



U.S. Department of Justice

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## **PRESS RELEASE**

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### **Noted Scientist Sentenced to 13-Year Prison Term For Attempted Espionage, Fraud and Tax Charges Espionage Charge Stemmed From Undercover Investigation In Which Defendant Stated That Anything “the U.S. Has Done in Space, I’ve Seen”**

WASHINGTON - Stewart David Nozette, 54, a scientist who once worked for the Department of Energy, the Department of Defense, the National Aeronautics and Space Administration and the White House’s National Space Council, was sentenced today to 13 years in prison for attempted espionage, conspiracy to defraud the United States and tax evasion.

The sentence covered charges in two cases. In one, Nozette pled guilty in September 2011 to attempted espionage for providing classified information to a person he believed to be an Israeli intelligence officer. In the other, he pled guilty in January 2009 to fraud and tax charges stemming from more than \$265,000 in false claims he submitted to the government.

The sentencing, which took place this morning in the U.S. District Court for the District of Columbia, was announced by Ronald C. Machen Jr., U.S. Attorney for the District of Columbia; Lisa Monaco, Assistant Attorney General for National Security, and Principal Deputy Assistant Attorney General John A. DiCicco of the Tax Division.

Joining in the announcement were James W. McJunkin, Assistant Director in Charge of the FBI’s Washington Field Office; Paul K. Martin, Inspector General for the National Aeronautics and Space Administration (NASA); Eric Hylton, Acting Special Agent in Charge of the Washington Field Office of the Internal Revenue Service-Criminal Investigation (IRS-CI), and John Wagner, Special Agent in Charge of the Washington, D.C. Office of the Naval Criminal Investigative Service (NCIS).

In addition to the prison term, the Honorable Paul L. Friedman ordered that Nozette pay more than \$217,000 in restitution to the government agencies he defrauded.

Nozette has been in custody since his arrest for attempted espionage on Oct. 19, 2009. At the time, he was awaiting sentencing on the fraud and tax evasion charges. FBI agents arrested Nozette following an undercover operation in which he provided classified materials on three occasions, including one that formed the basis for his guilty plea. He was subsequently indicted by a federal grand jury. The indictment does not allege that the government of Israel or anyone acting on its behalf committed any offense under U.S. laws in this case.

“Stewart Nozette’s greed exceeded his loyalty to our country,” said U.S. Attorney Machen. “He wasted his talent and ruined his reputation by agreeing to sell national secrets to someone he believed was a foreign agent. His time in prison will provide him ample opportunity to reflect on his decision to betray the United States.”

“Stewart Nozette betrayed his country and the trust that was placed in him by attempting to sell some of America’s most closely-guarded secrets for profit. Today, he received the justice he deserves. As this case demonstrates, we remain vigilant in protecting America’s secrets and in bringing to justice those who compromise them,” said Assistant Attorney General Monaco. “I thank the many agents, analysts and prosecutors who worked on this important case.”

“As this case demonstrates, those who attempt to evade their taxes by abusing the tax-exempt status of non-profit entities will be investigated, prosecuted, and punished,” said Principal Deputy Assistant Attorney General DiCicco.

“Today’s sentencing demonstrates that espionage remains a serious threat to our national security,” said Assistant Director in Charge McJunkin. “The FBI and our partners in the defense and intelligence communities work every day to prevent sensitive information from getting into the wrong hands, and I commend the hard work of the dedicated agents, analysts, and prosecutors who spent a significant amount of time bringing this case to resolution.”

“We are particularly proud that NASA OIG’s fraud investigation of Nozette, which began in 2006, served as the catalyst for further investigation and today’s outcome,” said NASA Inspector General Martin.

“IRS-Criminal Investigation provides financial investigative expertise in our work with our law enforcement partners,” said Acting Special Agent in Charge Hylton. “Pooling the skills of each agency makes a formidable team as we investigate allegations of wrongdoing. Mr. Nozette decided to betray his country to line his own pockets rather than play by the rules. He now is being held accountable for his actions.”

“Federal agents take an oath to protect our nation ‘against all enemies, foreign and domestic.’ That would include ‘insider threats’ like Stewart Nozette,” said Special Agent in Charge Wagner. “NCIS is committed to working with our law enforcement partners and

prosecutors to find and hold accountable those like Nozette who put personal gain above national security.”

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Nozette received a Ph.D. in Planetary Sciences from the Massachusetts Institute of Technology. Beginning in at least 1989, he held sensitive and high-profile positions within the United States government. He worked in various capacities on behalf of the government in the development of state-of-the-art programs in defense and space. During his career, for example, Nozette worked at the White House on the National Space Council, Executive Office of the President. He also worked as a physicist for the U.S. Department of Energy's Lawrence Livermore National Laboratory, where he designed highly advanced technology.

Nozette was the president, treasurer and director of the Alliance for Competitive Technology (ACT), a non-profit organization that he organized in March 1990. Between January 2000 and February 2006, Nozette, through his company, ACT, entered into agreements with several government agencies to develop highly advanced technology. Nozette performed some of this research and development at the U.S. Naval Research Laboratory (NRL) in Washington, D.C., the Defense Advanced Research Projects Agency (DARPA) in Arlington, Va., and NASA's Goddard Space Flight Center in Greenbelt, Md.

In connection with the fraud and tax case, Nozette admitted that, from 2000 through 2006, he used ACT to defraud the NRL, DARPA, and NASA by making and presenting more than \$265,000 in fraudulent reimbursement claims, most of which were paid. He also admitted that, from 2001 through 2005, he willfully evaded more than \$200,000 in federal taxes. In addition, he admitted using ACT, an entity exempt from taxation because of its non-profit status, to receive income and to pay personal expenses, such as mortgages, automobile loans, sedan services and other items.

The investigation concerning ACT led investigators to suspect that Nozette had misused government information. From 1989 through 2006, Nozette held security clearances as high as TOP SECRET and had regular, frequent access to classified information and documents related to the national defense of the United States.

On Sept. 3, 2009, Nozette was contacted via telephone by an individual purporting to be an Israeli intelligence officer from the Mossad, but who was, in fact, an undercover employee of the FBI. That same day, Nozette informed the undercover employee that he had clearances “all the way to TOP SECRET/SCI” and that anything “that the U.S. has done in space I've seen.” He stated that he would provide classified information in return for money and a foreign passport to a country without extradition to the United States.

A series of contacts followed over the next several weeks, including meetings and exchanges in which Nozette took \$10,000 in cash left by the FBI at pre-arranged drop-off sites. Nozette provided information classified as SECRET/SCI and TOP SECRET/SCI that related to the national defense. Some of this information directly concerned satellites, early warning

systems, means of defense or retaliation against large-scale attack, communications intelligence information, and major elements of defense strategy.

Nozette and the undercover employee met for the final time on Oct. 19, 2009, at the Mayflower Hotel. During that meeting, Nozette pushed to receive larger payments for the secrets he was disclosing, declaring that, "I gave you even in this first run, some of the most classified information that there is. . . . I've sort of crossed the Rubicon."

Nozette was arrested soon after he made these statements.

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The investigation of the fraud and tax evasion case was conducted by the NASA Office of Inspector General; the Naval Criminal Investigative Service; the Defense Criminal Investigative Service (DCIS); the IRS-Criminal Investigation; the IRS Tax Exempt & Government Entities Group; the Naval Audit Service; the Defense Contract Audit Agency, and the FBI's Washington Field Office.

The prosecution of the fraud and tax evasion case was handled by Assistant U.S. Attorney Michael K. Atkinson, from the Fraud and Public Corruption Section of the U.S. Attorney's Office for the District of Columbia, and Trial Attorney Kenneth C. Vert, from the Department of Justice's Tax Division.

The investigation of the attempted espionage case was conducted by the FBI's Washington Field Office, with assistance from the Naval Criminal Investigative Service; the Naval Audit Service; the National Reconnaissance Office; the Air Force Office of Special Investigations; the Defense Computer Forensics Laboratory; the Defense Advanced Research Projects Agency; the Defense Criminal Investigative Service; the Defense Contract Audit Agency; the U.S. Army 902<sup>nd</sup> Military Intelligence Group; NASA Office of Counterintelligence; NASA Office of Inspector General; the Department of Energy Office of Intelligence and Counterintelligence; the IRS- Criminal Investigation; the IRS Tax Exempt & Government Entities group; U.S. Customs and Border Protection, and the U.S. Postal Inspection Service, as well as other partners in the U.S. intelligence community.

The prosecution of that case was handled by Assistant U.S. Attorney Anthony Asuncion, from the National Security Section of the U.S. Attorney's Office for the District of Columbia, and Trial Attorneys Deborah A. Curtis and Heather M. Schmidt, from the Counterespionage Section of the Justice Department's National Security Division.

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