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**U.S. INDICTS FORMER ILLINOIS GOV. GEORGE RYAN FOR ALLEGED PUBLIC
CORRUPTION DURING TERMS AS SECRETARY OF STATE AND GOVERNOR**

66th defendant indicted in 5-year-old *Operation Safe Road* corruption probe

CHICAGO -- Former Illinois Gov. **George H. Ryan, Sr.**, was indicted today by a federal grand jury on racketeering conspiracy, mail and tax fraud and false statements charges alleging public corruption during his terms as Illinois Secretary of State from 1991 to 1999 and as Governor from 1999 to 2003. Ryan and certain of his associates allegedly engaged in a pattern of corruption that included performing official government acts, awarding lucrative government contracts and leases, and using the resources of the State of Illinois for the personal and financial benefit of Ryan, members of his family, his campaign organization and certain associates.

The indictment alleges that Ryan received illegal cash payments and gifts, vacations and personal services, and that members of his family received cash, loans, gifts and services totaling approximately \$167,000. In addition, Ryan allegedly directed payments totaling more than \$300,000 to Donald Udstuen, an associate and co-defendant. These transactions were allegedly concealed and disguised to prevent public exposure and possible criminal prosecution. In addition, the indictment alleges that Ryan repeatedly lied to federal agents about facts material to the investigation.

Mr. Ryan was added as a defendant in the second superseding indictment against Chicago businessman **Lawrence E. Warner**, who was initially indicted last year for allegedly using his

influence and control over the Secretary of State Office (SOS Office) for the personal and financial benefit of himself and others. The new indictment alleges that Warner received approximately \$3 million in profits from SOS contracts and leases since 1991. The 22-count indictment is part of *Operation Safe Road*, the ongoing five-year-old investigation of corruption in the Illinois Secretary of State's Office and Governor's Office between 1990 and 2002, announced Attorney General John Ashcroft and Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

Attorney General Ashcroft said: "On the stone walls of the Justice Department in Washington are chiseled the words: 'No free government can survive that is not based on supremacy of the law.' When a public official abuses his office, he drains the reservoir of public trust on which our democratic institutions rely.

"In bringing these indictments, the Justice Department is seeking to protect the faith the American people must have in their government."

Mr. Fitzgerald said: "The citizens of Illinois have a fundamental right to honest government. They should expect and receive nothing less. The charged conduct by former Governor Ryan reflects a disturbing violation of that trust. Ryan is charged with betraying the citizens of Illinois for over a decade on state business, both large and small. By giving friends free rein over state employees and state business to make profits – and by steering those profits to his friends and, at times, his family, defendant Ryan sold his office. It is equally disturbing that Ryan is charged with concealing illegal activity and obstructing justice during the investigation. That a sitting governor allegedly would lie to the FBI agents investigating corruption on his watch is a dismal state of affairs. I commend the investigators who set out five years ago to find the facts and never stopped digging."

Mr. Fitzgerald announced the charges with Thomas J. Kneir, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Anita L. Davidson, Inspector-in-Charge of

the Northern Illinois Division of the U.S. Postal Inspection Service; James W. Martin, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division; and Dieter Harper, Special Agent-in-Charge of the Midwest Region of the U.S. Department of Transportation Office of Inspector General. The investigation is continuing, they said.

Ryan, 69, of Kankakee, who was elected Secretary of State in 1990, re-elected in 1994, and elected Governor in 1998, was charged with racketeering conspiracy, nine counts of mail fraud, three counts of making false statements, one count of income tax fraud and four counts of filing false federal income tax returns. Warner, 65, of Chicago, identified as owning and operating several businesses – a fire insurance adjustment firm, a construction maintenance and supervision firm and two consulting companies – was charged with racketeering conspiracy, seven counts of mail fraud, two counts of money laundering, and one count each of extortion and illegally structuring a monetary transaction. The indictment also seeks forfeiture against Ryan and Warner of more than \$3.1 million in proceeds from the alleged racketeering activity, along with Warner’s financial interest in the assets of the two companies that own buildings leased by the SOS Office.

Both defendants will be arraigned at a date to be determined later in U.S. District Court. The case is assigned to U.S. District Judge Rebecca Pallmeyer. Warner previously pleaded not guilty to indictments returned against him earlier in this case.

Two co-defendants charged with Warner previously – Udstuen, formerly an executive with the Illinois State Medical Society and the Illinois State Medical Insurance Exchange, and businessman Alan Drazek – pleaded guilty to tax fraud conspiracy charges. They are cooperating with the government and awaiting sentencing.

Racketeering Conspiracy

The racketeering conspiracy count against Ryan and Warner alleges that they were associated with the State of Illinois, an enterprise engaged in interstate commerce, and acted together with other individuals and entities – including Udstuen; Associate 1, a longtime state government lobbyist; Scott Fawell, Ryan’s former campaign manager and chief of staff in the SOS Office; Citizens for Ryan (CFR), Ryan’s campaign committee; Drazek; Associate 2, who owned a commercial building in South Holland, Ill. and vacation properties in Jamaica and California; and Individual 1, a suburban Chicago businessman. Beginning in November 1990 to at least 2002, Ryan and Warner allegedly conducted the affairs of the enterprise through a pattern of racketeering activity that included multiple acts of mail fraud, money laundering, extortion, state bribery and obstruction of justice.

Fawell is serving 78 months in prison after being tried and convicted earlier this year of corruption charges. Citizens for Ryan also was convicted of racketeering conspiracy and agreed to forfeit \$750,000 to the government.

As part of the racketeering conspiracy, the indictment alleges that Ryan and Warner defrauded the people of the State of Illinois and the State of Illinois of money, property and the right to the honest services of Ryan, in his capacity as a state official, and of other state officials. It further alleges that:

- Warner and other associates provided personal and financial benefits to, and for the benefit of, Ryan, his family members, third parties affiliated with him, and CFR, due to Ryan’s official position, and for the purpose of influencing and rewarding Ryan in the exercise of his official authority;
- Ryan knowingly took actions in his official capacity to benefit the personal and financial interests of Warner and certain associates, while illegally concealing his financial relationship with Warner and certain associates;
- Ryan knowingly permitted Warner and certain associates to participate in the governmental decision-making process, and provided them with material, non-public information relating to governmental decisions. With Ryan’s authority and concurrence, Warner and certain associates used this status and

information provided by Ryan to reap financial benefits for themselves, Ryan and third parties;

- Warner and Ryan, as well as certain other conspirators, engaged in financial transactions designed, in whole or in part, to conceal and disguise the nature, source, ownership, and control of the proceeds of the scheme, including the structuring of cash withdrawals from bank accounts, the payment of funds to third parties who acted as conduits and nominees; and the payment of cash and the writing of checks to cash;

- Warner and others committed and attempted to commit extortion by knowingly obtaining and attempting to obtain payments from vendors and prospective vendors of the SOS Office, induced by the wrongful use of actual and threatened fear of economic harm and under color of official right;

- Fawell, Ryan and other agents of CFR diverted, and caused the diversion of, SOS Office labor and resources for the personal and political benefit of Ryan, Fawell and CFR. Among the benefits alleged as part of the diversions scheme, Ryan proposed that certain individuals be given “consulting” payments from the 1995-96 presidential primary campaign of Texas Sen. Phil Gramm. Ryan, assisted by Fawell, determined that Ryan, Fawell and Richard Juliano, an aide to Fawell, would split more than \$32,0000 in “consulting” payments, using Drazek’s company to funnel the money they received. Ryan directed his share to certain family members who did not perform any bona fide services for the Gramm campaign. Ryan further allegedly at first omitted, and later made false statements about, the Gramm payments on his state and federal income tax returns; and

- Ryan and Fawell acted to terminate SOS Inspector General Department investigators and to reorganize the IG Department for the purpose of discouraging the legitimate investigation of improper political fund-raising activities and related official misconduct of SOS Office employees, in order to benefit Ryan personally and CFR.

As part of the fraud scheme alleged in the indictment, in March 1993, the Inspector General reported to Ryan that investigators located alleged fund-raising-related evidence – seizing a briefcase containing cash and fund-raising tickets – while investigating alleged official misconduct by SOS employees in the Libertyville driver’s license facility. In April 1994, an IG investigator reported directly to Ryan an alleged fund-raising motive regarding alleged official misconduct by an SOS employee in the Naperville licensing facility. In November 1994, IG Investigators learned that a driver involved in a widely-publicized fatal traffic incident may have obtained his commercial driver’s license illegally at the McCook driver’s license facility. After the allegations were learned of by an IG Investigator, they were reported to the Inspector General who, in turn, notified other high-ranking SOS Office officials of the allegations. To discourage investigations into improper political fund-raising activities, Ryan agreed to Fawell’s

recommendation in a December 1994 memo and authorized the termination or re-assignment of the majority of IG investigators. Between February and June 1995, most of the IG investigators were terminated or re-assigned. As a result, Ryan and Fawell disabled the IG Department and substantially hindered it from fulfilling its duties.

Mail Fraud

Benefits to Ryan

The mail fraud scheme included in the indictment alleges Ryan and those close to him receiving the following benefits from Warner, Associate 1 and other associates:

- as directed and approved by Ryan, the allocation and distribution to designated associates, including more than \$300,000 in payments to Udstuen, of proceeds obtained from vendors doing business with the State of Illinois;
 - financial support, in the form of a \$145,000 total investment to benefit Comguard, a private company engaged in the electronic monitoring of prisoners that had financial troubles throughout the 1990s and which Ryan supported in its efforts to obtain state business. Comguard was owned, in part, by a Ryan family member;
 - payments of cash and gifts on multiple occasions to Ryan that exceeded \$50. From at least August 1997 through 2002, the SOS Office and Ryan personally had stated policies of declining personal gifts, (the SOS Office policy included meals and entertainment) with a value of more than \$50 from any single prohibited source;
 - annual vacation benefits of between \$1,000 and \$2,000 in lodging to Ryan from Associate 2 between 1993 and 2002. Ryan was a guest each year at Associate 2's vacation home in Jamaica and at least twice at Associate 2's Palm Springs, Ca., home. To conceal the free lodging, Ryan and Associate 2 repeatedly engaged in sham transactions in which Ryan paid Associate 2 by check for the lodging and Associate 2 gave equal amounts of cash back to Ryan;
 - payments of cash, loans, gifts and personal service benefits to Ryan's family members, including a \$5,000 no-interest loan to a relative, payment of substantial expenses relating to a relative's wedding in 1997, more than \$6,000 in financial investments in a relative's business, and more than \$7,000 in non-compensated professional services to a family member;
 - forbearance on loans to a Ryan family member and to Comguard;
- and
- financial benefits to CFR, some of which were converted to Ryan's personal use. (Between 1991 and 2002, the indictment alleges that Ryan routinely used CFR funds and credit cards for his personal benefit, family members and third

parties. Illinois law generally permitted using campaign funds for personal purposes, as long as the personal expenses were reported on campaign finance disclosure reports. Ryan was also required to report the personal use of CFR funds on his federal and state income tax returns. Illinois law further permitted a former public official to use any outstanding balance in a campaign fund for personal use, provided again that the former official accurately and fully reported all such conversions of campaign funds on his federal and state income taxes. During his 1994 and 1998 campaigns, Ryan caused substantial CFR funds to be set aside for personal use in the event the respective campaigns were unsuccessful.)

As part of the fraud scheme, the indictment alleges that during the same period in which Warner, Associate 1, and others were providing Ryan and those close to him with undisclosed financial benefits, Ryan repeatedly provided Warner, Associate 1, and others with participation in, and material non-public information relating to, governmental decisions, resulting in financial and other benefits to Warner, Associate 1, and others.

Ryan's Relationship with Warner

In addition to the specific benefits described above that Warner provided to Ryan, his family and associates, the indictment details a series of official actions taken by Ryan that financially benefitted Warner.

Under the heading Authorizing Official Actions Related to Warner and Udstuen, the indictment alleges that in early 1991, Warner and Udstuen discussed a plan to make money from vendors and prospective vendors doing business with, and desiring to do business with the SOS Office. According to the indictment, in 1991, Warner advised Udstuen that, with Ryan's knowledge and approval, Warner would provide Udstuen with one-third of the proceeds that he obtained from certain vendors doing business with the SOS Office as a reward for Udstuen's past service to Ryan. Warner thereafter provided Udstuen with more than \$300,000, representing one-third of the proceeds that he obtained from American Decal Manufacturing and International Business Machines, even though Udstuen performed minimal or no services to earn these funds. Warner also

told Udstuen that Warner would be “taking care” of Ryan from his two-thirds share of the proceeds that he obtained from vendors doing business with the SOS Office.

At the outset in 1991, Warner and Udstuen allegedly agreed to conceal the flow of proceeds between them, with Warner using Drazek's company, American Management Resources, a direct mailing company, as a conduit for passing payments. Warner agreed to issue checks to Drazek, who in turn provided a substantial portion of the proceeds relating to American Decal and IBM back to Udstuen in cash, continuing until 1999.

More specifically, the indictment alleges that Ryan took official actions that financially benefitted Warner in connection with the following matters:

- The Validation Stickers Contract: From 1991 through 2000, Warner received approximately \$332,000 in payments from American Decal related to a contract to manufacture and print vehicle registration validation stickers, featuring a metallic security mark, that were required to be affixed to all Illinois license plates. At Ryan’s direction, Warner provided Udstuen one-third of the proceeds through payments made through Drazek’s American Management Resources firm.

In connection with this contract, in late 1992, a high-ranking SOS official in the Vehicle Services Department, identified in the new indictment as “SOS Official A,” informed Ryan that Warner was frequently intervening in the official’s job and manipulating SOS contracts. Ryan told SOS Official A that Warner was the official’s “friend” and directed the official to cooperate with Warner. In April 1993, Ryan intervened to assist Warner by directing SOS Official A to change the contract specifications back to include the metallic security mark, which advantaged American Decal and Warner’s efforts on the company’s behalf, and to retrieve the specifications back quietly from Central Management Services;

- The Title Laminates Contract: In August 1991, Warner told an American Decal official that in exchange for \$67,000, he would cause the SOS Office contract for title laminates (laminated strips affixed to vehicle titles for security purposes), which was then held by another vendor, to be awarded to American Decal. Based upon Warner’s statements, American Decal paid him \$67,000 and the contract was the awarded to American Decal;

- Computer-Related Contracts: Between 1993 and early 1999, Warner received more than \$990,000 in payments under a contract with IBM that awarded him a percentage of all revenues up to \$1 million that IBM received from SOS Office contracts, including the installation and maintenance of a mainframe computer

system and information technology services. Warner directed one-third of the proceeds to Udstuen through Drazek's company.

As part of the fraud scheme, in the summer of 1991, Warner, Udstuen and later Associate 1 met with representatives of Honeywell/Bull, which held the existing mainframe computer contract with the SOS Office. During the meetings, they indicated that in exchange payments totaling up to \$1 million, Honeywell would be awarded one or more computer-related contracts, including the mainframe computer upgrade contract. On Sept. 24, 1991, after Honeywell declined to pay Warner, Udstuen or Associate 1, Honeywell's representative reported their solicitation activities personally to Ryan. At the meeting with Honeywell, Ryan acknowledged that Udstuen and Warner were among his advisors, that Ryan had too much to lose to allow something like their alleged conduct to go on in his Administration and that he, Ryan, would "get to the bottom of it."

In 1992, shortly after the Honeywell meeting, Ryan hired SOS Official B as Director of the Information Services Department after the candidate was interviewed and recommended by Warner and Udstuen. In August 1996, based at least in part on actions taken by Warner, Ryan awarded the mainframe computer upgrade contract to IBM, with a value at the time of approximately \$25 million. In January 1996, Ryan also selected IBM, at Warner's urging, for a pilot project using computerized kiosks to enable citizens to renew vehicle titling and registration services;

- The Digital Licensing Contract: Between 1999 and November 2002, Warner received approximately \$800,000 in revenue related to a lobbying contract with Viisage Technologies, which had won an SOS state contract, to switch to a digital licensing system through which all Illinois automobile and truck drivers' licenses would be created and maintained through digital technology. In October 1996, after the SOS Office was evaluating the merits of a digital licensing system and Warner learned that SOS Official D preferred Viisage, Warner contracted to assist Viisage in its efforts to obtain the digital licensing contract with the SOS Office in return for a percentage of all gross revenues. To conceal his involvement, Warner excluded his name from the initial lobbying contract and knowingly failed to register as a lobbyist for Viisage. Before Ryan awarded the contract to Viisage in June 1997, Warner advised certain individuals to purchase stock in Viisage and profit from the subsequent award of the SOS contract to the Massachusetts company. In 1999, Warner paid Associate 1 \$36,000 from his Viisage proceeds even though Associate 1 performed no services for the company;

- The Automated System Consulting Contract: Between June 1992 and October 1994, Warner received approximately \$8,240 in payments from Northbrook, Ill.-based Affordable Temperature Control (ATC) related to a series of contracts to install an automated heating and cooling system for certain State Capitol Complex buildings in Springfield. After Warner arranged for ATC to receive the contracts and

ATC began work, Warner contacted ATC and indicated he wanted eight percent of the company's contract revenues. ATC then paid Warner as directed;

- SOS Photocopier Leases: On July 16, 1991, Warner, representing he was an agent of the SOS Office, solicited Modern Business Systems, Inc., to pay him \$2,000 a month, in return for guaranteeing that Modern Business Systems would be awarded additional business with the SOS Office for the use and service of photocopier machines. An official with Modern Business Systems declined Warner's solicitation;

- 17 N. State St. Lease: In April 1991, Warner contacted the property manager of a building at 17 N. State St., in Chicago, with regard to plans of the SOS Office to vacate 188 West Randolph and relocate. Warner entered into a contract with the property manager giving him a six percent commission on any SOS Office lease for the 17 N. State St. building. Warner omitted his name from the commission contract and caused it to be executed by a third party nominee who otherwise had no involvement in the lease. On Oct. 2, 1991, Warner caused the SOS Office to enter a six-year lease for the building, and between October 1991 and at least October 2001, Warner received approximately \$383,276 in commission payments related to the lease and its renewal;

- The Bellwood Lease: In 1992, Warner contacted SOS Official E and advised that the SOS Office had identified a building at 405 N. Mannheim Rd., in Bellwood, for potential use by the SOS Office's Department of Police. On Oct. 15, 1992, Warner obtained an ownership interest in the building, but concealed the interest by using a third party nominee. On Dec. 15, 1992, Ryan authorized the SOS Office to enter into a five-year lease for the building, and in March 1998, Ryan authorized the lease to be renewed for an additional five years. Between December 1992 and March 2003, Warner received approximately \$171,000 in proceeds related to the lease, a portion of which he applied toward a loan related to Comguard;

- The Joliet Lease: In early 1994, Ryan instructed SOS Official G to contact Warner to help locate a building for a new SOS Office lease. Warner arranged for SOS Official G to inspect a building at 605 Maple Road in Joliet. On Oct. 31, 1994, Warner obtained a substantial ownership interest in the building, but concealed the interest by using of a third party nominee. On Jan. 1, 1995, Ryan authorized the SOS Office to enter into a four-year lease for the building. Between January 1995 and March 1999, Warner received approximately \$387,500 in profit related to the lease.

Ryan's Relationship with Associate 2

Under the heading, Awarding an SOS Office Lease to Associate 2, in addition to receiving the vacation benefits from Associate 2, the indictment alleges that in early 1997, Ryan initiated contact with Associate 2 and proposed that the SOS Office lease a predominantly vacant commercial

building located in South Holland that was owned by an entity controlled by Associate 2. In negotiating the South Holland lease with Associate 2, SOS Official D reported directly to Ryan and obtained direction from him. Ryan allegedly signed the lease documents, including approving terms and conditions that benefitted Associate 2 and were not part of the standard SOS Office lease. Between May 1997 and June 2002, Associate 2 received approximately \$600,000 in lease payments from the SOS Office, according to the indictment.

Ryan's Relationship with Associate 1

Under the heading Authorizing Official Acts Relating to Associate 1, the indictment alleges that from at least the mid-1990s to 2002, Associate 1 provided personal and financial benefits to, and for the benefit of, Ryan, including payments of cash and gifts on multiple occasions to Ryan, vacation benefits, including a 1995 trip to Cancun, Mexico, and gifts and personal service benefits to Ryan's family members, including a \$2,200 vacation benefit to a Ryan daughter's family in 1999. Ryan allegedly concealed the benefits he received from Associate 1, and Associate 1 concealed the benefits he provided to Ryan. As part of the scheme, Ryan allegedly took official action to benefit Associate 1 relating to the following contracts and business opportunities:

- Awarding SOS Office Leases to Clients of Associate 1: In 1995 and again in 1997, Ryan authorized the SOS Office to enter into leases of property in Springfield from which Associate 1 received commissions totaling more than \$38,000;
- Awarding Grayville Prison to Client of Associate 1: On Feb. 23, 2001, Ryan informed Associate 1 that Ryan had selected Grayville to be the site of a new maximum security state prison. At the time, an aide to Ryan reminded Associate 1 that Grayville's selection was not public information. A short time later, Associate 1 met with a representative of a business group affiliated with Grayville and entered into an agreement to lobby for the selection of Grayville as the prison site, in return for \$50,000 in payments. During the two months after Associate 1 received his \$50,000 lobbying fee in March 2001, he allegedly structured cash withdrawals totaling approximately \$35,000, so that no single withdrawal exceeded \$10,000, the amount that would have caused the financial institution to notify the Internal Revenue Service of the withdrawals. On April 12, 2001, Ryan announced his selection of Grayville in a public ceremony at which he publicly acknowledged,

at Associate 1's recommendation, the efforts of Associate 1's client in promoting Grayville's selection;

- Referring Wisconsin Energy To Associate 1: In mid-1999, Ryan and Udstuen agreed that Udstuen should recommend Associate 1 as the lobbyist for Wisconsin Energy, which was seeking to hire an Illinois lobbyist to handle various regulatory and governmental issues in connection with a proposed project in the state. After Wisconsin Energy hired Associate 1 as its lobbyist, Associate 1 gave Udstuen \$4,000 in cash in the men's bathroom of a Chicago restaurant for making the referral. After providing Udstuen with \$4,000, Associate 1 told Udstuen that he was also "taking care" of Ryan, according to the indictment; and

- Hiring Associate 1 as a Lobbyist for MPEA: In 1999, Ryan directed that Associate 1 be hired as an additional lobbyist for the Metropolitan Pier and Exposition Authority, even though neither MPEA nor "Firm A," its principal outside lobbyist, was seeking any additional lobbying assistance at that time. Beginning in January 2000, at the direction of Fawell and Ryan, Firm A hired Associate 1 as a "sub-lobbyist" with an annual retainer of \$60,000 a year for three years. In 2000, Firm A had little or no work to give to Associate 1 and thus Associate 1's firm provided little or no lobbying services to MPEA. Understanding that Associate 1's firm would remain as a sub-lobbyist, Firm A later provided Associate 1's firm some basic assignments that had previously been performed by Firm A.

Awarding of Low-Digit License Plates by Ryan

Under the heading Authorizing the Award of Low Digit Plates To Those Providing Benefits to Ryan, the indictment alleges that during Ryan's two terms as Secretary of State from January 1991 to January 1999, Ryan personally approved the award of the most coveted low-digit plates. In early 1991, shortly after Ryan took office, he initiated contact with Individual 3 and Individual 3's friend and awarded each with low-digit plates as rewards for their arranging a \$75,000 no-interest loan from Individual 3's friend to CFR during the 1990 election, the indictment alleges. It adds that by 1995, Ryan met Individual 1, who desired to obtain low digit plates for himself and family members. Between March 1996 and December 1998, Ryan allegedly awarded Individual 1 a number of low-digit plates while receiving, annually, at least \$500 or more in personal checks from Individual 1. On Sept. 5, 1997, Ryan and Individual 1 met in-person at a Chicago social event, and Individual 1 expressed an interest in contributing \$2,000 to Ryan's gubernatorial campaign but did

not wish his contribution to be listed on campaign disclosure reports. To conceal the contribution, Ryan directed that Individual 1 make out four \$500 checks to Ryan and specified members of his family. As part of the fraud scheme, Ryan failed to disclose the financial benefits he received from Individual 1 in 1997 and 1998 until after federal investigators first questioned him on Oct. 16, 2000, about his relationship with Individual 1, the indictment alleges.

During his terms as Secretary of State, Ryan also allegedly approved low-digit plate requests made by Warner for his business associates, clients, employees and individuals he solicited to raise campaign funds for CFR. Ryan allegedly gave Warner preferential treatment and awarded more than 90 low-digit plates to Warner and third parties through Warner.

False Statements

As part of the fraud scheme and in three separate false statement counts, the indictment alleges that Ryan lied in three different interviews with agents during the grand jury investigation. On the following dates, Ryan allegedly made the following false material statements:

Jan. 5, 2000:

- Ryan said on each occasion he was a guest of Associate 2 in Jamaica, Ryan paid his own way and also paid all his own expenses, including lodging. Regarding lodging in Jamaica, Ryan said that the cost was \$1,000 per week, which he believed was the going rate for lodging at the property. Ryan further stated he paid the lodging fee out of his own pocket;
- Ryan was totally unaware of the pricing and contents of the South Holland lease and did not personally take part in the negotiation of the lease;
- Ryan had no recollection or knowledge of the original negotiations of the Joliet lease;
- Regarding Ryan's appointment of Warner to the McPier board, Ryan said it was a resigning board member's recommendation that Ryan appoint Warner and Ryan merely went along with the recommendation; and

- Inspector General Dean Bauer never informed him of the finding of the briefcase and the campaign fund-raising tickets at the Libertyville raid; and no one at the SOS Office, including Bauer, ever linked ticket sales to improper licensing;

Oct. 16, 2000:

- Ryan never had any discussions with Warner regarding Warner's interest in the Joliet lease or any SOS Office lease, and, further, Ryan had no personal knowledge of Warner profiting in any way regarding the Joliet lease;

- Ryan had no idea how Warner could have had advance knowledge of the SOS Office looking into a lease in the Joliet area and Ryan provided no advance information to Warner regarding future leases with the SOS Office; and

- Ryan had no personal financial relationship with Warner;

Feb. 5, 2001:

- With respect to a conversation on a boat trip with Individual 1 that resulted in Ryan receiving four \$500 checks from Individual 1, Ryan said that he did not give Individual 1 the name of his son, nor did he write down the names or addresses of his son or his son's wife and provide them to Individual 1.

Income Tax Fraud

The tax fraud count alleges that between January 1991 and December 2002, Ryan corruptly obstructed and impeded the Internal Revenue Service from making a correct determination of his income and collecting the taxes and penalties due the United States. As part of the fraud, on numerous occasions, Ryan used CFR funds to pay his and certain family members' personal expenses and to provide personal gifts (including travel related expenses) for the benefit of third parties, and misled and knowingly failed to inform agents of CFR, as well as Springfield-based Campaign Reporting Services (CRS), a firm hired by CFR to prepare its D-2 state campaign disclosure forms, and other outside firms preparing CFR's D-2s, of the numerous personal expenses he had incurred and personal gifts that he had purchased with CFR funds.

According to the charge, Ryan, acting together with other agents of CFR and others, caused income that he was receiving from both CFR and third parties to be diverted, paid and allocated to others, including family members, thus depriving the IRS of accurate information as to his true income, as well as the true income of the individuals to whom he diverted his income. Ryan wrote, and caused CFR agents to write, false and misleading notations on CFR checks issued to family members, indicating that checks were for “consulting” or “campaign work” when, in fact, the payments were gifts to family members.

From July 1996 through August 1997, Ryan allegedly caused CFR checks totaling \$55,000 to be issued to Ryan Relative One, purportedly for campaign-related services, knowing that his relative performed no services and that the payments were gifts directed by Ryan. From Aug. 7 through Nov. 6, 1998, Ryan issued and caused to be issued four CFR checks totaling \$6,000 payable to Individual 2, a caretaker for Ryan’s mother-in-law, the indictment alleges. Ryan caused the payments to be classified as “gifts” by CFR on the D-2, when, in fact, they were personal gifts from Ryan, it adds. Furthermore, to avoid public disclosure of the gifts he was giving to family members with CFR money on the D-2s, Ryan only gave CFR money directly to family members who did not share his Ryan surname, and he used third parties to funnel CFR funds to one or more family members who shared his surname.

The tax fraud count further alleges that Ryan spent cash that he received from third parties for his personal use, thus minimizing any documentation of his personal expenses. Such personal cash outlays included spending cash on frequent gambling trips to various casinos, cash expenses relating to out-of-state trips and cash payments for gifts to, and for the benefit of, members of his family. On more than one occasion, Ryan received money from political supporters that he deposited into his personal account and used for personal expenses without advising any agents of CFR, and thus knowingly caused these payments to be omitted from the D-2s filed by CFR. Ryan

failed to advise his accountants that he had received such payments and allegedly failed to report these payments as income on his federal tax returns.

The four counts of filing false individual federal income tax returns allege that for calendar years 1995-98, Ryan listed his adjusted gross income as being \$120,542 in 1995, \$137,908 in 1996, \$106,486 in 1997, and \$102,640 in 1998, when, in fact, he knew that his adjusted gross income was substantially in excess of those amounts. After announcing he was a candidate for Governor, Ryan filed amended tax returns for 1995 and 1996, increasing the amount of his adjusted gross income based on additional personal spending of CFR funds, but still omitting substantial income that he had received and diverted to family members or others, the indictment alleges.

Today's indictment brings to 66 the number of defendants, including at least 30 current or former state employees or officials, who have been charged since *Operation Safe Road* began in 1998. Of those, 59 have been convicted and cases are pending against seven defendants. The government is being represented by Assistant U.S. Attorneys Patrick M. Collins, Joel R. Levin and Laurie Barsella.

Each count of the offenses charged in the indictment carries the following maximum penalties: racketeering conspiracy, extortion and money laundering – 20 years in prison; structuring monetary transactions – 10 years in prison; mail fraud – 5 years in prison; and tax fraud and filing a false tax return – 3 years in prison. In addition, each count carries a maximum fine of \$250,000, except money laundering, which carries a maximum fine of \$500,000 or twice the value of the property involved, whichever is greater. As an alternative, some counts carry a maximum fine of twice the gross gain to any defendant or twice the gross loss to any victim, whichever is greater. If

convicted of the tax charges, Ryan must pay the costs of prosecution and he would remain liable for any taxes, penalties and interest owed. The Court, however, would determine the appropriate sentence to be imposed under the United States Sentencing Guidelines.

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

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