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COUNTERINTELLIGENCE AWARENESS **JOB AID**



Counterintelligence Awareness Case Study: Attempted Acquisition of Technology: Front Companies



Arc Electronics – Alexander Fishenko

- Dual U.S. Russian citizen.
- Immigrated to U.S. in 1994 and became U.S. citizen in 2003.
- Founder (1998) and CEO of Arc Electronics Inc. in Houston, Texas.
- Arc claimed to produce technology for traffic lights.



What Happened?

- Between October 2002 and October 2012, Arc Electronics schemed to illegally export about \$50 million of advanced microelectronics from manufacturers and suppliers located throughout the United States to the Russian Ministry of Defense.
- Provided false end user information in connection with the purchase of the goods, concealed the fact that they were exporters, and falsely classified the goods they exported on records submitted to the Department of Commerce.
- Fishenko plead guilty to acting as an agent of the Russian government, conspiring to and illegally exporting controlled microelectronics to Russia, money laundering, and obstruction of justice.
- Customers included the Russian Federal Security Service (FSB) or KGB.
- Customers included a research unit for the Russian FSB internal security agency, a Russian entity that builds air and missile defense systems and another that produces electronic warfare systems for the Russian Ministry of defense.
- Convicted in October 2015, he was sentenced to 135 months in prison and forfeited over \$500,000.

Impact

- Technology lost to Russia has military system applications, including radar and surveillance systems, missile guidance systems, and detonation triggers, many of which Russia does not produce domestically.



Learn More about Front Companies

A front company is a business entity that is established, used, or co-opted for an illicit purpose; wherein the management, control, influence, or activities are being directed by a hidden or disguised individual or group. This case study addressed one example of how a front company attempted to bypass the Export Control regulations to acquire and ship technologies included on the U.S. munitions list to embargoed countries. Your awareness is key to protecting our national security. To learn more about recognizing and reporting suspicious activities, visit the CDSE Counterintelligence Awareness Toolkit at: <http://www.cdse.edu/toolkits/ci/index.php>

IF YOU SEE SOMETHING, SAY SOMETHING.