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**Second Former U.S. Army Corps of Engineers Manager
Pleads Guilty in Alleged \$30 Million Bribery and Kickback Scheme
*Scam Involved Steering of Government Contracts;
Official's Son Also Pleads Guilty to Charges Today***

WASHINGTON - Kerry F. Khan, 54, a former program manager for the U.S. Army Corps of Engineers, pled guilty today to federal charges of bribery and conspiracy to commit money laundering in a scheme that allegedly involved more than \$30 million in bribes and kickback payments and the planned steering of a government contract potentially worth \$1 billion.

The plea was announced by U.S. Attorney Ronald C. Machen Jr.; Ronald T. Hosko, Special Agent in Charge of the FBI Washington Field Office's Criminal Division; Eric Hylton, Acting 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).

Khan's son, Lee A. Khan, 31, formerly of Fairfax, Va., also pled guilty today to charges in the case.

Khan and his son were among four men arrested on Oct. 4, 2011, following an investigation into one of the most brazen corruption schemes in the history of federal contracting. The others arrested that day - Michael A. Alexander, a former program manager for the U.S. Army Corps of Engineers, and businessman Harold F. Babb - earlier pled guilty to charges in the case. Khan, Lee Khan, Babb, and Alexander have been in custody since their arrests in October. All told, eight defendants have now pled guilty in the ongoing investigation.

Kerry Khan, formerly of Alexandria, Va., pled guilty before the Honorable Emmet G. Sullivan in the U.S. District Court for the District of Columbia. A sentencing date has not been set. The bribery charge carries a statutory maximum of 15 years in prison and the conspiracy charge carries up to 20 years of incarceration.

The charges also carry potential fines, an order of restitution, and forfeiture of a money judgment for \$11,082,687, and specific property, including more than \$1.4 million in bank account funds, 13 properties in Virginia, Florida, and West Virginia, and a 2011 GMC Yukon Denali truck. Kerry Khan has previously forfeited about \$600,000 in bank account funds and four luxury automobiles.

Also before Judge Sullivan today, Lee Khan pled guilty to a charge of conspiracy to commit money laundering. No sentencing date was set. As part of his plea agreement, Lee Khan agreed to forfeit his interest in more than \$1 million in bank account funds, 13 properties in Virginia, Florida, and West Virginia, and a Rolex watch.

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, 19 real properties, six luxury cars, and multiple pieces of fine jewelry.

“Today the ringleader of the largest bribery and bid-steering scheme in the history of federal contracting accepted responsibility for his crimes,” said U.S. Attorney Machen. “For his shocking abuse of his position of power, Kerry Khan faces more than two decades in prison. The homes, cars, and jewelry he financed with bribes and kickbacks have now been returned to their rightful owner – the American taxpayer. He and his son are now the seventh and eighth members of this far-reaching scheme to plead guilty since the fall of 2011, and our investigation is still ongoing. Corrupt public officials and the businessmen who bribe them should take notice: we will do everything in our power to disrupt your dirty deals and hold you accountable.”

“Mr. Khan saw large government contracts as a golden ticket for personal gain as he funneled millions of dollars to himself and others through bribes and kickbacks,” said Special Agent in Charge Hosko. “Together with our law enforcement partners, we will combat such deceit and corruption within our government as we tirelessly work to protect the money of the American taxpayer.”

“Today’s plea hearing is a reminder that individuals who scheme to defraud the U.S. Government and violate the public’s trust will be brought to justice,” said Acting IRS Special Agent in Charge Hylton. “Honest and law-abiding citizens are fed up with the likes of those who use deceit and fraud to line their own pockets. The use of bribes and kickbacks to secure government contracts will not be tolerated. IRS Criminal Investigation will continue to work with the U.S. Attorney’s Office and other law enforcement agencies to punish corrupt behavior wherever we find it.”

“Today’s guilty pleas effectively highlight the brazen corruption scheme sown by Kerry Khan and his co-conspirators,” said Inspector General Gustafson of the Small Business Administration. “This investigation demonstrates that there is no tolerance for criminal activity by Federal employees who hold positions of trust in the federal contracting process. The SBA OIG appreciates the leadership of the U.S. Attorney’s Office and the support of the FBI and our interagency partners in bringing forth these plea agreements.”

“Today is a day of reckoning for Kerry Khan. His plea today is a chilling example of a corrupt Government employee coming to the realization that engaging in criminal activity within the federal procurement process will be discovered and there is a severe price to be paid for selfishly violating the public's trust,” said Special Agent in Charge Craig of the Defense Criminal Investigative Service (DCIS). “DCIS and our law enforcement partners are working to ensure that this realization becomes a stark reality for any and all others who are willing to engage in this kind of dishonest, deceitful, and deplorable behavior. Let's hope that today's plea serves as a clear reminder that stealing money from the American taxpayer is not worth the day of reckoning that will inevitably follow.”

“Today's pleas are another example of the great investigative work our agents and our federal law enforcement partners do every day,” said Director Robey of the U.S. Army Criminal Investigation Command's Major Procurement Fraud Unit (MPFU). “It is a clear message that we will relentlessly pursue those attempting to defraud the U.S. Army.”

Kerry 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, among other things, to place orders for products and services through federal government contracts. He also had authority to certify that the work on orders had been completed.

The scheme involved the Army Corps of Engineers and two contracts: the Technology for Infrastructure, Geospatial, and Environmental Requirements (TIGER) contract and the Contingency Operations Readiness Engineering & Support (CORES) contract.

The TIGER contract was used by authorized federal government agencies and departments to purchase products and services. It is what is known as an Indefinite Delivery/Indefinite Quantity contract. Authorized agencies and departments are not required to obtain three separate bids or to compare the TIGER contract to another contract before submitting an invoice for products and services through the TIGER contract.

The CORES contract was a planned contract, envisioned as an alternative or potential replacement to the TIGER contract. As planned, the CORES contract would be a five-year contract with an award potential for all contracts placed under it of nearly \$1 billion. The CORES contract has not been issued for solicitation to potential prime contractors.

In his guilty plea, Kerry Khan admitted to carrying out a bribery scheme with others.

They included 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; Robert L. McKinney, the president of Alpha Technology Group, Inc., a provider of program management services, James Edward Miller, formerly of Virginia Beach, Va., the owner of Big Surf Construction Management LLC, and an unindicted co-conspirator, referred to in court documents as Co-Conspirator 3, who was another contractor.

Another company, Ananke, LLC, also was involved in the scheme. Ananke, LLC was a shell company that was controlled by Kerry Khan.

According to a statement of offense signed by Kerry 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, Kerry 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 sub-contractors that submitted fraudulently inflated or fictitious quotes for equipment and services. As directed by Kerry 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.

Kerry 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. The fraudulently inflated amounts were referred to by the perpetrators as “overhead.” Kerry Khan, Alexander, and the contractors agreed to split the “overhead.”

As part of his plea, Kerry Khan admitted obtaining and attempting to obtain these payments:

- Nova Datacom: Kerry Khan, Alexander, Cho, and Nova Datacom attempted to obtain more than \$20 million in “overhead” on a total of \$45 million in contracts.
- Alpha Technology: Kerry Khan, McKinney, and Alpha Technology Group obtained approximately \$856,395 in “overhead” on a total of \$1.8 million in contracts.
- Big Surf Construction: Kerry Khan, Babb, Miller, and Big Surf Construction Management LLC attempted to obtain \$9,979,705 in “overhead” on a total of \$9.9 million in contracts and intended contracts.
- Co-Conspirator 3: Kerry Khan obtained approximately \$640,000 in bribe payments from Co-Conspirator 3.
- Ananke, LLC: Kerry Khan and Babb obtained \$147,544 in “overhead,” through contracts in that amount that were directed to Ananke, LLC.

From those amounts, Kerry Khan admitted actually receiving, directly and indirectly, over \$12 million from the contractors. He also admitted that, at the time of his arrest, he was owed more than \$14 million in additional “overhead” payments from the contractors.

In addition to these activities involving the TIGER contract, according to the statement of offense, Kerry Khan, Alexander, Babb and Cho agreed to steer the award of the CORES contract to Nova Datacom. This scheme was thwarted by the arrests of Kerry Khan, Alexander, and others last fall.

In an attempt to surreptitiously receive and hide the receipts of proceeds of the bribery scheme, Kerry Khan and Lee Khan admitted today that they established and used multiple corporate entities, including shell companies that had no legitimate business purpose, as well as multiple bank and financial accounts. Kerry Khan and Lee Khan also purchased or paid off the mortgage for at least a portion of at least 13 pieces of real property, including several houses and condominiums, using proceeds of the scheme. Additionally, Kerry Khan and members of his immediate family owned in full 10 automobiles, most of them luxury vehicles that were purchased with proceeds of the criminal activities.

With instruction and supervision from his father, Lee Khan managed the portfolio of real property and automobiles, selling real property after its value had appreciated, managing the lease of certain real properties to tenants, and selling automobiles.

Alexander, 56, formerly of Woodbridge, Va., pled guilty in February 2012 to federal charges of bribery and conspiracy to commit money laundering. Babb, 60, formerly of Sterling, Va., pled guilty in March 2012 to federal charges of bribery and unlawful kickbacks.

Cho, 40, formerly of Great Falls, Va., pled guilty in September 2011 to one count of conspiracy to commit bribery, money laundering, and wire fraud, and to defraud the United States, and one count of bribery. Another former Nova Datacom employee, Theodoros Hallas, 40, of Potomac, Md., the company's former Executive Vice President, pled guilty in October 2011 to one count of conspiracy to commit wire fraud.

McKinney, 52, of Waldorf, Md., the president of Alpha Technology Group, pled guilty in February 2012 to bribery. James Edward Miller, 64, formerly of Virginia Beach, Va., the owner of Big Surf Construction Management LLC, pled guilty on April 17, 2012 to a federal charge of conspiracy to commit money laundering.

All of the defendants are awaiting sentencing.

In announcing the pleas, U.S. Attorney Machen, Special Agent in Charge Hosko, Inspector General Gustafson, Special Agent in Charge Craig, Acting Special Agent in Charge Hylton, 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 and Bryan Seeley 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 former Special Assistant U.S. Attorney Christopher Dana; Forensic Accountant Maria Boodoo; Paralegal Specialists Tasha Harris, Lenisse Edloe, Shanna Hays, Taryn McLaughlin, Sarah Reis, Christopher Samson, and Nicole Wattetlet, former Paralegal Specialist Jared Forney, and Legal Assistants Krishawn Graham and Jessica McCormick.