

1. The October 30, 1997 Export From the United States to Iran

31. On or about July 22, 1997, Mr. Mahdi submitted an irrevocable purchase order to Dr. Strome of BITS for \$41,695.46 worth of oil field equipment for a Halliburton cementing unit on OTS stationery. The reference number was 701-1320-TSI. Using OTS's established code, the "T" indicates that the end-user was Kala Naft, Tehran, Iran. The "SI" represents Smith International, a U.S. manufacturer. (Tr. 148, 152; Gov't Ex. 8; Gov't PFF 19).

32. A BITS invoice dated July 23, 1997 memorialized the sale of \$42,356.56 worth of oil field equipment to OTS under reference number 701-1320-TSI. The equipment was to be shipped on October 29, 1997 to Danzas Canada, Limited ("Danzas"), a freight forwarder located in Ontario, Canada. (Tr. 151; Gov't Ex. 10; Gov't PFF 21).

33. On October 30, 1997, Forward Logistics Group, Inc. ("Forward Logistics"), a freight forwarder acting on behalf of BITS, shipped the equipment purchased by OTS under reference number 701-1320-TSI. The equipment was shipped to OTS in care of Danzas. Forward Logistics prepared the Shipper's Export Declaration ("SED") on behalf of BITS. Item 7 in the SED indicated that the country of ultimate destination was "Toronto." The true country of ultimate destination was Iran. Forward Logistics did not know the product would end in Iran. (Tr. 156-60, 166-69; Gov't Ex. 11, 12; Gov't PFF 22-24).

34. When Danzas received the commodities that were shipped on October 30, 1997, pursuant to Mr. Mahdi's directions, the oil field equipment was consolidated with other equipment OTS had purchased from another company located in Texas. All of the equipment was then sent to Iran via Cypress. In an effort to apply Canadian export law, the country of origin for the equipment was falsely identified as Canada. (Tr. 153-55, 169-72, 177-78; Gov't Ex. 10; Gov't PFF 25-26).

2. The February 2, 1998 Export From the United States to Iran

35. On October 23, 1997, Mr. Mahdi submitted an irrevocable purchase order to Dr. Strome of BITS for \$69,478.20 worth of oil field equipment. The purchase order was prepared on OTS stationery. The reference number was 702-1360-TSI. (Tr. 180; Gov't Ex. 6, at 4; Gov't Ex. 13; Gov't PFF 28).

36. In January 1998, BITS sold approximately 845 parts for a Halliburton cementing unit to OTS

under reference number 702-1360-TSI. (Tr. 183-84; Gov't Ex. 6, at 4; Gov't Ex. 14).

37. Mr. Mahdi hired Pars Maritime Cargo, Inc. ("PCMI") of Quebec, Canada to transport the parts via truck from BITS in Florida to Ontario, Canada. PCMI is the general sales agent for Iran Air. PCMI picked up the parts from BITS on February 2, 1998. (Tr. 185-187; Gov't Ex. 6, at 4; Gov't Ex. 14, 15; Gov't PFF 29-30).

D. The Attempt To Export Oil Field Equipment on March 17, 1999

38. On April 21, 1998, Mr. DiMarco of OTS submitted an irrevocable purchase order under reference number 013-077-BTB to Dr. Strome of BITS. The reference number contained a typographical error. The true reference number was 013-077-TBT. (Tr. 188, 191-93, 197-98; Gov't Ex. 6, at 4; Gov't Ex. 7, at 4; Gov't Ex. 16, 17; Gov't PFF 32).

39. OTS ordered \$121,082.70 worth of extracting equipment used to remove broken drill heads from oil wells under reference number 013-077-TBT. The extracting equipment was to be manufactured by Bowen Tools, a U.S. manufacturer. Based on Madhi's transaction code, the end-user was Kala Naft, Tehran, Iran. (Tr. 196-201, 206-208; Gov't Ex. 9, 16, 18A; Gov't PFF 32-33).

40. On May 26, 1998, Mr. Mahdi, acting on behalf of OTS, wired \$16,082 in U.S. currency to BITS account. The money was a deposit for the equipment ordered under reference number 013-077-TBT. (Tr. 189-91; Gov't Ex. 16, at 3; Gov't Ex. 17; Gov't PFF 34).

41. In January 1999, Dr. Strome began cooperating with OEE investigators. (Tr. 105-107).

42. On or about March 4, 1999, Mr. Mahdi instructed Dr. Strome to export the equipment ordered by OTS under reference number 013-077-TBT to Industrial Engineering Inspection Company of Iran ("I.E.I.") for inspection. (Tr. 201, 207, 210-15; Gov't Ex. 18A, at 3; Gov't Ex. 18, 19; Gov't PFF 35-36).

43. Dr. Strome advised Special Agent Gilfix of OEE that Respondent had telephoned him from Canada and ordered that \$120,000 worth of oil field equipment be shipped and inspected by an Iranian inspection company. At Special Agent Gilfix's behest Dr. Strome advised Mr. Mahdi that he would not export the equipment since they were destined for Iran. Instead, Mr. Mahdi agreed to meet Dr. Strome in Melbourne, Florida where the equipment could be inspected for Iran. (Tr. 107-109).

44. In the interim, Special Agent Gilfix obtained an arrest warrant from a federal magistrate judge in Orlando, Florida based on a criminal complaint alleging that Mr. Mahdi violated U.S. export laws and regulations. (Tr. 109).

45. In mid-March 1999, Mr. Mahdi flew to Florida to inspect the equipment for Iran. After inspecting and obtaining the oil field equipment ordered under reference number 013-077-TBT, Mr. Mahdi was arrested. (Tr. 109, 202; Gov't PFF 37-38).

VI. Ultimate Findings of Fact and Conclusions of Law

1. Mr. Mahdi, OTS, and the subject matter of this proceeding are properly within the jurisdiction of the BIS in accordance with the Export Administration Act of 1979 (50 U.S.C. App. Secs. 2401-2420) and the Export Administration Regulations (15 CFR parts 730-774).

2. On the basis of an Order dated September 6, 2002, granting summary decision against Mr. Mahdi, Charge 1 relating to the conspiracy to export oil field equipment between March 1997 and April 1998 from the United States to Iran via Canada is found proved under the doctrine of collateral estoppel. (Gov't PUFF 49-50, 56).

3. BIS has established by a preponderance of the evidence that the Respondents violated §§ 746.7 and 764.2(a) of the EAR by exporting oil field equipment from the United States through Canada to Iran on October 30, 1997 and February 2, 1998 without obtaining prior authorization from OFAC. (Gov't PUFF 51-53, 56).

4. BIS has established by a preponderance of the evidence that the Respondents violated §§ 746.7 and 764.2(c) of the EAR by attempting to export oil field equipment from the United States through Canada to Iran on March 17, 1999 without obtaining prior authorization from OFAC. (Gov't PUFF 54, 56).

5. BIS has established by a preponderance of the evidence that the Respondents violated § 764.2(g) of the EAR by making false and misleading statements of material fact on a Shipper's Export Declaration on October 30, 1997 that the country of ultimate destination of the oil field equipment was Canada, when, in fact, the true country of ultimate destination was Iran. (Gov't PUFF 55, 56).

6. BIS has established by a preponderance of the evidence that the Respondents violated § 764.2(e) transferring and forwarding goods, on or about October 30, 1997, to Iran knowing the goods had been exported from the