DEPARTMENT OF THE AIR FORCE
ARLINGTON, VA 22203-1613

Office of the Deputy General Counsel

VIA FEDERAL EXPRESS

FEB 07 2011

SAF/GCR
4040 N. Fairfax Drive
Suite 204
Arlington, VA 22203

Mr. Leo Winston Smith, aka Lee Smith
[redacted]

Re: Notice of Debarment

Dear Mr. Smith,

By letter dated January 3, 2011, the Air Force initiated proceedings to debar you from contracting with the United States Government. The letter provided you with an opportunity to submit information and arguments in opposition to the proposed debarment. To date, you have not responded to the proposed debarment notice.

Based upon the information in the administrative record in this matter, I have determined that protection of the Government's interests requires that you be debarred from contracting with the United States Government. The effects of debarment are those stated in the January 3, 2011, Notice of Proposed Debarment.

Per Federal Acquisition Regulation Part 9.406-4(a)(1), while debarment will generally not exceed three years, debarment should "be for a period commensurate with the seriousness of the cause(s)." In light of the egregious nature of your misconduct, this debarment is effective immediately and continues for five years from March 20, 2008, the date you were suspended. Your debarment will terminate on March 19, 2013.

Sincerely, [redacted]

STEVEN A. SHAW
Deputy General Counsel
(Contractor Responsibility)

DEPARTMENT OF THE AIR FORCE
ARLINGTON, VA 22203-1613

Office of the Deputy General Counsel

VIA CERTIFIED MAIL

FEB 07 2011

SAF/GCR
4040 N. Fairfax Drive
Suite 204
Arlington, VA 22203

Design Smith, Inc.
Attn: Mr. Leo Winston Smith, aka Lee Smith
[redacted]

Re: Notice of Debarment

Ladies and Gentlemen,

By letter dated January 3, 2011, the Air Force initiated proceedings to debar Design Smith, Inc. ("DSI") from contracting with the United States Government. The letter provided DSI with an opportunity to submit information and arguments in opposition to the proposed debarment. To date, DSI has not responded to the proposed debarment notice.

Based upon the information in the administrative record in this matter, I have determined that protection of the Government's interests requires that DSI be debarred from contracting with the United States Government. The effects of debarment are those stated in the January 3, 2011, Notice of Proposed Debarment.

Per Federal Acquisition Regulation Part 9.406-4(a)(1), while debarment will generally not exceed three years, debarment should "be for a period commensurate with the seriousness of the cause(s)." In light of the egregious nature of Mr. Smith's misconduct, upon which DSI's debarment is based, this debarment is effective immediately and continues for five years from March 20, 2008, the date DSI was suspended. DSI's debarment will terminate on March 19, 2013.

Sincerely,

[redacted]

STEVEN A. SHAW
Deputy General Counsel
(Contractor Responsibility)

DEPARTMENT OF THE AIR FORCE
ARLINGTON, VA 22203-1613

JAN 03 2011

Office Of The Deputy General Counsel

MEMORANDUM IN SUPPORT OF THE PROPOSED DEBARMENTS OF:

LEO WINSTON SMITH, a/k/a
LEE SMITH
DESIGN SMITH, INC.
DSI
DSI INTERNATIONAL

Effective this date the Air Force has proposed the debarments of Leo Winston Smith, aka Lee Smith ("Smith"), Design Smith, Inc., DSI, and DSI International (collectively referred to as the "DSI entities") from Government contracting and from directly or indirectly receiving the benefits of Federal assistance programs. This action is initiated pursuant to Federal Acquisition Regulation ("FAR") Subpart 9.4.

INFORMATION IN THE RECORD

Information in the record establishes by a preponderance of evidence that at all times relevant hereto:

1. Smith, a citizen of the United States, had a mailing address of 177 Riverside Ave., Newport Beach, CA 92663-4032. His previous mailing address was P.O. Box 17191, Irvine, CA 92713-7191.

2. Smith was Executive Vice President and Director of Sales and Marketing for Company X, a defense contractor. Smith's main responsibility at Company X was to obtain business from, and negotiate contracts with, various domestic and international clients.

3. The United Kingdom Ministry of Defense's ("UK-MOD"), Defense Logistics Organization, headquartered at Royal Air Force Base Wyton in Cambridgeshire, England, was a customer of Company X. UK-MOD, including the Defense Logistics Organization, was a department, agency and instrumentality of the United Kingdom.

4. "The Project Manager" was a civil servant and an employee of UK-MOD. The Project Manager was involved in the procurement of certain equipment for UK-MOD and took part in the review of requests for proposals. As a result of his position at UK-MOD, the Project Manager was able to influence the awarding of UK-MOD contracts for services and equipment.

5. The DSI entities were created by Smith to facilitate the payment of bribes to and on behalf of the Project Manager and to conceal income from the Internal Revenue Service. The mailing address for the DSI entities was P.O. Box 17191, Irvine, CA 92713-7191, a mailing address also used by Smith. Smith was listed as a point of contact for DSI.

6. From in or about 1999 until in or about July 2003, Smith paid bribes and authorized the payment of bribes to and on behalf of the Project Manager in order to obtain and retain lucrative UK-MOD contracts for Company X.

7. From in or about 1999 until in or about 2004, Company X received more than $11,000,000 in UK-MOD contracts, which Smith obtained through the payment of more than $300,000 to and for the benefit of the Project Manager.

8. In 2003, Company X paid Smith approximately $500,000 in commissions in connection with approximately $6,000,000 in contracts with UK-MOD. Smith did not report these commissions on his 2003 U.S. Individual Income Tax Return.

9. On April 25, 2007, a Federal Grand Jury for the United States District Court for the Central District of California indicted Smith, charging him with:

a. One count of Conspiracy to Violate the Foreign Corrupt Practices Act in violation of 18 U.S.C. § 371;

b. Three counts of violating the Foreign Corrupt Practices Act, 15 U.S.C. § 78dd-2;

c. One count of Conspiracy to Commit International Money Laundering, in violation of 18 U.S.C. § 1956(h);

d. Four counts of International Money Laundering, in violation of 18 U.S.C. § 1956(a); and,

e. One count of Making a Fraudulent and False Statement Under Penalty of Perjury, in violation of 26 U.S.C. § 7206(1).

10. The Air Force suspended Smith and DSI on March 20, 2008, pending resolution of his criminal proceeding.

11. A superseding two-count criminal information was filed against Smith on September 1, 2009. This information dropped the counts relating to the violation of statutes 15 U.S.C. § 78dd-2, 18 U.S.C. § 1956(h), 18 U.S.C. § 1956(a), and 26 U.S.C. § 7206(1), and added one count of Corruptly Attempting to Impede Due Administration of the Internal Revenue Code, in violation of 26 U.S.C. § 7212.

12. On December 2, 2010, Smith was sentenced to a six-month term of imprisonment and a six-month term of home confinement, followed by a three-year supervised term of probation.

BASES FOR THE PROPOSED DEBARMENTS

1. The conviction of Smith provides a basis for his debarment pursuant to FAR 9.406-2(a)(1), (3), and (5).

2. The improper conduct of Smith is of so serious or compelling a nature that it affects his present responsibility to be a Government contractor or subcontractor and provides a separate and independent basis for his debarment pursuant to FAR 9.406-2(c).

3. Pursuant to FAR 9.406-5(a), the 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 seriously improper conduct of Smith may be imputed to the DSI entities because his conduct occurred in connection with his performance of duties for or on behalf of the DSI entities, and with their knowledge, approval, and acquiescence. As such, his conduct provides a separate and independent basis for the debarments of the DSI entities.

4. Pursuant to FAR 9.406-1(b), debarments may be extended to the affiliates of a contractor, as defined in FAR 9.403. Smith and the DSI entities are affiliates because directly or indirectly Smith controls or can control the DSI entities. That affiliation provides a separate basis for the debarments of Smith and the DSI entities.

STEVEN A. SHAW
Deputy General Counsel
(Contractor Responsibility)