

UNITED STATES DISTRICT COURT FOR THE
SOUTHERN DISTRICT OF TEXAS

United States District Court
Southern District of Texas
FILED

BROWNSVILLE DIVISION

MAR 18 2008

Michael N. Milby
Clerk of Court

UNITED STATES OF AMERICA

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§
§

v.

CR. NO. B-08-286

ARNULFO CUAHTEMOC OLIVAREZ

INDICTMENT

THE UNITED STATES GRAND JURY CHARGES:

INTRODUCTION

At all times material to this Indictment:

1. **ARNULFO CUAHTEMOC OLIVAREZ**, defendant herein, commonly referred to as Arnie, hereinafter Defendant OLIVAREZ, was the owner and operator of a business known as Insurance Associates of the Valley. A large part of the business Defendant OLIVAREZ sought for Insurance Associates of the Valley was from Rio Grande Valley-area school districts and other local governmental entities. Additionally, Defendant OLIVAREZ used other entities through which he conducted business transactions, including an entity known as LDP Leasing.

2. Aaron Gonzalez, not named as a defendant herein, was a Trustee of the Edcouch Elsa Independent School District. Gonzalez was also the owner and

operator of an insurance agency known as Eagle Insurance located in Edcouch, Texas.

3. Edcouch Elsa Independent School District (EE-ISD): Located in Hidalgo County, Texas, EE-ISD was involved in various aspects of interstate and foreign commerce and received extensive federal funding in support of various school district functions.

COUNT ONE
(Conspiracy to Violate Federal Law - 18 U.S.C. § 371)
INTRODUCTION

4. The Grand Jury adopts, realleges, and incorporates herein the Introduction Section of this Indictment.

THE CONSPIRACY

5. Beginning in or about sometime in 1999, the exact date being unknown to the grand jury, continuing until on or about sometime in November, 2005, in the Brownsville Division of the Southern District of Texas,

ARNULFO CUAHTEMOC OLIVAREZ

Defendant herein, did knowingly, combine, conspire, confederate, and agree with Aaron Gonzalez, an unindicted coconspirator herein, and with other persons known and unknown to the Grand Jury, to commit an offense against the United States, as follows:

(a) to knowingly and intentionally devise and intend to devise a scheme

and artifice to defraud, including involving the deprivation of the intangible right of honest services of other persons and, in furtherance of the scheme and artifice to defraud, used and caused the use of the United States Postal Service, in violation of *Title 18, United States Code, Sections 1341 and 1346 (mail fraud involving deprivation of honest services)*; and,

(b) to knowingly use and cause the use of a facility in interstate commerce, with intent to otherwise promote, manage, establish, carry on and to facilitate the promotion, management, establishment and carrying on of an unlawful activity, that being a bribery of a public official in violation of the laws of the State of Texas, Penal Code § 36.02(a)(1) and (3), and thereafter performed and attempted to perform acts in furtherance of the unlawful activity, in violation of *Title 18, United States Code, Section 1952 (Travel Act in aid of state bribery scheme)*.

Manner and Means of the Conspiracy

6. The manner and means of the conspiracy included, but were not limited to, the following:

A. It was a part of the conspiracy that Defendant OLIVAREZ did offer, make available, and furnish things of value to a certain school district trustee to attempt to influence and influence this official, and in exchange, this public

official provided the Defendant, his company and various insurance companies he represented or otherwise had a financial relationship with, with advantages not available to other similarly situated competitors for insurance-related contracts, including: assisting in the process for the award of insurance-related contracts (including those for processing of claims known as benefits administration) to Defendant OLIVAREZ, his company and other companies he represented, sought business for or otherwise had an agency relationship with, all in exchange for the Defendant arranging, paying and providing certain valuable items, including payments of money, and costs related to travel, lodging, entertainment, along with other similar gratuities and in-kind payments and reimbursements to this public official and close family members of this public official and others;

B. It was a further part of the conspiracy that Defendant OLIVAREZ and at least one public official did agree tacitly and implicitly, to deprive the taxpayers and residents of the EE-ISD, the children attending school in the EE-ISD, and other elected trustees, administrators and employees of the EE-ISD, along with the Texas Education Agency (TEA) and the taxpayers of the State of Texas, of the intangible right of honest services related to the process for obtaining various types of insurance policy contracts, in breach of: the oath of office taken by each public official that knowingly accepted things of value in

exchange for acts of discretion related to the insurance-related contract process, and subsequent payment process related to such contracts; state regulations regarding bid procedures for the letting of such contracts by a Texas school district; and, Texas criminal law relating to gifts to public servants, bribery, and procedures for these specific type government contracts;

C. It was a further part of the conspiracy that Defendant OLIVAREZ did seek tacit and implicit agreements from an elected school trustee involved in the grant and approval process of certain insurance-related contracts, to provide any bids submitted by companies with which Defendant OLIVAREZ had an agency relationship, with preferential treatment, and to renew and re-authorize existing insurance related contracts without invoking or fully utilizing the competitive bid process, including this trustee providing all necessary official support, such as procedural actions and other votes in open meetings, and in exchange for such favorable consideration by this public official, the defendant did provide items of value to such trustee and close family members of such trustee, and to others; and,

D. It was a further part of the conspiracy that Defendant OLIVAREZ did use and did cause the use of the United States mail and interstate package carriers during the effort to gain certain advantages not available to other

potential bidders for insurance-related contracts, to include actions during and after the process related to the awarding of such contracts, including the payment process related to policy claims per these contracts;

OVERT ACTS

7. In furtherance of the conspiracy and in order to accomplish its objectives, the following overt acts, were committed in the Brownsville Division of the Southern District of Texas and elsewhere:

(1) On or before July 30, 2001, Defendant OLIVAREZ, and unindicted co-conspirator Aaron Gonzalez discussed arrangements to aid OLIVAREZ in regard to insurance related business from EE-ISD.

(2) On or about July 30, 2001, unindicted co-conspirator Aaron Gonzalez cast an official vote in an EE-ISD board meeting that aided a company with which Defendant OLIVAREZ had an agency relationship, in receiving an insurance-related contract at the school district.

(3) On or about July 31, 2001, Defendant OLIVAREZ caused a check in the amount of \$3000 to be made to Eagle Insurance from an account in the name of Insurance Associates of the Valley.

(4) On or about August 26, 2002, unindicted co-conspirator Aaron Gonzalez cast an official vote in an EE-ISD board meeting that aided a company

with which Defendant OLIVAREZ had an agency relationship, in receiving an insurance-related contract at the school district.

(5) On or about August 27, 2002, Defendant OLIVAREZ caused a check in the amount of \$2000 to be made to unindicted conspirator Aaron Gonzalez from an account in the name of Insurance Associates of the Valley.

(6) On or about May 8, 2003, Defendant OLIVAREZ caused the use of a credit card to pay \$142.38 in rental fees to secure lodging on South Padre Island for public officials with EE-ISD.

(7) On or about May 15, 2003, Defendant OLIVAREZ caused the use of a credit card to pay \$355.95 in rental fees to complete payment for lodging on South Padre Island for public officials with EE-ISD.

(8) On or about July 10, 2003, Defendant OLIVAREZ caused a check in the amount of \$5000 to be made to Eagle Insurance from an account in the name of Insurance Associates of the Valley.

(9) On or about July 16, 2003, unindicted co-conspirator Aaron Gonzalez cast an official vote in an EE-ISD board meeting that aided a company with which Defendant OLIVAREZ had an agency relationship, in receiving an insurance-related contract at the school district.

(10) On or about July 18, 2003, Defendant OLIVAREZ caused the

use of a credit card to pay \$7120 for thirteen (13) airplane tickets from Harlingen, Texas on August 3, 2003 to Las Vegas, Nevada for EE-ISD trustees, professional staff members and various family members of these EE-ISD officials.

(11) On or about August 2, 2003, Defendant OLIVAREZ caused a check in the amount of \$1000 to be made to unindicted co-conspirator Aaron Gonzalez from an account in the name of LDP Leasing.

(12) On or about April 29, 2005, Defendant OLIVAREZ caused the use of a credit card to pay \$1496.11 in rental fees to pay for lodging on South Padre Island for public officials with EE-ISD.

(13) On or about May 19, 2005, Defendant OLIVAREZ caused the use of a credit card to pay \$1090.18 in rental fees to pay for lodging on South Padre Island for public officials with EE-ISD.

(14) On or about August 10, 2005, unindicted co-conspirator Aaron Gonzalez cast an official vote in an EE-ISD board meeting that aided companies with which Defendant OLIVAREZ had an agency relationship, receive five separate insurance-related contracts at the school district.

(15) On or about August 11, 2005, Defendant OLIVAREZ caused a check in the amount of \$1000 to be made to Eagle Insurance from an account in the name of Insurance Associates of the Valley.

(16) On or about August 24, 2005, Defendant OLIVAREZ caused a check in the amount of \$2000 to be made to Eagle Insurance from an account in the name of Insurance Associates of the Valley.

(17) On or about August 31, 2005, Defendant OLIVAREZ caused a check in the amount of \$2000 to be made to Eagle Insurance from an account in the name of Insurance Associates of the Valley.

(18) On or about November 13, 2005, Defendant OLIVAREZ provided unindicted co-conspirator Aaron Gonzalez, the use of a membership account at a country club in Cameron County to charge green fees, golf clothing and equipment, and food and drink resulting in charges of \$515.97 to Defendant OLIVAREZ' membership account at the country club.

In violation of *Title 18, United States Code, Section 371.*

**COUNT TWO
(MAIL FRAUD)**

8. The Grand Jury adopts, realleges, and incorporates herein the Introduction Section of this Indictment.

The Scheme to Defraud

9. From in or about sometime in 1999, up to and including on or about November 2005, in the Southern District of Texas and elsewhere,

ARNULFO CUAHTEMOC OLIVAREZ,

Defendant herein, aided and abetted by Aaron Gonzalez and by others known and unknown to the grand jury, did intentionally and knowingly devise and intend to devise a scheme and artifice to defraud, including involving the deprivation of the intangible right of honest services, and to obtain money and property from another by means of false and fraudulent pretenses and representations, well knowing at the time that the pretenses and representations were false when made, and in furtherance of the scheme and artifice to defraud, used and caused the use of the United States Postal Service, which scheme and artifice to defraud so devised and intended to be devised was, in substance, as follows:

Manner and Means of the Scheme to Defraud

10. The manner and means of the scheme to defraud included, but were not limited to, the following: The Grand Jury adopts and realleges herein The Manner and Means of the Conspiracy, Paragraphs 6 A through D.

Execution of the Scheme to Defraud

11. On or about September 23, 2003, for the purpose of executing and attempting to execute the scheme and artifice to defraud, and to obtain money and property by means of material false and fraudulent pretenses, representations and promises, and intending to do so,

ARNULFO CUAHTEMOC OLIVAREZ

defendant herein, did knowingly cause in the normal course of business, a matter to be sent through the United States Postal Service mail, from the Edcouch Elsa Independent School District to ICON Benefits Administrators Inc., containing documents related to a contract approved by the district in an official meeting, including: ICON Administrative Services Agreement, ICON ERISA Disclosure Statement and Reinsurance Application through Standard Security.

All in violation of *Title 18, United States Code, Sections 1341, 1346 and 2.*

COUNT THREE

(Travel Act Violation to Promote State Bribery - 18 U.S.C. §§1952 and 2)

12. The Grand Jury adopts, realleges, and incorporates herein the Introduction Section of this Indictment.

13. From on or about at least July 18, 2003 up through and including or or about September 9, 2004, in the Southern District of Texas and elsewhere,

ARNULFO CUAHTEMOC OLIVAREZ,

defendant herein, aided and abetted by Aaron Gonzalez, and by others known and unknown to the Grand Jury, did use and cause the use of a facility in interstate commerce, in that he caused the use of a regularly scheduled commercial airline, specifically by causing the scheduling of, and payment for, the travel on Southwest Airlines of public officials with EE-ISD and persons connected to these public officials, from Harlingen, Texas to Las Vegas, Nevada for travel on the dates of

August 3 through 6, 2003, with intent to otherwise promote, manage, establish, carry on and to facilitate the promotion, management, establishment and carrying on of an unlawful activity, that being a bribery of a public official in violation of the laws of the State of Texas, *Penal Code § 36.02(a)(1) and (3)*, and thereafter performed and attempted to perform acts in furtherance of the unlawful activity, specifically including billings related to insurance contracts at EE-ISD that resulted in payments of fees that were accepted by the defendant and his company.

All in violation of *Title 18, United States Code, Sections 1952 (a)(3) and 2.*

A TRUE BILL:



FOREMAN OF THE GRAND JURY

DONALD J. DeGABRIELLE
UNITED STATES ATTORNEY



LARRY EASTEPP
Assistant United States Attorney