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FORMER NEW YORK STATE SENATOR FROM THE BRONX
PLEADS GUILTY TO FRAUD CHARGES

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation ("DOI"), and RONALD J. VERROCHIO, the Inspector-in-Charge of the New York Office of the United States Postal Inspection Service ("USPIS"), announced today the guilty plea of EFRAIN GONZALEZ, JR., a former New York State Senator from the Bronx, to four federal fraud charges. GONZALEZ pleaded guilty in Manhattan federal court before United States District Judge WILLIAM H. PAULEY III.

According to the superseding Indictment and statements made at the guilty plea proceeding:

From October 1999 to January 2005, GONZALEZ designated member items, totaling approximately \$200,000, to a not-for-profit corporation, Pathways for Youth, Inc. ("Pathways"), based in the Bronx, New York. Pathways also received funding from numerous federal agencies.

Part of Pathways' mission was to "improve and further generally the welfare and happiness of young people," and, to those ends, to receive donations and take and manage gifts of property. GONZALEZ directed the member items to Pathways as part of a scheme to have Pathways send money to another not-for-

profit, West Bronx Neighborhood Association, Inc. ("West Bronx"). West Bronx did not engage in any substantial amount of not-for-profit activity; instead, it primarily served to pay the personal expenses of GONZALEZ and his criminal associates. From October 1999 through January 2005, Pathways directed a total of approximately \$462,000 to West Bronx. During this time, GONZALEZ then directed West Bronx to pay more than \$500,000 worth of his personal credit card and other bills for expenses that had nothing to do with the work of Pathways or West Bronx. GONZALEZ's personal bills included expenses for, among other things:

- Membership fees in a vacation club called Coral Vacation Club in the Dominican Republic used by GONZALEZ,
- Rent payments for a luxury apartment used by GONZALEZ's wife in the Dominican Republic,
- Cigar band design, set-up, and printing relating to logos for GONZALEZ's own, private cigar manufacturing and distribution company,
- Construction and renovations to a house in the Dominican Republic used by GONZALEZ's mother-in-law, and
- A variety of other personal expenses, including rent for a residence in Monroe, New York, used by GONZALEZ; New York Yankees tickets; jewelry; clothing; and college tuition for GONZALEZ's daughter.

GONZALEZ also entered into a similar scheme, involving payments totaling approximately \$150,000 from Pathways to another non-profit organization, United Latin American Foundation, Inc. ("ULAF"), and arranged for ULAF to pay at least \$75,000 in his personal expenses.

GONZALEZ, 60, pleaded guilty to Counts Two, Three, Six, and Eight of the superseding Indictment. Counts Two and Three charge GONZALEZ with conspiracy to commit mail fraud, which carries a maximum sentence of five years in prison on each of these charges. Counts Six and Eight charge GONZALEZ with mail fraud, which carries a maximum sentence of twenty years in prison on each of these charges. GONZALEZ also faces forfeiture of the proceeds of his crimes. GONZALEZ is scheduled to be sentenced by Judge PAULEY on August 7, 2009 at 12:00 p.m.

GONZALEZ's co-defendant NEIL BERGER, Pathways' former Executive Director, pleaded guilty on March 30, 2009, to one count of federal program fraud, and co-defendant MIGUEL CASTAÑOS, a former GONZALEZ aide, pleaded guilty on April 6, 2009, to one count of wire fraud. Trial of co-defendant LUCIA SANCHEZ, the Secretary of West Bronx, is scheduled for May 12, 2009; as to her, the charges and allegations contained in the superseding Indictment remain merely accusations and she is presumed innocent unless and until proven guilty.

Mr. DASSIN praised the investigative work of DOI and USPIS.

The prosecution is being handled by the Office's Public Corruption Unit. Assistant United States Attorneys PABLO QUIÑONES and MICHAEL LEVY are in charge of the prosecution.

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