

A Call in the Night

As if I had not had enough surprises, within a week or two of my turning down Jerry and Bill's trip to Belize, I received a late-night phone call at my home in San Diego. I was astonished to pick up the handset and hear Jerry Lewis' voice say "hello Tom, this is Jerry. Do you have a minute so we can talk?" I could not have been more taken aback. While I had felt that I had begun to build up a good relationship with Jerry on a personal level and that I was liked by both he and his wife, I knew my decision not to travel with him was not well received and I did not expect that he had taken it as casually as his voice conveyed. After some brief small talk, he got right to the point. He was calling on behalf of Bill Lowery. He stated that Bill was very impressed with me and my company and that he could be of great assistance to me in working with his colleagues and him. Although this had been previously discussed between us, the time had come for me to step up and embrace Bill. With our appropriation virtually assured of being approved by his committee, I needed to bring Bill on and secure his stock options before our success would become conventional wisdom and he would not have so advantaged a price basis point.

He went on to describe how Bill had sacrificed a lot to serve in government from such a young age and now the time had come to provide him with some financial security. Everyone had confidence that Audre would prevail in the upcoming testing and that our stock should surpass even the expectations established when we first showed our potential after winning the ADMAPS contract in late 1991. He wanted Bill to share in that prosperity and now was the ideal time to secure his place as a significant shareholder. He was direct and it did make a lot of sense. I had my concerns about adding the expense of another lobbyist, especially when I knew Bill was legally prohibited for one year from representing Audre before his old committee. But I knew Bill had a deep friendship with Pete Wilson and there would be a lot for him to do before our testing was completed and we would need him again in Washington.

I shared with Jerry my thoughts about offering Bill a position on our Board of Directors and while he was agreeable that Bill would be interested in exploring that opportunity, time was of the essence, and he was concerned over the delay that would be entailed for Bill to meet my other directors and be formally voted into the position. I had been putting off making the decision every time we had previously discussed it and Jerry knew I was stalling then.

My reasons had nothing to do with giving him the options. You could always make up for any rise in their basis price by giving him proportionally more. My reason was I did not want to take on the expense I knew we would be incurring to have him serve as my lobbyist and I felt the directorship was clearly the best way to go. It would also obligate him as a fiduciary, which was an added benefit to the company in that he would be responsible for his conduct.

I never had the chance to explain that I could offer more options to make up for any price concerns. As soon as I mentioned that I was concerned that it would appear inappropriate for him to receive shares on the eve of his former committee's vote to approve the appropriation, Jerry quickly countered that they knew my shares were issued in Canada from a British Columbian registered holding company. Although Audre Recognition Systems traded its stock on the American Stock Exchange, I could place the options in the names of beneficial holders that Bill would provide me with and keep the option record of account in Canada. Ultimately, when the time came to exercise the options, they could be deposited with a Canadian brokerage firm and any trading that might occur would be conducted through them. That would leave Bill's name out of our shareholder's lists and thereby avoid any possibility of bad publicity.

I was stunned. It was very apparent that a lot of thought had gone into this. It was also obvious that they had invited me to Belize with the sole intention to have this exact conversation over a pina colada rather than be forced to play it out over the telephone. The thought of it made me very uncomfortable. I also knew that I was obligated to disclose the name of any beneficiary of stock or options listed in another name. In one of those decisions that you think about time and time again, I said I would have to disclose his name regardless of the country his options were listed with and that I thought taking the time to consider him for a directorship was the only direction I would be comfortable in traveling at this juncture. He said he completely appreciated my point of view and then politely thanked me for my time and hung up.

If turning down the trip to Belize had cooled things down, this conversation was positively chilling. I just could not get past his readiness to structure it in such a sophisticated way, positioning the options outside the United State's jurisdiction and listing them in the names of beneficial holders. It was not until June 1, 2006, that I found out that Lewis, Lowery and Wilkes did

travel to Belize, El Salvador and Honduras to talk things over. Despite working for me for another eighteen months, at no time did Wilkes ever reveal that he had taken that trip with the congressman. Lowery and Lewis likewise said nothing. It now seems apparent to me that the beneficial holdings were intended for more than just Bill.