



Department of Justice

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CONGRESSMAN CHAKA FATTAH AND ASSOCIATES CHARGED WITH PARTICIPATING IN RACKETEERING CONSPIRACY

WASHINGTON – A member of Congress and four of his associates were indicted today for their roles in a racketeering conspiracy involving several schemes that were intended to further the political and financial interests of the defendants and others by, among other tactics, misappropriating hundreds of thousands of dollars of federal, charitable and campaign funds.

Congressman Chaka Fattah Sr., 58, of Philadelphia; lobbyist Herbert Vederman, 69, of Palm Beach, Florida; Fattah’s Congressional District Director Bonnie Bowser, 59, of Philadelphia; and Robert Brand, 69, of Philadelphia; and Karen Nicholas, 57, of Williamstown, New Jersey, were charged today in a 29-count indictment with participating in a racketeering conspiracy and other crimes, including bribery; conspiracy to commit mail, wire and honest services fraud; and multiple counts of mail fraud, falsification of records, bank fraud, making false statements to a financial institution and money laundering.

Assistant Attorney General Leslie R. Caldwell of the Justice Department’s Criminal Division, U.S. Attorney Zane David Memeger of the Eastern District of Pennsylvania, Special Agent in Charge Edward J. Hanko of the FBI’s Philadelphia Division and Special Agent in Charge Akeia Conner of the Internal Revenue Service-Criminal Investigation (IRS-CI) Philadelphia Field Office made the announcement.

“As charged in the indictment, Congressman Fattah and his associates embarked on a wide-ranging conspiracy involving bribery, concealment of unlawful campaign contributions and theft of charitable and federal funds to advance their own personal interests,” said Assistant Attorney General Caldwell. “When elected officials betray the trust and confidence placed in them by the public, the department will do everything we can to ensure that they are held accountable. Public corruption takes a particularly heavy toll on our democracy because it undermines people’s basic belief that our elected leaders are committed to serving the public interest, not to lining their own pockets.”

“The public expects their elected officials to act with honesty and integrity,” said U.S. Attorney Memeger. “By misusing campaign funds, misappropriating government funds, accepting bribes, and committing bank fraud, as alleged in the Indictment, Congressman Fattah and his co-conspirators have betrayed the public trust and undermined faith in government.”

“These crimes and the subsequent elaborate cover-up constitute an egregious breach of public trust,” said Special Agent in Charge Hanko. “It is the duty of the FBI, IRS and Department of Justice to investigate and prosecute those who violate this trust and put personal gain above public service.”

“Public corruption by our elected officials and their associates undermines the American public’s confidence in our government,” said Special Agent in Charge Conner. “When our elected officials and their associates violate the law and create sophisticated financial schemes to enrich themselves, the Internal Revenue Service-Criminal Investigation, will work diligently with our fellow law enforcement partners to restore the public’s trust.”

Specifically, the indictment alleges that, in connection with his failed 2007 campaign to serve as mayor of Philadelphia, Fattah and certain associates borrowed \$1 million from a wealthy supporter and disguised the funds as a loan to a consulting company. After he lost the election, Fattah allegedly returned \$400,000 to the donor that the campaign had not used, and arranged for Educational Advancement Alliance (EAA), a non-profit entity that he founded and controlled, to repay the remaining \$600,000 using charitable and federal grant funds that passed through two other companies, including one run by Brand. To conceal the contribution and repayment scheme, the defendants and others allegedly created sham contracts and made false entries in accounting records, tax returns and campaign finance disclosure statements.

In addition, the indictment alleges that after his defeat in the mayoral election, Fattah sought to extinguish approximately \$130,000 in campaign debt owed to a political consultant by agreeing to arrange for the award of federal grant funds to the consultant. According to the allegations in the indictment, Fattah directed the consultant to apply for a \$15 million grant, which he did not ultimately receive, on behalf of a then non-existent non-profit entity. In exchange for Fattah’s efforts to arrange the award of the funds to the non-profit, the consultant allegedly agreed to forgive the debt owed by the campaign.

The indictment further alleges that Fattah misappropriated funds from his mayoral and congressional campaigns to repay his son’s student loan debt. To execute the scheme, Fattah and Bowser allegedly arranged for his campaigns to make payments to a political consulting company, which the company then used to lessen Fattah’s son’s student loan debt. According to the allegations in the indictment, between 2007 and 2011, the consultant made 34 successful loan payments on behalf of Fattah’s son, totaling approximately \$23,000.

In another alleged scheme, beginning in 2008, Fattah communicated with individuals in the legislative and executive branches in an effort to secure for Vederman an ambassadorship or an appointment to the U.S. Trade Commission. In exchange, Vederman provided money and other items of value to Fattah. As part of this scheme, the indictment alleges that the defendants sought to conceal an \$18,000 bribe payment from Vederman to Fattah by disguising it as a payment for a car sale that never actually took place.

Finally, the indictment alleges that Nicholas obtained \$50,000 in federal grant funds that she claimed would be used by EAA to support a conference on higher education. The conference never took place. Instead, Nicholas used the grant funds to pay \$20,000 to a political

consultant and \$10,000 to her attorney, and wrote several checks to herself from EAA's operating account.

The charges and allegations contained in an indictment are merely accusations. The defendants are presumed innocent until and unless proven guilty.

The case is being investigated by the FBI and IRS-CI. Assistance was also provided by the Department of Justice's Office of the Inspector General, the NASA Office of Inspector General and the Department of Commerce's Office of Inspector General. The case is being prosecuted by Trial Attorneys Eric L. Gibson, T. Patrick Martin and Jonathan Kravis of the Criminal Division's Public Integrity Section and Assistant U.S. Attorney Paul L. Gray of the Eastern District of Pennsylvania. Trial Attorney Bob Dalton of the Criminal Division's Organized Crime and Gang Section also provided assistance in this case.

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