

# Computer chips tempting to thieves

## 2-year string of robberies has high-tech firms beefing up their security

By Ruby Gonzales  
STAFF WRITER

**INDUSTRY** — It was just a short item on Page 4 of the newspaper.

Two armed men held up an electronics warehouse in Industry at night, tied up the owners with duct tape, and escaped with nearly \$2 million worth of hard-

disk drives and other computer parts. End of story.

But investigators now say that the March 25, 1995, robbery at Comtrade Electronics USA Inc. was one of a long series across the San Gabriel Valley and the Southland that would terrorize Asian-run computer businesses, result in the theft of millions of dollars worth of computer equipment,

and force an increase in those businesses' insurance rates.

The robberies continued for about two years.

The end came in 1996. On April 9, 24 people were indicted in San Francisco after an 18-month investigation by police agencies. To date, 73 have been indicted nationwide.

On Jan. 21, 1998, police and FBI

agents arrested two 26-year-old Southland men who have been indicted in a computer robbery in Northern California. John Phim Phay of Rosemead and Chanda Sin of Long Beach allegedly robbed Alpha Systems Inc. in Fremont on May 31, 1995.

About 15 members of the group remain on the loose.

Although the roundup struck

at the heart of the group's operations, the problem is far from over. Police and industry officials say high-tech businesses are still being robbed by splinter and copycat groups lured by the big value of computer chips.

"The microprocessors are extremely valuable per pound. If

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# RING

## Computer makers shaken by thefts

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you're getting a delivery of 1,000 chips, that's about half a million dollars," said Nathan Brookwood, a microprocessor analyst for Dataquest, a technology market research and consulting company.

### Robbers head south

Takeover robberies of computer companies started in the Silicon Valley. But as businesses there got wise to the crimes and increased security, the robbers worked their way south, law enforcement officials said.

"Money was always the bottom line," said Kerry Smith, who heads the Asian Organized Crime unit of the FBI in West Covina. "The businesses were here and the epidemic of these robberies were in 1994, 1995 and 1996. They robbed primarily in California."

As the robberies continued, insurance rates increased and business owners tried to cope by beefing up security or even relocating their companies. Like other Asian crooks, the ring targeted Asian victims.

"Most of the computer companies in Southern California are Asian-owned," said Daniel Hou, vice president of the Southern California Chinese Computer Association. About 200 computer companies belong to the Rowland Heights-based trade organization.

"The ringleader is Asian. He knows about us. And a lot of our employees are Asians. To get inside information is easier (for them)," Hou said.

The group scored its biggest haul in May 1995, when it stole about \$10 million worth of motherboards and computer chips from Centon Electronics Inc. in Irvine. It's believed to be the biggest computer-related robbery in U.S. history.

But not all the robberies were successful. Members of the ring started getting caught.

The biggest blow to the group came after an 18-month investigation involving the FBI, the Los Angeles County Sheriff's Department, the California Department of Justice, the Drug

Enforcement Agency, the Customs Service, the Immigration and Naturalization Service and local police agencies.

Dubbed "Bytes Dust," the investigation has led to indictments in federal courts in San Francisco, Los Angeles and Portland, Ore.

Several ring members remain on the run.

Locally, federal grand juries have indicted about 30 members of the group for six area robberies, including Comtrade and a botched robbery at Solomon Technology USA in Rowland Heights.

The West Covina branch of the FBI is investigating 15 to 20 robberies in the Southland; about eight of the cases were in the San Gabriel Valley.

The group could be tied to many more robberies, officials said. FBI Agent Diane Spindel has testified, in writing, that Maximus Computers Inc. in Monrovia was also robbed by the ring.

### What fueled the greed?

The robbers stole various computer parts and sometimes even took money. But they especially liked stealing central processing unit chips because of their high value and small size. They're easy to sell because you can't build a computer without the chip, which acts as the computer's brain.

Intel spokesman Chuck Mulloy said the chips are traceable since the company has been putting serial numbers and special markings on the chips for the past five years. That move wasn't prompted by the robberies, he added.

However, a system that would display the serial number on the computer screen would be better, Hou said.

The ring sold the chips and parts to buyers in the United States and overseas. Several were workers from other computer businesses, according to the indictments.

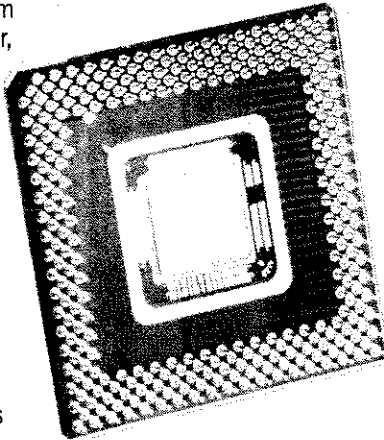
The industry is cutthroat, Dataquest's Brookwood said. What retail customers pay at the store for personal computers made by small manufacturers barely covers the cost of building the machines, though larger makers such as IBM make bigger profits.

"Half of the (personal) computers are built by teeny-weeny companies. Their ability to buy

## THE VALUE OF A CHIP

**WANTED: The FBI is seeking the following individuals on suspicion of participating in computer chip robberies in the San Gabriel Valley and elsewhere.**

Shown at right is Intel Corp.'s Pentium microprocessor, the most popular chip for powering a personal computer. Computer chips are tiny, hard to trace and extremely valuable — a delivery of 1,000 chips is worth about \$500,000.



Chip without surrounding packaging is 163 square millimeters.



**CUONG QUANG THACH, 22**  
Attempted robberies, Solomon Technology USA, Rowland Heights, Nov. 11, 1995, and First Source Computers, Aliso Viejo, Jan. 18, 1996.



**DUC TAN NGUYEN, 30**  
Robberies, Multi-Industry Technology, Cerritos, May 3, 1995, and Centon Electronics Inc. of Irvine, May 16, 1995.



**DOMINIC TRANG, 31**  
Attempted robbery, Solomon Technology, Nov. 11, 1995.



**THANH HUA, 22**  
Attempted robberies, Solomon Technology, Nov. 11, 1995; First Source, Jan. 18, 1996; robbery, Micro Memory, Chatsworth, June 25, 1996.



**HOANG MINH NGUYEN, 22**  
Attempted robberies, Solomon Technology, Nov. 11, 1995, and First Source, Jan. 18, 1996.



**QUANG CHAN LAI, 22**  
"JOKER"  
Attempted robbery, First Source, Jan. 18, 1996.

Source: FBI & KRT

Staff graphic by MANUEL AMAYA

stuff cheaply matters.

"So if somebody comes along and says, 'I'll sell chips at a lower price ...?'" Brookwood asked, letting the question hang.

### How the enterprise worked

The group was very mobile, hitting computer companies in Minnesota, Oregon and California. The slew of computer businesses in the East San Gabriel Valley — often in Industry or Walnut — attracted the attention of the roving pack.

"They go where the products are," said FBI Special Agent Arnold Bell.

The ring, which had headquarters in San Francisco, New York and Los Angeles, was a multi-tiered operation. The bosses gave information to middle managers who recruited robbery chiefs and crews to do the takeover robberies.

"It wasn't a real gang like the Wah Ching. This was a group specifically put together. They did computer chip robberies," said Sgt. Thomas Budds who heads the Asian Organized Crime Unit of the Sheriff's Department.

Budds said the ring would get information on which business had the parts and chips.

The robbers used rented cars and stayed at hotels to avoid detection, court documents show. The ring's bosses reviewed potential targets, provided guns and doled out money

for bail and lawyers. The crew chiefs and the robbery teams would ambush victims at their businesses or at their homes.

"This was a full-time business for this group," Smith said. "I'm not aware of any other ring responsible for Asian business takeover robberies aside from this group."

Budds said most of the robberies yielded computer chips and other parts worth \$250,000 to \$500,000.

"That, of course, is the retail price of the chips," he added.

In addition to robbing computer businesses, prosecutors say the group trafficked in heroin, brought illegal immigrants to the country and smuggled stolen luxury cars to China.

The investigation started in San Francisco on July 1995 as a result of allegations of heroin trafficking by John That Luong of Folsom and his associates, according to court documents. Investigators then learned the group was involved in the chip robberies.

Investigators say Luong, Jimmy Luong of Sacramento, Mady Chan of Elk Grove and Kevin Liu were the enterprise's bosses. All four are in custody.

### Insurance rates increased

The alarming frequency of the robberies made insurance harder to get and pay for, local businessmen said.

"1995 was probably one of the worst years. Several people were being robbed in a month," Hou said.

He added that nearly half of the association's members were robbed in the past five years.

The association started a campaign to get law enforcement agencies to help the businesses, said association general counsel Thomas Chan, adding it took a while before authorities became interested in their plight.

And because of the robberies, premiums for insurance that would cover computer businesses went up.

"That type of insurance is darn near impossible to get. It would be expensive," said Jim Armitage, spokesman for the Insurance Brokers and Agents of the West. The trade organization has 20,000 members in California, Hawaii, Washington, Oregon and Alaska.

Armitage said a client of his, a San Gabriel Valley businessman, was robbed twice and saw his annual insurance premium increase from \$15,000 to more than \$100,000.

He added that the businessman has relocated and now uses an extremely sophisticated security system.

Businesses often seek out coverage since bank loans require it, Armitage said.

Chan said some of the busi-

ness owners — especially those that deal in computer chips — are so afraid of being robbed they won't post a company sign on the building.

The Sheriff's Department and the FBI talked to the association and suggested its members install surveillance cameras and hire guards. Hou said the association is proposing members put hidden tracking devices in delivery trucks or paint license plate numbers on top of their trucks so police helicopters could easily find them if stolen.

After his Orange County business was robbed in October 1996, Wayne Kou installed security cameras. Kou, who is on the association's board of directors, asked that his company not be named.

## OBITUARY Notices

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**CLOUGHESY** — Georgia W. Cloughesy, (1931-1998), resident of San Dimas is survived by her husband, Michael; six children and ten grandchildren. A Rosary and Memorial Mass will be held Tuesday, February 3, 1998 at 10:00 A.M. at St. Louise de Marillac Catholic Church in Covina. The family requests donations to the American Cancer Society - Gift of Hope, 685 N. 13th Ave., Suite 7, Upland, CA 91786.