

## Russo, Stephanie

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**From:** KRISeKRIS00@aol.com  
**Sent:** Friday, November 12, 2010 12:04 PM  
**To:** Russo, Stephanie  
**Subject:** Two week's worth of articles of interest regarding Gary officials

# Clay defends visits by convicted friend

## Comments

November 9, 2010  
BY JON SEIDEL, (219) 648-3068

GARY -- Mayor Rudy Clay defends frequent visits by convicted businessman Roosevelt Powell to City Hall's executive offices, saying the red carpet is out "for anybody who wants to visit me."

"I'm certainly not going to turn away my friend," Clay said.

A federal jury convicted Powell, a former Lake County tax collector, in 2007 for his role in a fraudulent scheme to use the Gary Historical Society's tax-exempt status to pocket \$150,000. Also convicted were Lake County Councilman Will Smith and attorney Willie Harris.

He was released from prison in May after serving his sentence, and since then has been seen repeatedly in City Hall's mayoral suite. Attempts to reach him since Clay made his comments have been unsuccessful. The mayor said Powell is helping him with his 2011 re-election campaign.

Clay also said anyone can visit him in his City Hall offices.

"I'm not a fair-weather friend," Clay said. "He's not on the city payroll. He does not influence city policy, and he does not have a city contract."

Clay has been steadfast in his defense of Powell ever since Powell's indictment four years ago, saying the businessman "is one of my two closest friends in the world."

But he's not the only person around City Hall Clay finds himself defending these days. City attorney Carl Jones was convicted last week of trafficking with an inmate, a Class A misdemeanor. Jones said during his trial a vendetta by a Lake County deputy prosecutor led to the charges.

Clay likened the crime last week to running a red light.

"It doesn't mean anything as far as his job is concerned," Clay said. "All it is is a misdemeanor."

And Community Development Director Jacquelyn Drago-Hunter was indicted by a federal grand jury last month on charges of wire fraud and aggravated identity theft. The grand jury didn't say she mismanaged tax money, and Clay said he's keeping her in charge of millions in stimulus dollars handled by her department.

Drago-Hunter pleaded not guilty, but she has declined to comment otherwise. After the indictment was unsealed, Clay said she "is a great God-fearing person from a great God-fearing family."

"She's keeping her job," he said.

# City attorney found guilty of trafficking with inmate

## Jones calls misdemeanor conviction a vendetta

### Comments

November 6, 2010

BY RUTH ANN KRAUSE, POST-TRIBUNE CORRESPONDENT

Lake Superior Court jurors convicted Gary City Attorney Carl Jones of trafficking with an inmate.

Jurors in the courtroom of Judge Sheila Moss deliberated about 45 minutes Thursday before returning the guilty verdict on the misdemeanor charge, which is punishable by a maximum one-year sentence. A sentencing hearing is set for 9:30 a.m. Nov. 18.

Special Prosecutor J. Edward Barce, the outgoing Newton County prosecutor, introduced as evidence the padded manila envelope containing contraband -- nine cigarettes -- along with liquid makeup, letters and stamps that Jones gave to inmate Jeffrey Perez, who later was convicted of murder. The visit where Jones delivered the envelope to Perez was caught on videotape.

Jones, 42, said a vendetta by Lake County deputy prosecutor John Burke led to the case against him after Jones said he refused to have one of his clients, Luciana Yzaguirre, testify against Perez, her boyfriend and co-defendant. Jones represented the two co-defendants in the 2006 strangulation murder of Ruben Rodriguez, 55, of Lake Station. Perez, 36, is serving a 55-year sentence for murder in perpetration of a robbery.

Gary Mayor Rudy Clay likened Jones' conviction to running a red light.

"It doesn't mean anything as far as his job is concerned," Clay said. "All it is is a misdemeanor."

Jones' visit with Perez at the Lake County Jail was on Jan. 26, 2007, three days before Perez's murder trial began.

Questioned by Barce, Jones angrily denied he was paid anything to carry in the envelope, which Jones said contained "letters of encouragement" from Perez's mother. "I got a bunch of embarrassment because my name has been dragged through the mud by your office and the press," Jones said.

Defense attorney Jerome Taylor said in his closing argument that his client had no idea what was in the envelope, which former correctional officer Jason Gonzalez said he saw Jones slide across the table. Perez put it under some of his legal papers. Correctional officer Alfonso Rodriguez said after Jones and Perez were through with their meeting, he searched Perez's paperwork and found the sealed envelope addressed to "Jeff."

In fact, a letter in the packet was from Yzaguirre, who offered to perjure herself for Perez during his trial. "I already told Carl I would. I will lie under oath for you because I love you and I want you home, but I have to know when you go home and I stay in jail for the next 7 months are you gonna wait for me?" the letter states.

Yzaguirre's jury trial for felony murder ended in mistrial. She pleaded guilty to assisting a criminal and was sentenced to two years in prison.

Barce said the fact that Jones testified he gave the envelope to Perez without knowing its contents makes it even worse because it could have contained a razor blade or drugs.

Burke said he had spoken with Yzaguirre in the presence of her former attorney, Lemuel Stigler. After Jones began representing Yzaguirre, he accused Burke of threatening her with her children being taken away, but Stigler testified that never happened. "All I wanted was for Luciana to tell the truth," Burke said.

# Grand jury indicts four in complicated fraud scheme

## Comments

October 23, 2010

BY JON SEIDEL, (219) 648-3068

Jerry Haymon once said he used cash from the Gary City Council to renovate a house at 4028 Tennessee St. and make "a beautiful home for a family that would have never been a homeowner."

But a federal grand jury said Friday the house was one of four used by Haymon, Gary Community Development Director Jacquelyn Drago-Hunter, Gary reserve police officer Phillip Rucker and mortgage broker Sheila Chandler to commit a complicated fraud scheme.

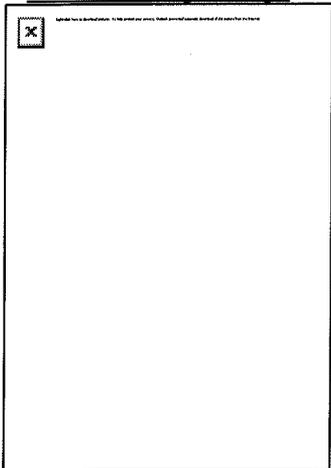
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Businessman Jerry Haymon, right, gets a hug from a woman after delivering Christmas gifts for her family in December 2004. Haymon was indicted Friday along with three others for his role in a complicated fraud scheme in Gary centered on renovating homes in the city's Glen Park neighborhood.

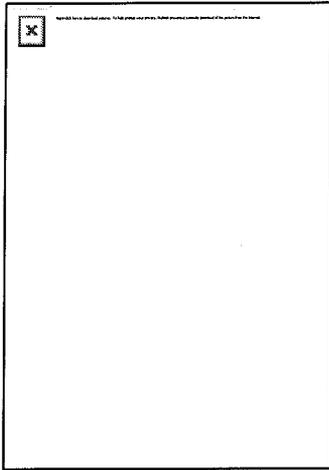
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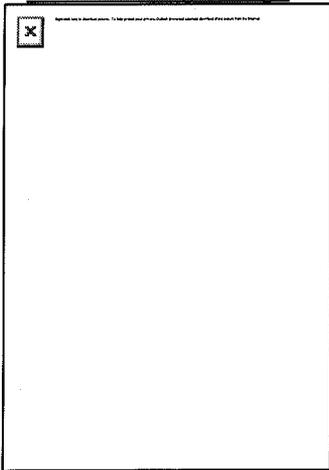
Jerry Haymon

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Jacquelyn Drago-Hunter

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Phillip Rucker

Together they illegally pocketed \$301,247, according to a grand jury indictment unsealed Friday. They are all charged with wire fraud, and Drago-Hunter faces two charges of aggravated identity theft.

Haymon surrendered Friday, according to his attorney, and court records show he pleaded not guilty. A Gary police spokesman said Rucker is on leave from his volunteer duties until the case is settled.

The Post-Tribune first reported on Haymon's activities in a 2008 investigation.

The grand jury said the defendants faked documents, made false promises and forged signatures as they executed their scheme between Oct. 1, 2007, and Nov. 5, 2008.

It said Haymon and others convinced people they could help sell their properties. Then they found people to buy them far in excess of their market value.

Haymon and others gave money to the buyers to create the false impression that the buyers were financially secure. That helped them obtain loans.

Chandler prepared false loan applications for the buyers that were submitted to lenders, the grand jury said, and Haymon filed fake mechanics liens to obtain portions of the loans.

Drago-Hunter, who is named as an owner of Maximilian Title, is accused of then preparing false HUD-1 settlement statements and disbursing the loan money. Haymon, Drago-Hunter, Chandler and Rucker shared the illegal cash, according to the indictment.

Versions of this scheme took place at 3829 Connecticut St., 3617 Johnson St., 3758 Buchanan St. and 4028 Tennessee St., the grand jury said. All four are found in Gary's Glen Park area.

## Two closings alleged

Haymon used his Priced Right Construction and Management LLC and K&L Consultants LLC businesses to commit part of the crime, the grand jury said. He is also identified as the leader of the not-for-profit Coalition of Concern.

Haymon agreed Priced Right would buy 3829 Connecticut for \$36,000 from "DB and JW," then an associate offered "SH" \$10,000 to pretend to buy the property for \$74,000. Priced Right filed a mechanics lien for \$35,000 on the property even though Priced Right had done no work there.

Drago-Hunter closed the sale twice on Feb. 29, 2008, the grand jury said. First she prepared a false HUD-1 settlement statement that said "DB and JW" sold to "SH." The grand jury said the signatures of "DB and JW" were forged.

That paperwork said the sellers got \$36,237, which the grand jury said was false. Drago-Hunter then sent \$35,000 to Priced Right but didn't note it on the HUD-1.

During the next closing, the grand jury said, Drago-Hunter prepared a second HUD-1 that said Priced Right purchased 3829 Connecticut for \$36,000. She then disbursed additional money to Maximilian but didn't state it on the paperwork.

Finally, Haymon paid a \$13,000 kickback to the unnamed associate who first recruited "SH." The grand jury said there were also kickbacks to a mortgage broker for "SH" and others.

Similar schemes took place at the other addresses, the grand jury said, with Chandler helping with two sales and Rucker helping with one.

Rucker participated by recruiting one buyer to purchase 3758 Buchanan in July 2008, the grand jury said, and accepting a \$5,000 kickback along with Chandler and unnamed others.

Chandler is accused of telling a title company, lender and others she was a loan processor for a mortgage company for the sales at 3758 Buchanan and 4028 Tennessee. The grand jury also said she prepared false documents and accepted a \$3,000 kickback along with unnamed others.

Chandler faces nine charges in a separate but similar indictment filed in May. She and four others are accused of taking more than \$600,000 in that case, which is set to go to trial Jan. 18.

## City Council money used

The Post-Tribune asked Haymon about his activities with the Coalition of Concern, Priced Right Construction and K&L Consultants in 2008.

The Coalition received \$75,000 from the Gary City Council under a 2007 grant agreement with Councilman Ronier Scott, who represents Glen Park. It was unclear from the terms of the deal what services Haymon was expected to provide.

But Haymon later said that money was used to fix up 4028 Tennessee. In 2008, property records said it was owned by Priced Right Construction.

"Gary was getting ready to put it on the demolition list," Haymon said that year.

Federal agents sent a subpoena to Gary City Hall in November 2009 seeking copies of the grant agreement, a city attorney said at the time.

Scott also directed at least \$103,500 to the Coalition of Concern between 2004 and 2006, records show. Haymon originally denied receiving it but later acknowledged the money.

He also provided a letter that said K&L was under the scrutiny of the Indiana Attorney General's consumer protection division until May 2008, when the office took no action against it.

Scott said he was surprised to hear about Friday's indictment, even though he's been contacted by federal agents about the case in the past.

The document references "others known and unknown to the grand jury" while outlining the scheme, but Scott said agents gave him no reason to think he's targeted.

"They're just coming to me for information," Scott said.

## Clay mum on Drago-Hunter

Gary Mayor Rudy Clay failed to return several calls seeking comment about Drago-Hunter, who manages millions in federal dollars while running his city's community development office.

Darnail Lyles, Chandler's attorney, said he had yet to see the indictment. Haymon's attorney, John R. Cantrell, said he had not yet given it a close read and declined to comment.

An attorney listed in court records for Drago-Hunter said he no longer represents her. No attorney was listed for Rucker.

Lt. Samuel Roberts, a spokesman for the Gary Police Department, said Rucker finished his most recent volunteer shift for the GPD at 8 a.m. Friday.

He said Rucker told Police Chief Gary Carter about the indictment, and Carter put Rucker on leave.

Roberts said, "one is innocent until proven otherwise."

*Post-Tribune Staff writer Teresa Auch Schultz contributed to this report.*

# Mayor stands behind indicted city official

## Community development chief tied to \$300,000 scam

### Comments

October 26, 2010

BY JON SEIDEL, (219) 648-3068

GARY -- Mayor Rudy Clay praised his director of community development Monday, commenting publicly for the first time since a federal grand jury said she participated in a \$301,247 mortgage fraud scheme.

Jacquelyn Drago-Hunter is charged with two counts of wire fraud and aggravated identity theft. Jerry Haymon, Gary reserve police officer Phillip Rucker and mortgage broker Sheila Chandler also face wire fraud counts.

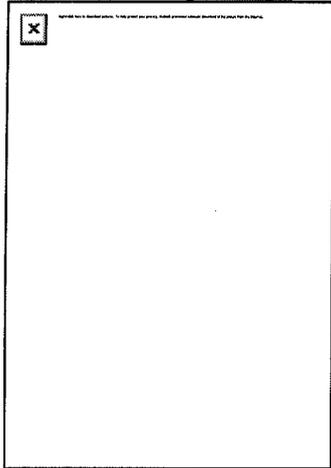
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Gary Mayor Rudy Clay praised indicted community development director Jacquelyn Drago-Hunter saying she is "a great God-fearing person from a great God-fearing family, and she's done a good job as community development block grant director."

(Post-Tribune photo)

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Drago-Hunter

A grand jury said Drago-Hunter forged paperwork and possibly signatures during private transactions to illegally divert money into bank accounts controlled by her and the co-defendants.

Meanwhile, at least \$5.4 million in federal stimulus grants were awarded to Gary's community development office under her leadership, according to a government website. Drago-Hunter is not accused of mishandling that tax money, but federal officials have stressed a need for public confidence in stimulus spending.

The mayor wouldn't answer Monday when asked if Drago-Hunter would keep her job.

"Jackie (Drago-Hunter) is a great God-fearing person from a great God-fearing family, and she's done a good job as community development block grant director," Clay said. "Right now that's practically all I can say."

Drago-Hunter couldn't be reached for comment. Court records show she and Rucker surrendered Monday. Both asked for a court-appointed attorney. Drago-Hunter has filed for bankruptcy. Haymon surrendered Friday and pleaded not guilty.

Rucker is accused of taking a kickback after recruiting a buyer for one house where a fraudulent transaction took place. Chandler is accused of misrepresenting herself to a title company, lender and others.

Haymon is accused of filing false mechanics liens and distributing kickbacks to his co-defendants and other unidentified associates. One fraudulent transaction identified in the indictment allegedly took place at 4028 Tennessee St.

Haymon has said he used tax money directed to him by City Council President Ronier Scott to renovate that house. Scott has denied being a target of the investigation.

The other addresses involved are 3829 Connecticut St., 3617 Johnson St. and 3758 Buchanan St.

# Federal probe continues into Dalton Arms spending

## Comments

October 28, 2010

BY JON SEIDEL, (219) 648-3068

GARY -- A probe of money spent on Gary's downtown Dalton Arms building continued this week when a federal agent dropped off a subpoena at the Gary-East Chicago-Hammond Empowerment Zone, an official said.

Scott Upshaw, the agency's director, said a Merrillville-based agent delivered the subpoena Monday. Upshaw said it seeks all records related to a \$2.5 million loan from the Empowerment Zone to Gary Progress Development.

» [Click to enlarge image](#)



Work continues recently on the exterior of the Dalton Apartment building in Gary. A federal subpoena regarding the project was delivered this week to the Gary-East Chicago-Hammond Empowerment Zone. (Leslie Adkins/Post-Tribune)

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That loan, Upshaw said, was granted in June 2008.

"We're making sure that we give them everything," Upshaw said.

Gary City Hall received a similar subpoena in late September, its city attorney has said. That request came from agents based in South Bend, who sought records related to a \$2.9 million loan from the city's community development office to Gary Progress Development.

City Attorney Carl Jones said Gary turned over documents dated between 2003 and 2007, when the transaction took place.

The loan preceded the hiring of Jacquelyn Drago-Hunter, Gary's current director of community development. She accepted her job there in 2008 and now faces federal fraud charges in an unrelated case.

Gary Progress Development's Shawn Loyden, who is based in Florida, said last week he didn't know about the subpoena at City Hall until he read about it in the newspaper.

However, he and the Mishawaka-based Sterling Group of Companies said they are continuing their work to renovate the dilapidated high-rise.

Sterling Group partnered with Gary Progress Development this summer under the name Dalton Apartments LLC. It was recruited by a state agency that is directing \$9.4 million in tax credits to fund the project.

Lance Swank, Sterling's chief operating officer, said his company is cooperating with the federal probe.

"We've been assured that this has nothing to do with the current activities," Swank said. "There are no issues concerning future funding."

Developers, including Loyden, have promised to fix up the building since the mid-1990s. The project languished until this summer's deal was struck by Loyden and Sterling Group. Now, crews have been working there on a regular basis.

Plans call for a 57-unit apartment building with retail on the ground floor. The new agreement gives the developers until Sept. 30, 2011, to finish their work. second subpoena delivered

## Taxpayers may get Sheraton bill

### Developer of stalled renovation hasn't given up, but city has plan to pay for loan

#### Comments

October 28, 2010

BY JON SEIDEL, (219) 648-3068

GARY -- The city told federal officials last month it would use local tax dollars to repay a loan spent on the crumbling former Sheraton Hotel, but Gary's top attorney said Wednesday no decision had been reached.

Meanwhile, the Illinois-based developer who took out that loan said he hasn't given up on the project.

Gary sent a letter to the U.S. Environmental Protection Agency asking it to extend a brownfield clean-up grant until Dec. 31, 2011. That, the city said, would give it time to strike new deals on two local projects.

One is the Sheraton renovation. That project officially ended this summer when Gary took ownership of the building back from the New Gary Development Group, led by Phillip Kupritz.

Kupritz promised to turn the Sheraton into a senior-citizen high-rise. He and New Gary then took out a \$735,000 EPA loan to fund its asbestos removal.

The Indiana Department of Environmental Management confirmed 98 percent of the asbestos was removed.

However, the agency that administered the loan said a \$728,000 balance remains. It isn't clear who will pay it.

Asked Wednesday if he could promise it won't fall back on Gary taxpayers, Kupritz said, "I don't know the answer to that." He said he's trying to assemble a deal to resurrect the project and repay the loan.

"I'm simply working through things at this point so that, at the end, the building gets developed," Kupritz said.

Gary's letter, meanwhile, asked the EPA to modify the loan agreement, allow the city to assume the debt and enter into a new, no-interest deal.

"The loan will be repaid by the city of Gary using money from TIF that comes from the county," the city wrote.

TIF, or tax increment financing money, is created from property value improvements in designated areas. A Post-Tribune check of TIF records this year showed Gary had at least \$7.8 million in its active TIF accounts.

Finally, the EPA pointed to a clause in New Gary's loan agreement that said it could use the Sheraton as collateral.

Susan Severtson, Gary's corporation counsel, said using TIF money for the loan is "one of a number of options" the city is exploring. She also said New Gary Development Group isn't off the hook.

"We still have legal options against Mr. Kupritz that we are exploring," Severtson said.

The other project mentioned in the letter involves two properties at Buffington Harbor. That work was put on hold because of Majestic Star Casinos' bankruptcy and court battles with the city.

"Those lawsuits and the bankruptcy issue are being resolved," the city wrote.

## **Grimes wants Clay to suspend Drago-Hunter**

### Comments

October 28, 2010

BY JON SEIDEL, (219) 648-3068

GARY -- Doug Grimes, Republican candidate for county prosecutor, wants Mayor Rudy Clay to suspend his city's community development director with pay, but Clay is standing behind Jacquelyn Drago-Hunter.

"Right now, she's keeping her job," Clay said.

Drago-Hunter declined to comment when reached by the Post-Tribune Wednesday. A federal grand jury charged her with wire fraud and aggravated identity theft in an indictment unsealed last week.

Jerry Haymon, Phillip Rucker and Sheila Chandler also face fraud charges.

Earlier this week, Clay called Drago-Hunter "a great God-fearing person from a great God-fearing family." He wouldn't say until Wednesday, though, whether she would keep her position.

She manages millions in federal dollars as community development director, including federal stimulus money from the U.S. Department of Housing and Urban Development.

That, Grimes said, is why Drago-Hunter should keep her income but be placed on administrative leave.

"Clay has a responsibility to protect the welfare and assets of the city of Gary," Grimes said in a news release, "and granting her a leave of absence with pay would provide for that protection."

Grimes is a regular critic of Clay's administration. He was one of the leaders behind a lawsuit that last year voided an initial private contract for trash collection. He is on the Nov. 2 ballot opposite Democratic incumbent Bernard Carter.

Drago-Hunter isn't accused of mishandling the money that came through her office. Instead the grand jury said she falsified HUD-1 settlement statements, and possibly signatures, during private transactions to illegally direct money into bank accounts controlled by her and her co-defendants.

Grimes also said he will encourage the Indiana General Assembly to pass a law that would have forced Clay's hand in the matter. He said the law should force public officials charged with a felony to take a paid leave of absence if their alleged crimes involve public funds.

One house where Haymon is accused of committing the scheme is 4028 Tennessee St.

Haymon has previously said he used tax money directed to him by City Councilman Ronier Scott to fix up that house.

