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U.S. CHARGES FORMER PUBLIC OFFICIAL WITH SIPHONING AGENCY FUNDS AND WITH RECEIVING CHILD PORNOGRAPHY

JAMES B. COMEY, the United States Attorney for the Southern District of New York, together with ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation, and JOHN C. VARRONE, the Special Agent in Charge of the New York Office of the Department of Homeland Security, Bureau of Immigration and Customs Enforcement, announced that RUSSELL A. HARDING was charged in a six-count Indictment unsealed in Manhattan federal court today with participating in a scheme to defraud the New York City Housing Development Corporation ("HDC") of hundreds of thousands of dollars, and with receiving and possessing child pornography

HDC is a public benefit corporation created under New York State law for the purpose of financing the construction and rehabilitation of affordable multi-family housing projects in New York City. The Indictment charges, among other things, that HARDING -- who was appointed President of HDC in June 1998 and remained in that position until February 2002 -- illegally used HDC funds for his own personal gain and for the personal benefit of friends and associates, sought to evade detection by falsely characterizing improper personal expenses as legitimate business expenses, and concealed and destroyed evidence that would have revealed these illegal activities.

According to the Indictment, HARDING used a variety of means to have HDC pay for goods and services for his personal benefit, and the benefit of his friends. For example, HARDING is accused of having used HDC Diners Club cards to charge vacation travel for himself and others (including trips to Vancouver, Hong Kong, Las Vegas, San Diego, Washington, D.C., and Portland, Oregon), meals, electronics equipment such as DVD players, parties for friends at New York City restaurants such as The Four Seasons, and holiday gifts for friends and family members, including DVDs of "The Sopranos" and "Sex In The City," which he purchased through Amazon.com. He is also accused of having arranged for HDC to purchase a \$38,664 vehicle for the personal use of a friend, computers, Palm pilots, a digital camera, travel books and maps, videos (such as "Gladiator," "Happy Gilmore," "AX-Men" and "Scary Movie"), compact discs, and subscriptions to magazines such as "Vanity Fair" and "Entertainment."

The Indictment charges, among other things, that in November 2000, HARDING used his HDC Diners Club card to charge approximately \$6,200 in personal expenses he incurred, together with others, in Las Vegas. These expenses included hotel, meals, tickets to Siegfried and Roy, tickets to Cirque de Soleil, and a helicopter tour of the Grand Canyon. In January 2002, HARDING's last month in office, he arranged for HDC's travel agency to bill HDC for a trip he was planning to take to Singapore and Bali in March 2002, after he left office. HARDING's plans for that trip included stays at two Four Seasons Hotels abroad.

In addition, the Indictment charges that HARDING approved various forms of unauthorized compensation for himself, including salary increases, bonuses, and annual leave increases, as well as an \$8,597 reimbursement of the penalty he incurred as the result of his early withdrawal of funds from his retirement plan.

According to the Indictment, after HDC received Freedom of Information Law (AFOIL") requests seeking records reflecting HARDING's travel and other expenses, HARDING directed the concealment of Diners Club bills, directed that expenses incurred for his own benefit be charged on the Diners Club card of another employee, and directed HDC employees to shred paper records and erase computer files in such a way that they could not be recovered. After HARDING left HDC, and after HDC requested that its travel agent provide copies of records which would have revealed the charges for HARDING's planned travel to Bali and Singapore, HARDING allegedly asked the travel agent falsely to tell HDC that the records could not be provided.

In addition to four charges relating to HARDING's fraud on HDC, HARDING is charged with one count of receiving child pornography over the Internet, and another charge of possessing child pornography. According to the Indictment, HARDING possessed 10 still images of child pornography, as well as a movie file.

Mr. COMEY stated: "Russell Harding allegedly used public money to create his own version of Lifestyles of the Rich and Famous. The embezzlement with which he is charged ran the gamut from obtaining a \$38,000 vehicle for the personal use of a friend to personal trips and the purchase of books and videos, which he then attempted to cover up. He was generous to a fault. Except the fault was that the money was the public's, which is a federal crime."

Ms. GILL HEARN stated: "The conduct charged in this indictment against Russell Harding and his co-conspirators represents a gross abuse of authority and the public trust. Even if the City weren't facing a fiscal crisis, New Yorkers should feel confident that their tax dollars are being spent wisely

and for a good cause. Sadly, Russell Harding's conduct does not inspire such confidence. His actions cast a dark cloud on the many honest, dedicated, hard-working employees in the City. Rest assured this investigation will continue and we will make every effort to make sure this conduct does not resume."

Mr. VARRONE stated: "This investigation highlights the exploitation of children using the internet. The suspected activities of a former high ranking member of the New York City government emphasizes the continued need by federal, state and local law enforcement to maintain vigilance to protect and secure our most precious resource B our children."

HARDING, age 38, resides in Manhattan. On 1 count relating to the fraud on HDC, he faces a maximum of 10 years in prison, if convicted, and a maximum fine of \$250,000 or twice the gain or loss resulting from the offense. On 3 additional counts relating to the fraud, HARDING faces a maximum of 5 years' imprisonment and a maximum fine of \$250,000 or twice the gain or loss resulting the offense. The charge that HARDING received child pornography over the Internet carries a maximum sentence of 15 years in prison and a maximum fine of \$250,000. The charge that he possessed child pornography images carries a maximum term of 5 years in prison and a maximum fine of \$250,000.

Mr. COMEY praised the investigative efforts of the New York City Department of Investigation, as well as the Bureau of Immigration and Customs Enforcement of the U.S. Department of Homeland Security.

Mr. COMEY stated that the investigation is continuing.

Assistant United States Attorneys DEBORAH E. LANDIS and DANIEL A. BRAUN are in charge of the case.

The charges contained in the Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.