



Department of Justice

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VIRGINIA CONTRACTOR PLEADS GUILTY TO KICKBACK SCHEME AND FAILURE TO FILE TAX RETURN

WASHINGTON — A Virginia contractor pleaded guilty to participating in a scheme to steer contracts to him for repair, maintenance and renovation work at healthcare and nursing home facilities owned by Medical Facilities of America Inc. (MFA), the Department of Justice announced today.

Edward T. Fodrey, a resident of Norfolk, Va., pleaded guilty in U.S. District Court in Norfolk to conspiring with other individuals to steer contracts for repair, maintenance and renovation at MFA healthcare and nursing home facilities. According to the two-count felony charge filed on March 30, 2011, from about May 2006 until at least December 2006, Fodrey conspired with an MFA employee who oversaw the bidding process for repair, maintenance and renovation contracts at MFA facilities in North Carolina and Virginia. That MFA employee steered contracts to Fodrey in return for kickbacks.

According to the court document, the MFA employee created fictitious competitor bids that were higher than the quotes submitted by Fodrey and other co-conspirator vendors, to create the appearance of competition. The MFA employee directed subordinates to solicit quotes only from Fodrey or other conspiring vendors. The MFA employee specified the amount Fodrey should quote to MFA as well as the amount of the kickback on each of the contracts. Fodrey paid more than \$200,000 in kickbacks to the MFA employee and received contracts totaling more than \$750,000. The court document states that as a result of the kickback scheme, MFA was deprived of competitive pricing to its financial detriment. Fodrey was also charged with failing to file a tax return for 2006, which is the year in which Fodrey received payment on the MFA contracts. According to the plea agreement, Fodrey has agreed to cooperate with the department's ongoing investigation.

Fodrey is charged with conspiracy to commit mail fraud for the kickback scheme, which carries a maximum penalty of 20 years in prison and a \$250,000 criminal fine. Fodrey is also charged with failure to file an income tax return, which carries a maximum penalty of one year in prison and a \$100,000 criminal fine. The maximum fines for each of these charges may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximums.

The charge is the first to arise out of the department's ongoing fraud investigation into the award of repair, maintenance and renovation contracts at facilities owned by MFA being

conducted by the Antitrust Division's Philadelphia Field Office, the U.S. Attorney's Offices for the Eastern District of Virginia and the Western District of Virginia, the FBI in Roanoke, Va., and the Internal Revenue Service-Criminal Investigation in Roanoke, Va. Anyone with information concerning fraudulent behavior relating to the award of contracts by MFA should contact the Antitrust Division's Philadelphia Field Office at 215-597-7405 or visit www.justice.gov/atr/contact/newcase.html.

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