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## JUSTICE NEWS

### Department of Justice

Office of Public Affairs

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## **Lumber Liquidators Inc. Pleads Guilty to Environmental Crimes and Agrees to Pay More Than \$13 Million in Fines, Forfeiture and Community Service Payments**

### ***First Felony Conviction for Import of Illegal Timber and Largest Fine Ever under the Lacey Act***

Virginia-based hardwood flooring retailer Lumber Liquidators Inc. pleaded guilty today in federal court in Norfolk, Virginia, to environmental crimes related to its illegal importation of hardwood flooring, much of which was manufactured in China from timber that had been illegally logged in far eastern Russia, in the habitat of the last remaining Siberian tigers and Amur leopards in the world, announced the Department of Justice.

Lumber Liquidators was charged earlier this month in the Eastern District of Virginia with one felony count of importing goods through false statements and four misdemeanor violations of the Lacey Act, which makes it a crime to import timber that was taken in violation of the laws of a foreign country and to transport falsely-labeled timber across international borders into the United States. The charges describe Lumber Liquidators' use of timber that was illegally logged in Far East Russia, as well as false statements on Lacey Act declarations which obfuscated the true species and source of the timber. This is the first felony conviction related to the import or use of illegal timber and the largest criminal fine ever under the Lacey Act.

"Lumber Liquidators' race to profit resulted in the plundering of forests and wildlife habitat that, if continued, could spell the end of the Siberian tiger," said Assistant Attorney General John C. Cruden for the Justice Department's Environment and Natural Resources Division. "Lumber Liquidators knew it had a duty to follow the law, and instead it flouted the letter and spirit of the Lacey Act, ignoring its own red flags that its products likely came from illegally harvested timber, all at the expense of law abiding competitors. Under this plea agreement, Lumber Liquidators will pay a multi-million dollar penalty, forfeit millions in assets, and must adhere to a rigorous compliance program. We hope this sends a strong message that we will not tolerate such abuses of U.S. laws that protect and preserve the world's endangered plant and animal species."

"This prosecution has been the result of hard work of federal agents and prosecutors who have been dedicated to protecting our natural habitats in the United States and around the world," said U.S. Attorney Dana Boente of the Eastern District of Virginia.

"Companies knowingly accepting illegally sourced materials need to recognize there are far-reaching consequences to their actions," said Special Agent in Charge Clark E. Settles of U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations (HSI) Washington, D.C. "In this case, in addition to violating U.S. customs law, Lumber Liquidators contributed to the potential eradication of an endangered species simply to increase profit margins."

"This multi-agency investigation highlights the importance the U.S. Government places on protecting tree species around the world from unlawful import, export and trade, and the effectiveness of the Lacey Act in implementing those protections," said Deputy

Assistant Director Ed Grace of the U.S. Fish and Wildlife Service's (USFWS) Office of Law Enforcement. "Thanks to this intergovernmental team, the habitat of the last remaining Siberian tigers and Amur leopards will no longer be threatened by the activities of this company. This case and today's plea deal demonstrate that those engaged in the commercialization of illegal timber imported into the United States will be caught and held accountable."

According to a joint statement of facts filed with the court, from 2010 to 2013, Lumber Liquidators repeatedly failed to follow its own internal procedures and failed to take action on self-identified "red flags." Those red flags included imports from high risk countries, imports of high risk species, imports from suppliers who were unable to provide documentation of legal harvest and imports from suppliers who provided false information about their products. Despite internal warnings of risk and non-compliance, very little changed at Lumber Liquidators.

For example, Lumber Liquidators employees were aware that timber from the Russian Far East was considered, within the flooring industry and within Lumber Liquidators, to carry a high risk of being illegally sourced due to corruption and illegal harvesting in that remote region. Despite the risk of illegality, Lumber Liquidators increased its purchases from Chinese manufacturers using timber sourced in the Russian Far East. In 2013, the defendant imported Russian timber logged under a concession permit that had been utilized so many times that the defendants' imports alone exceeded the legal harvest allowance of Mongolian oak, *Quercus mongolica*, by more than 800 percent. The investigation revealed a prevalent practice in timber smuggling enterprises, where a company uses a seemingly legitimate government permit to log trees. Corruption and criminal activity along the supply chain results in the same permit being used multiple times and in areas outside of the designated logging area, sometimes vastly exceeding its legal limits.

On other occasions, Lumber Liquidators falsely reported the species or harvest country of timber when it was imported into the United States. In 2013, Lumber Liquidators imported Mongolian oak from Far East Russia which it declared to be Welsh oak and imported merpauh from Myanmar which it declared to be mahogany from Indonesia.

The illegal cutting of Mongolian oak in far eastern Russia is of particular concern because those forests are home to the last 450 wild Siberian tigers, *Panthera tigris altaica*. Illegal logging is considered the primary risk to the tigers' survival, because they are dependent on intact forests for hunting and because Mongolian oak acorns are a chief food source for the tigers' prey species. Mongolian oak forests are also home to the highly endangered Amur leopard *Panthera pardus orientalis*, of which fewer than 50 remain in the wild. In June 2014, in response to illegal logging and the decline in tiger populations, Mongolian oak was added to the Convention on the International Trade in Endangered Species (CITES) Appendix III.

Under the plea agreement, Lumber Liquidators will pay \$13.15 million, including \$7.8 million in criminal fines, \$969,175 in criminal forfeiture and more than \$1.23 million in community service payments. Lumber Liquidators has also agreed to a five year term of organizational probation and mandatory implementation of a government-approved environmental compliance plan and independent audits. In addition, the company will pay more than \$3.15 million in cash through a related civil forfeiture. The more than \$13.15 million dollar penalty is the largest financial penalty for timber trafficking under the Lacey Act and one of the largest Lacey Act penalties ever. The company is scheduled to be sentenced on Feb. 1, 2016.

The \$1,230,825 in community service payments is being provided to two Congressionally-chartered recipients, the National Fish and Wildlife Foundation (NFWF) and the USFWS Rhinoceros and Tiger Conservation Fund. One project that will be funded is the development of a wood identification device that if successful, could fill a critical gap in enforcement when it comes to identifying the species of timber at a border or in an enforcement scenario. The device would be able to identify timber species that are listed on the CITES Appendices, including the species that were at issue in this case. If U.S. border officials would have had access to such a device in 2011, then perhaps Lumber Liquidators could have been flagged for violation years ago, thus averting the flow of money back to China and Far East Russia in support of illegal logging. Other projects would involve protecting, researching and preserving the Siberian tiger, Amur leopard and their habitat.

The case was jointly investigated by agents of the USFWS and HSI as part of Operation Oakenshield. The case is being prosecuted by Patrick M. Duggan and Christopher L. Hale of the Justice Department's Environmental Crimes Section of the Environment and Natural Resources Division, and Stephen Haynie and Kevin P. Hudson of the U.S. Attorney's Office in Norfolk.

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[Download Statement of Facts \(876.29 KB\)](#)

[Download Plea Agreement \(694.74 KB\)](#)

Environment and Natural Resources Division

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