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Eastern District of Tennessee

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**TWIN BROTHERS SENTENCED FOR MAJOR FRAUD AGAINST THE
GOVERNMENT**

CHATTANOOGA, Tenn. –Today, Rahim and Karim Sadruddin, 35, were sentenced to 50 months imprisonment by the Honorable Travis McDonough, United States District Judge for the Eastern District of Tennessee at Chattanooga.

As part of the plea agreement filed with the court, the Sadruddins each agreed to plead guilty to an Information charging them with two counts of wire fraud involving a Presidentially declared major disaster and emergency in violation of Title 18, United States Code, Section 1343, and one count of conspiracy to commit money laundering in violation of Title 18, United States Code, Sections 1956(h) and 1957. The Sadruddins were charged as part of a scheme greater than \$30 million to defraud the Federal Emergency Management Agency (“FEMA”), Tennessee Valley Authority (“TVA”), and the state of Tennessee related to the procurement of tarps for hurricane victims in Puerto Rico, and the fraudulent acquisition of state and federal grant funds for the purpose of establishing a textile manufacturing plant in Pikeville.

Judge McDonough sentenced each defendant to 50 months of imprisonment, followed by five years of supervised release, and \$300 in special assessments. Moreover, as part of their guilty pleas and plea agreements with the United States, the defendants will forfeit numerous items, including houses, a vehicle, bank accounts, and other items of personal property that were obtained with proceeds of the fraud; they will also be required to pay full restitution in the amount of over \$7 million to the State of Tennessee, TVA, and FEMA.

From April 2017 through January 2019, the Sadruddins devised and participated in a scheme first to defraud the state of Tennessee and TVA by providing false information to win a bid for over \$3 million worth of grants to build a textile manufacturing plant and provide jobs to the citizens of Pikeville in Bledsoe County. Once they began to wrongfully receive the Tennessee and TVA grant funds, they used the money to buy tarps in order to satisfy a separate \$30 million contract with FEMA, in which they pledged to provide tarps to citizens in Puerto Rico following the devastating hurricanes in that region – Hurricane Maria and Hurricane Irma. As part of the contract, the defendants pledged to obtain tarps from Trade Agreements Act (TAA)-compliant countries and to provide tarps that met FEMA specifications. Instead, the defendants used the funds fraudulently obtained from the state of Tennessee and TVA to purchase tarps from China – a non-TAA-compliant country – that did not meet the contract

specifications. The defendant's falsified records suggesting they had legally procured the tarps and that the tarps met the agreed-upon specifications. Subsequent inspection of the tarps and documentation the defendants provided revealed the existence of the fraud and the non-compliance with the specifications of the contract. Once the fraud was uncovered, FEMA was forced to halt performance of the contract, and only a fraction of the tarps intended for the hurricane victims reached Puerto Rico.

The sentencing was announced by Acting United States Attorney for the Eastern District of Tennessee Francis M. Hamilton III.

"These defendants defrauded federal agencies and the citizens of Tennessee. Their duplicity deprived the victims of the hurricanes in Puerto Rico necessary equipment. The sentences imposed today reflect the seriousness of their crimes and our office's commitment to prosecute those engaged in major fraud offenses," said Acting United States Attorney Francis M. Hamilton III.

"Today's sentencing announcement is significant and highlights the FBI's collaboration with our partner agencies as we hold these defendants accountable for knowingly and wittingly creating a fraudulent and deceptive scheme against the citizens of Tennessee. We remain committed to aggressively pursue those whose intent is to victimize the very ones they proclaim they want to help," said Special Agent in Charge, Joe Carrico of the FBI field Office.

"TVA strives to better the lives of the people of the Tennessee Valley through many means, including economic development grants aimed at bringing investment and good jobs to the region. The TVA OIG would like to thank the United States Attorney's Office, specifically Assistant U.S. Attorney Steve Neff, Tennessee Comptroller's Office, Tennessee Bureau of Investigation, Federal Bureau of Investigation, and Department of Homeland Security OIG for working hand in hand with our office to investigate this fraudulent activity. Federal and State partners have a direct stake in ensuring that neither taxpayer nor Valley ratepayer funds are used for fraudulent purposes, and we are pleased that those who would defraud TVA and the people of the Tennessee Valley will see that such a choice comes with consequences," said Jill Matthews, Deputy Inspector General Performing the Duties of the Inspector General of the TVA's Office of the Inspector General (OIG).

"DHS OIG remains committed to working with our law enforcement partners to identify and investigate individuals who scheme to defraud disaster victims. Today's sentencing sends a clear message that Federal funds intended to help those victims will not fall into the hands of greed-driven criminals," said Joseph V. Cuffari, Inspector General for the Department of Homeland Security.

The United States Attorney's Office for the Eastern District of Tennessee partnered with many other federal, state, and local law enforcement and administrative agencies to conduct the investigation in this case. The agencies involved included the Department of Homeland Security Office of Inspector General (DHS OIG), Federal Bureau of Investigation (FBI), Tennessee Valley Authority Office of Inspector General (TVA OIG), Tennessee Bureau of Investigation (TBI), Tennessee State Comptroller's Office, and the 12th Judicial District Attorney's Office.

Assistant United States Attorneys Steven S. Neff and Gretchen Mohr represented the United States.

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