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**TWO AREA CONTRACTORS CHARGED WITH FRAUD INVOLVING MINORITY
AND WOMEN SET-ASIDES FOR GOVERNMENT CONSTRUCTION CONTRACTS**

CHICAGO — Two owners of area construction businesses are facing federal charges for allegedly using companies they controlled to fraudulently obtain government contracts set-aside for owners of minority, women and disadvantaged business enterprises (M/W/DBEs). The charges in two separate cases made public today stem from an ongoing public corruption investigation by federal, state, and local authorities of alleged fraud by businesses falsely purporting to be minority- or women-owned, or by legitimate non-majority businesses being used as sham pass-through sub-contractors on public works projects.

In one case, the owner of two Lockport construction companies certified as woman-owned and/or disadvantaged businesses was charged with fraudulently using her companies as sham pass-through sub-contractors as part of a scheme to help prime contractors meet the City of Chicago and other local governments' set-aside requirements for construction contracts. The defendant, **Elizabeth Perino**, owner of Perdel Contracting Company and Accurate Steel Installers, Inc., allegedly acted as a sham pass-through on contracts with Prime Contractor A, a construction firm with billions of

dollars worth of government and private contracts, as well as with the owner of Prime Contractor B, who was cooperating with law enforcement.

As far back as 2006, Perdel Contracting, which specializes in concrete and carpentry, and Accurate Steel (ASI) allegedly acted as sham WBE sub-contractors for Prime Contractor A on Chicago's North Avenue bridge reconstruction project. In addition, Perino's companies allegedly acted as fraudulent pass-through WBE sub-contractors for Prime Contractor A on the Red Line and Brown Line projects for the Chicago Transit Authority, and Perdel Contracting is a DBE sub-contractor on Prime Contractor A's Wacker Drive reconstruction project.

Perino, 57, of Willowbrook, was charged with mail fraud in a criminal complaint that was unsealed today. She was released on her own recognizance after appearing this morning before U.S. Magistrate Judge Maria Valdez in U.S. District Court. Both of her companies have been certified as a WBE and a DBE by government entities, including the City of Chicago and the Illinois Department of Transportation. Perino has served on IDOT's Task Force for DBE Regulations.

In the second case, **Anthony Cappello**, 48, of Homer Glen, the owner of Diamond Coring, Inc., a Chicago concrete sawing and drilling company, was charged with one count of mail fraud in a criminal information filed today in Federal Court. Cappello allegedly obtained contracts worth more than \$2.3 million by operating the Stealth Group, Inc., also known as SGI, as a fraudulently certified WBE and DBE. He will be arraigned at a later date in U.S. District Court. Cappello allegedly sought millions of dollars of sub-contracts, and fraudulently obtained more than \$2.3 million, from the City of Chicago, Cook County, and the State of Illinois between 1999 and 2006.

"Illegally using companies to obtain work set-aside for businesses owned by women or minorities cheats not only the governments that provide opportunities to bid on public contracts, but

it also prevents legitimate minority- and women-owned businesses from competing to obtain work on such projects,” said Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

Mr. Fitzgerald announced the charges with Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Michelle McVicker, Special Agent-in-Charge of the U.S. Department of Transportation Office of Inspector General in Chicago; James Vanderberg, Special Agent-in-Charge of the U.S. Department of Labor Office of Inspector General in Chicago; Joseph Ferguson, Inspector General for the City of Chicago; and Illinois Attorney General Lisa Madigan. The City of Chicago’s Department of Procurement Services assisted the investigation, which is continuing, the officials said.

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The complaint alleges various instances in which Perino allegedly falsely represented to government entities that her companies were performing legitimate services on public works projects when, in fact, they were often acting only in a pass-through capacity, enabling prime and sub-contractors to secure large government contracts and avoid requirements intended to benefit women- or minority-owned and disadvantaged business enterprises.

According to the complaint affidavit, Perino acted as a pass-through on contracts with Prime Contractor A by billing for work that her companies did not perform, manage or supervise. In fact, Prime Contractor A negotiated prices with Perdel Contracting and ASI sub-contractors, determined quantity and quality of material, ordered the material, and installed the material. Perino and Prime Contractor A certified to the various government entities that Perino had performed work and Prime

Contractor A took credit for pass-through payments made to Perino so that Prime Contractor A could meet its DBE goals.

The complaint charges that Perino engaged in a fraudulent scheme with an individual identified as CW1, who owns a company identified as Prime Contractor B that performs work for the City of Chicago and other government entities. CW1, who was cooperating with law enforcement at the time, had Prime Contractor B bid on a June 2011 city contract that required five percent WBE participation. At the direction of law enforcement, CW1 met with Perino to determine whether Perino would agree to use Perdel Contracting as a pass-through WBE for CW1 and Prime Contractor B's bid on the June 2011 contract, which was worth \$9 million the last time the city awarded a similar contract.

Perino and Individual A, an employee of her companies, allegedly agreed to have Perdel Contracting act as a pass-through WBE by performing street sweeping work normally done by Prime Contractor B by placing Prime Contractor B's employees on its payroll to do the work; using Prime Contractor B's equipment to perform the work; entering into a sham contract to "purchase" the street sweeping equipment from Prime Contractor B; titling the equipment in Perdel Contracting's name; and having a side agreement to give the equipment back to Prime Contractor B for \$1 when the contract ended. CW1 told Perino that he listed Perdel Contracting in his bid as \$225,000 WBE subcontractor. CW1 later told Perino that CW1 was the only bidder on the city contract.

In a conversation on June 27, 2011, CW1 told Perino that the city was conducting a compliance audit on a previous contract and that CW1 had to provide the city with information about MBE and WBE participation, stating that he had not met his goals. Two days later, CW1 met with Perino and her employee and told them that he needed to make-up approximately \$140,000 in past

WBE participation on the previous contract, dating back to January 2010. After further discussion, Perino allegedly said that CW1 would have to issue her a purchase order so Perdel Contracting could bill CW1 for past work that Perdel Contracting had never performed on the previous contract. Specifically, the complaint alleges that they agreed that Perdel Contracting would bill CW1 for work renting equipment to Prime Contractor B, which had never happened. After Prime Contractor B paid the false bill, Perino would return some of that money, creating a paper trail that would falsely show that the returned money was for the purchase of two of CW1's street sweepers, thereby setting up the sham purchase contract that was part of the agreement to use Perdel Contracting as a pass-through WBE for Prime Contractor B's bid on the June 2011 contract. The mail fraud charge alleges that on July 6 Perino sent CW1 false documents including a backdated estimate, a backdated letter of intent, a false invoice for \$95,648, and a false certification of work so that Prime Contractor B could use the documents to falsely inform Chicago authorities that Perdel Contracting had provided \$95,648 in equipment rentals to Prime Contractor B as of June 30, 2011, even though Perdel Contracting had not provided any such equipment.

United States v. Cappello

According to the charges, Cappello obtained certification for SGI as a WBE by falsely representing that Individual A controlled and owned SGI when she allegedly devoted only a minimal amount of time to SGI. In reality, the information alleges, the company was operated by Cappello and another individual. By fraudulently obtaining the certification and holding SGI out as a legitimate WBE, Cappello allegedly obtained business required by law to be set-aside for WBE businesses. Among the contracts that Cappello and SGI allegedly fraudulently obtained was a \$1.1 million prime contract with the City of Chicago.

The charges allege that individuals on SGI's payroll actually reported to Cappello and Diamond Coring. In addition, Diamond Coring employees were dispatched to perform work in Diamond Coring trucks bearing SGI logos to conceal the fact that SGI was not a legitimate WBE or DBE. As part of the scheme, Cappello allegedly caused SGI to represent that it had a business address at a location from which it never operated in order to conceal the fact that it was using Diamond Coring's office space.

In both cases, the government is represented by Assistant U.S. Attorneys Brandon D. Fox and Margaret J. Schneider.

The mail fraud count in each case carries a maximum penalty of 20 years in prison and a \$250,000 fine. As an alternative, the Court may impose a maximum fine equal to twice the loss to any victim or twice the gain to any defendant, whichever is greater and restitution is mandatory. If convicted, the Court must impose a reasonable sentence under federal statutes and the advisory United States Sentencing Guidelines.

The public is reminded that charging documents are not evidence of guilt. The defendants are presumed innocent and are entitled to fair trials at which the government has the burden of proving guilt beyond a reasonable doubt.

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