



U.S. Department of Justice

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FOR IMMEDIATE RELEASE

April 1, 2016

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PRESS RELEASE

SCHOOL CONSTRUCTION AUTHORITY GENERAL CONTRACTOR SENTENCED TO 96 MONTHS IN PRISON FOR LONG-RUNNING SCHEME TO DEPRIVE WORKERS OF THE PREVAILING WAGE

Earlier today in Brooklyn federal court, Muzaffar Nadeem, the owner of SM&B Construction Co., Inc. (SM&B), was sentenced to 96 months' imprisonment, ordered to pay more than \$1.3 million in restitution to the IRS, and ordered to forfeit to the government over \$7.1 million in criminal proceeds, following his convictions on May 8, 2015, after a four-week jury trial, for mail and wire fraud, structuring financial transactions, federal programs bribery, making illegal cash payments to a union official, money laundering, unlawful monetary transactions over \$10,000, subscribing to false tax returns, and multiple related conspiracy charges.

The convictions arose out of Nadeem's leadership role in a long-running scheme to pay SM&B's workers a fraction of the prevailing wage on projects funded by the New York City School Construction Authority (SCA), as SM&B was legally and contractually required to do. Nadeem's co-conspirators Zainul Syed, Afzaal Chaudry and Irfan Muzaffar were also convicted at trial of various crimes for their participation in this scheme. Muzaffar was previously sentenced to 18 months' imprisonment, and Chaudry was previously sentenced time served, following approximately ten months of imprisonment. Syed is awaiting sentencing. The sentencing proceedings were held before U.S. District Judge Brian M. Cogan.

The sentence was announced by Robert L. Capers, United States Attorney for the Eastern District of New York; Shantelle P. Kitchen, Special-Agent-in-Charge, Internal Revenue Service, Criminal Investigation, New York; and Jonathan Mellone, Acting Special Agent-in-Charge, U.S. Department of Labor, Office of Inspector General, Office of Labor Racketeering and Fraud Investigations.

"Contractors who perform public works in New York City and New York State are on notice that if they line their pockets by cheating workers out of the wages to which they are entitled will be vigorously prosecuted," stated United States Attorney Capers. Mr. Capers expressed his grateful appreciation to the Office of the New York State Attorney General and

that office's Organized Crime Task Force, the New York City Department of Investigation, the New York City School Construction Authority, Office of Inspector General, the New York City Police Department, and the New York County District Attorney's Office for their assistance in the investigation and prosecution of the defendant.

IRS Special Agent-in-Charge Kitchen stated, "The conviction of Mr. Nadeem and his co-conspirators and now, the sentencing of Mr. Nadeem, will hopefully give the hard working individuals who were defrauded in this multi-million dollar scheme a feeling that justice has been served. Additionally, this investigation should send a reassuring message to the taxpayers, who ultimately fund School Construction Authority projects, that law enforcement will investigate and prosecute such frauds, as well as send a message of deterrence to anyone contemplating taking advantage of public works projects."

DOL-OIG Special Agent-in-Charge Mellone stated, "Today's sentencing underscores the Office of Inspector General's continued commitment to bring to justice those who would bribe Union officials and falsify payroll records to cheat the American worker out of the required prevailing wage to which they are entitled."

Nadeem owned and operated SM&B, which received over \$36 million in fraud-induced payments from the SCA since 2007. Evidence at trial established that SM&B paid workers, including bricklayers and laborers, cash wages on its projects at rates that were a small fraction of the prevailing wage. The defendant and his co-conspirators Syed and Chaudry then falsely certified to the SCA that the workers had been paid the prevailing wage.

To conceal the scheme, and to obtain cash to pay the illegally low wages to workers, Nadeem, Syed and Muzaffar illegally structured financial transactions, cashing hundreds of checks in amounts less than \$10,000 for the purpose of avoiding federal reporting requirements. Since July 2006, Nadeem and others acting his direction wrote more than \$4.1 million in structured checks on SM&B's account.

Nadeem and Syed arranged for the payment of \$30,000 in cash bribes to an undercover SCA Inspector, and over \$7,000 in cash bribes to Russell Argila, a shop steward for Local 1 of Bricklayers. Argila previously pleaded guilty to accepting those bribes. Nadeem also laundered approximately \$7 million in proceeds of the scheme by funneling it through shell companies, and sent millions of dollars through these shell companies to Pakistan to invest in an amusement park and resort complex named "Wayzgoose Park."

Finally, Nadeem filed false tax returns for SM&B and himself that fraudulently inflated SM&B's business expenses and reduced its profits by more than \$4 million.

The government's case is being prosecuted by the Office's Public Integrity Section. Assistant United States Attorneys Lan Nguyen, Gina M. Parlovecchio and Nathan Reilly are in charge of the prosecution. Assistant United States Attorney Claire Kedeshian is handling the forfeiture aspects of the case.

The Defendant:

MUZAFFAR NADEEM

AGE: 60

BROOKLYN, NEW YORK

E.D.N.Y. Docket No. 13-CR-424 (BMC)