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MICHAEL W. DOBINS
CLERK, U.S. DISTRICT COURT

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)
)
)
v.)
)
EDWARD R. VRDOLYAK)

No. 07 CR 298
Violation: Title 18, United
States Code, Section 371
Judge Milton I. Shadur
Superseding Information

JUDGE SHADUR

MAGISTRATE JUDGE DENLOW

Conspiracy to Commit Mail and Wire Fraud

1. At times material to this Superseding Information:

Relevant Entities and Individuals

a. The Finch University of Health Sciences/Chicago Medical School ("Chicago Medical School" and "CMS"), now known as the Rosalind Franklin University of Medicine and Science, was a not-for-profit private educational institution located in North Chicago, Illinois. In approximately 2002, the Chicago Medical School acquired the Dr. William M. Scholl School of Podiatric Medicine, including a piece of real estate and a building at 1001 N. Dearborn Street, Chicago, Illinois ("the Scholl Property").

b. Stuart Levine was an attorney and businessman. In addition, Levine was a member of the Board of Trustees of the Chicago Medical School and he was the chair of the CMS Board of Trustees's Real Estate Committee. In those capacities, Levine owed a fiduciary duty and a duty of honest services to the Chicago Medical School.

c. Smithfield Properties Development LLC was a company that purchased and developed real estate property in the Chicago metropolitan area. Smithfield Properties

Development LLC formed multiple limited liability corporations in connection with its interest in acquiring the Scholl Property (collectively referred to as "Smithfield Properties").

d. Defendant EDWARD R. VRDOLYAK was an attorney in the Chicago metropolitan area.

e. In approximately 2002, the Chicago Medical School determined to sell the Scholl Property.

i. The CMS Real Estate Committee, chaired by Levine, managed the sale of the Scholl Property.

ii. CMS had a policy that it would not enter into a transaction with an entity that would result in a financial gain or advantage to a CMS trustee unless the trustee first disclosed his/her interest and abstained from voting on that transaction. CMS required that each trustee acknowledge and abide by the terms of this policy. Levine annually signed a Conflict of Interest Disclosure Statement acknowledging that he understood this policy and agreed to abide by it.

The Conspiracy To Defraud

2. Beginning no later than in or about the 2002 and continuing until at least January 2006, in the Northern District of Illinois, Eastern Division, and elsewhere,

EDWARD R. VRDOLYAK,

defendant herein, together with Stuart Levine and others known and unknown to the Grand Jury, did conspire and agree with each other to commit offenses against the United States, namely, to devise and participate in a scheme to defraud The Finch University of Health

Sciences/Chicago Medical School of money, property, and the intangible right to the honest services of Levine, by means of materially false and fraudulent pretenses, representations, and promises, and material omissions, and it was foreseeable that for the purposes of executing and attempting to execute such scheme, one or more members of the conspiracy did use and cause the use of private and commercial interstate carriers, and the transmission of wire communications in interstate commerce, in violation of Title 18, United States Code, Sections 1341, 1343, and 1346.

The Conspiracy To Defraud CMS In Connection With The Scholl Property

3. It was part of the conspiracy that in or about the summer of 2002, Levine contacted VRDOLYAK about the Scholl Property and CMS's sale of that property. VRDOLYAK knew that Levine was a member of CMS's Board of Trustees and the chair of the CMS Board of Trustees's Real Estate Committee, and that Levine owed a fiduciary duty and a duty of honest services to CMS.

4. It was further part of the conspiracy that VRDOLYAK and Levine discussed the Scholl Property, and VRDOLYAK and Levine agreed that VRDOLYAK would identify a purchaser for the Scholl Property who would pay a substantial fee for facilitating the purchase of the property, and that in turn Levine would steer the sale of the property to this purchaser and trigger payment of this fee.

5. It was further part of the conspiracy that VRDOLYAK then told Levine that Smithfield Properties was interested in purchasing the Scholl Property, and VRDOLYAK directed Levine to contact Smithfield Properties. VRDOLYAK knew that Levine met with

Smithfield Properties, and Smithfield Properties then began to negotiate with CMS to purchase the Scholl Property. Defendant and Levine later agreed that defendant would receive a payment from Smithfield Properties, and that defendant and Levine then would split this payment.

6. It was further part of the conspiracy that in approximately March 2003, Levine used his position and influence with CMS to induce the CMS Board of Trustees to vote to negotiate an agreement with Smithfield Properties for Smithfield Properties to purchase the Scholl Property for approximately \$9.5 million. Levine voted and spoke in favor of this negotiation.

7. It was further part of the conspiracy that in approximately May 2003, when competing proposals to purchase the Scholl Property for approximately \$15 million and approximately \$15.5 million, respectively, were made known to CMS, Levine caused these proposals to be disclosed to Smithfield Properties and VRDOLYAK. VRDOLYAK and Levine further agreed that VRDOLYAK would discuss these higher-priced proposals with Smithfield Properties.

8. It was further part of the conspiracy that in or about early June 2003, VRDOLYAK told Levine that Smithfield Properties had determined to increase its offer for the Scholl Property to approximately \$15 million. VRDOLYAK and Levine agreed that Levine would use his position and influence with CMS to ensure that the CMS Board of Trustees accepted Smithfield Properties's increased offer in order to ensure that VRDOLYAK would receive the payment from Smithfield Properties and provide a portion to Levine.

9. It was further part of the conspiracy that shortly before June 5, 2003, Smithfield Properties advised CMS of its offer to purchase the Scholl Property for approximately \$15 million.

10. It was further part of the conspiracy that on or about June 5, 2003, Levine used his position and influence with CMS to induce the CMS Board of Trustees to vote to accept Smithfield Properties's purchase offer and enter into a purchase agreement to sell the Scholl Property to Smithfield Properties for approximately \$15 million. Levine voted to approve this purchase agreement and Levine took steps to cause other CMS trustees to vote to approve the purchase agreement. VRDOLYAK knew that Levine used his position and influence with CMS to induce the CMS Board of Trustees to vote to accept Smithfield Properties's purchase offer for approximately \$15 million and enter into a purchase agreement. VRDOLYAK also knew that Levine did not disclose to CMS that VRDOLYAK and Levine had agreed that Levine would receive a kickback in connection with Smithfield Properties's purchase of the Scholl Property and that VRDOLYAK would receive the payment from Smithfield Properties and provide a portion to Levine.

11. It was further part of the conspiracy that after CMS agreed to sell the Scholl Property to Smithfield Properties, VRDOLYAK entered into an agreement with Smithfield Properties wherein Smithfield Properties agreed to pay VRDOLYAK a fee of 10% of its purchase price of the Scholl Property, or \$1.5 million. VRDOLYAK and Smithfield Properties agreed that the fee would be paid at a future date, upon the completion of the development of the Scholl Property and the repayment of certain expenses and financing. VRDOLYAK gave

a copy of the agreement to Levine.

12. It was further part of the conspiracy that on or about November 1, 2004, CMS and Smithfield Properties closed their purchase agreement transaction and Smithfield Properties acquired the Scholl Property.

13. It was further part of the conspiracy that VRDOLYAK and Levine had a series of discussions, continuing through approximately January 2006, regarding when VRDOLYAK would receive the \$1.5 million payment from Smithfield Properties and how VRDOLYAK and Levine would arrange for Levine secretly to get his money from VRDOLYAK. During this time period, VRDOLYAK talked with Smithfield Properties about the timing of Smithfield Properties's payment to VRDOLYAK and VRDOLYAK then shared this information with Levine.

14. It was further part of the conspiracy that, as VRDOLYAK knew, Levine intentionally concealed from and failed to disclose to CMS material facts relating to the financial arrangements for Smithfield Properties's purchase of the Scholl Property, including the agreement between VRDOLYAK and Levine that, notwithstanding Levine's position as a member of the CMS Board of Trustees, Levine would misuse his position and influence as a CMS trustee and accept a kickback in connection with that transaction.

Concealment

15. It was further part of the conspiracy that VRDOLYAK and Levine did misrepresent, conceal and hide, and cause to be misrepresented, concealed, and hidden, acts done in furtherance of the scheme and the purposes of those acts.

Overt Acts

16. In furtherance of and to accomplish the objectives of the conspiracy, one or more of the following acts were committed:

a. On or about June 9, 2003, VRDOLYAK caused Smithfield Properties to send to a CMS attorney by a private and commercial interstate carrier an envelope containing four original executed signature pages of the purchase agreement between Smithfield Properties and the Chicago Medical School relating to Smithfield Properties's purchase of the Scholl Property.

b. On or about March 11, 2004, VRDOLYAK caused Smithfield Properties to wire transfer \$200,000 from Smithfield Properties's account at LaSalle National Bank in Chicago through New York, New York to Chicago Medical School's account at First Midwest Bank in Waukegan, Illinois, which was part of Smithfield Properties's payment for the Scholl Property.

c. On or about November 1, 2004, VRDOLYAK caused Smithfield Properties to wire transfer \$1,546,088 from Smithfield Properties's account at MB Financial Bank in Chicago through New York, New York to an account at LaSalle National Bank in Chicago, which was part of Smithfield Properties's payment for the Scholl Property.

d. On or about November 1, 2004, VRDOLYAK caused Smithfield Properties to wire transfer \$400,000 from Smithfield Properties's account at MB Financial Bank in Chicago through New York, New York to an account at LaSalle National Bank in Chicago, which was part of Smithfield Properties's payment for the Scholl Property.

e. On or about November 1, 2004, VRDOLYAK caused Smithfield Properties to wire transfer \$128,884 from Smithfield Properties's account at MB Financial Bank in Chicago through New York, New York to an account at LaSalle National Bank in Chicago, which was part of Smithfield Properties's payment for the Scholl Property.

f. On or about November 1, 2004, VRDOLYAK caused Smithfield Properties to wire transfer \$9,353,912 from Smithfield Properties's account at MB Financial Bank in Chicago through New York, New York to an account at LaSalle National Bank in Chicago, which was part of Smithfield Properties's payment for the Scholl Property.

g. On or about November 1, 2004, VRDOLYAK caused Smithfield Properties to wire transfer \$11,279,121.50 from an account at LaSalle National Bank in Chicago through New York, New York to Chicago Medical School's account at Bank One in Chicago, which was part of Smithfield Properties's payment for the Scholl Property;

All in violation of Title 18, United States Code, Section 371.


UNITED STATES ATTORNEY