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UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA  
October 2005 Grand Jury

UNITED STATES OF AMERICA, ) SA CR 05-293(B) -CJC  
)  
Plaintiff, )  
)  
v. ) S E C O N D  
) S U P E R S E D I N G  
) I N D I C T M E N T  
)  
CHI MAK, ) [22 U.S.C. §§ 2778(b)(2), (c),  
) also known as ("aka") ) 22 C.F.R. § 127.1(a)(3):  
) Taichi Mak, aka Daichi Mak, ) Conspiracy to Export Defense  
) aka Dazhi Mai, aka Jack ) Articles; 22 C.F.R. §§ 127.1  
) Mak, ) (a)(1), 127.3: Attempted  
) Unlawful Export of Defense  
) REBECCA LAIWAH CHIU, ) Articles; 22 C.F.R. §§ 127.1  
) aka Rebecca Mak, aka Laiwa ) (a)(1), 127.3: Unlawful Export  
) Chu, aka Lihua Zhao, ) of Defense Articles; 18 U.S.C.  
) aka Meihua Zhao, ) § 957: Possession of Property  
) in Aid of Foreign Government;  
) TAI WANG MAK, aka Taihong ) 18 U.S.C. § 951: Acting as  
) Mak, aka Daihong Mak, ) Agent of Foreign Government  
) aka Dahong Mai, ) Without Prior Notification to  
) Attorney General; 18 U.S.C.  
) FUK HEUNG LI, aka Lilly, ) § 1001: False Statement]  
) aka Lili, aka Flora, and )  
)  
) YUI MAK, aka Billy Yui Mak, )  
) aka Yui Billy Mak, aka Mak )  
) Yui, )  
)  
) Defendants. )  
)  
\_\_\_\_\_ )

1 The Grand Jury charges:

2 A. INTRODUCTORY ALLEGATIONS

3 At all times material to this Indictment:

4 1. Defendant CHI MAK ("CHI"), also known as ("aka") Taichi  
5 Mak, aka Daichi Mak, aka Dazhi Mai, aka Jack Mak, was a senior  
6 electrical engineer employed by Power Paragon, a subsidiary of L-  
7 3 Communications Power System Group and SPD Technologies ("Power  
8 Paragon"), which is a defense contractor located in Anaheim,  
9 California. Power Paragon specialized in power-conversion  
10 technology and advanced power systems for mission-critical  
11 applications for the United States Navy, which included the  
12 design, testing, and manufacturing of ship and submarine power  
13 and propulsion systems.

14 2. Defendant REBECCA LAIWAH CHIU ("REBECCA"), aka Rebecca  
15 Mak, aka Laiwa Chu, aka Lihua Zhao, aka Meihua Zhao, was  
16 defendant CHI's wife and also was an electrical engineer.

17 3. Defendant TAI WANG MAK ("TAI"), aka Taihong Mak, aka  
18 Daihong Mak, aka Dahong Mai, was defendant CHI's brother.

19 4. Defendant FUK HEUNG LI ("FUK"), aka Lilly, aka Lili,  
20 aka Flora, was defendant TAI's wife.

21 5. Defendant YUI MAK ("BILLY"), aka Billy Yui Mak, aka Yui  
22 Billy Mak, aka Mak Yui, was the son of defendants TAI and FUK.

23 6. In furtherance of world peace and the security and  
24 foreign policy of the United States of America, the President is  
25 authorized to control the import and export of defense articles.  
26 The President also is authorized to designate those items which  
27 shall be considered defense articles and placed on the United  
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1 States Munitions List ("USML").

2 7. "Defense articles," as that term is used in 22 U.S.C.  
3 §§ 2778(b)(2), (c) and 22 C.F.R. § 127.1(a)(3), means items,  
4 including technical data, designated for placement on the USML,  
5 and can include weapons, weapons systems, munitions, aircraft,  
6 vessels, boats, and other implements of war. Technical data  
7 includes information which is required for the design,  
8 development, production, manufacture, assembly, operation,  
9 repair, testing, maintenance or modification of defense articles.

10 8. Persons engaged in the export of defense articles  
11 covered by the USML must be registered with the Department of  
12 State, Office of Defense Trade Controls ("ODTC"), and must apply  
13 for and receive a validated license or other approval to export  
14 the defense articles from the United States.

15 9. The paper and slides entitled "5 MW High Efficiency  
16 Quiet Electric Drive Demonstrator" (the "QED Document") was a  
17 defense article within the meaning of 22 U.S.C. §§ 2778(b)(2),  
18 (c) and 22 C.F.R. § 127.1(a)(3) in that it contained technical  
19 data covered by the USML, and could not be exported from the  
20 United States without the exporter first obtaining an export  
21 license or other authorization from the ODTC.

22 10. The paper and slides entitled "Solid-State Power  
23 Switches for Source Transfer and Load Protective Functions" (the  
24 "Solid-State Document") was a defense article within the meaning  
25 of 22 U.S.C. §§ 2778(b)(2), (c) and 22 C.F.R. § 127.1(a)(3) in  
26 that it contained technical data covered by the USML, and could  
27 not be exported from the United States without the exporter first  
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1 obtaining an export license or other authorization from the ODTC.

2 11. The paper entitled "Proposal, DD(X) Zonal Power,  
3 Revision A (RFP DD(X)00017)" (the "DDX Document") was a defense  
4 article within the meaning of 22 U.S.C. §§ 2778(b)(2), (c) and 22  
5 C.F.R. § 127.1(a)(3) in that it contained technical data covered  
6 by the USML, and could not be exported from the United States  
7 without the exporter first obtaining an export license or other  
8 authorization from the ODTC.

9 12. The Grand Jury incorporates by reference and realleges  
10 these Introductory Allegations into each and every count of this  
11 Indictment as though fully alleged herein.

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1 COUNT ONE

2 [22 U.S.C. §§ 2778(b) (2), (c);

3 22 C.F.R. §§ 127.1(a) (3), 127.3]

4 A. OBJECT OF THE CONSPIRACY

5 Beginning on a date unknown and continuing to at least on or  
6 about October 28, 2005, in Orange and Los Angeles Counties,  
7 within the Central District of California, and elsewhere,  
8 defendants CHI, REBECCA, TAI, FUK, and BILLY, together with  
9 others known and unknown to the Grand Jury, conspired and agreed  
10 with each other to knowingly and willfully export from the United  
11 States of America to the People's Republic of China defense  
12 articles that were covered by the United States Munitions List  
13 without first obtaining from the United States Department of  
14 State a valid license or other approval for such export, in  
15 violation of 22 U.S.C. § 2778(b) (2) and 22 C.F.R. § 127.1(a) (3).

16 B. MEANS BY WHICH THE OBJECT OF THE CONSPIRACY WAS TO BE  
17 ACCOMPLISHED

18 The object of the conspiracy was to be accomplished in  
19 substance as follows:

20 1. By virtue of his employment as an electrical engineer  
21 with Power Paragon and its work for the United States Navy,  
22 defendant CHI would have access to plans and other classified and  
23 sensitive technical information concerning United States Navy  
24 warships and submarines, some of which constituted defense  
25 articles.

26 2. The People's Republic of China ("PRC") would seek to  
27 obtain technical information about United States Navy warships  
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1 and submarines to assist the PRC in its own efforts to develop a  
2 so-called "Blue Water" navy and also to gain a tactical advantage  
3 over U.S. Naval and allied forces. Toward that end, unidentified  
4 co-conspirators from within the PRC would provide defendant CHI  
5 and others with lists of information about United States Naval  
6 warships, submarines, and other defense-related information that  
7 the PRC wanted, including information about extremely important  
8 and sensitive areas of Naval research concerning nuclear  
9 submarine power and propulsion quieting technologies such as  
10 "QED" or Quiet Electric Drive.

11 3. Using the tasking lists received from the PRC,  
12 defendant CHI would collect from Power Paragon and other sources  
13 the requested technical information about the United States  
14 Navy's current fleet and about the Navy's plans for the future,  
15 some of which constituted defense articles.

16 4. Defendants CHI and REBECCA would store the information  
17 that defendant CHI collected from Power Paragon and other sources  
18 at their home, and would review the information, including  
19 defense articles, to select the material the PRC had requested.

20 5. Defendants CHI and REBECCA would copy the material  
21 intended for the PRC, including defense articles, onto CD-Rom  
22 disks. The CD-Rom disks would then be given to defendants TAI  
23 and BILLY.

24 6. Defendants TAI and BILLY would encrypt the material  
25 provided by defendants CHI and REBECCA, including defense  
26 articles, thus making it extremely difficult to decipher should  
27 the material fall into law enforcement's hands.

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1           7. Defendants TAI and FUK would hand-carry the encrypted  
2 material, including defense articles, to the PRC where it would  
3 be delivered to an unindicted co-conspirator working for the PRC.

4 C. OVERT ACTS

5           In furtherance of the conspiracy and to accomplish the  
6 object of the conspiracy, defendants CHI, TAI, REBECCA, FUK, and  
7 BILLY, together with others known and unknown to the Grand Jury,  
8 committed various overt acts within the Central District of  
9 California, including, but not limited to, the following:

10           1. On or before February 11, 2004, defendant CHI delivered  
11 to defendant TAI the DD(X) document.

12           2. On or about February 11, 2004, defendant TAI and others  
13 known and unknown to the Grand Jury encrypted the DD(X) Document  
14 for delivery to the PRC by defendants CHI and REBECCA.

15           3. On or about October 18, 2005, defendant FUK purchased  
16 two airline tickets, one for herself and one for defendant TAI,  
17 for travel to Hong Kong on October 28, 2005.

18           4. On or about October 19, 2005, defendant TAI telephoned  
19 an unindicted co-conspirator in the PRC and told the unindicted  
20 co-conspirator that he worked for "Red Flower of North America,"  
21 that he was traveling to the PRC on October 28, 2005, and that he  
22 was bringing his "assistant."

23           5. On or about October 23, 2005, defendants CHI and  
24 REBECCA made three CD-Rom disks containing the material  
25 defendant CHI had collected, including copies of the QED Document  
26 and the Solid-State Document, which constituted defense articles.

27           6. On or about October 23, 2005, defendants CHI and  
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1 REBECCA delivered to defendant TAI the three CD-Rom disks that  
2 contained the QED Document and the Solid-State Document.

3 7. On or about October 24, 2005, defendant TAI spoke to  
4 defendant BILLY over the telephone and asked him to purchase  
5 recordable CD-Rom disks for something that had to be done with  
6 them.

7 8. On or about October 25, 2005, defendant TAI told  
8 defendant BILLY the location of a computer diskette that  
9 contained a "key" or password for the encryption program.

10 9. On or about October 25, 2005, defendant BILLY used the  
11 "key" or password to encrypt the material on the three CD-Rom  
12 disks provided by defendants CHI and REBECCA, and copied the  
13 encrypted material, including encrypted versions of the QED  
14 Document and the Solid-State Document, onto a single CD-Rom disk.

15 10. On or about October 28, 2005, defendants TAI, FUK, and  
16 BILLY took a suitcase containing the encrypted CD-Rom disk  
17 wrapped in women's clothing to Los Angeles International Airport  
18 where TAI and FUK intended to take it with them when they boarded  
19 a flight to the PRC.

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COUNT TWO

[22 U.S.C. §§ 2778(b) (2), (c);

22 C.F.R. §§ 127.1(a) (1), (d), 127.3]

On or about October 28, 2005, in Orange and Los Angeles Counties, within the Central District of California, defendant CHI knowingly and willfully attempted to export from the United States of America a defense article, namely, the Solid-State Document, without first obtaining from the United States Department of State a license or written authorization for such export.

COUNT THREE

[22 U.S.C. §§ 2778(b)(2), (c);

22 C.F.R. §§ 127.1(a)(1), (d), 127.3]

On or about October 28, 2005, in Orange and Los Angeles Counties, within the Central District of California, defendant CHI knowingly and willfully attempted to export from the United States of America a defense article, namely, the QED Document, without first obtaining from the United States Department of State a license or written authorization for such export.

COUNT FOUR

[22 U.S.C. §§ 2778(b)(2), (c);

22 C.F.R. §§ 127.1(a)(1), (d), 127.3]

In or about March 2004, in Orange and Los Angeles Counties, within the Central District of California, defendant CHI knowingly and willfully exported from the United States of America a defense article, namely, the DD(X) Document, without first obtaining from the United States Department of State a license or written authorization for such export.

COUNT FIVE

[18 U.S.C. § 957]

In or about October 2005, in Orange County, within the Central District of California, defendant TAI, in aid of a foreign government, namely the People's Republic of China, knowingly and willfully possessed and controlled property, namely an IBM Thinkpad laptop computer, model no. 2647-4AH, serial no. 99-TKL05, equipped with encryption software and two floppy diskettes containing an encryption "key," for use with the encryption software, that was used and intended for use in violating 22 U.S.C. § 2778 and 18 U.S.C. § 951.

COUNT SIX

[18 U.S.C. § 951]

Beginning on a date unknown and continuing to on or about October 28, 2005, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, defendant CHI, knowingly acted in the United States as an agent of a foreign government, namely the People's Republic of China, knowing that he had not given prior notification to the Attorney General of the United States, in violation of 18 U.S.C. § 951.

COUNT SEVEN

[18 U.S.C. § 951]

Beginning on a date unknown and continuing to on or about October 28, 2005, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, defendant REBECCA knowingly acted in the United States as an agent of a foreign government, namely the People's Republic of China, knowing that she had not given prior notification to the Attorney General of the United States, in violation of 18 U.S.C. § 951.

COUNT EIGHT

[18 U.S.C. § 951]

Beginning on a date unknown and continuing to on or about October 28, 2005, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, defendant TAI knowingly acted in the United States as an agent of a foreign government, namely the People's Republic of China, knowing that he had not given prior notification to the Attorney General of the United States, in violation of 18 U.S.C. § 951.

COUNT NINE

[18 U.S.C. § 951]

Beginning on a date unknown and continuing to on or about October 28, 2005, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, defendant FUK knowingly acted in the United States as an agent of a foreign government, namely the People's Republic of China, knowing that she had not given prior notification to the Attorney General of the United States, in violation of 18 U.S.C. § 951.



COUNT TEN

[18 U.S.C. § 951]

Beginning on a date unknown and continuing to on or about October 28, 2005, in Orange and Los Angeles Counties, within the Central District of California, and elsewhere, defendant BILLY knowingly acted in the United States as an agent of a foreign government, namely the People's Republic of China, knowing that he had not given prior notification to the Attorney General of the United States, in violation of 18 U.S.C. § 951.

COUNT ELEVEN

[18 U.S.C. § 1001]

On or about October 28, 2005, in Los Angeles County, within the Central District of California, in a matter within the jurisdiction of the Executive Branch of the Government of the United States, that is, the Federal Bureau of Investigation, defendant CHI knowingly and willfully made materially false, fictitious, and fraudulent statements and representations. More specifically, defendant CHI claimed that he had given documents relating to research for the United States Navy to defendant TAI so that TAI could select engineering books for CHI while TAI was in Hong Kong, when, in truth and in fact, as defendant CHI then well knew, he had given the documents to TAI for delivery to the government of the People's Republic of China.

COUNT TWELVE

[18 U.S.C. § 1001]

1 On or about October 28, 2005, in Los Angeles County, within  
2 the Central District of California, in a matter within the  
3 jurisdiction of the Executive Branch of the Government of the  
4 United States, that is, the Federal Bureau of Investigation,  
5 defendant REBECCA knowingly and willfully made materially false,  
6 fictitious, and fraudulent statements and representations. More  
7 specifically, defendant REBECCA denied knowing that CD-Rom disks  
8 containing material to be delivered to the People's Republic of  
9 China had been given to defendant TAI, when, in truth and in  
10 fact, as defendant REBECCA then well knew, the CD-Rom disks had  
11 been given to defendant TAI for delivery to the People's Republic  
12 of China.  
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COUNT THIRTEEN

[18 U.S.C. § 1001]

1 On or about October 28, 2005, in Los Angeles County, within  
2 the Central District of California, in a matter within the  
3 jurisdiction of the Executive Branch of the Government of the  
4 United States, that is, the Federal Bureau of Investigation,  
5 defendant TAI knowingly and willfully made materially false,  
6 fictitious, and fraudulent statements and representations. More  
7 specifically, defendant TAI denied knowing that the CD-Rom disk  
8 found in a suitcase belonging to TAI and FUK contained files  
9 consisting of documents given to him by CHI and REBECCA for  
10 delivery to the People's Republic of China, when, in truth and in  
11 fact, as defendant TAI then well knew, he had directed defendant  
12 BILLY to encrypt the files containing the documents onto the disk  
13 in preparation for taking the files to the People's Republic of  
14 China.  
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COUNT FOURTEEN

[18 U.S.C. § 1001]

On or about October 28, 2005, in Los Angeles County, within the Central District of California, in a matter within the jurisdiction of the Executive Branch of the Government of the United States, that is, the Federal Bureau of Investigation, defendant FUK knowingly and willfully made materially false, fictitious, and fraudulent statements and representations. More specifically, defendant FUK denied that she and defendant TAI were carrying, or had ever carried, documents or computer files to the People's Republic of China for defendant CHI, when, in truth and in fact, as defendant FUK LI then well knew, she and defendant TAI were carrying computer files to the People's Republic of China for defendant CHI on October 28, 2005, and had carried documents to the People's Republic of China for defendant CHI in the past.

COUNT FIFTEEN

[18 U.S.C. § 1001]

On or about October 28, 2005, in Los Angeles County, within the Central District of California, in a matter within the jurisdiction of the Executive Branch of the Government of the United States, that is, the Federal Bureau of Investigation, defendant BILLY knowingly and willfully made materially false, fictitious, and fraudulent statements and representations. More specifically, defendant BILLY denied participating in the encryption of material contained on a CD-Rom disk recovered from luggage belonging to his parents, defendant TAI and defendant FUK, at the Los Angeles International Airport on October 28, 2005, when, in truth and in fact, as defendant BILLY then well knew, he had encrypted the material found on the CD-Rom disk.

A TRUE BILL

\_\_\_\_\_  
Foreperson

DEBRA WONG YANG  
United States Attorney

THOMAS P. O'BRIEN  
Assistant United States Attorney  
Chief, Criminal Division

WAYNE R. GROSS  
Assistant United States Attorney  
Chief, Santa Ana Branch Office