

District Court, Middle Division of Florida, No. 6:99-CR-128-ORL-22DAB, to a criminal conspiracy to make unauthorized exports of U.S. origin oil field and industrial equipment from the United States to Iraq and Iran. Judgment was entered against Mr. Mahdi, who was sentenced to 51 months imprisonment. Govt. Exs. 1-5; May 13 Tr. at 110, line 1 to 120, line 11; *id.* at 124, line 14 to 125, line 9. [Charge 1]

Ruling: Accepted and Incorporated.

7. The record of the criminal proceeding against Mr. Mahdi, including his admissions therein, shows that OTS was involved in the conspiracy to which Mr. Mahdi pled guilty. Govt. Ex. 1 at 5, paragraph 12 ("It was the purpose of this conspiracy for defendant MAHDI, to enrich and benefit himself and others by offering to sell and selling United States origin oil field and industrial equipment through Tech-Link and OTS in Canada to Iran and Iraq"); *id.* at paragraph 13 ("It was further part of the manner and means of this conspiracy that defendant MAHDI arranged * * * for OTS to import United States origin oil field and industrial equipment" into Canada); Govt. Ex. 2 at 13, paragraph 9, at 18, paragraphs 12 and 13 (in plea agreement, Mr. Mahdi certified that these facts were true); May 13 Tr. at 110, line 8 to 119, line 10. [Charge 1]

Ruling: Accepted and Incorporated.

8. The record of the criminal proceeding against Mr. Mahdi, including his admissions therein, shows that BITS and Mr. Strome were involved in the criminal conspiracy to which Mr. Mahdi pled guilty. In a separate proceeding, Mr. Strome also pled guilty to a charge of criminal conspiracy. Govt. Ex. 1 at 6-8, paragraphs 15a-1, 151-t, 15v ("overt acts" of the conspiracy involving Mr. Strome or BITS); Govt. Ex. 2 at 13, paragraph 9, at 18-22 paragraphs 15-23, 26-34, 36 (in plea agreement, Mr. Mahdi certified that these facts were true); May 13 Tr. at 125, lines 11-25. [Charge 1]

Ruling: Accepted and Incorporated.

9. In late 1996 or early 1997, Mr. Mahdi contacted Mr. Strome to discuss whether BITS would supply parts for oil field equipment to Mr. Mahdi for him to provide to customers, some of whom were in the Middle East. At this time, Mr. Mahdi presented himself to Mr. Strome as doing business as Tech-Link Development Corporation (Tech-Link). Respondent's Motion for Denial at 8; Govt. Ex. 2 at 18, paragraph 15; Govt. Ex. 6 at 1; May 13, 2003 Tr. at 136, line 20 to 138, line 1. [Charge 1]

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10. Mr. Strome met with Mr. Mahdi in or about October 1997 in Toronto,

Canada. By this time, Mr. Mahdi had stopped doing business as Tech-Link and was doing business with Mr. Strome as OTS. At this meeting, they discussed entering into an arrangement in which BITS would serve as OTS's exclusive supplier of United States origin commodities. Under the proposed agreement, BITS would ship products manufactured under BITS's name brand to OTS in Canada, BITS would sell the products to customers overseas, and the customers would be obligated to obtain replacement parts from BITS through OTS. In fact, the business arrangement that they were able to pursue involved OTS and Mr. Mahdi placing requests for quotation and orders with BITS on behalf of overseas customers, and BITS supplying products manufactured by other suppliers to Mr. Mahdi and OTS. Govt. Ex. 2 at 19, paragraph 18; Govt. Ex. 6 at 1-2; May 13 Tr. at 161, lines 6-16; *id.* at 138, lines 2-18; *id.* at 241, line 20 to 245, line 12. [Charge 1]

Ruling: Accepted and Incorporated.

11. On or about November 1, 1997, Mr. Mahdi and Mr. Strome exchange a draft agreement between BITS and OTS, describing the proposed arrangement. Govt. Ex. 28; May 13 Tr. at 250, line 24 to 253, line 7. [Charge 1]

Ruling: Accepted and Incorporated.

12. On or about November 5, 1997, Mr. Mahdi, on behalf of OTS, sent a memorandum to Mr. Strome at BITS, which stated: "Further to our various discussions and meetings in Toronto regarding the agency agreement, name (sic) of countries are listed below." A list of 19 countries, mostly in the Middle East, followed. These countries included Iraq and Iran. Govt. Ex. 2 at 19, paragraph 21; Govt. Ex. 27; May 13 Tr. at 240, line 19 to 241, line 19. [Charge 1]

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13. Although Mr. Strome and Mr. Mahdi did not memorialize their agreement in a final document, they proceeded on the basis of a "handshake" agreement. May 13 Tr. at 253, lines 10-19. [Charge 1]

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14. Mr. Strome met with Mr. Mahdi in Canada again in or about September 1998. On this occasion, Mr. Strome met Mahdik Mahdi. Mr. Strome was told that Mahdik Mahdi was well-connected politically and commercially in Iraq. In Mr. Strome's presence, Mahdik Mahdi and Abdulmir Mahdi reviewed files and drawings for projects in Iraq and called Iraq to discuss such a project. Govt. Ex. 2 at 19, paragraph 20; Govt. Ex. 6 at 2-3; May 13 Tr. at 253, line 25 to 256, line 18. [Charge 1]

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15. Mr. Strome began to cooperate with the investigation of OTS and Mr. Mahdi in January of 1999. Throughout 1998, Mr. Strome, through counsel, was negotiating with the United States Attorney's Office in Orlando, Florida regarding the terms of a possible guilty plea and agreement to act as a cooperating witness. During this negotiating period in 1998, Mr. Strome continued to do business with Mr. Mahdi and OTS. May 13 Tr. at 105, line 25 through 107, line 1. [Charge 1]

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16. Mr. Mahdi has repeatedly admitted shipping United States origin items obtained from Mr. Strome and BITS to Iran via Canada. These admissions include:

a. Referring to paragraph 11 on page 17 of his plea agreement (Govt. Ex. 2), Mr. Mahdi testified under oath at his change of plea proceeding: "So basically, what I'm trying to say is shipment to Iran, yes, we did ship, I did ship to Iran knowingly, that it is going to Iran. And I knew there was an embargo, United States embargo against Iran." Govt. Ex. 3 at 22, lines 22-24. "Your Honor, we did ship goods to Iran. And I knew there was a U.S. embargo." *Id.* at 26, lines 14-15.

b. Referring to the same paragraph 11 at his sentencing proceeding, Mr. Mahdi testified under oath: "I pled to item 11 and shipping to Iran, yes. We did ship to Iran, true. * * * I'm trying to, what I'm saying I did ship goods to Iran from Canada." Govt. Ex. 4 at 16, lines 6-7, 11-12. "[Mr. Strome] was using me to sell to Iran." *Id.* at 61, lines 2-3.

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17. OTS and Mr. Mahdi used a system for assigning reference numbers to the requests for quotations they placed with BITS and other suppliers. This numbering system used the first letter in a reference number to identify the customer for whom the request for quotation was placed. Specifically, the initial letter T indicated the Kala Naft Company (Kala Naft) in Tehran, Iran; the initial letter R indicated the Razi Petrochemical Company in Iran; the initial letter A indicated the Arak Petrochemical Company in Iran; the initial letter N indicated the National Iranian Gas Company in Iran; and the initial letter Z indicated Zawana, the firm operated by Mahdik Mahdi in Amman, Jordan. The next two letters in the reference number could refer to a specific manufacturer or a type of commodity. Govt. Ex. 7; May 13 Tr. at 140, line 16 to 143, line 8.

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18. Mr. Mahdi has admitted that items he ordered for customers in Iran were intended to go to Iran from the earliest