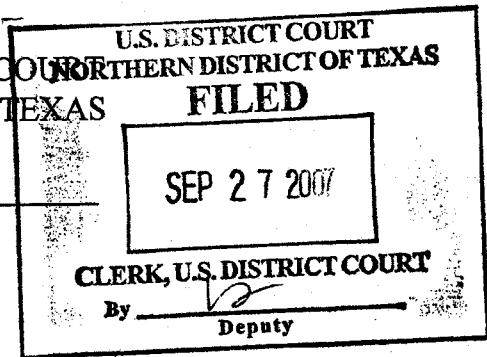


U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
SEP 21 2009
CLERK, U.S. DISTRICT COURT
By _____ Deputy

REDACTED
USA v. HILL, et al
3:07-CR-0289-M
INDICTMENT

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



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.

FILED UNDER SEAL

3:07 CR 289-R

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 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 Scyene 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)).