



NEWS RELEASE

OFFICE OF THE UNITED STATES ATTORNEY
WESTERN DISTRICT OF MISSOURI

TODD P. GRAVES

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FOR IMMEDIATE RELEASE

NOTE: Comments from U.S. Attorney Todd P. Graves, which follow this news release, are also available on-line. Digital files in MP3 format may be downloaded from the district's Web site at www.usdoj.gov/usao/mow

FORMER CEO OF BLACK ECONOMIC UNION PLEADS GUILTY TO PUBLIC CORRUPTION CHARGES

KANSAS CITY, Mo. – Todd P. Graves, United States Attorney for the Western District of Missouri, announced that the former president and CEO of the Black Economic Union pleaded guilty in federal court today to charges of public corruption.

Sylvester Lee Holmes, 50, of Kansas City, Mo., waived his right to a grand jury indictment and pleaded guilty before U.S. District Judge Gary A. Fenner this morning to a federal information that charges him with two counts of theft from programs involving federal funds.

Holmes is the former president and chief executive officer of the Black Economic Union, a not-for-profit community development corporation with the mission to redevelop and revitalize distressed or blighted communities within the inner city core of Kansas City, Mo.

By pleading guilty, Graves said, **Holmes** admitted that he stole \$17,000 earmarked for the Black Economic Union's work in neighborhood preservation and economic development. **Holmes** also admitted that he stole a \$16,000 payment to the Black Economic Union from the Missouri Arts Council. This was part of the Minority Arts Program, which strives to develop, promote and nurture the arts among minority communities.

"In both instances," Graves said, "**Holmes** admittedly embezzled public money that should have been used to benefit the economically distressed community he was entrusted to

serve. Instead, **Holmes** deposited those checks into his own bank account and used the money to enrich himself, to make a personal business investment, and to pay a credit card bill.”

COUNT ONE: \$17,000 EMBEZZLEMENT

Holmes admitted in today’s plea agreement that he instructed a representative of Gabel Companies, LLC, to replace a \$5,000 check payable to the Black Economic Union with one payable to Bank of America, where he has a personal checking account. On May 23, 2002, **Holmes** deposited that check into his personal bank account, Graves said. On the same day, he wrote a \$5,000 check to Crush Technology, a business in which **Holmes** has a personal financial interest.

On Aug. 9, 2002, Gabel Companies delivered a \$12,000 check to **Holmes**, which **Holmes** endorsed to obtain a cashier’s check. **Holmes** then deposited \$8,000 into his personal checking account and kept \$4,000 in cash.

Gabel Companies, Graves explained, had received tax credits to develop the Renaissance Cove subdivision, located in the 4100 block of 16th Terrace and 16th Court in Kansas City, Mo. The Black Economic Union had received federal Community Development Block Grant funds for the development, and hired Gabel Companies as its exclusive builder for properties in Renaissance Cove subdivision.

On Nov. 16, 2000, **Holmes** – without the knowledge or approval of the Black Economic Union’s board of directors – wrote a letter on behalf of the Black Economic Union as developer of the Renaissance Cove subdivision, to the Missouri Department of Economic Development supporting Gabel Companies’ application for tax credits. The Missouri Department of Economic Development issues state income tax credit certificates to private individuals who incur residential rehabilitation or construction costs on properties located in distressed communities. The certificates are to be applied as an after-tax deduction to the balance of income tax due and may be transferred or sold to third parties. The Missouri Department of Economic Development advocates that a private recipient of tax credit certificates (such as Gabel Companies) that partners with a Community Development Corporation (such as the Black Economic Union) on a project share the proceeds from the certificates, which Gabel indicated it would do. **Holmes** advised Gabel Companies not to contact the Black Economic Union directly on this matter. Gabel Companies received \$51,102.20 in tax credits for four properties.

COUNT TWO: \$16,000 EMBEZZLEMENT

During fiscal year 2002, the Missouri Arts Council paid The Black Economic Union \$129,292.85 to administer the Minority Arts Program.

On March 12, 2002, the Black Economic Union received a reimbursement check in the amount of \$16,045.31 from the Missouri Arts Council for services it had provided under the contract for the month of December 2001. **Holmes** deposited that check in the Black Economic Union’s bank account, then obtained a cashier’s check for the same amount drawn on that

account. The same day, **Holmes** deposited \$11,660.60 into his personal checking account, kept \$1,000 in cash, and paid \$4,384.71 toward balance on his personal credit card.

As a result of today's plea agreement, **Holmes** could be subject to a sentence of up to 20 years in federal prison without parole, plus a fine up to \$500,000 and an order of restitution. **Holmes'** sentence will be determined according to the United States Sentencing Guidelines. A sentencing hearing will be scheduled after the completion of a presentence investigation by the U.S. Probation Office.

The case is being prosecuted by Assistant U.S. Attorney Sheryle L. Jeans. It was investigated by the Federal Bureau of Investigation, the Internal Revenue Service, and the U.S. Department of Housing and Urban Development.

COMMENTS FROM U.S. ATTORNEY TODD P. GRAVES
May 30, 2003

Sylvester Holmes admitted in federal court today that he violated his position of public trust as president and CEO of the Black Economic Union. Holmes pleaded guilty to public corruption charges of embezzling more than \$33,000.

Sylvester Holmes admitted today that he stole \$17,000 earmarked for the Black Economic Union's work in neighborhood preservation and economic development. Holmes also admitted that he stole a \$16,000 payment to the Black Economic Union from the Missouri Arts Council. This was part of the Minority Arts Program, which strives to develop, promote and nurture the arts among minority communities.

In both instances, Holmes admittedly embezzled public money that should have been used to benefit the economically distressed community he was entrusted to serve. Instead, Holmes deposited those checks into his own bank account and used the money to enrich himself, to make a personal business investment, and to pay a credit card bill.

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This news release, as well as additional information about the office of the United States Attorney for the Western District of Missouri, is available on-line at

www.usdoj.gov/usao/mow