



Former Security Contractor CEO Agrees To Pay \$4.5 Million To Settle Civil Claims

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Arlington Man was Mastermind of Disadvantaged Small Business Fraud Scheme

ALEXANDRIA, VA – Keith Hedman, 55, of Arlington, Virginia, the former chief executive officer of a Virginia-based security contracting firm, Protection Strategies, Inc., (PSI), has agreed to pay \$4.5 million to settle civil claims relating to his involvement in a fraudulent scheme to create a front company to obtain contracts through the Small Business Administration's (SBA) Section 8(a) program. The Section 8(a) program allows qualified small businesses to receive sole-source and competitive-bid contracts set aside for minority-owned and disadvantaged small businesses.

Dana J. Boente, U.S. Attorney for the Eastern District of Virginia, made the announcement after the settlement agreement was signed by both parties.

“The civil settlement illustrates the importance of not stopping at a criminal resolution when a defendant has pled guilty to fraud against the government,” said U.S. Attorney Boente.

The settlement resolves civil claims against Hedman relating to the criminal plea entered by him in *U.S. v. Hedman*, 1:13cr74. According to court records, in or about 2001 Hedman formed PSI, which was approved to participate in the 8(a) program based on the 8(a) eligibility of its listed president and CEO, an African-American female. When the listed president and CEO left PSI in 2003, Hedman became its sole owner, and the company was no longer 8(a)-eligible.

In 2003, Hedman created Security Assistance Corporation (SAC), another Arlington-based security contractor, to ensure that he could continue to gain access to 8(a) contracting preferences for which PSI was no longer qualified. Prior to applying for SAC's 8(a) status, Hedman selected an employee, Dawn Hamilton, to serve as a figurehead owner based on her Portuguese heritage and history of social disadvantage. In reality, the new company was managed by Hedman and PSI senior leadership in violation of 8(a) rules and regulations. To deceive the SBA, the co-conspirators falsely claimed that Hamilton formed and founded the company and that she was the only member of the company's management. Based on those misrepresentations, SAC obtained 8(a) status in 2004.

From 2004 through February 2012, Hedman impermissibly exercised ultimate decision-making authority and control over SAC by directing its finances, allocation of personnel, and government contracting activities. Hedman nonetheless maintained the impression that Hamilton was leading the company, including through forgeries of signatures of Hamilton to documents she had not seen or drafted. Hedman also retained ultimate control over the shell business's bank accounts throughout its existence. In total, the scheme netted SAC more than \$31 million in fraudulently obtained contract payments.

As a result of Hedman's criminal plea, he was sentenced to 72 months in prison, two years of supervised release, and was ordered to forfeit approximately \$6.1 million and pay a \$15,000 fine.

As part of the civil settlement, Hedman has agreed to pay \$4.5 million to resolve allegations under the False Claims Act and other related statutory and common law remedies arising from the fraudulent scheme. The civil claims settled by Hedman and the United States are allegations only. There has been no determination of civil liability.

The resolutions obtained in this matter were the result of a coordinated investigation by the Civil and Criminal Divisions of the U.S. Attorney's Office for the Eastern District of Virginia, and the Civil Division of the Department of Justice. The civil matter was investigated by Assistant U.S. Attorney Peter Hyun and DOJ Trial Attorney Allison Cendali. The criminal case was prosecuted by Assistant U.S. Attorneys Chad Golder and Ryan Faulconer, a former Trial Attorney for the Criminal Division's Fraud Section.

This case was investigated by National Aeronautics and Space Administration, Office of the Inspector General (OIG), the SBA -OIG, Defense Criminal Investigative Service-OIG, General Services Administration-OIG, and Department of Homeland Security-OIG, with assistance from the Defense Contract Audit Agency.

A copy of this press release may be found on the website of the [U.S. Attorney's Office](#) for the Eastern District of Virginia. Related court documents and information may be found on the website of the [District Court](#) for the Eastern District of Virginia or on [PACER](#) by searching for Case No. 1:13-cr-074.