



THE UNITED STATES ATTORNEY'S OFFICE  
EASTERN DISTRICT *of* PENNSYLVANIA

**Department of Justice**

U.S. Attorney's Office

Eastern District of Pennsylvania

FOR IMMEDIATE RELEASE

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## **Philadelphia Congressman And Associates Convicted Of RICO Conspiracy In Public Corruption Case**

PHILADELPHIA – A federal jury today found Congressman Chaka Fattah Sr., 59, guilty of all charges against him. He and three of his four associates were found guilty of taking part in a racketeering conspiracy involving several schemes that were intended to further their political and financial interests by misappropriating federal, charitable and campaign funds, among other schemes. The verdicts were announced today by United States Attorney Zane David Memeger, FBI Special Agent-in-Charge William Sweeney, and IRS Criminal Investigation Special Agent-in-Charge Akeia Conner.

Fattah, Robert Brand, 70, of Philadelphia, Karen Nicholas, 58, of Williamstown, NJ, and Herbert Vederman, 70, of Palm Beach, Florida were found guilty of participating in a racketeering conspiracy. Fattah was also found guilty of conspiracy to commit bribery, bribery, conspiracy to commit wire fraud, conspiracy to commit honest services fraud, mail fraud, money laundering conspiracy, money laundering, bank fraud, false statements to a financial institution, six counts of mail fraud, and five counts of falsification of records.

Herbert Vederman was also convicted of conspiracy to commit bribery, bribery, bank fraud, making false statements to the Credit Union Mortgage Association, falsification of records, and two counts of money laundering.

Robert Brand was also convicted of conspiracy to commit wire fraud.

Karen Nicholas was also convicted of conspiracy to commit wire fraud, two counts of wire fraud, and two counts of falsification of records.

Bonnie Bowser, 60, of Philadelphia, was acquitted of RICO conspiracy but convicted of conspiracy to commit bribery, bank fraud, making false statements to the Credit Union Mortgage Association, falsification of records, and money laundering.

U.S. District Court Judge Harvey Bartle III scheduled sentencing hearings for October 4, 2016 for Fattah, Vederman and Brand; and October 5, 2016 for Nicholas and Bowser.

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 returned to the donor \$400,000 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 created sham contracts and made false entries in accounting records, tax returns and campaign finance disclosure statements.

Following 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. Fattah directed the consultant to apply for a \$15 million grant (which ultimately he did not 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 agreed to forgive the debt owed by the campaign.

Fattah misappropriated funds from his mayoral and congressional campaigns to repay his son's student loan debt. To execute the scheme, Fattah arranged for his campaigns to make payments to a political consulting company, which funds the company then used to lessen Fattah's son's student loan debt. Between 2007 and 2011, the consultant made 34 successful loan payments on behalf of Fattah's son, totaling approximately \$23,000.

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 United States Trade Commission. In exchange, Vederman provided money and other items of value to Fattah. As part of this scheme, the defendants sought to conceal an \$18,000 bribe payment from Vederman to Fattah by disguising it as a payment for a sham car sale.

Karen Nicholas was found guilty of obtaining \$50,000 in federal grant funds that she falsely 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, \$10,000 to her attorney, and also wrote several checks to herself from EAA's operating account.

"Chaka Fattah Sr. and his co-defendants betrayed the public trust and undermined our faith in government," said Memeger. "Today's verdict makes clear that the citizens of the Eastern District of Pennsylvania expect their public officials to act with honesty and integrity, and to not sell their office for personal gain. Hopefully, our elected officials in Philadelphia and elsewhere hear today's message loud and clear."

"The corruption demonstrated by Congressman Fattah and his co-defendants is yet another sad example of the type of behavior that corrodes citizens' faith in their government," said FBI Special Agent- in-Charge William Sweeney. "The FBI is firmly committed to ensuring that public officials and their co-conspirators who choose to use their positions for personal gain rather than provide

the honest services the community rightly expects will be investigated and brought to justice. The community deserves nothing less.”

“Convictions, like the one returned against these five defendants today, send a loud and clear message that people who willfully defy the law will be fully investigated, prosecuted, and subjected to the full punishment of the law for their actions,” said Special Agent-in-Charge Akeia Conner, IRS Criminal Investigation.

“Congressman Fattah corruptly abused his office for his own personal and political gain,” said Assistant Attorney General Caldwell. “He took bribes, committed fraud and even stole money from his own campaigns. In short, Congressman Fattah and his codefendants deprived the people of eastern Pennsylvania of their right to the honest services of their elected representative. Today’s convictions should send a message that the Justice Department will vigorously investigate and prosecute political corruption wherever it takes place, and uphold the principles of honesty and integrity that are the foundation of our government.”

This case was investigated by the FBI and IRS-Criminal Investigation. Assistance was provided by the Department of Justice Office of the Inspector General, the NASA Office of Inspector General and the Department of Commerce Office of Inspector General. It is being prosecuted by Assistant U.S. Attorney Paul L. Gray, Trial Attorneys Eric L. Gibson, and Jonathan Kravis of the Criminal Division’s Public Integrity Section.