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## **Executive Wallace Tang and Three Corporations Plead Guilty to Defrauding NASA, National Science Foundation, and Energy Department**

Nearly \$1.1 Million Paid in Criminal Restitution before Guilty Pleas

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United States Attorney Ron Parsons announced today that Wallace Tang, age 55, of Alamo, California, appeared in federal court in Sioux Falls, South Dakota, and pleaded guilty to Wire Fraud before U.S. District Judge Karen E. Schreier. Three Bay Area corporations also appeared in federal court before Judge Schreier and pleaded guilty to Conspiracy to Commit Wire Fraud. Laserlith Corporation, Black Hills Nanosystems Corporation, and Blue Sky Engineering, Incorporated, entered their guilty pleas by and through Tang, Gina Kim, and Sine Chao, respectively, who are the corporate representatives. As part of the plea agreements filed with the Court, the defendants also paid restitution totaling \$1,084,418.60. The restitution was paid before the time each defendant appeared to plead guilty. The amount of criminal restitution represents the monies derived from the defendants' fraudulent conduct perpetrated against the National Aeronautics and Space Administration ("NASA"), the National Science Foundation ("NSF"), and the Department of Energy ("DoE").

"Since its inception, the space program has been a symbol of American hope and progress," said U.S. Attorney Parsons. "When these defendants defrauded NASA and other governmental departments committed to the advancement of scientific knowledge, they were not only ripping off the American taxpayer, they were stealing a part of our future."

"The NASA Office of Inspector General ("OIG") will aggressively investigate any attempt to defraud NASA grants, contracts, and operations," said NASA Inspector General Paul Martin. "The NASA OIG appreciates the cooperative efforts of the entire investigative and prosecution team during this multi-year investigation."

"The Small Business Innovation Research Program and Small Business Transfer Technology Research Program are valuable tools in advancing NSF's mission to promote the progress of science by increasing opportunities for small businesses to undertake cutting-edge scientific research, and it is essential to protect the integrity of this program," commented Allison Lerner, the Inspector General for NSF. "The NSF Office of Inspector General is committed to vigorously pursuing oversight of these taxpayer funds and I commend the U.S. Attorney's Office and our investigative partners for their strong support in this effort."

"The SBIR Program is an essential Department of Energy program that supports scientific excellence and technological innovation," stated April G. Stephenson, Department of Energy Acting Inspector General. "These convictions serve as a reminder that fraud in the SBIR Program will not be tolerated. The Office of Inspector General remains committed to ensuring the integrity of our programs by holding accountable those who attempt to hide behind sophisticated schemes."

We appreciate the efforts of the DOJ in pursuing this matter and will continue to work aggressively with our investigative partners to pursue those who seek to defraud government programs.”

At the times relevant to this case, NASA, NSF, and DoE participated in the Small Business Innovation Research (“SBIR”) Program and Small Business Transfer Technology Research (“STTR”) Program through which Defendants sought and obtained federal funds. Federal SBIR and STTR grant and contract award payments were electronically transferred from the associated federal agency, through the United States Department of the Treasury, and then wired to a business bank account identified by the defendants. The defendants also used wires to transmit interstate communications to and from South Dakota.

Beginning in approximately 2012, and continuing through 2016, within the State and District of South Dakota and elsewhere, Blue Sky Engineering, Black Hills Nanosystems, and Laserlith unlawfully and knowingly conspired and agreed together to devise a scheme to defraud and obtain money and property from NASA, NSF, and DoE. The defendants defrauded these federal agencies through false and fraudulent representations and by sending electronic wire communications in interstate and foreign commerce. The purpose of the corporate-defendants’ conspiracy was to obtain federally-funded projects by and through material misrepresentations, statements, and omissions, thereby depriving the United States the ability to fund other small businesses and resulting in the enrichment of Blue Sky Engineering, Black Hills Nanosystems, Laserlith, and Tang.

According to the parties’ plea agreements, the corporate-defendants committed the following acts, as well as others, in South Dakota and elsewhere: - The corporate-defendants applied for and received federal awards for essentially equivalent work, or portions thereof, concealing the existence of the awards and the relationships between related companies from the awarding agencies. - During the application process, the corporate-defendants misrepresented the existence and use of distinct company facilities, equipment, and operations in South Dakota and North Dakota, and elsewhere outside of California. These representations and statements were false in that all of the companies were co-located in a common facility in Richmond, California, sharing the same resources and performing essentially equivalent work, or portions thereof. - The corporate-defendants’ fraudulent conduct included the preparation and submission of proposals for awards under the NSF, NASA, and DOE programs, specifically involving costs, employees, the eligibility of principal investigators, suitability of facilities, location of facilities, subcontractors, consultants, letters of support, and certifications submitted to NSF, NASA, and DOE. As a result of the corporate-defendants’ conduct, fraudulently-obtained NSF, NASA, and DOE contracts were awarded, totaling \$1,084,418.60 between Blue Sky Engineering, Black Hills Nanosystems, Laserlith, and others.

As to Tang’s individual guilty plea, on January 28, 2015, Tang executed the aforementioned scheme to defraud the United States and its agencies and to obtain money and property by means of false representations, and promises relating to material facts. Specifically, Tang knowingly sent a wire communications in interstate or foreign commerce as follows: a wire communication from MicroAssembly, by and through Defendant Blue Sky as general contract and with Black Hills Nano serving as subcontractor, containing NASA proposal numbered H8.03-8999, entitled “Low Cost Multi-Junction Photovoltaic Panels.” This proposal was fraudulent and contained material representations in that it contained “essentially equivalent work,” or a portion thereof, to proposals submitted as part of the conspiracy, as set forth above and as alleged in the Information,

between Defendants Blue Sky, MicroAssembly, Laserlith, and Black Hills Nano. After transmitting this wire containing fraudulent and material representations, Defendant Tang withdrew the proposal from NASA. Although NASA proposal numbered H8.03-8999 was later withdrawn, Defendant Tang submitted the proposal with the intent to defraud NASA.

The maximum penalties that the corporations face for Conspiracy to Commit Wire Fraud are a \$500,000 fine, a \$400 special assessment to the Victim's Assistance Fund, restitution, and forfeiture. The maximum penalties that Tang faces for Wire Fraud are 20 years in prison, a \$250,000 fine, or both imprisonment and a fine, a term of 3 years of supervised release, a \$100 special assessment to the Victim's Assistance Fund, restitution, and forfeiture. The defendants' sentencing hearing is set for December 3, 2018.

This case was investigated by NASA OIG, NSF OIG, and DoE OIG. The case is being prosecuted by Assistant U.S. Attorney Jeremy R. Jehangiri.