



UNITED STATES ATTORNEY'S OFFICE

Southern District of New York

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MANHATTAN U.S. ATTORNEY SETTLES CIVIL FRAUD CLAIMS AGAINST EXPORTER FOR FRAUDULENTLY OBTAINING A LOAN GUARANTEED BY THE EXPORT-IMPORT BANK

Exporter Admits Responsibility and Agrees to Pay \$3.5 Million to U.S.; Suit Against Turkish Business Agent Who Brokered the Fraudulent Transaction Goes Forward

Preet Bharara, the United States Attorney for the Southern District of New York, Michael McCarthy, the Acting Inspector General for the Export-Import Bank of the United States ("EX-IM"), and Fred Hochberg, the Chairman for EX-IM, announced today that the United States filed a civil fraud lawsuit in Manhattan federal court against HASAN BESNELI, a Turkish business agent, and SABA, INC. ("SABA"), an exporter based in Memphis, for fraudulently obtaining a loan for a construction project in Turkey from Deutsche Bank that was guaranteed by EX-IM. The United States' complaint alleges that, in applying for the loan and the loan guarantee, BESNELI and SABA misrepresented key aspects of the transaction, including how much of the loan proceeds would be spent on "local costs" in Turkey rather than on U.S.-made goods, and whether the borrower, a Turkish non-profit organization, would furnish a 15% down payment. The lawsuit seeks civil penalties under the Financial Institutions Reform, Recovery, and Enforcement Act ("FIRREA") and damages and penalties under the False Claims Act.

Simultaneous with the filing of the lawsuit, the United States settled the claims against SABA pursuant to a settlement stipulation approved today by U.S. District Judge John F. Keenan. In the settlement, SABA admitted and accepted responsibility for submitting information to EX-IM in connection with applying for the loan guarantee without verifying the truth or accuracy of such information and for marking up the costs of certain goods – by as much as 300% – for purposes of generating "cash money." SABA also agreed to pay \$3.5 million and to abstain from participating in any EX-IM loan or loan guarantee programs for seven years. The lawsuit is going forward against BESNELI.

Manhattan U.S. Attorney Preet Bharara said: "The Export-Import Bank is charged with promoting export of U.S.-made goods. It is absolutely unacceptable for exporters and business agents to undermine that mission by misrepresenting how proceeds from loans guaranteed by EX-IM will be used."

EX-IM Acting Inspector General Michael McCarthy said: “This case shows our commitment to vigorously pursue persons and businesses who scheme to defraud the EX-IM Bank. The OIG appreciates the tenacity of the Southern District of New York in this lengthy and complex investigation.”

EX-IM Chairman Fred Hochberg said: “We take very seriously our commitment to taxpayers and our mission to support U.S. jobs. This should serve notice to any outside entity that tries to defraud the Export-Import Bank, we have zero tolerance for waste, fraud and abuse, and we are constantly analyzing transactions for such activity and will work with our Inspector General to take immediate action in response to any evidence of fraud in EX-IM Bank transactions.”

According to the allegations in the complaint filed in Manhattan federal court:

In 2002, BESNELI and SABA began working together to bid on contracts involving export of U.S. goods to be used in construction projects in Turkey. One of those projects involved TC Basbakani Baskanliginda Darussafaka Cemiyeti (“Darussafaka”), a Turkish non-profit organization, which planned to develop a retirement home complex in Urla. To ensure that they would be picked as the exporter for the Urla project, BESNELI and SABA promised Darussafaka that they would obtain an EX-IM-guaranteed loan to finance that project.

BESNELI and SABA made that promise even though they knew that Darussafaka did not plan to comply with EX-IM’s loan guarantee requirements, including a 15% down payment by the borrower, *i.e.*, Darussafaka, and capping “local costs” at 15%. To circumvent those requirements, BESNELI and SABA made misrepresentations to EX-IM and to Deutsche Bank, the lender, regarding how much of the loan funds would be spent on local costs and whether Darussafaka would furnish a down payment. Further, after BESNELI and SABA fraudulently obtained the loan from Deutsche Bank under an EX-IM loan guarantee, they orchestrated a scheme whereby SABA marked up the costs of the U.S.-made goods being exported to Turkey – sometimes by as much as 300% – in order to generate “cash money” that they funneled back to Darussafaka to fund local costs.

Finally, in 2007, Darussafaka defaulted on the loan from Deutsche Bank that was guaranteed by EX-IM. Pursuant to its loan guarantee, EX-IM reimbursed Deutsche Bank and, as a result, was exposed to millions of dollars in potential losses.

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The claims against BESNELI were not resolved by the SABA settlement and will go forward. The Government seeks civil penalties against BESNELI for fraudulently obtaining the loan extended by Deutsche Bank, a federally insured financial institution.

Mr. Bharara thanked the EX-IM’s Office of the Inspector General for its investigative efforts and ongoing support and assistance with the case.

The case is being handled by the Office’s Civil Frauds Unit. Assistant U.S. Attorneys Cristine Irvin Phillips, Li Yu, and Ellen M. London are in charge of the case. This case was investigated by the EX-IM OIG in Washington, D.C.