

JUSTICE NEWS

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Monday, February 10, 2014

Former Executive of Power Generation Company Charged with Fraud and Money Laundering

Indictment Alleges an Eight-Year Scheme to Obtain More Than \$5 Million in Kickbacks from Three Foreign Power Companies to Secure More Than \$2 Billion in Lucrative Contracts

Asem Elgawhary, the former principal vice president of Bechtel Corporation and general manager of the Power Generation Engineering and Services Company (PGESCO), was indicted by a grand jury in Maryland today on charges that he defrauded his former employers, laundered the proceeds of the fraudulent scheme and violated federal tax laws.

Acting Assistant Attorney General Mythili Raman of the Justice Department's Criminal Division, U.S. Attorney Rod J. Rosenstein of the District of Maryland, Special Agent in Charge Stephen E. Vogt of the FBI's Baltimore Division and Chief Richard Weber of the Internal Revenue Service-Criminal Investigation (IRS-CI) made the announcement after the indictment was returned earlier today.

"As today's indictment alleges, this high-ranking executive took millions of dollars in kickbacks from power companies in exchange for preferential treatment and, in doing so, defrauded his former employer, other companies who were playing by the rules and U.S. tax authorities," said Acting Assistant Attorney General Raman. "He then allegedly concealed his kickback scheme by hiding the payments in off-shore bank accounts, giving false information to his former employer and destroying evidence. The Justice Department is committed to prosecuting not just the companies and individuals who pay bribes and kickbacks, but also those who solicit and accept them."

"Mr. Elgawhary has been charged with using his corporate position for his own personal gain," stated IRS-CI Chief Weber. "No matter what your career or position is in a corporation, all U.S. citizens are obligated to comply with the tax laws. When individuals and corporations deliberately fail to comply, IRS Criminal Investigation agents conduct investigations and recommend prosecution to the Department of Justice."

The eight-count indictment alleges that from 1996 to 2011, Elgawhary, 72, of Maryland, was assigned by Bechtel – a U.S. corporation engaged in engineering, construction and project management – to be the general manager at PGESCO, a joint venture between Bechtel and a state-owned and state-controlled electricity company (EEHC). PGESCO assisted EEHC in identifying possible subcontractors, soliciting bids and awarding contracts to perform power projects for EEHC. The charges allege that Elgawhary used his position at PGESCO to provide preferential treatment to three power companies attempting to secure

projects with EEHC in exchange for kickbacks from those power companies and their third-party consultants. The court documents allege that the power companies and their consultants paid more than \$5 million in kickbacks into various off-shore bank accounts under the control of Elgawhary, including various Swiss bank accounts. In return, the power companies secured more than \$2 billion in lucrative contracts.

The indictment alleges that Elgawhary then also attempted to conceal the kickback scheme and the proceeds he obtained from it. Elgawhary allegedly sent to Bechtel executives and members of the PGESCO board of directors in Maryland various documents and "Representation Letters" that falsely represented that he had no knowledge of any fraud or suspected fraud at PGESCO and that there were no violations or possible violations of law or regulations whose effects were material and should have been considered for disclosure in PGESCO's financial statements. In addition, when Elgawhary was interviewed by counsel for Bechtel in April 2011, he claimed that he never received money from power companies or their consultants and that he did not maintain control over any foreign bank accounts. With the help of other employees at PGESCO, Elgawhary also allegedly caused evidence about the kickback scheme to be deleted and destroyed, according to the charges.

The court documents also allege that Elgawhary used money from one of his Swiss bank accounts to purchase a \$1.78 million home in Maryland for two close family members. In order to conceal the origin of the money, however, Elgawhary and others made it appear that the money was from an unsecured loan from a marketing company owned and operated by another relative.

Elgawhary also allegedly obstructed and impeded the administration of U.S. tax laws by falsely claiming that he maintained only one foreign bank account and denying that he received any income from any foreign bank account. Elgawhary also allegedly failed to report any of the kickbacks as income for the tax years 2008 through 2011.

The mail and wire fraud counts each carry a maximum penalty of 20 years in prison and a fine of the greater of \$250,000 or twice the value gained or lost. The conspiracy to commit money laundering count carries a maximum penalty of 20 years in prison and a fine of the greater of \$500,000 or twice the value of the property involved in the transaction. The tax count carries a maximum penalty of three years in prison and a fine of \$5,000.

The charges contained in the indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

The department has received significant assistance in this matter from its law enforcement counterparts in Switzerland, Germany, Italy and Cyprus. Significant assistance was also provided by the Criminal Division's Office of International Affairs.

The case is being investigated by the FBI's and IRS-CI's Baltimore Divisions. The case is being prosecuted by Assistant Chief Daniel S. Kahn of the Criminal Division's Fraud Section and Assistant U.S. Attorney David Salem of the District of Maryland.

Additional information about the Justice Department's FCPA enforcement efforts can be found at www.justice.gov/criminal/fraud/fcpa.

Component(s):

Criminal Division

Press Release Number:

14-140

Updated September 15, 2014