



U.S. Department of Justice

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PRESS RELEASE

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British Corporation pleads guilty to attempted illegal export of specialty alloy pipes to Iran

Washington, D.C. - Proclad International Pipelines, Ltd. ("PROCLAD"), a British corporation, headquartered in Scotland, United Kingdom, pleaded guilty today to one count of Attempted Export Without an Export License, U.S. Attorney Jeffrey A. Taylor, Department of Commerce Assistant Secretary for Export Enforcement Darryl W. Jackson, and Houston Special-Agent-in-Charge Robert P. Rutt of the Department of Homeland Security, Bureau of Immigration and Customs Enforcement, announced.

PROCLAD entered its guilty plea this morning before Magistrate Judge Alan Kay of the U.S. District Court for the District of Columbia, who presided over the plea hearing on behalf of Judge Ellen S. Huvelle. Pursuant to the plea agreement, PROCLAD must be sentenced to a criminal fine of \$100,000 and corporate probation of five years when the company is sentenced by Judge Huvelle on March 14, 2008.

As part of the global resolution of this matter, PROCLAD also entered into an administrative settlement agreement with the Department of Commerce, Bureau of Industry and Security. Pursuant to that settlement agreement PROCLAD consented to the entry of an administrative order, requiring it to pay an administrative penalty of \$100,000 and to be subject to a suspended order denying export privileges for a period of seven years.

The evidence in this case established that in February 2004, PROCLAD agreed to purchase from PA, INC., a U.S. company based in Houston, Texas, \$147,487.28 worth of specialty alloy pipes. PROCLAD intended to have the specialty alloy pipes delivered to Iran for a gas field development project there. Because PA, INC. did not have the total amount of the ordered pipes in stock, the parties agreed that PA, INC. would ship the pipes as they became available. The first shipment was for \$33,653.13 worth of the specialty alloy pipes.

On or about February 2, 2004, PROCLAD sent an email to PA INC., which included shipping paperwork (also known as "shipping marks") to be included on the shipment. The

shipping marks indicated the description of the goods to be shipped and had blank spaces to be filled in regarding the weights and dimensions of the shipment. The shipping marks also indicated that the pipes were intended for a gas field development project in Iran. Within a diamond shaped box, the shipping marks indicated the Iranian destination of the shipment as follows:

I.R. IRAN
NIOC – PARS OIL & GAS
ENI IRAN B.V. SOUTH PARS
PHASE 4 & 5
OFFSHORE FACILITIES
FIELD DEVELOPMENT PROJECT
HYUNDAI ENG & CONTR CO LTD.

PA, INC. filled in the blank spaces regarding the weights and dimensions of the shipment and placed these shipping marks on the crates that PA, INC. used to pack the pipes for shipment.

On or about February 10, 2004, PA, INC. delivered the crates containing the specialty alloy pipes, along with the shipping marks that indicated the Iranian destination of the shipment, to NNR Cargo, a freightforwarder designated by PROCLAD to process the export.

On or about February 11, 2004, NNR Cargo's air freight manager reviewed the shipping documentation, including the shipping marks which indicated the Iranian destination, and contacted personnel at PA, INC. NNR Cargo's air freight manager inquired whether it had a license to ship to Iran. Upon learning that PA, INC. did not have an export license, NNR Cargo's air freight manager refused to handle the shipment. NNR Cargo's air freight manager informed PA, INC., that, because of the U.S. embargo against Iran, it could not ship merchandise to Iran in the absence of a license. NNR Cargo's air freight manager indicated that the Iranian embargo covered direct or indirect shipments to Iran. NNR Cargo's air freight manager indicated that NNR Cargo would return the shipment to PA, INC.

On or about February 11, 2004, NNR Cargo sent an email to PROCLAD, advising that there was a problem with the shipment because "the USA government [has] trade Sanctions for all exports to Iran Directly or Indirectly." NNR Cargo attached to this email an electronic file containing the Department of the Treasury's four-page bulletin on the embargo against Iran (dated March 12, 2003). The bulletin was entitled: "What You Need To Know About U.S. Economic Sanctions: An overview of O.F.A.C. Regulations involving Sanctions against Iran." PROCLAD replied by email that "the only way we can get around this is to ship back to the UK & airfreight out to Dubai? What if we take off the shipping docs the clause 'transit cargo to Iran via Dubai' – could we then send direct?"

On or about February 12, 2004, PROCLAD sent an email to PA, Inc., which included new shipping documents. The shipping documentation included the identical shipping marks,

except that the references to Iran were deleted. Within a diamond shaped box, the shipping marks indicated the ultimate destination of the shipment as follows:

PHASE 4 & 5
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FIELD DEVELOPMENT PROJECT
HYUNDAI ENG & CONTR CO LTD.

On or about February 16, 2004, the shipment was returned from NNR Cargo to PA, INC.

On or about February 17, 2004, PA, INC., delivered the crates containing the specialty alloy pipes, along with shipping documentation, to DFDS Transport, another freightforwarder designated by PROCLAD to process the export. On or about February 18, 2004, agents with the Department of Commerce detained the shipment at DFDS Transport, thereby preventing its export.

Sometime in early 2004, PROCLAD requested a bid from a U.S. company based in Hampton, Georgia (hereinafter referred to as the "Georgia Company"), for the sale of specialty alloy pipes. On or about February 2, 2004, PROCLAD accepted the bid of the Georgia Company, and sent the Georgia Company a purchase order for \$139,003.61 worth of specialty alloy pipes. PROCLAD included with the purchase order the shipping paperwork to be included on the shipment. The shipping marks were identical to the shipping marks that PROCLAD sent PA, INC. on February 2, 2004.

On or about February 12, 2004, PROCLAD sent a fax to the Georgia Company, which included new shipping documents. The new shipping documents included shipping marks, which made no reference to Iran. On or about February 20, 2004, agents with the Department of Commerce detained the shipment thereby preventing its export. No licenses were applied for or obtained from the United States Department of Treasury or any other agency in the District of Columbia, for any of the dealings with Iran by PROCLAD.

PA, Inc. has already pled guilty and been sentenced in connection with this investigation.

PROCLAD's guilty plea is the result of an investigation by the U.S. Department of Commerce, Bureau of Industry and Security; and the Department of Homeland Security, Bureau of Immigration and Customs Enforcement.

In announcing today's guilty plea, U.S. Attorney Taylor, Assistant Secretary for Export Enforcement Jackson, and SAC Rutt commended the efforts of Commerce Special Agent William Carter and ICE Special Agent Ernest A. Payton. They also praised Assistant U.S. Attorney Jonathan M. Malis, who is prosecuting the case.

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