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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

2006 APR 11 AM 9:55

CLERK U.S. DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

) Mag. Case No. '06 mg 688 DEPUTY

Plaintiff,

) COMPLAINT FOR VIOLATION OF

v.

) Title 22, U.S.C., Sec. 2778(b)(2), (c); 22 CFR
) 121.1, 123.1, 127.1(a)(1) - Attempted Export
) of Defense Articles Without a License

CHIA KIA CHENG

aka Ronald "KC" Chia,

Defendant.

The undersigned complainant, being duly sworn, states:

Count 1

On or about April 10, 2006, within the Southern District of California, defendant CHIA KIA CHENG, aka Ronald "KC" Chia, knowingly and willfully attempted to export from the United States to the Republic of Indonesia a defense article, that is, an M4 Carbine fully-automatic rifle, which is designated as a defense article on the United States Munitions List, without having first obtained from the Department of State a license for such export or written authorization for such export, and committed overt acts, to wit, wrote on a FedEx International Air Waybill the address for the shipment to Indonesia, and paid cash for the cost of the rifle and for the cost of shipping the rifle to the Republic of Indonesia, that were substantial steps towards committing the offense, all in violation of Title 22, United States Code, Sections 2778(b)(2) and 2778(c), and Title 22, Code of Federal Regulations, Sections 121.1, 123.1, and 127.1(a)(1).

Count 2

On or about April 10, 2006, within the Southern District of California, defendant CHIA KIA CHENG, aka Ronald "KC" Chia, knowingly and willfully attempted to export from the United States to the Republic of Indonesia a defense article, that is, M4 Commando fully-automatic rifle, which is designated as a defense article on the United States Munitions List, without having first obtained from the Department of State a license for such export or written authorization for such export, and committed an overt act, to wit, wrote on a FedEx International Air Waybill the address for the shipment to Indonesia, and paid cash for the cost of the rifle and for the cost of shipping the rifle to the Republic of Indonesia, that were substantial steps towards committing the offense, all in violation of Title 22, United States Code, Sections 2778(b)(2) and 2778(c), and Title 22, Code of Federal Regulations, Sections 121.1, 123.1, and 127.1(a)(1).

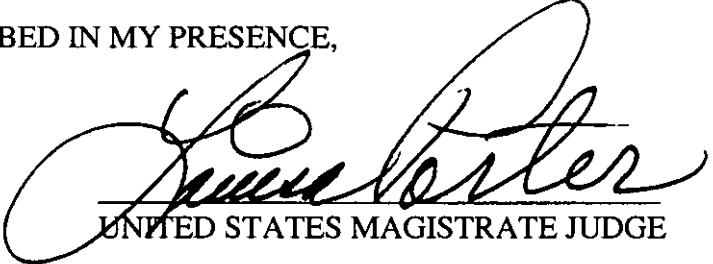
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And the complainant states that this complaint is based on the attached statement of facts, which is incorporated herein by reference.

SIA Nichole McCombe ICE
SIGNATURE OF COMPLAINANT

SWORN TO BEFORE ME AND SUBSCRIBED IN MY PRESENCE,

THIS 11 DAY OF APRIL 2006.


UNITED STATES MAGISTRATE JUDGE

**CONTINUATION OF COMPLAINT RE:
Chia Kia Cheng aka Ronald "KC" Chia**

STATEMENT OF FACTS

The Arms Export Control Act (22 U.S.C. § 2778) authorizes the President of the United States to control the export of "defense articles" by designating items, such as fully automatic firearms, on the United States Munitions List. To legally export defense articles on the United States Munitions List, individuals must apply for and receive validated export licenses or other written approvals from the United States Department of State. See 22 CFR 122.1(a), 123.1(a).

Munitions List items are classified by category at 22 CFR 121.1. Category I of the United States Munitions List covers Firearms, Close Assault Weapons and Combat Shotguns. Category I(b) covers fully automatic firearms up to .50 caliber (12.7 mm).

Chia Kia Cheng ("CHENG") is a citizen and resident of Singapore. CHENG is involved in the business of buying, selling or otherwise brokering military and security equipment. In 1999, an undercover United States Customs agent (now an Immigration and Customs Enforcement agent) met CHENG at a trade show in Washington, D.C. The undercover agent ("UC") was introduced to CHENG as someone who could possibly provide services to CHENG.

Thereafter, CHENG and the UC corresponded off and on for several years. The correspondence consisted primarily of email communications and telephone conversations. The telephone conversations were between CHENG and the UC. The email communications were between CHENG and the UC or other federal law enforcement agents who posed as the UC in composing and sending email communications to CHENG. Accordingly, when reference is made hereafter to communications between CHENG and the "UC", the reference includes email communications between CHENG and federal law enforcement agents acting in the UC persona. During communications between CHENG and the UC, CHENG used the name Ronald "KC" Chia.

Following the initial meeting in Washington, D.C., and over the course of several years (from approximately 1999 to 2004), CHENG sporadically corresponded with the UC about the potential purchase and export from the United States of various export-controlled items, including night vision equipment, bullet proof vests with military-grade inserts, and M-16 rifles. During this correspondence, the UC advised CHENG that military items sought by CHENG would be exported from the United States illegally with the use of falsified export records. However, no transaction was consummated. On January 5, 2005, CHENG sent the UC an email stating that his attempts to find a buyer for U.S. technology had "fizzled out," but that if anything redeveloped, he would contact the UC.

In March 2005, CHENG again contacted the UC about the potential purchase and export of M-16 rifles. In response to CHENG's inquiry, on or about March 15, 2005, the UC sent an email to CHENG stating that the UC had an industry contact that could acquire the rifles. Among other

**CONTINUATION OF COMPLAINT RE:
Chia Kia Cheng aka Ronald "KC" Chia**

things, the UC also stated that if CHENG's customer is a government entity, then a license from the United States Department of State may be applied for, in which case exporting the rifles from the United States would be of no concern. The UC also stated that if a license is not feasible, the UC has a solution for the shipping problem.

Over the next 12 months, CHENG and the UC exchanged numerous email messages about the potential export from the United States of thousands of M-16 rifles. CHENG and the UC often referred to the rifles by the code phrase "teak furniture." CHENG informed the UC that he was attempting to broker an M-16 rifle deal with an end-user in Indonesia and another M-16 rifle deal with an end-user in Syria. On several occasions, CHENG and the UC discussed (both on the telephone and in email messages) potential methods of falsifying export records, using cover loads, and using transshipments to circumvent United States export controls and minimize the risk that the rifles would be intercepted in transit. During the communications, CHENG also inquired about the possibility of the UC acquiring grenade launchers for an end-user in Syria. CHENG and the UC agreed that, prior to an actual export of rifles, CHENG would come to the United States to meet with the UC in person to finalize the transaction.

In February 2006, CHENG advised the UC that he expected some confirmed orders soon. However, CHENG advised the UC that the Indonesian customer wanted to see samples of the rifles.

On or about March 20, 2006, CHENG sent an email to the UC stating a "confirmed" order for the following samples: one M-16-A3 automatic rifle; one M4 Commando automatic rifle; one M4 Carbine automatic rifle and one scope for the M4 Commando. CHENG stated, "Let me know if early April is a suitable time for me to visit you." The UC advised CHENG that the purchase price and shipping costs for the three rifles and the scope would be \$3,280.

On or about March 21, 2006, CHENG sent the UC an email stating that additional orders "will be issued based on the performance of this order. End customers are very concern [sic] with whether the stuff is genuine, etc. or not." About two days later, CHENG advised the UC that he had booked his ticket to travel to the United States on April 10.

On April 10, 2006, at approximately 4:15 p.m., CHENG met the UC in person at a hotel in San Diego, California. After conversing for approximately 30 minutes, the UC and CHENG traveled to a room at another hotel in San Diego, California, so that CHENG could inspect the rifles and scope that he had ordered. The UC and CHENG arrived at the hotel room at approximately 4:50 p.m. Once inside, CHENG inspected the M4 Carbine rifle, the M4 Commando rifle, and the scope. The UC told CHENG that he had not yet received the third rifle ordered by CHENG. The UC showed CHENG a copy of a page from the Federal Register (71 Fed. Reg. 15797) stating that requests for the export of lethal defense articles to Indonesia pursuant to section 38 of the Arms Export Control Act will be considered on a case-by-case basis. CHENG stated that there is always this "case-by-

**CONTINUATION OF COMPLAINT RE:
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case problem." CHENG stated that a Colt agent in Indonesia could not supply, so CHENG would be able to beat him to it.

The UC presented CHENG with a blank FedEx International Air Waybill for shipment of the two rifles and scope to Indonesia. The UC told CHENG that he wanted CHENG to fill in the address to which the rifles were to be shipped. In the "To" section, CHENG wrote an address in Jakarta, Indonesia. Among other things, CHENG informed the UC that, when the shipment arrived in Indonesia, he wanted FedEx to hold the rifles at its facility for pick-up. CHENG told the UC that he wanted the two rifles and the scope shipped in a single box. The UC told CHENG that he (the UC) was going to drop off the shipment with Federal Express that same night. CHENG paid the UC \$3,280 in U.S. currency, which was the agreed total price for the three rifles, the scope and the costs of shipment to Indonesia. At approximately 6:00 p.m., federal law enforcement agents entered the hotel room and arrested CHENG.

At approximately 6:55 p.m., Immigration and Customs Enforcement Special Agent Micah McCombs advised CHENG of his Miranda rights, as witnessed by Special Agent John Helsing of the Defense Criminal Investigative Service. CHENG acknowledged and waived his Miranda rights in writing. During the ensuing interview, CHENG claimed, among other things: that he did not give the UC any money for the rifles; that he had not exchanged any emails with the UC; that he did discuss with the UC whether a State Department license was needed; and that the UC was supposed to get a license. However, later in the interview, CHENG stated, among other things, that he knew a State Department export license was required to export the rifles out of the United States and that the UC did not have a license. CHENG would not acknowledge that he knew what he had done was "illegal" but acknowledged that the deal with the UC was "improper" and "shady."

The M4 Carbine and the M4 Commando rifles are fully-automatic 5.56 mm Colt-manufactured rifles. The United States Department of State has issued a second-level determination that the M4 Carbine and the M4 Commando are covered by Category I of the United States Munitions List.