



NEWS RELEASE

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ANCHORAGE CONTRACTOR CONVICTED OF BANK FRAUD

Anchorage, Alaska – Acting United States Attorney Kevin Feldis announced today, September 11, 2009, that after deliberating a day and a half, a jury of four men and eight women found John Evan Burns guilty of 24 counts of making false statements to a federally insured bank.

Burns, 57, of Anchorage, was tried before United States District Court Judge Timothy M. Burgess in Anchorage.

According to Assistant United States Attorney Tom Bradley, who prosecuted the case, the evidence presented at trial established that Burns did business as Central Construction, a sole proprietorship. Central Construction was engaged in the business of electrical contracting for large infrastructure improvement projects, such as roads, parks, and airports, owned by the State of Alaska as well as local governments. The specific projects in this case included the C Street/O'Malley interchange, Kincaid Park trail, Abbott Loop, the Anchorage International Airport taxiway, Glenn Highway/Dogwood, Wasilla Fishhook Road, Taku Lake, and the Palmer Airport taxiway.

On April 27, 2006, the defendant, doing business as Central Construction, obtained a \$500,000 working capital line of credit from Northrim Bank, secured primarily by accounts receivable. The terms of this loan were changed on June 8, 2006, to increase the credit line to \$750,000. Northrim Bank is insured by the Federal Deposit Insurance Corporation (FDIC).

Under the terms of the loan agreement, the defendant was allowed to borrow up to 75% of the total amount of his accounts receivable (A/R), up to the maximum loan amount of \$750,000. In order for the defendant to access the entire credit line of \$750,000, the total amount of his accounts receivable had to be in excess of \$1 million.

Under the terms of the loan agreement, the defendant was also required to file with the bank, monthly accounts receivable "Job Current Aging" reports. These reports were to reflect the accounts receivable broken down by the age of the receivable, i.e., "Current", "1-30 days", "61-90 days", etc. Between April 18, 2006, and April 12, 2007, nine "Job Current Aging" reports identifying Central Construction receivables, by project, were submitted to Northrim Bank. Eight of the nine reports reflected receivables in excess of \$1 million. The receivables contained on these reports were identified as having come from four companies: Quality Asphalt Paving, Wilder Construction, Construction Unlimited, and Chugach Electric Association. In fact, these reports contained significant overstatements

of Central Construction's true accounts receivable due from each company.

In addition to the aging reports, and for each advance requested against the line of credit, the defendant was required to submit a "Borrower's Certificate of A/R." These documents specifically referenced the falsely overstated total amount of the accounts receivable as set forth in the most recent submitted Job Current Aging report. Between the dates of June 8, 2006, and January 2, 2007, seventeen of these certificates were submitted to Northrim Bank, each signed by the defendant. The purpose of these submissions was for the defendant to obtain draws from Northrim Bank on the line of credit by means of submitting false accounts receivable aging reports and borrower's certificates of accounts receivable, thereby misrepresenting the collateral for the line of credit and deceiving the bank as to the pledged collateral, and the permissible amount available to draw upon.

In April 2006, Burns' actual accounts receivable were approximately \$418,000. He inflated his stated accounts receivable by approximately \$266,000 in that month's Job Current Aging report to the bank. By the end of 2006 and in early 2007, he was falsely inflating the A/R's by approximately a million dollars in his monthly reports. During the life of the scheme, the defendant received approximately \$1.925 million in loan proceeds from Northrim. He did make interest and principal payments, but at the end the bank lost \$750,000 on this loan.

Evidence presented at trial revealed that Burns had previously borrowed \$500,000 from First National Bank, Alaska (FNBA), but that FNBA became suspicious in early 2006 that his stated accounts receivable were not trustworthy and informed him to find another bank.

Judge Burgess scheduled sentencing for the week of December 14. The law provides for a maximum total sentence of thirty years in prison, a fine of \$1 million, or both, on each count of conviction. Under the Federal Sentencing Guidelines, the actual sentence imposed is based on the seriousness of the offenses and the criminal history of the defendant.

Pending sentencing, the court allowed Burns to remain free on his own recognizance.

The Federal Bureau of Investigation conducted the investigation that led to the prosecution of Burns.

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