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PRESS RELEASE

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U.S. Housing and Urban Development Official Pleads Guilty To A Conflict of Interest Offense

WASHINGTON - Reginald B. Hayes, the director of Employee and Career Development at the U.S. Department of Housing and Urban Development (HUD), pled guilty today to a misdemeanor conflict of interest offense, announced U.S. Attorney Ronald C. Machen Jr. and HUD Deputy Inspector General Michael P. Stephens.

Hayes, 61, of Dumfries, Virginia, entered his plea in the U.S. District Court for the District of Columbia before the Honorable Magistrate Judge Alan Kay. During the plea hearing, he admitted that he received money from a company that obtained contracts from HUD in return for his assistance – sometimes in his official capacity at HUD – in obtaining those contracts.

Hayes faces up to one year in prison when he is sentenced July 29, 2011. Pursuant to the plea agreement, Hayes agreed to resign his position at HUD.

The case stems from Hayes's work on behalf of a company that was seeking contracts and business opportunities from HUD. The company had offices in South Carolina and Washington, D.C., and its primary expertise was establishing call centers and other communications services.

On March 2, 2007, Hayes sought advice from the HUD Office of General Counsel about whether he might engage in outside employment as a business consultant. He "request(ed) permission to serve as a private, non-HUD Business and Management Consultant primarily dealing with private and some public entities other than HUD."

In response, the Office of General Counsel advised Hayes, among other things, that he "must restrict (his) outside consulting activities to matters that do not involve any HUD program, activity or mission interest." Additionally, the Office of General Counsel advised Hayes that "it would be impermissible for you to include your official HUD title or any reference to your official position when conducting your outside business activities."

According to the government's evidence, with which Hayes agreed, on March 10, 2007, Hayes incorporated in Virginia a private business named Innovative Ventures, Inc. In July or August of 2007, Hayes agreed to provide services to the company that specialized in call centers and communications. He had met the President/CEO of this company in approximately 2004.

On September 28, 2007, Hayes sent an e-mail to the company's President/CEO, forwarding a revised resume for work as an expert in fair and predatory lending practices relevant to a HUD contract that the company was seeking. The following day, HUD awarded a one-year contract to the company for \$100,000 for reviewing mortgage lending data, with an option for renewal later.

On October 5, 2007, Hayes sent another e-mail to the company, this time with an attached invoice from Innovative Ventures, Inc., charging \$2,000 for "Federal Contracting Technical Assistant." Hayes stated that the invoice "represented cost proposal work and research regarding the current contract. I will send a separate invoice for the up-front cost of 2%."

The company's President/CEO responded that the firm would "use this invoice with no reference to HUD. All is fine." She then sent another e-mail to one of the company's employees that "FYI, as with all our subs, we do not release their names/roles in our work. In this case, no client reference should be attached – general consulting."

On November 9, 2007, a check for \$2,000 was sent from the company to Innovative Ventures, Inc. Hayes contends that this payment was not for his work on the HUD contract.

On January 17, 2008, at the request of the company's President/CEO, Hayes reviewed and edited a contract proposal for a contract the company was seeking from HUD that was valued at approximately \$1.7 million. The following month, the company was awarded the contract, which was for a Disaster Housing Assistance Program Call Center to address issues created by Hurricanes Katrina and Rita.

On three separate occasions – May 4, August 1, and November 5, 2008 – Hayes submitted invoices on behalf of Innovative Ventures, Inc., to the company for "Federal Contracting Technical Assistant," each in the amount of \$11,334, for Hayes's work on the company's behalf involving the \$1.7 million contract. The company issued checks to Innovative Ventures, Inc., totaling \$34,002, approximately 2% of the value of the contract.

In addition:

- On June 3, 2008, at the request of the company's President/CEO, Hayes reviewed and made comment on a Power Point presentation that the company intended to use in its presentation to HUD in seeking another contract for a federal housing assistance call center. In his e-mail response to the President/CEO, Hayes listed his name, his HUD title, and his HUD work phone number. The company was not successful in obtaining that contract.

- On June 12, 2008, Hayes, in his role as HUD Director of Employee and Career Development, recommended to HUD officials that the company's President/CEO be a speaker at the opening ceremony for a program for interns at HUD headquarters. Hayes stated that the

President/CEO “is a dynamic business woman and entrepreneur” and that “her fee is \$6900.” Ultimately, the President/CEO was not chosen for the HUD speaking engagement.

– On July 31, 2009, Hayes sent an e-mail to the company, with his HUD title and contact information listed, in support of a Minority Business Enterprise Award for the President/ CEO. The e-mail reads, in relevant part, that as a “Director in the Housing and Urban Development, I work closely with many of the organizations that contract with us offering call center services. I consider (the President/CEO) to be one of the most responsible members of our contract force. I have come to know the quality of professionalism of (the company) and am pleased to recommend her as a candidate for your award.”

Finally, as of September 3, 2009, Innovative Ventures, Inc. listed the company on its website as one of four “Sample Clients.”

In announcing today’s guilty plea, U.S. Attorney Machen and Deputy Inspector General Stephens praised the hard work of those who worked on the case from HUD’s Office of Inspector General. They also acknowledged the efforts of Paralegal Specialist Mary Treanor, as well as Assistant U.S. Attorney Daniel Friedman, who handled this matter initially, and Assistant U.S. Attorney Daniel Butler, who handled this matter thereafter, including the plea negotiations and subsequent proceedings.

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