

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

Holding a Criminal Term  
Grand Jury Sworn in on December 6, 1990

UNITED STATES OF AMERICA

v.

THOMAS T. DEMERY

and

PHILLIP McCAFFERTY

CRIMINAL NO. 92-1227

Violations:

18 U.S.C. §371  
(Conspiracy)

18 U.S.C. §208  
(Acts Affecting a  
Personal Financial  
Interest)

18 U.S.C. §§2(a) and 2(b)  
(Aiding and Abetting  
and Causing an Act  
to be Done)

INDICTMENT

JUN 9 1992

THE GRAND JURY CHARGES:

INTRODUCTION TO ALL COUNTS

Unless otherwise alleged, at all times material to this  
Indictment:

1. HUD Programs and Processes

1. The United States Department of Housing and Urban  
Development ("HUD"), an agency and department of the United States,  
was created by Act of Congress to administer federal programs that  
provide assistance for housing and the development of the nation's  
communities. 5 U.S.C. §624.

2. One such housing program administered by HUD was the  
Section 8 Moderate Rehabilitation program, which was intended to  
provide rental subsidies for lower-income families and to upgrade  
substandard rental housing. 42 U.S.C. §1437f.

3. HUD also administered a Flexible Subsidy program that provided assistance to restore or maintain the financial soundness, to improve management and to permit capital improvements to be made to maintain certain projects as decent, safe, and sanitary housing, and to maintain the low to moderate-income character of certain projects assisted or approved for assistance under the relevant legislation. 24 C.F.R. §219.101 (1988).

4. HUD also administered a Transfer-Of-Physical-Assets ("TPA") process that governed the transfer of ownership for multifamily housing projects with HUD-insured or HUD-held mortgages. The TPA process was designed to provide for the orderly processing and approval of these transfers and to assure HUD that the physical, financial, and management needs of the projects were met through the change in ownership. 24 C.F.R. §265.1 (1988).

5. HUD also administered a Loan Management Set-Aside program ("LMSA") whose primary goal was to reduce claims on HUD's insurance fund by aiding projects insured by the Federal Housing Administration or held by HUD which had immediate or potentially serious financial difficulties. 24 C.F.R. §886.101(c) (1987).

## 2. HUD Participants and Projects

6. From in or about August of 1986 to January 28, 1989, the defendant THOMAS T. DEMERY served as HUD's acting and subsequently confirmed Assistant Secretary for Housing-Federal Housing Commissioner ("Assistant Secretary for Housing"); at all times prior to August 1986 which are material to this Indictment, the defendant THOMAS T. DEMERY was a private consultant to HUD and

owned a real estate and mortgage brokerage business in Birmingham, Michigan known as Income Property Services, Inc. ("IPS").

7. From in or about August of 1986 to January 28, 1989, the defendant PHILLIP McCAFFERTY owned IPS and represented before HUD the PM Group, Inc. and other businesses affiliated through common owners, officers, directors, or investors ("The PM Group" or "PM"); at all times prior to his purchase of IPS which are material to this Indictment, the defendant PHILLIP McCAFFERTY was employed by a PM related entity, and, at all times material to this Indictment, the defendant PHILLIP McCAFFERTY was a director or part owner of some PM affiliated businesses.

8. At various times material herein, the PM Group, which was headquartered in Brighton, Michigan, owned, managed or held partnership interests in the following multifamily projects for which the PM Group sought HUD subsidies or workouts:

- A) Woodview North, a 51 unit project in Lansing, Michigan;
- B) Drexel View Apartments, a 100 unit project in Chicago, Illinois;
- C) Baptist Towers Apartments, a 102 unit project in Chicago, Illinois; and
- D) Amy Jo Manor, a 160 unit project in Mount Morris Township, Michigan.

### 3. HUD Standards of Conduct

9. At all times material herein up to and including March 31, 1988, HUD's Standards of Conduct precluded its officials, including

the Assistant Secretary for Housing, from engaging in the following actions:

A) "An employee shall avoid any action whether or not specifically prohibited by the regulations in this subpart, which might result in, or create the appearance of:

- a) Using public office for private gain;
- b) Giving preferential treatment to any person;

\* \* \*

- d) Losing complete independence or impartiality;"

24 C.F.R. §0.735-202.

B) "[A]n employee shall not solicit or accept, directly or indirectly, any . . . thing of monetary value, from a person who:

- 1) Has, or is seeking to obtain contractual or other business or financial relations with the Department;
- 2) Conducts operations or activities that are regulated by the Department; or
- 3) Has interests that may be substantially affected by the performance or nonperformance of the employee's official duty." 24 C.F.R. §0.735-203.

C) "An employee shall not:

- 1) Have a direct or indirect financial interest that conflicts substantially, or appears to conflict substantially, with his Government duties and responsibilities."

24 C.F.R. §0.735-205(a)(1).

D) "No employee . . . may participate as such in any

matter in which to his knowledge he . . . has a financial interest.

\* \* \* (18 U.S.C. 208(a))." 24 C.F.R. §0.735-205(b)(1).

10. From April 1, 1988 through all times material herein, HUD's Standards of Conduct which are relevant to this matter were redesignated and revised as follows:

A) The Standard of Conduct set forth in paragraph 9 A) remained in force but was redesignated. 24 C.F.R. §0.735-201.

B) "[A]n employee shall not solicit or accept, directly or indirectly, any . . . thing of value from a person . . . or business entity or a group of persons . . . or business entities, who or which:

1) Has, or is seeking, an[y] contractual or other business or financial relationship with the Department;

2) Conducts operations or activities that are regulated by the Department; or

3) Has interests, or whose members or clients have interests, that may be substantially affected by the activities of the Department." 24 C.F.R. §0.735-203.

C) "An employee shall not have a direct or indirect financial interest that conflicts, or appears to conflict, with his or her official duties and responsibilities." 24 C.F.R. §0.735-204(a).

D) The Standard of Conduct set forth in Paragraph 9 D) remained in force but was redesignated. 24 C.F.R. §0.735-204(d)(1).

COUNT ONE

11. Paragraphs 1 through 10, inclusive, of the Introduction to this Indictment are realleged and incorporated herein as though fully set forth in this Count.

12. From in or about the Spring of 1986, the exact date being unknown to the Grand Jury, and continuing thereafter up to and including January 28, 1989, within the District of Columbia and elsewhere, the defendants THOMAS T. DEMERY and PHILLIP McCAFFERTY unlawfully, willfully, and knowingly did combine, conspire, confederate and agree together and with each other and with other persons known and unknown to the Grand Jury:

A) to defraud the United States and an agency of the United States:

1) by depriving HUD and the citizens of the United States of their right to have HUD's business and affairs, particularly the administration of its Section 8 Moderate Rehabilitation program, Flexible Subsidy program, TPA process, LMSA program, and other related programs, all of which are necessary for the performance of HUD's lawful governmental function, conducted in an honest and impartial way, as the same should be, free from deception, fraud, and improper and undue influence; and

2) by depriving HUD and the citizens of the United States of their right to the conscientious, loyal, faithful, disinterested and unbiased services, actions, and performances of official acts by the defendant THOMAS T. DEMERY in his official capacity, free from deception, fraud and improper and undue

influence.

B) to commit offenses against the United States, that is, while an officer and employee of the executive branch of the United States government, the defendant THOMAS T. DEMERY unlawfully and knowingly participated personally and substantially, as an officer and employee, through decision, approval, disapproval, recommendation, the rendering of advice and otherwise, in particular matters in which to the knowledge of such officer and employee, the defendant THOMAS T. DEMERY had a financial interest, in violation of Title 18, United States Code, Sections 208 [Acts Affecting a Personal Financial Interest].

GOALS OF THE CONSPIRACY

13. The goals of the conspiracy were:

A) the defendant THOMAS T. DEMERY would receive periodic payments of money from the defendant PHILLIP McCAFFERTY, through IPS, in the form of installment payments for the sale of IPS from the defendant THOMAS T. DEMERY to the defendant PHILLIP McCAFFERTY;

B) the PM Group would receive the benefit of HUD subsidies and other benefits awarded through the direction and manipulation of the defendant THOMAS T. DEMERY;

C) the defendant PHILLIP McCAFFERTY would receive brokerage and other fees and benefits from the PM Group in exchange for his efforts in securing HUD subsidies and other benefits for PM Group projects, which he accomplished through the defendant THOMAS T. DEMERY.

MEANS AND METHODS USED IN SEEKING  
TO ACHIEVE THE OBJECTS OF THE CONSPIRACY

14. The defendants THOMAS T. DEMERY and PHILLIP McCAFFERTY, together with other persons known and unknown to the Grand Jury as co-conspirators but not named as defendants in this Indictment, used the following means and methods, among others, in seeking to achieve their goals:

A. The Sale of IPS

1) The defendant THOMAS T. DEMERY negotiated principally with a PM Group representative for the sale of his business, IPS, to the defendant PHILLIP McCAFFERTY.

2) The defendants THOMAS T. DEMERY and PHILLIP McCAFFERTY and others inflated the value of IPS's assets to set an artificially high price well above IPS's fair market value.

3) Pursuant to a note and other provisions in the sales contract, the defendant PHILLIP McCAFFERTY agreed to convey to the defendant THOMAS T. DEMERY approximately \$270,000 in cash and other consideration over a period that included the entire term which defendant THOMAS T. DEMERY served as Assistant Secretary of Housing.

B. The Direction of HUD Subsidies and  
Other Benefits to the PM Group

4) At the request of the defendant PHILLIP McCAFFERTY, as well as PM Group representatives, the defendant THOMAS T. DEMERY directed officials and employees of HUD to take actions, and to refrain from taking actions, in order to direct HUD subsidies and other HUD benefits to business entities associated with the PM



Group for the following projects:

- a) Woodview North,
- b) Drexel View Apartments,
- c) Baptist Towers Apartments, and
- d) Amy Jo Manor.

5) In the process of directing HUD subsidies and other HUD benefits to these projects, the defendant THOMAS T. DEMERY at times took actions which were contrary to the regulations, rules, policies or customs of HUD and refrained from taking actions consistent with those set forth in the regulations, rules, policies or customs of HUD, such as --

A) Woodview North - the defendant THOMAS T. DEMERY intervened in the affairs of a HUD program over which he had no authority and for which he had no responsibility; directed the recapture of subsidies made available under the Section 8 Moderate Rehabilitation program from a PHA because it was unable and unwilling to assign such funds to an applicant affiliated with the PM Group; and directed that the recaptured subsidies, along with additional subsidies, be assigned to a different PHA so that they could more easily be awarded to the applicant;

B) Drexel View Apartments - the defendant THOMAS T. DEMERY intervened in the affairs of HUD field and regional offices in a manner contrary to HUD policies; directed HUD officials to approve a TPA for an entity affiliated with the PM Group after the field office had rejected the TPA application; and approved the disbursement of syndication proceeds over the objection of other

HUD officials;

C) Baptist Towers Apartments - the defendant THOMAS T. DEMERY intervened in the affairs of HUD field and regional offices in a manner contrary to HUD policies; directed HUD officials to approve a TPA for an entity affiliated with the PM Group after the field office had rejected the TPA application; and approved the disbursement of syndication proceeds over the objection of other HUD officials;

D) Amy Jo Manor - the defendant THOMAS T. DEMERY awarded LMSA subsidies from a HUD discretionary fund to a project that did not qualify for such funds under the non-discretionary program.

C. PM Group Payments to IPS

6) The PM Group paid brokerage and other fees to the defendant PHILLIP McCAFFERTY, through IPS, for his efforts in obtaining HUD subsidies and other benefits for the projects named in subparagraph 5 of paragraph 14.

D. Statements to the U.S. Senate

7) In order to gain confirmation to the position of Assistant Secretary, the Defendant THOMAS T. DEMERY stated to the United States Senate that he was unaware of any potential conflict of interest he might have and, further, testified under oath to the United States Senate that he would refrain from considering any matter affecting the interest of any company or organization in which he had a financial interest.

## OVERT ACTS

15. On or about the dates set forth in the Overt Acts described below, the defendants THOMAS T. DEMERY and PHILLIP McCAFFERTY and others known and unknown to the Grand Jury, within the District of Columbia and elsewhere, committed and caused to be committed the following overt acts, among others, in furtherance of the conspiracy.

### A. The Sale of IPS

1) In approximately the Spring of 1986, the exact dates being unknown to the Grand Jury, within the Eastern District of Michigan, the defendant THOMAS T. DEMERY at various times discussed with a PM Group representative the sale of IPS to the PM Group.

2) In approximately the Spring of 1986, at times following the events in Overt Act 1, the exact dates being unknown to the Grand Jury, within the Eastern District of Michigan, the defendant THOMAS T. DEMERY negotiated with a PM Group representative for the sale of IPS to the defendant PHILLIP McCAFFERTY.

3) On or about May 1, 1986, within the Eastern District of Michigan, the defendant THOMAS T. DEMERY caused to be deposited into a bank account \$15,000 in earnest money he received toward the sale of IPS.

4) On or about August 1, 1986, within the Eastern District of Michigan, the defendants THOMAS T. DEMERY and PHILLIP McCAFFERTY entered into a contract and promissory note for the sale of IPS to the defendant PHILLIP McCAFFERTY, which provided that:

A) In addition to the earnest money payment referred to in Overt Act 3, the defendant PHILLIP McCAFFERTY was to pay \$200,000 to the defendant THOMAS T. DEMERY pursuant to the promissory note; such payments were to be made in the amount of \$50,000 on August 1, 1986, January 31, 1987, January 31, 1988, and January 31, 1989;

B) The defendant PHILLIP McCAFFERTY was to pay \$50,000 to the defendant THOMAS T. DEMERY on November 30, 1989, if the defendant THOMAS T. DEMERY did not compete with IPS in the State of Michigan for three years.

5) On or about August 1, 1986, within the Eastern District of Michigan, the defendant PHILLIP McCAFFERTY, in part payment to the defendant THOMAS T. DEMERY for the sale of IPS, assumed \$20,225.37 in expenses for which IPS was liable.

6) On or about August 1, 1986, within the Eastern District of Michigan, the defendant PHILLIP McCAFFERTY paid \$19,203 to the defendant THOMAS T. DEMERY to satisfy a loan previously made by the defendant THOMAS T. DEMERY to IPS.

7) On or about August 1, 1986, within the Eastern District of Michigan, the defendant PHILLIP McCAFFERTY paid \$10,571.73 to the defendant THOMAS T. DEMERY to satisfy a loan previously made by the defendant THOMAS T. DEMERY to IPS.

8 - 19) On or about the dates listed below for each Overt Act from 8 through 19, within the Eastern District of Michigan, the defendant PHILLIP McCAFFERTY paid to the defendant THOMAS T. DEMERY the sums of money listed below as payments of

principal or interest toward the purchase of IPS:

<u>Overt Act</u>	<u>Date</u>	<u>Amount</u>
8	September 1, 1986	\$ 4,802.76
9	November 5, 1986	\$10,000.00
10	January 9, 1987	\$40,000.00
11	April 9, 1987	\$20,000.00
12	January 11, 1988	\$40,000.00
13	April 27, 1988	\$10,000.00
14	June 1, 1988	\$30,000.00
15	August 25, 1988	\$10,000.00
16	September 26, 1988	\$ 7,000.00
17	October 7, 1988	\$22,961.37
18	December 13, 1988	\$ 8,500.00
19	January 6, 1989	\$ 8,651.37

B. The Direction of HUD Subsidies and Other Benefits to the PM Group

1. Woodview North

20) On or about August 27, 1986, within the Eastern District of Michigan, the defendant PHILLIP McCAFFERTY, along with a PM Group representative and others, entered into an agreement which provided that: the PM Group representative, on behalf of a partnership to be formed, would buy Woodview North, but reserved the right to withdraw from the agreement if HUD subsidies were not received; IPS would receive a commission if the purchase was completed.

21) In or about December, 1986, the exact date being unknown to the Grand Jury, within the Western District of Michigan,

PM Group representatives had a meeting with the executive director of the Lansing (Michigan) Housing Commission ("LHC"), a PHA, in which the following occurred: the PM representatives stated that HUD was going to award 44 units of Section 8 Moderate Rehabilitation program subsidies to LHC and suggested that LHC apply for the subsidy.

22) On or about December 4, 1986, within the Western District of Michigan, at the suggestion of PM Group representatives, the LHC applied to the HUD Grand Rapids (Michigan) field office for 44 units of moderate rehabilitation subsidies.

23) On or about January 27, 1987, within the Western District of Michigan and the District of Columbia, at the suggestion of PM representatives, the LHC sent its application for the 44 units directly to the defendant THOMAS T. DEMERY and, in addition, requested that HUD headquarters reconsider the HUD Grand Rapids office's decision that the LHC return excess funds from a HUD-subsidized project that had no relationship to Woodview North.

24) On or about March 5, 1987, within the District of Columbia, the defendant THOMAS T. DEMERY met with the defendant PHILLIP McCAFFERTY.

25) On or about March 5, 1987, within the District of Columbia and the Western District of Michigan, at the direction of the defendant THOMAS T. DEMERY, a HUD headquarters official directed a HUD Grand Rapids official not to enter into an agreement for HUD subsidies with the LHC until the HUD Grand Rapids office received approval to do so from HUD headquarters.

26) On or about March 11, 1987, within the Eastern District of Michigan, a PM Group representative informed the Michigan State Housing Development Authority ("MSHDA") that the PM Group had obtained a commitment from HUD for 44 units of moderate rehabilitation subsidy for the Woodview North project.

27) On or about March 12, 1987, within the District of Columbia and the Western District of Michigan, at the direction of the defendant THOMAS T. DEMERY, a HUD headquarters official directed a HUD Grand Rapids official to seek the return of the excess HUD public housing funds held by the LHC referred to in Overt Act 23, to recapture other HUD funds available to the LHC, and to refrain from awarding to the LHC an annual contribution contract for the 44 units and for other HUD funds reserved for the LHC until the defendant THOMAS T. DEMERY approved the award.

28) On or about March 20, 1987, within the District of Columbia and the Western District of Michigan, at the direction of the defendant THOMAS T. DEMERY, a HUD headquarters official again directed a HUD Grand Rapids official not to award the 44 units to the LHC.

29) On or about April 7, 1987, within the District of Columbia, the defendant PHILLIP McCAFFERTY met with a HUD headquarters official.

30) On or about May 12, 1987, within the District of Columbia and the Western District of Michigan, at the direction of the defendant THOMAS T. DEMERY, a HUD headquarters official again directed a HUD Grand Rapids official to withhold the 44 units from

the LHC.

31) On or about May 28, 1987, within the District of Columbia and the Western District of Michigan, at the direction of the defendant THOMAS T. DEMERY, a HUD headquarters official directed a HUD Grand Rapids official to transfer the 44 units from the LHC to MSHDA.

32) On or about May 30, 1987, within the District of Columbia, at the direction of the defendant THOMAS T. DEMERY, a HUD headquarters official authorized the transfer of the 44 units from the LHC to MSHDA.

33) On or about June 2, 1987, within the District of Columbia, at the direction of the defendant THOMAS T. DEMERY, officials at HUD headquarters took additional steps to transfer the 44 units from the LHC to MSHDA.

34) On or about July 20, 1987, within the District of Columbia, the defendant THOMAS T. DEMERY directed that 8 units of Section 8 Moderate Rehabilitation program subsidy from the HUD headquarters reserve be added to the 44 units to be transferred from the LHC to MSHDA.

35) On or about August 4, 1987, within the District of Columbia, the defendant THOMAS T. DEMERY signed a document that granted to MSHDA the additional 8 units referred to in Overt Act 34.

36) On or about November 11, 1987, within the Eastern District of Michigan, a PM Group representative applied for the units HUD had awarded to MSHDA.



## 2. Drexel View/Baptist Towers

37) On or about April 9, 1987, within the Eastern District of Michigan, a PM Group representative signed an option to purchase the Drexel View and Baptist Towers Apartments (Drexel/Baptist), said option providing for the deposit of the option price with the defendant PHILLIP McCAFFERTY through IPS.

38) At some time in 1987, the exact date being unknown to the Grand Jury, within the District of Columbia, the defendant THOMAS T. DEMERY introduced a HUD headquarters official to the defendant PHILLIP McCAFFERTY and to a PM Group representative and directed the official to give advice to the defendant PHILLIP McCAFFERTY and the PM representative about submitting a TPA application to acquire Drexel/Baptist.

39) From approximately early Spring of 1987 through 1988, the exact dates being unknown to the Grand Jury, within the District of Columbia, the defendant PHILLIP McCAFFERTY and PM Group representatives spoke with the HUD headquarters official referred to in Overt Act 38 on many occasions about the PM Group's proposal.

40) On or about January 18, 1988, within the Northern District of Illinois, a PM Group representative submitted to the HUD Chicago office the PM Group's TPA application to acquire Drexel/Baptist, advising the field office that HUD had assured the PM Group that certain financial arrangements, such as flexible subsidy loans and modifications to the existing contract for HUD subsidy, had been made.

41) From approximately 1987 through 1988, the exact

dates being unknown to the Grand Jury, within the District of Columbia, the defendant THOMAS T. DEMERY spoke with the HUD headquarters official referred to in Overt Act 38 on many occasions to discuss the proposed purchase by the PM Group of Drexel/Baptist.

42) On or about and between January 18, 1988 and February 3, 1988, the exact date being unknown to the Grand Jury, within the District of Columbia, the defendant THOMAS T. DEMERY directed a HUD headquarters official to become involved personally and to direct a HUD Chicago official to become involved personally in resolving the differences between the HUD Chicago office and PM Group representatives about the TPA application, which the field office had rejected.

43) On or about February 3, 1988, within the District of Columbia and the Northern District of Illinois, at the direction of the defendant THOMAS T. DEMERY, HUD headquarters officials directed HUD Chicago officials to issue a preliminary approval of the TPA no later than February 4, 1988.

44) On or about February 4, 1988, within the Northern District of Illinois, a HUD Chicago official, at the direction of the defendant THOMAS T. DEMERY as relayed by HUD headquarters officials, gave preliminary approval to the PM Group's proposed application.

45) On a date in 1988 following February 4, 1988, the exact date being unknown to the Grand Jury, within the District of Columbia, the defendant THOMAS T. DEMERY told a HUD headquarters

official that he wanted the PM Group's TPA completed.

46) On a date in 1988 following February 4, 1988, the exact date being unknown to the Grand Jury, within the District of Columbia, the defendant THOMAS T. DEMERY approved the disbursement of syndication proceeds to the PM Group.

3. Amy Jo Manor

47) On or about October 9, 1986, within the District of Columbia, a PM Group representative met with a HUD headquarters official to discuss a plan to relieve the financial difficulties of Amy Jo Manor, a project managed by the PM Group.

48) On or about October 9, 1986, within the District of Columbia, the defendant THOMAS T. DEMERY met with the PM Group representative who had earlier that day met with a HUD headquarters official, as referred to in Overt Act 47.

49) On or between October 9, 1986 and August 18, 1987, the exact date being unknown to the Grand Jury, within the Eastern District of Michigan, the defendant PHILLIP McCAFFERTY met with a HUD Detroit official.

50) On or about October 23, 1986, within the District of Columbia, the defendant THOMAS T. DEMERY directed a HUD headquarters official to devise a plan to relieve Amy Jo's financial difficulties.

51) On or about August 18, 1987, within the District of Columbia and the Eastern District of Michigan, a PM Group representative requested that the defendant THOMAS T. DEMERY cause HUD to award LMSA subsidy to Amy Jo.

52) On or about October 1, 1987, within the District of Columbia, the defendant THOMAS T. DEMERY allocated to Amy Jo 44 units of LMSA subsidy from HUD discretionary funds controlled by him.

53) At a time between the allocation by the defendant THOMAS T. DEMERY of the 44 units of LMSA for Amy Jo referred to in Overt Act 52 and the decision by the defendant THOMAS T. DEMERY to leave office, the exact date being unknown to the Grand Jury, within the District of Columbia, the defendant THOMAS T. DEMERY requested that a HUD headquarters official approve a TPA for Amy Jo from the PM Group to a new owner at a time after the defendant THOMAS T. DEMERY would leave office.

C. PM Group Payments to IPS

54 - 72) On or about the dates listed below, within the Eastern District of Michigan, the defendant PHILLIP McCAFFERTY deposited into an IPS account commissions and various fees in the approximate amounts listed below which the defendant PHILLIP McCAFFERTY had received from the PM Group for his successful efforts in securing subsidies and other benefits for the Woodview North, Drexel View, Baptist Towers, and Amy Jo Manor projects.

<u>Overt Act</u>	<u>Date</u>	<u>Amount</u>
	1. <u>Woodview North</u>	
54)	July 29, 1988	\$21,000
55)	November 17, 1988	\$44,250
56)	December 9, 1988	\$16,047

2. Drexel View

57)	July 7, 1988	\$ 6,250
58)	October 11, 1988	\$19,908
59)	December 15, 1988	\$ 3,180
60)	August 25, 1989	\$ 2,700
61)	September 7, 1989	\$ 5,000
62)	September 27, 1989	\$ 5,000
63)	February 26, 1990	\$13,330
64)	April 2, 1990	\$23,331

3. Baptist Towers

65)	July 7, 1988	\$ 6,250
66)	October 11, 1988	\$22,591
67)	August 25, 1989	\$ 2,700
68)	September 7, 1989	\$ 5,000
69)	September 27, 1989	\$ 5,000
70)	February 26, 1990	\$16,153
71)	April 2, 1990	\$26,154

4. Amy Jo Manor

72)	June 26, 1990	\$35,000
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D. Statements to the U.S. Senate

73) On or about September 18, 1986, within the District of Columbia, the defendant THOMAS T. DEMERY, while under oath during his confirmation hearing before the United States Senate, stated "I will" in response to the question: "Will you, as an Assistant Secretary of HUD refrain from consideration of any matter affecting the interest of any company or organization in which you

have a financial interest."

74) On or about September 18, 1986, within the District of Columbia, the defendant THOMAS T. DEMERY, in his Statement for Completion by Presidential Nominees as submitted to the United States Senate and placed into the record at his confirmation hearing, stated "None" in response to the question: "Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated."

75) On or about September 18, 1986, within the District of Columbia, the defendant THOMAS T. DEMERY, in his Statement for Completion by Presidential Nominees as submitted to the United States Senate and placed into the record at his confirmation hearing, stated "None" in response to the question: "List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated."

(In Violation of Title 18, United States Code, Section 371)

COUNT TWO

16. Paragraphs 1, 2, 6, 7, 8(A), 9 and 10 of the Introduction and subparagraphs 1 through 36, inclusive, and 54 through 56, inclusive, of paragraph 15 of Count One of this Indictment are realleged and incorporated herein as though fully set forth in this Count.

17. From in or about the Fall of 1986, the exact date being

unknown to the Grand Jury, to on or about August 4, 1987, within the District of Columbia, the defendant THOMAS T. DEMERY, being an officer and employee of the executive branch of the United States Government, that is, Assistant Secretary for Housing at the United States Department of Housing and Urban Development, did unlawfully and knowingly participate personally and substantially, as an officer and employee, through decision, approval, disapproval, recommendation, the rendering of advice, the dissemination of information and otherwise, in a particular matter at HUD, that is, the award of HUD subsidies for a project known as Woodview North, a particular matter in which to the knowledge of the defendant THOMAS T. DEMERY, the defendant THOMAS T. DEMERY had a financial interest.

(In Violation of Title 18, United States Code, Section 208)

COUNT THREE

18. Paragraphs 1, 2, 6, 7, 8(A), 9 and 10 of the Introduction and subparagraphs 1 through 36, inclusive, and 54 through 56, inclusive, of paragraph 15 of Count One of this Indictment are realleged and incorporated herein as though fully set forth in this Count.

19. From in or about the Fall of 1986, the exact date being unknown to the Grand Jury, to on or about August 4, 1987, within the District of Columbia, the defendant PHILLIP McCAFFERTY did aid and abet, counsel, induce, procure, and willfully cause Thomas T. Demery, being an officer and employee of the executive branch of the United States Government, that is, the Assistant Secretary for

Housing at the United States Department of Housing and Urban Development, to unlawfully and knowingly participate personally and substantially, as an officer and employee, through decision, approval, disapproval, recommendation, the rendering of advice, the dissemination of information and otherwise, in a particular matter at HUD, to wit, the award of HUD subsidies to a project known as Woodview North, a particular matter in which, to the knowledge of the defendant PHILLIP McCAFFERTY, the defendant THOMAS T. DEMERY had a financial interest.

(In Violation of Title 18, United States Code,  
Sections 208, 2(a) and 2(b))

COUNT FOUR

20. Paragraphs 1, 3, 4, 6, 7, 8(B), 9 and 10 of the Introduction and subparagraphs 1 through 19, inclusive, 37 through 46, inclusive, and 57 through 64, inclusive, of paragraph 15 of Count One of this Indictment are realleged and incorporated herein as though fully set forth in this Count.

21. From in or about the Spring of 1987 to in or about September of 1988, the exact dates being unknown to the Grand Jury, within the District of Columbia, the defendant THOMAS T. DEMERY, being an officer and employee of the executive branch of the United States Government, that is, Assistant Secretary for Housing at the United States Department of Housing and Urban Development, did unlawfully and knowingly participate personally and substantially, as an officer and employee, through decision, approval, disapproval, recommendation, the rendering of advice, the dissemination of information and otherwise, in a particular matter



at HUD, that is, the approval by HUD of the transfer of a project known as Drexel View Apartments to a potential purchaser affiliated with the PM Group, a particular matter in which to the knowledge of the defendant THOMAS T. DEMERY, the defendant THOMAS T. DEMERY had a financial interest.

(In Violation of Title 18, United States Code, Section 208)

COUNT FIVE

22. Paragraphs 1, 3, 4, 6, 7, 8(B), 9 and 10 of the Introduction and subparagraphs 1 through 19, inclusive, 37 through 46, inclusive, and 57 through 64, inclusive, of paragraph 15 of Count One of this Indictment are realleged and incorporated herein as though fully set forth in this Count.

23. From in or about the Spring of 1987 to in or about September of 1988, the exact dates being unknown to the Grand Jury, within the District of Columbia, the defendant PHILLIP McCAFFERTY did aid and abet, counsel, induce, procure, and willfully cause Thomas T. Demery, an officer and employee of the executive branch of the United States Government, that is, the Assistant Secretary for Housing at the United States Department of Housing and Urban Development, to unlawfully and knowingly participate personally and substantially, as an officer and employee, through decision, approval, disapproval, recommendation, the rendering of advice, the dissemination of information and otherwise, in a particular matter at HUD, that is, the approval by HUD of the transfer of a project known as Drexel View Apartments to potential purchasers affiliated with the PM Group, a particular matter in which to the knowledge of

the defendant PHILLIP McCAFFERTY, Thomas T. Demery had a financial interest.

(In Violation of Title 18, United States Code,  
Sections 208, 2(a) and 2(b))

COUNT SIX

24. Paragraphs 1, 3, 4, 6, 7, 8(C), 9 and 10 of the Introduction and subparagraphs 1 through 19, inclusive, 37 through 46, inclusive, and 65 through 71, inclusive, of paragraph 15 of Count One of this Indictment are realleged and incorporated herein as though fully set forth in this Count.

25. From in or about the Spring of 1987 to in or about September of 1988, the exact dates being unknown to the Grand Jury, within the District of Columbia, the defendant THOMAS T. DEMERY, being an officer and employee of the executive branch of the United States Government, that is, Assistant Secretary for Housing at the United States Department of Housing and Urban Development, did unlawfully and knowingly participate personally and substantially, as an officer and employee, through decision, approval, disapproval, recommendation, the rendering of advice, the dissemination of information and otherwise, in a particular matter at HUD, that is, the approval by HUD of the transfer of a project known as the Baptist Towers Apartments to a potential purchaser affiliated with the PM Group, a particular matter in which to the knowledge of the defendant THOMAS T. DEMERY, the defendant THOMAS T. DEMERY had a financial interest.

(In Violation of Title 18, United States Code, Section 208)

COUNT SEVEN

26. Paragraphs 1, 3, 4, 6, 7, 8(C), 9 and 10 of the Introduction and subparagraphs 1 through 19, inclusive, 37 through 45, inclusive, and 65 through 71, inclusive, of paragraph 15 of Count One of this Indictment are realleged and incorporated herein as though fully set forth in this Count.

27. From in or about the Spring of 1987 to in or about September of 1988, the exact dates being unknown to the Grand Jury, within the District of Columbia, the defendant PHILLIP McCAFFERTY did aid and abet, counsel, induce, procure, and willfully cause Thomas T. Demery, an officer and employee of the executive branch of the United States Government, that is, the Assistant Secretary for Housing at the United States Department of Housing and Urban Development, to unlawfully and knowingly participate personally and substantially, as an officer and employee, through decision, approval, disapproval, recommendation, the rendering of advice, the dissemination of information and otherwise, in a particular matter at HUD, that is, the approval by HUD of the transfer of a project known as the Baptist Towers Apartments to potential purchasers known as the PM Group, a particular matter in which to the knowledge of the defendant PHILLIP McCAFFERTY, Thomas T. Demery had a financial interest.

(In Violation of Title 18, United States Code,  
Sections 208, 2(a) and 2(b))

COUNT EIGHT

28. Paragraphs 1, 4, 5, 6, 7, 8(D), 9 and 10 of the Introduction and subparagraphs 1 through 19, 47 through 53, inclusive, and 72 of paragraph 15 of Count One of this Indictment are realleged and incorporated herein as though fully set forth in this Count.

29. From in or about October of 1986, to in or about January of 1989, the exact dates being unknown to the Grand Jury, within the District of Columbia, the defendant THOMAS T. DEMERY, being an officer and employee of the executive branch of the United States Government, that is, Assistant Secretary for Housing at the United States Department of Housing and Urban Development, did unlawfully and knowingly participate personally and substantially, as an officer and employee, through decision, approval, disapproval, recommendation, the rendering of advice, the dissemination of information and otherwise, in a particular matter at HUD, that is, the award of HUD subsidies to a project known as Amy Jo Manor and the subsequent approval by HUD of the transfer of that project to a new owner, particular matters in which to the knowledge of the defendant THOMAS T. DEMERY, the defendant THOMAS T. DEMERY had a financial interest.

(In Violation of Title 18, United States Code, Section 208)

COUNT NINE

30. Paragraphs 1, 4, 5, 6, 7, 8(D), 9 and 10, inclusive, of the Introduction and subparagraphs 1 through 19, inclusive, 47 through 53, inclusive, and 72 of paragraph 15 of Count One of this

Indictment are realleged and incorporated herein as though fully set forth in this Count.

31. From in or about October of 1986 to in or about January of 1989, the exact dates being unknown to the Grand Jury, within the District of Columbia, the defendant PHILLIP McCAFFERTY did aid and abet, counsel, induce, procure, and willfully cause Thomas T. Demery, being an officer and employee of the executive branch of the United States Government, that is, the Assistant Secretary of Housing at the United States Department of Housing and Urban Development, to unlawfully and knowingly participate personally and substantially, as an officer and employee, through decision, approval, disapproval, recommendation, the rendering or advice, the dissemination of information and otherwise, in a particular matter at HUD, that is, the award of HUD subsidies to a project known as Amy Jo Manor and the subsequent approval by HUD of the transfer of

that project to a new owner, particular matters in which to the knowledge of the defendant PHILLIP McCAFFERTY, Thomas T. Demery had a financial interest.

(In Violation of Title 18, United States Code,  
Sections 208, 2(a) and 2(b))

A TRUE BILL

\_\_\_\_\_  
Foreperson

*Arlin M. Adams*  
\_\_\_\_\_  
Arlin M. Adams  
Independent Counsel