

Department of Justice

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FORMER WNY COMPANY PRESIDENT PLEADS GUILTY TO CONSPIRING TO SMUGGLE MAGNESIUM POWDER INTO THE UNITED STATES

BUFFALO, N.Y.--U.S. Attorney William J. Hochul Jr., announced today that Charles Wright, 61, of Pennsylvania, pleaded guilty before Chief U.S. District Judge William M. Skretny, to conspiracy to smuggle merchandise into the United States by false and fraudulent invoices. The charge carries a maximum penalty of five years in prison, a fine of \$250,000, or both.

Assistant U.S. Attorney Michael DiGiacomo, who handled the case, stated the defendant was the president of ESM Group, Inc. a speciality metal powder supplier. As president, Wright sought to expand ESM's customer base to include the defense industry. In order to do so, the defendant entered into an agreement with Superior Metal Powders Inc., whereby Superior Metal Powders was to obtain and market on behalf ESM Group Inc., a special form of magnesium powder.

At the time, the United States had a 305.56% antidumping duty in place with respect to the type of magnesium powder Superior Metal Powders was importing from the Peoples Republic of China. After entering into the magnesium agreement, the defendant learned that the magnesium powder was being imported in a manner that avoided the 305.56% anti-dumping duty. Despite this knowledge, Wright authorized and obtained additional shipments of the magnesium powder knowing it was being imported in violation of the anti-dumping duty. The total amount of lost duty to the United States from January 2005 through May of 2005 was approximately \$1,933,999.

The magnesium powder was used to produce countermeasure flares which are used by the Department of Defense in military aircraft to divert heat-seeking missiles.

"The enforcement of our nation's laws--particularly when it comes to our war effort--is among the highest priorities of the Department of Justice and this Office," said U.S. Attorney Hochul. "The product at issue here--magnesium used in military countermeasures--literally constituted the last line of defense for our brave men and women serving in our military. This Office will continue to prosecute any who would jeopardize our military, evade Defense Department regulations, or defraud the government out of legitimate tariffs and duties designed to protect critical American industries."

Wright was charged in an Indictment in April 2010 along with Gregory Magness, Justin Magness, William Nehill, Eldon Bott, and Qian Chen. Superior Metal Powders, Inc., International Technology Group, Inc., and Innovative Materials & Solutions, Inc. were also named in the Indictment. Wright is the first to be convicted in this case.

The plea is the culmination of an investigation on the part of the Immigration and Customs Enforcement, Homeland Security Investigations, under the direction of James C. Spero, the Internal Revenue Service, Criminal Investigation Division, under the direction of Charles R. Pine, and the Department of Defense Criminal Investigative Service, under the direction of Edward T. Bradley, Special Agent in Charge, Northeast Field Office.

Sentencing is scheduled for June 27, 2012, at 9:00 a.m. before Judge Skretny.

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