



Department of Justice

District of Columbia

FOR IMMEDIATE RELEASE

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**Administrator of VisionTech Components, LLC Sentenced
To 38 Months in Prison For Her Role in Sales of Counterfeit Integrated Circuits Destined to
U.S. Military and Other Industries
- Counterfeit Devices Were Sold to U.S. Navy and Defense Contractors -**

WASHINGTON - Stephanie A. McCloskey, 39, of Clearwater, Fla., was sentenced today to 38 months in prison for her role in a scheme in which she and others imported counterfeit integrated circuits from China and Hong Kong and sold hundreds of thousands of them to the U.S. Navy, defense contractors and others, marketing some of these products as "military-grade."

McCloskey pled guilty in November 2010 to a federal charge of conspiracy to traffic in counterfeit goods and to commit mail fraud, and she subsequently cooperated with authorities. She was sentenced by the Honorable Paul L. Friedman in the U.S. District Court for the District of Columbia. As part of her plea agreement, McCloskey agreed to forfeit to the government the benefit she received from the scheme, a total of approximately \$166,141 in salary she earned as an administrator for VisionTech Components, LLC. The judge reserved ruling on an order of restitution, which is to be issued within 90 days, and could be as much as \$578,062.

This is the first federal prosecution in a case involving the trafficking of counterfeit integrated circuits.

The sentence was announced by U.S. Attorney Ronald C. Machen Jr., John P. Torres, Special Agent in Charge of U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations (HSI) Field Office in Washington, D.C., and John F. Wagner, Special Agent in Charge of the Washington, D.C. office of the Naval Criminal Investigative Service. Other agencies assisting in the investigation included the Washington Division of the U.S. Postal Inspection Service, and the Office of the Inspector General for the U.S. Department of Transportation.

According to information presented to the Court by Assistant U.S. Attorney Sherri L. Schornstein, McCloskey conspired between 2006 and 2010 with the late Shannon L. Wren, owner of VisionTech Components, LLC, to traffic in counterfeit goods and to commit mail fraud.

Wren, McCloskey and others ran the integrated circuits counterfeiting operation from the VisionTech Components address in Clearwater. The defendants advertised name-brand, trademark-protected integrated circuits as "available" on the website www.visiontechcomponents.com. In fact, they acquired the devices from China and Hong Kong and imported them into the United States through various ports of entry.

From about Jan. 1, 2007 through Dec. 31, 2009, Wren, McCloskey, and others generated approximately \$15.8 million in gross receipts through VisionTech Components from the sales of counterfeit integrated circuits.

An integrated circuit is a high-tech device, incorporated into a computer board, which acts as a switch. Integrated circuits control the flow of electricity in the goods or systems into which they are incorporated. They are used in a variety of applications, including industrial, consumer electronics, transportation, infrastructure, medical devices and systems, spacecraft, and military.

Counterfeit integrated circuits can result in product or system failure or malfunction, and can lead to costly system repairs, property damage, and serious bodily injury, including death. They also raise national security concerns because their history is unknown, including who has handled them and what has been done to them. In addition, the devices can be altered and certain devices can be preprogrammed. Counterfeits can contain malicious code or hidden "back doors" enabling systems disablement, communications interception, and computer network intrusion.

"Today marks the first time that anyone has ever been sentenced in a federal courtroom for trafficking counterfeit integrated circuits," said U.S. Attorney Machen. "This prosecution is a warning to people who would even consider selling phony hardware to our military and defense contractors. They not only put health, safety, and our national security at risk, but also expose themselves to serious criminal consequences."

"Ms. McCloskey and VisionTech put the safety and security of our nation and the members of our armed forces at risk for self-serving, economic gains," said Special Agent in Charge Torres. "Together with our law enforcement partners, ICE HSI will continue to engage in an unrelenting pursuit of those companies and individuals who attempt to profit from the illegal trafficking of counterfeit products."

"Counterfeit components represent a real threat from within the supply system," said Special Agent in Charge Wagner. "Whether used in household appliances or weapons systems, integrated circuits must work as designed. As this case demonstrates, those responsible for such fraud will be held accountable."

"This investigation was an excellent example of a partnership of multiple federal law enforcement agencies across the country, working together to shut down a counterfeit fraud conspiracy that affected national security," said Daniel S. Cortez, Inspector in Charge, Washington Division, U.S. Postal Inspection Service. "I fully commend the hard work and countless hours put forth by all of the law enforcement agencies involved, which resulted in bringing these individuals to justice."

"The sentencing today reflects the strong commitment of the Department of Transportation and its Office of Inspector General to ensuring the safety of the Nation's transportation system," said Special Agent in Charge Kathryn Jones, U.S. Department of Transportation, Office of Inspector General, Washington Regional Office. "Together with our prosecutorial partners, we will continue to vigorously pursue those who violate criminal laws, defraud the government, and undercut the integrity of DOT's safety programs."

According to the government's evidence, between Dec. 6, 2006 and Aug. 18, 2010, Wren, McCloskey and others imported from China and Hong Kong, on 35 separate occasions, approximately 59,540 integrated circuits bearing counterfeit marks, including military-grade markings, valued at approximately \$425,293. "Military-grade" integrated circuits are sold at a higher price than those of commercial- or industrial-grade, because of the special temperature- and vibration-tolerance testing required by legitimate manufacturers. Such devices are tested to function at extreme temperatures (hot and cold) and/or withstand extreme vibration.

There were numerous customer complaints regarding the counterfeit integrated circuits that were sold through VisionTech by Wren, McCloskey, and others. McCloskey was aware of these complaints, in which the customers represented that the devices were counterfeit. McCloskey also was aware of complaints in which the customers reported that the integrated circuits they had purchased from VisionTech did not function.

In the Statement of Offense, filed in connection with McCloskey's guilty plea, she claimed to have engaged in "willful blindness" to the truth of what took place in that she deliberately closed her eyes to what otherwise would have been obvious to her.

McCloskey and Wren, formerly of Treasure Island, Fla., were arrested in Florida in September 2010 on bench warrants issued by the U.S. District Court for the District of Columbia. Government agents executed search warrants for two locations and numerous seizure warrants for certain proceeds of criminal activity, including a Showhauler Motor home, a Ferrari Spider, a Bentley Arnage, a Mercedes Benz, motorcycles, and funds in several bank accounts.

Wren, who pled not guilty to charges in this case, died in May of 2011. The property that was seized in connection with the case against Wren is the subject of a civil lawsuit filed in the U.S. District Court for the District of Columbia.

Today's sentencing reflects the importance of a larger effort led by the Department of Justice Task Force on Intellectual Property (IP Task Force). Attorney General Eric Holder created the IP Task Force to combat the growing number of domestic and international intellectual property crimes, protect the health and safety of American consumers, and safeguard the nation's economic security against those who seek to profit illegally from American creativity, innovation and hard work. The IP Task Force seeks to strengthen intellectual property rights protection through heightened criminal and civil enforcement, greater coordination among federal, state and local law enforcement partners, and increased focus on international enforcement efforts, including reinforcing relationships with key foreign partners and U.S. industry leaders. To learn more about the IP Task Force, go to <http://www.justice.gov/dag/iptaskforce/>

In announcing the sentence, U.S. Attorney Machen, Special Agent in Charge Torres, and Special Agent in Charge Wagner commended the work of the numerous investigative partners, including ICE Special Agents Misty Price and Keelie Maiden, and Intelligence Specialist Mary Beth MacDonald; NCIS Special Agents Steve DeMasi, Andra Folescu, and Erin Michaels, and Intelligence Specialists Jerome Tennille, and Dustin Russell, NCIS, Fleet Operations Group; U.S. Department of Transportation Special Agent Jameel Bagby; U.S. Postal Inspector Steven Watai; the staff of the

Defense Cyber Crime Center; the staff of the Customs and Border Protection, Office of General Counsel, and the customs and border patrol officers who prevented counterfeit goods from entering the United States at U.S. ports of entry.

They also praised the work of the staff of the U.S. Attorney's Office, including Forensic Accountant Maria Boodoo; Legal Assistant Jared Forney; Paralegal Diane Hayes, and the many people who worked on the case from the Victim Witness Assistance Unit, including Kim Herd, Yvonne Bryant, David Foster, Basizette Stribling, Tracey Hawkins, Shawn Slade, Lezlie Richardson, Dawn Tolson-Hightower, and James Johnson. In addition, they commended the efforts of Assistant U.S. Attorney Sherri L. Schornstein, who led the investigation and prosecuted the case, and Assistant U.S. Attorney Diane Lucas, who assisted regarding asset forfeiture.

Finally, they thanked the Semiconductor Industry Association (SIA), and a number of companies for their cooperation and assistance, including STMicroelectronics, Inc., Texas Instruments, Inc., Analog Devices, Inc., Intel Corporation, National Semiconductor, Inc., ON Semiconductor, Freescale Semiconductor, Inc. , BAE Systems Electronic Solutions, and Raytheon Company.

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