



HOA fraud cases may be merged

McNabb Associates, P.C. (Federal Criminal Defense Lawyers)

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Las Vegas Review-Journal on September 4, 2011 released the following:

“By Jeff German

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Federal prosecutors are moving to consolidate all of the cases under one judge in the massive investigation into fraud and corruption at homeowners associations.

Senior U.S. District Judge Lloyd George is considering handling as many as two dozen plea deals prosecutors intend to file over the next six weeks in what may be the most far-reaching criminal fraud case ever in Nevada.

All of the targets striking deals are expected to testify in a push by prosecutors to obtain indictments against higher-level players. Prosecutors have identified as many as 100 co-conspirators at various levels of the scheme, including lawyers, judges and former police officers.

“This case sounds huge,” said Douglas McNabb, a seasoned Washington, D.C., defense lawyer who has battled the Justice Department in court over the years.

“We’re talking about some 24 people who have already flipped and are cooperating against many more defendants. It’s clear the government has started at the bottom and is working its way up.”

Records show that the Justice Department’s Fraud Section in Washington has brought in four trial attorneys to prosecute the criminal cases. A motion by prosecutors to consolidate the cases has been filed under seal in federal court.

The lead prosecutor is Charles La Bella, a Fraud Section deputy chief who oversees investigations on the West Coast. La Bella, based in San Diego, attracted national attention following the 1996 presidential race when then-Attorney General Janet Reno appointed him to head a task force to investigate possible Democratic fundraising abuses during the campaign.

Christopher Blakesley, a University of Nevada, Las Vegas law professor who specializes in criminal law, said the homeowners association investigation is as “massive and far-reaching” as any case he has seen here.

“The complexity sort of lends itself to

wanting it before one judge,” he said.

A former federal prosecutor agreed, saying, “The large number of voluntary guilty pleas suggests a criminal case that is unprecedented in size and scope in Nevada. From the prosecutors’ perspective, the judge will understand the history of the case instead of having to explain it to a half-dozen different judges.”

Last week, longtime Republican strategist Steve Wark became the first target to plead guilty in the scheme. George accepted his guilty plea to one count of conspiring to commit mail and wire fraud, and set a Dec. 16 sentencing.

At the hearing, La Bella said Wark’s case was one of four prosecutors had filed under seal. Four more cases were expected to be filed in the coming days, with as many as 15 more by mid-October, he said.

George promised a quick decision on whether he would hear all of the cases. He hinted that he would take on the assignment, saying his senior status gives him more time to deal with the cases than his full-time colleagues who have busy court calendars.

Wark, 54, who is cooperating with prosecutors, admitted to participating in a sweeping conspiracy to stack homeowners association boards with members who then pushed for construction defect lawsuits against builders.

Legal work and multimillion-dollar repair contracts were funneled to lawyers and companies associated with the scheme at the expense of the home-owners, who were deprived of honest voting on their boards.

The board members friendly to the co-conspirators were “straw purchasers” in the various developments and elected by the co-conspirators through classic dirty campaigning that included conducting phony polling, hiring private investigators to dig up dirt on candidates and rigging the balloting, according to federal court documents unsealed last week.

“This process created the appearance of legitimacy, since bona fide home-owners believed the elected board members ... were, as fiduciaries, acting in their best interest rather than to advance the financial interests of the co-conspirators,” the documents alleged.

“In fact, defendant Wark and others were paid by or on behalf of their co-

conspirators ... for their assistance in purchasing the properties, obtaining HOA membership status, rigging elections and manipulating their votes to further the goals of the conspiracy and to enrich the co-conspirators at the expense of the HOA and bona fide homeowners.”

One association dragged into the investigation, Vistana, alleges in civil court papers that it overpaid the company that did construction repairs and has suffered more than \$3 million in damages.

The company, Silver Lining Construction, was one of the businesses the FBI raided in 2008, when it went public with the investigation.

Search warrants also were executed at law firms, homeowners association offices and other businesses across the valley. Since then, nearly a dozen associations have become embroiled in the investigation.

Anti-homeowners association activists were elated last week after hearing the news of Wark’s guilty plea.

“I was hoping I would live long enough to see this day,” said Jonathan Friedrich, a 65-year-old former general contractor who has been fighting to expose corruption at homeowners associations across the Las Vegas Valley since 2007. “I’m delighted that the light is finally shining on the cockroaches that have been bleeding homeowners.”

Added Bob Robey, 72, who also has been fighting homeowners associations the past several years: “It’s about time. I hope they continue their investigations, and I hope they uncover more.”

Rana Goodman, 70, another activist, said she hopes the long-running FBI investigation will start to bring “some justice” to the homeowners.

“It’s taken way too long, but we’re thrilled,” Goodman said. “We’d like to see the stranglehold that some of these attorneys have on a large group of associations broken. There’s finally light at the end of the tunnel — maybe.”

But defense lawyer Thomas Pitaro, who represents construction defects attorney Nancy Quon, one of the key targets in the homeowners investigation, thinks the criminal case has veered off course. “If this is such a big investigation, I hope they investigate the developers who ravaged this community with their shoddy



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construction of residential homes,” Pitaro said. “They should be looking at the primary cause of the problem, and that is the substandard housing developments.”

Blakesley said he is not surprised that it has taken three years for the federal investigation to result in criminal charges.

He said it likely took investigators a lot of time to gather and sort out the evidence. “It has so many sidebars,” Blakesley said. “It looks like there are all sorts of avenues to travel to establish the case.”

He said George, namesake of the federal courthouse, is perfectly suited to handle the consolidated cases.

“He’s almost like the father of the federal system here,” Blakesley said. “He’s respected. He’s appreciated. He’s smart. On top of that, his experience gives him a lot of credibility in whatever he decides.”

What makes this investigation even more intriguing is that, despite the magnitude and deep impact it is having on the community, the Las Vegas U.S. attorney’s office will play no role in it.

When U.S. attorney Dan Bogden returned to take the reins of the office in October 2009, he removed himself from making any administrative decisions in the case because of a potential conflict of interest. He owns a condominium at one of the

developments under investigation, Park Avenue.

In October, the U.S. attorney’s office asked to be removed entirely from the case to avoid the appearance of a conflict, a Justice Department spokeswoman said last week.

The Fraud Section took over the case in November. Late last year, the Justice Department’s Public Integrity Section in Washington also began investigating whether the U.S. attorney’s office was leaking information about the homeowners investigation. Allegations had surfaced that Quon was getting information from the office.

The Justice Department steadfastly refused to comment on that investigation until last week after Wark pleaded guilty. A spokeswoman said the department had “completed its review and determined no further action is necessary.”

Quon’s saga has turned into one of the more bizarre twists in the homeowners association investigation. Her law office was searched in the 2008 FBI raids.

She denies it, but Las Vegas police believe she has tried to kill herself to escape the pressure of the federal investigation.

Her boyfriend, former Las Vegas police

officer William Ronald Webb, was charged in November in a scheme to arrange her death using what the couple thought were undetectable illegal drugs.

Then on Aug. 17, both Quon, 51, and Webb, 43, were indicted in what prosecutors say was a botched suicide attempt that involved setting fire to her Rhodes Ranch home.

Both Quon and Webb pleaded not guilty in District Court in the alleged scheme last week. The lead investigators in the federal case were on hand for their arraignments.”

To find additional federal criminal news, please read [Federal Crimes Watch Daily](#).

Douglas McNabb and other members of the U.S. law firm practice and write extensively on matters involving Federal Criminal Defense, INTERPOL Red Notice Removal, International Extradition and OFAC SDN Sanctions Removal.

The author of this blog is Douglas McNabb. Please feel free to contact him directly at mcnabb@mcnabbassociates.com or at one of the offices listed above.