

APPENDIX D: COMPILATION OF FALSE STATEMENTS TO CONGRESS  
BY THOMAS T. DEMERY

Set out below are 36 statements Thomas T. Demery made before two congressional subcommittees in 1989 and 1990 that information in the possession of the Independent Counsel demonstrated to be false.

A. HEARINGS BEFORE THE EMPLOYMENT AND HOUSING SUBCOMMITTEE OF THE COMMITTEE ON GOVERNMENT OPERATIONS OF THE HOUSE OF REPRESENTATIVES (Lantos Hearings), May 8, 1989

Testifying under oath before the Employment and Housing Subcommittee of the House Government Operations Committee on May 8, 1989, Thomas T. Demery made the following false statements:

1. Statement That Former HUD Officials Did Not Talk To Him About Mod Rehab Projects

Statement:

The report also shows that as to me, the lead title on the cover page, none of the former HUD officials<sup>[1]</sup> ever talked to me about moderate rehabilitation projects.

Lantos Hearings, Pt. 1, at 53.

Facts:

Demery later admitted either in testimony before congress, in interviews with the Independent Counsel, or in testimony in court that at least four of the referenced former HUD employees talked to him about mod rehab: Lance Wilson (Lantos Hearings, Pt. 5, at 364, 400), Philip Abrams (Dean Rule 33 Mem., Ex. UU at 3), Philip Winn (*id.* at 4), Joseph Strauss (Tr. 1913). Documents also indicated that R. Carter Sanders had contacted Demery about mod rehab projects. Attachment D-1 and D-2.

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<sup>1</sup> The former HUD employers were listed in this order: Philip Abrams (owner/developer of 6 projects), Philip Winn (owner/developer of 7 projects), Lance Wilson (owner/developer of 6 projects), Joseph Strauss (consultant on 13 projects), Michael Karem (consultant on 3 projects), Rick Price (consultant on 2 projects), Gerald Kisner (consultant on 3 projects), Ronald Gatton (owner of 2 projects, consultant on 2 projects), J. Michael Queenan (owner/developer of 20 projects), Ronnie Mahon (owner/developer of 4 projects), and R. Carter Sanders (earned \$107,000). Banking Hearings at 576.

2. Statement That He Did Not Know That Former HUD Officials and Other Persons Were Involved With Mod Rehab Projects

Statement:

Since it was ultimately the PHA which made specific selections of owner proposal, it would not be known to this witness whether a frequent program participant or former HUD employee was involved with a project in some or any capacity.

Lantos Hearings, Pt. 1, at 55.

Facts:

See Item A.1, supra. Demery maintained listings of mod rehab allocations and requests matched with names of consultants and developers, including former HUD employees Wilson, Winn, and Sanders. Lantos Hearings, Pt. 5., at 339-40 (Attachment D-2a); Attachments D-2, D-3, D-4.

3. Statement That the Involvement of Consultants Would Not Have Been Known to Him and Would Not Have Influenced His Decisions

Statement:

Accordingly, it was never my practice to treat any program participant differently in response to whether or not they employed such persons [consultants]. Whether such arrangements existed in connection with any allocation made during my tenure would not have been known to me and therefore would not have been a factor in a decision I participated in. No evidence to the contrary is found in the report of investigation bearing my name.

Lantos Hearings, Pt. 1, at 55.

Facts:

See Items A.1 and A.2, supra.

4. Statements Concerning the Dissemination of Predecisional Information

Statement:

This witness has never knowingly disseminated information to any person which would provide such person with an unfair advantage with respect to programs within the Office of Housing. Specifically, information of a "predecisional nature" was never released.

Lantos Hearings, Pt. 1, at 55.

Facts:

Philip Winn met with Demery on September 21, 1987, at which time Winn requested funding for Richland, Washington, and Victoria, Texas. The next day, Winn entered into a purchase agreement for Richland Manor and North Trace properties. Demery told representatives of the Office of Independent Counsel that he never had a second thought about recommending the Winn requests for funding. Dean Mem., Exh. UU at 4, 6; Demery Calendar September 21, 1987; Banking Hearings at 968.

5. Statement That He Did Not Know Who Contributed What to F.O.O.D. for Africa

Statement:

Mr. Chairman, the only statement I do want to make is I want to state without a shadow of a doubt that not only was there no quid pro quo, until the Inspector General's report came out, I did not know who contributed what to F.O.O.D. for Africa.

Lantos Hearings, Pt. 1, at 56.

Facts:

Various individuals including Demery would later state that individuals had showed their contributions to Demery or handed them to him. For example, a F.O.O.D. fundraiser was held by Judith Siegel on a boat on June 24, 1987. Howard Cohen was seen handing a \$2,000 check to Demery on the boat trip. Interview of Ed Siegel (May 22, 1992) (Exh. C to Dean Omnibus Motion (Feb. 6, 1994)).

Silvio DeBartolomeis told the Independent Counsel that he had delivered checks from Winn and Abrams to Demery. Interview at 4 (Oct. 1-2, 1992) (Exh. C to Dean Omnibus Motion (Feb. 6, 1994)). Demery informed the Independent Counsel that he had been shown a check from J. Michael Queenan at the time of the Denver fundraiser. Interview at 1-2 (June 17, 1993) (Exh. C to Dean Omnibus Motion (Feb. 6, 1994)).<sup>2</sup>

With regard to evidence that Lance Wilson and Aaron Gleich also handed checks to Demery, see Items C.6 and C.8 infra.

6. Statement That Mod Rehab Selections Were Based Primarily on Need

Statement:

Faced with diminishing resources and growing demand, headquarters committee allocations during Fiscal 1987 and Fiscal 1988 were based primarily on need. Need was defined as long waiting lists, housing shortages, and regional economic depression. As such, south Florida and Puerto Rico received additional consideration on the basis of long waiting lists. Colorado, Oklahoma, Nevada, Louisiana, and Utah were afforded maximum consideration on the basis of regional economic conditions that are no secret to anyone in the country.

Lantos Hearings, Pt. 1, at 58.

Facts:

See Items A.1, A.2, and A.4.

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<sup>2</sup> Demery described the Queenan check as one for \$30,000. The amount actually was \$35,000. Banking Hearings at 1188.

6. Statement That He Was Not Aware of Who Functioned As Consultants

Statement:

The report shows through the testimony of dozens of individuals that at no time before the report's release, was I aware of who functioned as a consultant, what the terms of their consulting agreement was [sic], or what fees, if any, were being charged for services.

Lantos Hearings, Pt. 1, at 61.

Facts:

See Items A.1, A.2, and A.4.

7. Statements Concerning Knowledge of Consultants and Attempts to Influence Mod Rehab Selections

Statement:

The report shows through the testimony of dozens of individuals that at no time when I met with persons only now identified as consultants, was there an attempt on their part to influence a PHA selection for Mod rehab based on "favoritism" or any other basis.

Lantos Hearings, Pt. 1, at 61.

Facts:

See Items A.1, A.2, and A.4.

8. Statement That He Was Not Aware of Who Contributed to F.O.O.D. for Africa or The Amount of Their Contributions

Statement:

The report shows through the testimony of dozens of individuals that at no time prior to the report's release was I aware of who contributed to FOOD for Africa or the amount of their contributions.

Lantos Hearings, Pt. 1, at 62.

Facts:

See Item A.5, C.6, C.8.

9. Statement That No Contributors to F.O.O.D. for Africa Disclosed Their Contributions to Him

Statement:

The report shows through the testimony of dozens of witnesses that at no time did any contributor to FOOD for Africa disclose their contribution to me or use their contribution as a basis for seeking assistance from my office.

Facts:

See Item A.5, C.6, and C.8.

10. Statement That He Did Not Know Whether a Frequent Program Participant or Former HUD Employee Was Involved in With a Project

Statement:

Since it was ultimately the PHA which made specific selections of owners proposals, it would not have been known to this witness, whether a frequent program participant or former HUD employee was involved with a project in some capacity.

Lantos Hearings, Pt. 1, at 65.

Facts:

See Items A.1, A.2, and A.4.

11. Statement That He Did Not Treat Program Participants Differently In Response to Whether They Employed Consultants

Statement:

Accordingly, it was never my practice to treat any program participant differently in response to whether or not they employed such persons [consultants]. Whether such arrangements existed in connection with any allocation made during my tenure would not have been known to me and therefore would not have been a factor in a decision I participated in. No evidence to the contrary is found in the report of investigation bearing my name.

Lantos Hearings, Pt. 1, at 66 (original emphasis).

Facts:

See Items A.1, A.2, and A.4.

12. Statement That The First Two Fundings He Signed Were Based on Lists Given to Him by Deborah Gore Dean

Statement:

The first two fundings that I signed when I was Assistant Secretary occurred between the months of October 1986 and January 13, 1987. I was given a list of funding actions that were approved by the Secretary and told to fund them.

Facts:

At the end of October 1986 Dean handed Demery a list of nine moderate rehabilitation allocations including a 44-unit allocation for Texas. Gov. Exh. 180. Instead of funding that list, however, Demery created another list, replacing the Texas allocation with one for Lansing, Michigan. Dean Rule 33 Mem., Exh. XX. Demery would then fund the latter list. Gov. Exhs. 181-83. The assignment of 44 units of moderate rehabilitation to the Lansing Housing Authority and the subsequent manipulations for the benefit of a group that had bought Demery's business were a subject of a conspiracy charge in Demery's Superseding Indictment. Demery

Superseding Indictment at 36-39 (Dean Rule 33 Mem., Exh. TT).

B. HEARINGS BEFORE THE SUBCOMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT OF THE COMMITTEE ON BANKING, FINANCE, AND URBAN AFFAIRS OF THE HOUSE OF REPRESENTATIVES (Banking Hearings) May 11, 1989

Testifying under oath before the Subcommittee on Housing and Community Development of the House Committee on Banking, Finance, and Urban Affairs on May 11, 1989, Thomas T. Demery made the following false statements:

1. Statement That No Former HUD Official Ever Influenced His Recommendations

Statement:

Four, no former HUD official, in his capacity as an owner or as a consultant, every [sic] improperly influenced any recommendation I made at HUD.

Banking Hearings at 55.

Facts:

See Items A.1, A.2, and A.4.

2. Statement That No Proposal Was Ever Given Special Consideration on the Basis of Whether a Consultant Was Used

Statement:

Five, no proposal was ever given special consideration on my part on the basis of whether a consultant was used, nor was the identity of any consultant a factor in my decision.

Banking Hearings at 55.

Facts:

See Items A.1, A.2, and A.4.

3. Statement That the First Two Fundings Were at the Behest of Deborah Gore Dean

Statement:

The first two fundings were at the behest of Deborah Dean...

Banking Hearings at 61.

Facts:

See Item A.12.

4. Statement That Favoritism Could Not Influence Revised Mod Rehab Selection Procedure

Statement:

There is no way I know of to have favoritism influence that [the revised selection process] process.

Facts:

HUD Inspector General Paul A. Adams' November 4, 1988 memorandum to HUD General Counsel J. Michael Dorsey documents Demery's manipulation of the revised selection procedure. Banking Hearings at 424-37. Among other things, the memorandum shows how Demery raised the recommended unit allocations for Midland, Texas, Salt Lake City, Utah, and Temple, Texas. As indicated in the memorandum, David Barrett and Martin Artiano were involved with projects that would benefit from the first two allocations. A document in Demery's files indicates that Demery had identified Larry Dickerson, of Bush and Co., as being involved with the third. Attachment D-5. See also Lantos Hearings, Pt. 1, at 284, 290; Pt. 5, at 348. All three of these individuals had been on Demery's November 1, 1987 listing. Attachment D-2a.

The Adams memorandum also showed how Temple, Salt Lake City, and Great Falls, Montana (another locality where Artiano had a project) achieved sufficient scores to be funded only because of Demery's decision to reconsider the financing factor. Banking Hearings at 426. See also id. at 933-34, 1149-50.

5. Statement to Congressman Vento That He Did Not Discuss the Mod Rehab Program With the Former HUD Employees Identified by the Inspector General as Developers and Consultants

Statement:

Mr. VENTO. Obviously Ms. Dean, in her comments, did suggest she talked with individuals, so I don't know?

Mr. DEMERY. I didn't know until the report was released who was functioning as a consultant. There was not [sic] identifiable or discernible way for me to know who a consultant was and who was and [sic] an attorney, for example, or representing themselves as an attorney.

Mr. VENTO: So you didn't know they were consultants, but did that mean you didn't talk to them?

Mr. DEMERY. No. I said those people that have been identified now as former HUD employees as one category, and consultants as another category. I did speak with--where was that list? [<sup>3</sup>]

I didn't speak with Jim Watt, I didn't speak with Louie Nunn.

Who else is on the list?

Mr. VENTO. I don't have it in front of me.

Mr. DEMERY. You see what I am saying?

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<sup>3</sup> The list contained the following names or persons or entities who were not former HUD employees: Edward Brooke, Fred Bush & Co., Louis Nunn, Judith Siegel, James Watt, Richard Shelby. It also contained the following names of former HUD employees: Philip Abrams, Philip Winn, Lance Wilson, Joseph Strauss, Michael Kareem, Rick Price, Gerald Kisner, Ronald Gatton, J. Michael Queenan, Ronny Mahon, and R. Carter Sanders. Banking Hearings at 576-77.

Mr. VENTO. You did speak with some of them, though; who did you speak with on the list, since your brought up the list?

Mr. DEMERY. I spoke mainly with the former HUD people, because I would call them from time to time for background and counsel on a particular program issue, especially early on. It was a big job and it had been vacant for a couple of years.

Mr. VENTO. They did not at that time indicate to you that they were actually consultants?

Mr. DEMERY. We did not discuss the Moderate Rehab Program.

Banking Hearings at 88 (emphasis added).

Facts:

See Items A.1, A.2, and A.4.

6. Statement to Congresswoman Mary Rose Oakar That He Did Not Know Philip Winn and Philip Abrams Were Involved in the Moderate Rehabilitation Program

Statement:

CONGRESSWOMAN OAKAR: Were you aware of Philip Winn, Philip Abrams, Michael Queenan and Silvio DeBartolomeis were all sort of in a partnership with each other? Were you aware of their applications? I am not saying it is wrong if you were.

MR. DEMERY: No. Let me explain my understanding of that relationship. I thought Silvio was the management agent for the multifamily holdings of Winn and Abrams. Queenan was an employee of theirs, but did some -- Queenan was never a player in my understanding as to who he was or what he did. I met him, as I stated earlier, for the first time in February 1988.

Obviously, I knew Phil Winn and Phil Abrams. But when I asked Abrams what it was he was doing, he

explained to me that he was developing industrial buildings.

CONGRESSWOMAN OAKAR: On what occasion did you ask him?

MR. DEMERY: Shortly after I got to HUD. Or maybe shortly before. Because he would, from time to time, be in Washington. I would ask him what brought him there, and he would say his industrial buildings out by Dulles Airport. I thought he was in the industrial development business.

Banking Hearings at 99 (emphasis added).

Facts:

This is one of the statements that was the subject of Demery's Superseding Indictment. He later confessed that he had known that Winn and Abrams were in the mod rehab business but had denied that he knew it in order to divert attention from the free use of Winn's condominium that had led to the creation of a false receipt. Demery Interview of June 11, 1993 (Dean Rule 33 Mem., Exh. UU).

7. Statement to Congresswoman Oakar That the Best PHA Requests Were Always Selected

Statement:

Ms. Oakar. Let me ask you: Do you think the ones that were selected, the PHAs that were selected in your judgment were always the best, given the number of units yet available, which were very competitive? I know that you have to consult with your attorney on that one, but to me, that should be real easy to answer. Yes or no? They were always the best in your mind's eye?

Mr. DEMERY. Yes.

Ms. OAKAR. They were always the best ones. OK. The I don't know why you want to bring in Debbie and the Secretary in terms of saying that--you know, if they were always the best, then the buck does stop with you, since you were head of the selection committee.

Mr. DEMERY. It is very simple, I would like the same scrutiny on the people that were part of this

process that had information--I mean the funding, PHAs, that were funded, especially for the period covered by this audit, which predates me 3 full years.

The investigative report has my name all over it. It deserves the same investigative technique as they did on me.

Ms. OAKAR. What if they got the same and it said the same thing? Would you feel good about it, or would you feel that we were all--the inspector general was way off base?

Mr. DEMERY. As I read the report, the inspector general is not agreeing with my assessment that the projects, that the PHAs requested [sic] that came in were in fact the best.

Ms. OAKAR. You think they were the best?

Mr. DEMERY. Yes.

Banking Hearings at 100-01 (emphasis added).

Facts:

The Items A.1, A.2, and A.4.

8. Denial of Knowledge of Contributors to F.O.O.D. for Africa

Statement:

I did not know who contributed until the inspector general published their report.

Banking Hearings at 103.

Facts:

See Items A.5, C.6, and C.8.

9. Statement That He Did Not Know Who at F.O.O.D. for Africa Events Were involved with the Mod Rehab Program

Statement:

Mr. VENTO. Generally, did you find it surprising that there were a lot of people that had been associated with HUD in the past or present at these events, some of whom may have been associated with applications before HUD? I would guess you would have known at some point that they were--

Mr. DEMERY. Mr. Vento, I had no way of knowing who was there. When I saw them, I did not recognize--people were not familiar to me by sight, they did not come up to me and say, "I am Joe Blow, and I am trying to develop a project over here in the east part of town." I have no ability to know who was a dentist, who was a doctor, who was a butcher or baker or candlestick maker of a Mod Rehab developer.

Facts:

Among other things, Demery did know that attendees such as the Winn Group members, Joseph Strauss, Martin Artiano, David Barrett, and Michael Levitt were involved in the mod rehab program.

10. Denial That Any Former HUD Official Ever Improperly Influenced any Recommendation

Statement:

No former HUD official, in his capacity as project owner or as a consultant ever improperly influenced any recommendation I made.

Banking Hearings at 362 (original emphasis).

Facts:

See Items A.1, A.2, and A.4.

11. Denial That He Gave Special Consideration on the Basis of the Identity of a Consultant

Statement:

No proposal was ever given special consideration on my part on the basis of whether or not a consultant was used, nor was the identity of any consultant a factor in my decision.

Banking Hearings at 362 (original emphasis).

Facts:

See Items A.1, A.2, and A.4.

C. HEARINGS BEFORE THE EMPLOYMENT AND HOUSING SUBCOMMITTEE OF THE COMMITTEE ON GOVERNMENT OPERATIONS OF THE HOUSE OF REPRESENTATIVES (Lantos Hearings) May 23, 1990

Testifying under oath before the Employment and Housing Subcommittee of the House Government Operations Committee on May 23, 1990, Thomas T. Demery made the following false statements:

1. Statement That He Did Not Know That Philip Winn and Philip Abrams Were Involved in the Mod Rehab Business

Statement:

Mr. Chairman, as I said in my testimony before this subcommittee as well as in the [Subcommittee on Housing and Community Development] with respect to Phil Winn, I thought Phil Winn and Phil Abrams were developers, commercial developers, of office buildings and so on in the Washington, D.C. area. I did not know that they were developers of mod rehab or they had interests in mod rehab programs.

Lantos Hearings, Pt. 5, at 338-43 (emphasis added).

Facts:

See Items A.1, A.2, A.4, and B.6.

2. Statement Concerning Reasons for Compiling the November 1, 1987 List

Statement:

The following colloquy concerns the November 1, 1987 list of pending requests found on Demery's wordprocessing diskettes (Attachment D-2a), which matched 21 pending requests with the names various person and, in three instances, the word "unknown."

Mr. LANTOS. My first, question is, did you compile this list of developers, consultants, or other individuals supporting each project on your own volition or under the direction of Secretary Pierce?

DEMERY: On January 13, when he wanted to know who was behind projects and I couldn't answer him, I realized from that point forward that if any outside contact was made on behalf of any PHA request to either me or my staff, that that should be noted and that information would then be passed on to the Secretary should he ask again.

Lantos Hearings, Pt. 5, at 348.

Facts:

That the list was not prepared for prepared for Secretary Pierce is demonstrated by several factors. First, the names matched with mod rehab requests included Demery's former business partner Robert E. Rohlwing (RER) and Demery's neighbor and friend Martin Artiano. Demery would not have told Pierce that projects were being funded for such persons.

Second, there were discrepancies between the matched names on the list and the names that Demery communicated to other persons involved in the selection process. Documents produced from the files of Carl Covitz, the HUD Undersecretary who served on the Selection Committee with Demery, were inconsistent with the November 1, 1987 list in various respects. For example, the document from Demery's wordprocessing diskettes matched a 150-unit request for More [sic], Oklahoma (actually Moore, Oklahoma) with David Barrett. One of the documents from Covitz's files, which reflected what Demery was telling other persons involved in the process at the time the selections were being made, matched the request with Oklahoma Senator Nickels. Attachment D-4. An attachment to a November 8, 1987

memorandum that Demery sent to Pierce purporting to explain the reasons for funding decision also matched the Moore, Oklahoma with request with Senator Nickels. Lantos Hearings, Pt. 5, at 354.

Further, the document from the wordprocessing diskette matched several requests, including a 200-unit Metro Dade request, with the word "unknown." By itself, the use of the word "unknown" appears to contradict Demery's claim that the list was maintained for Pierce. This is particularly so with regard to the 200-unit Metro Dade request. Joseph Strauss represented a number of developers from Metro Dade, including Jorge Bolanos and Aristides Martinez. Report of HUD Inspector General to Senate Committee on Banking, Housing and Urban Affairs, Section 8 moderate rehabilitation Program at 41-42 (Sept. 18, 1989) (September 1989 HUD IG Report). Demery would acknowledge that he had misled Pierce about Strauss's involvement with certain projects. Tr. 1912-15. There was other evidence suggesting that Strauss instructed Demery not to use his (Strauss's) name on documents. Strauss' name did not appear on either of two documents containing lists of phone numbers and addresses found on Demery's word processing, though there would be two numbers listed for Strauss on Demery's wallet sized listing of phone numbers. Attachment D-6. There is not a single reference to Strauss by name on Demery's phone logs and calendars, though Demery called Strauss frequently at his West Virginia number (304-753-6256) and at the Miami number of Strauss's associate Manuel Vergara (305-443-1465). Lantos Hearings, Pt. 2, at 336.<sup>4</sup>

The same document that, in connection with the selections for funding, matched the Moore, Oklahoma request with Senator Nickels instead of David Barrett matched the 200-unit Metro Dade request (Number 21 on the list) with "Vagara - an Eagle" instead of "unknown." This suggests that "unknown" had indeed reflected a request backed by Strauss and that Demery had misled Pierce and others at the

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<sup>4</sup> Miami Developer Aristides Martinez that testified he secured Strauss's consulting services through Manny Vergara (Banking Hearings at 792) and the September 18, 1989 HUD Inspector General's Report (at 41-42) shows that Strauss represented Jorge Bolanos and Manuel Vergara. Martinez's rolodex included numbers for Vergara with his listing for Strauss. Attachment D-7. A sampling of Demery's phone calls from August 1987 to February 1988, indicated that he called Strauss at his West Virginia number almost 20 times a month and that he also placed calls to Vergara's number more than 10 times a month. Lantos Hearings, Pt. 2, at 336.

time of the funding decision. Rather than the 200 units that supposedly were allocated as a result of decisions made on November 23, 1987, however, 253 units would be sent to Metro Dade by documents signed by Demery on February 4, 1988. Demery would later testify that this funding in fact represented the funding of Number 21 on the list. Lantos Hearings, Pt. 5, at 395, 400. A few days after February 4, 1988, Aristides Martinez appeared at the Metro Dade Housing Authority with the authorizing documents, stating that the units were for him and Jorge Bolanos. Banking Hearings at 770. As noted, they were represented by Strauss.

On August 20, 1987, Demery issued a memorandum reflecting selections made by the Mod Rehab Selection Committee on August 19, 1987. A backup list to that memorandum matched a 100-unit allocation to Dade County with a question mark. Attachment D-2, second page. The following month, HUD would grant Dade County permission to use those units to support a 122-unit project (FL29-K005-108) (Attachment D-8), which was a project of Art Martinez, for which Martinez paid \$100,000 as a consultant fee to Strauss. September 1989 HUD IG Report at 24, 42.

3. Statement That He Believed That Carla Hills Was Representing a Public Housing Authority

Statement:

Mr. LANTOS. Could I ask you which of these people on the list contacted you?

Mr. DEMERY. Carla Hills.

Mr. LANTOS. Carla Hills contacted you.

Mr. DEMERY. In her capacity as a lawyer on behalf of a PHA, not as a consultant or developer or anything else.

Lantos Hearings, Pt. 5, at 344.

Facts:

Hills testified before the Lantos Subcommittee that she told HUD that she was "representing a developer who was working closely with Broward County Housing Authority." Lantos Hearings, Pt. 3, at 225-26.

4. Statement That He Never Discussed a Specific Mod Rehab Project with David Barrett

Statement:

The following colloquy followed Lantos' reading from a New York Times article quoting Demery that "I had never had any discussions with Mr. [David] Barrett about mod rehab, period." Lantos Hearings, Pt. 5, at 346-48.

Mr. LANTOS. Records show that between October '86 when you became Assistant Secretary, and June '88, you had dozens of meetings, lunches, and dinners with [David] Barrett. While many of these, no doubt, were not HUD related, I assume that those lunches with Mr. Barrett at the Georgetown Club, to which you were chauffeured by a HUD car, were HUD business related. What HUD matters did you, in fact, discuss with Mr. Barrett?

Mr. DEMERY. His interest was predominantly in the area of retirement service centers and nursing homes.

Mr. LANTOS. And you did discuss those items with him?

Mr. DEMERY. We also discussed--let me think for a minute. The coinsurance program was another subject of great interest to him, the tax credit program.

Mr. LANTOS. But never mod rehab?

Mr. DEMERY. I would discuss--if mod rehab as a point came up, it would have usually followed--and I don't remember an exact discussion, so I can't say--I can't give you the exact date. But like after I would issue a memo, for example, I would receive calls from a number of people wanting to know, well, what does it mean? For example, the September '87 memo, the March 25 memo. So in a general context, it is very possible we discussed mod rehab as --

Mr. LANTOS. But not a specific project?

Mr. DEMERY. No, sir.

Lantos Hearings, Pt. 5, at 348 (emphasis added).

Facts:

During the same hearing, Demery would acknowledge that Barrett had contacted him about the Moore, Oklahoma request that was matched with Barrett's name on the November 1, 1987 listing found on Demery's wordprocessing diskettes. Lantos Hearings, Pt. 5, at 399.

5. Statement that the Moore, Oklahoma Request Matched With David Barrett's Name Was Not Funded

Statement:

Mr. DEMERY. Please don't look at this and assume everything was funded, because only six were. That [Dickerson's] was not. Barrett's was not.

Lantos Hearings, Pt. 5, at 368.

Facts:

As noted in Item C.2, 150 units were allocated to Moore, Oklahoma as a result of a November 23, 1987 meeting between Demery and Pierce. Demery provided a listing indicating that Senator Nickels has supported the funding. Lantos Hearings, Pt. 5, at 354; Attachment D-4.<sup>5</sup>

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<sup>5</sup> Demery may have intended that a listing he provided the Lantos Subcommittee showing no allocation to Moore, Oklahoma, but

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only a 150-unit allocation to the Oklahoma Housing Finance Agency, would be read to indicate that Barrett's project was not funded. Actually, there was no Moore, Oklahoma request at all. The request that Demery alternatively referred to as a Oklahoma Housing Finance Agency request for 150 units dated October 19, 1987 (Attachment A to Demery's November 7, 1988 memorandum to Pierce at 3) or a Moore, Oklahoma request for 150 units dated October 23, 1987 (Lantos Hearings, Pt. 5, at 354) was actually an Oklahoma Housing Finance Agency request for 507 units, which was dated October 19, 1987, and received at HUD on October 23, 1987 (Attachment D-9). Oklahoma Housing Finance Agency administers public housing in Moore, Oklahoma. The units went to a project called Regency Apartments in Moore, Oklahoma, which was owned by B & C Associates, an entity with which Barrett shared ownership interest with George and Gail Carnes. See September 18, 1989 HUD Inspector General's Report at 33.

6. Statement That F.O.O.D. for Africa Contributions Were Made Without Demery's Knowledge

Statement:

Congressman Lantos confronted Demery with an October 7, 1987 memorandum Lance Wilson had written to his supervisor, Lee Barba, requesting that PaineWebber support a F.O.O.D. for Africa fundraiser "honoring Thomas Demery, FHA Commissioner," and stating: "In view of our significant involvement with FHA programs, I strongly recommend that we support his event by contributing \$5,000." The following questioned occurred:

Mr. LANTOS. ...Why did someone like Lance Wilson get PaineWebber to make a contribution to F.O.O.D. for Africa?

Mr. DEMERY. Mr. Chairman, I cannot speak for Paine Webber, for Lance Wilson, or for anyone else that made a contribution to F.O.O.D. for Africa. At the time the contributions were made, they were done without my knowledge, until I read--and as I've testified before--until I read the Inspector General's report. I did not know who contributed or how much they contributed.

Lantos Hearings, Pt. 5, at 368.

Facts:

Apart from the other facts demonstrating that Demery did know the identities of F.O.O.D. contributors and the amounts of their contributions, and had personally received some of those contributions (see Items A.5. and C.8.), the following facts are pertinent concerning the contributions Wilson secured from PaineWebber. Wilson had earlier secured a contribution for \$5,000 to F.O.O.D. for Africa from PaineWebber, which was dated April 21, 1987. Banking Hearings at 1186. Wilson dined with Demery that evening, with Wilson paying a check for \$235.83. Lantos Hearings, Pt. 4, at 257, Pt. 5, at 412. Two days later Demery approved a waiver of New York Apartment Building called the Colorado. Wilson received \$25,000 for securing the waiver. Lantos Hearings, Pt. 5, at 377-82.

The April 21, 1987 PaineWebber check would be deposited on May 8, 1987, along with one other check, which was an April 6, 1987 check for \$1,000 from the National Association of Homebuilders. Kent Colton the Executive Vice President of that group had had lunch with Demery on April 15, 1987.

Demery Calendar for April 15, 1987. Apparently, Demery received both checks personally and sent them to F.O.O.D. in early May. See Banking Hearings at 1186.

7. Statement That He Was Unaware of Who Made Up the Guest List of the New York Fundraiser or of Their Professions

Statement:

Mr. DEMERY. I'm aware that Lance Wilson hosted a F.O.O.D. for Africa dinner in New York, yes. I was not aware of whom made up the guest list or what their professions were.

Lantos Hearings, Pt. 5, at 372.

Facts:

Persons attending the New York fundraiser included Joseph Strauss, Philip Winn, Philip Abrams, all of whom Demery knew were in the mod rehab business.

8. Statement That He Was Unaware That Aaron Gleich Contributed to F.O.O.D. for Africa

Statement:

Mr. SHAYS. Were you aware [Aaron Gleich] made a contribution?

Mr. DEMERY. Not until I read the IG Report.

Lantos Hearings, Pt. 5, at 375.

Facts:

Gleich met with Demery in his office on September 23, 1987. The same day Gleich made out a check for \$5,000 to F.O.O.D. for Africa. Lantos Final Report at 93.

At the time of this meeting, Gleich was seeking HUD authorization for a rental increase on properties he held administered by the Maine State Housing Authority. The HUD Office in Manchester, New Hampshire Office had denied the request. Banking Hearings at 704. Within a week of the meeting with Demery, however, the HUD Regional Office authorized the rental increase. Attachment D-10.

9. Statement That He Did Not Know The Identities of Contributors Until He Read the Inspector General's Report

Statement:

Mr. DEMERY. Yes, But I did not know that Joe Strauss contributed. I mean, he didn't say to me, 'hey, by the way, I gave a check', either that evening or at any point in the future.

Now, I'm not going to say that no one ever, in a passing comment to me--I can remember no instance where somebody told me that they gave or how much they gave, Mr. Shays, I can just remember no instance. I mean, it was not of interest to me. I didn't collect the book, I didn't have access to the records. I didn't know until I read the report.

Lantos Hearings, Pt. 5, at 375.

Facts:

See items A.5, C.6, and C.8.

10. Statement That Aaron Gleich Did No HUD Business While Demery Was at HUD

Statement:

Mr. DEMERY. You know, you mentioned Aaron Gleich. to my knowledge, Aaron Gleich, while I was at HUD, did no business with HUD.

Mr. LANTOS. According to our records, both Lance Wilson and Mr. Gleich appeared on the November 1, 1987, list of mod rehab requests.

Mr. DEMERY. Mr. Chairman, as I said in my earlier testimony, that was a list--Do not assume everyone on the list received funding.

Mr. LANTOS. They were doing business with HUD if they appeared on the list. He was trying to do business with HUD, minimally.

Mr. DEMERY. Minimally, yes. But Mr. Gleich did not receive any subsidies whatsoever while I was at HUD.

Lantos Hearings, Pt. 5, at 376.

Facts:

See Item C.8.

11. Statement that Philip Winn Did Not Speak to Him Personally Concerning the Requests on the November 1, 1987 List

Statement:

Demery gave the following response when asked by Congressman Shays if Phil Winn had spoken to him personally: The Winn--I did not speak with Phil Winn personally. I think people associated with the Winn Group--I just put Winn there. So the answer is yes.

Lantos Hearings, Pt. 5, at 400 (emphasis added).

Facts:

Although Demery concluded his response with the word "yes," that word was plainly intended to mean merely that it would be fair to say that Winn spoke to him even though someone associated with Winn, rather than Winn himself, had actually spoken to him (Demery). The Demery interview of June 11, 1992 (Dean Rule 33 Mem., Exh. UU), however, makes clear that Winn did speak personally to Demery concerning the two requests on the list.

12. Statement That He Did Not Know Who Was Advocating the Projects Matched With the Word "Unknown" on the November 1, 1987 List

Statement:

The following colloquy concerns the November 1, 1987 list:

Mr. SHAYS. Let me take 11, 12, and 21. They're unknown. Are they unknown to you?

Mr. DEMERY. Yes.

Mr. SHAYS. You don't know who was advocating these projects.

Mr. DEMERY. No.

Lantos Hearings, Pt. 5, at 400.

Facts:

See Item C.2.

13. Statement That Only Six Projects on the November 1, 1987 List Were Funded

Statement:

The following colloquy concerns the November 1, 1987 list:

Mr. DEMERY. There were only six funded. I mean, of the 21, there were six that were funded. Number 1--just a moment. Let me get my other sheet.

Mr. SHAYS. This is my last question, so I would like to have the six that were funded.

Mr. DEMERY. Bear with me, Mr. Shays. The paper chase seems to have overcome me.

Okay. Raleigh, NC, Number 8; Broward, number 1; Richland, number 19; number 18 and number 19; number 21, and number 2.

Lantos Hearings, Pt. 5, at 400

Facts:

The claim that only six were funded was false in two respects with regard to projects other the six that Demery acknowledged were funded. As discussed in Item C.5, number 3, the Moore, Oklahoma request that had been matched with David Barrett was also funded. That occurred on February 4, 1988. Number 20, the Victoria, Texas request matched with Philip Winn, would also be funded, though not until the Summer of 1988. That Demery caused the Victoria, Texas funding would be a subject of his plea agreement.