



PRESS RELEASE

Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

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IRS – Criminal Investigation

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Chaka Fattah Jr. Convicted of Fraud and Tax Charges

A federal jury today convicted Chaka Fattah Jr., 32, of Philadelphia, of 22 of 23 counts in connection with a scheme to defraud banks, the Internal Revenue Service (IRS) and the Philadelphia School District of hundreds of thousands of dollars. Senior U.S. District Judge Harvey Bartle III of the Eastern District of Pennsylvania scheduled a sentencing hearing for Feb. 3, 2015. The defendant faces a substantial term of imprisonment, restitution to the IRS, fines, a special assessment and supervised release.

Between 2005 and 2012, Fattah Jr.: made false statements to banks to obtain loans; made false statements to banks and the Small Business Administration (SBA) to settle loans for less than what was owed; filed false federal income tax returns; failed to pay federal taxes; and stole from the Philadelphia School District, which had received federal funds for its operations.

The evidence at trial showed that Fattah Jr. obtained numerous business lines of credit through false and fraudulent statements to local banks and used the funds primarily for personal expenses – including car payments, gambling debts, restaurant and club expenses, utilities, clothing, electronics, retail purchases, charitable donations, jewelry, legal fees and personal credit card expenses – rather than business expenses, as the loan terms required. These false statements involved fictitious earnings information that Fattah Jr. supplied for entrepreneurial companies which he claimed that he operated, including 259 Strategies LLC (259 Strategies) and Chaka Fattah Jr. & Associates. Fattah Jr. claimed that 259 Strategies provided educational consulting, diversity consulting and audit services, technical assistance, community relations and organizational development services to a select group of clients. He claimed that Chaka Fattah Jr. & Associates performed research and consulting concerning the development of computer centers.

In 2011, Fattah Jr. received a loan from United Bank for \$50,000 intended for “working capital to support business operations.” Instead, he used the funds to make car payments, to pay down more than \$15,000 in personal credit card debt and to pay more than \$33,000 in gambling debts at area casinos. The charges total approximately \$206,000 in bank loans received through false misrepresentations or fraud.

Fattah Jr. defaulted on several lines of credit and provided false information to two banks, to the SBA, which had insured the bank loans, and to an SBA investigator in order to attempt to settle the debts for less than what was owed. Fattah Jr. falsely claimed that 259 Strategies was out of business at the time he was attempting to settle his debts in 2010, and that he was earning only \$2,500 per month. In fact, during 2010, 259 Strategies was intact and, through this company, Fattah Jr. was earning between \$6,250 and approximately \$37,500 per month.

Fattah Jr. also stole funds supplied by the federal government to the Philadelphia School District, while acting as the chief operating officer of a Philadelphia company that provided educational services to “at risk” and other students through contracts with the school district. Fattah Jr. provided false expense

information and inflated salary figures for teachers and administrative staff on budgets submitted to the school district, which made payments consistent with the budgets provided and concealed the theft of the funds from the school district.

For tax years 2005, 2006 and 2008, Fattah Jr. filed false federal income tax returns and failed to pay federal income tax on a timely basis of approximately \$51,141 on more than \$150,000 in reported income during 2010.

The case was investigated by the FBI, IRS-Criminal Investigation and the U.S. Department of Education, with the cooperation of the Philadelphia School District's Office of Inspector General. It is being prosecuted by Assistant U.S. Attorney Paul L. Gray and Trial Attorney Eric Gibson of the Criminal Division's Public Integrity Section.

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