

SEALED

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA

: CRIMINAL NO.:

08-371(JR)

:

: VIOLATIONS:

:

v.

: 18 U.S.C. § 371 (Count 1)

: Conspiracy to Defraud the United States;

STEWART D. NOZETTE,

:

: 26 U.S.C. § 7201 (Count 2)

Defendant.

: Tax Evasion

**FILED**

JAN 30 2009

STATEMENT OF THE OFFENSE

NANCY MAYER WHITTINGTON, CLERK  
U.S. DISTRICT COURT

1. From March 1, 1990 through the present, defendant STEWART D. NOZETTE ("NOZETTE") 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 under Section 501(c)(3) of the Internal Revenue Code of 1986. According to information submitted by ACT to the Internal Revenue Service ("IRS") to obtain its non-profit status, ACT was created to serve the national and public interest by conducting scientific research and educational activities aimed at expanding the utilization of National and Government Laboratory resources.

2. Co-Conspirator 1 ("CC-1") was the other co-owner of ACT, and served as a vice president, secretary and board member of ACT. From at least January 2000 through the present, ACT maintained an office within the primary residence shared by NOZETTE and CC-1 in Chevy Chase, Maryland.

3. The Intergovernmental Personnel Act ("IPA"), as authorized by Title 5, United States Code, Sections 3371-3375, allows Federal agencies to acquire skilled personnel on a temporary basis. The goal of the IPA is to facilitate the movement of skilled employees through temporary

assignments for short periods of time (up to two years) to promote cooperation between the Federal government and a non-Federal entity, such as state and local governments, institutions of higher education, Indian tribal governments and other eligible organizations (hereinafter referred to as "IPA Participants"). IPA Participants include corporations that have received an IRS letter of nonprofit status whose organizational activities relate to the public management concerns of governments or universities. Cost-sharing arrangements for IPA assignments are negotiated between the the Federal agencies and the IPA Participants. Costs may include basic pay, supplemental pay, fringe benefits, and travel and relocation expenses. Reimbursement by the Federal agencies is limited to costs actually incurred by the IPA Participants.

4. 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"). NOZETTE and CC-1 agreed to use ACT to defraud NRL, DARPA and NASA, agencies of the United States, by making and presenting claims upon those Federal agencies knowing such claims to be false, fictitious and fraudulent.

5. The claims made and presented by ACT to the Federal agencies overstated the amount that ACT had incurred in costs for fringe benefits on NOZETTE and overstated the amount that ACT had incurred in costs for salary and fringe benefits for another ACT employee referred to herein as "M.A." During its time as an IPA Participant, ACT knowingly made and presented false claims to NRL, DARPA and NASA under the IPA agreements for M.A. and NOZETTE, paid out a certain amount in salary to M.A. and a certain amount in salary and fringe benefits to NOZETTE,

and diverted the overstated amount totaling approximately \$265,205.57 to pay for personal expenses of NOZETTE and CC-1.

6. On December 27, 1999, ACT entered into an IPA agreement with NRL. ACT's participating employee was NOZETTE. Through the IPA agreement, at NOZETTE's direction, ACT knowingly made and presented to NRL twenty-five invoices that each materially overstated the amount of costs that ACT had incurred on NOZETTE's fringe benefit expenses.

7. On November 9, 2001, ACT entered into an IPA agreement with NRL. ACT's participating employee was M.A. Through the IPA agreement, at NOZETTE's direction, ACT knowingly made and presented to NRL thirteen invoices that each materially overstated the amount of costs that ACT had incurred on M.A.'s salary and fringe benefit expenses.

8. On March 1, 2002, ACT entered into an IPA agreement with DARPA. ACT's participating employee was NOZETTE. Through the IPA agreement, at NOZETTE's direction, ACT knowingly made and presented to DARPA twenty-five invoices that each materially overstated the amount of costs that ACT had incurred on NOZETTE's fringe benefit expenses.

9. On February 18, 2004, ACT entered into an IPA agreement with NASA. ACT's participating employee was NOZETTE. Through the IPA agreement, at NOZETTE's direction, ACT knowingly made and presented twenty-four invoices to NASA that each materially overstated the amount of costs that ACT had incurred on NOZETTE's fringe benefit expenses.

10. Beginning on or about October 12, 2001, through on or about September 10, 2005, in the District of Columbia and elsewhere, NOZETTE, a resident of Chevy Chase, Maryland, did willfully attempt to evade and defeat a large part of the income tax due and owing by him to the United States of America. For the calendar years 2000 through 2004, NOZETTE filed and caused

to be filed with the Director, Internal Revenue Service Center, false and fraudulent U.S. Individual Income Tax Returns, Forms 1040 for himself and his wife, including the Form 1040 for himself and his wife for calendar year 2003, which he caused to be placed in the mail in the District of Columbia on or about September 7, 2004. For those calendar years, NOZETTE did not claim as income on the Forms 1040 any amount of the salaries or fringe benefits paid by NRL, DARPA or NASA under the IPA agreements with ACT that had covered NOZETTE, even though NOZETTE knew he had used a substantial amount of those payments for his personal benefit. At the time that NOZETTE filed and caused those Forms 1040 for himself and his wife to be filed, NOZETTE knew and believed that his taxable income for those calendar years was substantially in excess of that stated in the Forms 1040 and that upon said additional taxable income a substantial additional tax was due and owing to the United States of America.


11. For the calendar years 2000 through 2004, NOZETTE and CC-1 used ACT, an entity exempt from taxation under Title 26, United States Code, Section 501(c)(3), to receive income and to make expenditures for their personal benefit. NOZETTE wrote checks on ACT's account to satisfy personal debts in the names of NOZETTE and CC-1 associated with, 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 preceding statement is a summary, made for the purpose of providing the Court with a factual basis for my guilty plea to the charges against me. It does not include all of the facts known to me regarding this offense. I make this statement knowingly and voluntarily and because I am in fact guilty of the crimes charged.

DATE: 11 Dec - 08

  
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STEWART D. NOZETTE  
Defendant

DATE: 11 December 2008

  
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PRESTON BURTON  
Attorney for Defendant