

U.S. Department of Justice

**United States Attorney Richard B. Roper
Northern District of Texas**

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FEDERAL GRAND JURY CHARGES CURRENT AND FORMER PUBLIC OFFICIALS AND THEIR ASSOCIATES IN BRIBERY AND EXTORTION SCHEME INVOLVING AFFORDABLE HOUSING DEVELOPMENTS

A 31-count indictment charging 14 current and former public officials and their associates with various offenses related to a bribery and extortion scheme involving affordable housing developments in the Dallas area, was returned by a federal grand jury in Dallas last week, and unsealed today, announced U.S. Attorney Richard B. Roper of the Northern District of Texas. It is anticipated that six of the defendants will appear before a U.S. Magistrate Judge later today for their initial appearances; the remainder will appear on Tuesday and Wednesday of this week.

U.S. Attorney Roper said, "The citizens of Dallas are entitled to know that their public servants are making official decisions based upon the best interests of the people they represent and not based upon their own financial interests. This office will protect the integrity of our government institutions and processes by continuing to aggressively investigate and prosecute public corruption wherever it is found."

Robert E. Casey, Jr., Special Agent in Charge of the FBI in Dallas said, "This investigation required an extraordinary commitment on the part of FBI Special Agents and professional support staff who were assigned to the case. They deserve the thanks and admiration of the community for their courageous dedication to find the truth and uncover the web of crimes charged in today's indictments. The confidence of the public in the integrity of our governmental operations is protected by the FBI's Public Corruption Program. The Public Corruption Program is the highest priority among FBI criminal investigations. I encourage the public to come forward to the FBI when they suspect crime and corruption in any branch of their local, state or federal government agencies. Together we can root out the kinds of hidden crimes that are found in the charges announced today."

"We place great emphasis on combating corruption committed by public employees and private industry," said Erick Martinez, Special Agent in Charge of the Dallas Field Office of IRS Criminal Investigation. "Conduct like that alleged in the indictment is very disturbing not only because it involves bribery of public officials but also because the alleged conspiracy and fraud included under-reporting federal income taxes and money laundering," Martinez said.

Donald W. Hill, a/k/a Don Hill, 55, of Dallas, is charged with one count of conspiracy to commit bribery concerning a local government receiving federal benefits, four counts of bribery concerning a local government receiving federal benefits, one count of conspiracy to commit extortion, two counts of extortion by public officials, one count of conspiracy to commit deprivation of honest services by wire fraud, two counts of conspiracy to commit money laundering and one count of tax evasion. Hill was elected to the Dallas City Council, Place 5, in 1999, and reelected to the same position in 2002, 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 Dallas

Police and Fire Pension System Trustee. If convicted on all counts, Hill faces a maximum statutory sentence of 170 years in prison and a \$3.5 million fine.

D'Angelo Lee, 41, of Los Angeles and Dallas, is charged with one count of conspiracy to commit bribery concerning a local government receiving federal benefits, four counts of bribery concerning a local government receiving federal benefits, one count of conspiracy to commit extortion, one count of extortion by public officials, one count of conspiracy to commit deprivation of honest services by wire fraud, and one count of conspiracy to commit money laundering. Lee was nominated to the City Plan and Zoning Commission by Dallas City Council Member Don Hill in August 2003 and appointed the plan commissioner for District 5 on October 1, 2003. If convicted on all counts, Lee faces a maximum statutory sentence of 125 years in prison and a \$2.5 million fine.

Sheila D. Farrington, a/k/a Sheila Hill, 42, of Dallas, was the principal of Farrington & Associates. She is charged with one count of conspiracy to commit bribery concerning a local government receiving federal benefits, four counts of bribery concerning a local government receiving federal benefits, one count of extortion by public officials, one count of conspiracy to commit deprivation of honest services by wire fraud, and one count of conspiracy to commit money laundering. She is married to defendant Don Hill. If convicted on all charges, she faces a maximum statutory sentence of 105 years in prison and a \$2.25 million fine.

Brian L. Potashnik, 49, of Highland Park, Texas, is charged with one count of conspiracy to commit bribery concerning a state government receiving federal benefits, eight counts of bribery concerning a state government receiving federal benefits, one count of conspiracy to commit bribery concerning a local government receiving federal benefits, and four counts of bribery concerning a local government receiving federal benefits. Brian L. Potashnik was a real estate developer and the founder, president, and a principal of Southwest Housing Development Company, Inc., a for-profit corporation that, along with its affiliates, including Affordable Housing Construction and Southwest Housing Management Corporation, developed, built and managed affordable housing projects in South Dallas and elsewhere. If convicted, he faces a maximum statutory sentence of 130 years in prison and a \$3.5 million fine.

Cheryl L. Potashnik, a/k/a Cheryl L. Geiser, 38, Brian Potashnik's wife, is charged with one count of conspiracy to commit bribery concerning a state government receiving federal benefits, eight counts of bribery concerning a state government receiving federal benefits, one count of conspiracy to commit bribery concerning a local government receiving federal benefits, and four counts of bribery concerning a local government receiving federal benefits. Cheryl L. Potashnik was the chief operating officer and a principal of Southwest Housing Development Company, Inc. and the president and a principal of Housing Services Incorporated, formerly known as Housing Services of Texas. If convicted on all counts, she faces a maximum statutory sentence of 130 years in prison and a \$3.5 million fine.

Gladys E. Hodge, a/k/a Terri Hodge, 66, of Dallas, is charged with one count of conspiracy to commit bribery concerning a state government receiving federal benefits, eight counts of bribery concerning a state government receiving federal benefits, and five counts of fraud and false statements in connection with her federal income tax returns for the tax years 2001 through 2005. Terri Hodge is a State Representative who was elected to the Texas House of Representatives, District 100, in 1996. She was reelected to the same position in 1998, 2000, 2002, 2004 and 2006. If convicted on all counts, she faces a maximum statutory sentence of 100 years in prison and a \$3.5 million fine.

Darren L. Reagan, a/k/a Dr. Darren L. Reagan, 48, of Desoto, Texas, was the chairman and chief executive officer of the Black State Employees Association of Texas, (BSEAT) and the BSEAT

Community Development Corporation (BSEAT CDC). He is charged with one count of conspiracy to commit extortion, two counts of extortion by public officials, one count of conspiracy to commit money laundering and four counts of tax evasion. If convicted on all counts in this indictment, he faces a maximum statutory sentence of 100 years in prison and a \$2.0 million fine.

Darren L. Reagan is also charged in a separate, unrelated indictment, with five counts of theft of public money, and if convicted of all those charges, faces a maximum statutory sentence of 50 years in prison and a \$1.25 million fine.

Allen J. McGill, 64, of Dallas, Texas, was the president and vice chairman of BSEAT and the BSEAT CDC. He is charged with one count of conspiracy to commit extortion and one count of extortion by public officials. If convicted on all counts, McGill faces a maximum statutory sentence of 40 years in prison and a \$500,000 fine.

Jibreel A. Rashad, a/k/a Vernon Cooks, Jr., 40, of Stafford, Texas, who was a principal of Rashad Investments, Inc. and Rashad-Millennium LLC, (RA-MILL), is charged with one count of conspiracy to commit extortion. If convicted, he faces a maximum statutory sentence of 20 years in prison and a \$250,000 fine.

Rickey E. Robertson, a/k/a Rick Robertson, 41, of Cedar Hill, Texas, is charged with one count of conspiracy to commit bribery concerning a local government receiving federal benefits, one count of conspiracy to commit extortion, and one count of conspiracy to commit money laundering. He was a licensed automobile dealer who purchased vehicles under the business name Millenium Investments Group and was also a principal of RA-MILL. If convicted, he faces a maximum statutory sentence of 45 years in prison and a \$1 million fine.

Andrea L. Spencer, a/k/a Toni Fisher and Toni Thomas, 33, of Dallas, is charged with one count of conspiracy to commit bribery concerning a local government receiving federal benefits, four counts of bribery concerning a local government receiving federal benefits, one count of conspiracy to commit extortion, one count of conspiracy to commit deprivation of honest services by wire fraud, and one count of conspiracy to commit money laundering. Spencer represented herself as RA-MILL's business manager and was a principal of Article IV Development, the LCG Development Group, a/k/a the Lynnea Consulting Group, Kiest General, LLC, Kiest Blvd., LP and The LKC Dallas. If convicted on all charges, she faces a maximum statutory sentence of 105 years in prison and a \$2.25 million fine.

Ronald W. Slovacek, a/k/a Ron Slovacek, 39, of Shady Shores, Texas, is charged with one count of conspiracy to commit bribery concerning a local government receiving federal benefits, four counts of bribery concerning a local government receiving federal benefits, one count of conspiracy to commit extortion, one count of conspiracy to commit deprivation of honest services by wire fraud, and one count of conspiracy to commit money laundering. He was a real estate developer and a principal of RON-SLO, Inc., and Millennium Land Development, LLC, Kiest General, LLC, Kiest Blvd., LP and The LKC Dallas. If convicted on all charges Slovacek faces a maximum statutory sentence of 105 years in prison and a \$2.25 million fine.

Kevin J. Dean, 42, of Arlington, Texas, was the president and a principal of Kevin Dean Asphalt Technology, Inc., KDAT Developers, LLC, and Helping Hand Programs, Inc. He is charged with one count of conspiracy to commit extortion, one count of extortion by public officials, and one count of conspiracy to commit money laundering. If convicted on all counts, Dean faces a maximum statutory sentence of 60 years in prison and a \$1 million fine.

John J. Lewis, 44, who was an attorney and principal of Lewis & Associates, is charged with one count of conspiracy to commit extortion, one count of extortion by public officials, and one count of

conspiracy to commit money laundering. If convicted on all counts, he faces a maximum statutory sentence of 60 years in prison and a \$1 million fine.

In Counts one through nine of the indictment, Terri Hodge, Brian L. Potashnik and Cheryl L. Potashnik are charged with conspiracy to commit bribery and bribery in connection with Brian L. Potashnik and Cheryl L. Potashnik's payment of a significant portion of Terri Hodge's monthly rent and her entire monthly electric bill for an apartment at Rosemont at Arlington Park, an affordable housing development managed by Southwest Housing Management Corporation. Terri Hodge, in her official capacity as a State Representative, signed letters of support for Southwest Housing's proposed tax credit developments located in District 100, which were submitted to the Texas Department of Housing and Community Affairs, the state agency responsible for administering the affordable housing tax credit program in Texas. Terri Hodge is also charged in Counts 21 - 25 with fraud and false statements for omitting the income she received from Brian L. Potashnik and Cheryl L. Potashnik on her federal income tax returns for 2001 through 2005.

In Counts 10 - 14, Hill, Lee, Farrington, Brian L. Potashnik, Cheryl L. Potashnik, Spencer and Slovacek are charged with conspiracy to commit bribery and bribery in connection with Brian L. and Cheryl L. Potashnik's bribery payments to Hill and Lee. The defendants attempted to conceal the bribes as monthly consulting fees from Southwest Housing to Farrington and Associates, payments from Southwest Housing to certain Community Housing Development Organizations, subcontractor fees from Affordable Housing Construction to the LCG and RON-SLO, Inc., and birthday party contributions falsely characterized as legitimate expenses. The bribe payments were funneled through Farrington & Associates and The LKC Dallas. Hill and Lee used their official positions on the City Council and the City Plan and Zoning Commission, respectively, to advance the business interests of Brian L. and Cheryl L. Potashnik by causing the City Council and the City Plan and Zoning Commission to approve zoning change and tax credit applications for proposed Southwest Housing developments in District 5. Rickey E. Robertson is also charged in Count 10 of the indictment.

Additionally, in Count 19, Hill, Lee, Farrington, Robertson, Spencer and Slovacek, are charged with conspiracy to commit money laundering in connection with the bribe payments they received from Brian L. and Cheryl L. Potashnik.

In Count 15, Hill, Lee, Reagan, McGill, Rashad, Robertson, Spencer, Slovacek, Dean and Lewis are charged with conspiracy to commit extortion of an affordable housing developer who had tax credit applications pending before the City Council, two of which were in direct competition with Southwest Housing tax credit applications for proposed developments located in District 5. The defendants made extortionate demands on the developer for cash payments, construction contracts, and equity participation in the developer's affordable housing projects. When the developer did not meet the extortionate demands to the defendants' satisfaction, Hill and Lee, using their official positions caused the City Council and the City Plan and Zoning Commission to postpone consideration of the developer's zoning change application for a proposed tax credit project located in District 5.

In Count 16, Hill, Lee, Farrington, Reagan and McGill, are charged with extortion by public officials in connection with a \$22,500 payment demanded of, and made by, the developer in connection with the developer's zoning change application that was pending City Council approval. In Count 17, Hill, Reagan, Dean, and Lewis, are charged with extortion by public officials in connection with a \$50,000 payment demanded of, and made by, the developer in connection with the developer's zoning change application that was pending City Council approval.

In Count 20, Hill, Reagan, Dean and Lewis are charged with conspiracy to commit money laundering in connection with the extortion payments they demanded and received from the developer.

Count 18 charges Hill, Lee, Farrington, Spencer and Slovacek with conspiracy to commit deprivation of honest services by wire fraud in connection with Hill and Lee's use of their official positions and influence on the City Council and City Plan and Zoning Commission, respectively, to obtain personal benefits for themselves and for Spencer and Slovacek, who, along with Lee, sought public and private funding to purchase and develop real estate through The LKC Dallas and Kiest Blvd.

Count 26 charges Hill with tax evasion for failing to pay \$216,173 in federal income tax owed for tax years 1996, 1997 and 1999 through 2004.

Counts 26 - 30 charge Reagan with tax evasion for failing to pay \$136,066 in federal income tax owing for tax years 2001 through 2004. He concealed and attempted to conceal his true and correct income by withdrawing cash and causing cashier's checks to be issued from the charitable bank account of BSEAT, using the majority of the withdrawn funds for personal expenses.

All defendants are charged in Count 31 of the indictment, the forfeiture allegation, which seeks the forfeiture of any and all property constituting or derived from proceeds traceable to the offenses in Counts 1 through 17 and 19 and 20.

An indictment is an accusation by a federal grand jury and a defendant is entitled to the presumption of innocence unless proven guilty.

U.S. Attorney Roper praised the excellent investigative efforts of the FBI and IRS-CI. The case is being prosecuted by Assistant U.S. Attorneys Marcus Busch, Tammy Reno, Sarah Saldaña and Chad Meacham.