

HOW THREE STONERS

FROM MIAMI BEACH

BECAME THE MOST UNLIKELY

GUNRUNNERS IN HISTORY

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GUY LAWSON

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In January of 2007, two kids from Miami Beach won a Department of Defense contract to supply \$300 million worth of ammunition to the Afghanistan military. David Packouz and Efraim Diveroli were still in their early twenties but they'd become good—very, very, very good—at bidding online for federal arms contracts. The dope-smoking buddies had become so skilled at winning Pentagon munitions deals they'd beaten a dozen corporate competitors to become the sole winners of the contract to provide the Afghan military with everything from 100 million rounds of AK-47 ammo to thousands of tons of grenades, mortar rounds, and aerial rockets. The massive contract called for enough ammunition to literally create an army—which was precisely what the United States was attempting to do at the time.

As Packouz and Diveroli set out to fulfill the \$300 million contract, they were joined by another dude from their Miami Beach posse named Alex Podrizki. As it happened, the trio had picked an excellent moment to turn themselves into international gunrunners. In the early months of 2007, the wars in Afghanistan and Iraq were both going badly. Years earlier, the United States had invaded the two countries with little thought for the aftermath and the inevitable need to rebuild distant, fractious Muslim societies. As the nations simultaneously descended into the chaos of raging insurgencies, the Bush administration surged tens of thousands of American soldiers into Iraq. This left the Pentagon with few resources to deploy to Afghanistan, as an underdog presidential candidate named Barack Obama noted frequently on the campaign trail. In desperation, the United States decided it needed to

provide greater strategic support to the Afghanistan military and police—and it needed to do so quickly. The ammunition contract was thus part of a major initiative to try to bolster Afghanistan's security forces and turn the tide against the Taliban.

The Afghanistan arms deal was a reflection of a change in defense contracting policy for the United States. In the early days of the conflicts in Afghanistan and Iraq, the Pentagon had awarded multibillion-dollar, no-bid contracts to companies like Halliburton and Blackwater, causing public outrage at the way well-connected insiders were profiting from the wars. In response, President Bush changed the rules to require that most defense contracts be posted on the government's website, be open to competition, and have terms that were favorable to small businesses, giving even tiny players such as Packouz and Diveroli and Podrizki a chance to go up against the largest conglomerates in the military-industrial complex.

The logistics of acquiring and transporting arms on this scale presented serious challenges. Adding another layer of difficulty, the Afghans and Iraqis both used Soviet Bloc weapon systems. This meant the ammunition for the Afghanistan contract would have to be sourced entirely from formerly Communist countries—many nations notorious for corruption and illegal arms dealing. For this strategically vital and politically sensitive endeavor, the Department of Defense relied on three twentysomethings—one a licensed masseur, another a ninth-grade dropout, the third a small-time pot dealer.

Incredibly, at least according to the official version of events, instead of supplying the Pentagon with high-quality ammunition, Packouz and Diveroli and Podrizki shipped a mountain of the cheapest possible surplus rounds from arms caches in the Balkans. A story that appeared on the front page of the *New York Times* in March of 2008 reported that they had the audacity to scam the federal government, supplying faulty, ancient, rusty munitions; cheating the Army; and endangering the lives of innocent Afghan soldiers. The *Times* article made the dudes celebrities, of a kind. But it also raised serious questions. How could three so

obviously unqualified and inexperienced kids be trusted with such a massive defense contract? How had they fooled so many people for so long? Was the contract typical of the way the world's lone superpower was fighting the wars in Afghanistan and Iraq? What did the debacle say about America's ability to triumph in the war on terror?

As a writer for *Rolling Stone*, I knew the magazine was always looking for a certain kind of story—"tales about young people doing f—ked-up things," to use the precise words of my editors. The three friends from Miami Beach certainly seemed to qualify. It appeared they might also provide an interesting, even unique, prism into the secretive and mysterious world of international arms dealing. The improbable voyage Packouz, Diveroli, and Podrizki had taken included geopolitical intrigue, Albanian mobsters, a shady Swiss arms dealer, and an underhanded conspiracy to repackage millions of ancient surplus Chinese-made AK-47 cartridges—all leading to federal indictments for fraud, a congressional investigation, and a scandal that made the US government look not only ridiculous but incompetent.

I knew from experience—this is a trick of the trade—that the best time for a journalist to approach criminal defendants is after they've been sentenced and their legal jeopardy is at an end. So I waited until David Packouz and Alex Podrizki were about to be sentenced for the federal fraud counts they'd pleaded guilty to. When I contacted Packouz's attorney, he said his client was willing to meet, so I traveled to Florida; Podrizki wasn't interested in talking at the time. Standing before a judge in Miami's shiny, new federal courthouse, Packouz received a suspended sentence for his role in the Afghanistan contract fraud; Podrizki likewise avoided prison. Their buddy, Diveroli, wasn't so lucky, sentenced to four years behind bars because he was the mastermind of the operation.

In court, the government portrayed Packouz and Diveroli and Podrizki as low-life fraudsters, three sleazy kids who'd do anything to make money. In the *Times*, Packouz's qualifications as a massage therapist played prominently, along with detailed reporting on Diveroli's

checkered personal history. The mug shots of Packouz and Diveroli that ran in the newspaper made them look like hardened criminals. But in person David Packouz was a surprise. He was smart and well-spoken, a sharp observer of events with a keen memory, an easy laugh, and an ironic appreciation for the absurdity of what he'd lived through. Unlike the Hollywood image of an arms dealer—a soulless thug merchandizing death—Packouz seemed like the kind of kid who could just as easily have started a dot-com business in Silicon Valley. Instead of inventing a killer app, Packouz and his friends had fashioned themselves into gunrunners—precocious, cunning, and astonishingly successful gunrunners. In winning the \$300 million contract, three kids from Miami Beach had turned themselves into the least likely arms dealers in history—until their fraud was discovered and the Pentagon turned on them.

The *Rolling Stone* article I wrote attracted more attention than any other piece I'd ever published, the improbable tale somehow capturing a measure of the madness of a decade of war and lawlessness; it was a story so strange it could only be true. But I knew there was more to tell—much more. A federal judge had placed a number of documents in the case under seal. Unwilling to let the case go, I spent months paging through court transcripts, studying defense-contract regulations, and drafting Freedom of Information requests. When I pursued interviews with the officials involved, the silence was deafening—and highly suspicious. Finally, as I kept digging, I received documents from confidential sources determined to reveal the truth. Then the ring-leader of the arms-dealing operation, the force of nature named Efraim Diveroli, began to talk to me from prison. Alex Podrizki agreed to tell me about his experiences in Albania. Likewise, an older Mormon businessman from Utah named Ralph Merrill, who'd financed the deal and was also convicted of fraud, wanted to have his say about how events had unfolded.

Another story began to take shape—one that had never been reported. The three stoners from Miami Beach had taken a wild, incred-

ible trip into the innermost reaches of the world of international arms dealing. But the tale also had a serious side, with important political and legal implications. I discovered that during the wars in Iraq and Afghanistan the government of the United States had turned itself into the biggest gunrunning organization on the planet, with virtually no oversight from Congress, law enforcement, or the press. As the Pentagon desperately tried to stand up new armies in Kabul and Baghdad, paying private contractors billions to acquire a vast array of weapons from formerly Communist Bloc countries, it had made little attempt to vet its business partners and turned a blind eye to rampant fraud—sometimes with murderous consequences. The US government had used a string of brokers like Packouz and Diveroli and Podrizki to insulate it from the dirty work of arms dealing in the Balkans—the kickbacks and bribes and double-dealing. They also set up the brokers to act as scapegoats should the extralegal operation ever be exposed. The story of the three dudes from Miami Beach vividly illustrated the failures of the wars in Afghanistan and Iraq. It was a tale that the government tried to bury—until now.

This is a story you were never meant to read.

Guy Lawson
New York, New York
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