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PRESS RELEASE

**DEFENSE CONTRACTOR CONVICTED FOR CONFLICT
OF INTEREST-RELATED CRIMES**

Pensacola, Florida - United States Attorney Thomas F. Kirwin, Northern District of Florida, announced today that **Richard Schaller**, 57, Niceville, Florida was convicted following a week long trial of obstruction of justice, perjury, and making false statements to the United States Air Force in a debarment proceeding, and 29 counts of conflict of interest.

The Air Force Research Laboratory was made up of nine technology directorates located throughout the United States, including the AF Research Lab Munitions Directorate ("AF Research Lab/RW" formerly known as "AF Research Lab/MN") located at Eglin Air Force Base, Florida. The AF Research Lab/RW was tasked with rapid improvement of war fighting capability under the "Battlefield Airman Program." Under that program, the Lab contracted with educational institutions, non-profit organizations and private industry for research in tactical capabilities.

The conflict of interest involved co-defendant **Mark A. O'Hair**, who was a senior electronics engineer for the Air Force Research Laboratory Munitions Directorate ("AF Research Lab/RW" formerly known as "AF Research Lab/MN"). **O'Hair** was program manager for contracts awarded through the Battlefield Airman Program, during which service he participated in the award of contracts to "Schaller Engineering, Inc." ("SEI"), a small business in Northwest Florida founded and owned by **Schaller** in 2003 and incorporated in 2005. SEI's primary customer and source of income was AF Research Lab/MN. In 2005, SEI's Florida corporate filings listed **Schaller** as President and Director, **O'Hair** as Director, and **Theodore S. Sumrall** as Director and Vice President. The evidence at trial showed that **O'Hair** regularly traveled on government business on SEI aircraft, that he did not pay for the expenses associated with those

flights, and that he billed the United States Air Force for expenses associated with those flights by way of fraudulent invoices created with the assistance of **Schaller**. The evidence also established that **O'Hair** obtained \$60,000 from SEI through two conduit companies. The \$60,000 came from a \$200,000 SEI invoice which had been approved by **O'Hair** was program manager.

Schaller was also convicted for obstruction of justice for altering and removing a portion of SEI's corporate record book pertaining to **O'Hair's** position as Director (Count One). **Schaller** was also convicted of perjury for making materially false declarations before the Federal Grand Jury about that activity (Count Two) and making materially false statements to Air Force in a response to his suspension and debarment

The obstruction of justice charge (Count One) is punishable by up to 20 years imprisonment, a fine of \$250,000, and 5 years of supervised release. The perjury charge (Count Two) is punishable by up to 10 years imprisonment, a \$250,000 fine, and 3 years of supervised release. The false statement charge (Count Nine) carries a maximum penalty of 5 years imprisonment, a \$250,000 fine, and 3 years of supervised release. Each conflict of interest charge (Counts Eleven through Thirty-Nine) carries a maximum penalty of 5 years imprisonment, a \$250,000 fine, and 3 years of supervised release.

The investigation involved agents of the Air Force Office of Special Investigations (AFOSI) and the Defense Criminal Investigative Service (DCIS). The case was prosecuted by Assistant United States Attorney Stephen P. Preisser and Special Assistant United States Attorney David Armstrong.