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## PRESS RELEASE

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### **Administrator of Florida-based VisionTech Components, LLC Pleads Guilty in Connection With Sales of Counterfeit High Tech Devices Destined to the U.S. Military and Other Industries**

#### **Counterfeit Integrated Circuits Sold to U.S. Navy and Defense Contractors**

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

The guilty plea was announced by U.S. Attorney Ronald C. Machen Jr., John P. Torres, Special Agent in Charge of U.S. Immigration and Customs Enforcement, Office of Homeland Security Investigations (HSI) in Washington, D.C., and Sandy Macisaac, Special Agent in Charge of the Washington, D.C. office of the Naval Criminal Investigative Service.

Other agencies assisting in the investigation include the U.S. Postal Inspection Service, the Office of the Inspector General for the U.S. Department of Transportation, and the Office of Inspector General for the U.S. General Services Administration.

McCloskey appeared this morning before the Honorable Judge Paul L. Friedman in U.S. District Court for the District of Columbia. She pleaded guilty to a charge of Conspiracy, Aiding and Abetting. She faces a maximum statutory sentence of up to five years incarceration, a fine of \$250,000, a three-year term of supervised release, an order of restitution, and an order of forfeiture. She faces a potential sentence under the advisory U.S. Sentencing Guidelines capped by the statutory penalty at 60 months in prison and a fine of up to \$125,000. No sentencing date has been scheduled.

As part of her plea agreement, McCloskey agreed to cooperate in the investigation and to forfeit to the government the benefit she received from the scheme, approximately \$166,141 in salary she was paid during her employment at VisionTech Components, LLC.

The guilty plea follows the unsealing of a 10-count indictment on September 14, 2010. The indictment charges McCloskey and Shannon L. Wren, owner of VisionTech Components, LLC, with conspiracy, trafficking in counterfeit goods, and mail fraud.

On September 14, 2010, Wren, of Treasure Island, Fla., and McCloskey were arrested in Florida 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 Rolls Royce, a Mercedes Benz, motorcycles, and funds in several bank accounts.

According to the indictment, Wren is the owner of VisionTech Components, a business for which McCloskey was in charge of administration and for which she was a co-signatory on bank accounts owned by Wren.

The indictment alleges that Wren, McCloskey, and others ran an integrated circuits counterfeiting operation from the VisionTech Components address at 5120 110<sup>th</sup> Avenue North, Clearwater, Florida. Companies related to VisionTech are Infuture, Inc., Infuture Electronics, and Carz, Inc. The defendants are alleged to have advertised name-brand, trademark-protected Integrated Circuits (“ICs”) for sale on a website, [www.visiontechcomponents.com](http://www.visiontechcomponents.com) after acquiring ICs bearing counterfeit markings from China and Hong Kong and importing them into the United States through various ports of entry.

An integrated circuit is a high-tech device that controls the flow of electricity. Such devices are used in a variety of applications including consumer electronics, transportation, medical, spacecraft, and military. Counterfeit integrated circuits can result in product or system failure or malfunction, and can result in costly system repairs, property damage, and serious bodily injury, including death. Such counterfeits also raise national security concerns because the history of the device is unknown, including who has handled it and what has been done to it. The devices can also 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.

According to the indictment, from about January 1, 2007 through December 31, 2009, Wren, McCloskey and others generated more than \$15.8 million in gross receipts through VisionTech Components from the sales of counterfeit integrated circuits. Between December 6, 2006 and August 18, 2010, Wren, McCloskey and others imported from China and Hong Kong, on 31 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 manufacturing techniques and additional testing required by legitimate manufacturers. Such devices are tested to function at extreme temperatures (hot/cold) and/or withstand extreme vibration.

According to the indictment, numerous customers made complaints regarding the counterfeit integrated circuits sold through VisionTech by Wren, McCloskey, and others.

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 at VisionTech in that she deliberately closed her eyes to what would otherwise have been obvious to her.

While employed at VisionTech Components, for example, she knew that the company was not an authorized distributor or reseller for any legitimate OEM (Original Equipment Manufacturer), including those firms listed on the VisionTech Components' website.

Wren instructed employees to tell customers and prospective customers that all of the integrated circuits they procured were coming from OEMs (Original Equipment Manufacturers) located in Europe. McCloskey knew that approximately 95 percent of the companies from which VisionTech procured integrated circuits were all located in China and Hong Kong.

McCloskey also knew that on numerous occasions, integrated circuits purchased by VisionTech Components from China and Hong Kong arrived in dirty condition. Wren directed employees to use large erasers to remove debris and discoloration from the leads of the devices and essentially polish the leads on the integrated circuits making them appear to be in good condition.

In addition, McCloskey was aware of customer complaints, in which the customers represented that they had the integrated circuits purchased from VisionTech tested and that the devices were counterfeit. McCloskey was also aware of customer complaints that the integrated circuits they had purchased from VisionTech did not function. In such cases, Wren directed that the preferred response was to have the buyer return the integrated circuits to VisionTech and to replace the goods with other integrated circuits. If the buyer did not want replacement goods, Wren directed that a refund be issued. During the approximate period January 1, 2007 through December 31, 2009, VisionTech Components issued over \$1 million in customer refunds.

McCloskey also knew that VisionTech Components did not employ an engineer or other quality control expert. The VisionTech Components's standard Certificate of Conformance contained a provision, purportedly signed by a "Quality Representative."

Today's guilty plea 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 guilty plea, U.S. Attorney Machen, Special Agent in Charge Torres, and Special Agent in Charge Macisaac commended the work of ICE Special Agents Misty Price and Keelie Maiden; NCIS Special Agents Erin Michaels and Steve DeMasi; U.S. DOT IG Special Agent Jameel Bagby and U.S. Postal Inspector Steven Watai. They also praised the efforts of the staff of the U.S. Attorney's Office, including Forensic Accountant Maria Boodoo, Paralegals Carolyn Cody, Diane Hayes, Mary Treanor, and Maggie McCabe.

They also cited the work of Assistant U.S. Attorney Sherri L. Schornstein, who is prosecuting the case, and Assistant U.S. Attorney Diane Lucas, who is assisting regarding asset forfeiture.

Finally, they acknowledged the Semiconductor Industry Association (SIA), STMicroelectronics, Inc., Texas Instruments, Inc., Analog Devices, Inc., Intel Corporation, and National Semiconductor, Inc. for their cooperation and assistance. Also acknowledged were the Customs and Border Protection Officers who prevented counterfeit goods from entering the United States via stops of certain shipments at the U.S. ports of entry.

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