



NEWS RELEASE

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**FORMER FAIRBANKS MAYOR FOUND GUILTY OF CONSPIRACY, MISAPPLICATION
OF GOVERNMENT GRANT FUNDS, MONEY LAUNDERING AND FILING FALSE TAX
RETURNS**

Fairbanks, Alaska – Acting United States Attorney Karen L. Loeffler announced that on February 11, 2008, that after deliberating for 5 days, a Fairbanks jury found James C. Hayes, of Fairbanks, Alaska, guilty of 16 counts of Conspiracy, Theft from a Program Receiving Federal Funds, Money Laundering and Filing False Tax Returns.

Hayes, age 62, was tried before Chief United States District Court Judge John W. Sedwick in Fairbanks.

According to Assistant United States Attorney Karen L. Loeffler, who prosecuted the case, Hayes and his wife, Murilda “Chris” Hayes were indicted on charges that they illegally diverted government funds awarded to a Fairbanks charitable organization created to aid disadvantaged Fairbanks youth. The funds were diverted for their personal use and to pay for the construction and furnishing of a Fairbanks church with which they were associated. The indictment further alleged that they committed numerous acts of money laundering to conceal the source of the diverted funds.

According to evidence presented in court, Chris Hayes was the executive director of Love Social Services Center (LSSC), a charitable organization, set up to provide social and educational services to low income and disadvantaged youth in the Fairbanks community. Jim Hayes, her husband and the pastor of Lily of the Valley Church of God in Christ (LOVCOGIC), was also a board member of LSSC. Between 2001 and 2005, LSSC received over 2.7 million dollars in government grants from the Department of Housing and Urban Development and the Department of Justice Office of Juvenile Programs. LSSC used the original grant money to purchase the old LOVCOGIC church building. LOVCOGIC then built a new and larger church across the street from its old location.

When the cost of construction for LOVCOGIC’s new church exceeded its sources of funding, Chris Hayes and Jim Hayes illegally diverted LSSC government grant funds to pay construction bills and provide furnishings and operating expenses for the new church. The Hayes used the government funds to pay for personal bills and expenditures such as a plasma t.v. for their home, a family wedding reception, credit card bills and old debts, and other personal items. Chris Hayes concealed the source of the above payments by causing the charity to write checks to cash that she then converted to money orders and cashier’s checks to make the illegal payments.

By their verdicts the jury found that Hayes conspired with his Murilda Hayes to illegally divert funds granted to Love Social Service Center in the years 2001 through 2004 for personal uses and to build his new church. The jury also found Hayes guilty of 9 counts of laundering funds to conceal the source of illegally diverted funds and 2 counts of filing false tax returns. According to the indictment the illegally diverted funds totalled over \$450,000.

The jury acquitted Hayes of one count of misapplication of program funds and three counts of money laundering and could not reach a verdict on seven counts.

On December 5, 2007, Murilda Hayes pleaded guilty to one count of Misapplication of Program Funds and one count of Money Laundering.

Judge Sedwick scheduled sentencing for May 2, 2008. The law provides the maximum penalty for each count of misapplication of government funds is ten years and a \$250,000 fine, and the maximum penalty for the each of the money laundering charges is 20 years imprisonment and a fine of either \$500,000 or twice the amount of the laundered funds. The maximum penalty for conspiracy is five years imprisonment, a \$250,000 fine, or both and the maximum penalty for filing a false tax return is three years imprisonment and a \$250,000 fine. Under the Federal Sentencing Guidelines, the actual sentence imposed is based on the seriousness of the offenses and the criminal history, if any, of the defendant.

Pending sentencing, the court continued Hayes on bond.

Loeffler praised the cooperative effort of the Internal Revenue Service Criminal Investigation Division, the Federal Bureau of Investigation, the Department of Justice Office of Inspector General and the Department of Housing and Urban Development Office of Inspector General for their lengthy and complex investigation leading to these convictions. The case was prosecuted by AUSA's Karen Loeffler and Andrea "Aunnie" Steward, of the Criminal Division, U.S. Attorney's Office.

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