

UNITED STATES DISTRICT COURT  
DISTRICT OF CONNECTICUT

FILED

2015 JUL 28 P 4:39

UNITED STATES OF AMERICA

v.

JEFFREY KRANTZ

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CASE NO. 3:15CR 136 (RNC) DISTRICT COURT  
HARTFORD CT

**PETITION TO ENTER PLEA OF GUILTY  
PURSUANT TO RULES 10 AND 11 OF  
THE FEDERAL RULES OF CRIMINAL PROCEDURE**

The above-named defendant respectfully petitions this Court to permit him/her to enter a plea of " Guilty" to Count 1 of an Indictment/Information in Criminal No. 3:15CR (RNC) at this time.

In support of this petition, petitioner represents to the Court as follows:

(1) My full and legal name is: Jeffrey Alan Krantz

I request that all proceedings against me be had in this name.

(2) I am 50 years of age. I was born in (year) 1964.

(3) I was born in (City, State, etc.) Brooklyn, New York.

(4) [Place check in appropriate places.]

(a) I am able to read X and write X in the English language.

(b) I am not able to read and write English, and I have had the benefit of the interpretation and translation services of \_\_\_\_\_ (name of interpreter), who is fluent in

\_\_\_\_\_ (name of language). I  
continue to require such an interpreter.

(5) (a) I have received the following education in the  
United States (check the highest level completed):

Grade School 1 \_\_\_ 2 \_\_\_ 3 \_\_\_ 4 \_\_\_ 5 \_\_\_ 6 \_\_\_ 7 \_\_\_ 8 \_\_\_

High School \_\_\_\_\_ (Years)

College \_\_\_\_\_ 4 \_\_\_\_\_ (Years)

Graduate School \_\_\_\_\_ (Years)

(b) If education received in foreign country, give  
details \_\_\_\_\_  
\_\_\_\_\_.

(6) I am represented by counsel and the name of my attorney  
is Tai H. Park.

(7) (a) I have received a copy of the  
Indictment/Information, I have read and discussed  
it with my attorney, and I understand every  
accusation made against me in this case.

(b) As stated below in my own words, I understand that  
in the counts of the Indictment/Information to  
which I am now offering to plead guilty, I am  
charged with the following crime(s):

WIRE FRAUD IN CONNECTION WITH THE  
SALE OF COMPUTER CHIPS  
\_\_\_\_\_

[Identify each count and the nature of the crime charged therein.]

- (8) (a) I have given my attorney a full statement of all the facts and surrounding circumstances as known to me concerning the matters mentioned in the Indictment/Information, and I believe that my attorney is fully informed as to all such matters.
- (b) After I gave my attorney the statement just mentioned in 8(a), my attorney informed, counseled, and advised me as to the nature of every accusation against me, and as to any possible defense I might have with respect to these accusations.

(9) My attorney has advised me that, with respect to the Count(s) to which I intend to plead "GUILTY," the punishment which the law provides is as follows:

[Add up the punishments on each count. For example, if a defendant is pleading guilty to counts one and two, and there is a two-year maximum sentence on count one, and a five-year maximum sentence on count two, write in seven years as the maximum amount of imprisonment, and \$100 as the mandatory special assessment.

Fill in only those blanks that are applicable.]

- (a) A maximum of 20 years imprisonment.
- (b) A mandatory minimum of \_\_\_\_\_ imprisonment.

(C) A maximum fine of \$250,000.00.

(d) A minimum fine of \$ \_\_\_\_\_.

(e) A maximum term of supervised release of 3 years following imprisonment for the offense(s) charged in Count(s) 1 of the Indictment/Information.

(f) A minimum term of supervised release of at least 1 years following imprisonment for the offense(s) charged in Count(s) 1 of the Indictment/Information.

I understand that if I violate any condition of the supervised release before the term expires, I may be required to serve a further term of imprisonment based upon the class of the felony of the underlying conviction, pursuant to 18 USC 3583(e)(3). (A felony-5 years, B Felony-3 years, C or D felony-2years, other cases - 1 year.)

(g) A maximum order of restitution equal to the amount of loss resulting to any victims of the offense(s) charged in the Indictment/ Information to which I am offering to plead guilty.

(h) I understand that I must also pay a mandatory special assessment of \$ 100.00.

(10) My attorney has also advised me that:

[Check applicable line.]

       (a) Because the offense to which I am offering to plead "GUILTY" is a Class A/B felony, the Court is not authorized to sentence me to probation.

  X   (b) Probation is a possible sentence, but that it may or may not be granted.

(11) My attorney has also advised me that because the offense(s) to which I am now offering to plead guilty occurred on

or after November 1, 1987, I will be sentenced pursuant to the law with consideration given to the guidelines promulgated by the United States Sentencing Commission.

My attorney has counseled me with his/her opinion on what my sentencing range might be. I fully understand that my attorney's opinion (or my own) may be incorrect and that the Guidelines calculation will be performed on the basis of facts set forth in a Presentence Report which will be prepared for the Court before sentencing. I understand that my attorney's opinion or prediction concerning the Guidelines is not binding on the Court; that it is the Court which will actually determine the sentence to be imposed; and that I have no right to withdraw my plea on the ground that my attorney's opinion or prediction (or my own) concerning the Guidelines proved to be incorrect. I fully understand that the sentence could be up to the maximum provided by the statute.

My attorney has advised me that in certain instances under the Guidelines, conduct which is found or stipulated to have occurred will be taken into consideration in computing the Guidelines, even though that conduct does not form the basis of the specific count(s) to which I am pleading guilty.

My attorney has advised me, and I fully understand, that parole has been abolished for offenses committed on or after

November 1, 1987, and that if I am sentenced to prison, I will not be released on parole.

(12) Consequences for parole and probation. [Check if defendant is on probation or parole in this or any other court.]

I understand that by pleading GUILTY here, my probation/parole may be revoked and I may be required to serve time in prison in the case in which I am on probation/parole, in addition to any sentence imposed upon me in this case. Moreover, my attorney has advised me that my status on probation/parole at the time of the offense charged in this case may result in an increase in the Guideline range or in the sentence imposed.

(13) My attorney has advised me that if I plead "GUILTY" to more than one offense, the Court may order the sentence to be served consecutively -- that is, one after another.

(14) I understand that I may, if I so choose, plead "NOT GUILTY" to any offense charged against me, and that I may continue to plead "NOT GUILTY," if I have already so pleaded.

(15) I understand that if I choose to plead "NOT GUILTY," I may proceed to trial at the time set by the Court. I further understand that the United States Constitution guarantees me:

- (a) the right to a speedy and public trial by jury;
- (b) the right to see, hear, and question all witnesses called by the government against me;

- (c) the right to use the power and process of the Court to compel the production of any evidence, including the attendance of any witnesses, in my favor;
- (d) the right to have the assistance of counsel in my defense at all stages of these proceedings, as well as upon the trial; and
- (e) the right not to be compelled to incriminate myself; that is, I understand that if I go to trial, I may remain silent and I cannot be compelled to take the witness stand.
- (f) the right to be found "not guilty" on any charge for which the evidence lawfully admitted at trial does not sustain a finding of guilt beyond a reasonable doubt.

(16) I understand that, by pleading "GUILTY," I waive (that is, I give up) my right to a trial, and that there will be no further trial of any kind.

(17) I understand that, if I plead "GUILTY," the Court may ask me questions about the offense to which I am pleading "GUILTY." I also understand that if I answer these questions under oath, on the record, and in the presence of counsel, my answers, if false, may later be used against me in a prosecution for perjury or false statement. I understand also that, by pleading "GUILTY," I waive any right against self-incrimination concerning the facts constituting the offense to which I am pleading "GUILTY."

(18) I understand that, if I plead "GUILTY," the Court may impose the same punishment as if I had pleaded "NOT GUILTY," stood trial, and had been convicted by a jury.

(19) I further understand that if I plead "GUILTY," I waive (that is, I give up) any defenses I may have had and, in particular, that I waive any claims which I may have had based upon any previous violations of my statutory or constitutional rights. I understand that if I were to continue to plead "NOT GUILTY," I would be entitled to have my attorney make appropriate application to the Court based upon any such violations -- for example, a motion to suppress evidence.

(20) I declare that no officer or agent of any branch of government (federal, state or local), nor any other person, has made any promise or suggestion of any kind to me, or within my knowledge to anyone else, that I would receive a lighter sentence, or probation, or any other form of leniency, if I would plead "GUILTY," except to the extent that my plea of "GUILTY" may be a factor considered by the Court in determining whether I have accepted responsibility for my criminal conduct within the meaning of the Guidelines or to the extent indicated in my written plea agreement with the Government.

(21) I declare that I have not been threatened or forced in any way to plead guilty at this time or any other times.



(22) My decision to plead "GUILTY" arises out of discussions between me and my attorney, who advised me that if I plead "GUILTY" to Count(s) 1 the government has agreed to the following: [Staple here a copy of any written agreement between the government and the defendant. If there is no written agreement, state the nature of the agreement in the space below.]

*SEE ATTACHED*

(23) I understand that the Court may accept or reject the terms of this agreement, or may defer its decision to accept or reject the agreement until it has had an opportunity to consider a presentence report prepared by the United States Probation Office.

(24) (a) I have made this decision to plead "GUILTY" freely and voluntarily and as a result of my own reasoning processes.

(b) I know that the Court will not accept a plea of "GUILTY" from any one who claims to be innocent and I am not pleading "GUILTY" for any reason other than that I am indeed guilty.

(25) [Place check mark in appropriate place:]

I have        / have not   X   made any statement to any law enforcement officer or anyone else in which I admitted the crime or any part of the crime to which I now want to plead guilty.

[Check if defendant has made such a statement:]

       I would choose to plead "GUILTY" even if I knew that the statement could not be used against me.

(26) I understand that, in cases prior to November 1, 1987, a federal judge has no authority to order a federal sentence of imprisonment to run at the same time as a state sentence of imprisonment. However, for an offense committed after November 1, 1987, I understand that under 18 U.S.C. § 3584(a), a federal judge may impose terms of imprisonment that run concurrently.

(27) I believe and understand that my attorney has done all that an attorney should have done to counsel and assist me with respect to this case.

(28) I am not now under the influence of any drugs or alcohol.

(29) Within the last seven (7) days, I have taken the following drugs, medicines, pills or alcoholic beverages:

**Prescriptions Taken Daily:** 15 Mg. Paxil (Prescription) \_\_\_\_\_

\_\_\_\_\_ 10 Mg. Aderall (Prescription) \_\_\_\_\_

**Monday, July 27:** 10 Mg. Xanax (Prescription) \_\_\_\_\_

**Alcoholic beverages over the course of the last 7 days:** \_\_\_\_\_

3-4 cocktails \_\_\_\_\_

A bottle of wine \_\_\_\_\_

A few beers \_\_\_\_\_

\_\_\_\_\_

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(30) The following is my own statement as to what occurred, which shows that I am, in fact, guilty of each charge to which I am now offering to plead "Guilty." [Defendant must set forth, in his/her own handwriting, or through an interpreter, his/her own statement as to each count with which he/she is charged. Use additional sheets if necessary and attach to this petition.]

In July 2005, HIC entered into a business relationship with Jesus WARGA of BAY Components to sell obsolete military microprocessor chips to BAY, who would in turn sell them to the Connecticut company ("CT company"). I was involved in early discussions with WARGA and the CT company concerning this relationship. Between 2005 and 2008, HIC ultimately purchased and sold over a thousand chips to BAY, who then in turn sold them to the CT company. During this period, I was aware that the CT company wanted new and original parts. Not falsely remarked parts that purported to be something they were not.

Between August and September 2005, HIC bought from Domestic Supplier 330 chips with a date code of 9305 ("9305 Chips") and sold the chips to BAY. I was the HIC salesperson on the invoices for

Some of these transactions, Bay, in turn, sold them to the CT company. In about late November 2005, HK was informed that these chips were determined by the CT company to contain the wrong die. The CT company returned these 9305 chips so they could be replaced.

Soon thereafter, HK received shipments of replacement chips from Domestic Supplier. The shipments included chips with date code 9742 ("9742 chips") as well as 9305 chips. HK sent ~~the~~ the 9742 chips and 9305 chips to an outside laboratory for testing. The vast majority of the 9305s and 9742s passed MIL STD 883 Group A and B testing performed by a certified outside laboratory.

141 9305 chips and 137 9742 chips were shipped as replacement parts to Bay, along with a small batch of chips with date code 9832 ("9832 chips") that HK acquired from Lingxin, a parts distributor operating in China.

In the fall of 2006, however, 141 chips with date code 9305 were returned from the CT company because they were also determined to have the wrong die. Thereafter, HK replaced the Domestic Supplier parts with Lingxin chips with date code 9832 and sold more Lingxin 9832 chips to Bay, who in turn sold them to the CT company up through October 2008 (HK sold approximately [922] Lingxin 9832 chips to Bay between 2006 and 2008).

During this period of time, I was aware of the increasing risk that parts from China may have been remarked in such a way as to purport to be a new and original part when they were not. I was also aware that sending parts out for testing by independent labs could not provide certainty that the parts were new and original parts products.

The fact that we had the 9805 chips from Domestic Supplier risks being shipped to B&T and yet they were rejected by the CT component because they had the wrong die indicators that the testing we relied upon was inadequate to assure that these parts were original and new in my role as CEO, after these chips had been asked were rejected, I did not cause HIC to take additional steps to get assurance that parts we sold to B&T and then on to the CT component were new and original.

At some time in 2008, I learned at least one HIC quality control ("QC") employee believed that at least some of the Lingxin 9832 chips showed indicators of having been remarked. Several months later, a different HIC QC employee determined that a different batch of Lingxin 9832 chips had failed an internal inspection process and noted that he believed the parts had been remarked.

Despite the above indications that the 9832 chips were remarked, I knew the 9832 chips were sent out for independent group A and B testing. After parts passed testing, I caused the 9832 chips to be shipped to BA1 and on to the CT Company. I did so without making any effort to ensure that BA1 or the CT Company would be informed that some 9832 chips had shown signs of remarking and that the 9832 chips had failed HIC's internal QC procedures.

I understand that the CT Company has since determined that the manufacturer in question, Manufacturer A, never made the chip with a 9832 date code, and thus the products were not original but were falsely remarked by Lingxin or its supplier.

Considering all of the factors I discussed above, including the risks of remarked ~~parts~~ products from China, the concerns raised by internal HIC QC and the limitations of external testing, I was aware of a high probability that the 9832 chips were not original Manufacturer A chips but were falsely remarked. I should have taken additional steps to confirm whether the chips were original and new or falsely remarked before permitting the 9832 chips to be sent to BA1 and the CT Company, and

I knowingly and wrongfully failed to do so  
For example, I knew destructive testing and  
verifying date codes were commonly done to  
assist in the authentication of military parts,  
and HIC commonly did both for military parts  
that passed HIC internal inspection. I should  
have caused a greater sample of 9832 chips  
to be subjected to destructive testing, which  
would have given us better assurance of  
authenticity. I also should have caused  
a better die verification process to be  
undertaken than the one HIC actually performed  
on the chips. The dies of the delidded devices  
should have been compared against the dies  
of known good chips. I also should have  
caused HIC to contact the manufacturer of the  
9832 chips to investigate whether the date code  
matched production dates for authentic parts.

Such steps most likely would have revealed  
that the parts were falsely remanufactured. I  
knowingly and wrongfully chose not to have  
any of this done to avoid confirming that  
the parts were likely remanufactured, and I am  
very sorry for my conduct.

To execute this scheme to defraud, I caused,  
in the ordinary course of business and to  
further this scheme, an email to be sent to



JEFF WARGA'S EMAIL ACCOUNT IN RHODE ISLAND, TO  
THE CT COMPANY'S EMAIL ACCOUNT IN CONNECTICUT  
AND TO MY EMAIL ACCOUNT IN NEW YORK, WHICH IS  
A WIRE TRANSMISSION IN INTERSTATE COMMERCE

(31) I declare that I offer my plea of "GUILTY" freely and voluntarily and of my own accord. I also declare that my attorney has explained to me, and I understand, the statements set forth in the Indictment/Information and in this petition and in the "Certificate of Counsel" attached to this petition.

(32) I have read and discussed with my attorney the Indictment/Information, and I further state that I wish the Court to omit and consider as waived (that is, to consider as given up) by me all reading of the Indictment/Information in open court,

and all further proceedings upon my arraignment, and to consider any undecided motions previously made by me as withdrawn.

(33) I request that the Court enter now my plea of "GUILTY" as set forth above in reliance upon my statements in this petition.

Signed by me in open court in the presence of my attorney at HARTFORD, Connecticut, this 28 day of JULY, 2015.

  
Defendant

CERTIFICATE OF COUNSEL

The undersigned, as attorney and counselor for the defendant, TAM PARK, hereby certifies as follows:

(1) I have read and fully explained to the defendant all the accusations against the defendant which are set forth in the Indictment/Information in this case;

(2) To the best of my knowledge and belief each statement set forth in the foregoing petition is in all respects accurate and true;

(3) The plea of "GUILTY," as offered by the defendant in the foregoing petition, accords with my understanding of the facts as related to me by the defendant, and is consistent with my advice to the defendant;

(4) In my opinion, the defendant's waiver of the reading of the Indictment/Information in open court, and of all further proceedings upon arraignment as provided in the Federal Rules of Criminal Procedure, is voluntarily made; the defendant understood what he/she was doing when he/she waived the reading; and I recommend to the Court that the waiver be accepted by the Court;

(5) In my opinion the plea of "GUILTY," as offered by the defendant in the foregoing petition, is voluntarily and understandingly made, and I recommend to the Court that the plea

of "GUILTY" be now accepted and entered on behalf of the defendant as requested in the defendant's petition;

(6) I have read and understood and explained to the defendant all the provisions of Rules 10 and 11 of the Federal Rules of Criminal Procedure, and I believe the defendant understands the substance of both of those Rules;

(7) I have caused a copy of the foregoing petition, completed by the defendant, to be delivered to the Assistant United States Attorney in charge of this case prior to the parties' appearance in court at the plea proceeding.

Signed by me in open Court and in the presence of the defendant above named at Hartford, Connecticut, this 28<sup>th</sup> day of

July, 2015.

  
\_\_\_\_\_  
Attorney for the Defendant

O R D E R

Good cause appearing from the foregoing petition of the defendant above named and the certificate of his counsel, and from all proceedings heretofore had in this case, it is RECOMMENDED that the petition be granted and that the defendant's plea of "GUILTY" be accepted and entered as prayed in the defendant's petition and as recommended in the certificate of his counsel.

It is so ordered.

Entered at Hartford, Connecticut, this 28<sup>th</sup> day of

July, 2015.

/s/ DFM

  
  
Donna F. Martinez  
United States Magistrate Judge



U.S. Department of Justice

United States Attorney  
District of Connecticut

Connecticut Financial Center  
157 Church Street, 25<sup>th</sup> Floor  
New Haven, Connecticut 06510

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July 28, 2015

Tai Park, Esq.  
Park Jensen Bennett LLP  
40 Wall Street  
New York, New York 10005

Re: United States v. Jeffrey Krantz  
Criminal No. 3:15cr ( )

Dear Attorney Park:

This letter confirms the plea agreement between your client, Jeffrey Krantz (the "defendant"), and the United States Attorney's Office for the District of Connecticut (the "Government" or "this Office") concerning the referenced criminal matter.

### **THE PLEA AND OFFENSE**

Jeffrey Krantz agrees to waive his right to be indicted and to plead guilty to a one-count information charging him with wire fraud, in violation of 18 U.S.C. § 1343. The defendant understands that, to be guilty of Count One of the Information, engaging in wire fraud, in violation of 18 U.S.C. § 1343, the following essential elements of the offense must be satisfied:

1. That the defendant devised a scheme to defraud or to obtain money or property by materially false or fraudulent pretenses, representations or promises;
2. That the defendant acted knowingly and willfully to further the scheme;
3. That in advancing, furthering, or carrying out the scheme, the defendant transmitted any writing, signal, or sound by means of a wire, radio, or television communication in interstate commerce or caused the transmission of any writing, signal, or sound of some kind by means of a wire, radio, or television communication in interstate commerce.

*Tai Park, Esq.*  
*July 28, 2015*  
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## **THE PENALTIES**

Count One carries a maximum penalty of 20 years' imprisonment and a \$250,000.00 fine. In addition, under 18 U.S.C. § 3583, the Court may impose a term of supervised release of not more than three years to begin at the expiration of any term of imprisonment. The defendant understands that, should he violate any condition of the supervised release, he may be required to serve a further term of imprisonment of up to two years per violation with no credit for time already spent on supervised release.

The defendant also is subject to the alternative fine provision of 18 U.S.C. § 3571. Under this section, the maximum fine that may be imposed on the defendant is the greatest of the following amounts: (1) twice the gross gain to the defendant resulting from the offense; (2) twice the gross loss resulting from the offense; (3) \$250,000.

In addition, the defendant is obligated by 18 U.S.C. § 3013 to pay a special assessment of \$100 on each count of conviction. The defendant agrees to pay the special assessment to the Clerk of the Court on the day the guilty plea is accepted.

The defendant is also subject to restitution, as discussed below. Unless otherwise ordered, should the Court impose a fine or restitution of more than \$2,500 as part of the sentence, interest will be charged on the unpaid balance of the fine or restitution not paid within 15 days after the judgment date. 18 U.S.C. § 3612(f). Other penalties and fines may be assessed on the unpaid balance of a fine or restitution pursuant to 18 U.S.C. § 3572 (h), (i) and § 3612(g).

### **Restitution**

In addition to the other penalties provided by law, the Court must order that the defendant make restitution under 18 U.S.C. § 3663A, and the Government reserves its right to seek restitution on behalf of victims consistent with the provisions of § 3663A. The scope and effect of the order of restitution are set forth in the attached Rider Concerning Restitution. Restitution is payable immediately unless otherwise ordered by the Court.

Regardless of restitution that may be ordered by the Court noted above, the defendant agrees to make restitution in the amount of \$402,650.00. The defendant agrees to make such restitution on a schedule determined by the U.S Probation Office.



*Tai Park, Esq.*  
*July 28, 2015*  
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## THE SENTENCING GUIDELINES

### Applicability

The defendant understands that the Court is required to consider any applicable Sentencing Guidelines as well as other factors enumerated in 18 U.S.C. § 3553(a) to tailor an appropriate sentence in this case and is not bound by this plea agreement. The defendant agrees that the Sentencing Guideline determinations will be made by the Court, by a preponderance of the evidence, based upon input from the defendant, the Government, and the United States Probation Office. The defendant further understands that he has no right to withdraw his guilty plea if his sentence or the Guideline application is other than he anticipated, including if the sentence is outside any of the ranges set forth in this agreement.

### Acceptance of Responsibility

At this time, the Government agrees to recommend that the Court reduce by two levels the defendant's adjusted offense level under § 3E1.1(a) of the Sentencing Guidelines, based on the defendant's prompt recognition and affirmative acceptance of personal responsibility for the offense. Moreover, should the defendant qualify for a decrease under § 3E1.1(a) and his offense level determined prior to the operation of subsection (a) is level 16 or greater, the Government will file a motion with the Court pursuant to § 3E1.1(b) which recommends that the Court reduce the defendant's Adjusted Offense Level by one additional level based on his prompt notification of his intention to enter a plea of guilty. The defendant expressly understands that the Court is not obligated to accept the Government's recommendations on the reductions.

The above-listed recommendations are conditioned upon the defendant's affirmative demonstration of acceptance of responsibility, by (1) truthfully admitting the conduct comprising the offense(s) of conviction and truthfully admitting or not falsely denying any additional relevant conduct for which the defendant is accountable under Sentencing Guideline § 1B1.3, and (2) truthfully disclosing to the Probation Office personal information requested, including the submission of a complete and truthful financial statement detailing the defendant's financial condition.

In addition, the Government expressly reserves the right to seek denial of the adjustment for acceptance of responsibility if the defendant engages in any acts, unknown to the Government at the time of the signing of this agreement, which (1) indicate that the defendant has not terminated or withdrawn from criminal conduct or associations (Sentencing Guideline § 3E1.1); (2) could provide a basis for an adjustment for obstructing or impeding the administration of justice (Sentencing

*Tai Park, Esq.*  
*July 28, 2015*  
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Guideline § 3C1.1); or (3) constitute a violation of any condition of release. Moreover, the Government reserves the right to seek denial of the adjustment for acceptance of responsibility if the defendant seeks to withdraw his plea of guilty or takes a position at sentencing, or otherwise, which, in the Government's assessment, is inconsistent with affirmative acceptance of personal responsibility. The defendant understands that he may not withdraw his plea of guilty if, for the reasons explained above, the Government does not make one or both of the recommendations or seeks denial of the adjustment for acceptance of responsibility.

### Stipulation

Pursuant to § 6B1.4 of the Sentencing Guidelines, the defendant and the Government have entered into a stipulation, which is attached to and made a part of this plea agreement. The defendant understands that this stipulation does not set forth all of the relevant conduct and characteristics that may be considered by the Court for purposes of sentencing. The defendant understands that this stipulation is not binding on the Court. The defendant also understands that the Government and the United States Probation Office are obligated to advise the Court of any additional relevant facts that subsequently come to their attention.

### Guideline Stipulation

The parties agree as follows:

The Guidelines Manual in effect on the date of sentencing is used to determine the applicable Guidelines range.

The defendant's base offense level under U.S.S.G. §2B1.1(a)(1) is 7. That level is increased by 10 levels under U.S.S.G. § 2B1.1(b)(G) because the loss was more than \$120,000 but less than \$200,000. Three levels are subtracted under U.S.S.G. § 3E1.1 for acceptance of responsibility, as noted above, resulting in a total offense level of 14.

Based on an initial assessment, the parties agree that the defendant falls within Criminal History Category I. The parties reserve the right to recalculate the defendant's Criminal History Category and corresponding sentencing ranges if this initial assessment proves inaccurate.

A total offense level 14, assuming a Criminal History Category I, would result in a range of 15 to 21 months of imprisonment (sentencing table) and a fine range of \$4,000.00 to \$40,000.00, U.S.S.G. § 5E1.2(c)(3). The defendant is also subject to a supervised release term of 1 years to 3 years. U.S.S.G. § 5D1.2.

*Tai Park, Esq.*  
*July 28, 2015*  
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Based on the circumstances of this case, including, but not limited to, the time of the criminal conduct, the electronic parts industry at the time, and the positive proactive steps the Company took while the defendant was the CEO to raise their standards and elevate the Company's Quality Control procedures and counterfeit detection capabilities well before this criminal conduct was discovered, the parties agree that a Guideline range of 0-10 months of imprisonment, including a term of probation or supervised release, is reasonable and that a sentence within the agreed range is reasonable. The government agrees not to seek a sentence above 10 months.

The defendant expressly understands that the Court is not bound by this agreement on the Guideline ranges specified above. The defendant further understands that he will not be permitted to withdraw the plea of guilty if the Court imposes a sentence outside any of the ranges set forth in this agreement.

In the event the Probation Office or the Court contemplates any sentencing calculations different from those stipulated by the parties, the parties reserve the right to respond to any inquiries and make appropriate legal arguments regarding the proposed alternate calculations. Moreover, the parties expressly reserve the right to defend any sentencing determination, even if it differs from that stipulated by the parties, in any post-sentencing proceeding.

#### Waiver of Right to Appeal or Collaterally Attack Conviction and Sentence

The defendant acknowledges that under certain circumstances he is entitled to challenge his conviction and sentence. The defendant agrees not to appeal or collaterally attack his conviction in any proceeding, including but not limited to a motion under 28 U.S.C. § 2255 and/or § 2241. Nor will he pursue such an appeal or collateral attack to challenge the sentence imposed by the Court if that sentence does not exceed 10 months, a 3-year term of supervised release, a \$402,650.00 order of restitution, a \$40,000 fine and a \$100.00 special assessment, even if the Court imposes such a sentence based on an analysis different from that specified above. The defendant acknowledges that he is knowingly and intelligently waiving these rights. Furthermore, the parties agree that any challenge to the defendant's sentence that is not foreclosed by this provision will be limited to that portion of the sentencing calculation that is inconsistent with (or not addressed by) this waiver. Nothing in the foregoing waiver of appellate and collateral review rights shall preclude the defendant from raising a claim of ineffective assistance of counsel in an appropriate forum.

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Information to the Court

The Government reserves its right to address the Court with respect to an appropriate sentence to be imposed in this case. Moreover, the Government will discuss the facts of this case, including information regarding the defendant's background and character, 18 U.S.C. § 3661, with the United States Probation Office and will provide the Probation Officer with access to material in its file, with the exception of grand jury material.

**WAIVER OF RIGHTS**

Waiver of Right to Indictment

The defendant understands that he has the right to have the facts of this case presented to a federal grand jury, consisting of between sixteen and twenty-three citizens, twelve of whom would have to find probable cause to believe that he committed the offense set forth in the information before an indictment could be returned. The defendant acknowledges that he is knowingly and intelligently waiving his right to be indicted.

Waiver of Trial Rights and Consequences of Guilty Plea

The defendant understands that he has the right to be represented by an attorney at every stage of the proceeding and, if necessary, one will be appointed to represent him.

The defendant understands that he has the right to plead not guilty or to persist in that plea if it has already been made, the right to a public trial, the right to be tried by a jury with the assistance of counsel, the right to confront and cross-examine the witnesses against him, the right not to be compelled to incriminate himself, the right to testify and present evidence, and the right to compel the attendance of witnesses to testify in his defense. The defendant understands that by pleading guilty he waives and gives up those rights and that, if the plea of guilty is accepted by the Court, there will not be a further trial of any kind.

The defendant understands that, if he pleads guilty, the Court may ask him questions about each offense to which he pleads guilty, and if he answers those questions falsely under oath, on the record, and in the presence of counsel, his answers may later be used against him in a prosecution for perjury or making false statements.

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#### Waiver of Statute of Limitations

The defendant has signed two agreements to toll the statute of limitations for a total period of two years and agrees that this prosecution is not time-barred by any applicable statute of limitation as of the date this plea agreement is signed and waives any claim that the prosecution is time barred. The defendant agrees that, should the conviction following defendant's plea of guilty pursuant to this plea agreement be vacated for any reason, then any prosecution that is not time-barred by the applicable statute of limitations on the date of the signing of this plea agreement (including any indictment or counts the Government has agreed to dismiss at sentencing pursuant to this plea agreement) may be commenced or reinstated against defendant, notwithstanding the expiration of the statute of limitations between the signing of this plea agreement and the commencement or reinstatement of such prosecution. The defendant agrees to waive all defenses based on the statute of limitations with respect to any prosecution that is not time-barred on the date the plea agreement is signed.

#### ACKNOWLEDGMENT OF GUILT AND VOLUNTARINESS OF PLEA

The defendant acknowledges that he is entering into this agreement and is pleading guilty freely and voluntarily because he is guilty. The defendant further acknowledges that he is entering into this agreement without reliance upon any discussions between the Government and him (other than those described in the plea agreement letter), without promise of benefit of any kind (other than the concessions contained in the plea agreement letter), and without threats, force, intimidation, or coercion of any kind. The defendant further acknowledges his understanding of the nature of the offense to which he is pleading guilty, including the penalties provided by law. The defendant also acknowledges his complete satisfaction with the representation and advice received from his undersigned attorney. The defendant and his undersigned counsel are unaware of any conflict of interest concerning counsel's representation of the defendant in the case.

#### SCOPE OF THE AGREEMENT

The defendant acknowledges that this agreement is limited to the undersigned parties and cannot bind any other federal authority, or any state or local authority. The defendant acknowledges that no representations have been made to him with respect to any civil or administrative consequences that may result from this plea of guilty because such matters are solely within the province and discretion of the specific administrative or governmental entity involved. Finally, the defendant acknowledges that this agreement has been reached without regard to any civil tax matters that may be pending or which may arise involving him.

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The defendant further agrees as a condition of this plea agreement that he will not participate in any way, either directly or indirectly, in buying or selling electronic parts, including that of Harry Krantz, LLC (“the Company”), for any term of probation or supervised release that is imposed, not to exceed two years, and such prohibition will begin at the date of sentencing. In addition, the defendant agrees that he will divest himself of any and all control either directly or indirectly over Harry Krantz LLC, and any and all beneficial and/or financial interest, including ownership interest, in Harry Krantz, LLC and will not reacquire such an interest. The defendant and the government agree that the defendant’s ownership interest will be sold or conveyed to a trust in which the defendant’s wife and children may have a beneficial interest, but in which he will have no beneficial interest, and neither Jeffrey Krantz nor Richard Krantz will be the trustee. With respect to the Company and its shares, the Trustee’s sole power will be to appoint a representative to serve on the management board/board of directors of the company and to vote the shares owned by the Trust on matters requiring a vote of shareholders. The representative appointed by the Trustee may not be a member of the defendant’s family or any person who was employed by, or held an ownership interest in, the Company in or before 2008.

#### **COLLATERAL CONSEQUENCES**

The defendant understands that he will be adjudicated guilty of each offense to which he has pleaded guilty and will be deprived of certain rights, such as the right to hold public office, to serve on a jury, to possess firearms, and in some states, the right to vote. Further, the defendant understands that if he is not a citizen of the United States, a plea of guilty may result in removal from the United States, denial of citizenship, and denial of admission to the United States in the future. The defendant understands that pursuant to section 203(b) of the Justice For All Act, the Bureau of Prisons or the Probation Office will collect a DNA sample from the defendant for analysis and indexing. Finally, the defendant understands that the Government reserves the right to notify any state or federal agency by which he is licensed, or with which he does business, as well as any current or future employer of the fact of his conviction.

#### **SATISFACTION OF FEDERAL CRIMINAL LIABILITY; BREACH**

The defendant’s guilty plea, if accepted by the Court, will satisfy the federal criminal liability of the defendant in the District of Connecticut as a result of his participation in wire fraud, which forms the basis of the information in this case.

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The defendant understands that if, before sentencing, he violates any term or condition of this agreement, engages in any criminal activity, or fails to appear for sentencing, the Government may void all or part of this agreement. If the agreement is voided in whole or in part, defendant will not be permitted to withdraw his plea of guilty.

**NO OTHER PROMISES**

The defendant acknowledges that no other promises, agreements, or conditions have been entered into other than those set forth in this plea agreement, and none will be entered into unless set forth in writing, signed by all the parties.

This letter shall be presented to the Court, in open court, and filed in this case.

Very truly yours,

DEIRDRE M. DALY  
UNITED STATES ATTORNEY

\_\_\_\_\_  
FELICE M. DUFFY  
ASSISTANT UNITED STATES ATTORNEY

The defendant certifies that he has read this plea agreement letter and its attachment(s) or has had it read or translated to him, that he has had ample time to discuss this agreement and its attachment(s) with counsel and that he fully understands and accepts its terms.

\_\_\_\_\_  
Jeffrey Krantz  
The Defendant

\_\_\_\_\_  
Date

I have thoroughly read, reviewed and explained this plea agreement and its attachment(s) to my client who advises me that he understands and accepts its terms.

\_\_\_\_\_  
Tai Park, Esq.  
Attorney for the Defendant

\_\_\_\_\_  
Date

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### STIPULATION OF OFFENSE CONDUCT

The defendant, Jeffrey Krantz, and the Government stipulate to the following offense conduct and relevant conduct that gives rise to the defendant's agreement to plead guilty to the information:

At all relevant times, Jeffrey Krantz was the CEO and an owner of Harry Krantz, LLC, a company located in New York that bought and sold, among other things, obsolete electronic parts for ultimate use by the U.S. Military and commercial buyers. Jeffrey Warga ("Warga") was the president and owner of Bay Components, LLC ("Bay"), a company located in Rhode Island that bought and sold, among other things, obsolete electronic parts for ultimate use by the U.S. Military and commercial buyers.

In July 2005, Mr. Krantz entered into a business relationship with Warga to sell obsolete military microprocessor chips ("chips") to Bay, which would in turn sell them to a company located in Connecticut ("CT Company"). Mr. Krantz was involved in early discussions with Warga and the CT Company concerning this relationship. Between 2005 and 2008, Harry Krantz, LLC ultimately purchased and sold over a thousand chips to Bay, who then in turn sold them to the CT Company. The chips were marked with certain information, including a certain manufacturer's name and trademark ("Manufacturer A"), a date code, and a military part number. During this period, Mr. Krantz acknowledges that he was aware that the CT Company wanted new and original parts, not falsely remarked parts that purported to be something they were not.

Between August and September 2005, Harry Krantz, LLC bought 330 chips from a domestic supplier that had Manufacturer A's name and trademark, and a date code of 9305 ("9305 chips") and sold the chips to Bay. Mr. Krantz was the salesperson on the invoices for some of these transactions. Bay, in turn, sold the 330 chips to the CT Company. In about late November 2005, Mr. Krantz was informed that those chips were determined by the CT Company to contain the wrong die. The CT Company returned those 9305 chips.

In early 2006, Harry Krantz, LLC received shipments of replacement chips from the same domestic supplier. The shipments included chips that had Manufacturer A's name and trademark, with the date code 9742 ("9742 chips"), as well as chips with the same date code as the first installment- 9305. Harry Krantz, LLC sent the 9742 chips and the 9305 chips to an outside laboratory for testing. The vast majority of the 9305 and the 9742 chips passed military standard 883 Group A and B testing performed by a certified outside laboratory. In March 2006, Harry Krantz, LLC then shipped 141 9305 chips and 137 9742 chips that had passed testing as replacement parts to Bay, along with a small batch of chips that had



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Manufacturer A's name and trademark, with a date code 9832 ("9832 chips") that Harry Krantz, LLC acquired from Lingxin, a parts distributor operating in China. Bay shipped the chips to the CT Company as replacements for the initial 330 rejected chips.

Thereafter, Harry Krantz, LLC purchased hundreds more Lingxin 9832 chips, which it sold to Bay, which in turn sold them to the CT Company. In the fall of 2006, however, the CT Company returned the 141 9305 replacement chips because they were again determined to contain the wrong die. Harry Krantz, LLC replaced the 141 9305 chips with Lingxin 9832 chips and sold them to Bay who sold them to the CT Company. From March 2006 up through and including October 2008, Harry Krantz, LLC sold over 900 Lingxin 9832 chips to Bay to ultimately be sold to the CT Company.

During this period of time, Mr. Krantz acknowledges that he was aware of the increasing risk that parts from China may have been remarked in such a way as to purport to be a new and original part when they were not. Mr. Krantz was also aware that sending parts out for testing by independent labs could not provide certainty that the parts were new and original products. Mr. Krantz acknowledges that in his role as CEO, after the 9305 chips had been tested by an external certified laboratory and had passed and thereafter had been rejected by the CT Company, he did not cause Harry Krantz, LLC to take additional steps to get assurance the parts it sold to Bay and then on to the CT Company were new and original.

At some time in 2008, Mr. Krantz learned at least one Harry Krantz LLC Quality Inspector ("Inspector") believed that at least some of the Lingxin 9832 chips showed indicators of having been remarked and had failed the internal inspection. Several months later, a different Inspector determined that a different batch of Lingxin 9832 chips had failed an internal inspection process and noted that the Inspector believed the parts had been remarked. Mr. Krantz acknowledges that, despite the above indications that the 9832 chips were remarked and had failed his company's internal inspection process, he caused the 9832 chips to be sent out for independent Group A and B testing. After most of the 9832 chips passed testing, Mr. Krantz caused the 9832 chips that had passed the Group A and B testing to be shipped to Bay and on to the CT Company. Mr. Krantz did so without making any effort to ensure that Bay or the CT Company would be informed that some 9832 chips had shown signs of remarking and that the 9832 chips had failed HK's internal quality inspection procedures.

Mr. Krantz acknowledges that he knew destructive testing and verifying date codes were commonly done to assist in the authentication of military parts, and that his company commonly did both for military parts that passed his company's internal inspection. Mr. Krantz acknowledges that he should have caused a greater

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sample of 9832 chips to be subjected to destructive testing, which would have provided a greater assurance of authenticity. In addition, Mr. Krantz agrees that he should have caused employees at Harry Krantz, LLC to contact the manufacturer of the 9832 chips to investigate whether the date code matched production dates for authentic parts. Such steps most likely would have revealed that the parts were falsely remarked.

Mr. Krantz acknowledges that he was aware of a high probability that the 9832 chips were not original chips of Manufacturer A, but were falsely remarked chips that he nonetheless had shipped to Bay. Mr. Krantz further acknowledges that he should have taken additional steps to confirm whether the chips were original and new or, conversely, falsely remarked 9832 chips before having them sent to Bay and the CT Company. Mr. Krantz further acknowledges that he knowingly and wrongfully failed to confirm that the questionable 9832 chips were likely remarked.

Mr. Krantz agrees the loss amount at this time is \$189,343.00, which is based on the sale of the 9832 chips to Bay and the CT Company between 2006 and 2008.

Mr. Krantz acknowledges that half of the cost of replacement of the 9832 chips purchased by the CT Company and ultimately sold to customers after they were discovered to be remarked in 2012 is approximately \$402,650.00, which forms the basis of the restitution agreement for the wire fraud.

Mr. Krantz acknowledges that for the purpose of executing the scheme to defraud described above, he knew emails were used in the ordinary course of the business and to further this scheme and thus he caused, among others, an email to be sent from Warga's email account in Rhode Island to the CT Company's email account in Connecticut and to his email account in New York, which is a wire transmission in interstate commerce.

The written stipulation above is incorporated into the preceding plea agreement. The defendant and the Government reserve their right to present additional relevant offense conduct to the attention of the Court in connection with sentencing.

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JEFFREY KRANTZ  
The Defendant

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FELICE M. DUFFY  
ASSISTANT U.S ATTORNEY

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TAI PARK, ESQ.  
Attorney for the Defendant

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**RIDER CONCERNING RESTITUTION**

The Court shall order that the defendant make restitution under 18 U.S.C. § 3663A. The order of restitution may include:

1. If the offense resulted in damage to or loss or destruction of property of a victim of the offense, the order of restitution shall require the defendant to:

A. Return the property to the owner of the property or someone designated by the owner; or

B. If return of the property is impossible, impracticable, or inadequate, pay an amount equal to:

The greater of -

(I) the value of the property on the date of the damage, loss, or destruction;  
or

(II) the value of the property on the date of sentencing, less the value as of the date the property is returned.

2. In the case of an offense resulting in bodily injury to a victim –

A. Pay an amount equal to the costs of necessary medical and related professional services and devices related to physical, psychiatric, and psychological care; including non-medical care and treatment rendered in accordance with a method of healing recognized by the law of the place of treatment;

B. Pay an amount equal to the cost of necessary physical and occupational therapy and rehabilitation; and

C. Reimburse the victim for income lost by such victim as a result of such offense;

3. In the case of an offense resulting in bodily injury that results in the death of the victim, pay an amount equal to the cost of necessary funeral and related services; and

4. In any case, reimburse the victim for lost income and necessary child care, transportation, and other expenses incurred during participation in the investigation or prosecution of the offense or attendance at proceedings related to the offense.

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The order of restitution has the effect of a civil judgment against the defendant. In addition to the court-ordered restitution, the court may order that the conditions of its order of restitution be made a condition of probation or supervised release. Failure to make restitution as ordered may result in a revocation of probation, or a modification of the conditions of supervised release, or in the defendant being held in contempt under 18 U.S.C. § 3583(e). Failure to pay restitution may also result in the defendant's re-sentencing to any sentence which might originally have been imposed by the Court. *See* 18 U.S.C. §§ 3614; 3613A. The Court may also order that the defendant give notice to any victim(s) of his offense under 18 U.S.C. § 3555.