Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

CAUSE NO. C-0373-17-E

HIDALGO COUNTY DRAINAGE DISTRICT NO. 1	**IN THE DISTRICT COURT**
VS.	**275th JUDICIAL DISTRICT**
INTEG CORPORATION, GODFREY GARZA, JR., VALLEY DATA COLLECTION SPECIALISTS, INC., ANNIE Q. GARZA, GODFREY GARZA, III, AND JONATHAN GARZA	**HIDALGO COUNTY, TEXAS**

PLAINTIFF'S FIFTH AMENDED PETITION

Plaintiff Hidalgo County Drainage District No. 1 files this lawsuit, seeking compensatory and exemplary damages, as well as equitable relief, from Defendants Integ Corporation, Godfrey Garza, Jr., Valley Data Collection Specialists, Inc., Annie Q. Garza, Godfrey Garza, III, and Jonathan Garza.

I.

DISCOVERY CONTROL PLAN

1. Plaintiff intends to conduct discovery pursuant to a level three discovery control plan.

II.

PARTIES

2. Plaintiff is a governmental entity located in Hidalgo County, Texas.

3. Defendant Integ Corporation is a Texas corporation with its principal office in Hidalgo County, Texas.

4. Defendant Valley Data Collection Specialists, Inc. is a Texas corporation with its principal office in Hidalgo County, Texas.

5. Defendants Godfrey Garza, Jr., Annie Q. Garza, Godfrey Garza, III, and Jonathan Garza are

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

individuals residing in Hidalgo County, Texas.

III.

VENUE

6. Venue is proper in Hidalgo County, Texas because all or a significant part of the acts and omissions giving rise to this lawsuit occurred in the county, and because the Defendants reside or have their principal offices in the county.

IV.

FACTS

About Hidalgo County

7. The United States Government defines Hidalgo County as "persistently poor."[1] A county is "persistently poor" if 20 percent or more of its population lived in poverty over the last thirty years (measured by the 1980, 1990, and 2000 decennial censuses and 2007-11 American Community Survey 5-year estimates).[2] Most counties are not poor. Only 11.2 percent of all counties nationwide meet the definition.[3]

8. Because it is poor, Hidalgo County struggles to meet its citizens' basic needs.[4] Adding to

---

[1] *See* USDA Economic Research Service, *ERS County Typology Codes, 2015 Edition,* https://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/geography-of-poverty/.

[2] USDA Economic Research Service, *Geography of Poverty*, Rural Poverty & Well Being, https://www.ers.usda.gov/topics/rural-economy-population/rural-poverty-well-being/geography-of-poverty/.

[3] *Id.*

[4] *See, e.g.,* Chris McGreal, *America's Poorest Border Town: No Immigration Papers, No American Dream*, The Guardian, November 19, 2015, https://www.theguardian.com/us-news/2015/nov/19/americas-poorest-border-town-no-immigration-papers-no-american-dream.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

its infrastructure demands, Hidalgo County's population more than doubled from 383,545 in 1990[5] to 774,769 in 2010.[6] The Government estimates Hidalgo County's 2016 population at 828,334.[7]

Hidalgo County Addresses Flooding

9. Tropical events and severe storms cause frequent street, home, and agricultural flooding in a already distressed community.[8] Made in response to Hurricane Beulah, a 1969 study by what is now known as the Natural Resource Conservation Service ("NCRS") proposed a three phase plan to create a Master Drainage System ("MDS") in Hidalgo County.

10. Plaintiff Hidalgo County Drainage District No. 1 ("HCDD1" or "the District") wanted to implement the NCRS drainage plan. But without federal dollars, it could not afford to fully fund Phase I of the project.[9] It therefore commissioned in1974 a interim plan to address the County's flooding problems.[10] Voters approved a $26 million bond issuance in 1975.[11]

---

[5] United States Bureau, *1990 Census: Population of Texas Counties,* Census of Population and Housing, *available at* https://www.tsl.texas.gov/ref/abouttx/popcnty1.html.

[6] United States Census Bureau, *2010 Census*, Community Facts, https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml?src=bkmk.

[7] United States Census Bureau, *2012-2016 American Community Survey 5-Year Estimates*, Community Fact, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_16_5YR_B01003&prodType=table.

[8] *See* Turner, Collie, & Braden, Inc., *Engineering Report to Hidalgo County Drainage District No. 1*, Flood Protection Plan for Hidalgo County, Texas, September 1997, *available at*: http://www.twdb.texas.gov/publications/reports/contracted_reports/doc/97483216.pdf.

[9] *See* Hidalgo County Drainage District No. 1, *History of Hidalgo County Drainage District No. 1*, About the District, http://hcdd1.org/page/History_of_District.

[10] *Id.*

[11] *Id.*

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

Construction of MDS Phase I started in 1981 and was eventually finished with local money only.[12]

11. Looking to Phase II, State and local stakeholders commissioned more studies of the MDS in the '80s and '90s.[13] Those studies culminated in the 1997 Collie and Braden report.[14] The study zeroed in on two major problems: the MDS's capacity and the lack of adequate lateral drainage to access the system.[15]

12. The District completed its debt for bond service on the Phase I '75 issue in 2001. With about four million dollars left from the issue and another five million dollars from the County, the District started looking at how to execute Phase II of the MDS.

Godfrey Garza, Jr. Becomes Manager of the District

13. Godfrey Garza, Jr. hails from Detroit, Michigan and moved to the Rio Grande Valley when he was 18. He graduated from McAllen High School and attended, but did not graduate from, UT Pan American. Mr. Garza, Jr. started his career at Melden & Hunt in McAllen. He cycled through another firm before landing at HCDD1 in or around 1996 as the District's Manager. In hiring Godfrey Garza, Jr., the District trusted him to act at all times in the District's best interest. Up until in or around 2006 or 2007, Godfrey Garza, Jr.'s management consisted only of maintenance and operation.

14. Before that, however, in October of 2000, Godfrey Garza, Jr. made a curious pitch to the Drainage District: that he resign as manager and that his company, Integ Corporation, be

---

[12] *Id.*

[13] *See* Turner, Collie, & Braden, Inc., *Engineering Report to Hidalgo County Drainage District No. 1.*

[14] *Id.*

[15] *Id.*

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

hired in his place. This was Godfrey Garza, Jr.'s first violation of the duties he owed the District. It was not in the District's best interest to have a supposed "independent contractor" as opposed to an employee of the District. At least not when the "independent" contractor was not itself going to hire personnel, invest in a business, or risk its own losses in managing the district.

15. On October 3, 2000, Godfrey Garza, Jr. went from a earning a salary of $71,715 as an employee to taking home total compensation of $82,220 overnight.

16. Nothing about Godfrey Garza, Jr.'s relationship with the District, however, changed after the alleged transition to contractor. He remained an in-fact employee: (1) the District supplied all Garza's and Integ's "tools of the trade" (computers, clerical help, financial management, personnel); (2) Integ/Godfrey Garza, Jr. made no investment relative to the District; (3) Integ/Godfrey Garza, Jr.'s opportunity for profit and loss was determined by and dependent on the District; (4) Integ/Godfrey Garza, Jr. lacked any particularized skill or initiative *required* in performing the job; (5) the relationship lasted fourteen years; (6) Godfrey Garza, Jr. maintained and used a District email address to conduct District business; (7) in signing letters and emails, Godfrey Garza, Jr. held himself out individually as the District's director, and did not include Integ on his signature blocks; (8) Godfrey Garza, Jr. paid no wages to anyone under his supervision in relation to District business; (9) Integ had no licensed engineers and used the District's; and (10) Godfrey Garza, Jr. was not free to determine the manner in which he did his work.

17. Godfrey Garza, Jr.'s guaranteed compensation continued to rise:

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

Year	Compensation[16]
2002	$97,200
2004	$121,200
2006	$123,192
2007	$123,192 plus 1.5% of actual construction costs of MDS Phase II

18. Not satisfied with a handsome salary, Godfrey Garza, Jr. made another dubious pitch in or around February of 2007. He told the board he wanted to manage construction of MDS Phase II in return for 1.5% of actual project construction costs. *See* Ex. A. Garza, Jr. hoodwinked the board by having a local engineering firm representative tell the board Godfrey Garza, Jr.'s construction management fee was a "good deal" for the District. *Id.* Nevermind that Garza, Jr. was already contractually obligated to manage the District's affairs. Nevermind that the contracts eventually entered into for Phase II called for *others* to perform construction management. The District trusted Garza, Jr. As will become evident, that trust was severely misplaced.

19. On or about February 6, 2007, Godfrey Garza, Jr. represented to the District:

    a. That he would take 1.5% of *actual* construction costs related to Phase II *only*.

    b. That an outside auditor would provide "checks and balances" on the arrangement.

    c. That if in three years the contracts or the bonds were not completed, and his contract was not renewed, he would get paid "only for what was built."

20. These intentional misrepresentation were false. The District justifiably relied on the

---

[16] These amounts only reflect amounts the District paid for management of the District. Garza / Integ earned tens of thousands of dollars over the years under side consulting agreements.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

representations to its detriment and suffered damages as a result.

The 2006 Bond Election

21. In or around 2005, the District looked into going forward with MDS Phase II. The estimated cost was almost $500 million. Recognizing that was too much to bear for local taxpayers, the Board authorized a bond referendum for one hundred million dollars. The bonds were to fund both Phase II and other projects. The Phase II projects were:

Name[17]	**Date Started**	**Date Ended**
W-06-00 (La Villa)	10/31/2006	N/A
W-01-00 (Weslaco Drain)	3/13/2017	N/A
J-02-00 (Monte Cristo)	10/31/2006	N/A
Alamo Drain	3/21/2007	2008
McAllen-Pharr South Drain	9/27/2005	N/A
Jackson Drain	11/7/2006	N/A
Penitas Drain	10/13/2005	N/A
Goodwin Drain	7/5/2005	Unknown, Project Completed by TxDOT
Linda Vista Drain	7/5/2005	Unknown, Project Completed by TxDOT
Mission Inlet Drain	9/27/2005	2010
Detention Pnds	N/A	N/A
Raymondville Drain	2000	N/A

22. Each project needed to be planned and engineered. In all cases where "Date Ended" is "N/A," no actual construction ever happened. Significant engineering work costing millions of dollars, however, was done on some of the projects.

The Border Wall

[17] Collectively hereinafter, the "Phase II projects."

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

23. In the spring of 2007, federal government workers alerted property owners across the Rio Grande Valley that a border fence was going to cut across the owners' land.[18] The Department of Homeland Security ("DHS") had only a year to build 60 miles of fence in the Valley.[19] The rush to build the fence turned into a gold rush for Godfrey Garza, Jr.

24. While the District had earmarked some of the 2006 bond funds for levee improvements, those levee improvements were separate and apart from MDS Phase II. Only ten percent of the bond funds ($10 million) were supposed to go to levee improvement. Even though the percentage of total funds dedicated to levees was low, there was no doubt that Hidalgo County's levees needed work.

25. The interests of the District and the DHS appeared to intersect. After much negotiation, DHS agreed to improve a series of levees and build its fence on top of the newly fortified structures. *Id.* The levee improvements would be funded both by DHS and the District. To pay the District's share, Godfrey Garza, Jr. recommended re-routing the 2006 bond money to the DHS project. This federal project consisted of the following levee segments:

    1. DHS 0-4A
    2. DHS 0-4C
    3. DHS 0-5

---

[18] T. Christian Miller, Kiah Collier and Julian Aguilar, *The Taking: How the federal government abused its power to seize property for a border fence*, The Texas Tribune, Dec. 14, 2017, https://www.texastribune.org/2017/12/14/border-land-grab-government-abused-power-seize-property-fence/

[19] . T. Christian Miller, Kiah Collier and Julian Aguilar, *How a South Texas bureaucrat became a multimillionaire amid the rush to build a border fence*, The Texas Tribune, Dec. 29, 2017, https://www.texastribune.org/2017/12/29/how-south-texas-bureaucrat-became-multimillionaire-amid-rush-build-bor/

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

4. DHS 0-6A

5. DHS 0-6BC

6. DHS 0-7

7. DHS 0-8

8. DHS 0-9 PH I

9. DHS 0-9 PH II

10. DHS 0-10[20]

The First Scheme to Defraud the District and the Federal Government:

Illicitly Getting Paid on Projects and Work to Which the Contract Did Not Apply

26. After the '06 bond funds issued, preliminary engineering work began on the dates stated earlier for the Phase II projects. It became clear that, for many of the projects, years would pass before construction started. Under its plain and ordinary meaning, "actual construction costs" means costs for building something tangible. Without money being spent on "actual construction costs" Garza would not make his commission.

27. Garza wanted to make money. So he lied. He told the District Financial Officer that "actual" construction costs really meant "all costs." He wanted a piece of the engineering work *and* the building work.

28. On or about April 11, 2008, Integ and Godfrey Garza, Jr. invoiced the District for $119,861.72. Ex. B. The invoice charged 1.5% of costs, most of which were not actual construction costs. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the

---

[20] Collectively hereinafter, the "federal project," the "federal levee project," or the "DHS project."

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

29. On or about May 28, 2008, Integ and Godfrey Garza, Jr. invoiced the District for $66,442.95. Ex. C. The invoice charged 1.5% of costs, most of which were not actual construction costs. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

30. On or about September 26, 2008, Integ and Godfrey Garza, Jr. invoiced the District for $73,214.00. Ex. D. The invoice charged 1.5% of costs, most of which were not actual construction costs. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

31. On or about February 25, 2009, Integ and Godfrey Garza, Jr. invoiced the District for $197,528.00. Ex. E. The invoice charged 1.5% of costs, most of which were not actual construction costs. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

32. On or about February 25, 2009, Integ and Godfrey Garza, Jr. invoiced the District for $1,673,434.93. Ex. F. The invoice charged 1.5% of total costs, as opposed to actual construction costs, for work done on the federal project. In submitting the invoice, Integ,

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

Annie Q. Garza, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date.

33. On or about May 21, 2009, Integ and Godfrey Garza, Jr. invoiced the District for $55,311.77. Ex. G. The invoice charged 1.5% of costs, most of which were not actual construction costs. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

34. On or about May 21, 2009, Integ and Godfrey Garza, Jr. invoiced the District for $765,719.20. Ex. H. The invoice charged 1.5% of total costs, as opposed to actual construction costs, for work done on the federal project. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

35. On or about June 24, 2009, Integ and Godfrey Garza, Jr. invoiced the District for $226,976.17. Ex. I. The invoice charged 1.5% of total costs, as opposed to actual construction costs, for work done on the federal project. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

36. On or about January 6, 2010, Integ and Godfrey Garza, Jr. invoiced the District for $244,858.67. Ex. J. The invoice charged 1.5% of total costs, as opposed to actual construction costs, for work done on the federal project. In submitting the invoice, Integ,

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

37. On or about June 15, 2010, Integ and Godfrey Garza, Jr. invoiced the District for $111,921.43. Ex. K. The invoice charged 1.5% of total costs, as opposed to actual construction costs, for work done on the federal project. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

38. On or about November 23, 2010, Integ and Godfrey Garza, Jr. invoiced the District for $24,756.77. Ex. L. The invoice charged 1.5% of total costs, as opposed to actual construction costs, for work done on the federal project. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

39. On or about June 21, 2011, Integ and Godfrey Garza, Jr. invoiced the District for $29,083.22. Ex. M. After credits, the District paid $27,116.62 on the invoice. *Id.* The invoice charged 1.5% of total costs, as opposed to actual construction costs, for work done on the federal project. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

40. On or about October 13, 2011, Integ and Godfrey Garza, Jr. invoiced the District for

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

$9,609.44. Ex. N. The invoice charged 1.5% of total costs, as opposed to actual construction costs, for work done on the federal project. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

41. On or about January 20, 2012, Integ and Godfrey Garza, Jr. invoiced the District for $1,295.41. Ex. O. The invoice charged 1.5% of total costs, as opposed to actual construction costs, for work done on the federal project and non-construction costs for MDS Phase II. In submitting the invoice, Integ, and Godfrey Garza, Jr. caused a check to be mailed through the US Postal Service for the invoice amount within a few days of the invoice date. Integ, Annie Garza and/or Godfrey Garza, Jr. delivered the invoice that caused the check to be mailed.

42. From on or about September 4, 2013 to on or about January 28, 2014, Integ and Godfrey Garza, Jr. attempted to be paid approximately $84,000.00 as 1.5% compensation for the Raymondville Drain project. Ex. P. Unfortunately, while the work was related to a Phase II project, Integ and Godfrey Garza, Jr. were again trying to be paid on engineering fees instead of actual construction costs. Integ and Godfrey Garza, Jr. were told that in order to be paid the item would have to be placed on an open meeting agenda. Integ and Godfrey Garza, Jr. did not want to discuss the item at a public meeting

43. Every time Integ and Godfrey Garza, Jr. invoiced the District, they represented the invoices were true and correct, were for actual construction costs, and were related to MDS Phase II. Those representations were false, the District relied on the representations to its detriment, and the District suffered damages because of the misrepresentations.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

44. Every time Integ, Godfrey Garza, Jr. and Annie Garza delivered an Integ invoice to the District, they also represented the invoices were true, correct, and valid.

45. Integ, Godfrey Garza, Jr. and Annie Q. Garza caused to be placed all checks made in payment of the invoices identified above through January 20, 2012 on the District's "consent agenda." The "consent agenda" is a group of administrative items voted on in a block. No discussion takes place on the items individually. As District Manager, Integ and Godfrey Garza, Jr. were authorized to decide what items were placed on the agenda and whether the items were placed on the regular or consent agenda.

46. Godfrey Garza, Jr. caused all of the checks made to pay the above-identified invoices through the consent agenda. Godfrey Garza, Jr. did that knowing Directors would not look at the individual checks, and knowing he had the trust of the Directors. By placing check registers that included payments to Integ/Godfrey Garza, Jr. on the consent agenda, Godfrey Garza, Jr. and Integ represented the checks were proper in all respects and in payment of valid debts. These representations were false.

47. It is important to note here that government operates through a vast group of hardworking public servants. A governing body provides oversight but, at the end of the day, the governing body has to trust its managers and rely on its managers' judgment. If a governing body had to review every administrative matter and check, the body would never be able to get any actual policy work done.

48. Beyond placing checks on the consent agenda, Integ and Godfrey Garza, Jr. directed District staff to procure his checks in a way that would avoid detection by the county auditor. Specifically, in or around 2007, he specifically said he did not want Integ's checks reviewed by the county auditor.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

The Second Scheme to Defraud the District

and Federal Government: Bribery Through Valley Data

49. Valley Data Collection Services, Inc. ("VDCS") registered as a corporation with the Texas Secretary of State on June 24, 2004. The stated aim of VDCS was to perform data collection that could be used by surveyors and other persons interested in land parcels. At its inception, Jonathan Garza ("Jonathan Garza") and Godfrey Garza, III ("Trey Garza" or "Godfrey Garza, III") owned VDCS. Ownership was transferred to Annie Garza ("Annie Q. Garza") (Godfrey Garza, Jr.'s wife) in or around 2012.

50. The real purpose of VDCS eventually turned to a kickback vehicle and money laundering machine. As manager, Integ/Godfrey Garza, Jr. negotiated prime contracts for the District with engineering firms. Dannenbaum Engineering Company, Dannenbaum Engineering Company-Houston, LLC and Dannenbaum Engineering Company-McAllen, LLC (collectively, "DEC") hired VDCS as a subcontractor on several District projects. Nobody disclosed to the District: (1) that VDCS was hired; or (2) that VDCS was owned by Godfrey Garza, Jr.'s immediate family. Integ and Godfrey Garza, Jr. had an affirmative duty to disclose that his family's company would be paid on District projects. DEC had an affirmative duty to disclose they contracted with VDCS and that VDCS was owned by Godfrey Garza, Jr.'s family.

51. Between 2006 and 2014, VDCS sent the following invoices[21]:

Date	**Amount**	**Contractor**	**Project**
6/16/2006	$7,060.00	Tedsi	Mile 6
9/7/2006	$7,060.00	Tedsi	Mile 6

[21] All invoices are attached as Exhibit P.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

10/31/2006	$3,662.80	Tedsi	Canton RR Crossing
11/2/2006	$36,239.20	Tedsi	Trenton Road
11/30/2006	$102,060.00	Tedsi	J-02
11/30/2006	$76,239.80	Tedsi	W-01 La Villa and J-02
12/29/2006	$29,160.00	Tedsi	Monte Cristo
2/7/2007	$14,580.00	Tedsi	Monte Cristo
2/15/2007	$60,991.84	Tedsi	W-01 La Villa
2/20/2007	$15,274.96	Tedsi	W-01 La Villa
4/25/2007	$8,781.00	Tedsi	Not Stated
4/30/2007	$39,823.00	Tedsi	Consulting
6/19/2007	$17,067.00	Tedsi	W-06
7/30/2007	$26,505.00	Tedsi	Mile 2
9/12/2007	$113,500.00	DEC	Common Levee
10/11/2007	$10,500.00	L&G	Common Levee
11/27/2007	$21,000.00	L&G	Phase II Levee
11/28/2007	$113,500.00	DEC	Common Levee
12/12/2007	$15,250.00	L&G	Common Levee
1/9/2008	$22,000.00	Tedsi	Monte Cristo
1/29/2008	$4,000.00	Tedsi	La Villa
2/18/2008	$22,000.00	Tedsi	Monte Cristo
3/20/2008	$2,500.00	Tedsi	Weslaco Drain
3/31/2008	$12,500.00	L&G	Levee
4/22/2008	$5,500.00	L&G	0-7
4/22/2008	$6,500.00	L&G	0-8
4/30/2008	$5,000.00	L&G	10
4/30/2008	$7,750.00	L&G	09
5/13/2008	$2,000.00	L&G	8
5/13/2008	$2,500.00	L&G	9

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

5/15/2008	$1,000.00	L&G	7
5/19/2008	$1,500.00	L&G	10
6/16/2008	$2,200.00	DL	0-7A
6/16/2008	$3,575.00	DL	0-9a
6/16/2008	$5,500.00	DL	0-10A
6/16/2008	$11,000.00	L&G	6
6/20/2008	$13,750.00	DL	0-6B
6/20/2008	$21,175.00	DL	0-6C
6/20/2008	$71,225.00	DL	0-6A
4/7/2009	$41,000.00	Tedsi	Mile 2
5/21/2009	$4,600.00	Tedsi	Mile 2
9/23/2009	$1,000.00	L&G	Pump House
2/26/2010	$29,525.76	Tedsi	J09
3/31/2010	$84,522.24	Tedsi	J09
4/27/2010	$5,248.00	Tedsi	Bentsen Palm
5/26/2010	$25,344.00	Tedsi	J-09
8/6/2010	$15,000.00	Tedsi	J-09
10/30/2010	$50,200.00	Tedsi	J-09
11/30/2010	$16,300.00	Tedsi	J-09
1/19/2011	$64,000.00	Tedsi	J-09
10/30/2011	$16,375.00	Tedsi	Edinburg WWTP
11/18/2011	$993.40	Tedsi	J-09
11/18/2011	$1,293.40	Tedsi	J-09
11/30/2011	$13,100.00	Tedsi	Edinburg WWTP
12/22/2011	$3,275.00	Tedsi	Edinburg WWTP
12/30/2011	$37,500.00	Tedsi	J-09
7/26/2012	$3,750.00	Tedsi	J-09
10/31/2012	$4,913.20	Tedsi	J-09

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

11/15/2012	$3,800.00	Tedsi	Mile 2
12/28/2012	$1,600.10	Tedsi	Owassa
1/11/2013	$800.00	Tedsi	J-09
3/25/2013	$1,923.20	Tedsi	Edinburg Master Drainage Plan
3/26/2013	$16,150.00	Tedsi	Mile 2
4/29/2013	$33,586.85	Tedsi	S. Mercedes Drain, et al.
5/3/2013	$11,073.61	Tedsi	IBWC Pumps
6/14/2013	$3,000.00	Tedsi	IBWC Pumps
6/24/2013	$3,729.65	Tedsi	S. Mercedes Drain, et al.
8/12/2013	$12,522.00	Tedsi	Edinburg WWTP
10/17/2013	$12,522.00	Tedsi	Edinburg WWTP
10/25/2013	$27,520.00	Tedsi	J-09
11/6/2013	$13,760.00	Tedsi	J-09
11/29/2013	$17,200.00	Tedsi	J-09
12/6/2013	$7,667.00	Tedsi	Mile 2
12/17/2013	$7,123.75	Tedsi	Spanish Palms
12/30/2013	$10,320.00	Tedsi	J-09
2/28/2014	$38,400.00	Tedsi	Edinburg Master Drainage Plan
3/31/2014	$14,190.00	Tedsi	Edinburg Master Drainage Plan
4/22/2014	$29,919.48	Tedsi	J-09
5/2/2014	$7,000.00	Tedsi	J-09
8/6/2014	$6,204.74	Tedsi	J-09

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

10/17/2014	$6,300.00	Tedsi	Mile 2
9/5/2013	$12,896.00	LeFevre	Weslaco Lateral

52. Those invoices total **$1,658,577.98** paid by the District's taxpayers to a company owned by Godfrey Garza, Jr.'s family, and in which, after 2012, Godfrey Garza, Jr. himself had an ownership interest.

53. Annie Q. Garza, Jonathan Garza, and Godfrey Garza, III all caused some or all of the above invoices to be sent to the identified contractors by hand delivery, email, and/or facsimile. As owners, all three also caused checks to be mailed via the US Postal Service in payment of the invoices.

54. Godfrey Garza, Jr. never disclosed his ownership interest (nor that of his family) in VDCS even though he had contractual, common law, and statutory duties to do so. The above-listed contractors all had contracts with the District negotiated by Godfrey Garza, Jr. Godfrey Garza, Jr. pressured and/or asked the contractors to hire VDCS. Godfrey Garza, Jr. argued to the District Board for the contractors to be awarded projects if they agreed to hire VDCS.

55. When Godfrey Garza, Jr. recommended to the District that contracts be awarded to DEC, he represented to the District the contracts were fair and reasonable, and that entering into the contracts was in the best interests of the District. He also represented that he did not have a conflict of interest in negotiating with and selecting DEC. The District relied on those representations to its detriment and entered into the prime contracts in reliance on Godfrey Garza, Jr.'s representations. As a result, District money was funneled to VDCS as a kickback to Godfrey Garza, Jr. VDCS was paid more than fair market value for its supposed

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

services, and in fact did not render some of the services for which it charged.

56. Integ, VDCS, Annie Q. Garza, Jonathan Garza, Godfrey Garza, III, DEC, and Godfrey Garza, Jr. all conspired to make the kickbacks happen. Specifically VDCS, Annie Q. Garza, Jonathan Garza and Godfrey Garza, III all caused the above-listed invoices to be submitted when they knew the received payments were Godfrey Garza, Jr.'s kickbacks. VDCS, Annie Q. Garza, Jonathan Garza, and Godfrey Garza, III deposited the illicitly gotten money into federally insured bank accounts. They then funneled some of the money back to Integ and Godfrey Garza, Jr. disguised as rent and loan payments, in effect laundering the money. It was Integ and Godfrey Garza, Jr.'s job in the conspiracy to make sure VDCS got hired and paid above market value or that nobody looked at VDCS's actual qualifications.

57. Integ and Godfrey Garza, Jr. intentionally bypassed District procurement requirements in order to get him and Integ paid, and to hide DEC's, VDCS's, AG's, TG's and JG's involvement in the scheme.

58. In furtherance of the conspiracy, Godfrey Garza, Jr., DEC's agent, and other engineering firm representatives met at Lanskey & Brat in McAllen, Texas before the prime contracts that resulted in payments to VDCS were entered into by the District. At Lanskey & Brat, Godfrey Garza, Jr. met with all firms in one room and then sometimes met one on one with individual representatives in a different part of the restaurant. During the joint sessions, Godfrey Garza, Jr. explained what projects were coming up and what work needed to be done. The individual sessions were to strike a deal on hiring VDCS and setting the stage for kickbacks in return for selection as a contractor. Before the Board ever voted on awarding a contract, Godfrey Garza, Jr. had already told the firms which projects they would be awarded.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

Dannenbaum's Role in the Schemes

59. DEC is a well-known engineering firm that operates throughout Texas. Louis Jones is DEC's chief representative in McAllen. Godfrey Garza, Jr. negotiated major contracts with DEC that resulted in substantial payment to VDCS. Godfrey Garza, Jr. could not have accomplished the purposes of his conspiracy without DEC's help.

60. On or about November 7, 2006, the District contracted with DEC to for work on a levee improvement project. Ex. R. This project was not part of MDS Phase II. DEC's border fence work was done under this contract, and some of the money paid to DEC was paid using federal dollars.

61. Article 14 of that contract included a promise from Dannenbaum that it would not "assign, subcontract, or transfer its interest in [the contract] without the prior written consent of [the District]." Ex. R at p. 18.

62. In violation of its promise to get prior written consent before subcontracting and as a conspirator to avoid detection of VDCS's work, DEC contracted with VDCS on District projects. On or about February 12, 2007, DEC and VDCS entered into a n "Agreement for Professional Engineering Services." Ex. S. The contract said VDCS would provide "engineering services." The scope of services said VDCS would provide a "registered professional land surveyor." In fact, VDCS employed no licensed engineers or even any registered professional land surveyors.

63. On or about June 7, 2007, DEC and VDCS entered into another "Agreement for Professional Engineering Services." Ex. T. VDCS lacked qualified personnel to do the promised work.

64. DEC did not get "prior written consent" from the District to hire VDCS. DEC never informed the District it was contracting with an entity in which Godfrey Garza, Jr.'s family

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

had an interest. Godfrey Garza, Jr. never informed the district his family's company was being paid on District jobs.

65. Under the 2006 contract, DEC and VDCS entered into various work authorizations("WA") and supplemental agreements ("SA") to carry out the contract's purpose. The following WA's and SA's were entered into and each was for surveying, topographic, and right of way services:

Contract/Agreement[22]	**Date**	**Amount**
SA#1 to WA#1	11/7/2006	$199,890.27
SA#1 to WA#2	4/24/2007	$441,573.30
SA#1 to WA#4	8/28/2007	$280,011.50
SA#1 to WA#5	2/20/2008	$52,800.00
SA#2 to WA#5	2/20/2008	$2,600.00
SA#1 to WA#7	2/20/2008	$72,900.00
SA#2 to WA#7	2/20/2008	$3,645.00
SA#6 to WA#7	6/3/2008	$2,400.00
SA#1 to WA#8	2/20/2008	$96,000.00
SA#2 to WA#8	2/20/2008	$4,800.00
SA#1 to WA#9	2/20/2008	$116,100.00
SA#2 to WA#9	2/20/2008	$5,805.00
SA#6 to WA#9	6/3/2008	$11,928.00
SA#1 to WA#10	2/20/2008	$72,900.00
SA#2 to WA#10	2/20/2008	$3,645.00
SA#6 to WA#10	6/3/2008	$6,000.00
SA#2 to WA#12 (for 6A)	5/27/2008	$77,700.00
SA#3 to WA#12 (for 6A)	5/27/2008	$3,885.00

[22] The Supplemental Agreements are attached as Exhibit U.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

SA#2 to WA#13 (for 6B)	5/27/2008	$15,000.00
SA#3 to WA#13 (for 6B)	5/27/2008	$750.00
SA#2 to WA#14 (for 6C)	5/27/2008	$23,100.00
SA#3 to WA#14 (for 6C)	5/27/2008	$1,155.00
Total:		**$1,494,588.07**

66. Godfrey Garza, Jr. presented every one of the above SA's and WA's to the Board of Directors near the dates stated above and recommended they be approved. In doing so, he never disclosed DEC's use of VDCS or his family's ownership interest in VDCS. By presenting the WA's and SA's to the Board, Godfrey Garza, Jr. represented the agreements were fair and reasonable for the District, that he did not have any conflict of interest in the transactions, and that none of his family members would receive money from the transactions.

67. By signing the SA's, DEC represented that the transactions did not cause any conflict of interest, that DEC would obtain the District's written authorization before paying VDCS any money, and that the transactions did not include any kickback or bribery monies.

68. In cruel irony, Godfrey Garza, Jr. improperly got a percentage of the money paid to the prime contractors, including DEC, that in turn was paid to VDCS. By submitting their invoices, Godfrey Garza, Jr./Integ represented that no money would be paid by the District as a percentage of work done by Godfrey Garza, Jr.'s family. Godfrey Garza, Jr. had an interest in negotiating and later paying inflated rates to DEC and the other contractors because Godfrey Garza, Jr. would benefit directly from his 1.5% deal, and because his family would benefit through funds paid to VDCS (some of which Godfrey Garza, III, Jonathan Garza, Annie Q. Garza and VDCS routed back to Godfrey Garza, Jr. and/or Integ

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

through sham loan and rent payments). When Integ and Godfrey Garza, Jr. presented their invoices to the District, they ended up getting 1.5% of all money paid to VDCS because Godfrey Garza, Jr. misrepresented VDCS had charged for "actual construction costs."

69. If Godfrey Garza, Jr., DEC or Integ had disclosed their illicit relationships, Plaintiff would not have paid on the WA's.

70. By presenting the SA's to the District, DEC caused checks in payment of the SA's to be mailed through the US Postal Service. By presenting the SA's to the Board, Godfrey Garza, Jr. and Integ also caused checks in payment of the SA's to be mailed through the US Postal Service.

The Construction Management Scam

71. By asking the Board to pay him for construction management and later charging for construction management, Godfrey Garza, Jr. represented the services were fairly priced, reasonable, and necessary to the District.

72. In fact, Godfrey Garza, Jr. negotiated a contract with DEC that required *DEC* to do construction management. On the federal project alone, Godfrey Garza, Jr. presented the following SA's that constituted payment to DEC for construction management:

Contract/Agreement[23]	**Date**	**Amount**
SA#2 to WA#3	4/14/2008	$237,643.08
SA#4 to WA#3	4/14/2008	$213,926.85
SA#5 to WA#3	4/14/2008	$551,533.48
SA#5 to WA#4	4/14/2008	$311,058.68
SA#4 to WA#5	4/14/2008	$267,847.83

[23] Attached as Exhibit U.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

SA#5 to WA#6	4/14/2008	$50,750.00
SA#4 to WA#7	4/14/2008	$112,043.25
SA#7 to WA#7	6/3/2008	$27,260.00
SA#4 to WA#8	4/14/2008	$404,600.64
SA#4 to WA#9	4/14/2008	$481,785.99
SA#7 to WA#9	6/3/2008	$14,910.00
SA#4 to WA#10	4/14/2008	$296,520.68
SA#7 to WA#10	6/3/2008	$21,022.60
SA#1 to WA#11	4/14/2008	$44,017.90
SA#1 to WA#12	4/14/2008	$392,370.44
SA#1 to WA#13	4/14/2008	$80,031.33
SA#1 to WA#14	4/14/2008	$153,009.31
Total:		**$3,660,332.06**

73. Godfrey Garza, Jr. presented these SA's to the District board at or near the dates stated above. By doing so, he represented the SA's were in payment of necessary services and not in payment of duplicated services. By presenting the SA's to the District, DEC caused checks in payment of the SA's to be sent through the US Postal Service. By presenting the SA's to the Board, Godfrey Garza, Jr. and Integ also caused checks in payment of the SA's to be mailed through the US Postal Service.

74. In reality, Godfrey Garza, Jr. and Integ did not perform the construction management services. Integ had no full time employees other than Godfrey Garza, Jr. In fact, Integ's only other employee was Annie Garza, who only did part time clerical work. In addition to working with the District, Integ and Godfrey Garza, Jr. also served as the Hidalgo County Regional Mobility Authority and supposedly managed a project for the RMA at the same

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

time. There is no way one person actually could have done all the work that Integ billed for. Godfrey Garza, Junior and Integ were paid approximately $600,000.00 for the work allegedly done for the RMA during the same time it was billing millions of dollars to the District. *See* Ex. Y.

Godfrey Garza, Jr. Hides His Fraud

75. On or about June 3, 2014; April 16, 2013; December 31, 2011;December 31, 2013; and October 14, 2009, Godfrey Garza lied on questionnaires designed to detect fraud and conflicts of interest. Ex. W.

76. Because of those lies, the District did not detect the fraud and/or the scope of the fraud for years.

77. Plaintiff pleads that limitations and laches do not apply in this case because Godfrey Garza, Jr. has unclean hands and because he took affirmative steps to hide his misdeeds.

V.

CAUSES OF ACTION

Count 1:

Violation of the Racketeer Influenced Corrupt Organizations Act

78. Plaintiff in incorporates the foregoing by reference.

79. Integ, Godfrey Garza, Jr., VDCS, Annie Q. Garza, Godfrey Garza, III, and DEC violated 18 U.S.C. § 1962(c) by being associated with an enterprise engaged in or the activities of which affect interstate or foreign commerce to conduct or to participate, directly or indirectly, in the conduct of such enterprise affairs through a pattern of racketeering activity.

80. Integ, Godfrey Garza, Jr., VDCS, Annie Q. Garza, Godfrey Garza, III, and DEC violated 18 U.S.C. § 1962(d) by conspiring to violate § 1962(c).

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

81. A RICO Act claim under 18 U.S.C. §§ 1962(c) and (d) requires a plaintiff to prove: (1) a person engaged in (2) a pattern of racketeering activity connected to (3) the conduct or control of an enterprise.

82. **Person:** All of the Defendants are "persons" under 18 U.S.C. 1961(3). Each Defendant is an "individual or entity capable of holding a legal or beneficiary interest in property."

83. **Racketeering Activity:** A "racketeering activity" as defined by 18 U.S.C. § 1961(1) includes, *inter alia*, any act or threat involving bribery which is chargeable under State law and punishable with imprisonment for more than one year and any act which is indictable under 18 U.S.C. § 201, 18 U.S.C. §1341, 18 U.S.C. § 1343, 18 U.S.C. § 1513(b); 18 U.S.C. § 1952; and 18 U.S.C. § 1957.

84. **Texas Penal Code § 36.02 (State Law Bribery):** Integ, Godfrey Garza, Jr. (for himself and Integ), VDCS, Annie Q. Garza, Godfrey Garza, III, and DEC committed the "racketeering activity" of bribery under Section 36.02 of the Texas Penal Code and the crime is punishable with imprisonment for more than one year. Integ, Godfrey Garza, Jr. (for himself and Integ), VDCS, Annie Q. Garza, Godfrey Garza, III, and DEC intentionally or knowingly offered, conferred, or agreed to confer on another or solicited, accepted, or agreed to accept from another a benefit in the form of money and property for the consideration of the recipient's decision, opinion, recommendation, vote or other exercise of discretion as a public servant, party official, or voter. Integ and Godfrey Garza, Jr. were public servants or public officials per their roles as General Managers of the District.

85. Additionally, Integ, Godfrey Garza, Jr., VDCS, Annie Q. Garza, Godfrey Garza, III, and DEC intentionally or knowingly offered, conferred, or agreed to confer on another or solicited, accepted, or agreed to accept from another a benefit (in the form of money routed

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

through VDCS) because the benefit was offered, conferred, solicited, accepted, or agreed to pursuant to an express agreement to grant DEC contractor status and DEC would not have been granted such status or contracts but for the benefit.

86. **18 U.S.C. § 201 (Bribery)**: DEC (by hiring VDCS, by paying VDCS an inflated price, by ordering Dos Logistics to hire VDCS, by paying VDCS for services it was not qualified to render, and by paying VDCS for services it did not provide) directly or indirectly gave money and property to Godfrey Garza, Jr. and Integ with the intent to influence Godfrey Garza, Jr.'s and Integ's official acts in recommending or approving DEC's contractor status. Furthermore, Godfrey Garza, Jr. and Integ accepted such payments with the requisite intent. DEC made these transfers of money and property with the requisite intent.

87. Godfrey Garza, Jr. and Integ are "public officials" as contemplated by 18 U.S.C. 201. A person that occupies a position of public trust with official federal funds or responsibilities is considered a "public official" for purposes of 18 U.S.C. § 201. Godfrey Garza, Jr. and Integ held positions of public trust with official federal funds or responsibilities in the sense that Godfrey Garza, Jr. was responsible for overseeing the spending of federal funds awarded to the District.

88. Integ and Godfrey Garza, Jr., as the District's General Manager, were charged with advising the Board of Directors to make decisions regarding drainage programs and projects for the District's taxpayers. While the Board makes final decisions regarding District priorities, policies, personnel, expenditures, and growth management, Integ and Godfrey Garza, Jr. were trusted to give the Board sound advice uncluttered by graft and conflicts of interest. Thus, Godfrey Garza, Jr. and Integ held a position of public trust.

89. Additionally, Godfrey Garza, Jr.'s position as General Manager included the management

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

of federal funds or responsibilities. The District's budget with respect to the federal project was funded primarily from two sources: local funding (bond proceeds and local taxes) and federal funding. Federal funds were provided to the District specifically for the federal project through DHS Award Number DHS-CBP-08-112-001. This was a an award paid in part via the federal American Recovery and Reinvestment Act. Also. At all relevant times, it was Godfrey Garza, Jr.'s responsibility to supervise the expenditure of these federal funds. Specifically, Godfrey Garza, Jr. and Integ were charged with overseeing DHS money on levee improvements that would support a border fence. Accordingly, Integ and Godfrey Garza, Jr. qualify as public officials under 18 U.S.C. 201 because as part of their responsibilities they recommended how federal funds provided to the District were allocated and spent, and because they oversaw the spending and allocation.

90. The Defendants are engaged in interstate acts of commerce and the acts alleged herein have a potential effect on commerce.

91. **18 U.S.C. § 1341 (Mail Fraud)**: Integ, Godfrey Garza, Jr., VDCS, DEC, Annie Q. Garza, Godfrey Garza, III and Jonathan Garza devised a scheme or artifice to defraud by means of transferring payments and other things through the U.S. Mail Integ, Godfrey Garza, Jr., VDCS, DEC, Annie Q. Garza, Godfrey Garza, III and Jonathan Garza all caused payments to be made through the mail. The District made payments through the mail to DEC and Integ based on fraudulent invoices delivered by Integ, Godfrey Garza, Jr., Annie Q. Garza and DEC. The Integ invoices were fraudulent because, among other things, they billed for work Integ and Godfrey Garza, Jr. did not do; they billed for construction management when DEC and other contractors were actually doing construction management; and for the other reasons set out in Part IV.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

92. DEC made payments through the mail based on fraudulent invoices that were sent or caused to be sent by VDCS, Annie Q. Garza, Godfrey Garza, III and Jonathan Garza. The VDCS invoices were fraudulent because they were in reality bills for bribes and kickbacks.

93. Integ and Godfrey Garza, Jr.'s mail fraud included acceptance of payments from the District that but for his fraud would not have been mailed. The scheme to defraud was with the intent to deprive another of the intangible right of honest services of Integ and Godfrey Garza, Jr..

94. VDCS, Godfrey Garza, III, Annie Q. Garza, and JG's mail fraud included acceptance of payments from DEC through the mail that but for Defendants' fraud and bribery would not have been mailed. The payments constituted bribes and kickbacks to Integ and Godfrey Garza, Jr.. The scheme to defraud was with the intent to deprive another of the intangible right of honest services of Integ and Godfrey Garza, Jr..

95. **18 U.S.C. § 1343 (Wire Fraud)**: Integ, Godfrey Garza, Jr., VDCS, Annie Q. Garza, Godfrey Garza, III and Jonathan Garza devised a scheme or artifice to defraud by means of wire, radio, or television communication in interstate commerce. Integ and Godfrey Garza, Jr. caused to be made payments by the District that were based on fraudulent invoices. The payments were made by check. Funds were then transferred between financial institutions or within financial institution by means of wire communications. Payments from DEC to VDCS were then turned over to Integ and Godfrey Garza, Jr. as bribes and kickbacks. Integ, VDCS, Annie Q. Garza, Godfrey Garza, III and Jonathan Garza all accepted illicit payments. The payments from DEC to VDCS were made by check. Funds were then transferred between or within financial institutions by means of wire communications. DEC, VDCS, Annie Q. Garza, Jonathan Garza, and Godfrey Garza, III made the payments, and Godfrey

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

Garza, Jr. and Integ accepted the payments, as part of an intentional scheme to get a public contract or get a public contract on more favorable terms than would be likely to be received otherwise therefore constituting a scheme to defraud the public. The wire fraud included acceptance and transmission of payments that but for bribery would not have been made. This scheme to defraud was with the intent to deprive another of the intangible right of honest services of Godfrey Garza, Jr. and Integ.

96. 1**8 U.S.C. § 1952 (Use of Interstate Mail to Aid in Racketeering Activity):** Integ, DEC, VDCS, Godfrey Garza, Jr., Annie Q. Garza, Godfrey Garza, III and Jonathan Garza used the mail or a facility in interstate commerce with the intent to distribute the proceeds of bribery or otherwise promoted, managed, established, carried on, or facilitated the promotion, management, establishment, carrying on, of bribery and theft of honest services.

97. **18 U.S.C. § 1956 (Money Laundering):** VDCS, DEC, Integ, Annie Q. Garza, Godfrey Garza, III, Godfrey Garza, Jr., and Jonathan Garza, with the intent to promote unlawful activity, knowingly engaged in monetary transactions in criminally derived property. The criminally derived property was the payments VDCS, Annie Q. Garza, Godfrey Garza, III, and Jonathan Garza received from DEC. Such payments were bribes. When VDCS, Annie Q. Garza, Godfrey Garza, III and Jonathan Garza transferred portions of the payments to Integ and Godfrey Garza, Jr., such transfers amounted to money laundering. This scheme had the purpose and effect of concealing the source of money obtained by illicit means, namely bribery and theft of honest services

98. **18 U.S.C. § 1957 (Monetary Transactions Derived from Unlawful Activity):** VDCS, DEC, Integ, Annie Q. Garza, Godfrey Garza, III, Godfrey Garza, Jr., and Jonathan Garza knowingly engaged in monetary transactions in criminally derived property (bribery) of a

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

value greater than $10,000 in the United States.

99. **18 U.S.C. 1951 (Hobbs Act Extortion):** Integ and Godfrey Garza, Jr. acted under color of official light in committing the acts identified in Parts IV and V. VDCS, DEC, Annie Q. Garza, Godfrey Garza, III and Jonathan Garza conspired with Integ and Godfrey Garza, Jr. to achieve their illegal purpose, bribery.

100. Enterprise or Association in Fact 1: VDCS, Integ, DEC, Annie Q. Garza, Godfrey Garza, III, Godfrey Garza, Jr., and Jonathan Garza participated in an association in fact. They participated in an ongoing organization and each associate functioned as a continuing unit. The individuals and the entities run by the individuals associated together to commit several criminal acts as set forth herein which gave their association an ongoing nature allowing it to come within the purview of the RICO Act.

101. Enterprise or Association in Fact 2: Godfrey Garza, Jr., Integ and DEC participated in an association in fact. They participated in an ongoing organization and each associate functioned as a continuing unit. The individuals and the entities run by the individuals associated together to commit several criminal acts as set forth herein which gave their association an ongoing nature allowing it to come within the purview of the RICO Act.

102. Enterprise or Association in Fact 3: Integ, Godfrey Garza, Jr., VDCS, Annie Q. Garza, Godfrey Garza, III and Jonathan Garza participated in an association in fact. They participated in an ongoing organization and each associate functioned as a continuing unit. The individuals and the entities run by the individuals associated together to commit several criminal acts as set forth herein which gave their association an ongoing nature allowing it to come within the purview of the RICO Act.

103. Integ, Godfrey Garza, Jr., VDCS, Annie Q. Garza, Godfrey Garza, III and Jonathan Garza

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

and their agents and co-conspirators formed an association in fact for a common purpose of committing bribery. These individuals associated together to commit numerous acts constituting bribery over several years.

104. The specific acts of bribery include the following: (1) VDCS, Godfrey Garza, III, Annie Q. Garza, and Jonathan Garza received payments of the invoices identified in Part IV from the identified contractors without the contractors receiving something of reasonably equal value (that is, VDCS inflated its billing and the contractors paid the inflated billing to bribe Integ and Godfrey Garza, Jr.; (2) VDCS, Annie Q. Garza, Godfrey Garza, III and Jonathan Garza then transferred some of that money to Integ and Godfrey Garza, Jr.. Thus, their association in fact constituted an enterprise within the meaning of 18 U.S.C. § 1961(4).

105. Integ, Godfrey Garza, Jr., DEC, VDCS, Annie Q. Garza, Godfrey Garza, III, and Jonathan Garza and their agents and co-conspirators formed an association in fact for a common purpose of committing bribery. These individuals associated together to commit numerous acts constituting bribery over several years.

106. The specific acts of bribery include the following: (1) VDCS, Godfrey Garza, III, Annie Q. Garza, and Jonathan Garza received payments of the invoices identified in Part IV from DEC without DEC receiving something of reasonably equal value (that is, VDCS inflated its billing and DEC paid the inflated billing to bribe Integ and Godfrey Garza, Jr.); (2) VDCS, Annie Q. Garza, Godfrey Garza, III and Jonathan Garza then transferred some of that money to Integ and Godfrey Garza, Jr.. Thus, their association in fact constituted an enterprise within the meaning of 18 U.S.C. § 1961(4).

107. Integ, DEC and Godfrey Garza, Jr. and their agents and co- conspirators formed an association in fact for a common purpose of committing bribery. These individuals

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

associated together to commit numerous acts constituting bribery over several years.

108. The specific acts of bribery include the payments funneled through VDCS. Thus, their association in fact constituted an enterprise within the meaning of 18 U.S.C. § 1961(4).

109. There is a continuity of racketeering activity that can be established by pointing to a closed period of repeated conduct.

110. The unlawful activity of the VDCS/Integ/Godfrey Garza, Jr./DEC/Annie Q/ Garza/Godfrey Garza, III/Jonathan Garza enterprise started in or around 2007 and continued through January 28, 2014.

111. The unlawful activity of the Integ/Godfrey Garza, Jr./DEC enterprise started in or around Feburary of 2007 and continued through January 28, 2014.

112. The unlawful activity of the Integ/Godfrey Garza, Jr./VDCS/AG/TG/JG enterprise started in February of 2007 and continued through May 2, 2014.

113. These facts establish a closed period of repeated conduct.

114. As a direct and proximate result of the Defendants' violations of 18 U.S.C. §§ 1962(c) and (d) Plaintiff has suffered injury to its ordinary commercial interests. That is, it paid money to DEC and others that those persons and entities used to bribe Godfrey Garza, Jr. and Integ. Plaintiff was deprived of its tangible right to honest services from Godfrey Garza, Jr. and Integ. Plaintiff paid above market value on the projects identified above because Integ and Godfrey Garza, Jr. knew they would get a piece of the amounts paid to DEC and other contractors.

115. The injuries suffered by Plaintiff were reasonably foreseeable or anticipated by Integ, VDCS, Godfrey Garza, Jr., Godfrey Garza, III, Annie Q. Garza, DEC, and Jonathan Garza as the natural consequence of their acts.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

116. Plaintiff seeks treble damages. 18 U.S.C. § 1964(c).

Count 2:

Breach of Fiduciary Duty

117. At all times, Godfrey Garza, Jr. and Integ Corporation acted as the District's General Manager and as de facto or de jure employees of the District. Godfrey Garza, Jr. and Integ Corporation owed a fiduciary duty to the District and the taxpayers. This fiduciary duty required, among other things, that:

a. All transactions among Godfrey Garza, Jr., Integ and the District be fair and equitable to the District;

b. Godfrey Garza, Jr. And Integ make reasonable use of the confidence the District placed in them;

c. Defendants act in the utmost good faith and exercised the most scrupulous honesty towards the District;

d. Godfrey Garza, Jr. And Integ place the interests of the District above their own, not use the advantage of their positions to gain any benefit for themselves at the expense of the District, and not place themselves in any position where their self-interest might conflict with their obligations as a fiduciary; and

e. Godfrey Garza, Jr. And Integ fully and fairly disclose all important information to the District concerning the transactions.

118. Defendants Godfrey Garza, Jr. and Integ Corporation violated this fiduciary duty by:

a. causing the District to pay a percentage to Integ Corporation instead of a salary to Godfrey Garza, Jr.;

b. causing the District to pay funds to Integ Corporation that were not owed (i.e., 1.5%

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

of the construction costs from the federal project);

c. failing to fully and properly disclose the payments to Valley Data Collection Specialists, Inc. and the Garza family's interest in that company;

d. conspiring to have taxpayer funds paid to Valley Data Collection Specialists, Inc. as a kickback; and

e. causing Integ and Godfrey Garza, Jr. to be paid for work not actually performed.

119. These breaches of fiduciary duty caused millions of dollars in unearned and unjust payments to be made to Integ Corporation and Valley Data Collection Specialists, Inc., which in turn distributed these ill-gotten gains to Defendants Godfrey Garza, Jr., Annie Q. Garza, Godfrey Garza, III, and Jonathan Garza. For breach of this fiduciary duty, the District seeks actual and exemplary damages, as well as forfeiture of the payments made to Integ Corporation and Valley Data Collection Specialists, Inc.

Count 3:

Fraud

120. Defendants Godfrey Garza, Jr. and Integ Corporation committed fraud by making false representations to cause the District to pay them millions of dollars. Defendants Godfrey Garza, Jr. and Integ Corporation falsely represented that funds were due to them which were not actually due, and falsely represented that payments to certain contractors were proper for work performed by the contractors, when in truth a portion of the payments were designated for kickbacks disguised as subcontractor payments to Valley Data Collection Specialists, Inc. The District relied on these fraudulent representations and nondisclosures when making payments. Defendants misused their position by placing the payment items on the consent agenda, where they knew they would not be closely analyzed. As a result of this fraud, the

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

District made millions of dollars in improper payments.

Count 4:

Breach of Contract

121. Defendant Integ Corporation breached its contract with the District by:

a. Paying itself 1.5% of the construction costs related to the federal project, when the contract only provided for payments related to construction management on the Phase II project;

b. Not actually performing the construction management services for which it caused the District to pay millions of dollars;

c. Not disclosing the conflicts of interest inherent with the subcontracts with Valley Data Collection Specialists, Inc. and the kickback scheme.

d. The District sues to recover the millions of dollars in damages caused by these breaches of contact, as well as its attorneys' fees.

Count 5:

Civil Conspiracy

122. Defendants Integ Corporation, Godfrey Garza, Jr., Valley Data Collection Specialists, Inc., Annie Q. Garza, Godfrey Garza, III, and Jonathan Garza entered into a civil conspiracy to defraud the District and cause Integ Corporation and Godfrey Garza, Jr. to violate their duties. This civil conspiracy included having DEC and other countractsors route kickbacks as subcontractor payments to Valley Data Collection Specialists, Inc., and then distributing those funds to the Godfrey Garza, Jr., Annie Q. Garza, Godfrey Garza, III, and Jonathan Garza. The unlawful, overt acts included failure to disclose the conflicts inherent in the use of a family-owned subcontractor, representing to the District that payments were for work

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

performed by contractors, when millions of dollars were actually going to be routed as kickbacks through the subcontractor scheme, and in submitting invoices to contractors for unnecessary work that was not fully performed or disclosed to the District. This civil conspiracy proximately caused millions of dollars in damages to the District.

Unjust Enrichment

123. It would be unconscionable for Defendants to retain the benefits obtained through their illegal and unethical schemes (including the payments related to the federal project and the kickbacks made through Valley Data Collection Specialists). The District seeks to recover the millions of dollars in unjust enrichment paid, directly or indirectly, to Defendants.

Constructive Trust

124. Defendants hold all of the assets and funds obtained through their scheme, fraud, conspiracy, and breach of fiduciary duty in constructive trust for the benefit of the district. The District seeks title to the assets and funds held in constructive trust.

VI.

DAMAGES

125. Plaintiff seeks to recover compensatory damages from Defendants. These damages include the assets obtained through their scheme, the funds improperly paid to Integ Corporation for services not actually performed, funds paid to Integ Corporation related to the federal project, and funds paid to Valley Data Collection Specialists as kickbacks/improper subcontractor payments. Defendants acted with fraud, malice, and gross negligence. Therefore, Plaintiff also seeks an assessment of exemplary damages against each defendant. Plaintiff also seeks to recover prejudgment interest, postjudgment interest, court costs, and attorneys' fees.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

126. Plaintiff's damages exceed the Court's jurisdictional minimum.

VII.

JURY DEMAND

127. Plaintiff demands a jury trial.

VIII.

CONCLUSION

128. Plaintiff asks the Court to enter judgment against Defendants, jointly and severally, for compensatory damages, against each Defendant for exemplary damages, and against Defendants, jointly and severally, for attorneys' fees, prejudgment interest, postjudgment interest, and court costs.

Electronically Filed
1/25/2018 12:48 PM
Hidalgo County District Clerks
Reviewed By: Marcos Lopez

Respectfully submitted,

/s/ Michael J. Blanchard
Texas Bar No. 24036231
COWEN | MASK | BLANCHARD
6243 IH-10 West, Suite 801
San Antonio, Texas 78201
Telephone: (210) 941-1301
Facsimile: (956) 504-3674
E-Mail for Service: efilings@cmbtrial.com

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been delivered, in the required manner, to all counsel of record in accordance the applicable Rules of Civil Procedure on January 25, 2018:

Ethan L. Shaw
Justin Fishback
SHAW COWART, LLP
1609 Shoal Creek Blvd., Ste. 100
Austin, TX 78701

Marcus C. Barrera
Barerra, Sanchez & Associates. P.C.
10113 N. 10th St., Ste. A
McAllen, TX 78504

Dennis Ramirez
Law Office of Dennis Ramirez, PLLC
111 N. 17th Street
Suite D
Donna, TX 78537

John W. Newton, III
ROACH & NEWTON, L.L.P.
One Westchase Center
10777 Westheimer Rd., Suite 212
Houston, TX 77042

/s/ Michael J. Blanchard