

# NEWS RELEASE

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## **Former KBR Employee Pleads Guilty to Accepting Kickbacks Related to Award of Military Subcontract**

ROCK ISLAND, IL – Assistant Attorney General Alice S. Fisher of the Criminal Division and Rodger A. Heaton, United States Attorney for the Central District of Illinois, announced today the unsealing of a case in which Stephen Lowell Seamans, a former employee of Kellogg, Brown & Root Services, Inc. (KBR), pleaded guilty to wire fraud and conspiracy to launder money related to the awarding of a subcontract to a Middle Eastern company for food services in Kuwait.

Seamans, age 44, of Maryland, appeared in federal court in Peoria, Illinois on March 10, 2006, and entered his pleas of guilty to the two charges alleged in an information. Sentencing has been scheduled for August 4, 2006, in Rock Island, Illinois, before U.S. District Judge Joe B. McDade.

U.S. Attorney Heaton said, “Rooting out corruption in the military procurement supply chain is a priority of the Department of Justice. Mr. Seamans’ guilty plea and his agreement to cooperate reflect the substantial progress we are making in this effort.”

According to statements in court, and the plea agreement, from October 2002 through November 2002, and from March 2003 through May 2003, Seamans worked in Kuwait as a Procurement Materials and Property Manager for KBR. In that capacity, his duties included the negotiation, execution and administration of subcontracts on behalf of KBR under the prime contract KBR had with the U.S. Army known as LOGCAP III.

LOGCAP (Logistics Civil Augmentation Program) is a U.S. Army program that uses civilian contractors to support the logistical needs of the U.S. military forces. In December 2001, the LOGCAP III prime contract was awarded to KBR by the U.S. Army Operations Support Command, with headquarters at the Rock Island Arsenal in Rock Island, Illinois, and was administered by the Army Field Support Command, also at the Rock Island Arsenal.

Among the Army’s requirements under the LOGCAP III prime contract was providing dining facility services to soldiers in Kuwait. According to the factual basis included in the plea agreement and statements made in court, from about October 2002 and continuing through about May 2003, Seamans accepted kickbacks in excess of \$124,000 from a Middle Eastern company, or one or more of its managers, on a subcontract relating to a military dining facility in Kuwait.

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The plea agreement states that on or about October 15, 2002, KBR issued a subcontract to the Middle Eastern company of approximately \$14.4 million to perform dining facility services at Camp Arifjan in Kuwait. The plea agreement states that the Middle Eastern company offered to pay Seamans a kickback on the subcontract and that Seamans accepted the offer. From October 2002 through May 2003, Seamans received approximately \$124,000 as kickbacks on the subcontract.

Pursuant to a cooperation agreement, and included in the plea agreement, Seamans voluntarily disclosed that he also received additional kickbacks from another company related to the award of a Camp Arifjan, Kuwait cleaning services subcontract. Following the award of the cleaning subcontract to the company referred to as Company B in the plea agreement, Seamans disclosed that he received a \$5,000 cash kickback in or about November 2002. Seamans further disclosed that, as a reward for his awarding the cleaning subcontract to Company B, the company's managing partner offered to employ him or use him as a consultant following his employment with KBR and to pay him \$1.2 million annually. According to the plea agreement, on or about May 2003, the managing partner of Company B transferred \$300,000 to Seamans' bank account as an advance on the \$1.2 million agreement. Thereafter, the managing partner and Seamans agreed to terminate their agreement, and Seamans received no further payment on the \$1.2 million agreement, and Seamans disclosed that he did not return any portion of the \$300,000.

Under the terms of the plea agreement, the parties have not reached a specific agreement on the total amount of restitution to be imposed on the offenses of conviction. However, according to the plea agreement, Seamans has agreed to pay restitution of at least \$60,500, plus an additional \$319,630 in uncharged conduct which he voluntarily disclosed. The maximum statutory penalty for the offense of wire fraud is 20 years in prison, a fine of \$250,000, or both. For conspiracy to launder money, the maximum penalty is 20 years in prison, a fine of up to \$500,000, or both.

Several investigative agencies participated in the criminal investigation, including: the Federal Bureau of Investigation, Springfield Division; the Internal Revenue Service Criminal Investigation Division, Chicago Field Office; the Defense Criminal Investigative Service, Central Field Office, St. Louis, Missouri; and the U.S. Army Criminal Investigation Command, North Central Fraud Field Office, Detroit, Michigan.

The case is being prosecuted by Jeffrey B. Lang, Supervisory Assistant U.S. Attorney, Rock Island Division; Gregory R. Walters, Assistant U.S. Attorney, Peoria Division; and, John Michelich, Senior Trial Attorney, Criminal Division, Fraud Section, U.S. Department of Justice.

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