

JUSTICE NEWS

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Gibson Guitar Corp. Agrees to Resolve Investigation into Lacey Act Violations

Gibson Guitar Corp. entered into a criminal enforcement agreement with the United States today resolving a criminal investigation into allegations that the company violated the Lacey Act by illegally purchasing and importing ebony wood from Madagascar and rosewood and ebony from India.

The agreement was announced today by Assistant Attorney General Ignacia S. Moreno of the Justice Department's Environment and Natural Resources Division, Jerry Martin, U.S. Attorney for the Middle District of Tennessee and Dan Ashe, Director of the Department of the Interior's U.S. Fish & Wildlife Service.

The criminal enforcement agreement defers prosecution for criminal violations of the Lacey Act and requires Gibson to pay a penalty amount of \$300,000. The agreement further provides for a community service payment of \$50,000 to the National Fish and Wildlife Foundation to be used to promote the conservation, identification and propagation of protected tree species used in the musical instrument industry and the forests where those species are found. Gibson will also implement a compliance program designed to strengthen its compliance controls and procedures. In related civil forfeiture actions, Gibson will withdraw its claims to the wood seized in the course of the criminal investigation, including Madagascar ebony from shipments with a total invoice value of \$261,844.

In light of Gibson's acknowledgement of its conduct, its duties under the Lacey Act and its promised cooperation and remedial actions, the government will decline charging Gibson criminally in connection with Gibson's order, purchase or importation of ebony from Madagascar and ebony and rosewood from India, provided that Gibson fully carries out its obligations under the agreement, and commits no future violations of law, including Lacey Act violations.

"As a result of this investigation and criminal enforcement agreement, Gibson has acknowledged that it failed to act on information that the Madagascar ebony it was purchasing may have violated laws intended to limit overharvesting and conserve valuable wood species from Madagascar, a country which has been severely impacted by deforestation," said Assistant Attorney General Moreno. "Gibson has ceased acquisitions of wood species from Madagascar and recognizes its duty under the U.S. Lacey Act to guard against the acquisition of wood of illegal origin by verifying the circumstances of its harvest and export, which is good for American business and American consumers."

"The Department of Justice is committed to enforcing the laws enacted by Congress," said U.S. Attorney Martin. "Failure to do so harms those who play by the rules and follow the law. This criminal enforcement agreement goes a long way in demonstrating the government's commitment to protecting the world's natural resources. The agreement is fair and just in that it assesses serious penalties for Gibson's behavior while allowing Gibson to continue to focus on the business of making guitars."

"The Lacey Act's illegal logging provisions were enacted with bipartisan support in Congress to protect vanishing foreign species and forest ecosystems, while ensuring a level playing field for America's forest products industry

and the people and communities who depend on it,” said U.S. Fish and Wildlife Service Director Ashe. “We’re pleased that Gibson Guitar Corp. has recognized its duties under the Lacey Act to guard against the acquisition of wood of illegal origin from threatened forests and has taken responsibility for actions that may have contributed to the unlawful export and exploitation of wood from some of the world’s most threatened forests.”

Since May 2008, it has been illegal under the Lacey Act to import into the United States plants and plant products (including wood) that have been harvested and exported in violation of the laws of another country. Congress extended the protections of the Lacey Act, the nation’s oldest resource protection law, to these products in an effort to address the environmental and economic impact of illegal logging around the world.

The criminal enforcement agreement includes a detailed statement of facts describing the conduct for which Gibson accepts and acknowledges responsibility. The facts establish the following:

Madagascar Ebony is a slow-growing tree species and supplies are considered threatened in its native environment due to over-exploitation. Both legal and illegal logging of Madagascar Ebony and other tree species have significantly reduced Madagascar’s forest cover. Madagascar’s forests are home to many rare endemic species of plants and animals . The harvest of ebony in and export of unfinished ebony from, Madagascar has been banned since 2006.

Gibson purchased “fingerboard blanks,” consisting of sawn boards of Madagascar ebony, for use in manufacturing guitars. The Madagascar ebony fingerboard blanks were ordered from a supplier who obtained them from an exporter in Madagascar. Gibson’s supplier continued to receive Madagascar ebony fingerboard blanks from its Madagascar exporter after the 2006 ban. The Madagascar exporter did not have authority to export ebony fingerboard blanks after the law issued in Madagascar in 2006.

In 2008, an employee of Gibson participated in a trip to Madagascar, sponsored by a non-profit organization. Participants on the trip, including the Gibson employee, were told that a law passed in 2006 in Madagascar banned the harvest of ebony and the export of any ebony products that were not in finished form. They were further told by trip organizers that instrument parts, such as fingerboard blanks, would be considered unfinished and therefore illegal to export under the 2006 law. Participants also visited the facility of the exporter in Madagascar, from which Gibson’s supplier sourced its Madagascar ebony, and were informed that the wood at the facility was under seizure at that time and could not be moved.

After the Gibson employee returned from Madagascar with this information, he conveyed the information to superiors and others at Gibson. The information received by the Gibson employee during the June 2008 trip, and sent to company management by the employee and others following the June 2008 trip, was not further investigated or acted upon prior to Gibson continuing to place orders with its supplier. Gibson received four shipments of Madagascar ebony fingerboard blanks from its supplier between October 2008 and September 2009.

This case was investigated by the U.S. Fish and Wildlife Service with assistance from U.S. Immigration and Customs Enforcement. The case was handled by the Environmental Crimes Section of the U.S. Department of Justice and the U.S. Attorney’s Office for the Middle District of Tennessee.

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Environment and Natural Resources Division

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