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FOR IMMEDIATE RELEASE
THURSDAY MAY 10, 2007
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**CHICAGO LAWYER EDWARD R. VRDOLYAK INDICTED IN ALLEGED
KICKBACK SCHEME INVOLVING GOLD COAST REAL ESTATE DEAL**

CHICAGO – A prominent Chicago lawyer and political figure, **Edward R. Vrdolyak**, was indicted today on federal fraud and bribery charges for allegedly scheming with cooperating businessman Stuart Levine to obtain a kickback for Levine from the sale of a building in Chicago's Gold Coast neighborhood for a condominium development. The alleged scheme was intended to defraud a north suburban medical school of money and property and of the honest services of Levine, who served on the medical school's board of trustees. The charges involve the medical school's sale of the former Dr. William M. Scholl School of Podiatric Medicine at 1001 North Dearborn St., for \$15 million in 2004 to Smithfield Properties Development LLC. Vrdolyak was the only defendant charged in the four-count indictment returned by a federal grand jury today and announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

Vrdolyak, 69, of Chicago, an attorney with the Vrdolyak Law Group, LLC, was charged with one count of mail fraud, two counts of wire fraud and one count of bribery. He will be arraigned at a later date in U.S. District in Chicago.

From 1971 to 1987, Vrdolyak was the City Council alderman from Chicago's 10th Ward. He also served as Cook County Democratic Party chairman from 1982 to 1988 and ran unsuccessfully as the Republican candidate for Mayor of Chicago in 1989. The charges are part of *Operation Board Games*, an ongoing federal public corruption investigation of insider-dealing, influence-peddling and kickbacks involving private interests and public duties related to various state boards and non-profit organizations.

“This case exposes the behind-the-scenes manipulation that the defendant and Levine allegedly engaged in to reap financial windfalls,” Mr. Fitzgerald said. “The alleged scheme to misuse Levine’s position and influence deprived the Chicago Medical School of the honesty and integrity that it was entitled to receive from a member of its board of trustees.”

Mr. Fitzgerald announced the charges together with Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; James Vanderberg, Special Agent-in-Charge of the U.S. Department of Labor Office of Inspector General in Chicago; Thomas P. Brady, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago; and Byram Tichenor, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division in Chicago.

According to the indictment, the Rosalind Franklin University of Medicine and Science in North Chicago, then known as the Finch University of Health Sciences/Chicago Medical School (CMS), acquired the Scholl property at Dearborn and Oak streets in 2002 and decided to sell the real estate and building that housed the Scholl podiatric medicine school. Levine was a trustee of the Chicago Medical School and was the chair of the board’s real estate committee, which managed the sale of the Scholl property.

Levine, 61, of Highland Park, pleaded guilty last year to mail fraud and money laundering and is awaiting sentencing while cooperating in the ongoing investigation.

Between 2002 and June 2006, the indictment alleges that Vrdolyak and Levine fraudulently sought to obtain a kickback for Levine's benefit in connection with the sale of the Scholl Property. Vrdolyak and Levine agreed that Vrdolyak would solicit Smithfield Properties to purchase the Scholl property and that Levine, with Vrdolyak's knowledge, would misuse, and did misuse, Levine's position and influence as a Chicago Medical School trustee to arrange the sale in exchange for a payment that would benefit Levine. Vrdolyak ultimately entered into an agreement with Smithfield to receive \$1.5 million after Smithfield acquired the Scholl property and repaid certain project costs. Vrdolyak and Levine agreed that after Vrdolyak received the \$1.5 million, Vrdolyak would deliver a portion of that amount to Levine, the indictment alleges. Because of the incomplete nature of the sale transaction and the federal investigation, Vrdolyak and Levine never received the alleged kickback.

More specifically, the scheme allegedly began in 2002 when Levine contacted Vrdolyak and discussed with him CMS's sale of the Scholl property. Vrdolyak and Levine allegedly agreed that Vrdolyak would identify a purchaser for the property and that Levine would misuse his position and influence as a CMS trustee to ensure that this purchaser obtained the property in exchange for a kickback to Levine. Vrdolyak told Levine that Smithfield was interested in purchasing the property, the indictment alleges, and Vrdolyak directed Levine to contact the development firm. After Levine met with Smithfield, the firm began to negotiate with CMS to purchase the Scholl property.

As part of the scheme, Levine misused his influence to cause CMS to negotiate only with Smithfield and to direct CMS's agents or employees not to pursue and to reject inquiries about the Scholl Property from other potential buyers.

Levine and Vrdolyak allegedly discussed payment of Levine's kickback to the Northshore Supporting Organization (NSO), a charitable trust from which Levine personally benefitted. In March 2003, Levine caused a draft agreement to be prepared and sent to a representative of Smithfield, which provided that Smithfield agreed to pay \$2 million in cash to NSO by December 31, 2005. A Smithfield representative subsequently told Levine that Smithfield declined to make a payment in this manner. Vrdolyak and Levine eventually agreed instead that Vrdolyak would receive a payment from Smithfield, and that Vrdolyak and Levine then would split this payment, according to the charges.

In March 2003, Levine used his position and influence with CMS to induce the school's board of trustees to vote to negotiate an agreement with Smithfield to purchase the Scholl property for approximately \$9.5 million. Levine voted and spoke in favor of this proposal. Approximately two months later, when competing proposals to purchase the property for at least approximately \$15 million were made known to CMS, Levine caused these proposals to be disclosed to Smithfield and Vrdolyak. The two men then allegedly agreed that Vrdolyak would discuss these higher-priced proposals with Smithfield. In early June 2003, Vrdolyak told Levine that Smithfield had decided to increase its offer to approximately \$15 million, and they allegedly agreed that Levine would use his position and influence with CMS to ensure that trustees accepted Smithfield's increased offer to ensure that Vrdolyak would receive the payment from Smithfield. Shortly before June 5, 2003,

Smithfield advised CMS of its offer to purchase the Scholl property for approximately \$15 million, the indictment states.

On June 5, 2003, Levine used his position and influence with CMS to induce the board of trustees to vote to accept Smithfield's offer and enter into a purchase agreement to sell the property. Levine voted to approve this purchase agreement and Levine took steps to cause other CMS trustees to vote to approve the purchase agreement. Vrdolyak allegedly knew that Levine did not disclose to CMS that Vrdolyak and Levine had agreed that Levine would receive a kickback in connection with Smithfield's purchase of the property and that Vrdolyak would receive the payment from Smithfield on behalf of Levine.

In furtherance of the alleged scheme, Vrdolyak entered into an agreement with Smithfield calling for the developer to pay Vrdolyak a fee of 10 percent of its purchase price of the Scholl property, or \$1.5 million. Vrdolyak and Smithfield agreed that the fee would be paid at a future date, upon the completion of the condominium development and the repayment of certain expenses and financing, according to the indictment, and Vrdolyak gave a copy of the agreement to Levine. The sale of the Scholl property to Smithfield closed on November 1, 2004. The Scholl College building was demolished and an upscale condominium tower on the site is nearly complete.

As part of the fraud scheme, Vrdolyak and Levine allegedly had a series of discussions continuing through June 2006 about when Vrdolyak would receive the \$1.5 million from Smithfield and how they would arrange for Levine secretly to get his money from Vrdolyak. At different times, Vrdolyak and Levine allegedly discussed disguising Vrdolyak's transfer of the money to Levine through various subterfuges: by arranging for Vrdolyak to make a sham loan to Levine's wife; by having Vrdolyak repay a loan that Levine would make with a business associate of Vrdolyak's; and

by having Vrdolyak make payments to Levine in cash. During this time, Vrdolyak talked with Smithfield about the timing of the development firm's payment to Vrdolyak, who then shared this information with Levine, according to the indictment.

Vrdolyak allegedly knew, notwithstanding Levine's position as a trustee of CMS, that Levine intentionally concealed from and failed to disclose to CMS material facts relating to the financial arrangements for Smithfield purchase of the Scholl property, including their agreement that Levine would misuse his position and influence as a trustee and accept a kickback in connection with that transaction.

The government is represented by Assistant U.S. Attorneys Kaarina Salovaara and Christopher Niewoehner.

If convicted, each count of mail fraud and wire fraud carries a maximum penalty of 20 years in prison and a \$250,000 fine, and the bribery count carries a maximum penalty of 10 years in prison and a \$250,000 fine. The Court, however, would determine the appropriate sentence to be imposed.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendant is presumed innocent and is entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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