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**CHIEF OF STAFF OF NEW YORK CITY COUNCIL MEMBER, AND  
ANOTHER STAFFER, INDICTED FOR EMBEZZLING  
\$145,000 IN DISCRETIONARY FUNDS**

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, announced today the unsealing of an Indictment charging ASQUITH REID, Chief of Staff to a New York City Council Member (the "Council Member"), and JOYCINTH ANDERSON, a/k/a "Sue," a staffer of the Council Member, with embezzling at least \$145,000 in New York City Council discretionary funds. According to the Indictment unsealed in Manhattan federal court:

New York City Council Discretionary Funds

The New York City Council (the "Council") has allocated millions of dollars annually in funds to certain non-profit organizations, purportedly for the public benefit. Public expenditures made as a result of such allocations are referred to as "discretionary funds," with elected members of the Council having broad discretion to designate the non-profits eligible to receive such funds. After the budget was passed each year, since at least 2003, the Council identified the non-profits receiving discretionary funds in Schedule C to the budget.

Each Council member controls a certain portion of the discretionary funds for designation to non-profit organizations, and Council members designate various non-profits to receive their allotted funds. Non-profits are then required to apply through an intermediary, often a New York City agency, for actual disbursement of the funds. In addition to the discretionary funds distributed at the time of the annual budget, since at

least 2003, millions of dollars worth of additional discretionary funds have been allocated to "holding codes" in the names of fictitious non-profits. After the passage of the budget, each year since at least 2003, the funds in the holding codes have been distributed to various non-profits associated with various Council members.

Since at least April 2005, in his role as Chief of Staff to the Council Member, REID has been the contact person for the Council Member's requests for discretionary funds.

#### The Donna Reid Memorial Education Fund

The Donna Reid Memorial Education Fund (the "Donna Reid Fund") is a non-profit organization in the State of New York. At the time it was founded, the Donna Reid Fund's mission was "to provide educational assistance to public school children by way of after school tutoring in various topics, and to provide assistance to various Parent Teacher Associations of public schools by assisting them in the establishment of educational programs for children."

Since April 2005, the Council Member has allocated approximately \$356,000 in discretionary funds to the Donna Reid Fund. During this time period, discretionary funds allocated by the Council Member have constituted more than three-quarters of the Donna Reid Fund's total income.

In June 2004, the Council Member first designated the Donna Reid Fund as a recipient of discretionary funds. In August 2004, the Donna Reid Fund applied for the funds through the New York City Department for the Aging ("DFTA"). DFTA employees rejected the application, however, finding an improper conflict of interest based on the fact that the address reported for the Donna Reid Fund was the residence of REID, the Council Member's Chief of Staff.

In November 2004, after DFTA rejected the Donna Reid Fund's initial application, the Donna Reid Fund applied for the discretionary funds through the New York City Department of Youth and Community Development ("DYCD"). DYCD employees approved the Donna Reid Fund's application. Since November 2004, DYCD has disbursed approximately \$356,000 in discretionary funds to the Donna Reid Fund. Nearly all the funds have been wire-transferred from City of New York's bank account to the Donna Reid Fund's bank account in New York, New York.

In March 2007, the New York City Council's Division of

Finance directed that approximately \$14,000 in discretionary funds, which had been initially allocated to holding codes in the names of two fictitious non-profits -- New York Foundation for Community Development and American Association of Concerned Veterans -- be re-allocated to the Donna Reid Fund. These funds were ultimately wire transferred from the City of New York's bank account to the Donna Reid Fund's bank account in New York, New York.

### The Embezzlement Scheme

Since April 2005, while some portion of the approximately \$356,000 in discretionary funds provided to the Donna Reid Fund appears to have been used for legitimate purposes, REID, aided by ANDERSON and other criminal associates, has allegedly embezzled at least \$145,000 of the funds. REID embezzled the money in a variety of ways, including, but not limited to, requesting two co-conspirators and ANDERSON to cash approximately \$93,000 in checks issued by the Donna Reid Fund, and sending approximately \$31,000 in Donna Reid Fund monies to individuals, including family members and friends, in Jamaica via Western Union wire transfers. He also spent approximately \$18,000 on a hall used for events for a political club controlled by the Council Member, and more than \$3,000 on campaign literature for the Council Member.

The Indictment charges REID and ANDERSON each with mail fraud conspiracy and money laundering conspiracy. They each face a maximum sentence of 20 years in prison on each of these charges if convicted.

In addition, the Indictment charges REID with two counts of witness tampering for allegedly directing two witnesses, who were subpoenaed to testify before a federal grand jury, to lie about working for the Donna Reid Fund and about financial transactions they conducted with REID. REID faces a maximum sentence of 20 years in prison on each of these two charges if convicted.

In total, REID faces a maximum sentence of 80 years in prison if convicted on the charges announced today. ANDERSON faces a maximum sentence of 40 years in prison if convicted on the charges. Both defendants also face: 1) a fine on the money laundering conspiracy count of the greater of \$500,000 or twice the gross gain or loss from the offense; 2) a fine on the mail

fraud conspiracy count of the greater of \$250,000 or twice the gross gain or loss from the offense; 3) the imposition of restitution; and 4) the forfeiture of the proceeds of the offenses. On each witness tampering charge, REID faces a fine of the greater of \$250,000 or twice the gross gain or loss from the offense.

Mr. GARCIA praised the investigative work of the New York City Department of Investigation.

The prosecution is being handled by the Office's Public Corruption Unit. Assistant United States Attorneys KATHERINE LEMIRE and RUA KELLY are in charge of the prosecution.

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

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