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Former Bechtel Executive Pleads Guilty in Connection with a \$5.2 Million Kickback Scheme

The former Principal Vice President of Bechtel Corporation and General Manager of the Power Generation Engineering and Services Company (PGESCO) pleaded guilty today in connection with a \$5.2 million kickback scheme intended to manipulate the competitive bidding process for state-run power contracts in Egypt.

Assistant Attorney General Leslie R. Caldwell 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 Special Agent in Charge Thomas J. Kelly of the Internal Revenue Service-Criminal Investigation (IRS-CI) Washington D.C. Field Office made the announcement.

"Asem Elgawhary took more than \$5 million in kickbacks from companies trying to manipulate a competitive bidding process in their favor," said Assistant Attorney General Caldwell. "Foreign corruption is an international scourge, and we will pursue those who take bribes, whether they are government officials or high-ranking corporate executives, like Elgawhary. Every corruption conviction is a step towards rooting out and deterring this global problem."

"Our economy is so global in this day and age that if we allowed corrupt practices overseas such as taking bribes in exchange for special consideration when comparing bids, it would seriously impact our international trade. What Mr. Elgawhary admitted to doing has a dramatic affect on U.S. companies being able to expand and grow their work forces overseas in a fair market place, which in the long run hurts our economy," said Special Agent in Charge Vogt of the FBI in Maryland and Delaware. "He displayed his blatant disregard for our rule of law when he used a portion of the bribe payment to purchase a house for \$1.6 million in cash. This should send a message to others like Mr. Elgawhary, that hiding behind a foreign government won't protect you from prosecution."

"Mr. Elgawhary allowed greed to compromise his business practices by taking kickbacks to provide unfair advantages to companies willing pay for power contracts," stated Special Agent in Charge Kelly of IRS-CI's Washington D.C. Field Office. "He compounded his criminal activities by failing to report any of the kickback payments as income on his tax returns. It is imperative that honest companies know IRS Criminal Investigation will investigate and bring to prosecution those willing to line their pockets through unethical business practices."

Asem Elgawhary, 73, of Potomac, Maryland, pleaded guilty today before U.S. District Judge Deborah K. Chasanow of the District of Maryland to mail fraud, conspiracy to commit money laundering, and obstruction and interference with the administration of the tax laws. Sentencing is scheduled for Mar. 23, 2015.

In his plea agreement, Elgawhary admitted that, from 1996 to 2011, he 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 Egypt’s 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. Elgawhary admitted to accepting a total of \$5.2 million from three power companies, which they paid to secure a competitive and unfair advantage in the bidding process. According to court documents, the power companies and their consultants paid more than \$5.2 million in kickback payments into various off-shore bank accounts under the control of Elgawhary, including various Swiss bank accounts.

As Elgawhary admitted in his plea agreement, he attempted to conceal the kickback scheme by routing the payments through various off-shore bank accounts, including Swiss bank accounts, under his control.

Elgawhary also sent various documents and “Representation Letters” to Bechtel executives and members of the PGESCo Board of Directors in Maryland, falsely certifying 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 that should have been considered for disclosure in PGESCo’s financial statements. Elgawhary also admitted that, in further attempt to conceal the scheme, he made misrepresentations to counsel for Bechtel when he was interviewed in April 2011.

Elgawhary also admitted to conspiring to launder the proceeds of the scheme and to obstructing and impeding the administration of U.S. tax laws by falsely claiming that he maintained only one foreign bank account, denying that he received any income from a foreign bank account, and failing to report any of the kickback payments as income for the tax years 2008 through 2011.

Elgawhary, a dual U.S. and Egyptian citizen, was arrested on a complaint when he flew into the United States on Nov. 26, 2013, and was indicted on Feb. 10, 2014.

The case is being investigated by the FBI’s Baltimore Division and IRS-CI’s Washington D.C. Field Office.

Significant assistance was provided by the Criminal Division’s Office of International Affairs, and law enforcement counterparts in Switzerland, Germany, Italy, Saudi Arabia and Cyprus. The case is being prosecuted by Assistant Chief Daniel S. Kahn of the Criminal Division’s Fraud Section and Assistant U.S. Attorney David I. 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.

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