

P R E S S R E L E A S E

OFFICE OF THE UNITED STATES ATTORNEY

SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

May 26, 1988

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NEWS RELEASE SUMMARY

The latest indictment in a complex United States Customs Service undercover investigation into the illegal exportation of defense articles to the Islamic Republic of Iran was returned today by a federal grand jury sitting in San Diego.

United States Attorney Peter K. Nunez said the three-count indictment charges Forway Industries, Inc., its president and chief executive officer, Ronald C. Wade, and two of its managers, Tushar K. Basu and Gregory A. Rogers, with conspiracy to export components for the AN/APN-182(V) Doppler velocity sensor to Iran (Count 1); exportation of defense articles (Count 2); and false statements (Count 3). According to this indictment, Forway Industries is a New Jersey corporation which manufactures and exports defense-related articles. The corporate headquarters for Forway Industries is maintained at 122 Green Avenue, Woodbury, New Jersey.

Nunez added that as a result of a related investigation Forway Industries, Inc., and its former president, Jacobo Faber, entered guilty pleas today in federal court in Camden, New Jersey. He noted that the New Jersey pleas were part of another Customs investigation that focused on illegal exports the company was involved in between 1983 and 1985 (see attached press release).

According to today's indictment, the San Diego based undercover investigation revealed that despite the dismissal of Jacobo Faber, Forway Industries continued the

practice of illegally exporting defense articles to hostile countries. In particular, the indictment details how the new president of Forway, Ronald C. Wade, obtained a fraudulent end-use certificate to conceal the fact that the company knew navigational components were being shipped to Iran. The indictment also indicates that Forway attempted to mislead Teledyne Ryan Electronics, the Customs Service and the Department of State as to the true destination of the components.

According to Assistant U. S. Attorney Phil Halpern, who handled the case, no grand jury action is expected against the owners of Forway Industries at this time. In particular, he stated that an indictment had not been returned against Mr. Willard Zucker, an American financier presently living in Switzerland. However, Mr. Halpern did indicate that the investigation, which has resulted in four separate indictments to date, is continuing.

Previous statements from the U. S. Attorney's Office have indicated that the undercover Customs investigation was initiated with the cooperation of Teledyne Ryan Electronics, San Diego, California, in 1986. The investigation initially revealed that two employees of Beechcraft Vertrieb Und Service, GmbH, Augsburg, West Germany, were diverting components for the AN/APN-182(v) Doppler Velocity Sensor to Iran. The two employees, Juergen Zimmermann and Bernd Pleuger, a sales representative for the International Trade Division and the managing director of Beechcraft (West Germany), had been obtaining State Department export licenses for the navigational components by submitting fraudulent end-user information. This information falsely indicated that the components were to be installed on BK-117 helicopters owned by Messerschmitt Boelkow Blohm in West Germany. The Customs undercover tapes, however, demonstrated that unknown to the State Department, the components were transshipped to Teheran upon arrival in West Germany by Circle Freight International.

The first indictment arising from the investigation alleged that the defendants, believing that United States and West German customs were jointly investigating their

improper diversion of defense articles, conspired to abort the investigation by bribing a high-ranking United States official. Accordingly, on October 28, 1986, they traveled to New York where they were allegedly going to meet with this official. The defendants were then arrested by United States Customs agents after attempting to "pay off" an undercover agent posing as the high-ranking official.

Following their arrest on November 19, 1986, Pleuger and Zimmermann entered guilty pleas to conspiracy to export defense articles and attempting to bribe a United States Official. Collectively, these violations carry a maximum penalty of twenty (20) years imprisonment and a five hundred thousand dollar (\$500,000) fine. Pleuger and Zimmermann were then released on five hundred thousand dollars bond and subsequently assisted the ongoing investigation.

On September 25, 1987, as a result of the continuing investigation, the grand jury returned a second indictment against Beechcraft Vertrieb Und Service, GmbH and Hans Schneider, based on, among other things, the illegal diversion of defense articles by Zimmermann and Pleuger. According to this indictment, Beechcraft (West Germany) is a West German Corporation holding a franchise to sell, service and distribute aircraft and aircraft parts manufactured by Beech Aircraft Corporation, Inc., of Wichita, Kansas. The Beechcraft indictment charged that Hans Schneider, the owner, president and chief executive officer of Beechcraft (West Germany), specifically directed Bernd Pleuger to continue negotiating and servicing Iranian contracts that required the illegal diversion of United States Munitions List items through their company. Although Mr. Schneider is presently a fugitive residing in West Germany, extradition does not appear practicable. According to a spokesperson for Beech, they have not as yet ceased doing business with Beechcraft, West Germany.

On April 8, 1988, as a result of the continuing investigation, the grand jury returned a third indictment against Marsh Aviation Co. Inc., and its president Floyd D. Stilwell, for conspiring to illegally export defense articles to Iran. According to this

indictment, Marsh Aviation is an Arizona Corporation which repairs jet engines, conducts aircraft research and sells various aircraft parts and navigational equipment manufactured by other companies. The corporate headquarters for Marsh is maintained at 5060 East Falcon Drive, Mesa, Arizona.

According to the Marsh indictment, the undercover investigation revealed that Mr. Stilwell submitted false and fraudulent export information to Teledyne Ryan Electronics, the Department of State, and the United States Customs Service. The Marsh indictment alleged that this information was submitted in an attempt to conceal that the components for the doppler navigational system were destined for Iran, not West Germany. In addition, the indictment revealed that Mr. Stilwell was also negotiating with Loral TerraCom, San Diego, California, for frequency hopping modules that are needed by the Iranian military. Marsh Aviation and Stilwell are currently pending trial in San Diego before Federal District Judge J. Lawrence Irving.

Assistant U.S. Attorney Phil Halpern has stated that the AN/APN-182(v) is a state of the art, light weight, fixed antenna radar navigational system produced primarily for the United States armed services by Teledyne Ryan Electronics in San Diego, California. This navigational system supplies aircraft with an accurate, independent method for quickly responding to military orders, and is designed for, among other things, input into flight control and weapons delivery systems. In addition, it can supply guidance information and integrate with other aeronautical systems.

Mr. Halpern added today that the defendants in the Forway case are expected to appear in front of Judge Irving in San Diego on June 6, 1988, at 9:00 a.m. At that time, the defendants will be arraigned on the indictment and a motions date will be set.

DEFENDANTS:

1. Forway Industries, Inc.
122 Green Avenue
Woodbury, New Jersey

2. Ronald C. Wade, Inc. Age: 50
Vorhees, New Jersey

Bail Status: \$100,000 bond

3. Tushar K. Basu Age: 42
Sewell, New Jersey

Bail Status: \$50,000 bond

4. Gregory A. Rogers Age: 33
Agusta, Georgia

Bail Status: \$50,000 bond

SUMMARY OF CHARGES:

Violation: Conspiracy (18 U.S.C. § 371)
Maximum penalty: 5 years and/or \$250,000

Violation: Exportation of Defense Articles (22 U.S.C. § 2778)
Maximum penalty: 10 years and/or \$1,000,000

Violation: False Statements (18 U.S.C. § 1001)
Maximum penalty: 5 years and/or \$250,000

NEWS

U.S. Department of Justice



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NOTE TO REPORTERS: Requests for further information on the New Jersey case should be directed to Assistant United States Attorney Jeremy Frey, attorney-in-charge in Camden at 609-757-5026.

For more information about the California indictment call Phillip Halpern, assistant United States Attorney at 619-557-5685.

RFORWAY880524

FOR IMMEDIATE RELEASE: THURSDAY 88-05-26

FORMER PRESIDENT OF NEW JERSEY MILITARY PARTS FIRM AND THE CORPORATION PLEAD GUILTY TO EXPORTING MILITARY HARDWARE FROM 1983 TO 1985 IN VIOLATION OF FEDERAL LAWS

The former president of a New Jersey military parts manufacturing firm and the corporation itself today pleaded guilty to counts of a federal information charging both with exporting military parts to foreign countries from 1983 to 1985 without registering with the U.S. State Department and without obtaining government export licenses for certain shipments, U.S. Attorney Samuel A. Alito Jr. announced today.

RFORWAY880524 (MORE)

In a related development the U. S. Attorney for the Southern District of California announced that the parts manufacturer, Forway Industries Inc., was indicted by a federal grand jury today in connection with an alleged conspiracy to divert weapons parts to Iran.

(See related release from the U.S. Attorney, Southern District of California)

Forway Industries, 122 Green Ave., Woodbury, which faced up to \$1 million in fines, was also sentenced today and fined \$XXXX by U.S. District Judge Anne E. Thompson, according to Alito.

Jacobo Farber, 51, of Cherry Hill, N.J., former Forway president who faces a maximum 10-year prison term and \$950,000 in fines if convicted, is slated to be sentenced on XXXX, Alito said.

By pleading guilty, Forway and Farber admitted that between May 1983 and April 1985 the corporation manufactured and exported defense articles on the U.S. Munitions List, without registering as an exporter with the State Department, Alito said.

Under federal law, the State Department is authorized to declare certain military arms and munitions -- and their component parts -- as defense articles on the United States Munitions List, Alito said.

A person or business engaged in manufacturing or exporting military parts on the United States Munitions List must register with the State Department, which was not done by Forway and Farber, Alito said.

Forway Industries and Farber also admitted to violating the federal law that requires persons exporting military parts on the U.S. Munitions List to obtain export licenses for each shipment of such military parts.

Farber admitted to four non-licensed shipments to Japan and England, Alito said, and Forway pleaded guilty to the January 1985 export to Thailand of 40mm gun parts.

Farber admitted to shipping 26 guide blast deflectors for the Nike/Hercules missile to Japan on Feb. 7, 1984 and shipments to England, on June 11, 1984; Feb. 28, 1985, and April 10, 1985, Alito said.

The English export shipments included one cover panel for a Northrop F-5 tactical fighter aircraft; three firing pin assemblies for the ejection racks of 20mm multibarrel guns internally mounted on the McDonnell Douglas F-4 tactical fighter aircraft, and seven cable assemblies for a remote control system for a guided missile, according to the information.

The Thailand shipment consisted of roller paths for a 40mm gun, Alito

said.

None of the military items carried security classifications, Alito said.

In addition to the items already identified, court documents indicate Forway exported eight gun barrels for a 20mm automatic gun; three brake assemblies for an MK3 power drive of a gun and/or missile fire control system; three block assemblies for the elevation power drive of a gun mount for a 40mm anti-aircraft gun; 21 breechblock assemblies for a 40mm automatic gun.

Also: one amplifier system for a gun and/or missile fire control system; two three-inch slide mounts for a .50-caliber gun; three guides for a 30mm gun; 75 plug gas cylinders for a 30mm gun; 15 breech bars (left) for a 20mm automatic gun; 15 breech bars (right) for a 20mm automatic gun; five back sight assemblies for a 20mm gun; 18 trigger bars for a 20mm automatic gun.

Also: 20 shoulder piece support assemblies for a 20mm automatic gun; 10 boot ammunition chutes for a 20mm automatic gun; 20 magazine sleeve couplings for a 20mm automatic gun; 10 level handle bars for a 20mm automatic gun; two roller paths (lower) for a 40mm automatic gun; two roller paths (upper) for a 40mm automatic gun; three valve block assembly elevation power drives for the gun mount of a 40mm anti-aircraft gun; and two oil sump assembly elevation power drives

for the gun mount of a 40mm anti-aircraft gun.

Alito credited the U.S. Customs Service with the investigative work leading to the information.

The case is being handled by Assistant U.S. Attorney Jeremy Frey, attorney-in-charge in Camden.

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