



DEPARTMENT OF THE AIR FORCE
ARLINGTON, VA 22203-1613

Office of the Deputy General Counsel

VIA FEDERAL EXPRESS

AUG 18 2010

SAF/GCR
4040 N. Fairfax Drive, Suite 204
Arlington, VA 22203-1613

Betty Bai


Re: Notice of Debarment

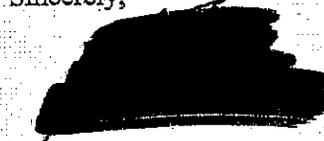
Dear Ms. Bai:

By letter of June 24, 2010, the Air Force initiated proceedings to debar you from contracting with the United States Government. The letter provided you with an opportunity to submit information and argument in opposition to the proposed debarment. To date you have not responded to the proposed debarment notice.

Based upon the information in the administrative record in this matter, I have determined that protection of the Government's interests requires that you be debarred from contracting with the United States Government. The effects of debarment are those stated in the June 24, 2010, Notice of Proposed Debarment.

This debarment is effective immediately and continues for three years from June 24, 2010, the date you were proposed for debarment. Your debarment will terminate on June 23, 2013.

Sincerely,



STEVEN A. SHAW
Deputy General Counsel
(Contractor Responsibility)



DEPARTMENT OF THE AIR FORCE

ARLINGTON, VA 22203

JUN 24 2010

Office of the Deputy General Counsel

MEMORANDUM IN SUPPORT OF THE PROPOSED DEBARMENT OF:

BETTY BAI

Effective this date the Air Force has proposed the debarment of Betty Bai (Bai) from Government contracting and from directly or indirectly receiving the benefits of federal assistance programs. This action is initiated pursuant to Federal Acquisition Regulation (FAR) Subpart 9.4.

INFORMATION IN THE RECORD

Information in the record indicates that at all times relevant here:

1. On August 27, 2009, the Air Force debarred William Chi-Wai Tsu (Tsu), Cheerway Trading (Cheerway) and Dimagit Science & Technology Co., Ltd. (Dimagit) following Tsu's conviction for export controls violations in connection with purchasing dual use electronic parts in the United States and exporting them to the People's Republic of China without obtaining export licenses.
2. Cheerway was not a substantive, legitimate business. Instead, Cheerway was a corporate front to facilitate Tsu's efforts to illegally ship more than 400 integrated circuits to Tsu's Beijing-based company, Dimagit.
3. Bai was a former girlfriend of Tsu, and entered into business with him in 2008. The business was Cheerway.
4. As part of Tsu and Bai's cover story, Tsu would falsely claim that he was purchasing parts for or from Cisco Systems, a U.S.-based government contractor.
5. Packages of electronic parts would arrive at Bai's home in California, where she would either hold them until Tsu arrived to pick them up, or would repackage them and ship them to Tsu in China.
6. U.S. statutes and regulations, such as the U.S. International Emergency Economic Powers Act, 50 U.S.C. §§ 1701 - 1706 (IEEPA), and the Export Administrative Regulations (EAR), 15 C.F.R. Parts 30 - 774, bar the export of sensitive technology and equipment to certain countries.
7. The integrated circuits shipped by Tsu and Bai are considered "dual-use" items that have potential military applications. As such, their export to China is strictly controlled and require export licenses.

8. On 6 February 2009, a grand jury indicted Tsu on two counts of violating the IEEPA and the EAR. Specifically, Tsu was indicted for knowingly and willfully exporting and causing to be exported from the United States to China export controlled items without first obtaining from the United States Department of Commerce a license or written authorization for such export, knowing that such a license or authorization was required.

9. Tsu pled guilty on 13 March 2009 and was sentenced to 40 months in prison followed by a three-year term of supervised release, and ordered to pay a \$200 special assessment.

BASIS FOR THE PROPOSED DEBARMENT

1. Cheerway falls within the Federal Acquisition Regulation's definition of "contractor" at FAR 9.403 because the company, through Tsu, held itself out as doing business with a U.S. company that is a government contractor in order to avoid the need for export licenses.

2. Bai's conduct is of so serious or compelling a nature that it affects her present responsibility to be a Government contractor or subcontractor and provides a basis for her proposed debarment, pursuant to FAR 9.406-2(c).

3. Debarment may be extended to the affiliates of a contractor, pursuant to FAR 9.406-1(b). Bai is an affiliate of Cheerway and Tsu, as defined in FAR 9.403 ("affiliates"), because prior to his imprisonment, directly or indirectly, Tsu controlled or could control Bai; and Tsu and Bai each controlled or could control Cheerway. The affiliation of Tsu, Cheerway and Bai provides a separate and independent basis for Bai's proposed debarment.



STEVEN A. SHAW
Deputy General Counsel
(Contractor Responsibility)