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PRESS RELEASE
June 9, 1992

Independent Counsel Arlin M. Adams announced today the return of an indictment arising out of the Office of Independent Counsel's investigation relating to the Department of Housing and Urban Development (HUD).

The indictment, which was returned on June 9, 1992 by a federal grand jury sitting in the District of Columbia, charges Thomas T. Demery, who served as the Assistant Secretary of Housing for HUD from 1986 to 1989, with one felony count of conspiring to defraud and commit offenses against the United States, in violation of 18 U.S.C. §371. The indictment also charges Mr. Demery with four felony counts of taking official acts regarding matters in which he had a financial interest, in violation of 18 U.S.C. §208. Mr. Demery's co-defendant, Phillip McCafferty, is charged as a co-conspirator, and is also charged with four felony counts of aiding and abetting Mr. Demery's alleged violations of 18 U.S.C. §208.

The indictment charges that Mr. Demery entered into a conspiracy with his co-defendant, Phillip McCafferty, and other unnamed unindicted co-conspirators. The indictment alleges that Mr. Demery, prior to being confirmed by the Senate as Assistant Secretary of HUD, sold his business, IPS, to Mr. McCafferty. The indictment further alleges that the co-conspirators inflated the value of IPS's assets to set an artificially high price for IPS well above its fair market value. Thereafter, the indictment charges, Mr. McCafferty made periodic payments of money to Mr. Demery throughout his tenure at HUD, in the form of installment payments for the sale of IPS. At the same time, according to the indictment, Mr. Demery intervened in and manipulated HUD programs to provide HUD subsidies and other benefits to entities that Mr. McCafferty represented, and from which Mr. McCafferty and IPS received fees.

The indictment charges that this conspiracy defrauded the citizens of the United States both of their right to have HUD's affairs conducted in an honest and impartial manner, and of their right to the loyal and unbiased services of Mr. Demery in his official capacity. The indictment also charges that Mr. Demery acted unlawfully by taking actions designed to benefit IPS and Mr. McCafferty, since he had a continuing financial interest in receiving payments from IPS and Mr. McCafferty.

A copy of the indictment is attached.