



U.S. v. Lumber Liquidators, Inc.

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DOJ Environmental Crimes Section

April 6, 2016



Forest Trends TREE Meeting: Prague, Czech Republic

Overview

- Case summary
- Case results
- Environmental Compliance Plan
- Impact



Natural Resources

- DOJ received information from EIA that LL was bringing in timber products:
 - Illegally harvested in Russian Far East;
 - Transported to China for manufacturing;
 - Falsely declared upon import into the U.S.
- The Russian Far East is:
 - Mixed broadleaf forests of Korean pine (CITES-III) and Mongolian oak (CITES-III)
 - Extremely remote
 - Known for illegal logging



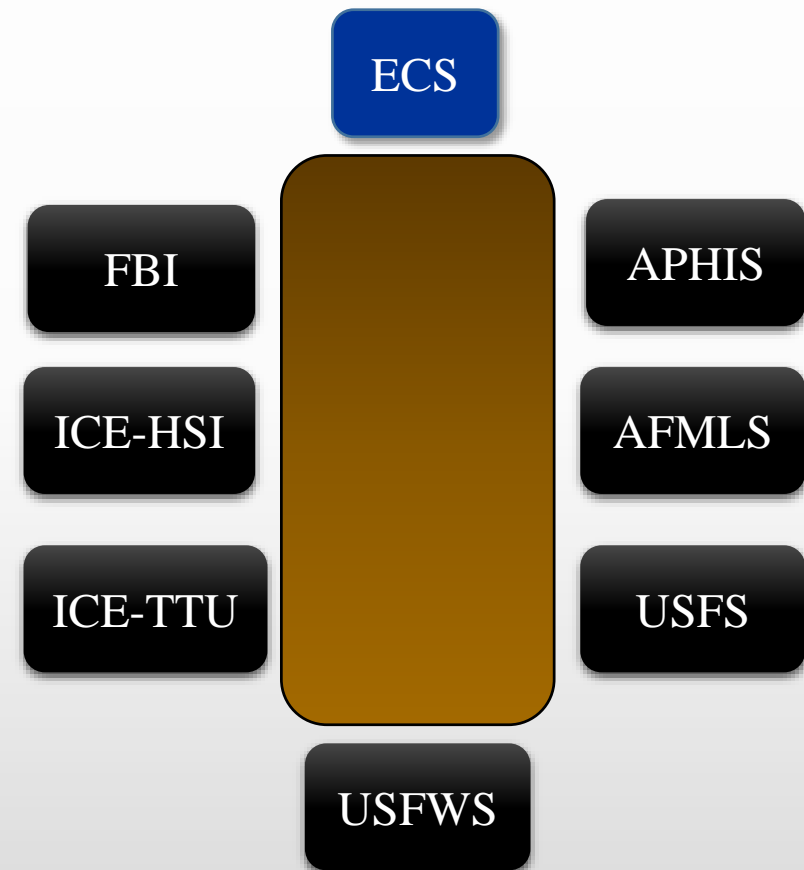
Natural Resources

- The Russian Far East is also home to:
 - The last 450 wild Siberian tigers (CITES-I), and
 - The last 47 Amur leopards (CITES-I)
 - Both cats are dependent on Mongolian oak and Korean pine forests for hunting & prey species (boar, red deer rely on pine nuts & acorns)
 - Greatest threat to the cats' survival is illegal logging



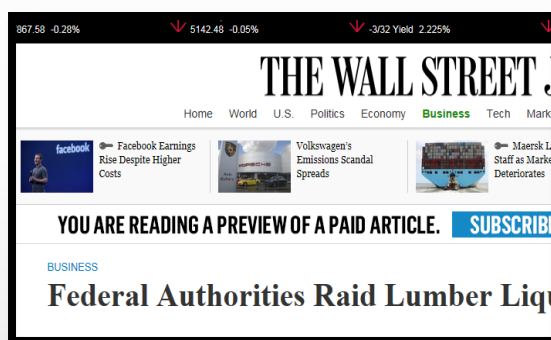
Case Initiation

- Selling the Case
 - Impact
 - Value
 - Publicity
 - Ease
 - Hand search
 - International cooperation



Case Development

- Interviews (covert)
- Search Warrant



Stock tumbles after raid of Lumber Liquidators



Recommend 225

By Gregory Wallace

Evidence: Knowledge

LL Lacey Act 2010 Manual

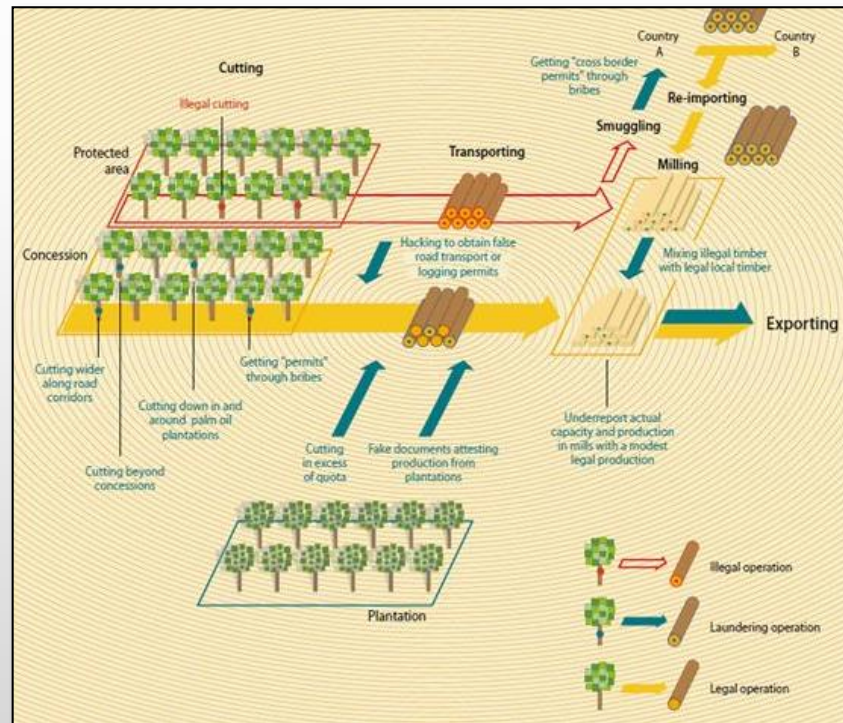
There is no *de minimis* exemption in the law; any amount of plant product triggers the declaration requirement. The following websites may be useful to look-up the scientific names of plants:

- <http://plants.usda.gov>
- http://www.ars-grin.gov/cgi-bin/npgs/html/tax_search.pl
- <http://www.itis.gov/>
- <http://www.ipni.org/>

The screenshot shows the USDA GRIN Taxonomy for Plants website. The header includes the USDA logo and the text "United States Department of Agriculture Agricultural Research Service, Beltsville Area Germplasm Resources Information Network (GRIN)". Below the header is a navigation bar with tabs for "Common Names", "Distribution", "References", "Synonyms", "Links", and "Images". A banner below the navigation bar reads "***Please tell us why you value GRIN Taxonomy***". The Kew logo is visible on the right side of the banner. Below the banner is a navigation bar with links for "Visit Kew Gardens", "Visit Wakehurst", "Plants & Fungi", "Science & Conservation", "Collections", "Learn", "Support Kew", "News", and "Shop". The main content area shows the "World Checklist of Selected Plant Families" for *Quercus mongolica* Fisch. ex Ledeb., Fl. Ross. 3(2): 589 (1850). The entry includes a "Name Overview" tab, a "Distribution" section, a "Lifeform" section, a "Family" section, and an "Original Compiler" section. The "Distribution" section lists the following locations: Russian Far East, Mongolia, N. China, Korea, Japan, 31 AMU KAM KHA KUR MAG PRM SAK 36 CHM CHN 37 MON 38 JAP KOR. The "Lifeform" section lists "Phan." and the "Family" section lists "Fagaceae". The "Original Compiler" section lists "R. Govaerts". Below the main entry is a section titled "ASIA-TEMPERATE" with a list of locations: Siberia: Russian Federation - Chita, Mongolia: Mongolia [1], Russian Far East: Russian Federation - Amur, Khabarovsk, Kurile Islands, Primorye, Sakhalin, China: China - Gansu, Hebei, Heilongjiang, Henan, Jilin, Liaoning, Nei Monggol, Ningxia, Qinghai, Shaanxi, Shandong, Shanxi, Sichuan, Eastern Asia: Japan - Hokkaido, Honshu, Korea.

Methods of Illegality

- The case involved two common methods of timber crimes:
 - 1) Falsely declaring species and/or harvest country to cover up true product
 - 2) Using a legitimate permit to launder illegally harvested timber



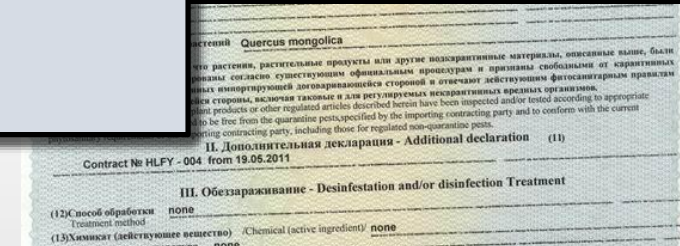
Evidence: False Declarations

name/Scientific name on PPQ	Country of harvest on PPQ
QUERCUS PETRAEA	Russian
QUERCUS PETRAEA	Russian
QUERCUS PETRAEA	Russian
QUERCUS PETRAEA	Russian
QUERCUS PETRAEA	Russian
QUERCUS PETRAEA	Russian
QUERCUS PETRAEA	Russian
QUERCUS PETRAEA	Russian
QUERCUS PETRAEA	Russian
QUERCUS PETRAEA	Russian
QUERCUS PETRAEA	Russian

34 Purchase Orders declared as *Quercus petraea* when known species was *Quercus mongolica*

Total Value of \$ 3,417,677.28

Certificate of Origin	Place of issuance	Date of issuance
Phytosanitary certificate	LIE.V.	4/30/2013
Phytosanitary certificate	LIE.V.	4/30/2013
Phytosanitary certificate	LIE.V.	4/30/2013
Phytosanitary certificate	LIE.V.	4/30/2013
Phytosanitary certificate	LIE.V.	4/30/2013
Phytosanitary certificate	LIE.V.	4/30/2013



УТВЕРЖДЕНА:
Приказом Федерального агентства лесного хозяйства
от 17 января 2012

Управление лесами Правительства Хабаровского края
(наименование организации или органа, принявшего решение)

680020, г. Хабаровск, ул. Запарина, д. 5
(адрес, по которому действует декларация)

ЛЕСНАЯ ДЕКЛАРАЦИЯ

« 24 » 2013 г.

Общество с ограниченной ответственностью «Хабаровск-Лессервис»
(наименование организации или фирмы, или общества с ограниченной ответственностью)

г. Хабаровск, ул. Целинная, д. 32
(адрес, по которому действует декларация)

8 (4212) 37-30-27
(телефон, факс, или иной способ связи, по которому факс)

являющееся арендатором (пользователем) по договору аренды участка от 19 ноября 2008 г. № 0100/2008 в лице директора Хачатряна Спартака Аристарховича
(полное наименование, фамилия, имя, отчество, наименование должности)

действующего на основании устава
(наименование документа, на основании которого действует декларация)

заявляет, что с 06.06.2013 по 31.12.2013 г. исполняет обязанности по заготовке древесины

(подпись лица, исполняющего обязанности в соответствии с п. 22 Положения о порядке разработки и утверждения декларации)

на предоставленном в аренду (постоянное (бессрочное) пользование) Бичевского участкового лесничества (бывшего Кафринского участкового лесничества) Хабаровского края в соответствии с проектом, прошедшим государственную экспертизу, утвержденным управлением лесами Правительства Хабаровского края от 28.06.2012 г. № 166П, измененными к проекту освоения лесов, прошедшими государственную экспертизу и утвержденными приказом управления лесами Хабаровского края от 23.04.2012 № 166П, согласно приложению 2 к настоящей декларации

« 24 » 2013 г.

Директор ООО «Хабаровск-Лессервис»

С. А. Аристархович

С. А. Аристархович

[illegible][illegible]

Дубликаты		
Наименование участка дачного	Номер дачного участка	по пропуску
регистрационный		
Ивановское	08-224-38-0100	1
Дачный участок, переданный в аренду		
ООО «Хабаровск-Лесхозники»		

ФЕДЕРАЛЬНАЯ СЛУЖБА ПО ВЕТЕРИНАРИИ И ФИТОСАНИТАРИУМУ НАДБОРУ		FEDERAL SERVICE FOR VETERINARY AND PHYTOSANITARY SURVEILLANCE OF THE RUSSIAN FEDERATION
ФИТОСАНИТАРИЙНЫЙ СЕРТИФИКАТ 156250614300413000 (2) PHYTOSANITARY CERTIFICATE		
(4) Кому: Организации(ам) по карантину и защите растений (страна) <u>China</u> <i>To: Plant Protection and Quarantine Organization of (country)</i>		
I. Описание груза - Description of Consignment		
(1) Экспортёр и его адрес <u>"Alfa-DV" Co. Ltd, Khabarovsk region, t. Khabarovsk, str. Zelenaya, 18, Russia</u> <i>Name and address of exporter</i>		
(3) Заявитель, покупатель и его адрес <u>Huanan Hexin wood Co ltd No Huanan County, Jiamusi city, Heilongjiang, China</u> <i>Declared name and address of consignee</i>		
(5) Место происхождения <u>Khabarovskiy krai Lazo district</u> <i>Place of origin</i>		
(6) Заявленный способ транспортировки <u>by rail; freight car № 60584571</u> <i>Declared means of conveyance</i>		
(7) Заявленный пункт ввоза <u>Railway station of Sulfenhe</u> <i>Declared point of entry</i>		
(8,9) Количество мест и описание упаковки <u>in bulk</u> <i>Number and description of packages</i>		
Отличительные знаки (маркировка) <u>None</u> <i>Distinguishing marks</i>		
Наименование продукции и заявленное количество <u>Name of produce and quantity declared</u> <u>Sawlog (Oak) 58.05 cubic meter</u>		
Ботаническое название растений <u>Quercus mongolica</u> <i>Botanical name of plants</i>		
(10) Настоящим подтверждаю, что растения, растительные продукты или другие фитосанитарные материалы, внесенные выше, были обследованы, и/или произведены/обработаны согласно существующим официальным процедурам и признакам соблюдения от карантинных вредных организмов, перечисленных в международной записываемой строкой и стечают действующим фитосанитарным правилам. This is to certify that the plants, plant products or other regulated articles described herein have been inspected and/or tested according to appropriate official procedures and are considered to be free from the quarantine pests specified by the importing contracting party and to conform with the current phytosanitary requirements of the importing contracting party, including those for regulated non-quarantine pests.		
II. Дополнительная декларация - Additional declaration (11)		
Contract № HLFY - 004 from 19.06.2012		
III. Обеззараживание - Desinfestation and/or disinfection Treatment		
(12) Способ обработки <u>none</u> <i>Treatment method</i>		
(13) Химикаты (действующее вещество) <u>Chemical (active ingredient) none</u> <i>Duration and temperature</i>		
(14) Длительность и температура <u>none</u>		
(15) Концентрация <u>none</u>		
(17) Место ввоза <u>none</u>		
RUSSIAN FEDERATION Гродковский РРК Приморский край Место ввоза <u>Place of none</u> Уполномоченное должностное лицо Федеральной службы по ветеринарному и фитосанитарному надзору Authorized officer of the Federal Service for Veterinary and Phytosanitary Surveillance		
		I.E.V.
B № 561378 E Дата/Date 30 MARCH 2013 Подпись/Signature		
Примечание: Данный сертификат не действителен, если он финансово обременен на Федеральную службу по ветеринарному и фитосанитарному надзору, а также на её должностных лиц и представителей. Note: This certificate is not valid if it is financially burdened on the Federal Service for Veterinary and Phytosanitary Surveillance or its staff or members.		
№ 12624114156204978		B № 561378 L

Oggg

name and address of the authority
arin street, Khabarovsk, 680020
where the declaration is filled

Forestry Agency
of Khabarovskiy province
Filing date
01/24/2013

Total for hardwood forestry	Khorskoye Forestry					87.1		Birch, Zh	m ³	475
								Linden	m ³	294
								Fir	m ³	285
								Spruce	m ³	218
								Oak	m ³	222
								Ash	m ³	199
								TOTAL:		1693
Total for coniferous species	Khorskoye Forestry					127.7		Spruce	m ³	798
								Fir	m ³	458
								Linden	m ³	386
								Birch, Zh	m ³	325
								Oak	m ³	151
								Ash	m ³	97
								TOTAL:		2215

Clearing the old timber stands from fallen wood and the young growth in area 17; plot 14 0.65 hectares, plot 14 0.65 hectares
in hectares

area 17 plot 14 S.1 3 hectares area 77 plot 13 S.0 5 hectares plot 10 S.0 5 hectares area 08 plot 31 S.05 hectares plot 27 S.

Keywords: *Acute stress disorder, Posttraumatic stress disorder, Trauma, Trauma exposure, Trauma symptoms*

Keywords: *Acute stress disorder, Posttraumatic stress disorder, Trauma, Trauma exposure, Trauma symptoms*

Khachatryan S. A.

[round seal] [signature]

CONFIDENTIAL GRAND JURY MATERIAL

LL0028307

Outcome

- One felony violation, four misdemeanor violations
 - First felony conviction under Lacey Act timber amendments
- Largest Lacey Act criminal penalty ever
 - \$7.8 million criminal fine
 - \$1.2 million community service payments
 - \$4.5 million in forfeiture
- Detailed factual statement
- Environmental Compliance Plan
 - Annual auditing and reporting to the court
- 5 years probation

BUSINESS

Lumber Liquidators pleads guilty to environmental crimes, agrees to pay more than \$13M

Everett Rosenfeld | @Ev_Rosenfeld
Thursday, 22 Oct 2015 | 1:48 PM ET





1984



Environmental Compliance Plan

- Court-enforced measures to ensure that LL knows what they import and who they are import it from.
- LL compliance decision-making process will be centralized, documented and audited.
- Keep in mind:

implement the rules set forth below. This document, therefore, represents only the minimum standards that will be met by the Company, as opposed to the specific procedures that the



ECP: Oversight

Lumber Liquidators' Chief Compliance Officer (CCO) shall be responsible for the oversight of the Company's program to address the requirements of the Lacey Act and related regulations.

product or forestry industry. The Lacey team shall coordinate with other business functions, as appropriate, to meet the requirements of the Lacey Act Compliance Program and its associated

A member of the Lacey team (or an internal employee trained in Lacey inspection protocols and reporting up to CCO, either on a full-time or project basis), third-party auditor with specialized industry expertise, or appropriate certification body, shall conduct onsite inspection visits no less than quarterly for medium and high risk suppliers, as well as low risk suppliers who are providing medium risk products. A record of the onsite visit will be maintained by a U.S.-based member of the Lacey team.

ECP: Risk

Lumber Liquidators will use a risk-based approach to the implementation of the various elements of its compliance program including the Lacey Act Compliance Program.

(if any) beyond what is set forth herein that are deemed appropriate. If the supplier is providing a product that is considered high risk per the above factors, then that supplier will automatically be considered high risk. Further, the factors enumerated in subparagraph c) above may not

If a supplier is considered medium or high risk, then the Chief Compliance Officer must give initial approval before any product is purchased or any transactions are completed that would result in a shipment to United States of product from such a supplier. The CCO must make a written record of the decision-making process.

ECP: Vendor Validation

activities may be in violation of Lacey Act requirements. A critical element for avoiding business activities with non-compliant third parties is to establish a third party due diligence process aimed at not engaging such vendors in the first place.

- a) A risk assessment as described in section 5 of this document;
- b) A sample purchase order-level evaluation as described in section 7 of this document;
- c) An in-person audit by a member of the Lacey team, appropriate third-party certification body, or third-party auditor with specialized industry experience; and
- d) The procurement of language skills and the use of those skills to assess submitted documentation of sourcing and legality.

The Lacey team will be responsible for memorializing the above steps. The CCO must provide written authorization to conduct business with a new supplier before the Company may engage in any transactions with that new supplier. The authorization must include consideration of the factors listed above.

ECP: Document Review

The Lacey team shall be responsible for creating and implementing a risk-based approach to ensure that Purchase Orders (“POs”) comply with the Lacey Act. The purpose of the PO review is not just to audit the PO documents, but to ensure that by June 1, 2016, Lumber Liquidators can establish an unbroken and verified chain of custody from itself back to the product’s source using documentation down to the forest level.

each PO for a medium or high risk product or from a medium or high risk supplier shall be reviewed and analyzed as above and requires clearance before importation into the U.S., and if cleared, such clearance must be signed off by the CCO, or the CCO’s designee. A record shall be

then the product will not be accepted until such documentation is provided. If the documentation is not provided within a reasonable time, then the product will not be imported. If a product has

Impact

- Compliance expectations are heightened
- Status quo not acceptable
- Knowledge pool
 - Modes of illegality
 - Locations of illegality
 - Complacency
- Device
- NGO cooperation



Contact

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Trial Attorney

Dept. of Justice

Environmental Crimes Section

