

AO 91 (Rev. 11/11) Criminal Complaint

UNITED STATES DISTRICT COURT

for the District of Connecticut

United States District Court District of Connecticut FILED AT BRIDGEPORT

United States of America v. Mozaffar Khazaei

Case No.

1/10/2014 20 Roberta D. Tabora, Clerk By [Signature] Deputy Clerk

3:14 MJ 2 (WIG)

Defendant(s)

CRIMINAL COMPLAINT

I, the complainant in this case, state that the following is true to the best of my knowledge and belief.

On or about the date(s) of October 2013 - December 2013 in the county of in the District of Conn. and elsewhere, the defendant(s) violated:

Code Section

Offense Description

18 U.S.C. § 2314

Interstate transportation of stolen property of the value of \$5,000 or more

This criminal complaint is based on these facts:

See attached affidavit of HSI Special Agent Breanne Chavez

Continued on the attached sheet.

[Signature of Breanne Chavez]

Complainant's signature

Special Agent Breanne Chavez, HSI

Printed name and title

Sworn to before me and signed in my presence.

Date: 01/08/2014

[Signature of William I. Garfinkel]

Judge's signature

City and state: Bridgeport, Connecticut

United States Magistrate Judge William I. Garfinkel

Printed name and title

UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT

STATE OF CONNECTICUT

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:
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ss: BRIDGEPORT

FAIRFIELD COUNTY

JANUARY 8, 2014

AFFIDAVIT

BREANNE CHAVEZ, being duly sworn, deposes and states the following:

AGENT BACKGROUND AND INTRODUCTION

1. I am a Special Agent with the United States Department of Homeland Security (“DHS”), United States Immigration and Customs Enforcement (“ICE”), Homeland Security Investigations (“HSI”), Office of the Special Agent in Charge, Los Angeles (“LA”), California. I have been employed in this capacity since December 3, 2007, and am assigned to the HSI LA Counter-Proliferation Investigations Center, which is responsible for investigating criminal violations of United States export laws related to military items, controlled “dual use” commodities, and sanctioned or embargoed countries. I hold a Bachelor’s of Science degree in Criminal Justice Administration and a minor in Spanish. I am also a graduate of the Federal Law Enforcement Training Center in Glynco, Georgia, where I underwent approximately 20 weeks of training in conducting criminal investigations. I have received training in federal laws and regulations relating to weapons counter-proliferation and export control violations and have conducted and/or participated in criminal investigations involving these laws and regulations and computer-related investigations.

2. I make this affidavit in support of a criminal complaint charging Mozaffar KHAZAEE, also known as “Arash Khazaie” (“KHAZAEE”), with transporting, transmitting and

transferring in interstate or foreign commerce goods obtained by theft, conversion, or fraud in violation of Title 18, United States Code, Section 2314.

3. The facts set forth in this affidavit are based upon my personal observations, my training and experience, and information obtained from other agents and witnesses, including federal law enforcement agents employed by HSI, the United States Customs and Border Protection Service ("CBP"), the United States Air Force's Office of Special Investigations ("OSI"), Defense Criminal Investigative Services ("DCIS"), and the Federal Bureau of Investigation ("FBI").

4. Because this affidavit is being submitted for the limited purpose of supporting a federal criminal complaint and arrest warrant for the defendant, this affidavit does not purport to set forth all of the facts and circumstances known to me about this matter. Instead, this affidavit sets forth only those facts which I believe are necessary to support a finding of probable cause to believe that the defendant has committed the charged offenses. Unless specifically indicated otherwise, all statements described in this affidavit are related in substance and in part only and all dates are approximate.

THE RELEVANT STATUTE AND ELEMENTS

5. It is my understanding that Title 18, United States Code, Section 2314 prohibits the interstate transportation of stolen property and provides, in pertinent part, that:

Whoever transports, transmits, or transfers in interstate or foreign commerce any goods, wares, merchandise, securities or money, of the value of \$5,000 or more, knowing the same to have been stolen, converted or taken by fraud . . . [shall be guilty of a crime].

See 18 U.S.C. § 2314. Accordingly, it is my understanding that a violation of 18 U.S.C. § 2314 generally requires proof that (1) property – namely, goods, wares, merchandise, securities or money – was stolen, converted, or taken by fraud; (2) the defendant transported, transmitted or

transferred the property in interstate or foreign commerce (or caused the property to be transported, transmitted or transferred in interstate or foreign commerce); (3) at the time of the transportation or transmission, the defendant knew the property was stolen, converted or taken by fraud; and (4) the value of the property was \$5,000 or more. It is also my understanding that, pursuant to Title 18, United States Code, Section 2311, "value" means "the face, par, or market value, whichever is the greatest, and the aggregate value of all goods, wares, and merchandise, securities, and money referred to in a single indictment shall constitute the value thereof." See 18 U.S.C. § 2311.

FACTS AND CIRCUMSTANCES

Summary

6. Federal law enforcement agents began investigating KHAZAEE in November 2013 when CBP officers, assisted by HSI special agents, inspected a shipment that KHAZAEE sent by truck from Connecticut to a freight forwarder located in Long Beach, California, which was intended for shipment from the United States to the city of Hamadan in the Islamic Republic of Iran ("Iran"). The documentation for KHAZAEE's shipment indicated that it contained household goods. Upon inspecting the shipment, however, CBP officers and HSI personnel discovered that the content of the shipment primarily contained numerous boxes of documents consisting of sensitive technical manuals, specification sheets, and other proprietary material relating to the United States Air Force's F35 Joint Strike Fighter ("JSF") program and military jet engines. According to information provided by the Long Beach freight forwarder, the ultimate consignee (recipient) of KHAZAEE's shipment informed the freight forwarder that he was KHAZAEE's brother-in-law and that he intended merely to hold the goods until KHAZAEE returned to Iran. Upon further investigation, law enforcement learned that KHAZAEE holds

Iranian and U.S. citizenship and, as recently as August 2013, worked as an engineer for defense contractors, including firms that are the actual owners of the technical and proprietary documents and materials in KHAZAEE's shipment. Representatives from those defense contractors have informed federal agents that materials contained in KHAZAEE's shipment were proprietary and that KHAZAEE was required to return all such material to the firms at the end of his period of employment.

Background

7. On November 26, 2013 a CBP Outbound Enforcement Team in Long Beach, California selected a shipment destined for Iran aboard the vessel NYK Libra for an outbound enforcement examination. The Shipper's Export Declaration declared the commodity as "House Hold Goods." After the shipment was placed on hold, the local freight forwarder informed CBP that the shipment could be examined at the freight forwarder's premises.

8. During the examination, CBP personnel inspected two crates belonging to shipper/exporter KHAZAEE destined for Iran, and discovered therein voluminous documents and other material containing technical data regarding the J136 engine and other documentation concerning the JSF program. CBP placed a hold on the shipment and directed the two crates to be transferred for a full warehouse examination. CBP then notified the HSI LA Counter-Proliferation Investigations Center of the discovery.

9. On December 4 and 5, 2013, CBP officers and I conducted a full warehouse examination on the two crates comprising KHAZAEE's shipment, which contained 44 boxes all labeled as belonging to KHAZAEE. During the course of the examination, CBP and HSI discovered thousands of pages contained in dozens of manuals/binders relating to the JSF program. The documents contained language regarding the technical specifications of the JSF

engine program, as well as diagrams, blueprints, and other documentation relating to the inner-workings of the jet's engine. The documents examined were labeled as "Export-Controlled," as well as stamped with "ITAR-controlled" warnings.¹ Several of the documents also bore markings indicating that they were the property of at least three defense contractors, referred to here as Company A, Company B, and Company C.

Evidence Related To Company A's Property

10. On December 20, 2013, federal agents learned that KHAZAEE's employment at Company A, located in Connecticut, ended effective August 19, 2013 as part of a reduction in force. Agents attempted to visit KHAZAEE's last known residence in Connecticut and learned that he had vacated the residence.

11. On December 19, 2013, federal agents learned that KHAZAEE made reservations to fly from Indianapolis, Indiana to Tehran, Iran on January 9, 2014. Specifically, agents from the FBI learned through an electronic database that KHAZAEE reserved a flight on Lufthansa airline from Indianapolis to Tehran, Iran, via Newark, New Jersey, and Frankfurt, Germany. The records indicate that a flight returning to the United States has been reserved for January 21, 2014.

12. On December 20, 2013, I reviewed employment records relating to KHAZAEE provided by Company A. Among those records were KHAZAEE's separation agreement and new hire paperwork, including documents that KHAZAEE appears to have signed upon entering and exiting the company, acknowledging his responsibility to surrender all company related

¹ Investigation into whether KHAZAEE's conduct may have also violated other federal laws and regulations – such as the Arms Export Control Act, Title 22, United States Code, Section 2778 ("AECA"), the Iranian Transactions Sanctions Regulations, Title 31 Code of Federal Regulations, Part 560, and the International Emergency Economic Powers Act, Title 50, United States Code, Sections 1701-1707 ("IEEPA") – is ongoing.

reports, files, and other records to Company A upon his termination. The documents KHAZAEE appears to have signed also prohibit him from: (a) disclosing, using, or publishing any proprietary, technical, or business information developed by, for, or at the expense of Company A; and (b) disclosing to any person or entity, or assisting in the disclosure, publication or use by any person or entity, business information that became known to him during his employment.

13. On December 26, 2013, federal agents from HSI and FBI interviewed Company A personnel. Company A personnel stated that during the time of KHAZAEE's employment, KHAZAEE's team conducted strength and durability evaluations for components of all Company A engines, including the F119 engine (a Company A engine solely manufactured for use in the United States Air Force's F-22 Raptor fighter aircraft).

14. During the interview, agents reviewed with Company A personnel copies of some of the items recovered in KHAZAEE's shipment. For example, Company A personnel reviewed a document entitled "F119 Diffuser Case September 24, 2010." The bottom of the document's cover page contained the statement "PROPRIETARY NOTICE" followed by:

This document is the property of [Company A] and is delivered on the express condition that it and the information contained in it are not to be used, disclosed, or reproduced in whole, or in part, for any purpose without the express written consent of [Company A]; and that no right is granted to disclose or so use any information contained in said document. These restrictions do not limit the right to use information obtained from another source.

WARNING this document contains technical data the export of which is or may be restricted by the Arms Export Control Act and the International Traffic in Arms Regulations (ITAR), 22 C.F.R. parts 120-130. Diversion contrary to U.S. law is prohibited. The export, reexport, transfer or re-transfer of this technical data to any other company, entity, person, or destination, or for any use or purpose other than that for which the technical data was originally provided by [Company A], is prohibited without prior written approval from [Company A] and authorization under applicable export control laws. ITAR/USML Category (Subcategory): VIII(i)

This document is marked to the highest level of export control and may contain technical data that is controlled at a lower level. Consult your local Business Area Export Representative to determine if it is possible to revise or redact the document to change the level of export control.

Company A personnel stated that the materials belonged to Company A, and that they should never have left Company A's premises following the termination of KHAZAEE's employment there.

15. Company A also confirmed that KHAZAEE signed a separation agreement with Company A on August 13, 2013, whereby he certified that he had returned all company files.

The document read, in pertinent part:

SURRENDER OF MATERIALS: You acknowledge that you have returned to the company all company-related reports, files, memoranda, notes, records, and other documents (whether stored electronically or otherwise) as well as badges, credit cards, cardkey passes, door and file keys, computer access codes, computer software, computers, laptops, cell phones, pagers, PDAs or other electronic devices, and any other property that you received or prepared or helped to prepare in connection with your employment. You further acknowledge that you have not and will not retain any copies or excerpts of the materials described above, and that you will not attempt to retrieve or recreate any of the materials described above after the termination of your employment.

INTELLECTUAL PROPERTY AND PRIVATE BUSINESS INFORMATION: Whether or not you sign this agreement, you, as a terminating employee, are reminded that the Intellectual Property Agreement entered into between you and the Company remains in full force and effect after the termination of your employment. The Intellectual Property Agreement states that you will not disclose, use or publish any proprietary, technical or business information developed by, for, or at the expense of the Company, or assigned or entrusted to the Company, unless such information becomes generally known outside the company (except through breach by you and of the Intellectual Property Agreement). Also, you agree not to disclose, use or publish to any person or entity, or assist the disclosure, publication or use by any person or entity, of any business information that became known to you during your employment with the company. You must deliver to or leave with the Company all written and other materials containing such information upon the termination of your employment.

16. Company A also provided agents with a copy of the "Intellectual Property Agreement" KHAZAEE signed as a new hire on March 14, 2011, in which he agreed not to

disclose proprietary information. Specifically, that "Intellectual Property Agreement" read, in pertinent part:

I will not, either during or after my employment, use, publish or otherwise disclose, except for [Company A's] benefit in the course of such employment, any technical or business information developed by, for or at the expense of [Company A], or assigned or entrusted to [Company A] by me or anyone else, unless such information is generally known outside of [Company A], and I will deliver to or leave with [Company A] all written and other materials containing such information upon termination of my employment.

17. Company A also confirmed that the value of the documents exceeds \$5,000.00. For example, among other things, the total cost of the work that was performed by Company A personnel in connection with the F119 Diffuser Case Analysis document dated September 24, 2010 - to include analytical work, document and summary creation, and communication of the analysis to the government - was \$352,720.00.

Evidence Related To Company B's Property

18. On December 27, 2013 and January 6, 2014, federal agents from HSI and FBI interviewed Company B personnel. In connection with the interviews, agents shared with Company B personnel copies of some of the items recovered in KHAZAEE's shipment.

19. On December 28, 2013, Company B personnel stated in an email that the materials were the property of Company B and that they should never have left Company B's premises. Company B personnel stated that KHAZAEE signed an Employee Innovation and Proprietary Information Agreement stating KHAZAEE was not authorized to possess the documents after employment with Company B.

20. Company B also confirmed that the value of the documents exceeds \$5,000.00. For example, one of Company B's documents reviewed by Company B personnel was part of a report that reflected the involvement of eighteen engineers for approximately 3.75 hours. The

hourly rate for engineers is approximately \$134.00, resulting in approximately \$9045.00 in engineering work and analysis performed. Another Company B document reviewed by Company B personnel was part of a report that was the result of lab tests costing between \$75,000.00 and \$100,000.00. Another Company B document reviewed by Company B personnel was a complete copy of a report conducted for Company B by an outside vendor retained by Company B. According to Company B, the report had a cost and value between \$25,000.00 and \$50,000.00.

Evidence Related To Company C's Property

21. On December 20, 2013, federal agents from OSI and DCIS interviewed Company C personnel. During the interview, employees at Company C provided agents with a disc containing KHAZAEE's new hire paper work and KHAZAEE's termination paper work. Among the documents enclosed in the termination paper work was an "Intellectual Property Declaration," dated March 28, 2007, that KHAZAEE signed, declaring that he had returned all physical property as well as proprietary or technical information and publications acquired during, or as a result of KHAZAEE's employment with Company C.

Additional Evidence in the Shipping Container

22. On December 5, 2013, federal agents from HSI and officers from CBP discovered a document from Company A entitled "Turbine Durability: Creep" in box number 11.² The document has the following warning labels:

Warning

This document is the property of [Company A]. You may not possess, use, copy or disclose this document or any information in it, for any purpose without [Company A's] express written permission. Neither receipt nor possession of this

² For ease of reference, when CBP conducted the initial inspection, CBP labeled KHAZAEE's shipment of 44 boxes, one through 44 on the outside of each box.

document alone, from any source, constitutes such permission. Possession, use, copying or disclosure by anyone without [Company A's] express written permission is not authorized and may result in criminal and/or Civil Liability.

Each page in the "Turbine Durability: Creep" further stated: "Use or disclosure of information contained on this sheet is subject to the export and/or proprietary restriction on the title page of this document."

23. On December 5, 2013, federal agents from HSI and officers from CBP discovered a Technical Data Report from Company B with proprietary and export warnings on each page of the document. In the top left corner of the document's cover page, "M. KHAZAEE" was written in red ink. The handwriting appears to be KHAZAEE's and appears to match KHAZAEE's writing in his termination paperwork from Company B, KHAZAEE's United States passport application, as well as various documents found within KHAZAEE's immigration records.

24. On December 5, 2013, federal agents from HSI and officers from CBP discovered numerous documents which appeared to be engineering-related materials in box number 10.

25. Also on December 5, 2013, HSI agents and CBP officers discovered cook wear, dishes, and an English-Persian dictionary in box number 37.

Fingerprint Analysis and Additional Evidence of Ownership and Possession

26. In December 2013 and January 2014, HSI forensic personnel tested samples of the shipping materials for fingerprints. An HSI Senior Fingerprint Specialist identified:

- a. KHAZAEE's fingerprints on packaging tape on the outside of box number 37;
- b. KHAZAEE's fingerprints on packaging tape on the outside of box number 11; and
- c. KHAZAEE's fingerprints on packaging tape on the outside of box number 10.

27. In addition to the fingerprint results, numerous items in the shipment appear to be the property of KHAZAEE. Among the contents were several documents bearing KHAZAEE's



name in printed type and in handwriting, notes with what appears to be KHAZAEE's handwriting, prescription medication containers imprinted with KHAZAEE's name, KHAZAEE's college documents, emails to and from KHAZAEE, an expired Iranian passport appearing to belong to KHAZAEE, and credit card bills addressed to him at his residence in Manchester, Connecticut.

Shipping Arrangements and Logistics

28. Evidence relating to the shipping transaction shows that KHAZAEE intended to ship the materials from Connecticut by truck to the freight forwarder in Long Beach, California, for the express purpose of shipping the materials by sea to Iran. On December 30, 2013, HSI Special Agents conducted a telephonic interview with an independent contractor affiliated with a Phoenix-based shipping logistics company. As a result of this interview, agents learned that on October 31, 2013, the aforementioned independent contractor received a telephone call from an international freight forwarder located in Long Beach, California seeking to arrange for the transportation of 44 pieces containing books and college related items, 2 suitcases, a vacuum cleaner and some other items weighing approximately 1500 pounds. These items were to be picked up from "Arash Khazaie," located at 345 Oakland Street apt., 37 Manchester, CT 06042 and delivered to the Long Beach freight forwarder.

29. During the interview, HSI Special Agents further learned that once the above-referenced independent contractor received the dimensions of the shipment from the freight forwarder, the employee entered the information into a website managed by the Phoenix-based logistics company, which quoted a price of \$780 dollars to ship the goods. The first company, who was the lowest bidder for the shipment would not accept the shipment because it was not palletized. The independent contractor employee then selected the next lowest bid on the

website which was from a trucking company based in Fountain Valley, California that accepted the bid to transport the items from Connecticut to California. The trucking company required that the shipper load all of the boxes onto the truck. Upon arranging for the trucking company to ship the items, the Phoenix-based logistics company was paid by the Long Beach freight forwarder, which was paid directly by KHAZAEE in the form of a personal check described below.

30. In December 2013, I reviewed shipping documents provided to the Long Beach freight forwarder by KHAZAEE. The documents listed the sender as "Mozaffar Khazae, 345 Oakland Street, apt #37, Manchester, Connecticut 06042." The documents listed the ultimate recipient as "Mohammad Payendeh, Hamadan, Residence of Mohammad Payendeh, Honarestan Street, Ally of Towheed, Allay of shaheed Rahdar, Pelake:22," which is located in Iran. Also included in the documents was a copy of a KHAZAEE's personal check for \$1,735.00 written to the Long Beach freight forwarder and bearing a signature appearing to be KHAZAEE's. The name and address printed on the check in the top left corner read, "MOZAFFAR KHAZAEE, 345 Oakland St, #37, Manchester, CT 06042." The "For" section of the check read: "shipment of personal goods."

Khazae's Current Location and Imminent Travel

31. On December 11, 2013, federal agents interviewed property management personnel at KHAZAEE's last known residence in Manchester, Connecticut and learned that KHAZAEE had moved out of his residence approximately one month prior. In order to locate KHAZAEE, federal agents initiated surveillance at KHAZAEE's previous residence in Indianapolis, Indiana, where KHAZAEE possessed a valid driver's license. Surveillance personnel discovered that KHAZAEE had returned to his previous residence in Indianapolis.

32. A query of law enforcement databases revealed KHAZAEE became a naturalized United States citizen on December 6, 1991, and holds a valid United States passport. Additionally, a review of the shipping documents provided to the Long Beach freight forwarder by KHAZAEE included a copy of KHAZAEE's valid Iranian passport. Travel records and databases show that KHAZAEE has traveled to Iran approximately five times in the last seven years. In addition, as noted above, KHAZAEE has reserved a flight scheduled to depart the United States for Tehran, Iran, on January 9, 2014.

REQUEST FOR SEALING

33. Your affiant requests that the criminal complaint and affidavit be sealed until the execution of the arrest warrant and the arrest of KHAZAEE, and specifically, requests that the Court permit the criminal complaint and affidavit to be provided to any defense counsel and unsealed once KHAZAEE is in custody and appears for his initial appearance.

CONCLUSION

34. Based on the foregoing, there is probable cause to believe, and I do believe, that Mozaffar KHAZAEE has committed violations of Title 18, United States Code, Section 2314. Accordingly, I respectfully request that a federal arrest warrant issue for Mozaffar KHAZAEE for those offenses.

Breanne Chavez
BREANNE CHAVEZ, SPECIAL AGENT
HOMELAND SECURITY INVESTIGATIONS

Sworn and subscribed to before me this 8th day of January 2014, at Bridgeport, Connecticut.

William I. Garfinkel
WILLIAM I. GARFINKEL
UNITED STATES MAGISTRATE JUDGE