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**FORMER CO-OP CITY BOARD PRESIDENT AND CRIMINAL
ASSOCIATE PLEAD GUILTY TO BRIBERY SCHEME**

\$100,000 IN CASH KICKBACK PAYMENTS EXCHANGED
TO SECURE PAINTING CONTRACT WORTH \$3.5 MILLION

MICHAEL J. GARCIA, United States Attorney for the Southern District of New York, announced that IRIS HERSKOWITZ BAEZ, the former President of the Board of Co-Op City in the Bronx, New York, and NICKHOULAS VITALE, a former painter in the Restoration Department at Co-Op City, pleaded guilty today to participating in a bribery scheme involving the exchange of \$100,000 in cash kickback payments for a Co-Op City painting contract worth \$3.5 million. BAEZ, 59, a resident of the Bronx, New York, and VITALE, 36, a resident of Brooklyn, New York, pleaded guilty in Manhattan federal court before United States District Judge RICHARD J. SULLIVAN. According to the Indictment filed in Manhattan federal court and statements made during BAEZ and VITALE's guilty plea proceedings:

Co-Op City is a New York State Mitchell-Lama housing cooperative located in the Bronx, New York. As a Mitchell-Lama development, Co-Op City was established for the purpose of providing affordable housing for middle-income residents. To effectuate that purpose, Mitchell-Lama developments such as Co-Op City charge rents that are considerably lower than the rents that qualified residents would have to pay for comparable housing on the open market.

The New York City Housing Authority ("NYCHA") is a New York City agency responsible for, among other things, supervising a Section 8 rental assistance program, which program is regulated and fully funded by the United States Department of Housing and Urban Development ("HUD"). As part of the Section 8 Program, HUD pays subsidies, typically in the form of vouchers, for people to live in private housing. HUD awarded approximately \$976,000 worth of federal funding to Co-Op City in 2000, \$834,000 in 2001,

and \$738,000 in 2002.

Neither HUD nor NYCHA place any restriction on how Co-Op City can spend the federal subsidies. Accordingly, the housing cooperative was permitted to use the federal funds for capital improvements such as renovations to, and painting of, apartment units.

New York State, however, imposes certain regulations on how Co-Op City may spend money on capital improvements, such as requiring -- for any job in excess of \$50,000 -- that Co-Op City put the work out for bid, memorialize the agreement with the bid winner in a formal contract, and subject the contract to approval by the New York State Division of Housing and Community Renewal ("DHCR"), which regulates the housing development.

Between 2000 and 2003, BAEZ served as President, then Secretary of the Co-Op City Board. During the same time period, a co-conspirator not named in the Indictment ("CC-1") was an employee of Co-Op City. From 1999 until July 2000, VITALE was employed as a painter in the Restoration Department at Co-Op City, and by October 2000, was employed by Stadium Interior Painting, Inc. ("Stadium"), based in New York, New York. Between 2000 and 2003, another co-conspirator not named as a defendant in the Indictment ("CC-2"), was the President and owner of Stadium, and sought to do business as a vendor with Co-Op City between 2000 and 2002.

BAEZ, VITALE, CC-1, and others agreed that CC-2 would submit a bid from Stadium for painting work at Co-Op City. In exchange for help steering the work to Stadium, CC-2 agreed to pay kickbacks to BAEZ, VITALE, CC-1, and others. Based on this fraudulent arrangement, Stadium was awarded the Co-Op City painting job in September of 2000.

At the suggestion of CC-1, the work was awarded on a probationary basis, which made it possible for Co-Op City to avoid entering into a formal contract with Stadium, or submitting its decision to award Stadium the job to DHCR for its review.

From August 2000 through July 2002, Co-Op City paid Stadium approximately \$3.5 million for painting work performed at the housing development. During the same time period, CC-2 paid approximately \$100,000 in kickbacks to BAEZ, VITALE, CC-1, and others in exchange.

BAEZ and VITALE pleaded guilty to one count of bribery in connection with a federal program. The charge carries a maximum penalty of 10 years' imprisonment and a \$250,000 fine. BAEZ and VITALE will be sentenced by Judge SULLIVAN on January

23, 2008, at 2:30 p.m.

Mr. GARCIA thanked the New York State Inspector General's Office for its investigative efforts and for referring the case for prosecution. He also praised the investigative work of the U.S. Department of Housing and Urban Development Office of Inspector General and the Federal Bureau of Investigation.

This case is being prosecuted by the Office's Public Corruption Unit. Assistant United States Attorneys ALEX WILLSCHER and CHRISTINE WONG are in charge of the prosecution.

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