



NEWS RELEASE

OFFICE OF THE UNITED STATES ATTORNEY
WESTERN DISTRICT OF MISSOURI

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www.usdoj.gov/usao/mow/index.html

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*A copy of the grand jury indictment is available
to download in .pdf format at*

www.usdoj.gov/usao/mow/news2007/iara_indictment.pdf

GRAND JURY INDICTS OFFICERS, EMPLOYEES OF ISLAMIC CHARITY

IARA CHARGED WITH ILLEGALLY FUNNELING MONEY TO IRAQ, STEALING FEDERAL FUNDS, OBSTRUCTING TAX LAWS

KANSAS CITY, Mo. – Bradley J. Schlozman, United States Attorney for the Western District of Missouri, announced today that a federal grand jury has indicted the **Islamic American Relief Agency (IARA)**, along with five officers, employees and associates, for illegally transferring funds to Iraq in violation of federal sanctions. They are also charged with stealing government funds, and with attempting to avoid government detection of their illegal activities by, among other things, falsely denying in a nationally-televised interview that an associate of Osama bin Laden had been an employee of IARA.

The **Islamic American Relief Agency** (formerly known as the Islamic African Relief Agency-USA), headquartered in Columbia, Mo., was an Islamic charitable organization that was officially formed in 1985 and closed in October 2004, when it was identified by the U.S. Treasury Department as a specially designated global terrorist organization.

Also charged in today's indictment are **Mubarak Hamed**, 50, of Columbia, a naturalized U.S. citizen from Sudan who served as executive director of **IARA**, **Ali Mohamed Bagegni**, 53, formerly of Columbia and currently of Iowa City, Iowa, a naturalized U.S. citizen born in Libya, a former member of **IARA's** board of directors, **Ahmad Mustafa**, 54, of Columbia, a citizen of Iraq, a former fund-raiser for **IARA**, **Khalid Al-Sudanee**, 55, a citizen and resident of Jordan, the regional director of the Middle East office of the Islamic African Relief Agency (also known as the Islamic Relief Agency, or ISRA), and **Abdel Azim El-Siddiq**, 50, of Palos Heights, Ill., a naturalized U.S. citizen born in Sudan, formerly vice president for international operations for **IARA**.

The co-defendants were charged in a 33-count indictment returned under seal by a federal grand jury in Kansas City on Tuesday, March 6, 2007. That indictment was unsealed and made public today upon the arrest and initial court appearance of several co-defendants.

Transfer of Funds to Iraq

Count One of the federal indictment alleges that **IARA, Hamed, Bagegni, Mustafa and Al-Sudanee** participated in a conspiracy to violate the International Emergency Economic Powers Act and the Iraqi Sanctions Regulations by transferring more than \$1.4 million to Iraq from March 1991 to May 2003.

Under the International Emergency Economic Powers Act, Schlozman explained, the President has the authority to deal with threats to the national security and foreign policy of the United States, including prohibiting transactions involving any interest of a foreign country. On Aug. 2, 1990, shortly after the Iraqi invasion of Kuwait, President George H. W. Bush issued an Executive Order that prohibited, among other things, the unauthorized transfer of funds, directly or indirectly, to the government of Iraq or to any person in Iraq and the unauthorized export of goods, technology or services from the United States to a third country that were intended for further shipment to Iraq. Those sanctions were lifted in May 2003 following the ouster of Ba'ath party and the regime of then-President Saddam Hussein.

According to the indictment, the defendants decided in March 1991 to provide financial support to persons and organizations located inside Iraq and used **IARA's** tax exempt status to solicit donations from the public for that purpose. They allegedly engaged the services of **Al-Sudanee** to transfer funds originating in the United States to Iraq. After funds were transferred from **IARA's** bank accounts in the Western District of Missouri to **ISRA's** bank accounts in Amman, Jordan, the indictment alleges, **Al-Sudanee** then transferred those funds to Iraq.

During the course of the conspiracy, **Hamed**, in response to an inquiry by the Department of Treasury's Office of Foreign Assets Control (OFAC) as to whether **IARA** was violating the Iraq sanctions, attempted to deceive OFAC by stating that **IARA** was attempting to aid only those Iraqi people living outside of Iraq.

Counts Two through Twelve of the federal indictment allege 11 separate instances in which **IARA, Hamed, Bagegni and Al-Sudanee**, aided and abetted by each other, transferred funds from the United States to Iraq, by and through Amman, Jordan.

Count Thirteen of the federal indictment alleges that **IARA, Hamed, Bagegni, Mustafa and Al-Sudanee** participated in a conspiracy to commit money laundering by transferring funds overseas with the intent to promote unlawful activity, that is, violating the Iraq sanctions.

Counts Fourteen through Twenty-Four of the federal indictment allege 11 separate instances in which **IARA, Hamed, Bagegni and Al-Sudanee**, aided and abetted by each other, committed money laundering by transferring funds overseas in order to violate the Iraq sanctions.

Theft of Federal Program Funds

Counts Twenty-Five through Twenty-Seven of the federal indictment allege that, beginning in January 1997, **IARA, Hamed and Bagegni** entered into a series of agreements with the U.S. Agency for International Development (USAID) for relief projects in Mali, Africa. At the time USAID terminated those agreements in December 1999, the amount of money involved totaled approximately \$2 million. **IARA** had allegedly failed to fully fund the matching contributions required to receive USAID funds. Subsequent to the agreements' terminations, the indictment alleges, **IARA, Hamed and Bagegni**, without authorization, retained approximately \$84,922 of USAID money and failed to return the funds to USAID as called for by the agreements. Instead, the defendants allegedly spent \$50,000 from those funds to hire an individual to advocate for **IARA's** removal from a Senate Finance Committee list of organizations suspected of being involved in supporting international terrorism.

Count Twenty-Eight of the federal indictment alleges that **IARA, Hamed, Bagegni and Al-Siddiq** participated in a conspiracy to engage in money laundering that began in March 2004 and continued to the

date of this indictment.

Counts Twenty-Nine through Thirty-One of the federal indictment allege three separate instances between June 30 and Nov. 16, 2004, in which **IARA**, **Hamed**, **Bagegni** and **Al-Siddiq** engaged in money laundering by transferring the proceeds of unlawful activity, that is, the theft of public funds alleged in Counts Twenty-Five through Twenty-Seven, knowing that the transfers were designed to conceal the nature, source and ownership of the proceeds.

Obstructing the Administration of Internal Revenue Laws

Count Thirty-Two of the federal indictment alleges that **IARA** and **Hamed** corruptly endeavored to obstruct and impede the due administration of the Internal Revenue laws. The defendants allegedly misused **IARA's** status as a tax-exempt charitable organization to solicit contributions for projects in Iraq, representing that they were legitimate charitable contributions, and transferred those funds to Iraq in violation of law.

In order to avoid IRS detection of the fact that **IARA** was engaged in violations of Iraq sanctions and to continue to misuse **IARA's** tax-exempt status to raise funds, the indictment alleges, the defendants filed IRS Forms 990, Returns of Tax-Exempt Organization, which intentionally omitted **IARA's** transactions with Iraq and failed to disclose relevant requested information regarding the control, history and affiliations of **IARA**.

The indictment alleges that the defendants made false public statements in order to avoid IRS detection of **IARA** activities not in furtherance of its purported charitable mission. According to the indictment, a person acting on behalf of **IARA** falsely claimed during a nationally-televised interview on Nov. 6, 2001, that Ziyad Khaleel – a then-publicly identified associate and procurement agent of Osama bin Laden – had never been an employee of **IARA**. It was widely reported that Khaleel (now deceased) helped obtain satellite phones for al-Qaida that were used by Osama bin Laden to coordinate the attacks on the U.S. embassies in Kenya and Tanzania. In fact, the indictment says, Khaleel had been an employee of **IARA**.

Additionally, the indictment alleges, the defendants used funds received from charitable contributions for personal expenses not permitted by the IRS. The defendants allegedly established a \$47,000 contingency fund from the contributions raised for **IARA** and used \$20,000 of this fund to pay attorney fees and post bond for a person (not identified in the indictment) concerning immigration charges. The use of tax-exempt contributions for personal legal expenses is prohibited.

The indictment also alleges that the defendants made false statements to agents and officials of the United States government. **Hamed** allegedly made a false statement during an interview with federal law enforcement agents, when he claimed that he applied for a job with **IARA**. That statement was false, the indictment says, because **Hamed** was actually transferred by the Islamic African Relief Agency, located in Khartoum, Sudan, to work in the **IARA** office in Columbia, Mo.

Forfeiture

Count Thirty-Three of the federal indictment is a forfeiture count, which would require **IARA**, **Hamed**, **Begegni**, **Al-Sudanee** and **Mustafa** to forfeit to the government \$1,375,712, which represents the sum of monies involved in the international financial transactions used to promote the unlawful activity alleged in Counts Thirteen through Twenty-Four. It would also require **IARA**, **Hamed** and **Al-Siddiq** to forfeit \$46,350, which represents the sum of monies involved in the financial transactions used to conceal the nature, source and ownership of the proceeds of unlawful activity as alleged in Counts Twenty-Eight through

Thirty-One.

Schlozman cautioned that the charges contained in this indictment are simply accusations, and not evidence of guilt. Evidence supporting the charges must be presented to a federal trial jury, whose duty is to determine guilt or innocence.

This case is being prosecuted by Assistant U.S. Attorneys Nathan F. Garrett and Anthony P. Gonzalez, in conjunction with trial attorneys Corey J. Smith, National Security Division of the U.S. Department of Justice, and Steven M. Mohlhenrich, Tax Division of the U.S. Department of Justice. It was investigated by U.S. AID-Office of Inspector General, the Federal Bureau of Investigation, IRS-Criminal Investigation and the Bureau of Immigration and Customs Enforcement.

This news release, as well as additional information about the office of the United States Attorney for the Western District of Missouri, is available on-line at

www.usdoj.gov/usao/mow/index.html