



Department of Justice

FOR IMMEDIATE RELEASE
WEDNESDAY, MARCH 14, 2012
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FORMER EMPLOYEE OF NURSING HOME COMPANY OPERATING IN NORTH CAROLINA AND VIRGINIA PLEADS GUILTY TO KICKBACK SCHEMES AND TAX EVASION

Co-Conspirator Sentenced for His Role in Scheme

WASHINGTON – The former director of corporate maintenance and renovations at Medical Facilities of America Inc. (MFA) pleaded guilty today to accepting kickbacks and evading taxes, the Department of Justice announced. MFA operates healthcare and nursing home facilities throughout Virginia and North Carolina.

According to a four-count charge filed today in U.S. District Court in Roanoke, Va., John D. Henderson, a resident of Colonial Heights, Va., conspired with others to steer contracts for repair, maintenance and renovations at MFA facilities to co-conspirator contractors in return for kickbacks beginning as early as June 1998 through December 2006. Henderson was also charged with evading taxes on his 2005 and 2006 federal tax returns. According to the plea agreement, which is subject to court approval, Henderson has agreed to cooperate with the department's ongoing investigation.

According to court documents, as the director of corporate maintenance and renovations at MFA, Henderson was responsible for overseeing maintenance, repairs and renovations of the various MFA locations throughout Virginia and obtaining quotes from contractors for capital improvements and equipment purchases. Henderson participated in a conspiracy with contractors Donald R. Holland and Larry R. Sumpter to defraud MFA by circumventing MFA's competitive procurement process and steering contracts to Hardy Plumbing & Heating Corp., formerly owned by Holland and Sumpter, in return for monetary payments. The department said that Henderson created fictitious competitor bids that were higher than the quotes submitted by Hardy Plumbing, and directed subordinates to solicit quotes only from Hardy Plumbing. As a result of the conspiracy, Henderson received payments from Holland and Sumpter totaling more than \$250,000.

According to court documents, Henderson also participated in a separate conspiracy with contractors Edward T. Fodrey, Gary L. Johns and others to defraud MFA by circumventing MFA's competitive procurement process and steering contracts to the contractors' companies in return for monetary payments to himself and a co-conspirator. The department said that Henderson created fictitious competitor bids that were higher than the quotes submitted by co-conspirators' companies, and directed subordinates to solicit quotes only from the conspiring

vendors. As a result of the conspiracy, Henderson received more than \$400,000 in kickbacks from Fodrey, Johns and other co-conspirators.

Henderson is charged with two counts of conspiracy to commit mail and honest services fraud for the two separate kickback schemes, each of which carries a maximum penalty of 20 years in prison and a \$250,000 criminal fine. Henderson is also charged with two counts of tax evasion, each of which carries a maximum penalty of five years in prison and a \$250,000 criminal fine, together with the cost of prosecution. 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.

Henderson is the fifth individual to plead guilty in the department's fraud investigation into the award of repair, maintenance and renovation contracts at facilities owned by MFA. On Oct. 18, 2011, both Holland and Sumpter pleaded guilty in the U.S. District Court in Roanoke to participating in the scheme. On Jan. 31, 2012, Holland and Sumpter were each sentenced by Judge Samuel G. Wilson to two years of probation and fined \$50,000 and \$15,000, respectively. On April 4, 2011, Fodrey pleaded guilty in the U.S. District Court in Norfolk, Va., and was sentenced by Judge Mark S. Davis on Jan. 31, 2012, to serve 37 months in prison and was ordered to pay \$326,799 in restitution. Johns pleaded guilty on Dec. 12, 2011, in the U.S. District Court in Roanoke and was sentenced today by Judge Wilson to serve three years of probation and to pay \$169,341 in restitution.

The investigation is being conducted by the Antitrust Division's Philadelphia Field Office, the U.S. Attorney's Office for the Western District of Virginia, the FBI in Roanoke and the Internal Revenue Service-Criminal Investigation in Roanoke. 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.htm.

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