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U.S. ATTORNEY'S OFFICE ANNOUNCES FRAUD, BRIBERY CHARGES IN LOCAL LAND SALE SCHEME

City employees allegedly received kickback payments for assisting in fraudulent land deals

PRESS RELEASE

INDIANAPOLIS – United States Attorney Joseph H. Hogsett announced this afternoon the arrest and charging of five defendants who are alleged to have participated in a scheme to abuse the Indianapolis Land Bank program for their own benefit. The indictment alleges that the two City of Indianapolis employees and three co-conspirators engaged in wire fraud and bribery in order to facilitate a number of fraudulent land purchases.

“These charges involve a conspiracy to defraud the taxpayers of Indianapolis and abuse a local housing program designed to help rebuild this city’s most troubled neighborhoods,” Hogsett said. “For those in positions of public trust, both here in Indianapolis and across the state, I hope these developments have confirmed the message: the era of corruption is over.”

“The FBI criminal program’s top priority is public corruption,” said FBI Special Agent in Charge Robert Jones. “The integrity of our public officials is the cornerstone of fair governance.”

“The Indiana State Police appreciates U.S. Attorney Hogsett’s aggressive prosecution of government officials are alleged to have violated the public trust, and we stand ready to assist in future investigations,” said Indiana State Police Superintendent Doug Carter.

According to the indictment unsealed a few moments ago, defendant Reggie Walton, age 29, is the Assistant Administrator of the Indianapolis Department of Metropolitan Development (DMD), and oversaw the operation of the Indianapolis Land Bank. He was assisted in his official duties by defendant John Hawkins, age 27, who is the Senior Project Manager for the DMD.

The purpose of the Indianapolis Land Bank is to acquire abandoned and tax delinquent properties in Indianapolis and make them available for sale to non-profit and for-profit real estate developers. For-profit investors interested in purchasing real estate from the Land Bank must ask the city treasurer to include the property in a sealed-bid auction, and the auction price must meet

or exceed a property appraisal. Non-profit purchasers, however, may bypass the auction process, purchasing real estate for a price between \$1,000 and \$2,500 per parcel, regardless of the appraised value of the property.

The indictment alleges that Walton and Reed accepted bribes and “kick-backs” to facilitate fraudulent property sales to non-profit entities that would then sell the property to for-profit businesses. After these “pass-through” transactions had taken place, Walton and Hawkins would receive kickback payments from the non-profit organizations from the proceeds of the property sales. The investigation into the pair also included the use of an undercover agent, and Walton accepted \$500 from that agent in return for his agreement to fraudulently transfer at least ten parcels of land to the agent for \$1,000 each.

The indictment charges David Johnson, age 47, Executive Director of the Indianapolis Minority AIDS Coalition with having used his non-profit business to participate in this scheme. Additionally, Randall K. Sargent, age 57, President of New Day Residential Development, another registered non-profit corporation, has been charged with participating in the scheme. Both men are alleged to have engaged in wire fraud as part of the kickback scheme, and Sargent faces an additional count of bribery for allegedly providing money to Walton in order to influence and reward his illegal activity.

The indictment also charges Aaron Reed, age 35, with wire fraud and bribery for his role in the scheme. Reed is the registered agent for the Naptown Housing Group, a for-profit real estate corporation. It is alleged that Reed would solicit for-profit investors to obtain real estate currently held by the Land Bank. After the investors obtained the property from one of the “pass-through” non-profit organizations, Reed would obtain profits, which he would share with Walton through payments and kickbacks.

The indictment further alleges that Reggie Walton, while working at the DMD and heading up the Land Bank program, became a silent partner in the Naptown Housing Group. Walton concealed his involvement with the corporation from the City of Indianapolis and the public, and received a share of the corporation’s profits as part of the scheme.

Today’s indictment comes as the U.S. Attorney’s Office has prioritized the investigation and prosecution of fraud, waste and abuse on the part of public officials and those in positions of trust. As part of this effort, in 2012 the Office created its first Public Integrity Working Group to assist in the investigation and prosecution of cases involving public corruption and white collar crimes. This case is the result of an investigation by the Federal Bureau of Investigation and the Indiana State Police, both active members of the Working Group.

According to Special Litigation Counsel Bradley A. Blackington, the wire fraud charges carry a maximum penalty of twenty years in prison, and the bribery-related charges carry a maximum penalty of ten years in prison. All five defendants had initial appearances in federal court at noon today, and will be under court-ordered supervised release pending trial. An indictment is only a charge and is not evidence of guilt. Defendants are presumed innocent and is entitled to a fair trial at which the government must prove guilt beyond a reasonable doubt.

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