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06-14-06 -- State Metals Industries, Inc. (SMI)/Dorfman, Michael S. --
Informations -- News Release

Camden Company and Senior Officer Admit Illegal Export of Scrapped Missile Parts for Sale to China

NEWARK – A Camden corporation and its officer yesterday admitted illegally exporting Sparrow Missile parts to China after obtaining the parts as military surplus items from the U.S. Department of Defense and, instead of smelting them as required, sold them to a Chinese-owned company for export to China, U.S. Attorney Christopher J. Christie announced.

State Metal Industries, Inc. (SMI), a Camden smelting facility specializing in the purchase of scrap metal and the production and sale of aluminum ingots, or bars from that scrap metal, along with its Vice President of Purchasing, Michael S. Dorfman, 44, of Richboro, Pa., each entered guilty pleas before U.S. District Judge Jose L. Linares, to separate one-count Informations. SMI pleaded guilty to violating U.S. export laws and Dorfman pleaded guilty to making false statements to the U.S. Department of Defense.

The president and a co-owner of SMI, Yale Dorfman – the father of Michael Dorfman – answered the court’s questions during SMI’s corporate plea on Tuesday.

Under the parties’ plea agreement, SMI faces three years of corporate probation and a \$250,000 fine. Michael Dorfman faces a maximum penalty of five years of probation and a fine of \$250,000, or twice the gross gain from the offense or loss to victims of the offense. Judge Linares set SMI and Dorfman’s sentencing for Sept. 28.

In April 2003, SMI responded to an Invitation for Bid from the Department of Defense, offering military surplus items, including missile bodies and demilitarized control sections of missiles for sale. The Invitation for Bid warned that the parts were “dangerous property” and “Military Munitions List items” which were subject to stringent export controls under U.S. law, facts that SMI and Michael Dorfman both acknowledged in their plea admissions. In an end-user certificate signed by Michael Dorfman, SMI and Michael Dorfman certified that the items would be smelted at SMI’s Camden facility and made

into metal ingots, or bars, which would be sold only in the United States, SMI and Michael Dorfman admitted.

Based on SMI's certification, the Department of Defense awarded the bid to SMI and sent the parts, including various components of the radar-guided AIM 7 Sparrow missile, such as the antennae section of the missile's guidance system, according to the Informations to which the defendants plead guilty. Instead of smelting the parts as certified, however, in March 2004, SMI sold the parts to a company owned in part by the Chinese government, loaded them into a 40-foot shipping container and delivered them to the Maher Terminal at Port Elizabeth in New Jersey for export to China. The Sparrow missile parts were concealed in the nose of the shipping container, at the furthest point from the doors, behind and underneath scrap metal, according to the Informations.

The illegal shipment was discovered when, on March 24, 2004, U.S. Customs and Border Protection inspectors opened and inspected the container at the port. The inspectors found, among other items, approximately 192 items of the guidance system of the AIM 7 Sparrow missile, which were in the same form as when the Department of Defense sold them to SMI.

(Even though federal agents intercepted the shipment at the port, under the federal statute, an export is considered completed when it reaches a port for shipment out of the United States.)

Sparrow missiles are medium-range, radar-guided, all-weather, all-aspect, semi-active guided missiles designed by Raytheon and General Dynamics in the United States for the U.S. military and its NATO allies, including Taiwan. Sparrow missiles have highly explosive warheads and are used in a variety of roles on both fighter aircraft and naval vessels. (In the Persian Gulf War, the radar-guided AIM 7 Sparrow missile was found to be the most potent air-to-air weapon used by Air Force fighter pilots.) Under U.S. export laws, the Sparrow missile parts at issue in this case cannot be exported to China without a license from the U.S. Department of State.

In determining an actual sentence, Judge Linares will consult the advisory U.S. Sentencing Guidelines, which provide a formula that takes into account the severity and characteristics of the offenses and the defendant's criminal history, if any. The judge, however, has the discretion to sentence within, above or below any determined sentencing guideline range.

Parole has been abolished in the federal system. Under Sentencing Guidelines, defendants who are given custodial terms must serve nearly all that time.

Christie credited Special Agents of Immigration and Customs Enforcement, under the direction of Special Agent in Charge Kyle Hutchins, and the Defense Criminal Investigative Service, under the direction of James W. Murawski, for developing the case against SMI and Dorfman.

The Government is represented by Assistant U.S. Attorney Judith H. Germano of the U.S. Attorney's Office in Newark.

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Defense Attorneys:

William Robertson, Esq., Newark, for State Metal Industries, Inc.

Henry Furst, Esq., West Orange, for Michael Dorfman