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**MANHATTAN U.S. ATTORNEY CHARGES NEW YORK STATE SENATOR
WITH ABUSING MEMBER ITEMS PROCESS FOR PERSONAL GAIN**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation ("DOI"), joined by RON WALKER, the Postal Inspector-in-Charge of the New York Division of the United States Postal Inspection Service ("USPIS"), announced today the unsealing of a superseding indictment charging EFRAIN GONZALEZ, JR., a New York State Senator from the Bronx, with numerous charges including defrauding New Yorkers of their right to his honest services by abusing for his personal gain the state legislature's member items process. According to the Superseding Indictment, GONZALEZ directed the New York State Legislature to pay approximately \$423,000 worth of member items to a New York State not-for-profit corporation as part of a scheme to redirect the funds to another not-for-profit and ultimately steal the money. The Superseding Indictment charged GONZALEZ and three of his criminal associates with mail fraud, wire fraud, theft of federal funds, conspiracy, and money laundering offenses.

According to the Superseding Indictment, the New York State Legislature allocates \$200 million annually in funds to certain groups or projects for the public benefit. Public expenditures made as a result of such allocations are often referred to as "member items." Elected members of the New York State Assembly and New York State Senate, along with the Governor, have discretion to designate the \$200 million worth of member items. The New York State Legislature allocates \$85 million worth of member items to the Assembly, \$85 million worth of member items to the Senate, and \$30 million worth of member items to the Governor. The funding for member items is often delivered in the

form of grants issued by New York State agencies to grant recipients, some of which are not-for-profit corporations.

According to the Superseding Indictment, from October 1999 to January 2005, GONZALEZ designated approximately \$423,000 worth of member items to a New York State not-for-profit corporation called Pathways for Youth, Inc., formerly known as the Boys' Athletic League, Inc. ("Pathways"). Pathways was based in the Bronx, New York. Although Pathways' mission was to help young people, GONZALEZ in fact directed the member items to Pathways as part of a scheme to redirect the funds to another not-for-profit called West Bronx Neighborhood Association, Inc. ("West Bronx") and ultimately steal the money, it was charged.

According to the Superseding Indictment, part of Pathways' mission at the time of its founding was to "improve and further generally the welfare and happiness of young people," and, to those ends, "to receive donation[s], to receive, manage, take, hold real and personal property by gift, grant, devise or bequest." Similarly, West Bronx was organized as a not-for-profit corporation under the laws of the State of New York. Its stated mission was to maintain and foster an interest in civic and community affairs; to secure greater economy and efficiency in local, state and national government; and to encourage, promote and foster a current interest and concern in community welfare projects.

In fact, according to the Superseding Indictment, West Bronx did not engage in any substantial amount of not-for-profit activity, but rather primarily served as a conduit for paying personal expenses for GONZALEZ and his criminal associates. Moreover, it is alleged that West Bronx's "office" was nothing more than a room that adjoined GONZALEZ's District Office in the Bronx.

In addition to the \$423,000 worth of member items directed by GONZALEZ to Pathways between October 1999 and January 2005, Pathways also received additional funding from numerous federal agencies, according to the Superseding Indictment. GONZALEZ then caused Pathways to make \$462,500 in payments to West Bronx. It is alleged that GONZALEZ then directed West Bronx to pay more than \$400,000 worth of his personal credit card and other bills for expenses that had nothing to do with the work of Pathways or West Bronx. According to the Superseding Indictment, 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.

In addition to the member items scheme, GONZALEZ and two of his alleged criminal associates -- NEIL BERGER, the Executive Director of Pathways, and LUCIA SANCHEZ, a director of West Bronx -- were separately charged with conspiring to collectively steal more than \$550,000 from West Bronx. GONZALEZ and another alleged criminal associate, MIGUEL CASTANOS, were charged with conspiring to steal more than \$225,000 from another New York State not-for-profit called the United Latin American Foundation ("ULAF") that also had received money from Pathways. CASTANOS, whose apartment was used as the address for ULAF and who served as ULAF's President, was additionally charged with GONZALEZ for a "no-show-job" scheme involving ULAF. CASTANOS alone was charged with a "no-show" job scheme involving the Community Association of Progressive Dominicans ("ACDP"), another New York State not-for-profit. GONZALEZ was also charged with money laundering.

The Superseding Indictment seeks the forfeiture of hundreds of thousands of dollars from GONZALEZ and his three co-defendants. It also seeks the forfeiture of a house owned by BERGER and cooperative apartments owned by GONZALEZ and SANCHEZ. The United States is also seeking the forfeiture of a Crown Victoria, a Ford Expedition, and a Toyota Forerunner.

If convicted of the charges contained in the Superseding Indictment, the defendants face the following maximum prison terms, in addition to substantial fines and mandatory restitution:

COUNT	DEFENDANT	DESCRIPTION	MAXIMUM PRISON TERM
1	GONZALEZ	Theft of honest services as State Senator by embezzling member items through the mail	20 years
2	GONZALEZ BERGER SANCHEZ	Conspiracy to commit program fraud and mail fraud by defrauding New York State citizens and Pathways through West Bronx	5 years
3	GONZALEZ BERGER CASTANOS	Conspiracy to commit mail fraud, program fraud and theft of honest services by wire by defrauding New York State citizens and Pathways through ULAF	5 years
4	GONZALEZ	Conspiracy to commit money laundering by using the mail to pay personal bills from West Bronx	20 years
5	GONZALEZ BERGER SANCHEZ	West Bronx program fraud	10 years
6	GONZALEZ	West Bronx mail fraud	20 years
7	GONZALEZ BERGER CASTANOS	ULAF program fraud	10 years
8	GONZALEZ CASTANOS	ULAF mail fraud	20 years
9	GONZALEZ CASTANOS	ULAF theft of honest services by wire	20 years
10	CASTANOS	ACDP theft of honest services by wire	20 years

GONZALEZ, who is 58 years-old and currently resides in the Bronx, New York, was previously arrested and indicted on related mail fraud charges in August 2006. BERGER, who is 55 years-old and currently resides in Teaneck, New Jersey, was previously arrested and charged by Complaint in 2006 on related theft of federal funds charges. Both were released on bail. SANCHEZ, 50, and CASTANOS, 46, both currently reside in the Bronx, New York. This case has been assigned to United States District

Judge WILLIAM H. PAULEY III. SANCHEZ and CASTANOS will be presented in Manhattan federal court later this afternoon. GONZALEZ and BERGER are scheduled to be arraigned by Judge PAULEY on December 15, 2006 at 4:00 p.m.

Mr. GARCIA praised the investigative efforts of the New York City Department of Investigation and the United States Postal Inspection Service. Mr. GARCIA added that the investigation is continuing.

The prosecution is being handled by the Office's Public Corruption Unit. Assistant United States Attorneys SERENE K. NAKANO and SAMIDH GUHA are in charge of the prosecution. CHRISTINE MEDING is in charge of the forfeiture aspects of the case.

The charges and allegations contained in the Superseding Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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