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Masstech, Richard Lee, And Arnold Lee To Pay U.S. $1.9 Million To Settle False Claims Act Allegations Relating To Small Business Innovation Research Awards

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Baltimore, Maryland – Columbia-based MassTech, Inc., its former Chief Executive Officer, Arnold Lee, and its former Chief Financial Officer, Richard Lee, have agreed to pay the United States $1.9 million to resolve allegations that MassTech falsely certified it was a small business concern in order to obtain Small Business Innovation Research ("SBIR") awards.

The settlement agreement was announced today by United States Attorney for the District of Maryland Robert K. Hur; Inspector General for the National Science Foundation, Allison Lerner; Special Agent in Charge for NASA Office of Inspector General, Michael Sonntag; and Special Agent in Charge for the Office of Inspector General for the Department of Health and Human Services, Maureen Dixon.

"Entities that participate in government-funded research grants must truthfully report their eligibility to participate in these programs, including the SBIR program. Companies and individuals that misrepresent their eligibility in order to obtain government funding undermine the integrity of the government grant process," said Robert K. Hur, United States Attorney for the District of Maryland.

"The SBIR program is a valuable tool 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."

"Individuals who fraudulently obtain federal research funds earmarked for small businesses deprive others of an opportunity to pursue meaningful technological discoveries," said NASA OIG Special Agent in Charge, Michael Sonntag. "I commend the outstanding efforts of our agents and other law enforcement partners who are committed to ensuring the integrity of this program."

 "HHS-OIG expects all companies and individuals who accept HHS research funds to be truthful on their applications," said Maureen R. Dixon, Special Agent in Charge of the Philadelphia Regional Office of the Department of Health and Human Services, Office of the Inspector General. "We will continue to work with our law enforcement partners to ensure the integrity of HHS grant funds." The SBIR program is a set-aside program for small businesses. The purpose of the SBIR program is to strengthen the role of small business concerns ("SBC") in federally funded research and development and to increase private sector commercialization. To receive SBIR funds, each awardee of an SBIR Phase I or II award must qualify as an SBC at the time of the award as well as

throughout the duration of the award. To be eligible, an SBC and its affiliates collectively must have fewer than 500 employees. According to the settlement agreement, the United States alleged that MassTech, Arnold Lee, and Richard Lee falsely represented to NSF, NASA, and HHS that MassTech was an eligible small business concern at the time of the SBIR application as well as throughout the lifecycle of the award. As a result, NSF, NASA, and HHS approved and funded SBIR awards to MassTech that MassTech otherwise would not have received. MassTech, Arnold Lee, and Richard Lee denied the United States' allegations.

U.S. Attorney Robert K. Hur commended the NSF Office of Inspector General, the NASA Office of Inspector General, and the HHS Office of Inspector General for their work in the investigation. Mr. Hur thanked Assistant United States Attorneys Thomas Corcoran and Rebecca Koch who handled the case.