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THE UNITED STATES ATTORNEY'S OFFICE  
DISTRICT OF COLUMBIA

**Former U.S. Army Corps of Engineers Manager Sentenced To More Than 19 Years in Prison For \$30 Million Bribery and Kickback Scheme**

***Scam Involved Steering of Government Contracts; Defendant is Among 15 People to Plead Guilty***

FOR IMMEDIATE RELEASE

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WASHINGTON - Kerry F. Khan, 55, a former program manager for the U.S. Army Corps of Engineers, was sentenced today to 19 years and seven months in prison on federal charges stemming from his leadership of a ring of corrupt public officials and government contractors that engaged in bribery and kickbacks and that stole over \$30 million through inflated and fictitious invoices.

The sentencing was announced by U.S. Attorney Ronald C. Machen Jr.; Valerie Parlave, Assistant Director in Charge of the FBI's Washington Field Office; Thomas J. Kelly, Special Agent in Charge of the Washington Field Office of the Internal Revenue Service-Criminal Investigation (IRS-CI); Peggy E. Gustafson, Inspector General for the Small Business Administration (SBA); Robert E. Craig, Special Agent in Charge of the Mid-Atlantic Field Office of the Defense Criminal Investigative Service (DCIS), and Frank Robey, Director of the U.S. Army Criminal Investigation Command's Major Procurement Fraud Unit (MPFU).

To date, a total of 15 people and one company have pled guilty to charges in the largest domestic bribery and bid-rigging scheme in the history of federal contracting cases. Khan was the ninth defendant to be sentenced. According to the government's evidence, Khan was paid, directly and indirectly, over \$12 million through the bribery scheme. The government contracts were awarded from 2007 until 2011 through the U.S. Army Corps of Engineers and the Department of the Army.

The scheme involved six companies, and could have resulted in even more losses for the government. Before his arrest, Khan was attempting to steer a planned \$1 billion federal contract to a favored contractor in return for payments.

Among other things, Khan used his share of the stolen proceeds to pay off a mortgage and refurbish his primary residence, and also in connection with the purchase of another dozen pieces of real property. The money also was used for home improvements; flat screen televisions; computer equipment; furniture; two Rolex watches; airlines tickets and luxury international hotel accommodations; high-end liquor, and other major personal expenses.

Khan, formerly of Alexandria, Va., pled guilty in May 2012 to charges of bribery and conspiracy to commit money laundering. He was sentenced by the Honorable Emmet G. Sullivan of the U.S. District Court for the District of Columbia.

In addition to the prison term, Judge Sullivan ordered Khan to pay \$32.5 million in restitution to the U.S. Army Corps of Engineers. The judge also entered a forfeiture money judgment against Khan for \$11,082,687, and forfeited to the United States more than \$1.3 million in bank account funds, 13 properties in Virginia, Florida, and West Virginia, and a 2011 GMC Yukon Denali truck. Khan has previously forfeited over \$700,000 in bank account funds and four luxury automobiles.

All of those sentenced so far have received prison terms. The investigation is continuing.

Kerry Khan was the ringleader of the largest bribery and bid-rigging scheme in the history of federal contracting," said U.S. Attorney Machen. "His corrupt network of public officials and private contractors looted the U.S. Treasury for years. Khan is now headed to prison for more than 19 years, where the friends, family, and colleagues he brought into his criminality will be joining him. His lengthy prison sentence is an appropriately forceful response to this brazen scheme."

“Through a series of deals laced with bribes and kickbacks, Mr. Khan stole more than \$30 million from the American taxpayer for his personal benefit. If it had not been for law enforcement intervention, a \$780 million federal contract may also have been awarded as part of the scheme,” said Assistant Director in Charge Parlave of the FBI. “Today’s sentencing serves as a reminder that corruption will not be overlooked or downplayed, and those who take part in such activity will pay the price for their crimes.”

“Criminal conspiracies involving financial fraud of this magnitude are frequently described as a house of cards, and the underlying structure oftentimes falls apart and exposes the individuals’ responsible for what they are, greedy criminals,” said Special Agent in Charge Kelly of IRS-CI. “Mr. Khan’s contributions to this massive bribery and bid-rigging scheme were extensive and significant. Today’s sentence should be a warning to those involved in criminal activities that they, like Mr. Khan, will be held accountable for their actions.”

“The consequence to those who betray the public trust in exchange for bribe payments is evident by today’s announcement,” said Inspector General Gustafson of the SBA. “Kerry Khan served as the ringleader in an extraordinary conspiracy to defraud the government, and his sentence demonstrates there is no tolerance for criminal activity by Federal employees who hold positions of trust in the federal contracting process. I want to thank the U.S. Attorney’s Office and our law enforcement partners for their commitment to seek justice on behalf of the American taxpayer.”

“At a time when Government and taxpayer resources are being stretched to their limits and our service members continue to make sacrifices to protect our national security, it is detestable that officials trusted with the oversight of Department of Defense resources and programs blatantly conspired with contractors to defraud the Government and, eventually, the American warfighter,” said Special Agent in Charge Craig of DCIS. “The sentence imposed in this case sends a clear message to those who may follow in the defendant’s footsteps—the Defense Criminal Investigative Service and our law enforcement partners will take aggressive action to identify and investigate those that endeavor to take advantage of the Department of Defense and the men and women of the uniformed services.”

“Army CID and its law enforcement partners joined together in bringing Mr. Khan and his co-conspirators to justice and we are very pleased with the sentencing handed down today,” said Director Robey. “Our highly trained agents are determined to root out cases of bribery and bid-rigging and we will continue to pursue all allegations of fraud perpetrated against the U.S. Army with a great sense of importance and urgency.”

Khan was among four men arrested on Oct. 4, 2011 and, according to the government’s evidence, he was the mastermind of the scheme. The others arrested that day - Michael A. Alexander, a former program manager for the U.S. Army Corps of Engineers, businessman Harold F. Babb, and Khan’s son, Lee A. Khan - earlier pled guilty to charges. Khan, Lee Khan, Babb, and Alexander have been in custody since their arrests.

Khan worked for the Army Corps of Engineers from 1994 until the time of his arrest, in October 2011. He was a program manager and contracting officer’s technical representative with the Directorate of Contingency Operations. In that position, Kerry Khan had authority to, among other things, place orders for products and services through federal government contracts. He also had authority to certify that the work on orders had been completed.

According to the government’s evidence, Khan carried out the scheme with others, including Alexander, a colleague, who was then a program manager with the Army Corps of Engineers; Babb, the former director of contracts at Eyak Technology LLC (EyakTek), an Alaska Native-owned small business; Alex N. Cho, the former chief technology officer of Nova Datacom, LLC, a provider of information assurance and security services to federal agencies and commercial companies; Larry G. Corbett, owner of Core Technology LLC and Enterprise Technical Solutions, Inc.; Robert L. McKinney, the president of Alpha Technology Group, Inc., a provider of program management services, James Edward Miller, the owner of Big Surf Construction Management LLC, and Nick Park, a former employee of Nova Datacom who later opened his own business, Unisource Enterprise Inc. (UEI). Also participating in the scheme, according to the government’s evidence, were Khan’s son, Lee, and his youngest brother, Nazim Khan. All have pled guilty to charges.

Nova Datacom, LLC pled guilty to a federal charge of conspiracy to defraud the United States. Others who have pled guilty as part of the investigation include Min Jung Cho, the former president of Nova Datacom, LLC; Theodoros Hallas, the

former Executive Vice President of Operations for Nova Datacom, LLC; John Han Lee, a co-founder of Unisource Enterprise Inc.; King Everett Johnson, a former employee of Unisource Enterprise Inc. and the founder of Integrated Business and Technology Solutions, LLC, and Oh Sung Kwon, also known as Thomas Kwon, the co-founder and chief executive officer of Avenciatech, Inc.

According to a statement of offense signed by Khan, in or around 2006, he and Alexander agreed to work together to obtain government contracts for corrupt contractors who would reward them with bribes. Among others, Khan and Alexander worked with Babb on a scheme to use EyakTek as a vehicle for channeling contracts awarded by the Army Corps of Engineers. EyakTek, in turn, hired Nova Datacom and other sub-contractors that submitted fraudulently inflated or fictitious quotes for equipment and services. As directed by Khan and Alexander, the sub-contractors kicked back a significant portion of the payments to them, as bribes for keeping the money flowing their way from the Army Corps of Engineers.

Khan and the others attempted to obtain more than \$30 million through the bribery scheme primarily through the submission of fraudulently inflated invoices to the government, according to the statement of offense. In most cases, the corrupt companies provided the equipment and services legitimately included in the contracts, but also billed for inflated and fictitious equipment and services. Khan referred to the fraudulently inflated amounts as “overhead.” Khan, Alexander, and the contractors agreed to split the “overhead.”

Khan admitted obtaining, directly and indirectly, more than \$12 million from Nova Datacom; Alpha Technology Group; Big Surf Construction; Core Technology LLC and Enterprise Technical Solutions, Inc.; and Ananke, LLC. He also admitted that, at the time of his arrest, he was owed more than \$14 million in additional “overhead” payments from the contractors.

Alexander, Babb, Corbett, McKinney, and Miller have been sentenced to prison terms for their roles in the scheme. Hallas, Lee Khan, and Nazim Khan also were sentenced to prison.

Alex Cho, Min Jung Cho, Kwon, Park, Lee and Johnson are awaiting sentencing.

In the overall investigation, to date, the United States has seized for forfeiture or recovered approximately \$7.5 million in bank account funds, cash, and repayments, 20 real properties, eight luxury cars, and multiple pieces of fine jewelry.

In announcing the sentence, U.S. Attorney Machen, Assistant Director in Charge Parlave, Special Agent in Charge Kelly, Inspector General Gustafson, Special Agent in Charge Craig, and Director Robey thanked those who investigated the case from the FBI’s Washington Field Office; the Office of the Inspector General for the Small Business Administration; the Department of Defense’s Defense Criminal Investigative Service; the Defense Contract Audit Agency; the Washington Field Office of the Internal Revenue Service-Criminal Investigation, and the Army Criminal Investigation Command. They also expressed thanks to the U.S. Marshals Service for its assistance on the forfeiture matter.

They also praised the efforts of those who worked on the case from the U.S. Attorney’s Office, including Assistant U.S. Attorneys Michael K. Atkinson, Bryan Seeley, and James Smith of the Fraud and Public Corruption Section and Assistant U.S. Attorney Anthony Saler of the Asset Forfeiture and Money Laundering Section. Finally, they expressed thanks for assistance provided by Stephanie Brooker, former Chief of the office’s Asset Forfeiture and Money Laundering Section; former Special Assistant U.S. Attorney Christopher Dana; Forensic Accountant Maria Boodoo; Paralegal Specialists Tasha Harris, Lenisse Edloe, Shanna Hays, Taryn McLaughlin, Christopher Samson, and Nicole Wattlelet, and Legal Assistants Krishawn Graham and Jessica McCormick.