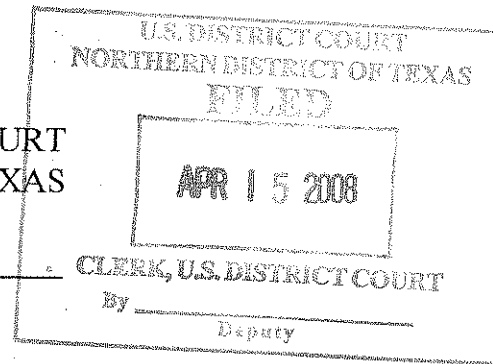


IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



UNITED STATES OF AMERICA

v.

ALLEN J. MCGILL (08)

§
§
§
§

No. 3:07-CR-289-M
ECF

FACTUAL RESUME

Allen J. McGill, the defendant, Derek D. Brown, the defendant's attorney, and the United States of America agree to the law and facts as follows:

I. Elements of the Offense: Conspiracy to Commit Extortion

The essential elements of an offense under 18 U.S.C. § 371 (18 U.S.C. § 1951), that is, conspiracy to commit extortion, are as follows:

- First:* that the defendant and at least one other person made an agreement to commit the crime of extortion as charged in the superseding information;
- Second:* that the defendant knew the unlawful purpose of the agreement and joined in it willfully, that is, with the intent to further the unlawful purpose; and
- Third:* that one of the conspirators during the existence of the conspiracy knowingly committed at least one of the overt acts described in the superseding information, in order to accomplish some object or purpose of the conspiracy.

II. Stipulated Facts

The stipulated facts that support the defendant's plea of guilty to Count One of the superseding information are as follows:

Defendant **Allen J. McGill** and co-defendant Darren L. Reagan, also known as Dr. Darren L. Reagan, were officers of Black State Employees Association of Texas ("BSEAT") and BSEAT Community Development Corporation, Inc. ("BSEAT CDC") (collectively, "BSEAT entities"). Specifically, **McGill** was the president and vice chairman of the BSEAT entities and Reagan was the chairman and chief executive officer.

Co-defendant Donald W. Hill, also known as Don Hill, was an attorney and an elected official who represented District 5 on the Dallas City Council. Co-defendant D'Angelo Lee was the Plan Commissioner for District 5 on the City Plan and Zoning Commission ("CPC").

In or about August 2004, developers James R. "Bill" Fisher and Brian Potashnik were seeking local and state approval to construct multifamily affordable housing developments in South Dallas using federal tax credits and tax-exempt bonds. Reagan and **McGill**, who saw an opportunity to further their own financial interests, agreed to use the BSEAT entities to profit personally from the developments. In furtherance of this agreement, Reagan met with Hill, who agreed to direct affordable housing developers to BSEAT under the pretense that there was community opposition to the proposed

developments. Such a developer would then have to get BSEAT's approval, which was contingent on the developer agreeing to terms financially beneficial to Reagan and **McGill**, and through them, ultimately beneficial to Hill himself, before Hill would support the project at the Dallas City Council.

On or about August 24, 2004, Reagan, using BSEAT CDC letterhead, drafted an opposition letter to the City of Dallas in which he requested a moratorium on new construction of multifamily affordable housing developments in South Dallas. Reagan wrote the letter to intimidate developers and set-in-motion his plan with **McGill** and Hill to extort affordable housing developers. The next day, on August 25, 2004, Reagan appeared before the Dallas City Council in opposition to such new construction at a zoning change application hearing on one of Fisher's developments. After the hearing, Reagan told **McGill** that the developers had to come through Reagan.

On September 20, 2004, Reagan and **McGill** met with Fisher and Fisher's lobbyist, Kathy Nealy, at a Pappadeaux's restaurant in South Dallas. The meeting was the result of Hill referring Fisher to BSEAT after the August 25 Dallas City Council hearing. At the meeting, Reagan and **McGill** made it clear to Fisher that Fisher had to work with BSEAT to get Hill's support of Fisher's affordable housing developments that were pending Dallas City Council approval. Fisher indicated he was willing to work with BSEAT.

The next day, on September 21, 2004, **McGill** sent a follow-up email to Fisher in which **McGill** stated: "I am particularly encouraged to hear your reaction to my proposal

to broaden your company's involvement with Black State Employees Association of Texas and its recommended business partners." The "recommended business partners" to which **McGill** referred were subcontractors who would kick back a portion of their fees to Reagan and **McGill**.

On September 22, 2004, Fisher emailed to **McGill** a draft agreement between Fisher's business, Provident Odyssey Partners LP ("Provident Odyssey"), on the one hand, and Reagan and **McGill**, on the other. The agreement concerned one of Fisher's affordable housing developments, Dallas West Village, which was located in Hill's district and was pending Dallas City Council approval of tax credit financing and re-zoning. Under the agreement, Fisher agreed to pay BSEAT \$55,000.00 for, among other things, obtaining a support letter from "Don Hill [and] The Dallas City Council, for the development prior to 10/30/04." Although Reagan and **McGill** did not accept such terms, they began negotiating with Fisher.

On or about October 8, 2004, Reagan faxed a counter-proposal to Fisher that required Provident Odyssey to make the following payments to BSEAT CDC: (a) \$100,000.00 cash by February 2005 (to be paid as follows in subsections (b) and (c)); (b) a \$15,000.00 non-refundable initial payment/retainer; (c) \$85,000.00 at the time the bonds closed; (d) \$1,500.00 per hour for services provided after February 2005; and (e) five percent of the general partner's developer's fee, cash flow and residual value from the project.

A zoning change application for another of Fisher's affordable housing developments, Memorial Park Townhomes, which was located in Hill's district, was on the Dallas City Council's voting agenda for October 13, 2004. Also on the voting agenda for that same day was Southwest Housing Development Corporation, Inc.'s ("SWH") zoning change application for Rosemont at Laureland, a competing affordable housing development located in Hill's district. Brian Potashnik owned SWH. Reagan indicated to **McGill** that either Hill or another council member was going to move the Dallas City Council to postpone the votes on these applications. This was intended to put pressure on both Fisher and Potashnik, thereby enabling Reagan and **McGill** to obtain contracts. Reagan and **McGill** discussed how such postponements, which were part of their agreement with Hill, would help them extort the developers.

Sometime in or about October 2004, but before the Dallas City Council meeting on October 27, 2004, Reagan and **McGill** met with Hill at a Starbucks coffee shop. During the meeting, Hill discussed the affordable housing developments that were pending Dallas City Council approval. Hill noted that, with respect to the developments, everything was going to continue to run through Reagan. This meant that Fisher had to satisfy Reagan's demands before Hill would support Fisher's developments.

On October 27, 2004, **McGill** attended a Dallas City Council meeting at which Hill moved the council to support tax credit financing for two of Potashnik's affordable housing developments, Rosemont at Scyene and Rosemont at Laureland, and to reject tax

credit financing for two of Fisher's affordable housing developments, Dallas West Village and Memorial Park Townhomes. Later, in June 2005, Reagan and **McGill** discussed how Hill had sold his support to the highest bidder, who was Fisher's direct competitor, Brian Potashnik. Reagan and **McGill** discussed how Hill had covered all of his bets by having Reagan work on Fisher while others brokered a deal with Brian Potashnik.

Although Hill did not support tax credit financing for Fisher's Dallas West Village, the zoning change application for such development was still pending CPC and Dallas City Council approval. Thus, Reagan and **McGill** still continued to make demands on Fisher, not only on Dallas West Village but also on Homes of Pecan Grove, another of Fisher's affordable housing developments, which was located in District 8 and was pending Dallas City Council approval of tax credit financing. Specifically, on November 10, 2004, the day the Dallas City Council was schedule to vote on Homes of Pecan Grove, Reagan told Fisher that his development did not have the necessary support for approval and instructed Fisher to meet him in the City Hall parking lot immediately. Fisher complied and signed a BSEAT CDC consulting contract for Homes of Pecan Grove that contained the same payment provisions as the BSEAT CDC consulting contract for Dallas West Village. Shortly after Fisher signed the BSEAT CDC consulting contract, Reagan and **McGill** appeared before the Dallas City Council and spoke in favor of the resolution supporting TDHCA tax-exempt bonds and 4% tax credits for Homes of

Pecan Grove. Thereafter, Hill moved the Dallas City Council to approve the resolution, which the City Council did. Reagan later sought amended BSEAT CDC consulting contracts with Fisher in connection with Homes of Pecan Grove, using the pending Dallas West Village zoning change application as leverage. When Fisher did not comply with BSEAT's demands, Reagan contacted Hill to postpone the Dallas City Council's consideration of Fisher's zoning change application and the hearing was postponed.

Following the October 27 Dallas City Council meeting, **McGill** attended two or three meetings with Reagan and others to discuss their efforts to obtain contracts from Fisher, including subcontracts for their "recommended business partners." At one such meeting, which **McGill**, Reagan, Hill, Lee and Nealy attended, Hill and Lee discussed placing deed restrictions on Fisher's properties. Proposed deed restrictions for Dallas West Village included admission of the BSEAT CDC into the ownership of the project and using, at a minimum, forty percent historically underutilized businesses in the development's construction. The deed restrictions were to be used as a "weapon" to ensure Fisher's compliance with BSEAT's demands. When Fisher did not agree to BSEAT's deed restrictions, Lee moved the CPC to postpone the hearing on Fisher's zoning change application on November 18, 2004, and again on December 2, 2004.

Although **McGill** was unaware of all the payments Fisher made to Reagan to get the Dallas West Village zoning change application approved, Reagan occasionally mentioned to **McGill** that Fisher had paid him, but that "the money was spoken for" or

“had been obligated” to others besides **McGill**. **McGill** became aware, through conversations with Reagan, that money Fisher paid to Reagan was being passed on to public officials, that is, to Hill and Lee. **McGill** expected to be paid eventually through consulting agreements between Fisher’s company and another business.

After **McGill** contacted the Texas Department of Housing and Community Affairs to obtain the financial pro formas for Fisher’s Homes of Pecan Grove, the amounts Reagan and **McGill** demanded of Fisher increased significantly. Upon learning that the developer’s fee totaled millions of dollars, Reagan and **McGill** demanded more money from Fisher because they knew how much money was in the project. Reagan and **McGill** discussed how they could “squeeze” as much money out of the development as possible.

Shortly thereafter, Reagan sent Fisher amended contracts for Dallas West Village and Homes of Pecan Grove which: (a) made the BSEAT CDC the co-developer, general contractor, and project manager; (b) required payment of fifty percent of the developer’s fee (approximately \$1.4 million) to the BSEAT CDC; and (c) required the issuance of “irrevocable letters of commitment” to certain “preferred” subcontractors designated therein. When Fisher did not sign the amended contracts by February 9, 2005, the day the Dallas City Council was scheduled to consider the Dallas West Village zoning change application, Reagan and Hill caused the hearing to be postponed until February 23, 2005.

On February 22, 2005, **McGill** attended a meeting at Friendship-West Baptist Church. Hill also attended the meeting. While there, **McGill** received a telephone call

from Reagan, who told **McGill** to keep Hill at the church until Reagan arrived. After several minutes, both Reagan and Lee arrived at the church in separate vehicles. Reagan met with Hill and Lee behind the church. Although **McGill** did not participate in the meeting, Reagan told **McGill** what happened. Specifically, Reagan and **McGill** discussed the checks that Fisher gave to Reagan earlier that day and how, in the church parking lot, Reagan “put the money in the councilman’s hands.” **McGill** understood this to mean that Reagan paid Hill out of the money he received from Fisher. Such payment was the result of Hill, Reagan and **McGill**’s agreement to use BSEAT to extort Fisher in connection with Fisher’s affordable housing developments.

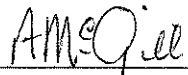
Despite the payments Fisher made to Reagan on February 22, 2005, Reagan asked Hill to postpone the February 23, 2005 City Council hearing on the Dallas West Village zoning change application because Fisher had not signed the amended contracts for Dallas West Village and Homes of Pecan Grove. Based on Reagan’s request, the hearing was postponed to March 9, 2005.

Two days before the March 9, 2005 Dallas City Council meeting, Reagan and **McGill** discussed how Fisher had not yet signed the amended contracts. Because Fisher was not complying with their demands, Reagan told **McGill** that it was “brass knuckle” time with Fisher. Once again, Reagan asked Hill to postpone the hearing on the Dallas West Village zoning change application. On March 9, 2005, pursuant to Hill’s motion, the Dallas City Council postponed the hearing to April 13, 2005.

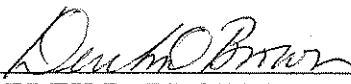
On March 11, 2005, Reagan told **McGill** that Fisher, who still had not signed the amended contracts, was being unresponsive and that he was not going to deal with Fisher anymore. At that point, Reagan and **McGill** ceased their efforts to extort Fisher using the BSEAT entities.

McGill admits that he knowingly and willfully combined, conspired, confederated, and agreed with Reagan, Hill and others to wrongfully obtain and attempt to wrongfully obtain property from another person with that person's consent, induced by wrongful use and threat of use of economic harm and under the color of official right, and is pleading guilty to Count One of the Superseding Information exactly as charged.

AGREED TO AND SIGNED this 18th day of April, 2008.



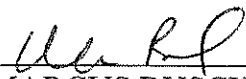
ALLEN J. MCGILL
Defendant



DEREK D. BROWN
Attorney for Defendant

Texas Bar Number 24003268

RICHARD B. ROPER
UNITED STATES ATTORNEY



MARCUS BUSCH
Assistant United States Attorney
Texas Bar No. 03493300
1100 Commerce Street, Third Floor
Dallas, Texas 75242
Telephone: 214.659.8600
Facsimile: 214.767.4401