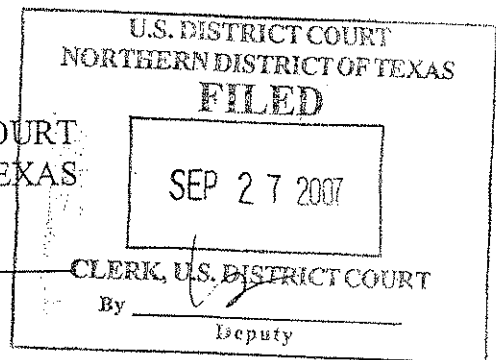


1
IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



NSH
UNITED STATES OF AMERICA

v.

DONALD W. HILL (01)
a/k/a "Don Hill"
D'ANGELO LEE (02)
SHEILA D. FARRINGTON (03)
a/k/a "Sheila Hill"
BRIAN L. POTASHNIK (04)
CHERYL L. POTASHNIK (05)
a/k/a "Cheryl L. Geiser"
GLADYS E. HODGE (06)
a/k/a "Terri Hodge"
DARREN L. REAGAN (07)
a/k/a "Dr. Darren L. Reagan"
ALLEN J. MCGILL (08)
JIBREEL A. RASHAD (09)
a/k/a "Vernon Cooks, Jr."
RICKEY E. ROBERTSON (10)
a/k/a "Rick Robertson"
ANDREA L. SPENCER (11)
a/k/a "Toni Fisher" and "Toni Thomas"
RONALD W. SLOVACEK (12)
a/k/a "Ron Slovacek"
KEVIN J. DEAN (13)
JOHN J. LEWIS (14)

No. 3:07-cr-289-RM

~~FILED UNDER SEAL~~
unsealed

INDICTMENT

The Grand Jury Charges:

Introduction

At all times material to this indictment:

Federal Low-Income Housing Tax Credits

1. In 1986, Congress created the Low-Income Housing Tax Credit Program (“tax credit program”) under Section 42 of the Internal Revenue Code. The tax credit program was a means of directing private capital toward the creation of affordable rental housing. Housing tax credits, which provided a dollar-for-dollar reduction of federal income tax liability, created an incentive for owners and investors to make an equity contribution to the development of rental units for low-income households. Such equity capital made it possible to reduce the debt service and related expenses necessary for the development, which, in turn, made it possible to provide units at lower rents.

2. The ownership of a tax credit development was almost always vested in a limited partnership. Such a limited partnership was comprised of a general partner, which typically owned 0.01% of the limited partnership, and a limited partner, which typically owned 99.99% of the limited partnership. The general partner was usually an entity owned by the developer and was responsible to the limited partner for the day-to-day operations of the partnership’s business and legally liable for the consequences of those operations. The limited partner was usually an investor in the partnership’s business. Prior to closing a construction loan and beginning construction, the tax credit applicant (“applicant” or “developer”) was commonly both the general partner and the limited partner in the development owner. Upon obtaining a construction loan, the applicant typically finalized negotiations with a large financial institution that would purchase the

limited partnership interest primarily to obtain the tax credits that had been awarded to the partnership. The sale of equity held by the limited partnership interest provided the applicant with the funds necessary to build the project. The applicant was then able to profit through fees it charged the new owner for development (“development fees”) and, in some cases, for construction and management of the property.

3. Housing tax credits were available for newly-constructed and substantially rehabilitated residential rental units, a certain percentage of which had to be rent-restricted and occupied by low-income tenants. Every year, the federal government allocated a fixed amount of tax credits to each state based on population. Each state awarded its credits through a designated housing credit agency in accordance with a Qualified Allocation Plan and Rules (“QAP”). In Texas, the Texas Department of Housing and Community Affairs (“TDHCA”) was responsible for administering the tax credit program. The TDHCA awarded two kinds of housing tax credits: nine percent credits (“9% credits”) and four percent credits (“4% credits”). It awarded 9% credits for developments that were not federally subsidized and 4% credits for developments financed with tax-exempt private activity bonds. The sale of the 9% credits, standing alone, and the sale of the 4% credits, in combination with low-interest, long-term tax-exempt bonds, provided the necessary equity to build, equip, lease and operate affordable rental communities for low-income households.

4. The QAP contained non-waivable site and development restrictions applicable to both the 9% and 4% tax credit applications. Specifically, the QAP capped tax credit allocations at \$1.2 million per development and \$2 million per applicant, developer, related party or guarantor in any application round. Additionally, beginning in 2004, the QAP provided that the TDHCA could allocate tax credits to more than one development in the same calendar year only if the developments were, or would be, located more than one linear mile apart (“one-mile/one-year rule”). The purpose of these restrictions was to prevent a glut of low-income housing in the same neighborhood and to provide a more competitive tax credit financing system.

5. The TDHCA awarded 9% tax credits through a competitive application process using a point-based scoring system. To obtain the credits, the development had to meet all QAP threshold requirements and score high on the QAP selection criteria, which were based on the following factors:

- the financial feasibility of the development based on supporting financial data that included a project underwriting pro forma from the permanent or construction lender;
- quantifiable community participation with respect to the development;
- the income levels of tenants of the development;
- the size and quality of the units;
- the commitment of development funding by local political subdivisions;

- the level of community support for the application, evaluated on the basis of written statements from elected officials;
- the rent levels of the units;
- the costs of development by square foot; and
- the services to be provided to the tenants of the development.

6. The QAP assigned a specific number of points, positive and negative, for each selection criteria item. For example, with respect to community support, the QAP awarded three points for each letter of support from a state elected official who represented constituents in the area where the development was located. Conversely, the QAP deducted three points for each letter of opposition. Due to strong competition for the 9% credits, the TDHCA awarded or refused credits on a narrow margin of points. Accordingly, points for support letters from state and local elected officials were determinative in some instances.

7. The TDHCA awarded 4% tax credits through a non-competitive application process using a lottery. To obtain the credits, a developer had to finance a portion of its development with tax-exempt private activity bonds. Because federal law limited the amount of bonds each state could issue in a year, known as the “state ceiling,” Texas created the Bond Review Board (“BRB”) to allocate the amount in an equitable and efficient way. Thus, the 4% tax credit financing involved both the BRB and the TDHCA as follows:

a. Inducement. The developer first sought an inducement for the issuance of bonds from either the TDHCA or a local issuer, such as the City of Dallas Housing Finance Corporation ("DHFC"). Upon inducement, the issuer applied to the BRB for a portion of the state ceiling, known as a reservation.

b. Reservation. The BRB granted reservations by priority and lottery during each calendar year. The issuer had to close the bond transaction within 150 days of the reservation date or the reservation was cancelled. During the 150-day period, the issuer had to conduct a public hearing and review the applicant's full application for specific criteria. If the issuer approved the application, it notified the BRB of its intent to issue bonds. When the BRB approved the issuance, the issuer scheduled a closing date for the bond transaction.

c. Application. Once the BRB issued a reservation, the developer submitted its application for 4% tax credits to the TDHCA. As part of the application, the development had to provide the TDHCA with certain financial information regarding the development's proposed budget, including an estimate of the developer's fee, which was statutorily set at fifteen percent of the development budget. The TDHCA made these financial pro forma estimates publicly available on the Internet. In addition to financial information, the TDHCA required developers to submit, among other things, the following documents in support of their applications (all of which, except for the supportive services contract, were required for the 9% applications as well):

i. a certification that the developer would attempt to ensure that at least thirty percent of the construction and management businesses with which it contracted with respect to the development were minority-owned, also known as historically underutilized businesses (“HUBs”);

ii. a letter from the City Manager or other City official with jurisdiction over zoning matters stating that the area in which the development was to be located was zoned for the proposed use or that the developer was in the process of seeking the appropriate zoning;

iii. beginning in 2004, if the development was located in a municipality that had more than twice the state average of units per capita supported by housing tax credits or private activity bonds, as did the City of Dallas, a resolution from the City Council approving the development and a written statement of support authorizing an allocation of housing tax credits for the development;

iv. if the development was located within one linear mile or less from another development that served the same type of household and received a tax credit allocation for new construction during the three-year period preceding the date of the development owner’s application (“one-mile/three-year rule”), a resolution from the City Council approving the development; and

v. an executed agreement with a qualified service provider for the provision of special supportive services that would not otherwise be available to the

tenants free of charge such as child care, transportation, basic adult education, computer facilities, legal assistance, counseling services, General Education Degree preparation, English as a second language classes, vocational training, home buyer education, credit counseling, financial planning assistance or courses, health screening services, health and nutritional courses, organized team sports programs, youth programs, scholastic tutoring and social events and activities.

d. Determination. If an affordable housing development met all QAP requirements, the TDHCA's Board of Directors issued a Determination Notice in which it committed to issuing 4% tax credits to the developer.

8. Oftentimes, developers would partner with certified Community Housing Development Organizations ("CHDOs") and receive property tax exemptions on their multifamily projects. A CHDO was a private non-profit, 501(c)(3)-status community-based service organization, a purpose of which was to provide decent, affordable housing for the community it served. A property tax exemption was available for affordable housing developments located on CHDO-owned property and financed with tax-exempt private activity bonds or low-income housing tax credits. Thus, a developer who partnered with a CHDO could take advantage of this exemption and pass along the tax savings to low-income tenants in the form of reduced rents. Only government-certified CHDOs were eligible for the exemption.

9. As noted above, a developer had to obtain the City of Dallas' approval on various matters to receive tax credit financing. By the time a tax credit project reached the City Council for final approval, the developer typically had invested a substantial amount of its own money into the project. If the City of Dallas rejected the use of tax credits, the developer suffered a significant financial loss because such funds could not be recouped.

The City of Dallas

10. The City of Dallas ("City") was an incorporated unit of local government and a political subdivision of the State of Texas that received over \$10,000.00 in federal funds annually in the fiscal years 2003 and 2004. The City was a home-rule municipality that operated pursuant to a charter ("City Charter"). The City Charter provided for a City Council/Manager form of government in which the Dallas City Council ("City Council" or "Council") was the legislative and policy-making body and the City Manager was the chief administrative and executive officer. The City Charter also provided for a legal department headed by the City Attorney.

11. The City Council was comprised of fifteen members elected by voters in non-partisan elections. Fourteen members, Places 1 through 14, were elected from single-member districts and served two-year terms. The mayor, Place 15, was elected at-large and served a four-year term. Council members had to be qualified voters of the City and could not be in arrears on any City taxes or other liabilities due the City. Federal tax

liens, bankruptcies and foreclosures, however, did not disqualify persons from serving on the Council. In furtherance of their official duties, each City Council member received the following:

- \$37,500.00 in annual compensation (excluding the mayor);
- professional and secretarial assistance;
- office space at City Hall; and
- an individual officeholder account, intended for official purposes only, funded annually according to the member's position, *i.e.*, \$26,000.00 for the mayor, \$17,000.00 each for the mayor pro tem and deputy mayor pro tem and \$12,000.00 for each remaining member.

12. The City Council appointed the City Manager, who served an indefinite term and was subject to removal by a two-thirds vote of the full Council. The City Manager was responsible for implementing City policy and handling the City's daily administrative affairs. The City Manager supervised and directed almost all City departments and appointed department directors.

13. The City Council appointed the City Attorney, who served an indefinite term and was subject to removal by a two-thirds vote of the full Council. The City Attorney's duties included representing the City in all litigation and controversies and being the legal adviser to the City Manager, City Council and its committees, official City boards and commissions and all City officers and employees regarding any legal question involving any official duty or legal matter pertaining to the City's affairs.

14. City Council members appointed persons to serve on various City boards and commissions. One such commission, the City Plan and Zoning Commission (“CPC”), was responsible for holding public hearings on zoning change applications and making recommendations thereon to the City Council, which approved or denied the applications. Each Council member appointed one person to the CPC to represent his or her district (“plan commissioner”) for a two-year term. Plan commissioners had to be qualified voters of the City and could not be in arrears on any City taxes or other liabilities due the City. Federal tax liens, bankruptcies and foreclosures, however, did not disqualify persons from serving on the CPC.

15. The City Council had standing committees that were responsible for reviewing matters within their jurisdiction that the City Council or City Manager referred to them. The mayor appointed at least three Council members, including a chair and vice chair, to serve on each committee. The Housing and Neighborhood Development Committee (“HNDC”) was responsible for reviewing housing-related issues and the Business and Commerce Committee was responsible for reviewing area redevelopment issues.

16. The City conducted business through more than thirty departments. The departments that frequently dealt with affordable housing and urban revitalization were:

a. Development Services. The Development Services Department was involved in the private development process in Dallas. It provided permit and plan

review and approval and inspection services. This department reviewed zoning change applications and briefed both the CPC and the City Council on such applications.

b. Housing. The Housing Department offered a variety of housing programs to assist Dallas residents. Through such programs, it sought to increase home ownership and affordable housing opportunities, especially for low-income families. This department reviewed low-income housing tax credit applications and briefed both the HNDC and the City Council on the applications.

c. Office of Economic Development. The Office of Economic Development oversaw the Area Redevelopment Program, which used Tax Increment Financing (“TIF”) districts to enhance infrastructure and services in designated areas. Under state law, the City was allowed to create TIF Districts/Reinvestment Zones to use the increased tax value of land from a proposed development toward financing public improvements in the reinvestment zone. This department reviewed TIF project applications and briefed both the Business and Commerce Committee and the City Council on such applications and other TIF-related issues.

17. When a City department wanted City Council action on a matter, it drafted an agenda information sheet which included: (a) the type of approval or authorization sought; (b) background information, including the basis for the request; (c) any prior action or review of the matter by the Council or designated standing committee, board or commission; (d) the department’s recommendation; and (e) the financial impact, if any,

on the City. Each department submitted its agenda information sheet to a supervising Assistant City Manager for review and approval for placement on the Council's agenda. Each department then electronically sent its agenda information sheet to the City Manager's agenda coordinator, who compiled all department submissions onto a hard copy and distributed the agenda to the Council members.

18. The City Council routinely met on the second and fourth Wednesdays of each month to consider and vote on the agenda ("agenda meetings"). The Council evidenced its official actions through written ordinances and resolutions, the passage of which generally required, at a minimum, an affirmative vote of a majority of the members present. Because the Council was divided into fourteen single-member districts, each member had significant influence over City actions that affected his or her district as Council members generally afforded one another great deference in such matters. For example, if a Council member moved to postpone a vote on a developer's zoning change application with respect to property in his or her district, all other Council members would typically adopt the motion without question. Likewise, if a Council member moved to deny a resolution for tax-exempt bond and tax credit financing for a housing project in his or her district, the Council would typically deny the resolution. Such unwritten protocol was followed by the CPC as well.

19. City Council members and their appointees owed a duty to act in the best interests of the public they served. To that end, state and municipal law prohibited City

officials from using their positions for their own personal gain. Such laws, which were intended to protect the public good, addressed the following matters:

a. Conflicts of Interest. Texas Local Government Code § 171.004, City Charter Chapter III, § 10, City Code of Ethics Chapter II, § 12A-3, and City Council Rule of Procedure 4.3 prohibited Council members from voting on matters that would likely affect their own, or a family member's, financial interests. A Council member who had a conflict of interest was required to recuse himself or herself, file a sworn Disclosure of Conflict Statement, and abstain from all further participation with respect to the matter, including discussions with other Council members. Upon recusal, a member was required to leave the Council chamber during all discussions and votes on the matter. The City Code of Ethics required all City officials and employees, not just Council members, to disclose any and all conflicts of interest and to refrain from participation in matters in which they had a conflict. The effectiveness of these provisions was dependent on conscientious self-policing by the City officials and employees themselves.

b. Misuse of Official Information. Texas Penal Code § 39.06 prohibited City officials from using information which was not publically available and to which they had access by virtue of their official positions for the purpose of:

- acquiring or aiding another to acquire a pecuniary interest in any property, transaction, or enterprise that may have been affected by the information; or
- speculating or aiding another to speculate on the basis of the information.

City officials were also prohibited from disclosing or using such information for non-governmental purposes with the intent to obtain a benefit or to harm or defraud another.

An offense under these provisions was a felony.

c. Bribery. Texas Penal Code § 36.02 prohibited City officials from intentionally or knowingly offering, conferring, or agreeing to confer on another, or soliciting, accepting, or agreeing to accept from another:

- any benefit as consideration for the recipient's decision, opinion, recommendation, vote, or other exercise of discretion as a public servant; or
- any benefit that was a political contribution, if the benefit was offered, conferred, solicited, accepted, or agreed to pursuant to an express agreement to take or withhold a specific exercise of official discretion if such exercise of official discretion would not have been taken or withheld but for the benefit.

An offense under this provision was a felony.

20. The City Council approved and authorized the creation of the City of Dallas Housing Finance Corporation ("DHFC") to issue tax-exempt bonds for the development of affordable rental housing in Dallas.

a. City Council Approval. Under the Internal Revenue Code, 26 U.S.C. § 147, and the DHFC's Articles of Incorporation and Bylaws, the DHFC was required to obtain City Council approval to issue tax-exempt bonds to finance multifamily developments that served low- and moderate-income populations with special needs, such as senior independent and assisted living developments and housing for persons with

acquired immune deficiency syndrome (“AIDS”) or other disabilities. On October 8, 2003, the City Council authorized the DHFC to amend its multifamily policy to incorporate specific criteria for determining whether to grant an exception for tax-exempt bond financing for new construction of multifamily developments for persons other than special needs populations (“multifamily project review criteria”). The City Council used the multifamily project review criteria to decide whether such a development was in the City’s best interest and whether to approve bond financing for the project. In 2004, the Council extended the use of such criteria to its consideration of TDHCA applications for tax credits.

b. Walker Consent Decree. As a result of the federal complaint filed in *Walker v. United States Department of Housing and Urban Development et al.*, case number 3:85-CV-1210-R, the United States Department of Housing and Urban Development (“HUD”) and the Dallas Housing Authority entered into a consent decree under which they agreed to implement a plan to address certain housing issues raised in the *Walker* lawsuit (“*Walker* Consent Decree”). Included in such plan was a requirement that the City provide a specified number of housing units for low-income families. In accordance with the *Walker* Consent Decree, the DHFC’s multifamily program policy required at least two percent, but not more than twenty percent, of a project’s units be set aside and rent-restricted for very low-income tenants (“*Walker* unit set aside requirement”). Although the *Walker* Consent Decree was dissolved on August 12, 2003,

the City Council did not authorize the DHFC to remove the *Walker* unit set aside requirement from its multifamily program policy until April 27, 2005.

21. The City Council established the Housing Authority of the City of Dallas, Texas (“DHA”) to administer housing assistance programs pursuant to the United States Housing Act of 1937, 42 U.S.C. § 1437. The DHA was a political subdivision of the State of Texas and was exempt from state property taxes. Although it was governed by a five-member board of commissioners appointed by the mayor, the City had no other involvement in DHA operations. The DHA received most of its funding from HUD. It provided affordable housing to low-income families and individuals through public housing developments and rental assistance programs.

a. Single Room Occupancy Program. The DHA administered the Single Room Occupancy (“SRO”) program, which provided rent subsidies for homeless persons in connection with the moderate rehabilitation of SRO dwellings. An SRO dwelling contained units for occupancy by one person. Under the SRO program, the DHA made Section 8 rental assistance payments to participating owners on behalf of homeless individuals who rented the rehabilitated dwellings. Owners were compensated for some rehabilitation costs as well as costs of owning and maintaining the property. SRO projects were also eligible for housing tax credits.

b. Partnerships with For-Profit Entities. In 2004, for the first time since its inception, the DHA partnered with for-profit entities on two tax credit projects to

develop affordable housing communities in Dallas. Under that scenario, the DHA was to benefit from the for-profit entities' business knowledge, fiscal strength and professional contacts and the for-profit entities were to benefit from the DHA's property tax exemption.

22. Other federal funds were available to the City for the development of affordable housing and urban revitalization, which included the following:

a. Community Development Block Grants. Each year HUD granted entitlement funds, known as Community Development Block Grants ("CDBG"), to local governments for the development of urban communities that would benefit low- and moderate-income persons. To receive its annual grant, the City was required to submit an application and consolidated plan to HUD, explaining how the City intended to use the funds. HUD determined the grant amount using a formula that took into account the targeted community's poverty level, population and expected population growth, housing overcrowding and housing age. Although the City was permitted to develop its own programs and funding priorities, it had to use at least seventy percent of the grant funds for activities that benefitted low- and moderate-income persons. A developer that was awarded CDBG funds for its affordable housing development could receive up to fourteen points on its 9% application for housing tax credits.

b. Economic Development Initiative Grants. HUD awarded Economic Development Initiative ("EDI") grants to local governments for use in projects assisted by

the CDBG program's Section 108 Loan program ("Section 108"). Section 108 allowed local governments to transform a portion of their CDBG funds into federally-guaranteed loans for urban revitalization projects. Grant funds could be used to pay for certain pre-development costs, such as site preparation and infrastructure improvements. To receive EDI grant money, local governments submitted project-specific requests for federal funds, known as earmarks, to be included in HUD's annual appropriations bill.

23. Private grants were also available for real estate development projects dedicated to neighborhood improvements and decent, affordable housing in the City of Dallas. The Real Estate Council Foundation ("TREC"), a non-profit organization that supported neighborhood revitalization and economic development, awarded grants to local non-profit 501(c)(3) organizations to support community renewal and development. Social service organizations that had real estate components, such as Community Development Corporations, were considered affinity organizations and were prime grant recipients.

24. The City made bond funds available to private developers for infrastructure improvements for single-family affordable housing developments under the 2003 General Obligation Bond Capital Improvement Program ("2003 Bond Program"). The 2003 Bond Program, which authorized the issuance of more than \$550 million in general obligation bonds for various public improvement programs, was implemented over a four-year period. The City's Housing Department issued Requests for Applications to solicit

proposals from developers for single-family affordable housing development infrastructure improvements and, in February 2005, the City Council approved the use of over \$2 million in bond funds for four projects.

25. Pursuant to the 2003 Bond Program, each district was allotted \$3.9 million in discretionary funds for improvements to or construction of streets, park and recreation facilities, flood protection and storm drainage systems and City facilities. As the funds were discretionary, each Council member could use their district's funds for projects of their own choosing, subject to full Council approval.

26. The City Council created the Dallas Police and Fire Pension System ("DPFP System" or "System") to provide retirement benefits to the City's uniformed public safety employees. The Texas legislature codified the System under Article 6243a of the Texas Revised Civil Statutes. The DPFP System, which included the Supplemental Police and Fire Pension Plan, was a single employer-defined benefit plan under Section 401(a) of the United States Internal Revenue Code. A Board of Trustees, which was comprised of Dallas City Council members and active and retired police officers and firefighters, was responsible for administering the System, including investing pension assets and awarding and disbursing pension benefits. The Trustees had authority to invest pension assets in real estate development projects if they deemed the investment prudent and in the System's best interest. All DPFP System Trustees owed a fiduciary duty to, and were required to act solely for the benefit of, the pension plan and its members and

beneficiaries. If a Trustee had a direct or indirect substantial interest in a business entity or real property being considered by the Board or had any obligation that would otherwise create a substantial conflict with the proper discharge of the Trustee's fiduciary duties, the Trustee was required to disclose to the Board, via affidavit, the nature and extent of such substantial interest or conflict and recuse himself or herself from participation in the matter.

The Defendants

27. Defendant **Donald W. Hill**, also known as Don Hill ("**Hill**"), was an agent of a local government who was elected to the Dallas City Council, Place 5, in 1999, and re-elected to the same position in 2001, 2003, and 2005. During his tenure on the Council, **Hill** served as mayor pro tem, deputy mayor pro tem, vice chair of the Business and Commerce Committee, chair of the Finance and Audit Committee and a member of the Comprehensive Plan Committee. He was also a DPFP System Trustee.

28. Defendant **D'Angelo Lee** ("**Lee**") was an agent of a local government who was nominated to the City Plan and Zoning Commission by **Hill** in August 2003. On October 1, 2003, the City Council appointed **Lee** the plan commissioner for District 5 for a term that expired on August 31, 2005. **Lee** was a principal in the 825 Company and a hidden partner in RA-MILL, LLC, Kiest General, LLC, Kiest Blvd., LP and The LKC Dallas.

29. Defendant **Sheila D. Farrington**, also known as Sheila Hill

(“Farrington”), was **Hill’s** mistress, and later wife, and the principal of Farrington & Associates, which she created to funnel money from affordable housing developers to **Hill and Lee**.

30. Defendant **Brian L. Potashnik** was a real estate developer and the founder, president, and a principal of Southwest Housing Development Company, Inc. (“SWH”). SWH and its affiliates, which included Affordable Housing Construction and Southwest Housing Management Corporation, were for-profit corporations that developed, built and managed affordable housing projects in South Dallas. SWH relied heavily on tax-exempt bonds and housing tax credits to finance its developments. Consequently, the City Council’s approval of SWH’s zoning change applications and use of tax credit financing was crucial to its success. Rosemont at Laureland and Rosemont at Scyene were SWH tax credit projects that were located in District 5. A portion of Rosemont at Laureland was also located in District 8. On **Hill’s** motion, the City Council approved resolutions supporting TDHCA tax-exempt bonds and 4% tax credits for both projects on October 27, 2004. The bond and tax credit applications for Rosemont at Laureland and Rosemont at Scyene were in direct competition with the bond and tax credit applications for two other projects located in District 5, Dallas West Village and Memorial Park Townhomes, which were being proposed by another affordable housing developer known to the Grand Jury (“Developer”). In 2004, the City Council also approved resolutions supporting TDHCA tax-exempt bonds and 4% tax credits for two other SWH tax credit projects, Cherrycrest

Villas and Arbor Woods.

31. Defendant **Cheryl L. Potashnik**, also known as Cheryl L. Geiser, was **Brian L. Potashnik's** spouse, the chief operating officer and a principal of SWH and the president and a principal of Housing Services Incorporated, formerly known as Housing Services of Texas ("HST"). HST was a private non-profit corporation that provided tenant supportive services within affordable housing communities. SWH used HST as the supportive services provider for almost all of its affordable housing projects. The City of Dallas certified HST as a CHDO on March 11, 2004.

32. Defendant **Gladys E. Hodge**, also known as Terri Hodge ("**Hodge**"), was an agent of a state government who was elected to the Texas House of Representatives, District 100, in 1996, and re-elected to the same position in 1998, 2000, 2002, 2004 and 2006. **Hodge**, who served on HST's Board of Directors, resided at Rosemont at Arlington Park, a SWH affordable housing community, beginning in April 2002. **Hodge**, acting in her official capacity as a state representative, submitted letters to the TDHCA in support of SWH tax credit projects located in her district and sought the support of other elected officials for SWH projects located in other districts.

33. Defendant **Darren L. Reagan**, also known as Dr. Darren L. Reagan ("**Reagan**"), was the chairman and chief executive officer of the Black State Employees Association of Texas ("BSEAT") and the BSEAT Community Development Corporation, Inc. ("BSEAT CDC"). Despite their names, neither BSEAT nor the BSEAT CDC was

officially related to any group of Black, or African-American, state employees. **Reagan**, working in agreement with **Hill** and **Lee**, sought consulting agreements from Developer, who sought City Council approval of zoning change applications and the use of tax credits in connection with the development of affordable housing projects in Districts 5 and 8.

34. Defendant **Allen J. McGill** ("**McGill**") was the president and vice chairman of BSEAT and the BSEAT CDC. **McGill** attempted to benefit from consulting agreements with Developer.

35. Defendant **Jibreel A. Rashad**, also known as Vernon Cooks, Jr. ("**Rashad**"), was a principal of Rashad Investments, Inc. and Rashad-Millennium LLC, also known as RA-MILL, LLC ("**RA-MILL**"). **Rashad** sought construction subcontracts from Developer.

36. Defendant **Rickey E. Robertson** ("**Robertson**") was a licensed automobile dealer who purchased vehicles under the business name Millenium Investments Group. **Robertson** was also a principal of RA-MILL and sought construction subcontracts from Developer.

37. Defendant **Andrea L. Spencer**, also known as Toni Fisher and Toni Thomas ("**Spencer**"), held herself out as RA-MILL's business manager and was a principal of Article IV Development ("**Article IV**") and the LCG Development Group, also known as the Lynnea Consulting Group ("**LCG**"). **Spencer**, who claimed that the

LCG was a minority- and women-owned business enterprise (“M/WBE”), sought construction subcontracts on SWH affordable housing projects in Districts 3, 5 and 8. **Spencer** was a partner with **Lee** and **Ronald W. Slovacek** in Kiest General, LLC, Kiest Blvd., LP and The LKC Dallas, also known as The LKC Consulting Group (collectively, “Kiest entities”). **Lee**, **Spencer**, and **Slovacek** formed the Kiest entities for the purpose of developing real estate projects in South Dallas using public and private funds. They operated the Kiest entities out of 1409 South Lamar, Suites 703 and 704, Dallas, Texas (“the Lofts”).

38. Defendant **Ronald W. Slovacek**, also known as Ron Slovacek (“**Slovacek**”), was a real estate developer and a principal of RON-SLO, Inc. (“RON-SLO”) and Millennium Land Development, LLC (“Millennium Land Development”). He sought construction subcontracts on SWH affordable housing projects in Districts 3, 5 and 8. **Slovacek** was a partner with **Lee** and **Spencer** in the Kiest entities.

39. Defendant **Kevin J. Dean** (“**Dean**”) was the president and a principal of Kevin Dean Asphalt Technology, Inc. (“KDAT”), KDAT Developers, LLC, and Helping Hand Programs, Inc. **Dean** sought concrete subcontracts from Developer on five projects throughout the state, including a project in District 5, where a zoning change was needed.

40. Defendant **John J. Lewis** (“**Lewis**”) was an attorney and principal of Lewis & Associates. **Lewis** sought an Attorney Consultation and Fee Agreement in connection with the five projects on which **Dean** sought concrete subcontracts from Developer.

Count One
Conspiracy to Commit Bribery Concerning a State Government
Receiving Federal Benefits
(Violation of 18 U.S.C. § 371 (§§ 666(a)(1)(B) and 666(a)(2)))

A. The Grand Jury hereby adopts, realleges and incorporates herein all allegations set forth in the Introduction of this indictment as if fully set forth herein.

The Conspiracy and Its Objects

B. Beginning, at least, on or about February 27, 2002, the exact date being unknown to the Grand Jury, and continuing through on or about June 3, 2005, in the Dallas Division of the Northern District of Texas, defendants, **Brian L. Potashnik**, **Cheryl L. Potashnik**, also known as Cheryl L. Geiser, and **Gladys E. Hodge**, also known as Terri Hodge, did knowingly combine, conspire, confederate and agree with each other, and with others known and unknown to the Grand Jury, to commit the following offenses against the United States:

1. bribery concerning an agent of a state government receiving federal benefits, in violation of 18 U.S.C. § 666(a)(1)(B), that is, as an agent of a state government that received benefits in excess of \$10,000.00 in each of the one-year periods beginning October 1, 2001, October 1, 2002, October 1, 2003, and October 1, 2004, pursuant to a federal program involving a grant and other forms of federal assistance, to corruptly solicit, accept, and agree to accept, in a transaction and series of transactions, something of value of \$5,000.00 or more from a person, intending to be influenced and rewarded in connection with any business, transaction, and series of transactions of the

State of Texas; and

2. bribery concerning an agent of a state government receiving federal benefits, in violation of 18 U.S.C. § 666(a)(2), that is, in a transaction and series of transactions, to corruptly offer, give and agree to give something of value of \$5,000.00 or more to a person, in connection with any business, transaction, and series of transactions of the State of Texas, with intent to influence and reward an agent of a state government that received benefits in excess of \$10,000.00 in each of the one-year periods beginning October 1, 2001, October 1, 2002, October 1, 2003, and October 1, 2004, pursuant to a federal program involving a grant and other forms of federal assistance.

C. The objects of the conspiracy included the following:

1. to unjustly enrich **Hodge** through her corrupt solicitation, acceptance and agreement to accept things of value in return for her performance of official acts and use of her official position as a state representative; and

2. to influence and reward **Hodge** by corruptly offering, giving and agreeing to give things of value to **Hodge** for her performance of official acts and use of her official position as a state representative that would advance the business interests of **Brian L. Potashnik** and **Cheryl L. Potashnik**.

Manner and Means of the Conspiracy

D. The conspirators used the following manner and means, among others, to carry out the objects of the conspiracy:

1. As a state representative, **Hodge** would and did provide official assistance to affordable housing developers **Brian L. Potashnik** and **Cheryl L. Potashnik**, who sought TDHCA approval of their tax credit applications located in House District 100 and elsewhere.

2. **Hodge** would and did seek things of value for herself in return for providing official assistance to **Brian L. Potashnik** and **Cheryl L. Potashnik**. The things of value included rent subsidies, utility payments and new carpeting for her house.

3. **Brian L. Potashnik** and **Cheryl L. Potashnik** would and did offer things of value to **Hodge** to influence and reward her for her performance of official acts that advanced their business interests. The things of value included rent subsidies, utility payments and new carpeting for her house.

4. In return for things of value, **Hodge** would and did agree to perform and did perform a pattern of official acts to promote and advance the business interests of **Brian L. Potashnik** and **Cheryl L. Potashnik**, which included:

a. submitting letters to the TDHCA in support of SWH tax credit projects located in House District 100; and

b. seeking the support of other elected officials for SWH projects located in other house districts.

5. **Brian L. Potashnik** and **Cheryl L. Potashnik** would and did use personal checks and money orders to conceal their payment of **Hodge's** rent.

6. **Brian L. Potashnik and Cheryl L. Potashnik** would and did cause SWH Management Corporation to keep the TXU Electric account for **Hodge's** apartment in SWH Management Corporation's name after **Hodge** moved into the apartment to conceal SWH's payment of **Hodge's** electricity bills.

7. **Brian L. Potashnik and Cheryl L. Potashnik** would and did maintain **Hodge's** rental file at SWH's corporate office to conceal the rental and utility payments they made for **Hodge's** benefit.

Overt Acts

E. In furtherance of the conspiracy and to effect the objects thereof, **Brian L. Potashnik, Cheryl L. Potashnik, and Hodge** committed, and caused to be committed, the following overt acts, among others, in the Dallas Division of the Northern District of Texas:

1. Sometime on or before February 27, 2002, the exact date being unknown to the Grand Jury, **Brian L. Potashnik and Cheryl L. Potashnik** agreed to pay a significant portion of **Hodge's** monthly rent and her entire monthly electric bill for an apartment at Rosemont at Arlington Park, which was located in House District 100 and managed by SWH Management Corporation.

2. On or about February 27, 2002, **Hodge** signed a Rental Application for an apartment at Rosemont at Arlington Park.

3. On or about April 1, 2002, **Hodge** moved into apartment number 1126 at Rosemont at Arlington Park.

4. On or about April 29, 2002, **Hodge** signed an Apartment Lease Contract for apartment 1126 at Rosemont at Arlington Park ("Apartment 1126"), which stated that the rent was \$899.00 per month.

5. On or about June 12, 2002, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10029 in the amount of \$797.48, made payable to TXU Electric, which paid for, among other things, \$124.92 owing on **Hodge's** account.

6. On or about June 21, 2002, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10054 in the amount of \$1,448.21, made payable to TXU Electric, which paid for, among other things, \$98.07 owing on **Hodge's** account.

7. On or about August 9, 2002, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10135 in the amount of \$1,462.39, made payable to TXU Electric, which paid for, among other things, \$73.37 owing on **Hodge's** account.

8. On or about August 15, 2002, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10144 in the amount of \$622.49, made payable to TXU Electric, which paid for, among other things, \$191.61 owing on **Hodge's** account.

9. On or about September 20, 2002, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10199 in the amount of \$2,055.98, made

payable to TXU Electric, which paid for, among other things, \$109.92 owing on **Hodge's** account.

10. On or about October 7, 2002, **Cheryl L. Potashnik** wrote and signed check number 10144 from the joint checking account of **Brian L. Potashnik** and **Cheryl L. Potashnik**, Texas Capital Bank account number xxxxxx4656 ("**Potashnik** personal account"), in the amount of \$4,893.00, made payable to Rosemont at Arlington Park, to subsidize seven months of **Hodge's** rent.

11. On or about October 17, 2002, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10242 in the amount of \$1,329.02, made payable to TXU Electric, which paid for, among other things, \$75.94 owing on **Hodge's** account.

12. On or about November 6, 2002, **Hodge** signed a Lease Contract Renewal for Apartment 1126, which stated that the rent was \$899.00 per month.

13. On or about November 15, 2002, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10206 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

14. On or about November 21, 2002, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10294 in the amount of \$1,034.90, made payable to TXU Electric, which paid for, among other things, \$39.43 owing on **Hodge's** account.

15. On or about December 13, 2002, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10231 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

16. On or about December 19, 2002, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10340 in the amount of \$1,068.59, made payable to TXU Electric, which paid for, among other things, \$58.00 owing on **Hodge's** account.

17. On or about January 24, 2003, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10398 in the amount of \$1,029.47, made payable to TXU Electric, which paid for, among other things, \$48.08 owing on **Hodge's** account.

18. On or about February 13, 2003, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal account check number 10288 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

19. On or about February 24, 2003, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10439 in the amount of \$1,567.92, made payable to TXU Electric, which paid for, among other things, \$42.41 owing on **Hodge's** account.

20. On or about February 27, 2003, **Hodge**, using official State of Texas letterhead, signed a support letter for SWH's Parmer Villas II Housing/Emmanuel

Village, which was drafted by SWH and addressed to the TDHCA.

21. On or about March 12, 2003, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10309 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

22. On or about March 20, 2003, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10476 in the amount of \$914.92, made payable to TXU Electric, which paid for, among other things, \$43.86 owing on **Hodge's** account.

23. On or about March 23, 2003, **Hodge** signed a Lease Contract Renewal for Apartment 1126, which stated that the rent was \$899.00 per month.

24. On or about April 7, 2003, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10340 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

25. On or about May 12, 2003, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal account check number 10377 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

26. On or about June 10, 2003, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10408 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

27. Sometime on or before June 16, 2003, **Brian L. Potashnik** authorized the installation of new carpeting at a house **Hodge** owned on Abrams Road in

Dallas, Texas.

28. On or about June 19, 2003, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10646 in the amount of \$1,646.01, made payable to TXU Electric, which paid for, among other things, \$106.63 owing on **Hodge's** account.

29. On or about July 11, 2003, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10434 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

30. On or about July 28, 2003, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10731 in the amount of \$1,476.33, made payable to TXU Electric, which paid for, among other things, \$91.69 owing on **Hodge's** account.

31. On or about August 14, 2003, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10467 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

32. On or about August 22, 2003, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10775 in the amount of \$240.72, made payable to TXU Electric, which paid for, among other things, \$124.62 owing on **Hodge's** account.

33. On or about September 5, 2003, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10486 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

34. On or about September 26, 2003, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10827 in the amount of \$1,866.10, made payable to TXU Electric, which paid for, among other things, \$97.84 owing on **Hodge's** account.

35. On or about October 10, 2003, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10514 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

36. On or about October 22, 2003, **Cheryl L. Potashnik** signed Affordable Housing Construction check number 17809 in the amount of \$1,994.68, made payable to Arbor Contract Carpet, Inc., for installation of new carpeting at **Hodge's** house on Abrams Road in Dallas, Texas.

37. On or about October 24, 2003, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10873 in the amount of \$265.50, made payable to TXU Electric, which paid for, among other things, \$60.98 owing on **Hodge's** account.

38. On or about November 4, 2003, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10547 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

39. On or about November 24, 2003, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10915 in the amount of \$312.22, made

payable to TXU Electric, which paid for, among other things, \$60.67 owing on **Hodge's** account.

40. On or about December 9, 2003, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10589 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

41. On or about December 19, 2003, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 10954 in the amount of \$291.77, made payable to TXU Electric, which paid for, among other things, \$50.42 owing on **Hodge's** account.

42. On or about January 5, 2004, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10627 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

43. On or about January 23, 2004, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11002 in the amount of \$714.38, made payable to TXU Electric, which paid for, among other things, \$73.99 owing on **Hodge's** account.

44. On or about February 3, 2004, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10662 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

45. On or about February 7, 2004, **Cheryl L. Potashnik** suggested that, in support of its CHDO certification application, HST list **Hodge** as a board member who represented low-to-moderate income households.

46. On or about February 25, 2004, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11040 in the amount of \$747.28, made payable to TXU Electric, which paid for, among other things, \$69.41 owing on **Hodge's** account.

47. On or about March 15, 2004, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10718 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

48. On or about March 15, 2004, **Hodge**, using official State of Texas letterhead, signed a support letter for SWH's Cherrycrest Villas, which was drafted by SWH and addressed to the TDHCA.

49. On or about March 19, 2004, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11086 in the amount of \$516.71, made payable to TXU Electric, which paid for, among other things, \$56.02 owing on **Hodge's** account.

50. On or about April 27, 2004, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10772 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

51. On or about May 6, 2004, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11145 in the amount of \$538.90, made payable to TXU Electric, which paid for, among other things, \$60.26 owing on **Hodge's** account.

52. On or about May 25, 2004, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11171 in the amount of \$432.50, made payable to TXU Electric, which paid for, among other things, \$45.14 owing on **Hodge's** account.

53. On or about May 28, 2004, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10812 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

54. On or about June 7, 2004, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10825 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

55. On or about July 23, 2004, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11269 in the amount of \$904.85, made payable to TXU Electric, which paid for, among other things, \$81.70 owing on **Hodge's** account.

56. On or about July 30, 2004, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11282 in the amount of \$1,694.72, made payable to TXU Electric, which paid for, among other things, \$90.90 owing on **Hodge's** account.

57. On or about August 26, 2004, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11327 in the amount of \$704.84, made

payable to TXU Electric, which paid for, among other things, \$114.41 owing on **Hodge's** account.

58. On or about September 14, 2004, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10874 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

59. On or about September 14, 2004, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 10905 in the amount of \$699.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

60. On or about September 24, 2004, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11367 in the amount of \$570.99, made payable to TXU Electric, which paid for, among other things, \$98.94 owing on **Hodge's** account.

61. On or about October 8, 2004, **Cheryl L. Potashnik** purchased Travelers Express money order number 3497533174 in the amount of \$700.00 for **Hodge's** rent.

62. On or about October 8, 2004, **Cheryl L. Potashnik** purchased Travelers Express money order number 3497533175 in the amount of \$700.00 for **Hodge's** rent.

63. On or about October 8, 2004, **Cheryl L. Potashnik** purchased Travelers Express money order number 3497533176 in the amount of \$700.00 for

Hodge's rent.

64. On or about November 1, 2004, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11414 in the amount of \$428.08, made payable to TXU Electric, which paid for, among other things, \$121.95 owing on **Hodge's** account.

65. On or about November 16, 2004, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11451 in the amount of \$71.67, made payable to TXU Electric, which paid **Hodge's** account.

66. On or about January 3, 2005, **Brian L. Potashnik** caused a support letter for Cherrycrest Villas to be drafted for **Hodge's** signature.

67. On or about January 3, 2005, **Brian L. Potashnik** caused a support letter for Rosemont at Scyene to be drafted for **Hodge's** signature.

68. On or about January 28, 2005, **Hodge**, using official State of Texas letterhead, signed a support letter for Fairway Crossing Townhomes, which was drafted by SWH and addressed to the TDHCA.

69. On or about January 27, 2005, **Cheryl L. Potashnik** wrote and signed **Potashnik** personal check number 11185 in the amount of \$1,798.00, made payable to Rosemont at Arlington Park, for **Hodge's** rent.

70. On or about March 18, 2005, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11661 in the amount of \$642.63, made payable to TXU

Electric, which paid for, among other things, \$29.87 owing on **Hodge's** account.

71. On or about March 22, 2005, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11672 in the amount of \$458.82, made payable to TXU Electric, which paid for, among other things, \$44.41 owing on **Hodge's** account.

72. On or about April 19, 2005, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11720 in the amount of \$132.69, made payable to TXU Electric, which paid for, among other things, \$38.95 owing on **Hodge's** account.

73. On or about May 19, 2005, **Cheryl L. Potashnik** signed Rosemont of Arlington Park check number 11786 in the amount of \$698.23, made payable to TXU Electric, which paid for, among other things, \$29.08 owing on **Hodge's** account.

74. On or about June 3, 2005, **Cheryl L. Potashnik** purchased Travelers Express money order number 3497533310 in the amount of \$1,000.00 for **Hodge's** rent.

75. On or about June 3, 2005, **Cheryl L. Potashnik** purchased Travelers Express money order number 3497533311 in the amount of \$1,000.00 for **Hodge's** rent.

76. On or about June 3, 2005, **Cheryl L. Potashnik** purchased Travelers Express money order number 3497533312 in the amount of \$1,000.00 for **Hodge's** rent.

77. On or about June 3, 2005, **Cheryl L. Potashnik** purchased Travelers Express money order number 3497533313 in the amount of \$700.00 for **Hodge's** rent.

78. The Grand Jury hereby alleges and incorporates, by reference herein, all of the allegations set forth in Counts Two through Nine of this indictment as overt acts

of this conspiracy.

All in violation of 18 U.S.C. § 371 (§§ 666(a)(1)(B) and 666(a)(2)).

Counts Two through Five
Bribery Concerning a State Government Receiving Federal Benefits
and Aiding and Abetting
(Violations of 18 U.S.C. §§ 666(a)(1)(B) and 2)

1. The Grand Jury hereby adopts, realleges and incorporates herein all allegations set forth in the Introduction and Count One of this indictment as if fully set forth herein.

2. In each of the one-year periods set forth for each Count below, in the Dallas Division of the Northern District of Texas, defendant, **Gladys E. Hodge**, also known as Terri Hodge, an agent of a state government that received benefits in excess of \$10,000.00 under a federal program involving a grant and other forms of federal assistance, in a transaction and series of transactions, did corruptly solicit, accept and agree to accept, for her own benefit something of value of \$5,000.00 or more from persons, namely, **Brian L. Potashnik** and **Cheryl L. Potashnik**, intending to be influenced and rewarded in connection with a business, transaction, and series of transactions of the State of Texas.

Count	One-Year Period Beginning
2	October 1, 2001
3	October 1, 2002
4	October 1, 2003
5	October 1, 2004

3. Defendants, **Brian L. Potashnik** and **Cheryl L. Potashnik**, did aid, abet, counsel, command, induce and procure the commission of said offenses, as set forth in each Count in paragraph two above.

Each Count in violation of 18 U.S.C. §§ 666(a)(1)(B) and 2.

Counts Six through Nine
Bribery Concerning a State Government Receiving Federal Benefits
and Aiding and Abetting
(Violations of 18 U.S.C. §§ 666(a)(2) and 2)

1. The Grand Jury hereby adopts, realleges and incorporates herein all allegations set forth in the Introduction and Count One of this indictment as if fully set forth herein.

2. In each of the one-year periods set forth for each Count below, in the Dallas Division of the Northern District of Texas, defendants, **Brian L. Potashnik** and **Cheryl L. Potashnik**, aided and abetted by each other, in a transaction and series of transactions, did corruptly offer, give and agree to give something of value of \$5,000.00 or more to a person, namely, **Gladys E. Hodge**, also known as Terri Hodge, in connection with a business, transaction, and series of transactions of the State of Texas, with the intent to influence and reward **Hodge**, an agent of the State of Texas, a state government that received federal benefits in excess of \$10,000.00 under a federal program involving a grant and other forms of federal assistance.

Count	One-Year Period Beginning
6	October 1, 2001
7	October 1, 2002
8	October 1, 2003
9	October 1, 2004

3. Defendant, **Hodge**, did aid, abet, counsel, command, induce and procure the commission of said offenses, as set forth in each Count in paragraph two above.

Each Count in violation of 18 U.S.C. §§ 666(a)(2) and 2.

Count Ten
Conspiracy to Commit Bribery Concerning a Local Government
Receiving Federal Benefits
(Violation of 18 U.S.C. § 371 (§§ 666(a)(1)(B) and 666(a)(2)))

A. The Grand Jury hereby adopts, realleges and incorporates herein all allegations set forth in the Introduction of this indictment as if fully set forth herein.

The Conspiracy and Its Objects

B. Beginning, at least, in or about August 2004, the exact date being unknown to the Grand Jury, and continuing through on or about June 20, 2005, in the Dallas Division of the Northern District of Texas, and elsewhere, defendants, **Donald W. Hill**, also known as Don Hill, **D'Angelo Lee**, **Sheila D. Farrington**, also known as Sheila Hill, **Brian L. Potashnik**, **Cheryl L. Potashnik**, also known as Cheryl L. Geiser, **Rickey E. Robertson**, also known as Rick Robertson, **Andrea L. Spencer**, also known as Toni Fisher and Toni Thomas, and **Ronald W. Slovacek**, also known as Ron Slovacek, did knowingly combine, conspire, confederate and agree with each other, and with others known and unknown to the Grand Jury, to commit the following offenses against the United States:

1. bribery concerning an agent of local government receiving federal benefits, in violation of 18 U.S.C. § 666(a)(1)(B), that is, as an agent of a local government that received benefits in excess of \$10,000.00 in each of the one-year periods beginning October 1, 2003, and October 1, 2004, pursuant to a federal program involving a grant and other forms of federal assistance, to corruptly solicit, demand, accept, and

agree to accept, in a transaction and series of transactions, something of value of \$5,000.00 or more from a person, intending to be influenced and rewarded in connection with any business, transaction, and series of transactions of the City of Dallas; and

2. bribery concerning an agent of a local government receiving federal benefits, in violation of 18 U.S.C. § 666(a)(2), that is, in a transaction and series of transactions, to corruptly offer, give and agree to give something of value of \$5,000.00 or more to a person, in connection with any business, transaction, and series of transactions of the City of Dallas, with intent to influence and reward an agent of local government that received benefits in excess of \$10,000.00 in each of the one-year periods beginning October 1, 2003, and October 1, 2004, pursuant to a federal program involving a grant and other forms of federal assistance.

C. The objects of the conspiracy included the following:

1. to unjustly enrich **Hill** and **Lee** through their corrupt solicitation, acceptance, and agreement to accept things of value in return for their performance of official acts on the Dallas City Council ("City Council" or "Council") and the Dallas City Plan and Zoning Commission ("CPC"), respectively;

2. to influence and reward **Hill** and **Lee** by corruptly offering, giving and agreeing to give things of value to them for their performance of official acts on the City Council and the CPC, respectively, that would advance the business interests of **Brian L. Potashnik** and **Cheryl L. Potashnik**;

3. to use the office of City Council Member **Hill** and the office of Plan Commissioner **Lee**, including staff members employed therein, to perform official acts to advance the business interests of **Brian L. Potashnik** and **Cheryl L. Potashnik**;

4. to conceal the illegal nature of **Hill** and **Lee**'s solicitations for, and acceptance of, various things of value through the preparation of sham written agreements, the use of nominee companies, and the omission of material facts concerning the financial benefits that were sought on behalf of, and received by, **Hill** and **Lee**, all to ensure the continued existence and success of the conspiracy; and

5. to conceal the illegal nature of **Brian L. Potashnik** and **Cheryl L. Potashnik**'s offer and remittance of various things of value through sham invoices, false accounting entries, and the award of a construction contract to **Hill** and **Lee**'s associates.

Manner and Means of the Conspiracy

D. The conspirators used the following manner and means, among others, to carry out the objects of the conspiracy:

1. As a member of the City Council and certain of its committees, **Hill** would and did provide official assistance to affordable housing developers **Brian L. Potashnik** and **Cheryl L. Potashnik**, who sought City Council approval of their applications for tax credit projects located in District 5.

2. As a plan commissioner of the CPC, **Lee** would and did provide official assistance to affordable housing developers **Brian L. Potashnik** and **Cheryl L.**

Potashnik, who sought CPC and City Council approval of their applications for tax credit projects located in District 5.

3. **Hill and Lee** would and did seek things of value for themselves in return for providing official assistance to **Brian L. Potashnik** and **Cheryl L. Potashnik**. The things of value included cash payments in the form of birthday party contributions, cash payments in the form of gifts to CHDOs, cash payments in the form of consulting fees, and the award of construction contracts to **Hill and Lee's** associates, **Robertson, Spencer and Slovacek**.

4. **Brian L. Potashnik** and **Cheryl L. Potashnik** would and did offer things of value to **Hill and Lee** to influence and reward them for their performance of official acts that advanced **Brian L. Potashnik** and **Cheryl L. Potashnik's** business interests. The things of value included cash payments in the form of birthday party contributions, cash payments in the form of gifts to CHDOs, cash payments in the form of consulting fees, and the award of construction contracts to **Hill and Lee's** associates, **Robertson, Spencer and Slovacek**.

5. **Hill and Lee** would and did conceal their expected or actual receipt of things of value by directing their associates, including **Farrington, Spencer and Slovacek**, to form nominee companies that entered into sham agreements to receive things of value sought by **Hill and Lee** while neither referencing nor disclosing **Hill's** and **Lee's** involvement in obtaining the agreements. The nominee companies included

Farrington & Associates and the LCG.

6. When seeking things of value, **Hill** and **Lee** would and often did require that agreements with the nominee companies be reduced to writing to make them appear to be lawful agreements for professional and legitimate services when, in fact, the sham agreements were for giving things of value to **Hill** and **Lee** and their designees in return for official acts to be performed by **Hill** and **Lee**.

7. When offering things of value, **Brian L. Potashnik** and **Cheryl L. Potashnik** would and did require invoices from Farrington & Associates to make it appear that the payments to Farrington & Associates were for professional and legitimate services when, in fact, the sham invoices were for giving things of value to **Hill** and **Lee** in return for official acts to be performed by **Hill** and **Lee**.

8. When offering things of value, **Brian L. Potashnik** and **Cheryl L. Potashnik** would and did provide copies of other companies' construction bids to **Spencer** and **Slovacek** so they could structure their bids accordingly.

9. When seeking things of value, **Hill** and **Lee** would and did require **Brian L. Potashnik** and **Cheryl L. Potashnik** to agree to certain sham deed restrictions, such as increased levels of minority participation over QAP-mandated levels and City Council designation of CHDO partners, to ensure that they and their associates would benefit financially from SWH's projects.

10. In return for things of value, **Hill** and **Lee** would and did agree to perform and did perform a pattern of official acts to promote and advance the business interests of **Brian L. Potashnik** and **Cheryl L. Potashnik**, which included:

- a. moving the CPC to recommend approval of zoning change applications for SWH projects;
- b. moving the City Council to accept the CPC's recommendations to approve zoning change applications for SWH projects and to pass ordinances amending the City's existing zoning ordinances;
- c. moving the City Council to approve resolutions allowing the construction of SWH projects under the QAP exception to the one-mile/three-year rule;
- d. moving the City Council to approve resolutions supporting the issuance of DHFC tax-exempt bonds and the allocation of 4% tax credits for the construction of SWH projects; and
- e. moving the City Council to approve a resolution removing the *Walker* unit set aside requirement from the DHFC multifamily program policy.

Overt Acts

E. In furtherance of the conspiracy and to effect the objects thereof, **Hill**, **Lee**, **Farrington**, **Brian L. Potashnik**, **Cheryl L. Potashnik**, **Robertson**, **Spencer** and **Slovacek** committed, and caused to be committed, the following overt acts, among others, in the Dallas Division of the Northern District of Texas, and elsewhere:

Bribe Payments Concealed as Consulting Fees to Farrington & Associates

1. On or about August 11, 2004, **Hill** provided incomplete information while requesting a legal opinion from the City Attorney's office regarding the solicitation of funds from present, past or potential City contractors for an "economic initiative" in South Dallas.

2. On or about August 24, 2004, **Hill** scheduled a meeting with **Brian L. Potashnik** and a person known to the Grand Jury ("Person A") while there were SWH tax credit projects in District 5 that needed City Council approval.

3. On or about September 2, 2004, **Hill** and **Lee** scheduled a meeting with **Brian L. Potashnik** while there were SWH tax credit projects in District 5 that needed City Council approval.

4. On or about September 21, 2004, **Lee** told **Brian L. Potashnik** that, with respect to SWH's tax credit projects, **Brian L. Potashnik** needed to agree to certain deed restrictions ("sham deed restrictions"), including admitting a CHDO designated by the City Council into the ownership of each project and using at least forty percent historically underutilized businesses ("HUBs") for construction.

5. On or about September 21, 2004, **Brian L. Potashnik** agreed to sign the sham deed restrictions.

6. On or about September 21, 2004, at approximately 10:01 p.m., **Brian L. Potashnik** asked Person A to deliver the sham deed restrictions and site plans for

Rosemont at Laureland and Rosemont at Scyene to **Hill** and **Lee**, stating as follows:

“Please DO NOT let [a person known to the Grand Jury] know that D’Angelo had requested that we do this. Tell him we are adding this to the deed restrictions to help the deal politically.”

7. On or about September 22, 2004, at approximately 11:00 a.m., **Lee** received the sham deed restrictions, attached as “Addendum A” to the legitimate deed restrictions, along with a cover letter which stated: “2nd fax last page covers your request Re you[r] discussions with Brian.”

8. On or about September 22, 2004, at approximately 11:24 a.m., **Brian L. Potashnik** received the following confirmation via email: “Two copies faxed to D’Angelo Lee with site plans and a complete set to Don Hill were delivered today at 11am.”

9. On or about October 20, 2004, **Farrington** faxed to **Brian L. Potashnik** a sham consulting agreement between SWH and Farrington & Associates, which required SWH to pay Farrington & Associates twelve monthly payments of \$14,583.00 each.

10. Sometime on or before October 22, 2004, the exact date being unknown to the Grand Jury, **Brian L. Potashnik** and **Cheryl Potashnik** agreed to the sham consulting agreement between SWH and Farrington & Associates.

11. On or about October 22, 2004, **Cheryl L. Potashnik** signed SWH check number 13161 in the amount of \$14,583.00, made payable to Farrington & Associates, the stub of which referenced Cherrycrest Villas, Rosemont at Laureland, and Rosemont at Scyene.

12. On or about October 22, 2004, **Farrington** filed a Certificate of Ownership for Unincorporated Business or Profession for Farrington & Associates under the Dallas County Assumed Name Records.

13. On or about October 22, 2004, **Farrington** opened a First Convenience Bank checking account, number xxxxx9039, in the name of Farrington & Associates ("Farrington & Associates account"), using SWH check number 13161 in the amount of \$14,583.00 for the initial deposit.

14. On or about October 27, 2004, **Hill** seconded a motion for the City Council to approve a resolution supporting TDHCA tax-exempt bonds and 4% tax credits for Cherrycrest Villas.

15. On or about October 27, 2004, **Hill** moved the City Council to accept the CPC's recommendation to approve a zoning change application for Rosemont at Laureland.

16. On or about October 27, 2004, **Hill** moved the City Council to approve a resolution supporting TDHCA tax-exempt bonds and 4% tax credits for Rosemont at Laureland.

17. On or about October 27, 2004, **Hill** moved the City Council to approve a resolution supporting TDHCA tax-exempt bonds and 4% tax credits for Rosemont at Scyene.

18. On or about November 1, 2004, **Farrington** wrote and signed Farrington & Associates temporary check in the amount of \$5,500.00, made payable to cash for "Consulting Agents."

19. On or about December 2, 2004, **Lee** caused to be created a template for a sham invoice from Farrington & Associates to SWH.

20. On or about December 2, 2004, **Farrington** attempted to fax to **Brian L. Potashnik** a sham Farrington & Associates invoice for \$14,583.00.

21. On or about December 2, 2004, **Farrington** sent an email message to **Brian L. Potashnik** requesting advance payment of her invoice.

22. On or about December 2, 2004, **Farrington** forwarded to **Hill** her email message to **Brian L. Potashnik** regarding advance payment of her invoice.

23. On or about December 2, 2004, **Hill** responded to **Farrington's** email message to **Brian L. Potashnik** regarding advance payment of her invoice and encouraged **Farrington's** efforts by stating, "EXCELLENT!"

24. On or about December 2, 2004, **Cheryl L. Potashnik** signed SWH check number 13311 in the amount of \$14,583.00, made payable to Farrington & Associates.

25. On or about December 3, 2004, **Farrington** endorsed and deposited SWH check number 13311 in the amount of \$14,583.00 into the Farrington & Associates account, less \$2,500.00 in cash.

26. On or about December 3, 2004, **Farrington** deposited \$2,500.00 cash into her personal checking account, First Convenience Bank account number xxxxx4553 ("**Farrington's** personal account").

27. On or about December 10, 2004, **Farrington** signed Farrington & Associates check number 508 in the amount of \$3,000.00, made payable to cash for "office expenditures."

28. On or about December 13, 2004, **Brian L. Potashnik** and **Cheryl L. Potashnik** caused SWH to falsely categorize a \$7,291.50 payment to Farrington & Associates as a "legal" fee on a pre-development loan document for TX Laureland Housing, LP.

29. On or about December 14, 2004, **Brian L. Potashnik** and **Cheryl L. Potashnik** caused SWH to falsely categorize a \$7,291.50 payment to Farrington & Associates as a "legal" fee on a pre-development loan document for TX Scylene Housing, LP account.

30. Sometime on or before December 21, 2004, the exact date being unknown to the Grand Jury, **Farrington** submitted a sham Farrington & Associates invoice for January 2005 to SWH.

31. On or about December 21, 2004, **Cheryl L. Potashnik** purchased Texas Capital Bank official check number 415971018 in the amount of \$7,291.50, made payable to Farrington & Associates, and listed "TX Scyene LP" as the remitter.

32. On or about December 21, 2004, **Cheryl L. Potashnik** purchased Texas Capital Bank official check number 415971019 in the amount of \$7,291.50, made payable to Farrington & Associates, and listed "TX Laureland LP" as the remitter.

33. On or about December 21, 2004, **Farrington** endorsed and deposited Texas Capital Bank official check numbers 415971018 and 415971019, each in the amount of \$7,291.50, into the Farrington & Associates account, less \$5,395.80 in cash.

34. On or about December 23, 2004, **Farrington** wrote Farrington & Associates check number 511 in the amount of \$3,000.00, made payable to cash, for "office expenditures."

35. On or about December 23, 2004, **Farrington** endorsed and cashed Farrington & Associates check number 511 in the amount of \$3,000.00.

36. On or about December 29, 2004, **Farrington** signed Farrington & Associates check number 512 in the amount of \$2,500.00, made payable to **Farrington** for "Consulting Fee."

37. On or about December 29, 2004, **Farrington** endorsed and cashed Farrington & Associates check number 512 in the amount of \$2,500.00.

38. On or about December 29, 2004, **Farrington** deposited \$800.00 cash into her personal account.

39. On or about December 29, 2004, **Brian L. Potashnik** and **Cheryl L. Potashnik** caused SWH to falsely categorize a \$4,861.00 payment to Farrington & Associates as an “issuer” fee on a pre-development loan document for TX Cherrycrest Housing, LP.

40. On or about December 31, 2004, **Brian L. Potashnik** and **Cheryl L. Potashnik** caused SWH to falsely characterize two payments, in the amounts of \$7,291.50 and \$4,861.00, to Farrington & Associates as payments for “bond-financial consultant other” for TX Laureland Housing, LP.

41. On or about January 4, 2005, **Hill**, using official City of Dallas letterhead, signed support letters for Rosemont at Laureland and Rosemont at Scyene for submission to the TDHCA, with blind copies to **Lee** and **Brian L. Potashnik**.

42. On or about January 26, 2005, **Farrington**, using a fax machine at **Hill's** City Council office, faxed a sham Farrington & Associates progress report and invoice for February 2005 to SWH.

43. On or about February 1, 2005, **Cheryl L. Potashnik** signed TX Laureland Housing, LP (“Laureland LP”) check number 26 in the amount of \$7,291.50, made payable to Farrington & Associates.

44. On or about February 1, 2005, **Cheryl L. Potashnik** signed TX Scyene Housing, LP ("Scyene LP") check number 25 in the amount of \$7,291.50, made payable to Farrington & Associates.

45. On or about February 2, 2005, **Farrington** endorsed and deposited Laureland LP check number 26 in the amount of \$7,291.50 and Scyene LP check number 25 in the amount of \$7,291.50 into the Farrington & Associates account.

46. On or about February 3, 2005, **Farrington** withdrew \$10,250.00 cash from the Farrington & Associates account.

47. On or about February 7, 2005, **Robertson** purchased a 1998 BMW 740 ("BMW") using Millenium Investments Group check number 2956 in the amount of \$11,455.00.

48. On or about February 7, 2005, at approximately 2:20 p.m., **Farrington** withdrew \$15,000.00 cash from the Farrington & Associates account.

49. On or about February 7, 2005, at approximately 2:20 p.m., **Farrington** purchased First Convenience Bank cashier's check number 538325 in the amount of \$15,000.00, made payable to "Millenium."

50. On or about February 23, 2005, **Lee** told **Robertson** to put the title to the BMW in the name of Farrington & Associates.

51. On or about February 23, 2005, **Lee** asked **Robertson** to find "a nice Lexus" for him.

52. On or about February 23, 2005, **Farrington** faxed a sham Farrington & Associates invoice for March 2005 to SWH.

53. On or about February 28, 2005, **Cheryl L. Potashnik** signed Laureland LP check number 35 in the amount of \$7,291.50, made payable to Farrington & Associates.

54. On or about February 28, 2005, **Cheryl L. Potashnik** signed Scyene LP check number 32 in the amount of \$7,291.50, made payable to Farrington & Associates.

55. On or about March 1, 2005, Lee complained to **Brian L. Potashnik** that **Farrington** had not been paid yet.

56. On or about March 1, 2005, **Brian L. Potashnik** told Lee that **Farrington's** one-page invoices were not sufficient and that they needed to "build up a file."

57. On or about March 2, 2005, **Farrington** endorsed and deposited Laureland LP check number 35 in the amount of \$7,291.50 and Scyene LP check number 32 in the amount of \$7,291.50 into the Farrington & Associates account.

58. On or about March 2, 2005, **Farrington** withdrew \$1,300.00 cash from the Farrington & Associates account.

59. On or about March 2, 2005, **Farrington** deposited \$1,200.00 cash into her personal account.

60. On or about March 7, 2005, at approximately 1:25 p.m., **Lee** asked **Farrington** to withdraw \$10,000.00 cash for him.

61. On or about March 7, 2005, at approximately 2:08 p.m., **Hill** told **Farrington** to withdraw only \$9,000.00 cash for **Lee** to avoid the creation of a currency transaction report.

62. On or about March 7, 2005, **Farrington** signed Farrington & Associates check number 522 in the amount of \$2,500.00, made payable to **Farrington** for "Fee."

63. On or about March 7, 2005, at approximately 2:30 p.m., **Farrington** endorsed and cashed Farrington & Associates check number 522 in the amount of \$2,500.00.

64. On or about March 7, 2005, at approximately 2:42 p.m., per **Lee's** request and **Hill's** instruction, **Farrington** withdrew \$9,000.00 cash from the Farrington & Associates account.

65. On or about March 8, 2005, **Hill** instructed **Farrington** to ask **Brian L. Potashnik** for \$3,000.00.

66. On or about March 8, 2005, **Hill** deposited \$2,500.00 cash into Comerica bank account number xxxxxx4728 ("**Hill's** campaign account").

67. On or about March 10, 2005, **Lee** told **Robertson** he was going to give him \$10,000.00 for a car.

68. On or about March 11, 2005, Lee made a \$10,000.00 down payment on a 2001 Lexus RX 300 that he purchased from Millenium Investments Group.

69. On or about March 11, 2005, Robertson deposited \$8,000.00 cash into his personal checking account, Bank One account number xxxxx1284 ("Robertson's personal checking account").

70. On or about March 11, 2005, Robertson transferred \$8,000.00 from his personal checking account into the Millenium Investments Group account, Bank One account number xxxxxx4070 ("Millenium Investments account").

71. On or about March 17, 2005, Hill told Farrington to say "under oath" that the BMW was a retainer for her lawyer.

72. On or about March 31, 2005, Farrington faxed a sham Farrington & Associates invoice for April 2005 to SWH.

73. On or about March 31, 2005, Cheryl L. Potashnik signed Laureland LP check number 44 in the amount of \$7,291.50, made payable to Farrington & Associates.

74. On or about March 31, 2005, Cheryl L. Potashnik signed Scyene LP check number 40 in the amount of \$7,291.50, made payable to Farrington & Associates.

75. On or about March 31, 2005, at approximately 3:48 p.m., Lee asked Farrington if she had sent an invoice to SWH yet.

76. On or about March 31, 2005, at approximately 3:48 p.m., **Farrington** told **Lee** that she sent the invoice to SWH and that the checks would be ready the next day.

77. On or about April 1, 2005, **Farrington** endorsed and deposited Laureland LP check number 44 in the amount of \$7,291.50 into the **Farrington & Associates** account.

78. On or about April 1, 2005, **Farrington** endorsed and deposited Scyene LP check number 40 in the amount of \$7,291.50 into the **Farrington & Associates** account, less \$3,085.00 cash.

79. On or about April 4, 2005, **Hill** deposited \$1,300.00 cash into Comerica bank account number xxxxxx7445 (**Hill's** personal account").

80. On or about April 6, 2005, **Hill** deposited \$850.00 cash into his personal account.

81. On or about April 8, 2005, **Hill** deposited \$150.00 cash into his personal account.

82. On or about April 12, 2005, **Brian L. Potashnik** left a voicemail message for **Lee** informing him that a plan commissioner known to the Grand Jury was going to block the approval of SWH's special use permit for the clubhouse at Rosemont at Laureland.

83. On or about April 15, 2005, when discussing SWH's application for a special use permit for the clubhouse at Rosemont at Laureland, Lee told **Brian L.**

Potashnik: "I have the votes."

84. On or about April 21, 2005, Lee told **Farrington** to withdraw \$4,000.00 and bring it to him.

85. On or about April 21, 2005, **Farrington** withdrew \$4,000.00 cash from the **Farrington & Associates** account.

86. On or about April 28, 2005, Lee asked a City employee known to the Grand Jury to draft a memo to the CPC chairman stating that Lee supported the staff's recommendation to approve two SWH zoning matters in District 5 that were set on the CPC's agenda for the next day and to file the memo on the record.

87. On or about April 28, 2005, **Farrington** left a voicemail message for Lee asking him to get **Brian L. Potashnik** to "cut that check."

88. Sometime on or before May 2, 2005, the exact date being unknown to the Grand Jury, **Farrington** submitted a sham **Farrington & Associates** invoice for May 2005 to SWH.

89. On or about May 2, 2005, **Cheryl L. Potashnik** signed Laureland LP check number 52 in the amount of \$7,291.50, made payable to **Farrington & Associates**.

90. On or about May 2, 2005, **Cheryl L. Potashnik** signed Scyene LP check number 45 in the amount of \$7,291.50, made payable to Farrington & Associates.

91. On or about May 4, 2005, **Farrington** endorsed and deposited Laureland LP check number 52 and Scyene LP check number 45, each in the amount of \$7,291.50, into the Farrington & Associates account.

92. On or about May 11, 2005, **Lee** asked **Farrington** to withdraw enough cash to pay his tithe.

93. On or about May 12, 2005, **Farrington** withdrew \$1,783.00 cash from the Farrington & Associates account.

94. On or about May 12, 2005, **Hill** deposited \$625.00 cash into his personal account.

95. On or about May 13, 2005, **Hill** deposited \$550.00 cash into his personal account.

96. On or about May 16, 2005, **Hill** deposited \$750.00 cash into his personal account.

97. On or about May 17, 2005, **Farrington** withdrew \$2,040.00 cash from the Farrington & Associates account.

98. On or about May 20, 2005, at approximately 4:34 p.m., **Lee** asked **Farrington** to bring him \$5,000.00.

99. On or about May 20, 2005, at approximately 5:14 p.m., **Farrington** withdrew \$5,000.00 cash from the **Farrington & Associates** account.

100. On or about May 20, 2005, **Hill** deposited \$275.00 cash into his personal account.

101. On or about May 23, 2005, **Hill** deposited \$300.00 cash into his personal account.

102. On or about June 1, 2005, **Hill** deposited \$500.00 cash into his personal account.

103. On or about June 2, 2005, **Farrington** faxed to SWH a sham **Farrington & Associates** invoice for \$14,583.00.

104. On or about June 9, 2005, **Hill** told **Farrington** to pick up "the check" at SWH before SWH closed for an employee's funeral because otherwise the funeral could delay receipt of the check.

105. On or about June 13, 2005, **Hill** deposited \$900.00 cash into his personal account.

106. On or about June 14, 2005, **Cheryl L. Potashnik** signed **Laureland LP** check number 65 in the amount of \$7,291.50, made payable to **Farrington & Associates**.

107. On or about June 14, 2005, **Cheryl L. Potashnik** signed **Scyene LP** check number 53 in the amount of \$7,291.50, made payable to **Farrington & Associates**.

108. On or about June 16, 2005, **Farrington** endorsed and deposited Laureland LP check number 65 and Scyene LP check number 53, each in the amount of \$7,291.50, into the Farrington & Associates account.

Bribe Payments Concealed as Gifts to CHDOs

109. In or about August 2004, the exact date being unknown to the Grand Jury, **Lee** asked the president of an organization known to the Grand Jury (“Organization A”) to hire him as a consultant to bring real estate development projects to Organization A.

110. In or about August 2004, the exact date being unknown to the Grand Jury, **Lee** told the president of Organization A (“President A”) that **Farrington & Associates** was his company.

111. In or about August 2004, the exact date being unknown to the Grand Jury, at an advisory committee meeting for Organization A, **Hill** endorsed **Lee** as a consultant.

112. On or about September 23, 2004, in accordance with the sham deed restrictions to which **Brian L. Potashnik** agreed (*see* ¶¶ 4-8 *supra*), **Lee** called President A regarding a possible partnership between Organization A’s Community Development Corporation (“CHDO A”) and **SWH** on Rosemont at Laureland.

113. Sometime in or about October 2004, the exact date being unknown to the Grand Jury, Lee introduced an attorney known to the Grand Jury ("Attorney"), to President A and explained that Attorney was going to work on the agreement between CHDO A and SWH.

114. Sometime on or before October 6, 2004, the exact date being unknown to the Grand Jury, Hill, Lee and Farrington met with the president of a CHDO known to the Grand Jury ("CHDO B"), regarding a possible partnership between CHDO B and SWH on Rosemont at Scyene.

115. Sometime on or before October 6, 2004, the exact date being unknown to the Grand Jury, Farrington told the president of CHDO B ("President B") that CHDO B had to enter into a written consulting agreement with Farrington to be involved in Rosemont at Scyene.

116. On or about October 6, 2004, Farrington executed an employment agreement with CHDO B pursuant to which CHDO B agreed to hire Farrington as a Senior Project Manager and pay her \$30,000.00 per year.

117. On or about October 14, 2004, at approximately 12:30 p.m., Farrington met with Attorney to discuss CHDO A's and CHDO B's roles with respect to Rosemont at Laureland and Rosemont at Scyene, respectively.

118. On or about October 21, 2004, at approximately 9:30 a.m., Hill, Lee, Brian L. Potashnik and Cheryl L. Potashnik met with DHA's president to request the

DHA's partnership with SWH on Rosemont at Laureland and Rosemont at Scyene.

119. Sometime on or before October 26, 2004, the exact date being unknown to the Grand Jury, **Farrington** introduced Attorney to President B and explained that Attorney was going to work on the agreement between CHDO B and SWH.

120. On or about October 26, 2004, **Brian L. Potashnik** caused SWH to issue a \$7,500.00 check made payable to Attorney for CHDO B's retainer fee.

121. Sometime in or about late October 2004, the exact date being unknown to the Grand Jury, **Lee** brought **Spencer** to CHDO B's offices to meet with President B regarding a construction consulting agreement between CHDO B and the LCG, which required CHDO B to pay the LCG a \$2,500.00 monthly retainer fee.

122. Sometime in or about late October 2004, **Farrington** told President B that the construction consulting agreement between CHDO B and the LCG was going to be part of a master agreement with SWH and that SWH would pay the LCG's \$2,500.00 retainer fee.

123. On or about October 29, 2004, **Farrington** directed President B to send an invoice to SWH, instructing President B to bill SWH \$3,475.00 for **Farrington's** services and \$2,500.00 for **Spencer's** services.

124. On or about October 29, 2004, **Farrington** caused President B to issue an invoice in the name of another company owned by President B ("CHDO B's

related company”) to SWH in the amount of \$7,475.00.

125. On or about November 1, 2004, **Spencer** emailed to President B a Construction Management and Marketing Plan Agreement between CHDO B and the LCG, which required CHDO B to pay the LCG a \$2,500.00 monthly retainer fee.

126. On or about November 19, 2004, **Brian L. Potashnik** signed SWH check number 13277 in the amount of \$7,475.00, made payable to CHDO B’s related company.

127. On or about November 24, 2004, **Farrington** endorsed and cashed CHDO B’s related company check number 2067 in the amount of \$1,500.00, made payable to Farrington & Associates.

128. On or about November 30, 2004, **Farrington** endorsed and cashed CHDO B’s related company check number 11003 in the amount of \$4,475.00, made payable to Farrington & Associates.

129. On or about December, 1, 2004, **Farrington** gave \$2,975.00 cash to Lee and kept \$1,500.00 cash for herself.

130. On or about December 1, 2004, **Farrington** deposited \$1,200.00 cash into her personal bank account.

131. On or about December 1, 2004, **Hill** sent an email message to the DHA’s president, explaining the necessity of three-party master agreements among SWH, DHA and CHDOs A and B on Rosemont at Laureland and Rosemont at Scyene.

132. On or about December 2, 2004, **Hill** sent an email message to Attorney, **Lee** and **Farrington**, directing Attorney to include certain language about CHDOs A and B in the SWH master agreements.

133. On or about December 6, 2004, **Farrington** signed **Farrington & Associates** check number 507 in the amount of \$2,500.00, made payable to cash for "Contracted Consultant Fee."

134. On or about December 6, 2004, **Farrington** endorsed and cashed **Farrington & Associates** check number 507 in the amount of \$2,500.00.

135. On or about December 13, 2004, **Lee** sent an email to **Brian L. Potashnik**, with copies to **Hill** and Attorney, advising **Brian L. Potashnik** that forty percent of the Rosemont at Laureland and Rosemont at Scyene construction budgets would be administered by the CHDOs.

136. On or about December 31, 2004, **Brian L. Potashnik** and **Cheryl L. Potashnik** caused SWH to falsely characterize a \$7,500.00 payment to Attorney as a payment for "permits-expediter" on TX Laureland Housing, LP.

137. On or about January 5, 2005, **Hill** sent an email message to Attorney, telling him to speak to **Lee** about drafting a gift provision for the SWH master agreements, which would require **Brian L. Potashnik** and **Cheryl L. Potashnik** to make \$25,000.00 annual gifts to CHDOs A and B in addition to the \$25,000.00 partnership payments for social services.

138. On or about January 5, 2005, Lee caused an email message to be sent to Attorney, instructing him to draft the \$25,000.00 gift provision for the SWH master agreements.

139. On or about January 6, 2005, Hill told President B that he would ensure that SWH paid CHDO B.

140. On or about January 19, 2005, Lee caused to be created and submitted a sham Farrington & Associates invoice to Organization A for \$14,500.00 for services purportedly provided on Rosemont at Laureland from October 2004 to January 2005.

141. On or about January 19, 2005, Brian L. Potashnik committed to make three annual gifts of \$25,000.00 each to CHDOs A and B.

142. On or about January 19, 2005, Lee created a sham Farrington & Associates invoice to SWH for \$25,000.00 for services purportedly provided on Rosemont at Laureland from October 2004 to January 2005.

143. On or about January 19, 2005, Lee created a sham Farrington & Associates invoice to SWH for \$25,000.00 for services purportedly provided on Rosemont at Scyene from October 2004 to January 2005.

144. On or about January 25, 2005, Brian L. Potashnik caused Laureland LP to issue check number 13 in the amount of \$25,000.00, made payable to CHDO A.

145. On or about January 25, 2005, **Brian L. Potashnik** caused Scyene LP to issue check number 19 in the amount of \$25,000.00, made payable to CHDO B.

146. On or about January 25, 2005, **Brian L. Potashnik** caused SWH to issue check number 13535 in the amount of \$25,000.00, made payable to CHDO B.

147. On or about January 28, 2005, **Brian L. Potashnik** caused SWH to issue check number 13536 in the amount of \$25,000.00, made payable to CHDO A.

148. On or about February 1, 2005, **Farrington** endorsed and deposited Chase Bank check number A 4150012273 in the amount of \$12,500.00, which was remitted by CHDO B, into the Farrington & Associates account, less \$7,000.00 cash.

149. On or about February 1, 2005, **Farrington** endorsed and deposited Chase Bank official check number 462664823 in the amount of \$12,500.00, which was remitted by CHDO B, into the Farrington & Associates account.

150. On or about February 15, 2005, **Lee** created and submitted a sham Farrington & Associates invoice to Organization A for \$5,000.00 for the "executive consulting services" he purportedly provided on Rosemont at Laureland.

151. On or about February 18, 2005, **Farrington** endorsed and deposited CHDO A check number 2405 in the amount of \$5,000.00, made payable to Farrington & Associates, into the Farrington & Associates account.

10% Kickbacks under Arbor Woods Construction Subcontract

152. Sometime in or about October 2004, the exact date being unknown to the Grand Jury, and in accordance with the sham deed restrictions to which **Brian L. Potashnik** agreed (*see* ¶¶ 4-8 *supra*), **Lee** told **Brian L. Potashnik** that he wanted **Brian L. Potashnik** to award construction contracts to **Hill** and **Lee's** associates.

153. On or about October 5, 2004, **Slovacek** emailed a subcontractor agreement form to **Robertson**.

154. On or about October 6, 2004, **Brian L. Potashnik** caused **SWH** to fax to a person known to the Grand Jury a competitive bid for concrete work on **SWH's** **Arbor Woods** project, which **Affordable Housing Construction** had received from a concrete construction company known to the Grand Jury.

155. On or about October 6, 2004, **Slovacek** emailed to **Lee** a proposal for concrete work on **Arbor Woods**.

156. On or about October 27, 2004, **Slovacek** emailed **RON-SLO's** concrete bid for **Arbor Woods** to **Spencer** and instructed her to edit the header to insert **Article IV's** name and certification number and to then print, sign and fax the bid to **Affordable Housing Construction**.

157. On or about October 27, 2004, **Spencer** submitted **Article IV's** bid for concrete work on **Arbor Woods** in the amount of \$809,543.04 to **Affordable Housing Construction**.

158. On or about November 4, 2004, **Spencer** filed a Certificate of Ownership for Unincorporated Business or Profession for the LCG Development Group under the Dallas County Assumed Name Records.

159. On or about December 9, 2004, **Slovacek** submitted RON-SLO's proposal for concrete work on Arbor Woods in the amount of \$756,878.27 to Article IV.

160. In or about December 2004, the exact date being unknown to the Grand Jury, **Brian L. Potashnik** directed Affordable Housing Construction personnel to award the Arbor Woods concrete contract to Article IV even though Affordable Housing Construction personnel had already awarded the contract to another company.

161. On or about December 22, 2004, **Spencer** signed a contract with Affordable Housing Construction in the amount of \$741,000.00 to perform concrete work at Arbor Woods.

162. On or about January 7, 2005, **Spencer** signed a contract with Affordable Housing Construction in the amount of \$58,500.00 to perform additional concrete work at Arbor Woods.

163. On or about February 28, 2005, **Cheryl L. Potashnik** signed Affordable Housing Construction check number 28783 in the amount of \$54,630.00, made payable to the LCG and RON-SLO.

164. On or about March 3, 2005, **Slovacek** endorsed Affordable Housing Construction check number 28783 in the amount of \$54,630.00, made payable to the

LCG and RON-SLO, and caused it to be deposited into the RON-SLO account.

165. On or about March 3, 2005, **Slovacek** left a voicemail message for **Lee** about a sham invoice from The 825 Company to Millennium Land Development for a zoning matter in North Richland Hills and Saginaw.

166. On or about March 11, 2005, **Slovacek** signed Millennium Land Development check number 37 in the amount of \$5,500.00, made payable to Farrington & Associates, that purported to be for "Zoning and Planning Services."

167. On or about March 11, 2005, **Farrington** endorsed Millennium Land Development check number 37 in the amount of \$5,500.00, and made it payable to Millenium Investments Group.

168. On or about March 11, 2005, the same date that **Robertson** deposited \$8,000.00 cash into his personal account and transferred \$8,000.00 into the Millenium Investments account (*see ¶¶ 69-70 supra*), **Robertson** deposited Millennium Land Development check number 37 in the amount of \$5,500.00, which was made payable to Farrington & Associates, into the Millenium Investments account.

169. On or about March 29, 2005, **Cheryl L. Potashnik** signed Affordable Housing Construction check number 29132 in the amount of \$41,580.00, made payable to the LCG and RON-SLO.

170. On or about March 29 2005, **Cheryl L. Potashnik** signed Affordable Housing Construction check number 29133 in the amount of \$140,310.00,

made payable to the LCG and RON-SLO.

171. On or about March 30, 2005, **Slovacek** endorsed Affordable Housing Construction check numbers 29132 and 29133, which totaled \$181,890.00, and caused them to be deposited into the RON-SLO account.

172. On or about March 31, 2005, **Slovacek** signed Millennium Land Development check number 42 in the amount of \$18,000.00, made payable to Farrington & Associates.

173. On or about March 31, 2005, **Slovacek** drafted a cover letter addressed to "D'Angelo Lee, Farrington & Associates" in which **Slovacek** stated as follows: "Please find attached the current progress payment for the apartment zoning/tax credit consultation for the property in Saginaw. I appreciate your help in narrowing down and simplifying the tax credit approval process. I've also identified additional sites that I may require your services in order to properly complete my due diligence for those sites."

174. On or about March 31, 2005, **Slovacek** placed the cover letter and Millennium Land Development check number 42 in the amount of \$18,000.00 in an envelope addressed to "D'Angelo Lee, The LKC."

175. On or about April 1, 2005, **Farrington** endorsed and deposited Millennium Land Development check number 42 in the amount of \$18,000.00 into the Farrington & Associates account.

176. On or about May 4, 2005, **Cheryl L. Potashnik** signed Affordable Housing Construction number 29434 in the amount of \$106,470.00, made payable to the LCG.

177. On or about May 4, 2005, **Spencer** converted Affordable Housing Construction number 29434 in the amount of \$106,470.00 into Texas Capital Bank official check number 415971344 in the amount of \$106,470.00, made payable to the LCG.

178. On or about May 5, 2005, **Slovacek** caused Texas Capital Bank official check number 415971344 in the amount of \$106,470.00 to be deposited into the RON-SLO account.

179. On or about May 6, 2005, **Slovacek** signed Millennium Land Development check number 52 in the amount of \$10,000.00, made payable to The LKC.

180. On or about May 6, 2005, **Spencer** deposited Millennium Land Development check number 52 in the amount of \$10,000.00 into The LKC's account, Prosperity Bank account number xxx0031 ("The LKC account").

181. On or about May 23, 2005, **Cheryl L. Potashnik** signed Affordable Housing Construction check number 29710 in the amount of \$12,766.00, made payable to the LCG.

182. On or about May 23, 2005, **Cheryl L. Potashnik** signed Affordable Housing Construction check number 29711 in the amount of \$276,134.00, made payable

to the LCG and RON-SLO.

183. On or about May 26, 2005, **Spencer** endorsed and deposited Affordable Housing Construction check number 29710 in the amount of \$12,766.00 into the LCG's account, Prosperity Bank account number xxx4971 ("LCG account").

184. On or about May 26, 2005, **Slovacek** deposited Affordable Housing Construction check number 29711 in the amount of \$276,134.00 into the RON-SLO account.

185. On or about May 26, 2005, **Slovacek** signed Millennium Land Development check number 18 in the amount of \$20,000.00, made payable to The LKC.

186. On or about May 26, 2005, **Spencer** deposited Millennium Land Development check number 18 in the amount of \$20,000.00 into The LKC account.

187. On or about June 2, 2005, **Slovacek** signed Millennium Land Development check number 64 in the amount of \$12,000.00, made payable to Farrington & Associates for "Consulting Services."

188. On or about June 8, 2005, **Farrington** endorsed Millennium Land Development check number 64 in the amount of \$12,000.00 and deposited it into the Farrington & Associates account.

Additional Construction Contracts for Hill and Lee's Associates

189. On or about April 11, 2005, **Slovacek** emailed a concrete bid to **Spencer** for Rosemont at Scyene and instructed her to change the headings and addresses

from RON-SLO to the LCG.

190. On or about April 11, 2005, **Slovacek** emailed a concrete bid to **Spencer** for Rosemont at Laureland.

191. On or about April 12, 2005, **Lee** asked **Slovacek** whether **Slovacek** needed **Lee** to "run any interference on the concrete" for Rosemont at Laureland and Rosemont at Scyene.

192. On or about April 22, 2005, at approximately 11:43 a.m., while discussing the bid amounts for concrete subcontracts on Rosemont at Laureland and Rosemont at Scyene, **Lee** told **Slovacek** that he was going to meet with **Brian L. Potashnik** that afternoon and that he was going to "have the conversation with him."

193. On or about April 22, 2005, at approximately 5:50 p.m., **Lee** instructed **Spencer** to send bids to **Brian L. Potashnik** for concrete subcontracts on Rosemont at Laureland and Rosemont at Scyene.

194. On or about April 26, 2005, at approximately 6:03 p.m., **Brian L. Potashnik** asked **Lee** for **Hill's** help on a City Council vote involving the *Walker* Consent Decree that was scheduled for the next day.

195. On or about April 26, 2005, at approximately 6:10 p.m., **Brian L. Potashnik** and **Lee** discussed how **Lee** and the LCG could obtain construction subcontracts from SWH without actually performing the work.

196. On or about April 26, 2005, at approximately 7:36 p.m., **Brian L. Potashnik** and **Cheryl L. Potashnik** spoke with **Hill** and **Lee** to confirm that **Hill** was going to move the City Council to make the DHFC *Walker* amendment retroactive.

197. On or about April 26, 2005, at approximately 7:36 p.m., when discussing **Hill's** official assistance with the DHFC *Walker* amendment, **Lee** told **Brian L. Potashnik** and **Cheryl L. Potashnik**: "He said he'll do it."

198. On or about April 26, 2005, at approximately 7:36 p.m., when **Brian L. Potashnik** was explaining to **Hill** why he did not want the *Walker* requirement to apply to SWH's projects, **Hill** responded: "Okay. I got it."

199. On or about April 26, 2005, at approximately 7:48 p.m., **Hill** told **Lee**, **Slovacek** and **Spencer** to keep the concrete bids for Rosemont at Laureland and Rosemont at Scyene at the "higher number" because **Brian L. Potashnik** was asking for another favor.

200. On or about April 26, 2005, at approximately 7:50 p.m., **Lee** asked **Slovacek** whether he had submitted a framing bid to Affordable Housing Construction, noting that he wanted to use **Robertson** as the minority front on that contract.

201. On or about April 27, 2005, at approximately 9:00 a.m., **Hill** moved the City Council to remove the DHFC *Walker* amendment item from the Council's consent agenda and consider it individually.

202. On or about April 27, 2005, at approximately 10:18 a.m., Lee told **Brian L. Potashnik** that the DHFC *Walker* amendment was the next item on the Council's agenda and that, with respect to fairness, **Hill** and **Lee** wanted **Brian L. Potashnik** to facilitate the award of construction subcontracts to **Spencer** and **Slovacek**.

203. On or about April 27, 2005, **Slovacek** emailed revised concrete bids to **Spencer** for Rosemont at Laureland and Rosemont at Scyene.

204. On or about April 28, 2005, at approximately 9:36 a.m., Lee told **Hill** that, by making the *Walker* amendment retroactive, **Brian L. Potashnik** was going to save \$1,000,000.00 on Rosemont at Laureland and Rosemont at Scyene.

205. On or about April 28, 2005, at approximately 9:36 a.m., when discussing the economic value to **Brian L. Potashnik** of making the *Walker* amendment retroactive in light of **Hill** and **Lee's** request that SWH award subcontracts to their associates, Lee told **Hill**: "So I think I, we, we got him."

206. On or about April 28, 2005, at approximately 9:36 a.m., in response to **Lee's** statement that "we got him," **Hill** encouraged **Lee's** efforts by stating: "Very good. Very good. Very good. Good job, man, good job."

207. On or about April 28, 2005, at approximately 12:15 p.m., Lee told **Brian L. Potashnik** that the City Council made the DHFC *Walker* amendment retroactive.

208. On or about April 28, 2005, at approximately 12:15 p.m., in response to Lee's statement that the City Council made the DHFC *Walker* amendment retroactive, **Brian L. Potashnik** stated: "Let Don know that I appreciate him."

209. On or about April 28, 2005, at approximately 12:15 p.m., **Brian L. Potashnik** told Lee that the value to him of the City Council making the DHFC *Walker* amendment retroactive was "about a million bucks."

210. On or about April 28, 2005, at approximately 12:24 p.m., when discussing subcontracts for **Hill** and Lee's associates, Lee told **Brian L. Potashnik**: "They got to make some, some chips off of it."

211. On or about April 28, 2005, at approximately 12:57 p.m., Lee told **Robertson** that he had a framing subcontract on a multifamily residential project for him.

212. On or about April 28, 2005, at approximately 1:07 p.m., Lee left a voicemail message for **Brian L. Potashnik** telling **Brian L. Potashnik** to call him "ASAP."

213. On or about April 28, 2005, at approximately 1:09 p.m., **Slovacek** informed Lee that **Slovacek** had heard that SWH awarded the concrete subcontracts to someone else.

214. On or about April 28, 2005, at approximately 2:06 p.m., Lee left another voicemail message for **Brian L. Potashnik**, stating: "Give me a call.... There is an issue that's arised."

215. On or about May 4, 2005, **Slovacek** asked **Lee** if he could take off the \$250,000.00 "tax" on the concrete bids to SWH in order to be competitive.

216. On or about May 4, 2005, **Lee** responded to **Slovacek's** question about the "tax" by asking: "Then what do, what do ... I mean, what do I make?"

217. On or about May 13, 2005, **Slovacek** suggested to **Lee** that he ask **Brian L. Potashnik** for Affordable Housing Construction's budgets for other contracts, including sheet rock and electrical, so that the LCG would get the "opportunity to look at it first."

218. On or about May 13, 2005, **Spencer** emailed revised concrete bids for Rosemont at Laureland and Rosemont at Scyene to Affordable Housing Construction and copied **Brian L. Potashnik** on the email.

219. On or about May 14, 2005, **Hill** left a voicemail message for **Brian L. Potashnik** stating that he wanted to meet with him on Monday to talk about construction contracts for **Spencer** and **Slovacek**.

220. On or about May 16, 2005, at approximately 2:23 p.m., **Hill** left a voicemail message for **Brian L. Potashnik** asking for **Brian L. Potashnik's** "assistance."

221. On or about May 16, 2005, at approximately 4:38 p.m., **Brian L. Potashnik** returned **Hill's** telephone call.

222. On or about May 18, 2005, **Brian L. Potashnik** advised **Lee** to tell **Spencer** to meet with an Affordable Housing Construction employee known to the Grand Jury who would “set her up with a couple of contracts.”

223. On or about May 18, 2005, when discussing **Spencer’s** bids on SWH projects, **Brian L. Potashnik** told **Lee**: “You know, if we can get the numbers to line up so that when somebody starts looking up my skirt with a microscope, which is inevitable, I can justify it.”

224. On or about May 18, 2005, **Brian L. Potashnik** told **Lee** that he wanted to schedule a meeting for the next week and stated: “I want us to sit **Andrea** down with the construction guys, myself personally, and see if we can’t figure out, you know, exactly what we can have her start working on.”

225. On or about May 26, 2005, **Lee** suggested to **Hill** that they make **Brian L. Potashnik** award a framing subcontract to **Slovacek** through deed restrictions.

226. On or about May 26, 2005, in response to **Lee’s** suggestion about obtaining a framing subcontract for **Slovacek** through deed restrictions, **Hill** responded, “We’ll, we’ll, we’ll get that done. We’ll get that done, man. We’ll get that done. We will get it done. We will get it done.”

Bribes Concealed as Birthday Party Contributions

227. On or about November 9, 2004, **Farrington** drafted a memo to **Slovacek** soliciting funds for **Hill’s** birthday party, instructing him that “[y]our check

should be made payable to Farrington & Associates” and noting that “I appreciate your participation as will Deputy Mayor Don Hill.”

228. On or about November 9, 2004, **Slovacek** signed Millennium Land Development check number 11 in the amount of \$1,700.00, made payable to Farrington & Associates.

229. On or about November 9, 2004, **Farrington** drafted a memo to **Brian L. Potashnik** soliciting funds for **Hill’s** birthday party, instructing him that “[y]our check should be made payable to Farrington & Associates,” and noting that “I appreciate your participation as will Deputy Mayor Don Hill.”

230. On or about November 9, 2004, **Cheryl L. Potashnik** signed SWH check number 13341 in the amount of \$3,750.00, made payable to Farrington & Associates.

231. On or about November 9, 2004, **Farrington** wrote Farrington & Associates check number 501 in the amount of \$3,725.00, made payable to an entity known to the Grand Jury, for “Don Hill’s Birthday.”

232. On or about November 9, 2004, **Farrington** wrote Farrington & Associates check number 502 in the amount of \$3,725.00, made payable to an entity known to the Grand Jury, for “Don Hill’s Birthday.”

233. On or about November 11, 2004, **Farrington** endorsed and deposited SWH check number 13241 in the amount of \$3,750.00 into the Farrington &

Associates account.

234. On or about November 19, 2004, **Farrington** endorsed and deposited Millennium Land Development check number 11 in the amount of \$1,700.00 into the **Farrington & Associates** account.

235. On or about December 31, 2004, **Brian L. Potashnik** and **Cheryl L. Potashnik** caused SWH to falsely characterize the \$3,750.00 payment to **Farrington & Associates** for **Hill's** birthday party as a development consulting expense.

236. The Grand Jury hereby alleges and incorporates, by reference herein, all of the allegations set forth in Counts Eleven through Fourteen of this indictment as overt acts of this conspiracy.

All in violation of 18 U.S.C. § 371 (§§ 666(a)(1)(B) and 666(a)(2)).

Counts Eleven and Twelve
Bribery Concerning a Local Government Receiving Federal Benefits
and Aiding and Abetting
(Violations of 18 U.S.C. §§ 666(a)(1)(B) and 2)

1. The Grand Jury hereby adopts, realleges and incorporates herein all allegations set forth in the Introduction and Count Ten of this indictment as if fully set forth herein.

2. In each of the one-year periods set forth for each Count below, in the Dallas Division of the Northern District of Texas, and elsewhere, defendants, **Donald W. Hill**, also known as Don Hill, and **D'Angelo Lee**, aided and abetted by each other, being agents of a local government that received benefits in excess of \$10,000.00 under a federal program involving a grant and other forms of federal assistance, in a transaction and series of transactions, did corruptly solicit, demand, accept, and agree to accept, for their own benefit and the benefit of others, something of value of \$5,000.00 or more, from persons, namely, **Brian L. Potashnik** and **Cheryl L. Potashnik**, intending to be influenced and rewarded in connection with a business, transaction, and series of transactions of the City of Dallas.

Count	One-Year Period Beginning
11	October 1, 2003
12	October 1, 2004

3. Defendants, **Sheila D. Farrington**, also known as Sheila Hill, **Brian L. Potashnik**, **Cheryl L. Potashnik**, **Andrea L. Spencer**, also known as Toni Fisher and Toni Thomas, and **Ronald W. Slovacek**, also known as Ron Slovacek, did aid, abet, counsel, command, induce and procure the commission of said offenses, as set forth in each Count in paragraph two above.

Each Count in violation of 18 U.S.C. §§ 666(a)(1)(B) and 2.

Counts Thirteen and Fourteen
Bribery Concerning a Local Government Receiving Federal Benefits
and Aiding and Abetting
(Violations of 18 U.S.C. §§ 666(a)(2) and 2)

1. The Grand Jury hereby adopts, realleges and incorporates herein all allegations set forth in the Introduction and Count Ten of this indictment as if fully set forth herein.

2. In each of the one-year periods set forth for each Count below, in the Dallas Division of the Northern District of Texas, and elsewhere, defendants, **Brian L. Potashnik** and **Cheryl L. Potashnik**, aided and abetted by each other, in a transaction and series of transactions, did corruptly offer, give and agree to give something of value of \$5,000.00 or more to persons, namely, **Donald W. Hill**, also known as Don Hill, and **D'Angelo Lee**, in connection with a business, transaction, and series of transactions of the City of Dallas, with intent to influence and reward **Hill** and **Lee**, both agents of the City of Dallas, a local government that received federal benefits in excess of \$10,000.00 under a federal program involving a grant and other forms of federal assistance.

Count	One-Year Period Beginning
13	October 1, 2003
14	October 1, 2004

3. Defendants, **Hill**, **Sheila D. Farrington**, also known as Sheila Hill, **Lee**, **Andrea L. Spencer**, also known as Toni Fisher and Toni Thomas, and **Ronald W. Slovacek**, also known as Ron Slovacek, did aid, abet, counsel, command, induce and

procure the commission of said offenses, as set forth in each Count in paragraph two above.

Each Count in violation of 18 U.S.C. §§ 666(a)(2) and 2.

Count Fifteen
Conspiracy to Commit Extortion
(Violation of 18 U.S.C. § 1951)

A. The Grand Jury hereby adopts, realleges and incorporates herein all allegations set forth in the Introduction of this indictment as if fully set forth herein.

The Conspiracy and Its Objects

B. Beginning, at least, in or about August 2004, the exact date being unknown to the Grand Jury, and continuing through on or about June 20, 2005, in the Dallas Division of the Northern District of Texas, and elsewhere, defendants, **Donald W. Hill**, also known as Don Hill, **D'Angelo Lee**, **Darren L. Reagan**, also known as Dr. Darren L. Reagan, **Allen J. McGill**, **Jibreel A. Rashad**, also known as Vernon Cooks, Jr., **Rickey E. Robertson**, also known as Rick Robertson, **Andrea L. Spencer**, also known as Toni Fisher and Toni Thomas, **Ronald W. Slovacek**, also known as Ron Slovacek, **Kevin J. Dean** and **John J. Lewis**, did knowingly combine, conspire, confederate and agree with each other, and with others known and unknown to the Grand Jury, to wrongfully obtain and attempt to wrongfully obtain property from another person with that person's consent, induced by wrongful use and threat of use of economic harm and under the color of official right, and, in doing so, affected interstate commerce, in violation of 18 U.S.C. § 1951.

C. The objects of the conspiracy included the following:

1. to provide for the unjust enrichment of **Hill** and **Lee** by corruptly demanding that an affordable housing developer known to the Grand Jury ("Developer") provide things of value in exchange for **Hill's** and **Lee's** performance of official acts on the Dallas City Council ("City Council" or "Council") and the Dallas City Plan and Zoning Commission ("CPC"), respectively;
2. to use the office of City Council Member **Hill** and the office of Plan Commissioner **Lee**, including staff members employed therein, to perform official acts in furtherance of the conspirators' extortionate demands; and
3. to conceal the illegal nature of the extortionate demands for, and receipt of, various things of value through the preparation of sham written agreements, the use of nominee companies, and the omission of material facts concerning the financial benefits that were sought on behalf of, and received by, **Hill** and **Lee**, all to ensure the continued existence and success of the conspiracy.

Manner and Means of the Conspiracy

D. The conspirators used the following manner and means, among others, to carry out the objects of the conspiracy:

1. As a member of the City Council and certain of its committees, **Hill** would and did condition his official support of Developer, who sought City Council approval of resolutions for tax credit projects located in Districts 5 and 8, on Developer's

compliance with the extortionate demands made by Lee and by Hill and Lee's associates.

2. As a plan commissioner of the CPC, Lee would and did condition his official support of Developer, who sought City Council approval of resolutions for tax credit projects and CPC approval of zoning change applications, located in Districts 5 and 8, on Developer's compliance with the extortionate demands made by Lee and by Hill and Lee's associates.

3. Reagan would and did use BSEAT and the BSEAT CDC (collectively, "BSEAT entities") to create the illusion of minority community opposition to Developer's affordable housing projects in South Dallas that were awaiting CPC and City Council approval.

4. Reagan would and did use this illusion of minority community opposition for his own benefit and the benefit of others, including Hill and Lee, by agreeing to withdraw such sham opposition in exchange for things of value.

5. Hill's and Lee's associates, including Reagan, McGill, Rashad, Robertson, Spencer, Slovacek, Dean and Lewis, would and did make extortionate demands for things of value from Developer, including cash payments, construction contracts, and equity participation in affordable housing projects, for their own benefit and the benefit of Hill and Lee.

6. Hill and Lee would and did direct their associates, including Rashad, Robertson and Spencer, to form nominee companies and enter into sham

business agreements for the purpose of concealing their expected or actual receipt of things of value from Developer. The nominee companies included RA-MILL and the LCG.

7. **Hill, Lee, Reagan and McGill** would and did require Developer to enter into sham consulting agreements with the BSEAT CDC for the purpose of concealing their expected or actual receipt of things of value from Developer.

8. **Hill, Dean and Lewis** would and did: (a) initially require Developer to enter into a construction agreement with KDAT; and (b) later, enter into a sham Attorney Consultation and Fee Agreement with Lewis & Associates, all for the purpose of concealing their expected or actual receipt of things of value from Developer.

9. While seeking things of value, **Hill and Lee** would and did require that agreements with the nominee companies, RA-MILL and the LCG, be reduced to writing to make them appear to be lawful agreements for professional and legitimate services when, in fact, the sham agreements were for giving things of value to **Hill and Lee** and their designees in return for official acts to be performed by **Hill and Lee**.

10. While seeking things of value, **Hill and Lee** would and did attempt to require Developer to agree to certain deed restrictions, such as increased levels of minority participation over QAP-mandated levels, use of the BSEAT CDC as a project manager, and admission of the BSEAT CDC into the ownership of Developer's tax credit projects, to ensure that they and their associates would benefit financially from the

projects.

11. **Hill and Lee** would and did postpone official votes on Developer's applications regarding affordable housing projects until Developer entered into agreements and made payments thereunder.

Acts in Furtherance of the Conspiracy

E. In furtherance of the conspiracy and to effect the objects thereof, **Hill, Lee, Reagan, McGill, Rashad, Robertson, Spencer, Slovacek, Dean and Lewis** committed, and caused to be committed, the following acts, among others, in the Dallas Division of the Northern District of Texas, and elsewhere:

Extortionate Demands Made through the BSEAT CDC and RA-MILL

1. On or about August 24, 2004, **Reagan**, using BSEAT CDC letterhead, drafted a sham opposition letter to the City in which he requested a moratorium on new construction of multifamily affordable housing projects in South Dallas.
2. On or about August 25, 2004, **Reagan** appeared before the City Council in opposition to new construction of all multifamily affordable housing projects in South Dallas during a hearing on Developer's zoning change application for Providence at Village Fair, an affordable housing development in District 4.
3. On or about August 25, 2004, **Hill** told a lobbyist known to the Grand Jury ("Lobbyist") that Developer and Lobbyist needed to meet with **Reagan**

regarding his purported opposition to new construction of all multifamily affordable housing projects in South Dallas.

4. On or about September 7, 2004, **Lee** caused a person known to the Grand Jury to request financial assistance from Developer.

5. On or about September 20, 2004, at 11:30 a.m., **Reagan** and **McGill** met with Developer and Lobbyist and proposed that Developer enter into consulting agreements with the BSEAT CDC in exchange for **Hill's** support of Developer's projects at the City Council.

6. On or about September 20, 2004, at 1:30 p.m., **Hill** scheduled a meeting with **Reagan**, **McGill** and a City Council member known to the Grand Jury.

7. On or about September 21, 2004, **McGill** sent an email to Developer that stated, in pertinent part, as follows:

Darren and I appreciate the candor you showed during our discussion of Monday, September 20, 2004. Frankly, the way the meeting evolved was surprising and productive, especially without having to raise everyone's blood pressure. I was particularly encouraged to hear your reaction to my proposal to broaden your company's involvement with Black State Employees Association of Texas and its recommended business partners.

8. On or about September 21, 2004, at 11:30 a.m., **McGill** proposed that Developer hire a person known to the Grand Jury as a consultant in exchange for **Hill's** support of Developer's projects at the City Council.

9. On or about September 22, 2004, at approximately 1:00 p.m., **Hill** moved the City Council to postpone Developer's zoning change application for Memorial

Park Townhomes to October 13, 2004.

10. On or about September 28, 2004, **Reagan** sent a reply letter on BSEAT CDC letterhead to Developer regarding a "partnership proposal" for Developer's Dallas West Village project.

11. On or about October 8, 2004, **Reagan** faxed to Developer a consulting contract between the BSEAT CDC and Developer's company for Dallas West Village, which required Developer to pay \$100,000.00 cash by February 2005, a \$15,000.00 non-refundable initial payment/retainer, \$85,000.00 at the time the bonds closed, \$1,500.00 per hour for services provided after February 2005, and five percent of the general partner's developer's fee, cash flow and residual value from the project.

12. On or about October 12, 2004, **Hill** met with Developer, Lobbyist and a person known to the Grand Jury ("Developer's Business Partner") and **Hill** expressed concerns for the first time regarding pending votes on Developer's projects.

13. On or about October 13, 2004, **Hill** moved the City Council to postpone Developer's zoning change application for Memorial Park Townhomes to October 27, 2004.

14. On or about October 14, 2004, **Reagan** sent Brian L. Potashnik a contractor proposal for Rosemont at Laureland and Rosemont at Scyene.

15. On or about October 22, 2004, **Hill** accepted a bribe from Brian L. Potashnik and Cheryl L. Potashnik and moved the City Council to approve resolutions

supporting TDHCA tax-exempt bonds and 4% tax credits for SWH's Rosemont at Laureland and Rosemont at Scyene.

16. Sometime on or about October 26, 2004, the exact date being unknown to the Grand Jury, **Hill** scheduled a meeting with **Reagan** for October 26, 2004, at 8:30 a.m.

17. On October 27, 2004, **Hill** moved the City Council to deny a resolution supporting TDHCA tax-exempt bonds and 4% tax credits for Memorial Park Townhomes.

18. On or about October 27, 2004, **Hill** moved the City Council to deny without prejudice Developer's zoning change application for Memorial Park Townhomes.

19. On October 27, 2004, **Hill** moved the City Council to deny a resolution supporting TDHCA tax-exempt bonds and 4% tax credits for Dallas West Village.

20. On October 27, 2004, **Hill** moved the City Council to approve a resolution supporting TDHCA tax-exempt bonds and 4% tax credits for Homes of Pecan Grove, but the vote was held over until November 10, 2004.

21. On or about November 2, 2004, **Lee** caused an email to be sent to Developer requesting that Developer sponsor **Hill's** birthday party in amounts ranging from \$2,500.00 to \$7,500.00.

22. On or about November 4, 2004, **Lee** called Developer and asked for a \$2,500.00 contribution for Hill's birthday party and added that "your deal is going to be held over two weeks."

23. On or about November 8, 2004, at approximately 8:15 a.m., **Lee** called Developer and asked for a contribution for Hill's birthday party.

24. On or about November 8, 2004, at approximately 8:16 a.m., **Lee** called Developer's Business Partner and asked for a contribution for Hill's birthday party.

25. On or about November 10, 2004, at approximately 11:30 a.m., **Reagan** called Developer and told him that Homes of Pecan Grove did not have the necessary support for approval and to meet him in the City Hall parking lot immediately.

26. On or about November 10, 2004, at approximately 12:00 p.m., **Reagan** caused a meeting with Developer in the City Hall parking lot where Developer signed a BSEAT CDC consulting contract for Homes of Pecan Grove.

27. On or about November 10, 2004, at approximately 1:00 p.m., **Reagan** and **McGill** appeared before the City Council and spoke in favor of the resolution supporting TDHCA tax-exempt bonds and 4% tax credits for Homes of Pecan Grove.

28. On or about November 10, 2004, at approximately 1:00 p.m., **Hill** moved the City Council to approve a resolution supporting TDHCA tax-exempt bonds and 4% tax credits for Homes of Pecan Grove.

29. On or about November 10, 2004, at 7:28 p.m., **Reagan** faxed to Developer a signed BSEAT CDC consulting contract for Homes of Pecan Grove, which contained the same payment provisions as the BSEAT CDC consulting contract for Dallas West Village, and he demanded a meeting with Developer for the next day.

30. On or about November 11, 2004, **Reagan** met with Developer and Lobbyist and received a \$10,000.00 check from Developer.

31. On or about November 11, 2004, **Reagan** endorsed and deposited Developer's business check number 1074 in the amount of \$10,000.00 into Wells Fargo account number xxxxxx2792 ("BSEAT CDC account").

32. On or about November 12, 2004, **Reagan** withdrew \$12,000.00 cash from the BSEAT CDC account.

33. On or about November 16, 2004, at 8:45 a.m., **Hill** scheduled a meeting with **Reagan**.

34. On or about November 16, 2004, at 6:30 p.m., **Hill, Lee, Reagan** and **McGill** met with Lobbyist to tell her that Developer needed to hire certain minority contractors and agree to specific deed restrictions to get the zoning change application for Dallas West Village approved by the City Council.

35. On or about November 17, 2004, **Reagan** faxed to Developer a cover letter stating, in pertinent part, as follows:

Please find attached the contract proposal for your signature (per Council Don Hill and Planning Commissioner De Angelo Lee); A copy of the SW Housing deed

restriction as an example of what ours show [sic] look like. Please call me when I can come out and pick up the check (\$12,500) this morning.

36. On or about November 17, 2004, **Reagan** faxed to Developer a revised consulting contract between the BSEAT CDC and Developer's company for Dallas West Village, which required Developer to pay a \$25,000.00 initial non-refundable payment/retainer, in the form of a \$12,500.00 payment immediately after the zoning application hearing at the CPC, a \$12,500.00 payment immediately after the approval of the zoning application by the City Council, a \$125,000.00 payment at the bond-closing, \$1,500.00 per hour for any services provided thereafter, and five percent of the general partner's developer's fee, cash flow and residual value from the project.

37. On or about November 18, 2004, **Reagan** endorsed and deposited Developer's business check number 1106 in the amount of \$7,000.00, which was for "Dallas West Village Consulting Fees Per Contract," into the BSEAT CDC account.

38. On or about November 18, 2004, **Lee** moved the CPC to hold over Developer's zoning change application for Dallas West Village to December 2, 2004.

39. On or about November 19, 2004, **Reagan** withdrew \$2,500.00 cash from the BSEAT CDC account.

40. On or about November 19, 2004, **Reagan** faxed to an attorney known to the Grand Jury ("Developer's Attorney") a cover letter stating, in pertinent part, as follows: "I plan to meet with Councilman Hill & DeAngelo on next Tues. morning & would like to have our restrictions in hand to discuss them at that time."

41. On or about November 19, 2004, **Reagan** faxed to Developer's Attorney certain deed restrictions, which included admitting the BSEAT CDC into the ownership of each project and using at least forty percent HUBs for construction ("sham deed restrictions").

42. On or about November 22, 2004, Reagan withdrew \$2,500.00 cash from the BSEAT CDC account.

43. On or about December 1, 2004, **Lee** told Developer: "I haven't got the deed restrictions back yet from Darren, Darren Reagan...."

44. On or about December 2, 2004, **Lee** moved the CPC to hold over Developer's zoning change application for Dallas West Village to December 16, 2004.

45. On or about December 2, 2004, **Rashad** and **Robertson** executed Articles of Organization for RA-MILL.

46. On or about December 6, 2004, **Lee** met with Developer and told him "it was a bad move" not to contribute to **Hill's** birthday party and it "really stung Don."

47. On or about December 11, 2004, **Rashad** and **Robertson** met with Developer at Developer's office and told him that **Rashad**, **Robertson**, **Lee**, and a person known to the Grand Jury were partners in RA-MILL, but that **Lee's** interest was hidden.

48. On or about December 15, 2004, **Reagan** left a voicemail message for Developer stating that Developer's Attorney told him she was going to file the deed

restrictions and that **Lee** assured him that "this deal is gonna pass on Thursday."

49. On or about December 16, 2004, **Reagan** received Developer's business check number 1180 in the amount of \$5,500.00, which was for "Dallas West Village."

50. On or about December 16, 2004, **Lee** moved the CPC to approve Developer's zoning change application for Dallas West Village.

51. On or about December 17, 2004, **Reagan** deposited \$5,500.00 cash and withdrew \$3,500.00 cash from the BSEAT CDC account.

52. On or about December 21, 2004, **Spencer** drafted RA-MILL Letters of Acceptance for subcontracts on Homes of Pecan Grove and Dallas West Village, which provided for an initial 10% contractor fee.

53. On or about December 22, 2004, **Spencer** drafted a Construction Management and Marketing Plan Agreement between the LCG and RA-MILL, which required RA-MILL to pay the LCG a \$2,500.00 monthly retainer fee.

54. On or about December 29, 2004, **Rashad**, using the name Vernon Cooks, and **Robertson** opened Chase Bank business checking account number xxxxxx7875-65 in the name of RA-MILL.

55. On or about December 29, 2004, **Lee** met with Developer to discuss using **Rashad** and **Robertson** as subcontractors and took Developer to a certain restaurant to meet with **Hill**.

56. On or about December 30, 2004, at approximately 11:45 p.m., **Spencer** emailed to Developer RA-MILL Letters of Acceptance for subcontracts on Homes of Pecan Grove and Dallas West Village.

57. On or about December 31, 2004, **Spencer** endorsed and deposited Millennium Investment Group check number 2900 in the amount of \$750.00 made payable to "LCG Dev Group" into Prosperity Bank account number xxx4971 ("LCG account").

58. On or about December 31, 2004, **Spencer** endorsed and deposited ASJ Remolding check number 1129 in the amount of \$750.00 made payable to "LCG" into the LCG account.

59. On or about January 3, 2005, **Rashad** met with Developer at Developer's office to discuss the subcontracts, valued at approximately \$8 million per project, for RA-MILL.

60. On or about January 3, 2005, **Robertson** told Developer that **Lee** was a RA-MILL partner.

61. On or about January 7, 2005, **Spencer** created the following email account: ramill_busmgr@yahoo.com.

62. On or about January 8, 2005, **Rashad** and **Robertson** met with Developer at Developer's office to discuss RA-MILL's Letters of Acceptance.

63. On or about January 8, 2005, **Rashad** introduced **Spencer** to Developer as "Toni Fisher," and said that "Fisher" was RA-MILL's project manager.

64. On or about January 9, 2005, **Spencer** emailed to Developer a revised RA-MILL Letter of Acceptance for the subcontract on Homes of Pecan Grove, which required an initial \$180,000.00 contractor fee upon execution of the contract ("Plan A").

65. On or about January 9, 2005, **Spencer** emailed to Developer a letter from RA-MILL stating that RA-MILL would no longer pursue contracts on Homes of Pecan Grove in return for a "minimal surcharge" of three percent of the total construction cost ("Plan B").

66. On or about January 14, 2005, **Lee** asked Developer what he needed from RA-MILL.

67. On or about January 15, 2005, **Rashad** faxed to Developer a sham business profile for RA-MILL.

68. On or about January 16, 2005, **Reagan** told Developer that he had met with **Lee**, and that **Lee** wanted Developer to give **Rashad** and **Robertson** a contract on the Homes of Pecan Grove project.

69. On or about January 18, 2005, **Rashad** told Developer that **Lee** was "not happy" that RA-MILL did not have a contract.

70. On to about January 18, 2005, **Rashad** told Developer that Plan B was acceptable to **Lee** as long as **Rashad** and **Robertson** could do anything on the project, like “hoe[ing] the mulch,” just so that they could say they did “something.”

71. On or about January 20, 2005, **Reagan** left a voicemail message for Developer asking him to give the project plans to **Rashad** so RA-MILL could make a bid on Homes of Pecan Grove.

72. On or about January 20, 2005, **Hill** and **Lee** met with **Reagan**.

73. On or about January 23, 2005, **Reagan** told Developer that **Hill** instructed **Lee** to work through **Reagan** with respect to their dealings with Developer.

74. On or about January 23, 2005, **Reagan** asked Developer for a check on the Homes of Pecan Grove contract.

75. On or about January 25, 2005, **Reagan** faxed to Developer a letter on BSEAT CDC letterhead demanding an \$85,000.00 payment on the Homes of Pecan Grove contract.

76. On or about January 28, 2005, **Reagan** met with Developer at Developer’s office and told Developer that, per **Hill**’s instructions, all construction contracts for **Lee**’s associates were to go through **Reagan**.

77. On or about January 28, 2005, during a telephone conversation among **Reagan**, **Lee** and Developer, **Lee** confirmed that all of his construction contract “referrals” would come through **Reagan**.

78. On or about January 28, 2005, during a telephone conversation among **Reagan** and Developer, **Reagan** insisted that he would have a say in whether **Rashad** and **Robertson** would receive a subcontract.

79. On or about January 31, 2005, at 10:34 a.m., **Reagan** went to Developer's office to pick up Developer's business project check number 3 in the amount of \$85,000.00, made payable to the "BSEAT CDC 501c3," for "Pecan Grove."

80. On or about January 31, 2005, at 12:03 p.m., **Reagan** went to Chase Bank to convert business project check number 3 into Chase cashier's check number A 0830013632 in the amount of \$85,000.00, made payable to the "BSEAT CDC 501c3."

81. On or about January 31, 2005, **Reagan** endorsed and deposited Chase cashier's check number A 0830013632 in the amount of \$85,000.00 into the BSEAT CDC account.

82. On or about February 1, 2005, **Reagan** faxed to Developer's Business Partner a BSEAT invoice for \$4,000.00 for "monthly car allowance" and "monthly cellular phone allowance" for October 2004 through January 2005.

83. On or about February 2, 2005, **Slovacek** emailed to **Spencer** concrete bids for Homes of Pecan Grove.

84. On or about February 6, 2005, at the "Deputy Mayor Pro Tem Superbowl Event for Champions" at the Lofts, **Reagan**, **Lee** and **Spencer** created RA-MILL invoice number 05-1004 in the amount of \$180,000.00 for Pecan Grove.

85. On or about February 6, 2005, **Spencer** faxed to Developer RA-MILL invoice number 05-1004 in the amount of \$180,000.00 for Pecan Grove.

86. On or about February 7, 2005, **Reagan** sent to Developer's Business Partner via certified mail BSEAT CDC invoice number 01-05 in the amount of \$30,000.00 for Pecan Grove and RA-MILL invoice number 05-1004 in the amount of \$180,000.00 for Pecan Grove.

87. On or about February 8, 2005, at approximately 4:29 p.m., **Slovacek** emailed to **Lee** a spreadsheet of projections for Homes of Pecan Grove.

88. On or about February 8, 2005, at approximately 7:45 p.m., **Lee** told **Reagan** to collect the RA-MILL invoice from Developer.

89. On or about February 8, 2005, at approximately 9:18 p.m., **Reagan**, **Rashad** and **Robertson** discussed RA-MILL's invoice to Developer in lieu of contracts on Homes of Pecan Grove and Dallas West Village.

90. On or about February 8, 2005, at approximately 9:18 p.m., **Reagan** told **Rashad** and **Robertson** that Developer's zoning change application for Dallas West Village was "off" the agenda.

91. On or about February 9, 2005, **Hill**, **Lee**, **Reagan**, **Rashad** and **Robertson** caused the City Council's consideration of Developer's zoning change application for Dallas West Village to be postponed to February 23, 2005.

92. On or about February 10, 1005, **Reagan** told Developer to bring a \$4,000.00 check to their meeting the next day to pay for **Reagan's** gas and cell phone expenses.

93. On or about February 11, 2005, at approximately 10:44 a.m., **Reagan** and **McGill** discussed the Homes of Pecan Grove budget that Developer submitted to the TDHCA and how they could "squeeze" money out of Developer on that project.

94. On or about February 11, 2005, at approximately 11:20 a.m., **Reagan** met with Developer and told Developer that he needed to pay RA-MILL on Homes of Pecan Grove to get his zoning change application for Dallas West Village approved by the City Council on February 23, 2005, and that he was going to "report back" to **Hill**.

95. On or about February 11, 2005, **Reagan** endorsed and deposited Developer's business check number 19 in the amount of \$4,000.00, made payable to the "BSEAT CDC 501c3" into the BSEAT CDC account.

96. On or about February 11, 2005, **Lee** told **Reagan** to demand a \$75,000.00 payment from Developer on the RA-MILL invoice.

97. On or about February 11, 2005, at approximately 5:30 p.m., **Lee** told **Reagan** to give Developer a list of "preferred" subcontractors and that if Developer did not commit to using them, the City Council would deny Developer's zoning change

application for Dallas West Village.

98. On or about February 11, 2005, at approximately 6:06 p.m., **Reagan** told **McGill** that all subcontractors were “gonna have to contribute to the kitty.”

99. On or about February 16, 2005, **Reagan** faxed to Developer’s Business Partner amended contracts for Homes of Pecan Grove and Dallas West Village, which: (a) made the BSEAT CDC the co-developer, general contractor, and project manager; (b) required payment of fifty percent of the developer’s fee (approximately \$1.4 million) to the BSEAT CDC; and (c) required the issuance of “irrevocable letters of commitment” to certain “preferred” subcontractors designated therein.

100. On or about February 18, 2005, **Reagan** told **Hill** that Developer was “waffling” on the list of subcontractors he gave Developer and told **Hill** that “we just need to pull it.”

101. On or about February 18, 2005, **Hill** told **Reagan** he would pull Developer’s zoning application from the City Council’s February 23, 2005, agenda.

102. On or about February 21, 2005, **Reagan** confirmed with **Hill** that **Hill** was going to pull Developer’s zoning application from the City Council’s February 23, 2005 agenda.

103. On or about February 21, 2005, **Reagan** told Developer that Developer needed to sign the amended contracts for Homes of Pecan Grove and Dallas West Village immediately and that they needed to meet personally to discuss “payment

requirements.”

104. On or about February 21, 2005, **Reagan** informed Developer that he would be “visiting with public officials in the morning.”

105. On or about February 22, 2005, at approximately 9:12 a.m., **Reagan** told Developer to bring “the balance” to their meeting later that day.

106. On or about February 22, 2005, at approximately 10:45 a.m., **Reagan** met with Developer and picked up two checks, one in the amount of \$12,500.00 and the other in the amount of \$10,000.00.

107. On or about February 22, 2005, **Reagan** gave Developer a BSEAT invoice for \$50,000.00 on which **Reagan** marked that \$10,000.00 was paid.

108. On or about February 22, 2005, at approximately 11:17 a.m., **Reagan** called a certain Wells Fargo Bank branch and requested \$12,000.00 in cash for immediate pickup.

109. On or about February 22, 2005, at approximately 11:29 a.m., **Reagan** deposited Developer’s business check number 1512 in the amount of \$12,500.00, made payable to “BSEAT 501c3, Inc.,” for “Dallas West Village,” and Developer’s business check number 1513 in the amount of \$10,000.00, made payable to “BSEAT 501c3, Inc.,” for “Dallas West Village,” into the BSEAT CDC account.

110. On or about February 22, 2005, at approximately 11:29 a.m., **Reagan** withdrew \$12,000.00 cash from the BSEAT CDC account.

111. On or about February 22, 2005, at approximately 12:51 p.m., **Reagan** met **Hill** and **Lee** behind a church and gave **Hill** at least \$10,000.00 in cash.

112. On or about February 22, 2005, at approximately 2:15 p.m., Farrington deposited \$5,000.00 cash into the Farrington & Associates account.

113. On or about February 22, 2005, at approximately 2:15 p.m., Farrington wrote and signed Farrington & Associates check number 519 in the amount of \$2,500.00, made payable to Farrington.

114. On or about February 22, 2005, at approximately 2:15 p.m., Farrington cashed Farrington & Associates check number 519 in the amount of \$2,500.00.

115. On or about February 22, 2005, at approximately 4:24 p.m., **Farrington** told **Lee** that she had a payment for him.

116. On or about February 23, 2005, at approximately 8:54 a.m., **Hill** thanked **Reagan** for the payment.

117. On or about February 23, 2005, at approximately 8:54 a.m., **Reagan** told **Hill** that he gave Developer another week to sign the amended contracts and that he appreciated **Hill** postponing the City Council vote on Developer's zoning change application for Dallas West Village.

118. On or about February 23, 2005, at approximately 9:15 a.m., **Reagan** told Developer not to bother going to City Hall because his zoning change application for

Dallas West Village was going to be postponed for another two weeks.

119. On or about February 23, 2005, **Hill**, **Lee** and **Reagan** caused Developer's zoning change application for Dallas West Village to be postponed by the City Council until March 9, 2005.

120. On or about February 28, 2005, **Lee** told **Slovacek** that he would call **Reagan** about a concrete subcontract for **Slovacek** on Homes of Pecan Grove.

121. On or about March 1, 2005, **Reagan** faxed to **Hill** copies of the BSEAT letters he sent to Developer on February 23, February 24 and March 1, 2005, regarding BSEAT's demand for amended contracts and executed contracts with BSEAT's "preferred" contractors, and asked **Hill** to contact him at his earliest convenience that day.

122. On or about March 4, 2005, **Reagan** told a City employee known to the Grand Jury to give **Hill** the following message: "I don't have any contracts, signed contracts, ah, in hand, yet so my recommendation is just to table this, table that, ah, deal until we get signed contracts."

123. On or about March 4, 2005, **Reagan** told Developer to bring certified funds with him to their March 7, 2005 meeting.

124. On or about March 7, 2005, at approximately 2:00 p.m., **Reagan** met with Developer to pick up a \$40,000.00 cashier's check made payable to the BSEAT CDC.

125. On or about March 7, 2005, **Reagan** marked BSEAT CDC invoice number 01-05 in the amount of \$30,000.00 as paid.

126. On or about March 7, 2005, **Reagan** deducted \$10,000.00 from a BSEAT CDC invoice for February 2005 that had a \$40,000.00 balance.

127. On or about March 7, 2005, at approximately 3:16 p.m., **Reagan** told **McGill** that it was “brass knuckle” time with Developer.

128. On or about March 7, 2005, at approximately 4:17 p.m., **Reagan**, deposited Chase cashier’s check number A 4840014822 in the amount of \$40,000.00, made payable to “BSEAT CDC 501c-3,” into the BSEAT CDC account.

129. On or about March 7, 2005, at approximately 4:17 p.m., **Reagan** withdrew \$19,000.00 from the BSEAT CDC account in the form of \$18,054.50 cash and two cashier’s checks totaling \$945.50.

130. On or about March 7, 2005, at approximately 5:04 p.m., **Reagan** went to Bank of America and made a \$3,000.00 cash payment to his Visa credit card account.

131. On or about March 7, 2005, at approximately 6:59 p.m., **Lee** called **Reagan** to schedule a meeting time and place.

132. On or about March 7, 2005, at approximately 7:27 p.m., **Lee** and **Reagan** met in a 7-11 parking lot.

133. On or about March 8, 2005, **Hill** deposited \$2,500.00 cash into Comerica bank account number xxxxxxx4728 ("**Hill**'s campaign account").

134. On or about March 8, 2005, at approximately 12:42 p.m., when discussing Developer, **Lee** told **Hill**: "[S]till he has not fulfilled any of his obligation with those vendors."

135. On or about March 8, 2005, at approximately 12:42 p.m., in response to **Lee**'s statement that Developer had not fulfilled any of his obligations with the vendors, **Hill** told **Lee**: "[W]e gonna deal with it up here. We'll deal with it, we'll deal with it."

136. On or about March 8, 2005, **Hill** sent an email to a City employee known to the Grand Jury and, using a false set of facts, requested a legal opinion regarding a conflict of interest on a zoning matter set on the Council's March 9, 2005 agenda.

137. On or about March 9, 2005, at approximately 10:52 a.m., **Reagan** asked Developer why none of the "preferred" subcontractors had gotten contracts yet.

138. On or about March 9, 2005, at approximately 11:19 a.m., **Reagan** told a City employee known to the Grand Jury to remind **Hill** to pull "the Dallas West Village thing" from the City Council's agenda.

139. On or about March 9, 2005, at approximately 1:00 p.m., **Hill** moved the City Council to postpone consideration of Developer's zoning change application for

Dallas West Village until April 13, 2005.

140. On or about March 11, 2005, **Reagan** faxed a letter to Developer regarding Developer's withdrawal from "the proposed Dallas West Villages project," stating: "[S]hould you reconsider your withdrawal, please know that the terms and conditions as previously stated and outlined must be met and in place (amended contract, contracts with preferred subcontractors, etc.) in order to move forward."

Extortionate Demands Made through KDAT

141. On or about February 9, 2005, **Dean** submitted a State of Texas Application for Certification as a Historically Underutilized Business (HUB) for KDAT and represented that it was a new business.

142. On or about March 1, 2005, **Dean** emailed to a contractor known to the Grand Jury ("Contractor") a KDAT quote for concrete work on Homes of Pecan Grove.

143. On or about March 9, 2005, **Lewis** filed a Certificate of Organization and Articles of Organization for KDAT Developers, LLC with the Texas Secretary of State.

144. On or about March 29, 2005, **Dean** sent a letter of agreement to Developer stating that all fees necessary to secure the City Council's approval of Developer's zoning change application for Dallas West Village would be built into the KDAT concrete subcontract for Homes of Pecan Grove.

145. On or about March 31, 2005, **Dean** and Developer discussed how **Dean** would invoice the amount to be paid to **Hill** for the City Council's approval of Developer's zoning change application for Dallas West Village.

146. On or about April 5, 2005, **Dean** told Developer that **Dean's** attorney, **Lewis**, was going to help put the deal together with respect to obtaining the City Council's approval of Developer's zoning change application for Dallas West Village.

147. On or about April 11, 2005, **Dean** forwarded to **Lewis** a letter agreement between Developer and KDAT that referenced obtaining **Hill's** support for Developer's zoning change application for Dallas West Village.

148. On or about April 12, 2005, **Hill, Dean, Lewis** and a person known to the Grand Jury met at **Lewis's** office and discussed the approval of Developer's zoning change application for Dallas West Village.

149. On or about April 12, 2005, at approximately 6:42 p.m., **Dean** and **Lewis** told Developer that Developer needed to pay \$50,000.00 to **Hill** on five separate projects, for a total payment of \$250,000.00.

150. On or about April 12, 2005, at approximately 7:05 p.m., per **Hill's** request, **Dean** called **Reagan** and asked him if he had any deals pending with Developer on Dallas West Village.

151. On or about April 12, 2005, at approximately 10:45 p.m., **Dean** and **Lewis** told Developer that they had determined the method they would use to invoice

Developer for the amount that was going to be paid to **Hill**.

152. On or about April 12, 2005, at approximately 10:45 p.m., **Dean** and **Lewis** told Developer that they needed a signed agreement and initial payment of \$125,000.00 made by 10:00 a.m. the next day to obtain **Hill**'s support for Developer's zoning change application for Dallas West Village.

153. On or about April 12, 2005, at approximately 10:49 p.m., **Lewis** emailed to **Dean** a revised draft agreement between Developer and KDAT for Dallas West Village.

154. On or about April 12, 2005, at approximately 11:04 p.m., **Dean** forwarded to Developer the revised draft agreement he received from **Lewis**.

155. On or about April 13, 2005, at approximately 9:51 a.m., **Reagan** told a City employee known to the Grand Jury to tell **Hill** to delay the vote or deny Developer's zoning change application for Dallas West Village.

156. On or about April 13, 2005, at approximately 3:00 p.m., **Hill** moved the City Council to overrule the CPC's recommendation to approve Developer's zoning change application for Dallas West Village and re-advertise for a new hearing on the application for May 11, 2005.

157. On or about April 22, 2005, **Lewis** told Developer that, by passing the payments to **Hill** through Lewis & Associates, "there will never be a direct paper trail."

158. On or about April 30, 2005, **Hill** and **Lewis** discussed the status of project negotiations with Developer.

159. On or about May 5, 2005, **Dean** forwarded to **Lewis** a redlined draft agreement between Developer and KDAT on the Dallas West Village project that he had received from Developer.

160. On or about May 5, 2005, **Lewis** emailed to Developer (a) a revised agreement between KDAT and Developer and (b) an Attorney and Consultation Contract between Lewis & Associates and Developer, which provided: "The legal fees are allocated on a per project cost of \$50,000.00."

161. On or about May 9, 2005, **Dean** told Developer that he and **Lewis** had caused the vote on Developer's zoning change application for Dallas West Village to be postponed.

162. On or about May 9, 2005, **Lewis** sent the following text message to **Hill**: "We are ready to go: I need your support! Can I talk to you in the morning?"

163. On or about May 10, 2005, **Hill** told a City employee known to the Grand Jury to expect a call from **Lewis** regarding the Dallas West Village project.

164. On or about May 11, 2005, at approximately 10:25 a.m., **Dean** and **Lewis** met with Developer at Developer's office to sign the contracts and pick up the first \$50,000.00 payment from Developer.

165. On or about May 11, 2005, **Dean** signed a letter agreement between KDAT and Developer's company for Homes of Pecan Grove.

166. On or about May 11, 2005, **Lewis** signed an Attorney and Consultation Contract between Lewis & Associates and Developer's company for five projects with "attorney fees" totaling \$250,000.00.

167. On or about May 11, 2005, at approximately 11:15 a.m., **Lewis** sent a text message to **Hill**, stating: "Everything is signed! Approve the project!!!"

168. On or about May 11, 2005, at approximately 12:03 p.m., **Lewis** sent the following text message to **Hill**: "I have all of that: where can I meet you??"

169. On or about May 11, 2005, at approximately 12:08 p.m, **Lewis** converted Developer's business project check number 1019 in the amount of \$50,000.00, made payable to Lewis and Associates, into Chase cashier's check number 0880059378.

170. On or about May 11, 2005, at approximately 12:20 p.m, **Lewis** endorsed and deposited Chase cashier's check number 0880059378 in the amount of \$50,000.00, made payable to Lewis and Associates, into his law office client trust account, Bank One account number xxxxxx9445 ("L&A IOLTA account").

171. On or about May 11, 2005, at approximately 12:55 p.m, **Lewis** met with **Dean** and Contractor at a gas station in the 16100 block of Dallas Parkway.

172. On or about May 11, 2005, at approximately 1:00 p.m, **Hill** moved the City Council to move Developer's zoning change application for Dallas West Village

to the end of the Council's agenda.

173. On or about May 11, 2005, at approximately 1:21 p.m., **Lewis** entered Dallas City Hall.

174. On or about May 11, 2005, at approximately 4:16 p.m., **Hill** moved the City Council to accept the CPC's recommendation and approve Developer's zoning change application for the Dallas West Village project.

175. On or about May 11, 2005, at approximately 5:40 p.m., **Lewis** sent the following text message to **Hill**: "When can we meet? I'm downstairs."

176. On or about May 11, 2005, at approximately 5:43 p.m., **Lewis** sent a the following text message to **Hill**: "Thanks."

177. On or about May 12, 2005, **Lewis** withdrew \$2,500.00 cash from the L&A IOLTA account.

178. On or about May 12, 2005, **Lewis** wrote and signed L&A IOLTA check number 5331 in the amount of \$500.00, made payable to **Lewis**.

179. On or about May 12, 2005, **Lewis** cashed L&A IOLTA check number 5331 in the amount of \$500.00.

180. On or about May 16, 2005, **Lewis** endorsed and cashed L&A IOLTA check number 5335, in the amount of \$1,000.00, made payable to **Lewis**.

181. On or about May 17, 2005, **Lewis** wired \$15,000.00 from the L&A IOLTA account to **Dean's** KDAT account.

182. On or about May 18, 2005, **Lewis** endorsed and cashed L&A IOLTA check number 5336, in the amount of \$650.00, made payable to **Lewis**.

183. On or about May 18, 2005, **Lewis** endorsed and cashed L&A IOLTA check number 5337, in the amount of \$3,300.00, made payable to **Lewis**.

184. On or about May 24, 2005, **Lewis** wired \$10,000.00 from the L&A IOLTA account to **Dean's** KDAT account.

185. On or about June 10, 2005, **Lewis** endorsed and cashed L&A IOLTA check number 5360, in the amount of \$4,000.00, made payable to **Lewis**.

186. On or about June 10, 2005, **Lewis** endorsed and cashed L&A IOLTA check number 5354, in the amount of \$2,000.00, made payable to **Lewis**.

187. The Grand Jury hereby alleges and incorporates, by reference herein, all of the allegations set forth in Counts Sixteen and Seventeen of this indictment as acts in furtherance of this conspiracy.

All in violation of 18 U.S.C. § 1951.

Count Sixteen
Extortion by Public Officials and Aiding and Abetting
(Violations of 18 U.S.C. §§ 1951 and 2)

1. The Grand Jury hereby adopts, realleges and incorporates herein all allegations set forth in the Introduction and Count Fifteen of this indictment as if fully set forth herein.

2. On or about February 22, 2005, in the Dallas Division of the Northern District of Texas, and elsewhere, defendants, **Donald W. Hill**, also known as Don Hill, and **D'Angelo Lee**, being agents and public officials of the City of Dallas, aided and abetted by each other and others known and unknown to the Grand Jury, did knowingly, willfully, and unlawfully affect and attempt to affect interstate commerce and the movement of articles and commodities in interstate commerce by extortion, in that **Hill** and **Lee** unlawfully obtained and attempted to obtain property not due them or their offices, namely, \$22,500.00, from an affordable housing developer known to the Grand Jury ("Developer"), with Developer's consent, induced by wrongful use and threat of use of economic harm and under color of official right.

3. Defendants, **Sheila D. Farrington**, also known as Sheila Hill, **Darren L. Reagan**, also known as Dr. Darren L. Reagan, and **Allen J. McGill**, did aid, abet, counsel, command, induce and procure the commission of said offenses, as set forth in paragraph two above.

In violation of 18 U.S.C. §§ 1951 and 2.

Count Seventeen
Extortion by Public Officials and Aiding and Abetting
(Violations of 18 U.S.C. §§ 1951 and 2)

1. The Grand Jury hereby adopts, realleges and incorporates herein all allegations set forth in the Introduction and Count Fifteen of this indictment as if fully set forth herein.

2. On or about May 11, 2005, in the Dallas Division of the Northern District of Texas, and elsewhere, defendant, **Donald W. Hill**, also known as Don Hill, being an agent and public official of the City of Dallas, did knowingly, willfully, and unlawfully affect and attempt to affect interstate commerce and the movement of articles and commodities in interstate commerce by extortion, in that **Hill** unlawfully obtained and attempted to obtain property not due him or his office, namely, \$50,000.00, from an affordable housing developer known to the Grand Jury ("Developer"), with Developer's consent, induced by wrongful use and threat of use of economic harm and under color of official right.

3. Defendants, **Darren L. Reagan**, also known as Dr. Darren L. Reagan, **Kevin J. Dean** and **John J. Lewis**, did aid, abet, counsel, command, induce and procure the commission of said offenses, as set forth in paragraph two above.

In violation of 18 U.S.C. §§ 1951 and 2.

Count Eighteen

Conspiracy to Commit Deprivation of Honest Services by Wire Fraud
(Violation of 18 U.S.C. § 1349)

A. The Grand Jury hereby adopts, realleges and incorporates herein all allegations set forth in the Introduction of this indictment as if fully set forth herein.

The Conspiracy and its Objects

B. Beginning, at least, on or about November 5, 2004, and continuing through on or about June 20, 2005, in the Dallas Division of the Northern District of Texas, and elsewhere, defendants, **Donald W. Hill**, also known as Don Hill, **D'Angelo Lee**, **Sheila D. Farrington**, also known as Sheila Hill, **Andrea L. Spencer**, also known as Toni Fisher and Toni Thomas, and **Ronald W. Slovacek**, also known as Ron Slovacek, did knowingly combine, conspire, confederate and agree with each other, and with others known and unknown to the Grand Jury, to commit the following offense against the United States: deprivation of honest services by wire fraud, in violation of 18 U.S.C. §§ 1343 and 1346, that is, the defendants conspired to devise a scheme and artifice to deprive the residents of Dallas, the Dallas City Council and the Dallas City Plan and Zoning Commission ("CPC") of their right to the honest services of Council Member **Hill** and Plan Commissioner **Lee**, performed free from deceit, fraud, concealment, bias, conflict of interest, self-enrichment and self-dealing, by means of materially false and fraudulent pretenses, representations, promises and material omissions and, in furtherance thereof, used wire communications in interstate and foreign commerce.

C. The objects of the conspiracy included the following:

1. to unjustly enrich **Hill, Lee, Farrington, Spencer and Slovacek** by using **Hill's** and **Lee's** official positions and influence on the City Council and the CPC, respectively, to obtain personal benefits from local and federal government entities, local business associations, private individuals, and financial and investment institutions in connection with the purchase and development of real estate; and

2. to conceal **Hill's** and **Lee's** personal financial interests in the real estate projects that **Hill** and **Lee** supported through their official positions and influence on the City Council and the CPC, respectively, by not disclosing such interests and by funneling payments to **Hill** and **Lee** through nominee companies.

Manner and Means of the Conspiracy

D. The conspirators used the following manner and means, among others, to carry out the objects of the conspiracy:

1. **Lee, Spencer, and Slovacek** would and did create a for-profit entity, The LKC Dallas ("The LKC"), in which **Lee's** interest was selectively disclosed, to purchase and develop real estate with the official assistance of **Hill** and **Lee**.

2. **Lee, Spencer, and Slovacek** would and did create a for-profit entity, Kiest Blvd., LP ("Kiest Blvd."), in which **Lee's** interest was hidden, to purchase and develop real estate with the official assistance of **Hill** and **Lee**.

3. **Lee, Spencer, and Slovacek** would and did create Kiest General, LLC (“Kiest General”) to be the general partner of Kiest Blvd.

4. As a member of the Dallas City Council, **Hill** would and did, by use of interstate email and telephone communications, use his official position to seek things of value for himself, **Lee, Spencer and Slovacek**, who sought public and private funding to purchase and develop real estate through The LKC and Kiest Blvd.

5. As a plan commissioner on the CPC, **Lee** would and did, by use of interstate email and telephone communications, use his official position to seek things of value for himself, **Hill, Spencer and Slovacek**, who sought public and private funding to purchase and develop real estate through The LKC and Kiest Blvd.

6. **Hill** would and did seek things of value for himself in return for providing official assistance to **Lee, Spencer and Slovacek**. The things of value included cash payments funneled through Farrington & Associates and kickbacks on sham consulting agreements.

7. **Lee, Spencer and Slovacek** would and did offer things of value to **Hill** to influence and reward him for his performance of official acts that advanced their financial interests. The things of value included cash payments funneled through Farrington & Associates, kickbacks on sham consulting agreements and personal gifts.

8. In return for things of value, **Hill** would and did, by use of interstate email and telephone communications, agree to use his official position and influence on

the City Council and on the DPFP System Board of Trustees to promote and advance the financial interests of **Lee**, **Spencer** and **Slovacek** by seeking the following things for The LKC and Kiest Blvd.:

- a. the authorization of a Residential Development Acquisition Loan Program loan involving federal funds from the City;
- b. the award of local bond funds from the City;
- c. the award of an earmark appropriation from the federal government;
- d. the award of private grant funds from a private foundation;
- e. the creation of a tax increment financing district;
- f. the approval of investment funding from a local pension fund;
and
- g. the waiver of a locally-required development impact study.

9. As a plan commissioner of the CPC, **Lee** would and did agree to use his official position and influence on the CPC to promote and advance his own financial interests and the financial interests of **Spencer** and **Slovacek** by threatening a property owner with official action to coerce the sale of privately-held property to The LKC at a favorable price.

10. **Hill** and **Lee** would and did conceal their expected and actual receipt of things of value by not disclosing conflicts of interest, omitting sources of income on Financial Disclosure Reports, and receiving cash payments from nominee companies, in violation of state and local law, including the City Code of Ethics.

11. **Farrington** would and did conceal **Hill's** and **Lee's** receipt of things of value by funneling cash payments from The LKC to **Hill** and **Lee** through **Farrington & Associates**.

Overt Acts

E. In furtherance of the conspiracy and to effect the objects thereof, **Hill, Lee, Farrington, Spencer** and **Slovacek** committed, and caused to be committed, the following overt acts, among others, in the Dallas Division of the Northern District of Texas, and elsewhere:

1. On or about November 5, 2004, **Lee, Spencer** and **Slovacek** formed Kiest General and Kiest Blvd.

2. On or about November 17, 2004, **Hill**, as a member of the City's Comprehensive Plan Committee, requested a meeting with the director of the Veteran's Administration ("VA") North Texas Health Care System regarding "economic development opportunities near the VA Hospital" and invited said director to participate in a tour of the Lancaster Kiest Corridor.

3. On or about December 3, 2004, **Hill** requested a meeting with a member of the United States House of Representatives known to the Grand Jury ("U.S. Representative") regarding "economic development opportunities near the VA Hospital" and invited said U.S. Representative to participate in a tour of the Lancaster Kiest Corridor.

4. On or about December 8, 2004, **Hill** moved the City Council to authorize the following amendment to the City's review criteria for multi-family project applications seeking City approval of bond financing and/or housing tax credits: to make construction or substantial rehabilitation of "a mixed use development that includes a minimum 10,000 square feet of retail space" a higher priority than "new construction of housing for low and moderate income households."

5. On or about December 28, 2004, **Hill** sent an email to a City employee known to the Grand Jury, advocating against the re-issuance of a landfill permit for property located at Kiest Boulevard and Southerland Avenue.

6. On or about January 6, 2005, **Spencer** filed a Certificate of Ownership for Unincorporated Business or Profession for The LKC under the Dallas County Assumed Name Records.

7. On or about January 14, 2005, **Slovacek** filed a Form SS-4 Application for Employer Identification Number for Kiest Blvd. with the Internal Revenue Service.

8. On or about January 14, 2005, **Slovacek** opened Chase Bank account number xxxxxx3218 in the name of Kiest Blvd. ("Kiest Blvd. account").

9. On or about January 14, 2005, **Spencer** and **Slovacek** entered into an Apartment Lease Contract for Apartments 703 and 704 at the Lofts ("The LKC office"), which listed The LKC, **Spencer** and **Slovacek** as the only residents.

10. On or about January 27, 2005, **Spencer** and **Slovacek** caused a grant application, which requested \$100,000.00 for a market study of the Lancaster Kiest Corridor, to be submitted to The Real Estate Council Foundation ("TREC").

11. On or about February 1, 2005, **Farrington** drafted a land use consulting agreement between Farrington & Associates and an organization known to the Grand Jury ("Organization A"), which required Organization A to pay Farrington & Associates \$60,000.00 over a twelve-month period.

12. On or about February 4, 2005, **Lee**, **Spencer** and **Slovacek** met with two bankers known to the Grand Jury at The LKC office and discussed obtaining a loan for Kiest Blvd. for the development of a single-family affordable housing project known as Cedar Crest Square.

13. On or about February 17, 2005, **Lee**, **Spencer** and **Slovacek** met with a property owner known to the Grand Jury ("Property Owner A"), real estate investment advisors known to the Grand Jury who provided investment services to the DPFP System ("Real Estate Investment Advisors"), and a representative from U.S. Representative's office known to the Grand Jury at The LKC office and discussed The LKC's potential purchase and development of the Lancaster Kiest Shopping Center ("LKSC").

14. On or about February 23, 2005, **Hill** voted to approve the consent agenda that approved a resolution authorizing the City to disburse \$883,250.00 in 2003

General Obligation Bond Funds to Kiest Blvd. for Cedar Crest Square.

15. On or about February 23, 2005, **Hill** voted to approve the consent agenda that approved a resolution authorizing the City to make a Residential Development Acquisition Loan Program loan in the amount of \$150,000.00 to Kiest Blvd. for the acquisition and development of affordable housing for Cedar Crest Square.

16. On or about February 24, 2005, **Slovacek** signed a binding letter of intent that gave Kiest General the exclusive right and option to purchase the LKSC from Property Owner A's business for \$5,500,000.00.

17. On or about February 25, 2005, **Lee, Spencer, and Slovacek** attended the Dallas Area Rapid Transit ("DART") Planning Committee Meeting and made a presentation regarding The LKC's proposed development of a transit-oriented, mixed-use development including 10,000 square feet of retail space in the Lancaster Kiest Corridor, known as the Dallas Lancaster Station.

18. On or about February 28, 2005, at approximately 1:33 p.m., **Lee and Slovacek** discussed the contract to purchase the LKSC for \$5,500,000.00.

19. On or about March 1, 2005, at approximately 5:58 p.m., when discussing obtaining "consulting fees" from Organization A and the VA in connection with the SRO proposal, **Lee** told **Spencer**: "I'm not going to do it for free, nor am I going to tax one agency more than another."

20. On or about March 2, 2005, **Hill** sent an email to **Lee** summarizing a conversation he had with the City Manager regarding a meeting with U.S. Representative, and suggesting that The LKC file a TIF application for the Lancaster Kiest Corridor.

21. On or about March 3, 2005, at approximately 3:31 p.m., **Lee** told a person known to the Grand Jury ("Project Representative") that he would provide a support letter to a developer known to the Grand Jury ("Developer") for one of Developer's proposed projects ("Dilworth Estates") and asked whether **Spencer** had delivered the contract to Project Representative.

22. On or about March 3, 2005, at approximately 5:52 p.m., **Spencer** emailed to a home builder known to the Grand Jury ("Home Builder") a Construction Management, Marketing and Professional Services Agreement between The LKC Consulting Group and Home Builder, which required Home Builder to pay The LKC Consulting Group a \$5,000.00 monthly retainer fee.

23. On or about March 4, 2005, **Hill** and **Lee** agreed to meet at **Hill's** City Hall office to discuss an LKC project.

24. On or about March 8, 2005, at approximately 9:43 a.m., when discussing a support letter for Developer, **Lee** asked Project Representative whether Developer had signed a contract with **Spencer** yet.

25. On or about March 8, 2005, at approximately 12:42 p.m., when discussing The LKC, **Hill** told **Lee**: "Bring me in wherever you need me to do, whatever I

need to go, but you're gonna have to keep your focus, man."

26. On or about March 8, 2005, at approximately 2:11 p.m., when discussing an LKC project with another property owner known to the Grand Jury ("Property Owner B"), **Lee** handed the telephone to **Hill**, who, referring to **Lee**, stated: "[L]et's see what we can do to kinda help him along the way, you know?"

27. On or about March 9, 2005, **Hill** moved the City Council to approve a resolution authorizing support of opportunities between the City of Dallas and DART.

28. On or about March 9, 2005, when telling Property Owner B that he owned The LKC, but was a hidden partner due to his official position on the CPC, **Lee** stated: "I cannot, legally, legally, my partners cannot do business in the City of Dallas if I'm legally a part of it. My name is on it. They cannot get funding from the City of Dallas to do any infrastructure or grants or whatever."

29. On or about March 10, 2005, **Hill** told **Farrington** that he was going to Washington D.C. to meet with a presidential cabinet member known to the Grand Jury ("Cabinet Member") and that "if the LKC ever gets there ... we'll get in there and try to get it done."

30. On or about March 14, 2005, at approximately 11:02 a.m., **Lee** told **Spencer** to inform everyone at the Dallas Partnership for SRO meeting that Organization A and the VA were The LKC's clients and that all communications with them should go through **Lee**.

31. On or about March 14, 2005, at approximately 11:30 a.m., **Lee** announced at the Dallas Partnership for SRO meeting that he was scheduled to meet with **Hill** on March 17, 2005, regarding the SRO.

32. On or about March 14, 2005, at approximately 2:43 p.m., **Hill**, using interstate telephone wires, instructed **Lee** to file a TIF application for the Lancaster Kiest Corridor.

33. On or about March 14, 2005, at approximately 3:39 p.m., **Hill**, using interstate wires, sent an email instructing a City employee known to the Grand Jury to prepare a memorandum to the mayor requesting that a resolution to approve and/or set for public hearing the creation of the Lancaster Kiest Corridor TIF be placed on the City Council's April 13, 2005 agenda.

34. On or about March 14, 2005, at approximately 3:53 p.m., **Hill**, using interstate telephone wires, left a voicemail message for **Lee**, stating: "Hey, D'Angelo, we, we're working on getting that TIF application on the agenda.... Now, the thing about it is,.... [y]ou're gonna have to have site control. You're gonna have to have site control, okay?"

35. On or about March 14, 2005, at approximately 10:52 p.m., **Lee** sent an email to Project Representative, informing Project Representative that, with respect to the support letter for Developer, **Spencer** was "working on it" and that **Lee** would deliver the letter that weekend.

36. On or about March 15, 2005, **Lee**, using **Hill's** official City of Dallas letterhead, signed a support letter for Dilworth Estates.

37. On or about March 15, 2005, at approximately 10:24 a.m., **Hill**, using interstate telephone wires, told **Lee** that he needed to submit a pro forma estimate to the City in support of the Lancaster Kiest Corridor TIF application.

38. On or about March 15, 2005, at approximately 3:43 p.m., **Hill** sent an email to the mayor supporting the Lancaster Kiest Corridor TIF, with a blind copy to **Lee**.

39. On or about March 16, 2005, at approximately 4:22 p.m., **Lee** caused the City of Dallas support letter for Dilworth Estates to be faxed to **Spencer**.

40. On or about March 16, 2005, at approximately 4:34 p.m., **Hill** told **Lee** that the DPFP System would not allow **Lee** to make \$1 million off of the LKSC purchase.

41. On or about March 16, 2005, at approximately 5:40 p.m., **Spencer** faxed the City of Dallas support letter for Dilworth Estates to Developer.

42. On or about March 17, 2005, at approximately 8:17 a.m., **Hill** told **Farrington** that The LKC was her business partner.

43. On or about March 17, 2005, when seeking funds for The LKC from a person known to the Grand Jury, **Lee** stated: "Now, I do have, commitments from the City, and from ahh, you know, Don, and so forth and so on."

44. On or about March 23, 2005, **Lee** told a person known to the Grand Jury that he was the owner of The LKC.

45. On or about March 29, 2005, at approximately 8:12 a.m., **Hill**, using interstate wires, sent an email to **Lee** in which he instructed **Lee** to set up a meeting with U.S. Representative and the Real Estate Investment Advisors.

46. On or about March 29, 2005, at approximately 2:50 p.m., **Lee** told a Dallas Independent School District trustee known to the Grand Jury that other developers were trying to “swoop” in on the SRO project, but that the deal had to go through **Lee**.

47. On or about March 30, 2005, **Lee** left a voicemail message for the president of Organization A (“President A”), telling President A that they needed to consummate their joint venture agreement quickly.

48. On or about March 31, 2005, **Spencer** opened Prosperity Bank account number xxxx031 in the name of The LKC Dallas (“The LKC account”), listing herself as its sole proprietor.

49. On or about March 31, 2005, **Lee** called a Housing Department employee known to the Grand Jury to confirm that a social services provider known to the Grand Jury (“Social Services Provider”) had withdrawn its application for the Seniors Housing Development Project on Boulder Drive (“Boulder project”) and to inform said employee that he wanted Organization A on the Boulder project.

50. On or about April 5, 2005, **Hill** assigned himself the task of sending a letter that **Lee** had drafted regarding The LKC to the Director of the City's Office of Economic Development.

51. On or about April 5, 2005, **Lee** told **Slovacek** that a Council member known the Grand Jury ("Council Member A") was going to give \$1,000,000.00 in City discretionary funds to The LKC to purchase the LKSC.

52. On or about April 5, 2005, **Hill** told **Lee** that he would give \$1,000,000.00 of his discretionary funds to The LKC to purchase the LKSC.

53. On or about April 5, 2005, **Hill** told **Lee** to meet with Council Member A and to obtain Council Member A's commitment to giving \$1,000,000.00 in discretionary funds to The LKC just prior to meeting with the Real Estate Investment Advisors.

54. On or about April 5, 2005, when discussing the meeting with Council Member A and the Real Estate Investments Advisors, **Hill** told **Lee**: "You get that set up with [Council Member A], so hopefully, [Council Member A] can be in there. Now, if [Council Member A's] gonna be in the meeting, then what we'll do is we'll, we'll re-cast the meeting, as not a meeting in my office, but, it'll be a meeting to bring them together with [Council Member A], and you'll try to schedule [Council Member A] a little before. You want a commitment on the two and you want [the Real Estate Investments Advisors] to see that...."

55. On or about April 6, 2005, **Spencer** faxed a letter to the City's Office of Economic Development, which proposed the creation of four new TIF districts, including one that encompassed the Lancaster Kiest Corridor and another that encompassed Cedar Crest Square.

56. On or about April 6, 2005, **Spencer** faxed to Project Representative a consulting agreement between The LKC and Home Builder which required said business to pay a \$5,000.00 retainer to The LKC.

57. On or about April 8, 2005, **Hill** instructed **Lee** to collect \$5,000.00-10,000.00 from The LKC members for a council member known to the Grand Jury ("Council Member B"), stating: "Go over there, in a envelope, take it to [Council Member B], and say, here is something for your campaign, we believe in you, we wanta work with you. We need some help on this deal, but we're here for you...."

58. On or about April 11, 2005, when discussing the difficulty of obtaining a letter of commitment from Property Owner A, **Lee** told **Slovacek**: "Just let him know, say, 'You wanna play games? You have enough code en-, code enforcement violations over there to make, eat up that 450,000 that you make a year.'"

59. On or about April 11, 2005, when speaking with **Slovacek** and a person known to the Grand Jury about Property Owner A, **Lee** stated:

I'll have Don, As a Commissioner, I can send, well, ... I'll send a, a letter to him, just acknowledging our meeting from the City of Dallas, and that I really appreciate, you know, taking the time out of committing to the sale, to the LKC, da da da, we're anticipating this, you know, eagerly look,

looking at redeveloping this property. You know this property has been a sore in the community for so long and, you know, this is a opportunity to address many of the code, ahh, issues facing that property, and really you know ahh, ahh, bringing the community back around.... I, can do that, and then, if that doesn't work, then I'll, then I'll get Don to send one.

60. On or about April 11, 2005, **Lee** asked a person known to the Grand Jury to collect and send five complaint letters to **Lee**, in his official capacity as a plan commissioner, regarding "the deplorable standards" at the LKSC, stating: "Because the problem is, today is, ahh, he's, I mean he's, he's finagling on the, the sale of it and, and I know that I could put code on him and just, you know, just have, I mean just have codes up the ying-yang."

61. On or about April 11, 2005, in reference to the DPFP System, **Hill** told **Lee** to meet with Property Owner A and get him to sign a letter of commitment because the "institutional investors" were going to make a decision on the LKSC on May 12, 2005.

62. On or about April 12, 2005, **Lee** and **Slovacek** talked about threatening Property Owner A with \$1,000,000.00 in City code violations to get said Owner to sign a letter of commitment.

63. On or about April 12, 2005, **Lee** told President A to cancel a meeting with Social Services Provider and the DHA, stating that Organization A should take the lead on the Boulder project.

64. On or about April 12, 2005, **Lee** asked President A how he should “structure” his invoice to Organization A.

65. On or about April 13, 2005, at approximately 2:42 p.m., **Lee** told President A that he would use code enforcement on a Dallas motel located in the Lancaster Kiest Corridor to coerce the sale of the motel at a favorable price.

66. On or about April 13, 2005, at approximately 6:35 p.m., **Lee**, **Spencer**, and **Slovacek** discussed making payments to Council Member B to address opposition to an LKC project in Council Member B’s district.

67. On or about April 15, 2005, **Spencer** emailed to President A the revised TREC Grant Application for \$100,000.00 for a market study of the Lancaster Kiest Corridor, which listed Organization A’s community development corporation as the applicant.

68. On or about April 18, 2005, when discussing DHA’s role in the Lancaster Kiest Corridor, **Lee** told a person known to the Grand Jury that the only way a deal would get done would be through **Lee**.

69. On or about April 19, 2005, **Lee** told **Spencer** and **Slovacek** that they needed to give money to Council Member B, explaining: “Because, at the end of the day [Council Member B’s] gonna give you, he, he’s gonna give you the money. He’s either gonna, you know, have them waive it, or he’s gonna give you the money. He’s not gonna see the deal die.”

70. On or about April 19, 2005, **Slovacek** signed Millennium Land Development check number 47 in the amount of \$1,000.00 made payable to **Spencer**.

71. On or about April 20, 2005, at approximately 8:48 a.m, when discussing the sale of the LKSC with Property Owner A, **Lee** threatened to “turn it over to the city.”

72. On or about April 20, 2005, at approximately 11:52 a.m., **Spencer** endorsed and deposited Millennium Land Development check number 47 in the amount of \$1,000.00 into The LKC account.

73. On or about April 20, 2005, at approximately 11:52 a.m., **Spencer** withdrew \$1,000.00 from The LKC account and purchased two Prosperity Bank cashier checks, each in the amount of \$500.00 and each made payable to Council Member B’s campaign fund.

74. On or about April 22, 2005, **Hill** and a person known to the Grand Jury used coded language to describe delivery of money to **Hill**’s campaign.

75. On or about April 25, 2005, **Hill** met with a person known to the Grand Jury and discussed the State of Texas’ interest in leasing 40,000 square feet at the LKSC.

76. On or about April 25, 2005, **Hill** instructed **Lee** to work through the Real Estate Investment Advisors to tell Property Owner A that the State of Texas was not going to lease space at the LKSC.

77. On or about May 2, 2005, at approximately 9:00 a.m., **Hill** met with the Real Estate Investment Advisors regarding the LKSC.

78. On or about May 2, 2005, at approximately 10:34 a.m., **Lee** told **Spencer** that, with respect to the TREC grant, The LKC would split with President A the difference between the \$100,000.00 received from TREC and the actual cost of the market study.

79. On or about May 2, 2005, at approximately 10:34 a.m., **Lee** and **Spencer** discussed charging Home Builder \$2,500.00 per month to get Home Builder's zoning change application approved at the CPC and City Council.

80. On or about May 9, 2005, when discussing the market study for the Lancaster Kiest Corridor, **Lee** told President A that he would help President A with the "actual study," stating: "We'll get together and I'll take you down and let you do it, 'cause you have to. I can't do it, ... I'll show you how to do it."

81. On or about May 10, 2005, **Lee** told **Slovacek** that he was going to recuse himself on The LKC's zoning change application for Cedar Crest Square "to cover our butt" but stated: "We'll get it done."

82. On or about May 12, 2005, at approximately 8:23 a.m., **Lee** told **Spencer** he was concerned about depositing The LKC checks into his account.

83. On or about May 12, 2005, at approximately 9:30 a.m., **Spencer** told **Lee** she would drop off **Lee's** money in a sealed envelope at City Hall.

84. On or about May 12, 2005, at approximately 12:59 p.m., **Lee** instructed **Spencer** to bring him cash and not cashier's checks.

85. On or about May 12, 2005, at approximately 1:14 p.m., **Spencer** withdrew \$8,000.00 cash from The LKC account.

86. On or about May 13, 2005, **Lee** instructed **Slovacek** and **Spencer** to contact a plan commissioner known to the Grand Jury and tell said commissioner that there was no need for a traffic study and that they had already talked to "the Councilman" about it.

87. On or about May 15, 2005, **Farrington** endorsed and deposited Organization A check number 2452 in the amount of \$3,500.00 into the Farrington & Associates account.

88. On or about May 16, 2005, at approximately 3:25 p.m., **Lee** instructed President A to tell TREC that Organization A was going to use a certain architectural firm in connection with the development of the Lancaster Kiest Corridor.

89. On or about May 21, 2005, at 12:45 p.m., **Hill, Lee, Spencer, Slovacek** and other persons known to the Grand Jury met with U.S. Representative to request federal funding for The LKC's development of the Dallas Lancaster Station project.

90. On or about May 23, 2005, **Hill** instructed **Farrington** to "have the conversation" with **Lee**.

91. On or about May 25, 2005, **Farrington** told **Hill** that she was meeting with **Lee** later that day to "have that conversation with him."

92. On or about May 26, 2005, at approximately 8:39 a.m., **Lee** instructed **Slovacek** to write a \$5,000.00 check to **Farrington & Associates**, stating: "We need to take care of, of Don via Sheila."

93. On or about May 26, 2005, at approximately 8:39 a.m., when discussing **Hill**, **Lee** told **Slovacek**: "I don't keep anything from him, from Don."

94. On or about May 26, 2005, at approximately 8:47 a.m., when discussing payments from The LKC partners to **Hill**, **Lee** instructed **Spencer** to write a \$5,000.00 check to **Farrington**, stating: "Ron's gonna do the same thing, and I'm gonna do the same thing. It's for ahh, I mean, just to show, ahh, Don that we appreciate him."

95. On or about May 26, 2005, at approximately 8:47 a.m., when discussing funneling payments through **Farrington** to **Hill**, **Lee** instructed **Spencer**: "You always go through Sheila, you don't go directly to him."

96. On or about May 26, 2005, at approximately 8:51 a.m., **Lee** instructed **Slovacek** to also buy a gift for **Hill**, such as flowers, a spa treatment, clothing, or a \$200 gift certificate to Macy's, to show **Hill** appreciation for everything **Hill** did for The LKC.

97. On or about May 26, 2005, at approximately 9:00 a.m., when discussing the amount of money that **Spencer** and **Slovacek** were going to give to **Hill**,

Lee told **Hill**: "It should be 10."

98. On or about May 26, 2005, at approximately 9:01 a.m., **Hill** told **Farrington** to call **Lee** about a check.

99. On or about May 26, 2005, at approximately 9:22 a.m., **Lee** instructed **Slovacek** to give one check from The LKC to **Farrington** and to buy some custom shirts for **Hill**.

100. On or about May 26, 2005, at approximately 9:34 a.m., when discussing the payments to **Hill**, **Lee** told **Spencer**: "[J]ust let him know that you appreciate him and you know. And uhm, you know, don't speak, you know, real clearly over the phone. Just kind of, you know, just want thank you for everything you do. Of course, you know, we 100 percent support you. We think you're a great Council person and just want to show our appreciation to you."

101. On or about May 26, 2005, **Slovacek** signed Millennium Land Development check number 18 in the amount of \$20,000.00, made payable to The LKC.

102. On or about May 26, 2005, at approximately 9:35 a.m., **Lee** told **Farrington** that the \$10,000.00 from **Spencer** and **Slovacek**, which was going to be made payable to Farrington & Associates, was for **Hill**.

103. On or about May 26, 2005, at approximately 9:35 a.m., **Lee** told **Farrington** that out of the \$5,000.00 that **Lee** was going to give to her for **Hill**, \$2,500.00 was for **Farrington**.

104. On or about May 26, 2005, at approximately 9:57 a.m., **Farrington** asked **Lee** when she was supposed to meet with **Slovacek**.

105. On or about May 26, 2005, at approximately 12:45 p.m., when discussing the check from The LKC partners, **Hill** told **Farrington** how to contact **Slovacek** or **Spencer** so that **Farrington** could "get it in the bank today."

106. On or about May 26, 2005, at approximately 12:52 p.m., **Hill** asked **Farrington** to give him \$1,000.00 from either the \$10,000.00 she was going to receive from **Slovacek** and **Spencer** or out of the **Farrington & Associates** account.

107. On or about May 26, 2005, at approximately 1:01 p.m., when discussing the check she was going to pick up from **Spencer** and **Slovacek**, **Farrington** told **Hill** that, at 4:00 p.m., she was going to "meet with them, ah, then I'll, I'll take it straight to the bank."

108. On or about May 26, 2005 at approximately 1:10 p.m., **Spencer** endorsed and deposited Millennium Land Development check number 18 in the amount of \$20,000.00 into The LKC account.

109. On or about May 26, 2005, **Spencer** wrote and signed The LKC check number 1018 in the amount of \$5,000.00, made payable to **Farrington & Associates**.

110. On or about May 26, 2005, **Spencer** signed LCG Development Group check number 1127 in the amount of \$500.00, made payable to **Farrington &**

Associates.

111. On or about May 26, 2005, **Spencer** gave **Farrington** The LKC check number 1018 in the amount of \$5,000.00, made payable to Farrington & Associates, and LCG Development Group check number 1127 in the amount of \$500.00, made payable to Farrington & Associates.

112. On or about May 26, 2005, **Farrington** endorsed and deposited The LKC check number 1018 in the amount of \$5,000.00 and LCG Development Group check number 1127 in the amount of \$500.00 into the Farrington & Associates account.

113. On or about May 26, 2005, at approximately 7:44 p.m., **Farrington** told **Hill** that **Spencer** gave her only \$5,500.00.

114. On or about May 27, 2005, **Spencer** wrote and signed The LKC check number 1019 in the amount of \$9,500.00, made payable to Farrington and Associates.

115. On or about May 31, 2005, at approximately 4:27 p.m., when discussing a deal involving The LKC that was located in District 5, **Hill** asked **Lee** what he could do to help and **Lee** responded that **Hill** could call a person known to the Grand Jury.

116. On or about May 31, 2005, at approximately 5:39 p.m., when discussing the checks from **Spencer** and **Slovacek**, **Lee** asked **Hill** whether he received "that package."

117. On or about May 31, 2005, at approximately 5:39 p.m., in response to **Lee's** question about the package, **Hill** responded: "Ahh, yeah, yeah, well, I think they ended up getting about 15 total. And I think some of that include, I don't know whether that included yours, I think it did, I don't know. I, I think the second day they did 95, or something."

118. On or about May 31, 2005, at approximately 5:39 p.m., when discussing the checks from **Spencer** and **Slovacek**, **Lee** told **Hill** that "10" was for **Hill** and "25" was for **Farrington**.

119. On or about June 1, 2005, at approximately 1:33 p.m., **Farrington** endorsed and deposited The LKC check number 1019 in the amount of \$9,500.00 into the **Farrington & Associates** account.

120. On or about June 1, 2005, at approximately 1:37 p.m., **Farrington** withdrew \$7,300.00 cash from the **Farrington & Associates** account.

121. On or about June 1, 2005, **Lee** filed his Annual Financial Disclosure Report with the City of Dallas and did not disclose that he did business under the name The LKC.

122. On or about June 1, 2005, **Lee** filed his Annual Financial Disclosure Report with the City of Dallas and did not disclose that he received more than \$250.00 in income from The LKC.

123. On or about June 3, 2005, when attempting to get a private investor known to the Grand Jury to invest in an LKC project, **Hill** told said investor: "I have bonds money that, that, bonds money that I basically control that I am going to commit for the infrastructure on this project.... [I]t would be several hundred thousand dollars.... Obviously, bond funds I, I can't use them for everything. But I can use them for infrastructure without any question at all."

124. On or about June 9, 2005, **Hill** told **Lee** to use a person known to the Grand Jury, instead of the Real Estate Investment Advisors, to attempt to get the DPFP System to invest money in the LKSC project.

All in violation of 18 U.S.C. § 1349.

Count Nineteen
Conspiracy to Commit Money Laundering
(Violation of 18 U.S.C. § 1956(h))

A. The Grand Jury hereby adopts, realleges and incorporates by reference herein all allegations set forth in the Introduction and in Counts Eleven through Fourteen of this indictment.

B. Beginning, at least, in or about August 2004, the exact date being unknown to the Grand Jury, and continuing through on or about June 20, 2005, in the Dallas Division of the Northern District of Texas, and elsewhere, defendants, **Donald W. Hill**, also known as Don Hill, **D'Angelo Lee**, **Sheila D. Farrington**, also known as Sheila Hill, **Rickey E. Robertson**, **Andrea L. Spencer**, also known as Toni Fisher and Toni Thomas, and **Ronald W. Slovacek**, also known as Ron Slovacek, did knowingly and unlawfully combine, conspire, confederate, and agree together and with each other to:

1. knowingly conduct and attempt to conduct a financial transaction, by and through financial institutions, affecting interstate commerce, which involved the proceeds of a specified unlawful activity concerning a local government receiving federal benefits, that is, 18 U.S.C. § 666, the substance of which is set forth in Counts Eleven through Fourteen of this indictment, with intent to promote the carrying on of said specified unlawful activity and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction, that is, monetary instruments, represented the proceeds of specified unlawful activity, in

violation of 18 U.S.C. § 1956(a)(1)(A)(i);

2. knowingly conduct and attempt to conduct a financial transaction, by and through financial institutions, affecting interstate commerce, which involved the proceeds of a specified unlawful activity concerning a local government receiving federal benefits, that is, 18 U.S.C. § 666, the substance of which is set forth in Counts Eleven through Fourteen of this indictment, knowing that the transaction was designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction, that is, monetary instruments, represented the proceeds of some specified unlawful activity, in violation of 18 U.S.C. 1956(a)(1)(B)(i);

3. knowingly conduct and attempt to conduct a financial transaction, by and through financial institutions, affecting interstate commerce, which involved the proceeds of a specified unlawful activity concerning a local government receiving federal benefits, that is, 18 U.S.C. § 666, the substance of which is set forth in Counts Eleven through Fourteen of this indictment, knowing that the transaction was designed in whole and in part to avoid a transaction reporting requirement under federal law and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction, that is, monetary instruments, represented the proceeds of some specified unlawful activity, in violation of 18 U.S.C. §

1956(a)(1)(B)(ii); and

4. knowingly engage and attempt to engage in a monetary transaction by and through a financial institution affecting interstate commerce in criminally derived property of a value greater than \$10,000.00, such property having been derived from a specified unlawful activity concerning a local government receiving federal benefits, that is, 18 U.S.C. § 666, the substance of which is set forth in Counts Eleven through Fourteen of this indictment, in violation of 18 U.S.C. § 1957.

In violation of 18 U.S.C. § 1956(h).

Count Twenty
Conspiracy to Commit Money Laundering
(Violation of 18 U.S.C. § 1956(h))

A. The Grand Jury hereby adopts, realleges and incorporates by reference herein all allegations set forth in the Introduction and in Counts Sixteen and Seventeen of this indictment as if fully set forth herein.

B. Beginning, at least, in or about August 2004, and continuing through on or about June 20, 2005, in the Dallas Division of the Northern District of Texas, and elsewhere, defendants, **Donald W. Hill**, also known as Don Hill, **Darren L. Reagan**, also known as Dr. Darren L. Reagan, **Kevin J. Dean**, and **John J. Lewis**, did knowingly and unlawfully combine, conspire, confederate, and agree together and with each other to:

1. knowingly conduct and attempt to conduct a financial transaction, by and through financial institutions, affecting interstate commerce, which involved the proceeds of a specified unlawful activity concerning extortion by public officials, that is, 18 U.S.C. § 1951, the substance of which is set forth in Counts Sixteen and Seventeen of this indictment, with intent to promote the carrying on of said specified unlawful activity and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction, that is, monetary instruments, represented the proceeds of specified unlawful activity, in violation of 18 U.S.C. § 1956(a)(1)(A)(i);

2. knowingly conduct and attempt to conduct a financial transaction, by and through financial institutions, affecting interstate commerce, which involved the proceeds of a specified unlawful activity concerning extortion by public officials, that is, 18 U.S.C. § 1951, the substance of which is set forth in Counts Sixteen and Seventeen of this indictment, knowing that the transaction was designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction, that is, monetary instruments, represented the proceeds of some specified unlawful activity, in violation of 18 U.S.C. § 1956(a)(1)(B)(i);

3. knowingly conduct and attempt to conduct a financial transaction, by and through financial institutions, affecting interstate commerce, which involved the proceeds of a specified unlawful activity concerning extortion by public officials, that is, 18 U.S.C. § 1951, the substance of which is set forth in Counts Sixteen and Seventeen of this indictment, knowing that the transaction was designed in whole and in part to avoid a transaction reporting requirement under federal law and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction, that is, monetary instruments, represented the proceeds of some specified unlawful activity, in violation of 18 U.S.C. § 1956(a)(1)(B)(ii); and

4. knowingly engage and attempt to engage in a monetary transaction by and through a financial institution affecting interstate commerce in criminally derived property of a value greater than \$10,000.00, such property having been derived from a specified unlawful activity concerning extortion by public officials, that is, 18 U.S.C. § 1951, the substance of which is set forth in Counts Sixteen and Seventeen of this indictment, in violation of 18 U.S.C. § 1957.

In violation of 18 U.S.C. § 1956(h).

Counts Twenty-One through Twenty-Five
Fraud and False Statements
(Violation of 26 U.S.C. § 7206(1))

On or about the date set forth for each Count below, in the Dallas Division of the Northern District of Texas, defendant, **Gladys E. Hodge**, also known as Terri Hodge, a resident of Dallas, Texas, did willfully make and subscribe a United States Individual Income Tax Return, Form 1040 ("Form 1040"), which was verified by written declaration that it was made under the penalties of perjury and filed with the Internal Revenue Service, and which **Hodge** did not believe to be true and correct as to every material matter because it omitted income as she then and there well knew and believed she had received.

Count	Tax Year	Offense Date	Omitted Income	Falsified Document
21	2001	May 4, 2002	\$6,914.00	U.S. Individual Tax Return, Form 1040
22	2002	April 15, 2003	\$27,062.00	U.S. Individual Tax Return, Form 1040
23	2003	May 25, 2004	\$13,402.00	U.S. Individual Tax Return, Form 1040
24	2004	April 15, 2005	\$19,908.00	U.S. Individual Tax Return, Form 1040
25	2005	April 15, 2006	\$6,720.00	U.S. Individual Tax Return, Form 1040

Each Count in violation of 26 U.S.C. § 7206(1).

Count Twenty-Six
Tax Evasion
(Violation of 26 U.S.C. § 7201)

From on or about January 1, 1996, through on or about March 17, 2006, in the Dallas Division of the Northern District of Texas, defendant, **Donald W. Hill**, also known as Don Hill, did willfully attempt to evade and defeat the payment of tax due and owing by him to the United States of America for the calendar tax years 1996, 1997, and 1999 through 2004, in the total amount of \$216,173.00, by: (1) failing to pay to the Internal Revenue Service ("IRS") said tax; and (2) engaging in affirmative acts of evasion, including, but not limited to:

- a. failing to timely file a tax return for the calendar tax years 2001, 2002, 2003, and 2004;
- b. failing to file a tax return for the calendar tax years 2005 and 2006;
- c. avoiding scheduled meetings with IRS Collection Division personnel;
- d. directing a person known to the Grand Jury not to deposit money into one of **Hill's** bank accounts because the deposited monies would be seized by the IRS;
- e. withdrawing \$190,720.00 in cash from **Hill's** Interest on Lawyers Trust Accounts ("IOLTA") account, which the State Bar of Texas required **Hill** to maintain for the deposit of client funds, and **Hill's** operating account; and
- f. causing other persons known to the Grand Jury to launder thousands of dollars in bribe, kickback and extortion payments to **Hill** through an account in the name of Farrington & Associates.

In violation of 26 U.S.C. § 7201.

Counts Twenty-Seven through Thirty
Tax Evasion
(Violation of 26 U.S.C. § 7201)

During the calendar tax years 2001 through 2004, **Darren L. Reagan**, also known as Dr. Darren L. Reagan, a resident of Desoto, Texas, had received taxable income in the amounts set forth below; that upon said taxable income there was owing to the United States of America income tax in the amounts set forth below; that well-knowing and believing the foregoing facts, **Reagan**, on or about the date set forth for each Count below, in the Dallas Division of the Northern of Texas, did willfully attempt to evade and defeat said income tax due and owing by him to the United States of America for each calendar year by failing to make an income tax return as required by law to any proper officer of the Internal Revenue Service ("IRS"), by failing to pay to the IRS said income tax, and by concealing and attempting to conceal from all proper officers of the United States of America his true and correct income by withdrawing cash and causing cashier's checks to be issued from the charitable bank account of the Black State Employees Association of Texas, and using the majority of the withdrawn monies for personal expenses.

Count	Tax Year	Offense Date	Unreported Income	Taxes Due
27	2001	April 15, 2002	\$189,830.00	\$58,459.00
28	2002	April 15, 2003	\$122,620.00	\$31,736.00
29	2003	April 15, 2004	\$80,460.00	\$15,439.00
30	2004	April 15, 2005	\$127,863.00	\$30,432.00

Each Count in violation of 26 U.S.C. § 7201.

Count Thirty-One
Forfeiture Allegation
(18 U.S.C. §§ 981(a)(1)(C), 982(a)(1) and 28 U.S.C. § 2461)

Upon conviction of the offense alleged in Count One of this indictment and pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, defendants, **Brian L. Potashnik, Cheryl L. Potashnik**, also known as Cheryl L. Geiser, and **Gladys E. Hodge**, also known as Terri Hodge, shall forfeit to the United States of America any and all property constituting or derived from proceeds traceable to the offense.

Upon conviction of any of the offenses alleged in Counts Two through Nine of this indictment and pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, defendants, **Brian L. Potashnik, Cheryl L. Potashnik, and Hodge**, shall forfeit to the United States of America any and all property constituting or derived from proceeds traceable to the respective offense.

Upon conviction of the offense alleged in Count Ten of this indictment and pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, defendants, **Donald W. Hill**, also known as Don Hill, **D'Angelo Lee, Sheila D. Farrington**, also known as Sheila Hill, **Brian L. Potashnik, Cheryl L. Potashnik, Rickey E. Robertson**, also known as Rick Robertson, **Andrea L. Spencer**, also known as Toni Fisher and Toni Thomas, and **Ronald W. Slovacek**, also known as Ron Slovacek, shall forfeit to the United States of America any and all property constituting or derived from proceeds traceable to the offense.

Upon conviction of any of the offenses alleged in Counts Eleven through Twelve of this indictment and pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, defendants, **Hill, Lee, Farrington, Brian L. Potashnik, Cheryl L. Potashnik, Spencer, and Slovacek**, shall forfeit to the United States of America any and all property constituting or derived from proceeds traceable to the respective offense.

Upon conviction of any of the offenses alleged in Counts Thirteen through Fourteen of this indictment and pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, defendants, **Hill, Lee, Farrington, Brian L. Potashnik, Cheryl L. Potashnik, Spencer, and Slovacek**, shall forfeit to the United States of America any and all property constituting or derived from proceeds traceable to the respective offense.

Upon conviction of the offense alleged in Count Fifteen of this indictment and pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, defendants, **Hill, Lee, Darren L. Reagan**, also known as Dr. Darren L. Reagan, **Allen J. McGill, Jibreel A. Rashad**, also known as Vernon Cooks, Jr., **Robertson, Spencer, Slovacek, Kevin J. Dean and John J. Lewis**, shall forfeit to the United States of America any and all property constituting or derived from proceeds traceable to the offense.

Upon conviction of the offense alleged in Count Sixteen of this indictment and pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, defendants, **Hill, Lee, Reagan, McGill, Rashad, Robertson, Spencer, Slovacek, Dean and Lewis**, shall forfeit

to the United States of America any and all property constituting or derived from proceeds traceable to the offense.

Upon conviction of the offense alleged in Count Seventeen of this indictment and pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461, defendants, **Hill, Reagan, Dean, and Lewis**, shall forfeit to the United States of America any and all property constituting or derived from proceeds traceable to the offense.

Upon conviction of the offense alleged in Count Nineteen of this indictment and pursuant to 18 U.S.C. § 982(a)(1), defendants, **Hill, Lee, Farrington, Robertson, Spencer, and Slovacek**, shall forfeit to the United States of America any and all property involved in, or traceable to property involved in, the offense.

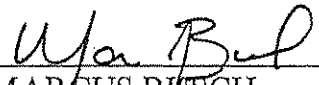
Upon conviction of the offense alleged in Count Twenty of this indictment and pursuant to 18 U.S.C. § 982(a)(1), the defendants, **Hill, Reagan, Dean, and Lewis**, shall forfeit to the United States of America any and all property involved in, or traceable to property involved in, the offense.

The above-referenced property subject to forfeiture concerning the previously-mentioned defendants includes, but is not limited to, a “money judgment” in the amount of United States currency involved in the respective offense of conviction and constituting the proceeds traceable to the respective offense.

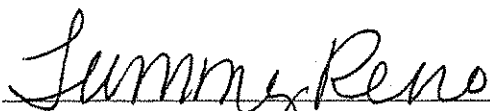
A TRUE BILL

FOREPERSON

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