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PRESS RELEASE

FOR IMMEDIATE RELEASE

Monday, October 26, 2009

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Guilty Plea to Fraud and Tax Charges Unsealed against Maryland Scientist Charged with Attempted Espionage

Washington, D.C. - A guilty plea to fraud and tax charges filed against Stewart David Nozette, 52, the Maryland scientist charged on October 15, 2009, with attempted espionage, was unsealed on Friday, October 23, 2009, announced Acting U.S. Attorney Channing D. Phillips, Acting Inspector General Thomas Howard of the National Aeronautics and Space Administration, and C. André Martin, Internal Revenue Service-Criminal Investigation Special Agent in Charge. Nozette pled guilty in the U.S. District Court for the District of Columbia before the Honorable James Robertson on January 30, 2009, to a two-count criminal Information charging him with conspiracy to defraud the United States and tax evasion. Nozette faces a statutory maximum term of five years in prison on the conspiracy charge and an additional five years in prison on the tax evasion charge. He is scheduled to be sentenced on November 18, 2009.

In connection with the guilty plea, Nozette admitted that from March 1, 1990 through January 2009, he was the co-owner, president, treasurer and director of the Alliance for Competitive Technology (“ACT”). ACT was incorporated on March 1, 1990 in the State of California and organized as a not-for-profit corporation. ACT entered into contracts with Federal agencies under the Intergovernmental Personnel Act (“IPA”), which allows Federal agencies to temporarily acquire, for up to two years, personnel in highly skilled positions from certain organizations. The IPA is meant to promote cooperation between the Federal government and non-Federal entities, such as state and local governments, institutions of higher education, Indian tribal governments and other eligible organizations (termed “IPA Participants”) that retain highly skilled employees. The IPA allows Federal agencies to pay IPA Participants only costs actually incurred – IPA Participants are not meant to profit from IPA contracts with the government.

During the period from on or about January 13, 2000 through on or about February 28, 2006, ACT was an IPA Participant with three Federal agencies: the Naval Research Laboratory (“NRL”), the Defense Advanced Research Projects Agency (“DARPA”), and the National Aeronautics and Space Administration (“NASA”). In connection with the plea, Nozette admitted

that he and a co-conspirator (referred to as "CC-1"), who was the co-owner of ACT, and served as its vice president, its secretary, and as a board member, agreed to use ACT to defraud NRL, DARPA and NASA by making and presenting fraudulent reimbursement claims to these agencies. More particularly, Nozette admitted that the reimbursement claims made and presented by ACT to these agencies overstated the amount that ACT had incurred in costs for salary and fringe benefits for Nozette and other ACT employees. During its time as an IPA Participant, Nozette and CC-1, through ACT, knowingly presented fraudulent salary and fringe benefit claims totaling approximately \$265,205.57. This money was used not for salaries and fringe benefits, but to pay for the personal expenses of Nozette and CC-1.

As part of the tax charge, Nozette also admitted that for the calendar years 2000 through 2004, he filed false individual income tax returns for himself and his wife with the IRS. During those years, Nozette acknowledged that he did not claim as income any amount of the salaries or fringe benefits paid by NRL, DARPA or NASA under the IPA agreements, even though he knew that he had used a substantial amount of those payments for his personal benefit. In addition, Nozette admitted that he and CC-1 used ACT, an entity exempt from taxation because of its not-for-profit status, to receive income and to make expenditures for their personal benefit. Specifically, Nozette acknowledged that he wrote checks on ACT's account to satisfy personal debts for both himself and CC-1 for, among other things, real estate mortgages, automobile loans, automobile insurance premiums, credit card debt, cleaning services, medical and dental debt, sedan services, and clothing.

The guilty plea arose from an investigation by the NASA Office of Inspector General into credit card charges incurred by Nozette on his government-issued credit card.

"The prosecution of individuals who intentionally conceal income and evade taxes is a vital element in maintaining public confidence in our tax system. We should not expect the honest taxpayer to foot the bill for those who hide income from the IRS," stated C. André Martin, Internal Revenue Service-Criminal Investigation Special Agent in Charge.

In announcing the guilty plea, Acting U.S. Attorney Phillips praised the investigative efforts of Special Agents Karen Lochli, Kelly Farrell and Reginald Scales of the Naval Criminal Investigative Service, the Naval Audit Service, Special Agents John Doyle and Robert Matteis of the Defense Criminal Investigative Service, Special Agents Anthony J. Pavlik and Andrea Borden of the NASA Office of Inspector General, Investigative Support Auditor Elaine Mylod of the Defense Contract Audit Agency, Special Agent Howard Smith of the Internal Revenue Service's Criminal Investigation Division, Revenue Agents Charles Walker and Jennifer Maroulis of the Internal Revenue Service's Tax Exempt & Government Entities group, and agents of the Federal Bureau of Investigation. He also recognized the efforts of U.S. Attorney's Office Paralegal Specialist Sarah Reis, and commended the efforts of Trial Attorney Kenneth C. Vert, United States Department of Justice, Tax Division, and Assistant U.S. Attorney Michael K. Atkinson, who prosecuted the case.

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