich, General Counsel, Wal-Mart International, to Mike Duke, Vice Chairman, Wal-Mart International, Craig Herkert, President and Chief Executive Officer of the Americas for Wal-Mart Stores, Inc., Tom Hyde, Executive Vice President, Wal-Mart Stores, Inc., Thomas Mars, General Counsel, Wal-Mart Stores, Inc., Lee Stucky, Chief Administrative Officer, Wal-Mart International, Michael Fung, Senior Vice President, Internal Audit Services, Wal-Mart Stores, Inc., and Kenneth Senser, Vice President for Global Security, Wal-Mart Stores, Inc. (Nov. 1, 2005).

⁵ *Id.*

⁶ E-mail from Thomas Mars, General Counsel, Wal-Mart Stores, Inc., to Mike Duke, Vice Chairman of Wal-Mart International and Tom Hyde, Executive Vice President and Corporate Secretary, Wal-Mart Stores, Inc. (Oct. 15, 2005) ("To secure the approval from the Municipal Council and with the active reporting at that time to Jose Luis Rodriguez, Mex\$1,250,000.00 were delivered to 7 of the 11 Municipal County Members."); *Id.* ("The National Institute of Anthropology and History (INAH) asked for an official donation of Mex\$400,000.00 but the INAH's President received an irregular payment of Mex\$150,000.00 to give approval for the corresponding construction site given its proximity to the archaeological site.").

⁷ Site: Bodega Teotihuacan, Urgent Check Request Memo.

These documents appear to be genuine. On January 9, 2013, we shared them with your counsel and asked him to advise us by January 10, 2013, if Wal-Mart disputes their authenticity. Your counsel did not raise any question about their authenticity.

These documents and e-mails call into question your company's statement that "[n]one of the associates we have interviewed, including people responsible for real estate projects in Mexico during this time period, recall any mention of bribery allegations related to this store."⁸ It would be a serious matter if the CEO of one of our nation's largest companies failed to address allegations of a bribery scheme.

The e-mails also cast a new and unfavorable light on Wal-Mart's continued unwillingness to provide our investigators with access to Ms. Munich, who appears to be a key witness who would know about your knowledge of the Teotihuacan bribes. On June 13, 2012, your attorneys informed us that you were in the process of working through a protocol that would allow Ms. Munich to speak with our investigators. Since then, however, we have received no additional information from Wal-Mart about when you intend to make Ms. Munich available to our investigators. This ongoing delay frustrates our investigation.

We respectfully request that you explain your knowledge of the Teotihuacan bribery allegations by January 24, 2013. We also ask that by the same date you authorize Ms. Munich to speak to our investigators without any limitations on what she can say that relates to bribery allegations and Wal-Mart's response.

If you have any questions regarding this request, please contact Una Lee of the Oversight Committee staff at (202) 225-5051 or Tiffany Benjamin of the Energy and Commerce Committee staff at (202) 226-3400.

Sincerely,



Elijah E. Cummings
Ranking Member
Committee on Oversight and
Government Reform



Henry A. Waxman
Ranking Member
Committee on Energy and
Commerce

cc: The Honorable Darrell E. Issa, Chairman
Committee on Oversight and Government Reform

The Honorable Fred Upton, Chairman
Committee on Energy and Commerce

⁸ *The Bribery Aisle: How Wal-Mart Got Its Way in Mexico*, New York Times (Dec. 17, 2012) (online at www.nytimes.com/2012/12/18/business/walmart-bribes-teotihuacan.html?ref=global-home&_r=1&).

From: Juan Camacho
To: Maritza Munich-Legal; Ken Senser; Joe Lewis; Michael Fung
Cc: Ronald Halter; Bob Ainley - AUDIT
Subject: Spreadsheet - Outside Law Firms
Date: Tuesday, November 15, 2005 5:58:58 PM
Attachments: Spreadsheet - Outside Law Firms.xls

Per Maritza's request,

Enclosed you will find a spreadsheet describing and identifying the outside law firms and the money they received.

Regards,
Juan

Juan Camacho

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ERM - Enterprise Risk Management  
Wal-Mart Stores, Inc.

  
This e-mail is privileged and confidential. If you have received this e-mail in error, please destroy it immediately.

Site: Bodega Teotihuacan

Urgent Check Request Memo

| Artículo |           | Fecha       | Para        | De | Pedido No.       | "Adjunto original de la factura No. ..."   |  | Expedido por ...                  | A favor de ...                                         | Por un importe de (pesos) ... |                                                                                                                                                  | Por (un razón particular) ... |  | Por (nombre del proyecto)" |  |
|----------|-----------|-------------|-------------|----|------------------|--------------------------------------------|--|-----------------------------------|--------------------------------------------------------|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--|----------------------------|--|
| Item     | Date      | To          | From        |    | WMT Order No.    | "Enclosed is the original invoice No. ..." |  | Issued to ...                     | In favor of ...                                        | For a cost of (pesos) ...     | For (a particular reason) ...                                                                                                                    | For (Name of project)"        |  |                            |  |
| 1        | 17-May-04 | S. Cicero   | A. Martinez |    | 100202-0169-0078 | 867                                        |  | Lic. José Manuel Aguirre Juarez   | Arrendadora De Centros Comerciales,<br>S. De R.L. C.V. | \$285,000.00                  | SP: concepto de pago de gestoría por obtención de Dictamen Vial<br>ENG: payment to a gestoría for obtaining the Road/Highway Ruling              | Bodega Teotihuacan            |  |                            |  |
| 2        | 9-Dec-04  | A. Martinez | G. Martinez |    | 100202-0169-0400 | 9482                                       |  | Lic. Juan Manuel Valdes Rodriguez | Arrendadora De Centros Comerciales,<br>S. De R.L. C.V. | \$13,255.00                   | SP: concepto de fe de hechos excavaciones realizadas por el INAH<br>ENG: payment for certification of excavation actions carried out by the INAH | Bodega Teotihuacan            |  |                            |  |
| 3        | 21-Dec-04 | A. Martinez | J. Resendiz |    | 100222-0008-0411 | 10050                                      |  | Lic. Juan Manuel Valdes Rodriguez | Arrendadora De Centros Comerciales,<br>S. De R.L. C.V. | \$106,760.00                  | SP: concepto de fe de hechos<br>ENG: payment for certification                                                                                   | Bodega Teotihuacan            |  |                            |  |
|          |           |             |             |    |                  |                                            |  |                                   |                                                        | Total (Pesos)                 |                                                                                                                                                  |                               |  |                            |  |
|          |           |             |             |    |                  |                                            |  |                                   |                                                        | Approx. 10.4 Pesos = 1 USD    |                                                                                                                                                  |                               |  |                            |  |



From: Maritza Munich-Legal  
To: Mike Duke; Craig Herkert; Tom Hyde - Executive; Thomas Mars; Lee Stucky; Michael Fung; Ken Senser  
Cc: Martin J. Weinstein; Daryl Kreml  
Subject: WALMEX Real Estate Transactions  
Date: Tuesday, November 01, 2005 3:05:06 PM  
Importance: High  
Sensitivity: Confidential

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**PRIVILEGED & CONFIDENTIAL, ATTORNEY-CLIENT COMMUNICATION**

FYI, below is Mexico external counsel's report of the meeting held in Mexico City with Sergio Cicero this past Friday 10/28/05. As I have expressed to some of you, during this meeting it became clear the guy wants money -- even though he never asked for money outright:

- When I asked him, more than 2 hours into the conversation, what else I could say or do to persuade him to share the documents with me, he leaned forward, and asked, pointedly: "Why would I do that"?
- He then complained that at the time of his separation from WALMEX, in addition to statutory severance, he only received US \$25K as an additional bonus -- after 28 years of service. *[It is interesting that he would admit to having received the statutory severance, which is payable only for terminations without cause, when he has all along stated that he resigned.]*
- He also said he thought that in coming to Mexico to meet him "I would have something in mind."

There was also, for the first time, a not-so-veiled threat of blackmail. SC indicated that, while it was true that in a prior conversation he had suggested he might destroy the documents, he might also "write my memoirs and you can then pick up the book at a bookstore and read about it."

Bentonville Legal, Global Security & Internal Audit will meet this week to discuss external counsel's proposed plan of action for the required internal investigation and other next steps. Will keep you updated.

~Maritza

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**MARITZA I. MUNICH**  
VP & General Counsel - International  
WAL\* MART STORES, INC.

-----Original Message-----

From: Juan Francisco Torres Landa R. [REDACTED]  
Sent: Mon Oct 31 17:22:06 2005  
To: Maritza Munich-Legal  
Cc: RICARDO PONS  
Subject: WALMEX

CONFIDENTIAL – ATTORNEY CLIENT PRIVILEGED INFORMATION

Dear Maritza:

Following find the summary of the main issues discussed during the meeting held last Friday with Sergio Cicero ("SC"). As a general note we must highlight the fact that about 90% of the information discussed

last Friday had already been disclosed to us during our first two meetings with SC. Therefore, I will not insist on details of events described by SC before. Another clarification is that the information that SC confirmed did not follow a specific order as it was mostly driven by your questions and therefore his statements may appear to be somewhat disorganized because topics were being covered randomly.

With the above thoughts in mind, following find the basic matters discussed during this last meeting with SC:

- \* Reference was made to SC about the importance of having specific data in order to be able to conduct an investigation with the required accuracy and speed. SC does not seem to be thrilled or wanting to disclose any further details (including the binders that he has put together) in the absence of some compensation (even though he did not make that specific request that was the only possible interpretation that could be made based on his reluctance to do anything else at this time to make right on what he claims were illegal activities).
- \* SC confirmed that he did not participate in video conference calls where the Mexican team would report to Bentonville about real estate proposals and any possible complications or problems with such individual sites. SC claims that he was not invited to those conference calls because he would highlight the complications and Senior Management was not thrilled about reporting problems to Bentonville.
- \* SC reported since 1999 to Javier del Rio; before he reported to Federico Coronado. SC became part of the Real Estate Department since 1994.
- \* Javier del Rio used to be in Bodega Aurrera before taking up his position in the area of Real Estate Development. SC confirmed that the operation with irregular payments and handling through outside law firms for payments was directly known by Cesáreo Fernández, Eduardo Castro and Eduardo Juarez. However, those meetings were usually held on a one-on-one basis and therefore there are no witnesses about those meetings other than those directly involved. SC did state having met with Javier del Rio and Eduardo Castro together, when some of the transactions were being discussed.
- \* He does not believe that Mr. Matute was aware of this methodology as he was never in any meeting with him. He does not admire him as he was a difficult person to get along with.
- \* The persons at the Tax and Accounting Departments were not aware of the irregular payments methodology.
- \* Bentonville did not really conduct a full audit since 1998 and therefore was not able to detect any of the irregular activities.
- \* Persons within Mexico's Internal Audit Office did not know about the procedure and therefore any audit was controlled to not highlight those payments; the person here controlling these activities was Eduardo Juarez.
- \* Outside of Javier del Rio and Eduardo Castro he was not aware of any subordinate that would really have concrete knowledge of these irregular activities. These topics were discussed as "facilitating payments".
- \* Eduardo Castro never signed anything but he was aware of the accounting codes to register the specific methods and payments to be made; such code of disbursements was designed jointly by Javier del Rio and SC. Hence, knowledge about these activities would basically depend on the testimony of Mr. Del Rio and SC himself.
- \* The payments at the Teotihuacán site were made only to the majority of the Municipal Council because of the difficulty to address all political parties. Eventually the agreement was only reached with the PRI and PRD representatives (sufficient to secure a majority) for a total net payment of 1.2 million pesos.
- \* Outside law firms were in charge of receiving data and performing payments through receipts of legal fees that were grossed up to allow the firm to secure the final amounts needed for payments to government officials.
- \* The law firm of Mr. Jesus Huitrón was selected based on some experience that the company already had with him in some litigation in Northern Mexico. Another law firm used was the office of Mr. Alonso Alegria. In total SC remembers using about eight different law firms for these activities.
- \* Only SC would talk to the outside counsel and no visits would be allowed within Wal-Mart's premises.
- \* Javier del Rio would be the one giving instructions and SC performed the required actions.
- \* SC was not aware of how the accounting system was used to match the codes that would indicate what type of payments were being made.
- \* The law firms were picked because of their ability to be available and perform according to the instructions given, not because of their sophisticated or important legal practices. The law firms were typically one-person operations (solo practitioners).

- \* In some cases architect firms were also used given their relationship with authorities in those cases where construction licenses or the like were involved. These firms would perform the same role in terms of receiving fees and being in charge of delivering the irregular payments.
- \* The expansion of the Wal-Mart and the Sams located at the "Toreo" in Mexico City started without permits in place and nonetheless resulted in the process being concluded in 3 months without any problems.
- \* The cost of the sites would vary depending on the complications that would surface during the actual construction process.
- \* Payments to the Mexico City government were done in various instances and the total amount reached approximately between 3.5 and 4.0 million pesos.
- \* Javier del Rio told SC that "some people were in conversations with Andres Manuel Lopez Obrador" (mayor of Mexico City) and that the person who would serve as intermediary would be PRD Congressman Graco Ramirez.
- \* The accounting codes were used and marked in the specific invoices to be able to trace how and what concepts were being handled in each occasion.
- \* Javier del Rio included the new concept about facilitating payments for the Mexico City Government as a way to get that government's assistance to facilitate the process for expansion of new stores; help that never really materialized.
- \* Payments to the Mexico City Government were performed by using several law firms.
- \* In the binders that SC put together for his own control, he kept copies of the payment orders, the legal fees receipts, the schedule of payments and general data about the receipt with the accounting code signed by Javier del Rio.
- \* Some payments were handled crossing costs from one site to the other in order to avoid dedicating too many resources to one site where its budget was nearing its limits.
- \* The incorporation of Jose Luis Rodriguez Macedo was something SC resented because nobody really approached SC to let him know that this position was going to be occupied by somebody else different from him. SC only received an e-mail addressed to the entire company. SC's reporting relationship changed at some point and he began reporting directly to Rodriguezmacedo rather than to Javier del Rio. SC informed Rodriguezmacedo of the irregular payments. Rodriguezmacedo refused to co-sign with SC the invoices SC submitted for payments to lawfirms, insisting that SC sign them and submit them. SC refused to be the only one signing these invoices as his practice with Javier del Rio had always been that both SC and Mr. del Rio would sign and submit them for payment.
- \* SC had many differences with Mr. Rodriguezmacedo because of his lack of knowledge of how to handle the company's legal needs in the real estate area.
- \* SC was under a lot of pressure given the significant time limitations to obtain all clearances needed.
- \* SC does not have any reason to believe that the irregular payments are still being made at this time, among other reasons, because now there are more sites available and therefore less pressures to open them quickly.
- \* Generally speaking outside law firms would receive a 5 to 6% commission on payments that they would handle to resolve problems. SC negotiated this fee down from the customary 15% fee charged by law firms for assisting in Real Estate transactions.
- \* During the meeting SC shared some small copies of notes of how he explained what activities were taking place on a per project basis.
- \* SC's wife is an attorney that handles land tenure conflicts; she has no involvement with SC's work nor had any in the past.
- \* All of this information was always hidden from Bentonville although with the accounting codes the payments could be traced as to what their real purpose was; the accounting code catalogue was signed by Javier del Rio and SC claims having such document among his files.
- \* At the Teotihuacán site, agreeing with the Municipal Council was a key aspect as the Municipal President could not act on his own. Likewise, the National Institute of Anthropology and History ("INAH") required an official donation of \$500,000.00 pesos and also a personal irregular gift of \$400,000.00 for the INAH's Director.
- \* Just before SC left the company he informed Jose Luis Rodriguez of the potential problems that public market representatives could pose in Teotihuacán. Failure to address that source of concerns effectively resulted in the problem exploiting 1 month afterwards. The problems included questioning about how the INAH had been convinced to issue the respective clearances. Wal-Mart is a desirable target for some social groups resisting changes and questioning motivation by foreign firms, especially when some traditional distribution channels are affected.
- \* Severe problems also existed with the residents of the "Club de Golf Hacienda" who eventually were



also linked and joined forces in some way with the guys at the Teotihuacan site.

\* On August 31, 2004, SC's last day at the company, SC received calls from Raúl Argüelles and Jose Luis Rodriguez indicating that they were very concerned about some problems that had not been resolved. SC wished them luck in their activities as he was no longer responsible to take care of these issues.

\* SC says the problems and how these were resolved are fairly obvious, for example, by analyzing in the case of the Chamapa Distribution Center just what the difference is between the supply contract and the actual receipts where the extra volume of electricity supply was only possible through an irregular coordination of payments to representatives of the power supply company. Those payments were handled through three different outside law firms given the sizable amount involved.

\* Nobody called SC when he left the company, something that he resented after 28 years of services.

\* He also dislikes the fact that all of the team that worked on the legal development of retail sites was destroyed after many years of putting it together.

\* When he left the company Mr. Solorzano was only a Vice President of Operations and SC does not believe that he was aware of any of the illegal activities, as these were only known by Messrs. Castro and Del Rio.

\* \* \*

We called SC today just to validate some of the names and dates he mentioned during Friday's meeting. In this brief telephone conversation he said that after this meeting his impression was that this case had been closed as regards possible further contacts with us. He also said that that "he had decisions to make." I informed him that we would report back to you on our findings and summary of the meeting and would call him if there were any other issues worth exploring with him.

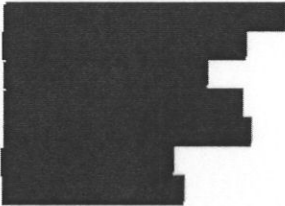
I guess given where we are with these issues now, the company will need to decide whether it is worth contacting SC for any other purposes or whether the rest of the investigation will be conducted internally. It is difficult to know what if any other actions SC may take with respect to disclosure of the information to other sources, something that could be read between the lines based on what he mentioned to us last Friday and his statement during our telephone conversation today.

With nothing further for the moment, and waiting for your comments, I remain, as always,

Sincerely,

Lic. Juan Francisco Torres Landa R.

**BARRERA, SIQUEIROS Y TORRES LANDA, S.C.**  
**ABOGADOS**



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This e-mail is private and confidential and contains information intended only for the use of the person named above. If the recipient of this message is not the one intended, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this document in error, please send it to [REDACTED] immediately. Thank you.

From: [Thomas Mars](#)  
To: [Ken Senser](#)  
Subject: FW: IMPORTANT: WALMEX Memo  
Date: Saturday, October 15, 2005 8:26:10 PM  
Attachments: [WALMEX RE - Torres Landa emails 10-13 & 10-7-05.doc](#)  
Importance: High

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FYI

-----Original Message-----

From: Thomas Mars  
Sent: Sat Oct 15 17:58:07 2005  
To: Mike Duke  
Cc: Tom Hyde - Executive  
Subject: IMPORTANT: WALMEX Memo

Mike:

The attached memorandum summarizes an interview conducted earlier this month with a former WALMEX in-house lawyer. The lawyer was terminated in September 2004 after 28 years with the company. The lawyer asserts in some detail alleged corruption by various WALMEX associates, including senior people.

You'll want to read this. I'm available to discuss next steps.

PS: Welcome to Wal-Mart International.

-----Original Message-----

From: Maritza Munich-Legal  
Sent: Sat Oct 15 17:42:31 2005  
To: Thomas Mars  
Subject: WALMEX Memo

<<WALMEX RE - Torres Landa emails 10-13 & 10-7-05.doc>>

~Maritza

=====  
MARITZA I. MUNICH  
VP & General Counsel - International  
WAL\* MART STORES, INC.  


From: **Juan Francisco Torres Landa R.** [REDACTED]  
Sent: **Thursday, October 13, 2005 9:16 PM**  
To: **Maritza Munich-Legal**  
Cc: **RICARDO PONS**  
Subject: **WALMEX**  
Importance: **High**

**CONFIDENTIAL – ATTORNEY CLIENT PRIVILEGED INFORMATION**

Dear Maritza:

At your request we have conducted a second meeting with Sergio Cicero ("SC"). The purpose of this meeting was to follow-up to the comments made during our meeting with him last week and hence try to obtain more specific data and reference to dates, specific events and persons involved.

With out goal in mind, we had a 2 hour meeting with SC today, same that resulted in the following basic issues:

a) Contributions for improvement of proceedings in the Federal District:

- A total contribution of Mex\$2 million (net amount) was delivered in 8 partial payments during the end of 2003 and part of 2004.
- These amounts were delivered pursuant to the instructions of Javier del Rio with the knowledge of the President (depending on the time, either Cesáreo Fernández or Eduardo Castro).
- The main contact person to negotiate such contribution on the part of the government was Mr. Graco Ramírez (PRD Congressman).
- The payments were allegedly made to facilitate the steps with the Urban Development Ministry as regards the urban impact statement for new sites.
- Even though the payments were made through an outside law firms (grossed up to reflect the impact of Income Tax, Value Added Tax and professional fees), they were handled in partial cash payments handed over to persons receiving the corresponding envelopes.
- SC witnessed at least 2 of those cash deliveries just to make sure that they were being turned over to the designated persons.
- In spite of those payments, in this case there was no noticeable benefit of a speedy resolution of the corresponding urban impact analysis.
- This method was used at the time given the huge pressures to get permits in place. The pressure was less in 2005 because it was possible to locate more properties than stores were needed to be opened.
- In any event, the accounting codes for the contributions were authorized by the President of the company, particularly these contributions to the Federal District government.
- SC claims having one such code of accounting catalogue of payments signed by Mr. Javier del Rio.

- Among the external law firms used one recommended by SC was headed by Mr. Jesús Huitrón. These were small law firms as big corporate firms would not be easy to handle or even accept the assignments.
- Law firms would issue receipts for legal fees with codes to confirm which accounting entry was being covered.
- The comptroller Eduardo Juárez received on a monthly basis an extract prepared by SC of the individual sites expenditures and the accounting codes. Two additional copies in closed envelopes were delivered to Javier del Río one of which was labeled to be delivered to the President.

b) Teotihuacán Site:

- During 2002 and 2003, and given the pressure to open new sites, the State of Mexico was confirmed as a strategic area of growth.
- The main problem in this State had to do with zoning licenses and how those could impact the ability to open new sites.
- At the instructions of Javier del Río, and given that a periodic global review was underway at the State level, SC and an outside firm arranged for the State plans to specifically foresee changes of zoning in those places where a new site was envisioned to be opened.
- The purpose was to have areas qualified from the beginning to avoid having to apply for zoning changes that would be costly and time consuming.
- One of such sites that were adjusted was placed in the area near the Teotihuacán pyramids to open a Bodega Aurrerá.
- With the zoning state license in place, negotiations to conclude a Lease Agreement with the owner were conducted.
- The Municipal operating permits were complicated because in this particular area in addition to the Mayor, the Municipal Council and the neighbors also participate in the decision.
- To secure the approval from the Municipal Council and with the active reporting at that time to José Luis Rodríguez, Mex\$1,250,000.00 were delivered to 7 of the 11 Municipal County members.
- The neighbors were convinced without any contribution, but just accepting to perform some local community works.
- The National Institute of Anthropology and History (INAH) asked for an official donation of Mex\$400,000.00, but the INAH's President received an irregular payment of Mex\$150,000.00 to give approval for the corresponding construction site given its proximity to the archeological site.
- The construction was underway when in August 2004 the Municipal President alerted the company about the problems with some public/street market representatives. The problem exploited because these groups were under estimated.
- While the noise generated by those groups faded with time, the potential of that problem gaining strength again is there.

c) Chamapa Distribution Center:

- Again in this case the instructions to secure the electricity supply required at the site (in spite of limitations for prior applicants) was given by Javier del Río.

- In the monthly telephone conference calls to a US committee reference were made to the power supply problem but never any concrete data of what solutions were being considered.
- A US-Mexico Committee was assigned to follow-up on the construction of this very important distribution site.
- Given the lack of availability of power supply Mex\$1,500,000.00 were paid to obtain the required capacity from the power supply company (Luz y Fuerza del Centro).
- The payments were divided in 2 in order to try to ensure that the required supply was going to be confirmed by the power company. The same method using an external office was used for the cash deliveries. The company acted in tandem with the law firm to get everything in place.
- The risk still exists that an audit by the power company could reflect the fact that this was an irregular handling given that other petitions for supply were in existence before. However, it is unlikely for there to be a problem given the time the agreement has been in place already.
- However, the discrepancy between the power supply contract and the actual receipts is evident.

d) Sam's Club at FFCC Hidalgo - Mexico City:

- This store was finished in December 2003; it used to be an old Ford factory installation.
- The main obstacle in the origin has to do with the urban impact assessment that would have been required given the expansion of the original plant in an additional 3,500 square meters.
- This site is located in the Gustavo A. Madero Delegation.
- When it was determined that it would take several months to go through the permitting process and given the proximity of the start date, several options to try to speed up the process were analyzed.
- Once it was determined to start construction, during such process the final solution agreed upon with government officials was to substitute in the central records of the Delegation the original map of the Ford facility so that the expansion area would be indicated as if originally existing at the site. Pursuing this method effectively resulted in only applying for a remodeling license for painting and upgrading the facility, but no material construction taking place.
- Javier del Rio authorized these actions with the approval of the Presidency. Eduardo Castro as the Comptroller was also aware of these issues.

e) General Comments:

- The 8 binders that SC has basically cover 150 cases.
- Each case is made up of copies of checks, government receipts, legal fees receipts, authorization signatures and SC's explanation notes.
- SC prepared those notes in order to protect him in case of any complaint or investigation about the destination of the funds used to obtain permits for the opening of sites.
- SC only has a few copies of the monthly reports delivered to Senior Management about all expenses made.
- SC's team was not aware at all of these payments as the information was limited to Senior Management and himself.



- SC only met with the outside law firms outside of Wal Mart's legal department to prevent any direct contact with his own team.
- SC has lost contact and does not know the current whereabouts of Mr. Huitrón.
- SC is unaware as to how the company is operating currently or how it is solving the time limitations for new sites' openings.
- Another deficiency that he detected in due course had to do with the fact that properties that were purchased seldom had any appraisal to validate the value at which the properties were being acquired. The validation for value was based only on the sites' ability to produce sales but not on its fair market value. In one such case a site in León, Guanajuato was bought for 9 times the appraised value (because in this State an appraisal was needed to take title to the land, but was not used at the time of negotiation).
- The receipts that were issued by the law firms did not necessarily match the specific site for which the work was performed because they were divided in order not to have large amounts concentrated in one single site. The receipts did have some marks to match the accounting code for irregular payments.
- SC does not have any real thoughts about what to do with the existing binders; he fears they may be used against him. Nonetheless, if asked he may agree to release an example for our quick review.
- He has mixed feelings about how the work was performed before and what justification he may find in order to find peace of mind about all the irregular payments made at the time.
- He was concerned at the time and effectively was under a lot of pressure and stress.
- One of such pressures had to do with the fact that government agencies would often become greedy and start demanding more to get to a solution on the issuance of permits, situations that often led to the need to provide additional funds.
- Problems of that sort of additional demands were present, for example, at a construction of a Wal Mart and Sam's Club site in Villahermosa, Tabasco.
- These types of operating and construction needs are almost exclusive to Wal Mart because other competitors do not have the volume of sites and opening problems to be resolved.
- SC is somewhat frustrated about not being able to use his professional experience because no other company has the needs that Wal Mart does.
- The approval committee in Mexico never really reported the problems encountered to the US, as the US was only informed about the selection process and the opening events.
- A latent problem still exists with groups opposing Wal Mart such as those in the case of Teotihuacán and Arboledas that openly act against Wal Mart's activities.
- SC witnessed how those opposing groups were able to communicate to each other, even when located in entirely different areas.
- SC believes that those connections could be made in new sites where groups could joint together and pose a more significant threat.
- SC's opinion is that the real interest from the US Legal Department should not be so much in what happened before, but how the company may still be operating and how decisions are made to resolve problems through illegal means.

\* \* \*

These are the new facts that we have been given in today's interview. I sincerely doubt that there will be more concrete information coming this way as SC is not really willing to disclose

the binders. The only thing we can really get from SC could perhaps be access to one of the examples in his binders. Even though we obviously never offered anything for the information in those binders, the reality is that I do not think the information is available either. We need to therefore discuss with you what other steps you think are worthwhile at this time and what to do if you believe a formal investigation should be launched.

With nothing further for the moment, and waiting for your comments, I remain, as always,

Sincerely,

Lic. Juan Francisco Torres Landa R.  
BARRERA, SIQUEIROS Y TORRES LANDA, S.C.  
ABOGADOS



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ENGLISH VERSION OF E-MAIL ORIGINALLY SENT ON FRIDAY OCTOBER 7, 2005

**CONFIDENTIAL – ATTORNEY CLIENT PRIVILEGED INFORMATION**

Dear Maritza:

Pursuant to our conversation this morning and your request, we held a meeting with Mr. Sergio Cícero ("SC"). Subject to our reviewing in greater detail all of the implications of this case, following find an executive summary of the data and remarks that SC stated to us during the meeting this morning.

- SC, a 53 years old attorney, studied at the National Autonomous University of México, from 1972 to 1976.
- He was part of the Wal-Mart Mexico organization during 28 years, occupying until September 2004, the Legal Department of Real Estate.
- SC confirmed that inspite of the fact that after the 1995 financial crisis construction of stores was low, during the last 6 to 7 years (particularly given Wal Mart's acquisition)

very aggressive growth goals were set. This translated into the need of having new sites open in record times.

- The basic premise was to make whatever was necessary to obtain the result. This policy meant having to distribute resources to facilitate resolving any obstacle that may have existed in obtaining the required governmental authorizations.
- In order not to involve the company directly in any type of corruption, a pair of outside firms were hired so that they would be the ones in charge of making any irregular payment.
- Even though the work was monitored by the legal department, randomly any of the two firms was selected for purposes of performing the actions with the government agencies that may be the recipients of possible extraordinary payments.
- Goals were obtained in all cases. The schedule was very rigid with demanding times and in most cases dealing with new sites.
- A policy of "the goal justifies the means" that was followed included sponsoring irregular payments.
- One such example was the opening of the Wal Mart Distribution Center outside of Mexico City in Chamapa, where the necessary electricity supply would have been normally obtained until 2006 or 2007. Through unorthodox means it was possible to obtain the required supply stepping ahead of other prior applicants. Currently the respective Supply Agreement and the receipts showing the effective consumption do not coincide thus demonstrating the irregular activity.
- The costs distribution method was included in a catalogue with codes identifying the irregular act that would then be purified with such code in the accounting records, nonetheless linking them to the payments made to external firms. This structure was recognized by senior management of the company. Even when the President of the company changed, the instructions were ratified.
- In March 2004 a new legal Vice Presidency was created and Mr. José Luis Rodríguez appointed in that position. This designation was notified one day before to SC, a very painful event for SC that generated significant anger with respect to the lack of recognition of his work.
- SC had various problems with Mr. Rodríguez, in particular when SC was asked to sign directly the expense reports, something that SC opposed. Eventually, according to SC that pressure and other issues led him to leave the company and negotiate his termination on September 1, 2004.
- During all of the time of his performance and the aggressive growth program, SC never had access to officers in Bentonville. The real studies of the sites were never seen in the United States but only selected by the Presidency in Mexico and thereafter just informing the United States of the final results.
- "Dirty clothes are washed at home", and therefore the hidden costs were not known outside of Mexico.
- Since September 2004 and up to this date SC has managed to assemble the information of notes and reports that he had, thus establishing the specific story of the events in each site as to the payment mechanics and others that resulted in obtaining completion dates that would have been impossible to attain if conducted under a strict legal basis.
- A third law firm that existed was eliminated when apparently it was caught abusing in handling amounts that were demanded and that were not even making their way to their final approved destination.
- The President, Real Estate Vice President and Audit Vice President knew of the payment mechanics and even received a detailed schedule of all of the payments performed.

- SC has copies of the various references for each of the sites, a report made based on his own personal files.
- SC stated that his interest is for this system and the respective irregular payments to be known in Bentonville.
- SC claims not to have reported these events previously given the existing pressure at the company and after his termination given the time that he took in organizing all of the data that he now has in several binders.
- He mentioned being available to cooperate to clarify all the facts, as long as he is not personally involved in anything, neither by referring to him personally, nor by requiring for him to actively participate in any investigation.
- When he left the company he was angry at the lack of recognition of his work, in addition to the fact that nobody asked him to stay even after 28 years of work.
- Even though his brother is still in the company the reality is he does not even speak to him, and in fact is not interested in having any contact with him whatsoever.
- SC's current activities are in the field of home construction as a personal business.
- Even though SC does not deny having had contacts with competing companies for possible new employments positions, he has never accepted any offer with them as they have been unattractive. SC mentioned that in his case he would had rather stayed at Wal Mart than with any of the other competing firms because the mechanics may not be that different and nonetheless stability and benefits are far better at Wal Mart.
- The catalogue that SC referred to as having some internal accounting codes to recognize the specific destination of a payment was broken down into the following items:
  - Speed of applications
  - Elimination of a requirement
  - Reduction of mitigation work or conditions
  - Donations in cash without receipt
  - Street vendors, invaders and holders of properties
  - Street markets and public markets
  - Government agencies discretionary authority
  - Verbal authorizations
  - Influence, control or confidential information of government agencies
  - Cross-subsidies between projects
  - Follow-up expenses to eliminate fines
  - Presidency instructions to speed-up projects in Mexico City

This is the basic information that was given to us by SC in the referred conversation. No specific new appointment nor any commitment was established other than SC stating that he remained for the time being satisfied for you to have access to this information and that we would then proceed as we determine viable. We did not detect on his part any express statement about wishing to sell the information or receiving any payment. We do not know this person enough to determine if his real motivation was to take this weight off himself or if he assumes or pretends to sell somebody this information and transferred to third parties, and whether that is something we would like to avoid. Evidently our recommendation is never to yield to any blackmail, it being clear that in no moment SC stated this economic interest during today's interview.

With nothing further for the moment, and waiting for your comments, I remain, as always,

Sincerely,

Lic. Juan Francisco Torres Landa R.  
BARRERA, SIQUEIROS Y TORRES LANDA, S.C.  
ABOGADOS



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