



Department of Justice

United States Attorney Brian J. Stretch
Northern District of California

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FOR IMMEDIATE RELEASE
April 7, 2017

BAY AREA BUILDING CONTRACTORS CHARGED WITH FRAUD AND BRIBERY IN CONNECTION WITH FEDERAL AND STATE CONSTRUCTION CONTRACTS

SAN FRANCISCO - A federal grand jury in San Francisco indicted eight defendants with charges ranging from soliciting and accepting bribes in connection with State of California construction contracts, to conspiracy to defraud the United States in connection with a federal construction contract, and making false statements to federal investigators, announced United States Attorney Brian J. Stretch, Federal Bureau of Investigation Special Agent in Charge of the San Francisco Division John F. Bennett, and the Department of Energy Office of Inspector General.

The eight defendants are charged as follows:

- Eric Worthen, 45, of Pleasant Hill, former Assistant Deputy Secretary for Administrative Affairs, California Department of Veterans Affairs, is charged with:
- Conspiracy to Receive A Bribe and Reward By Agent of Organization Receiving Federal Funds, in violation of Title 18, United States Code, Section 371; and
- Two counts of Receiving A Bribe and Reward By Agent of Organization Receiving Federal Funds, in violation of Title 18, United States Code, Section 666(a)(1)(B).

- Taj Armon Reid, also known as Taj Reid, 46, of Oakland, is charged with:
- Conspiracy to Receive A Bribe and Reward By Agent of Organization Receiving Federal Funds, in violation of Title 18, United States Code, Section 371;
- Two counts of Receiving A Bribe and Reward By Agent of Organization Receiving Federal Funds, in violation of Title 18, United States Code, Section 666(a)(1)(B); and
- Conspiracy to Defraud the United States, that is, the United States Department of Energy, in violation of Title 18, United States Code, Section 371.
- Derf Butler, 53, of Vallejo, President of Butler Enterprise Group, LLC in San Francisco, is charged with:
- Conspiracy to Defraud the United States, that is, the United States Department of Energy, in violation of Title 18, United States Code, Section 371; and
- Making a False Statement, in violation of Title 18, United States Code, Section 1001(a)(2).
- Anton Kalafati, 33, of San Francisco, President of B Side Inc. in San Francisco, is charged with:
- Conspiracy to Defraud the United States, that is, the United States Department of Energy, in violation of Title 18, United States Code, Section 371; and
- Two counts of Making a False Statement, in violation of Title 18, United States Code, Section 1001(a)(2).
- Clifton Burch, 49, of San Lorenzo, President of Empire Engineering and Construction, Inc. in Oakland and San Francisco, is charged with:
- Conspiracy to Defraud the United States, that is, the United States Department of Energy, in violation of Title 18, United States Code, Section 371.
- Peter McKean, 48, of San Mateo, Vice President of Townsend Management, Inc. in San Francisco, is charged with:
- Conspiracy to Defraud the United States, that is, the United States Department of Energy, in violation of Title 18, United States Code, Section 371.
- Len Turner, 56, of San Leandro, Chief Financial Officer of Turner Group Construction in Oakland, is charged with:
- Conspiracy to Defraud the United States, that is, the United States Department of Energy, in violation of Title 18, United States Code, Section 371.
- Lance Turner, 57, of Oakland, Chief Operating Officer of Turner Group Construction in Oakland, is charged with:
- Conspiracy to Defraud the United States, that is, the United States Department of Energy, in violation of Title 18, United States Code, Section 371.

The indictment was filed late yesterday along with a Notice of Related Case. The documents describe three schemes that are related to each other and to previous cases filed by the U.S. Attorney's Office.

The first scheme charged in the indictment involves Worthen's employment in the Homes Division of the California Department of Veterans Affairs, also known as CalVet. According to the indictment, in 2013, defendants Worthen and Reid conspired to offer a

specific developer an inside advantage on two CalVet construction projects. The first construction project, for residential facilities, involved a veterans' home in Ventura, Calif. In exchange for \$10,000 cash, Worthen and Reid allegedly offered to use Worthen's position at CalVet to circumvent the normal bidding process for the project and award the construction project to the developer. The second construction project involved a kitchen remodel at the veterans' home in West Los Angeles. For this project, Worthen allegedly took inside information from the CalVet office so that Worthen and Reid could provide the information to the developer in exchange for \$2,000 cash. For both construction projects, the "developer" to whom Worthen and Reid were providing an inside track on the CalVet contracts was, in actuality, a source working under the direction of the FBI. The source was posing as a developer willing to pay bribes in order to obtain contracts with public agencies.

In the second scheme, defendants Reid, Len Turner, and Lance Turner are alleged to have conspired to engage in an illegal contract-bidding scheme in connection with a contract to renovate a Department of Energy-owned building at Lawrence Berkeley National Laboratory (Lawrence Berkeley Lab), in Berkeley. Acting undercover, the same FBI source described above represented to the defendants that he had been promised a contract by a DOE contracting officer, but the officer needed several higher bids in order to justify awarding the contract to the source. The source made these representations as part of the joint investigation by the FBI and DOE OIG. The indictment alleges that Reid and the Turners colluded to assist the source by having Turner Group Construction submit a bid in an amount higher than the bid being submitted by the source. The indictment alleges that Reid and the Turners participated in this scheme in order to defeat the DOE's lawful process for awarding contracts through a fair, honest, and competitive process. According to the indictment, the defendants were motivated by either a financial reward or the promise of construction work from the developer that would materialize after the developer was awarded the contract.

In the third scheme charged in the indictment, defendants Derf Butler, Anton Kalafati, Clifton Burch, and Peter McKean are alleged to have engaged in a similar conspiracy in connection with the same DOE construction contract at Lawrence Berkeley Lab. According to the indictment, these defendants agreed to take steps to ensure that the same "developer" won the contract. The indictment alleges that the defendants colluded to submit bids for the Lab building renovation from B Side Construction, Empire Engineering and Construction, and Townsend Management. Each company was to submit bids in amounts dictated by the developer and for the purpose of ensuring that the developer's bid was the lowest bid on the contract. Again, the indictment alleges that the defendants engaged in this conspiracy in order to gain financial reward or construction work from the developer.

The indictment also alleges false statement offenses against defendants Butler and Kalafati. Specifically, the indictment charges that when interviewed by agents of the FBI and DOE Office of Inspector General, defendants Butler and Kalafati made material false statements to the investigators.

The investigation that led to the charges in the indictment arose out of the FBI's 2012-2014 public corruption investigation of San Francisco political consultant Keith Jackson and then-State Senator Leland Yee, and the related organized crime investigation of Raymond "Shrimp Boy" Chow. The FBI source who was posing as the developer and acting undercover in connection with the CalVet and DOE contracts described above was also involved in the investigation of Jackson and Yee. In furtherance of the same type of corrupt activities for which

he was convicted in 2015, Jackson introduced the source to defendants Worthen, Reid, and Butler.

The defendants are scheduled to make their initial appearances before United States Magistrate Judge Joseph C. Spero in San Francisco on April 17, 2017.

An indictment merely alleges that crimes have been committed, and all defendants are presumed innocent until proven guilty beyond a reasonable doubt. If convicted, the defendants face a maximum statutory sentences as follows:

- Each violation of Title 18, United States Code, Section 371 and Title 18, United States Code, Section 1001(a)(2) carries a maximum penalty of five years imprisonment, a three-year term of supervised release, a \$250,000 fine, and a \$100 special assessment.
- Each violation of Title 18, United States Code, Section 666(a)(1)(B) carries a maximum penalty of ten years imprisonment, a three-year term of supervised release, a \$250,000 fine, and \$100 special assessment.

However, any sentence following conviction would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

Assistant United States Attorneys Susan Badger, William Frentzen, and David Countryman are prosecuting the case with the assistance of Rosario Calderon and Bridget Kilkenny. The prosecution is the result of an investigation by the Federal Bureau of Investigation and United States Department of Energy, Office of Inspector General. Additional assistance was provided by the California Department of Veteran's Affairs.

Further Information:

Case #: 17-175 SI

A copy of this press release will be placed on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Abraham Simmons at (415) 436-7264 or by e-mail at Abraham.Simmons@usdoj.gov.