



UNITED STATES ATTORNEY'S OFFICE

Southern District of New York

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FOR IMMEDIATE RELEASE
Monday, May 4, 2015
<http://www.justice.gov/usao/nys>

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NEW YORK STATE SENATE MAJORITY LEADER DEAN SKELOS AND SON ARRESTED ON CORRUPTION CHARGES

*Dean Skelos Allegedly Used Official Position To Cause More Than \$200,000 In Payments To
Son*

Preet Bharara, the United States Attorney for the Southern District of New York, and Diego Rodriguez, Assistant Director-In-Charge of the New York Field Office of the Federal Bureau of Investigation ("FBI"), announced today that New York State Senate Majority Leader DEAN SKELOS and his son ADAM SKELOS were taken into custody this morning on charges that they extorted those with business before New York State to make payments to ADAM SKELOS, with the expectation that such payments would result in official action by DEAN SKELOS. The defendants were also charged with bribery and honest services fraud schemes. Among other things, DEAN SKELOS is accused of illegally obtaining a \$20,000 payment for ADAM SKELOS from a large real estate developer dependent on DEAN SKELOS for tax breaks and a \$10,000 monthly payment from an environmental technology company seeking government-funded contracts in New York State. DEAN SKELOS and ADAM SKELOS surrendered to the FBI in Manhattan, this morning, and are scheduled to appear before U.S. Magistrate Judge Henry B. Pitman in Manhattan federal court later today.

U.S. Attorney Preet Bharara said: "As the Complaint charges, in six counts, Dean Skelos unlawfully used his power and influence as Senate Majority Leader, repeatedly, to illegally enrich his son, Adam, and indirectly, himself. And, more specifically, the Complaint, in multiple places, alleges that Dean Skelos's support for certain infrastructure projects and legislation was often based, not on what was good for his constituents or good for New York, but rather on what was good for his son's bank account. By now, two things should be abundantly clear. First, public corruption is a deep-seated problem in New York State. It is a problem in both chambers; it is a problem on both sides of the aisle. And second, we are deadly serious about tackling that problem."

FBI Assistant Director-In-Charge Diego Rodriguez said: “The charges announced today describe the alleged criminal activity of Dean and Adam Skelos. In particular, the defendants are alleged to have conspired to take advantage of Dean Skelos’s powerful position within state government to influence and extort those with business before the state. When all was said and done, Dean Skelos is charged with having caused more than \$200,000 to be paid to Adam Skelos in exchange for backdoor bribes. We hold our elected representatives to the highest standards, and will continue to root out corruption in all forms and at all levels of government: municipal, state, and federal.”

According to the allegations contained in the Complaint¹ unsealed today in Manhattan federal court:

Since his re-election in 2010, DEAN SKELOS has served as Majority Leader or Co-Majority Leader of the New York State Senate, a position that gives him significant power over the operation of New York State government. DEAN SKELOS used this power to pressure companies with business before New York State to make payments to his son, ADAM SKELOS, who substantially depended on these companies for his income. DEAN SKELOS and ADAM SKELOS were able to secure these illegal payments through implicit and explicit representations that DEAN SKELOS would use his official position to benefit those making the payments, which DEAN SKELOS in fact did when it was necessary to ensure that the payments to ADAM SKELOS continued.

DEAN SKELOS, as charged, obtained over \$200,000 in payments to ADAM SKELOS through persistent and repeated pressure applied to a senior executive of a major real estate developer (“Developer-1”) who is cooperating with the Government and referred to in the Complaint as CW-1. In response to this pressure, CW-1 arranged for Developer-1 to pay \$20,000 to ADAM SKELOS and further arranged for an environmental technology company (the “Environmental Technology Company” or “Company”) in which Developer-1’s founding family and CW-1 owned stakes to make \$10,000 monthly payments to ADAM SKELOS. CW-1 arranged for these payments to ADAM SKELOS due to Developer-1’s substantial dependence on DEAN SKELOS for real estate tax abatements and other real estate legislation favorable to Developer-1, and based in part on a statement from DEAN SKELOS that he would punish those in the real estate industry who defied him. In return for the payments to ADAM SKELOS, and to ensure that they would continue, DEAN SKELOS took numerous official actions to benefit both Developer-1 and the Environmental Technology Company, including promoting State legislation beneficial to the companies.

Dean Skelos’s Demands For Payments To Adam Skelos

Beginning in approximately 2010, DEAN SKELOS met repeatedly with CW-1 and other representatives of Developer-1 to request that Developer-1 provide sales commissions to his son, ADAM SKELOS, claiming that ADAM SKELOS was suffering financially. DEAN SKELOS met repeatedly with CW-1 to request payments for his son, including during meetings where CW-1 and others from Developer-1 were lobbying DEAN SKELOS with respect to real estate legislation. CW-1 was concerned about Developer-1 making payments to ADAM SKELOS but

¹ As the introductory phrase signifies, the entirety of the text of the Complaint and the description of the Complaint set forth below constitute only allegations, and every fact described should be treated as an allegation.

did not want to ignore DEAN SKELOS's repeated requests in light of his position as Senate Majority Leader and his importance in ensuring the passage of real estate legislation beneficial to Developer-1.

Payments To Adam Skelos Arranged By CW-1

As charged, CW-1 responded to the requests from DEAN SKELOS by arranging for payments to ADAM SKELOS that would be difficult to trace to Developer-1. First, CW-1 caused a \$20,000 check to be issued to ADAM SKELOS from a title insurance company dependent on Developer-1 for business, even though ADAM SKELOS did no work whatsoever in connection with the real estate transaction for which title insurance was being issued. CW-1 made this payment after ADAM SKELOS forwarded to his father, DEAN SKELOS, an e-mail that ADAM SKELOS had sent to CW-1 requesting a title insurance commission. After receiving the email, DEAN SKELOS responded "Following up, be patient" during the same time period DEAN SKELOS was contacting CW-1 and a lobbyist working for Developer-1 to renew his request for payments to his son.

In addition to the \$20,000 payment CW-1 convinced the CEO of the Environmental Technology Company to hire ADAM SKELOS as a \$4,000 per month "consultant" by telling the CEO that, through payments to ADAM SKELOS, DEAN SKELOS would be able to assist the Environmental Technology Company in winning government-funded contracts in New York State. For example, CW-1 e-mailed the CEO that "there is great potential for [ADAM SKELOS] to exploit his father's contacts statewide." Likewise, ADAM SKELOS arranged a conference call between DEAN SKELOS and a senior executive with the Environmental Technology Company who is cooperating with the Government ("CW-2") to demonstrate that his father would assist the Company in return for payments. Later, after ADAM SKELOS had been hired by the Company on a \$4,000 per month contract, CW-1 told the CEO on behalf of ADAM SKELOS and DEAN SKELOS that they would block Nassau County's approval of a \$12 million contract with the Environmental Technology Company unless payments to ADAM SKELOS were sharply increased. In addition, CW-1 e-mailed the CEO that ADAM SKELOS's "dad called" and "I think they don't think [the Nassau County contract is] worth pushing through" absent higher payments to ADAM SKELOS. The CEO then agreed to increase ADAM SKELOS's payments to \$10,000 per month, and CW-2 responded in an e-mail that the Environmental Technology Company was being "held hostage."

Official Actions By Dean Skelos

As charged in the Complaint, DEAN SKELOS took official actions beneficial to Developer-1 in return for the \$20,000 payment to ADAM SKELOS and Developer-1's role in arranging for payments to ADAM SKELOS from the Environmental Technology Company. Among other things, DEAN SKELOS voted for real estate-related legislation lobbied for by Developer-1, including the renewal of tax abatement and rent regulation legislation crucial to the financial success of Developer-1 enacted in 2011, and an expansion of the tax abatement program in 2013.

With respect to the Environmental Technology Company, DEAN SKELOS and ADAM SKELOS periodically communicated to the CEO and CW-2 directly and indirectly that DEAN

SKELOS would use his official position to benefit the Company so as to induce the Company to continue making payments to ADAM SKELOS. And, when the Company at times became frustrated with the limited progress in obtaining and collecting on government-funded contracts, DEAN SKELOS took official action to benefit the Company, including the following actions described in the Complaint:

- DEAN SKELOS used his official position to assist the Environmental Technology Company in applying and obtaining approvals for a \$12 million contract with Nassau County, including by consulting with CW-2 on the Environmental Technology Company's proposal and making calls to Nassau County officials to expedite the contracting process. Through these actions, ADAM SKELOS's monthly payment from the Company more than doubled from \$4,000 to \$10,000.
- DEAN SKELOS pressured Nassau County officials to make payments to the Environmental Technology Company, stating at one point that his son could lose his job if payments were not expedited. For example, DEAN SKELOS was intercepted over a Court-authorized wiretap in a call with the Nassau County Executive in which he asked for an explanation for the lack of payments, complaining on behalf of ADAM SKELOS that "somebody feels like they're getting jerked around the last two years." Nassau County officials were concerned that if they did not pay ADAM SKELOS then DEAN SKELOS would not be responsive to the County's legislative needs. Indeed, when Nassau County was slow in making payments to the Company, ADAM SKELOS told CW-2 on an intercepted call that Nassau County was "burning bridges left and right" and that the "State is not going to do a fucking thing for the County" because "they haven't helped us with what we needed."
- DEAN SKELOS used his official position to promote hydrofracking wastewater treatment regulations which would essentially require the use of a product of the type marketed by the Environmental Technology Company, and that would result in additional commission payments to ADAM SKELOS. To this end, DEAN SKELOS met privately with ADAM SKELOS and CW-2 on the Company's fracking proposals and directed a member of his Senate Staff to arrange a meeting with a New York State government official and employees of the Environmental Technology Company. When the Governor of New York announced in December 2014 that New York State would continue to ban fracking, DEAN SKELOS repeatedly reassured ADAM SKELOS that "we're going to totally focus on the other thing now," referring to other legislative action that could benefit the Company.
- DEAN SKELOS used his official position in an attempt to direct a portion of a \$5.4 billion sum that the State had recovered in litigation with financial services companies (the "Settlement Funds") in a way that would benefit water projects and contracts that were being pursued by the Environmental Technology Company. For example, when ADAM SKELOS expressed concern in an intercepted call that the Governor was "pushing to spend all that money on his own" in his budget proposal, DEAN SKELOS told his son "don't worry" and referred him to the speech that a fellow Senator would give in response to the Governor, in which DEAN SKELOS had inserted language

advocating for using the Settlement Funds for “sewer and water systems.”

- DEAN SKELOS also used his official position in an attempt to enact State “design-build” legislation that Nassau county officials had explained was necessary to fully implement the \$12 million contract with the Environmental Technology Company. Nassau County officials provided Dean Skelos with proposed legislation which Dean Skelos stated he would support if backed by the Governor. In a recorded call, ADAM SKELOS told CW-2 that DEAN SKELOS was “going to be sure that gets done” and that the plan involved the Nassau County executive lobbying the Governor to “[k]ind of make [the Governor] think it’s his idea and you’re supporting his agenda.” ADAM SKELOS later told CW-2 and the CEO that while design-build legislation would not be enacted as part of the budget process, DEAN SKELOS would continue to pursue it in the legislative session continuing through June 2015.

Caution Following the Arrest of the Assembly Speaker

After the Speaker of the New York State Assembly was arrested on January 22, 2015 and media outlets reported shortly thereafter that DEAN SKELOS was under investigation, the defendants became more cautious in pursuit of the Company’s legislative goals. ADAM SKELOS, for example, obtained what he referred to as his “burner phone” – a common slang term to refer to a phone that is not traceable to the user – to use for speaking to CW-2 about DEAN SKELOS’s progress in obtaining legislative benefits for the Environmental Technology Company. DEAN SKELOS is also caused the cancellation of a meeting Adam Skelos had arranged in furtherance of the scheme, commenting in an intercepted phone call “right now we are in dangerous times Adam.”

At the direction of the Government, CW-2 informed ADAM SKELOS in late March of this year that due to the limited progress on the Company’s legislative goals, the CEO of the Environmental Technology Company was considering terminating his \$10,000 monthly payment. ADAM SKELOS then placed an intercepted call to DEAN SKELOS, telling his father he “lost something that I had . . . the water . . . the water thing.” In response, DEAN SKELOS told ADAM SKELOS that “we’ll try to get it back at some point.” DEAN SKELOS advised ADAM SKELOS not to “panic over this” and not to “burn bridges,” but rather to just tell the Environmental Technology Company that “hopefully we can get it all going again.” ADAM SKELOS then placed an intercepted call to the CEO of the Environmental Technology Company and stated he would draft a letter of separation “just in case I ever get questioned by anyone” but that “really nothing is going to change.”

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DEAN SKELOS, 67, and ADAM SKELOS, 32, both of Rockville Centre, New York, are each charged with three counts of extortion under color of official right, two counts of soliciting bribes in connection with a federal program, and one count of conspiracy to commit honest services fraud. The extortion and honest services counts carry a maximum penalty of 20 years in prison and the soliciting bribes counts carry a maximum of 10 years. The maximum potential sentences in this case are prescribed by Congress and are provided here for informational

purposes only, as any sentencing of the defendants will be determined by a judge.

U.S. Attorney Bharara praised the work of the FBI and the Criminal Investigators of the United States Attorney's Office, who jointly conducted this investigation.

This case is being prosecuted by the Office's Public Corruption Unit. Assistant U.S. Attorneys Jason Masimore, Rahul Mukhi, Tatiana Martins, and Thomas McKay are in charge of the prosecution.

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

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