

Former Business Executive Pleads Guilty to Federal Charges In Alleged \$28 Million Bribery and Kickback Scheme

*Scam Involved Steering of Government Contracts,
Payments to Former Managers at U.S. Army Corps of Engineers*

WASHINGTON - Harold F. Babb, 60, the former director of contracts at Eyak Technology LLC (EyakTek), pled guilty today to federal charges of bribery and unlawful kickbacks for his role in a scheme that allegedly involved more than \$28 million in bribes and kickback payments and the planned steering of a government contract that potentially was worth about \$1 billion.

The plea was announced by U.S. Attorney Ronald C. Machen Jr.; James W. McJunkin, Assistant Director in Charge of the FBI's Washington Field Office; 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 Major General David E. Quantock, the Commanding General of the U.S. Army Criminal Investigation Command (CID).

Babb, formerly of Sterling, 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 unlawful kickbacks charge carries up to 10 years of incarceration. The charges also carry potential fines, an order of restitution, and forfeiture of a money judgment for \$689,342, including more than \$200,000 in cash and bank account funds and the value of properties in Sterling, Va., and Virginia Beach, Va., and a 2007 Porsche.

The guilty plea is the latest example of law enforcement's commitment to rooting out public corruption as well as fraud involving government contracts. Since 2010, the U.S. Attorney's Office for the District of Columbia has secured convictions against more than 80 people on public corruption charges, including more than three dozen federal and local government employees.

As part of his plea agreement, Babb agreed to cooperate in the government's ongoing investigation into contracts involving, among others, the U.S. Army Corps of Engineers.

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"As our investigation has continued, we have identified millions of dollars more in bribes," said U.S. Attorney Machen. "With today's plea, another government contractor has accepted responsibility for corrupting the federal procurement process with bribes and kickbacks. He faces significant prison time for his role in this scheme, and will forfeit to the government cash, properties, and a Porsche that he bought with his ill-gotten gains. Unethical contractors should understand that their attempts to fleece the taxpayer will not only carry harsh financial penalties but also real prison time as well."

"Today's plea, in one of the largest procurement fraud cases in history, demonstrates that those who engage in bribes and kickbacks will be held accountable for their actions," said Assistant Director in Charge McJunkin. "Together with our law enforcement partners, the FBI will continue to ensure those who commit fraud and corruption are brought to justice."

"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 Eric Hylton. "Steering business to favored individuals in exchange for kickbacks and using bribes to secure government contracts will not be tolerated. The IRS Criminal Investigation Division will continue to work with the U.S. Attorney's Office and other law enforcement agencies to punish corrupt behavior wherever we find it."

"The brazen and corrupt actions by the defendants in this case, who bribed government officials to obtain set-aside contracts and share in the illicit proceeds, harms legitimate small businesses seeking to do

business with the government," said Inspector General Gustafson. "The evidence demonstrates Harold Babb's participation was an integral part of this scheme. 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 this plea agreement."

"The illegal manipulation of contracts and subcontracts to facilitate bribes and kickbacks that circumvent the military contracting process costs the taxpayer and warfighter alike," said Special Agent in Charge Craig. "DCIS continues to work alongside its federal law enforcement partners in innovative ways to further detect and deter fraud, and bring those to justice that criminally exploit the contracting process."

"As this case illustrates, Army CID's Major Procurement Fraud Unit will aggressively pursue anyone who attempts to defraud the U.S. government," said Major General Quantock. "Army CID, along with our federal law enforcement partners, are committed to ensuring that these conspirators are held accountable for their illegal activities."

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According to a statement of offense signed by Babb, he was the director of contracts at Eyak Technology (EyakTek), an Alaska Native-owned small business with an office in Dulles, Va., from 2006 until the time of his arrest, in October 2011. He admitted participating in a scheme that involved the U.S. 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. The CORES contract was a planned contract, envisioned as an alternative or potential replacement to the TIGER contract.

In his guilty plea, Babb admitted to carrying out the scheme with others. They included Kerry F. Khan and Michael A. Alexander, who at the time were program managers with the Army Corps of Engineers; 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, and James Edward Miller, who owned and controlled Big Surf Construction Management LLC.

The bribery charge stems from Babb's payments and promises to Khan in return for Khan's approval on contracts and subcontracts awarded through the Army Corps of Engineers to EyakTek and Big Surf Construction Management. All told, Babb pled guilty to providing, offering and promising more than \$7 million, directly and indirectly, to Khan.

The kickback charge stems from Babb's dealings with Cho and Nova Datacom. Babb pled guilty to soliciting, accepting and attempting to accept more than \$1 million in kickbacks from Cho and Nova Datacom in return for giving the company preferential treatment on subcontracts.

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Activities Involving the TIGER Contract:

According to the statement of offense, starting in 2008, Babb and Khan agreed to work together in a plan in which the Army Corps of Engineers would pay millions of dollars for equipment and services that never actually would be provided.

EyakTek was the prime contractor for the TIGER contract and entered into agreements with subcontractors that included Nova Datacom, Big Surf Construction Management and Ananke LLC, a company that was controlled by Khan.

In or about 2008, Khan introduced Babb to Cho. Babb agreed to accept kickbacks - money, gifts and things of value - from Cho as compensation for Babb providing favorable treatment to Nova Datacom on

subcontracts. From 2008 until October 2011, Cho offered and made more than \$1 million in payments, directly and indirectly, to Babb. These included cash and checks of more than \$344,000, airline tickets worth about \$100,000, a future offer to pay Babb \$600,000, and a promise of future employment for Babb at Nova Datacom.

From May 2007 through October 2011, the Army Corps of Engineers awarded contracts and subcontracts to Nova Datacom totaling more than \$45 million.

Also in or about 2008, Babb and Khan agreed to use Big Surf Construction Management and Ananke to obtain subcontracts from EyakTek. Khan did not intend for either Big Surf or Ananke to provide any equipment or services pursuant to the contracts. Instead, according to the statement of offense, Babb and Khan agreed to submit fictitious orders to the Army Corps of Engineers and EyakTek through Big Surf and to distribute the proceeds obtained amongst themselves and Big Surf's Miller.

Babb intended these payments to benefit Khan, in part, in exchange for Khan using his official position to direct the government orders to Big Surf and EyakTek.

The statement of offense identifies three subcontracts awarded and paid by EyakTek to Big Surf, totaling more than \$8 million. Of this money, Big Surf channeled more than \$3.6 million from the first two subcontracts to Ananke. According to the statement of offense, Babb directed Miller to pay another \$2.9 million, from the third subcontract, to Ananke. However, Miller allegedly reneged on the plan and Big Surf kept the money. As a result, a fourth intended subcontract, worth about \$1.9 million, was cancelled.

During the scheme, Babb received a number of benefits from Big Surf, including nearly \$270,000 used for a property in Virginia Beach, Va.; \$66,000 for a 2007 Porsche, and \$9,000 for the purchase of a 2005 Hyundai.

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Activities Involving the CORES Contract

According to the statement of offense, Babb, Khan, Alexander, and Cho agreed to work together to steer the award of the CORES contract to Nova Datacom. Cho promised Babb future employment and other benefits for his agreement to help steer the award to Nova Datacom, and Babb acted as an intermediary to offer things of value to an unnamed contracting officer with the Army Corps of Engineers.

By the end of September 2011, the unnamed contracting officer and Babb agreed to move ahead on a five-year CORES contract for a total amount of \$790 million. They agreed that, after the contract was awarded to Nova Datacom, the contracting officer would seek an additional 25 percent increase in the award, for a total potential award of nearly \$1 billion.

This scheme was thwarted by the arrests of Babb and the others last fall.

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Khan, 54, formerly of Alexandria, Va., Khan's son, Lee Khan, 31, formerly of Fairfax, Va., and Alexander, 56, formerly of Woodbridge, were indicted along with Babb in September 2011 on one count of conspiracy to commit bribery and wire fraud and aiding and abetting and causing an illegal act to be done, as well as one count of conspiracy to commit money laundering. Khan and Alexander also were indicted on one count of receipt of a bribe by a public official, and Babb was indicted on one count of unlawful kickbacks. Khan and his son have pleaded not guilty to all charges in the case and are awaiting trial. Khan, Lee Khan, Babb, and Alexander have been in custody since their arrests in October.

Alexander pled guilty in February 2012 to federal charges of bribery and conspiracy to commit money laundering. Cho, 40, 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. Another businessman, Robert L. McKinney, 51, the president of Alpha Technology Group, one of the companies involved in the contracting scam, pled guilty in February 2012 to bribery. No sentencing dates have been set for any of the defendants.

Miller, 64, formerly of Virginia Beach, the owner of Big Surf, was charged in a criminal information on March 12, 2012 with conspiracy to commit money laundering. The filing of an information is merely a formal charge that a defendant has committed a violation of criminal laws and is not evidence of guilt. Every defendant is presumed innocent until, and unless, proven guilty.

The indictment returned last September against the Khans, Alexander and Babb included allegations involving more than \$20 million in offers and payments of bribes and kickback payments related to Nova Datacom. However, that did not include bribes and kickback payments related to other contractors, such as Big Surf and Alpha Technology Group, which were uncovered in the investigation. The case now involves in excess of \$28 million in alleged offers and payments of bribes and kickback payments.

To date, the United States has seized for forfeiture or recovered approximately \$7.2 million in bank account funds, cash, and repayments, 16 real properties, five luxury cars, and multiple pieces of fine jewelry.

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In announcing the plea, U.S. Attorney Machen, Assistant Director McJunkin, Acting Special Agent in Charge Hylton, Inspector General Gustafson, Special Agent in Charge Craig, and Major General Quantock thanked those who investigated the case from the FBI's Washington Field Office; the Washington Field Office of the Internal Revenue Service-Criminal Investigation; 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; 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, Shanna Hays, Taryn McLaughlin, Sarah Reis, Christopher Samson, and Nicole Wattlelet, and Legal Assistants Jared Forney and Krishawn Graham.