



Department of Justice

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IRANIAN COMPANY PLEADS GUILTY TO U.S. EXPORT VIOLATION

HARRISBURG - The United States Attorney's Office for the Middle District of Pennsylvania and the Office of Export Enforcement of the United States Department of Commerce announced that today in U.S. District Court in Harrisburg, an officer of Falcon Instrumentation and Machinery FZE, an Iranian corporation formerly known as FIMCO (Falcon/FIMCO), entered a plea of guilty on behalf of the corporation to conspiracy to evade export licensing requirements.

The conspiracy was in connection with an attempt to smuggle to Iran a machine with possible military as well as civilian applications. Falcon/FIMCO, is a subsidiary of Zagros Limited, a British Virgin Islands corporation. The guilty plea was entered before United States District Court Magistrate Judge Susan E. Schwab.

In December 2012, a federal grand jury in Harrisburg charged Falcon/FIMCO in a sealed indictment made public today. In April 2014, an American company, Hetran, Inc., an engineering and manufacturing corporation in Orwigsburg, Schuylkill County, Pennsylvania, and its President, Helmut Oertmann, were charged with participating in the conspiracy.

Hetran manufactured a large horizontal lathe, also described as a bar peeling machine ("peeler"), valued at more than \$800,000 and weighing in excess of 50,000 pounds. The machine is used in the production of high grade steel for the manufacture of automobile and aircraft parts.

Under U.S. law and regulations, American companies are forbidden to ship "dual use" items (items with civilian as well as military or proliferation applications), such as the peeler, to Iran without first obtaining a license from the U.S. Government. Aware that it was unlikely that such a license would be granted, Falcon/FIMCO, which does business in Dubai, United Arab Emirates, and other alleged co-conspirators agreed to falsely state on the shipping documents that the end-user of the peeler was Crescent International Trade and Services FZE (Crescent), an affiliated company, knowing that the machine would subsequently be shipped to Iran after being off-loaded in Dubai.

In June 2012, Hetran caused the peeling machine to be shipped from Pennsylvania to Dubai in the United Arab Emirates, fraudulently listing Crescent as the end-user, knowing that the shipment was ultimately being sent by Falcon/FIMCO to Iran in violation of federal law. The Office of Export Enforcement, Bureau of Industry and Security (BIS), U.S. Department of Commerce detected the shipment and ordered that it be re-delivered to the United States.

As part of its plea agreement with the United States, Falcon/FIMCO agreed that the government would recommend a \$250,000 criminal fine. The plea agreement is subject to the approval of the Court. The company also has agreed under a settlement with BIS to pay a \$837,500 civil penalty to the U.S. Department of Commerce, of which it must pay \$587,500 out-of-pocket, with the remaining \$250,000 suspended for two years. The suspended portion of the civil penalty will be waived thereafter so long as Falcon/FIMCO complies with the terms of the plea agreement and any criminal sentence and satisfies certain additional conditions. Falcon/FIMCO will also be made subject to a two-year suspended denial of its export privileges.

"Today's guilty plea is the result of our commitment to disrupt illicit networks aimed at evading our export controls and jeopardizing our national security," said Under Secretary of Commerce Eric L. Hirschhorn. "Commerce Department, Office Export Enforcement Special Agents thwarted this illegal scheme by utilizing their unique authorities as the enforcers and regulators of our nation's 'export control laws to pursue violators," he said.

U.S. Attorney Peter Smith praised the Special Agents of the Department of Commerce, Office of Export Enforcement for their tenacity and global team effort in investigating the case, coordinating with foreign governments, executing search warrants, and most importantly, seizing the horizontal lathe upon its arrival in Dubai. The seizure of key shipping documents, emails and correspondence from Hetran to Iran revealed the scheme, and was critical to the success of the case, and to shutting down the contemplated shipment.

During the investigation by the Department of Commerce's Bureau of Industry and Security (BIS), Falcon/FIMCO and Crescent were placed on BIS's Entity list in August 2014. The Entity List identifies foreign parties that are prohibited from receiving listed items unless the exporter secures a license. Those persons present a greater risk of diversion to weapons of mass destruction (WMD) programs, terrorism, or other activities contrary to U.S. national security or foreign policy interests. By publicly listing such persons, the Entity List serves as an important tool to prevent unauthorized trade in such items.

In December 2014, Helmut Oertmann and Hetran were sentenced by Judge Kane to 12 months' probation; Oertmann and Hetran were ordered as part of a settlement with BIS to pay a penalty of \$837,500 with \$337,500 of that amount paid out-of-pocket and the remainder conditionally suspended, which penalty Judge Kane adopted as to Oertmann and Hetran. The other indicted company, Crescent International Trade and Services FZE, and the three Iranian individuals who served as officers of Falcon/FIMCO, Khosrow Kasraei, Reza Ghoreishi, and Mujahid Ali, are presently fugitives.

The case was investigated by the New York Field Office of the Office of Export Enforcement, Bureau of Industry and Security, Department of Commerce. The Department of Commerce's Office of the Chief Counsel for Industry and Security handled the civil proceedings. The prosecution was coordinated by Assistant U.S. Attorneys Christy H. Fawcett and Gordon A. Zubrod of the U.S. Attorney's Office and was overseen by the National Security Division of the U.S. Department of Justice.

Indictments and Criminal Informations are only allegations. All persons charged are presumed to be innocent unless and until found guilty in court.

A sentence following a finding of guilt is imposed by the Judge after consideration of the applicable federal sentencing statutes and the Federal Sentencing Guidelines.

The maximum penalty for the corporation is a term of supervised release, and a fine. Under the Federal Sentencing Guidelines, the Judge is also required to consider and weigh a number of factors, including the nature, circumstances and seriousness of the offense; the history and characteristics of the defendant; and the need to punish the defendant and protect the public. For these reasons, the statutory maximum penalty for the offense is not an accurate indicator of the potential sentence for a specific defendant.

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