



In Reply, Please Refer to  
File No.

**UNCLASSIFIED**  
UNITED STATES DEPARTMENT OF JUSTICE

Chapte  
Footnot 21-27

FEDERAL BUREAU OF INVESTIGATION F 8  
Alexandria, Virginia  
August 28, 1984

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THOMAS GREGORY CLINES;  
HUSSEIN K. E. I. SALEM;  
ROLF GRAAGE;  
EGYPTIAN AMERICAN TRANSPORT AND  
SERVICES CORPORATION (EATSCO);  
R. G. HOBELMANN AND COMPANY, INCORPORATED  
FRAUD AGAINST THE GOVERNMENT -  
DEPARTMENT OF DEFENSE;  
FOREIGN CORRUPT PRACTICES ACT

Reference is made to previous letterhead memoranda submitted in this matter, the most recent of which was dated February 1, 1984.

SYNOPSIS OF PROSECUTION, CIVIL SETTLEMENT ACTIONS, AND  
PAYMENT TO FEDERAL MARITIME COMMISSION:

During the period July 22, 1983, to January 16, 1984, three corporate and one personal Federal felony convictions were obtained on guilty pleas in United States District Court, in the Eastern District of Virginia, at Alexandria, in connection with the EGYPTIAN AMERICAN TRANSPORT AND SERVICES CORPORATION (EATSCO) investigation. The corporate pleas were by EATSCO; SYSTEMS SERVICES INTERNATIONAL, INCORPORATED (SSI) (a 49 percent original stockholder in EATSCO); and by AIR FREIGHT INTERNATIONAL, INCORPORATED (AFI) (a fully-owned subsidiary of the R. G. HOBELMANN AND COMPANY, INCORPORATED, which was the designated freight forwarder for EATSCO). HUSSEIN K. E. I. SALEM, an Egyptian national who was the President and original 51 percent stockholder in EATSCO, entered the personal plea.

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In association with these pleas, an aggregate of \$60,000 in fines, \$4,044,000 in civil claims' settlements, and \$76,000 in payment to the Federal Maritime Commission for possible violation of the Shipping Act of 1916, accrued to the United States Government. All of the pleas were in connection with Plea Agreements worked out by the various defendants with representatives of the U.S. Government. Each plea entered related to charges of filing false statements to the U.S. Department of Defense, Defense Security Assistance Agency (DSAA), regarding the cost of shipping military goods to Egypt under the Foreign Military Sales Program, during the period on or about November, 1979, through on or about December 31, 1981.

(The above-mentioned fines, civil claims' settlements, and payment to the Federal Maritime Commission total an amount of \$4,180,000.)

DETAILS OF PROSECUTION, CIVIL SETTLEMENT ACTIONS, AND  
PAYMENT TO FEDERAL MARITIME COMMISSION:

On July 22, 1983, at U.S. District Court (USDC), Eastern District of Virginia (EDVA), Alexandria, Virginia, HUSSEIN K. E. I. SALEM, individually and as President of the EGYPTIAN AMERICAN TRANSPORT AND SERVICES CORPORATION (EATSCO), pled guilty to a multiple-count Criminal Information. The Information charged in pertinent part that SALEM and EATSCO agreed to and did file false statements with the U.S. Department of Defense (DOD), Defense Security Assistance Agency (DSAA), regarding the cost of shipping military goods to Egypt.

From in or about November, 1979, through on or about December 31, 1981, there were 34 shipments on which false invoices were submitted. Those invoices showed inflated costs of approximately 58 million.

Pursuant to a Plea Bargain Agreement reached between the United States and the defendants and approved by the Court, the defendant, SALEM, was sentenced on both counts to pay a fine of \$25,000; the defendant, EATSCO, was likewise sentenced to pay a fine of \$20,000. Further, in settlement of all civil claims by the United States against the defendants, SALEM paid the United States \$3,020,000. The fines and civil settlement were

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satisfied by presentation of certified checks to the Clerk of the USDC and to the U.S. Attorney's Office.

(The three-count Criminal Information charged SALEM and EATSCO in count number one with violation of Title 18, United States Code (USC), Section 371 (Conspiracy); SALEM was charged in count number two with violation of Title 18, USC, Section 1001 and 2 (Submitting Falsely Stated Vouchers); EATSCO was charged in count number three with violation of Title 18, USC, Section 1001 and 2 (Submitting Falsely Stated Vouchers).

On September 1, 1983, AIR FREIGHT INTERNATIONAL, INCORPORATED (AFI), pled guilty in USDC, EDVA, to a one-count Criminal Information charging AFI with filing false invoices with the DOD, DSAA, relating to the costs of shipping military goods to Egypt under the Foreign Military Sales Program (FMSP).

AFI was fined the maximum penalty of \$10,000 pursuant to a Plea Agreement between the United States and AFI. The agreement provided in pertinent part that AFI would pay the United States \$924,000 in settlement of all civil claims; and pay \$76,000 to the Federal Maritime Commission for possible violations of the Shipping Act of 1916.

The Criminal Information charged that from in or about November, 1979, through on or about December 31, 1981, AFI filed false invoices which failed to disclose profits made by AFI for the costs of ocean freight, packing and consolidation relating to the shipment of military goods to Egypt, in violation of Title 18, USC, Section 1001.

(AFI is a wholly-owned subsidiary of the R. G. HOBELMANN AND COMPANY, INCORPORATED, which was the designated freight forwarder for EATSCO regarding Foreign Military Sales equipment shipments to Egypt.)

Checks satisfying the \$10,000 fine, \$924,000 civil claims' settlement, and \$76,000 payment to the Federal Maritime Commission were produced in connection with this plea being accepted by the judge on September 1, 1983.

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On January 16, 1984, SYSTEMS SERVICES INTERNATIONAL, INCORPORATED (SSI), pled guilty in USDC, EDVA (Richmond, Virginia), to a one-count Criminal Information charging SSI with filing false invoices with the DOD, DSAA, relating to the costs of shipping military goods to Egypt under the FMSP.

SSI was fined the maximum penalty of \$10,000 pursuant to a Plea Agreement between the United States and SSI. The agreement further provided that THOMAS CLINES, on behalf of SSI, would pay the United States \$100,000 (within 30 days) in settlement of all civil claims.

The plea of guilty was entered by the President and sole stockholder of SSI, THOMAS G. CLINES. SSI, which is no longer in business, was a 49 percent stockholder of EATSCO in the past.

The Criminal Information charged that from in or about November, 1979, through on or about December 31, 1981, SSI filed false invoices with DSAA, which invoices they then and there well knew were false in that the invoices failed to disclose profits from the ocean freight, packing and consolidation costs of shipping military goods to Egypt, and thereby misrepresented the actual costs of the ocean freight, packing and consolidation (violation of Title 18, USC, Section 1001 and 2).

A certified check in payment for the \$10,000 fine was paid to the U.S. Government at the time the plea was accepted by the judge on January 16, 1984.

One certified check and two treasurer's checks, having a combined total of \$100,000, payable to "Treasurer, United States" were in the possession of the U.S. Government as of February 23, 1984, having been provided in connection with settlement of the civil claims against CLINES' company, SSI.

OPINION OF ASSISTANT UNITED STATES ATTORNEY:

On July 18, 1984, Assistant United States Attorney (AUSA) THEODORE S. GREENBERG, EDVA, Alexandria, Virginia, advised a Special Agent of the FEDERAL BUREAU OF INVESTIGATION (FBI), that based on the above prosecution, civil settlement

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actions and payment to the Federal Maritime Commission, the fraud investigation regarding EATSCO and key persons and/or corporate entities associated therewith, has been completed.

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