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**FORMER HDC PRESIDENT SENTENCED TO 63 MONTHS
IN FEDERAL PRISON**

DAVID N. KELLEY, 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 MARTIN D. FICKE, the Special Agent in Charge of the New York Office of Immigration and Customs Enforcement of the Department of Homeland Security, announced that earlier today, in Manhattan federal court, United States District Judge LEWIS A. KAPLAN sentenced RUSSELL A. HARDING to a term of sixty-three months' imprisonment. Judge KAPLAN also ordered that HARDING's prison sentence be followed by a three-year term of supervised release, and that the Bureau of Prisons ("BOP") evaluate HARDING to

determine whether he should be enrolled in a program for sexual offenders while he serves his sentence. On March 15, 2005, HARDING pleaded guilty to conspiracy and fraud charges related to a scheme to defraud the New York City Housing Development Corporation ("HDC") of hundreds of thousands of dollars, as well as one charge of possessing child pornography. As part of the sentence imposed today, HARDING will be required to pay restitution to HDC in a total amount of more than \$366,000.

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. Every year, HDC receives millions of dollars in federal funds. In pleading guilty, HARDING -- who was appointed President of HDC in June 1998 and remained in that position until February 2002 -- admitted that he used HDC Diner's Club cards to make personal purchases for himself and others, and that he caused HDC to pay for these purchases by falsely reporting them as business expenses. He further acknowledged that as a result of his criminal conduct, HDC suffered losses that exceeded \$400,000.

The indictment in which HARDING was charged contained a series of specific allegations detailing various improper expenditures that HARDING made using HDC funds, for the personal benefit of himself and others. According to the indictment,

those expenditures included charges for various vacations (to locations such as Hong Kong, Vancouver, California, and Las Vegas), meals, electronics equipment (including computers, DVD players and Palm Pilots), a birthday party at The Four Seasons, a vehicle costing more than \$38,000, and holiday gifts for family and friends. In addition to such expenses, the indictment also alleged that HARDING defrauded HDC by approving various forms of unauthorized compensation for himself, including salary increases, bonuses, and annual leave increases. In preparation for his sentencing, Harding prepared a written statement in which he admitted all of these specific allegations set forth in the indictment. Judge KAPLAN ordered that HARDING's statement be filed and made available as part of the public record of the case.

According to the indictment, after HDC received Freedom of Information Law ("FOIL") 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.

In imposing sentence, Judge KAPLAN stated that through

his criminal conduct, HARDING had "betrayed the trust of the people of this great city," as well as the people with whom HARDING worked in City government.

HARDING, 41, is currently incarcerated.

On each of the two counts to which HARDING pleaded guilty relating to the fraud on HDC, he faced a maximum of 5 years in prison, and a maximum fine of \$250,000 or twice the gain or loss resulting from the offense. The charge that HARDING possessed child pornography carried a maximum sentence of 5 years in prison and a maximum fine of \$250,000.

Mr. KELLEY praised the investigative efforts of the New York City Department of Investigation, as well as the Bureau of Immigration and Customs Enforcement.

Mr. KELLEY stated that the investigation is continuing.

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

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