

SEALED

FILED & LOGGED

ADMITTED COPY

FEB 21 1988 P 1:40

U.S. DISTRICT COURT
DISTRICT OF ARIZONA

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

UNITED STATES DISTRICT COURT

DISTRICT OF ARIZONA

CR08-0212TUC

INDICTMENT CKJ/BPV

United States of America,

Plaintiff,

v.

- 1. Richard G. Renzi
(Counts 1-35)
- 2. James W. Sandlin
(Counts 1-27)
- 3. Andrew Beardall
(Counts 28, 33-35)

Defendants.

- Violations:
- 18 U.S.C. § 371
(Conspiracy: Counts 1 and 28)
 - 18 U.S.C. §§ 1343 and 1346
(Wire Fraud: Counts 2-10)
 - 18 U.S.C. § 1956(h)
(Money Laundering Conspiracy:
Count 11)
 - 18 U.S.C. § 1956(a)(1)(B)(i)
(Concealment Money Laundering:
Count 12)
 - 18 U.S.C. § 1957
(Transactions With Criminally
Derived Funds: Counts 13 -25)
 - 18 U.S.C. § 1951(a)
(Extortion: Counts 26-27)
 - 18 U.S.C. § 1033(a)(1) and (b)(1)
(Insurance Fraud: Counts 29-35)
 - 18 U.S.C. § 982, 18 U.S.C. §
981(a)(1)(C)
& 28 U.S.C. § 2461
(Criminal Forfeiture)

THE GRAND JURY CHARGES:

The Defendants

1. RICHARD G. RENZI ("RENZI") was a Member of the United States House of Representatives as Representative for Arizona's First Congressional District. He was first

1 elected in November 2002, and was reelected in 2004 and 2006. RENZI maintained
2 congressional offices in both Washington, D.C., and in the District of Arizona. At all times
3 relevant to this Indictment, RENZI was a member of the House of Representatives Natural
4 Resources Committee. RENZI received a Juris Doctor degree from the Columbus School of
5 Law, Catholic University of America, in 2001.

6 2. JAMES W. SANDLIN ("SANDLIN") was a real estate investor and business associate
7 of RENZI. SANDLIN was an active supporter of RENZI's 2002 congressional campaign as
8 well as subsequent campaigns. For example, on two occasions in 2002, SANDLIN caused the
9 issuance of \$121,000.00 in corporate checks to RENZI, who then transferred \$111,000.00 from
10 those checks to his 2002 congressional campaign account.

11 3. ANDREW BEARDALL ("BEARDALL") was an attorney admitted to practice in the
12 State of Maryland. From approximately November 2002 through December 2003, BEARDALL
13 served as President and General Counsel of an insurance agency owned by RENZI.

14 **Business Entities Owned by Renzi and Sandlin**

15 4. In or about 2001, RENZI owned and operated Renzi and Company, Inc. ("Renzi and
16 Company"), an insurance agency that provided a range of coverage specifically developed for
17 nonprofit organizations. On or about December 31, 2002, Renzi and Company changed its name
18 to Patriot Insurance Agency, Inc. ("Patriot Insurance"). On January 1, 2004, RENZI conveyed
19 his 100% interest in Patriot Insurance to his wife. Between December 2001 and March 2002,
20 RENZI transferred more than \$400,000.00 out of Renzi and Company/Patriot's insurance
21 premium trust account, then through other bank accounts, and ultimately to his congressional
22 campaign account.

23 5. From June 26, 1995 to June 26, 2003, RENZI was an owner of Renzi Investments, which
24 was principally engaged in developing real estate in Kingman, Arizona. From in or around 2001
25 through in or about June 2003, RENZI and SANDLIN were co-owners of Renzi Investments,
26 which was renamed Fountain Realty & Development, Inc. ("Fountain Realty"). In 2003
27 SANDLIN acquired the remaining interest from RENZI. SANDLIN remitted a cashier's check
28 for \$200,000.00 to RENZI, and gave RENZI an \$800,000.00 note, promising to pay RENZI that

1 amount in the future. As of January 1, 2005, SANDLIN still owed RENZI \$700,000.00 in
2 principal, and SANDLIN did not make the final payment to RENZI under their agreement until
3 on or about September 30, 2005.

4 **The Congress of the United States and Responsibilities**
5 **of Members of the United States House of Representatives**

6 6. RENZI and other Members of the House of Representatives were required to take the
7 following oath of office at the beginning of each new Congress:

8 I, [Member's Name], do solemnly swear (or affirm) that I will support and defend the
9 Constitution of the United States against all enemies, foreign and domestic; that I will
10 bear true faith and allegiance to the same; that I take this obligation freely, without any
11 mental reservation or purpose of evasion; and that I will well and faithfully discharge
12 the duties of the office on which I am about to enter: So help me God.

13 7. In addition to the above oath, the Rules of the United States House of Representatives
14 provided that:

15 a. a Member of the House of Representatives was prohibited from receiving outside
16 compensation as a result of the improper exercise of influence from the Member's
17 position in Congress; and

18 b. a Member was required to file truthful annual Financial Disclosure Statements with
19 the Clerk of the House.

20 8. RENZI also had a specific statutory duty each year, under Title I of the Ethics in
21 Government Act of 1978, as amended (5 U.S.C. app. 4, §101 et seq.), to file annual Financial
22 Disclosure Statements.

23 9. Consistent with his oath of office and the duties of the office he held, RENZI owed the
24 citizens of the United States and the United States House of Representatives a duty to perform
25 the responsibilities of his office free from deceit, self-dealing, bias, and concealment.

26 **Federal Land Exchanges**

27 10. A federal public land exchange is a real estate transaction in which a property owner
28 exchanges its privately owned land for federal public land. Before an exchange occurs, the
federal parcel and the non-federal land must be appraised to ensure that they are of equal value.
In addition to appraisals, land exchanges require compliance with the National Environmental
Protection Act and other environmental statutes. Acquisition of the private land must serve the

1 public interest. Public interest considerations include protection of fish and wildlife habitats,
2 cultural resources, watersheds and wilderness.

3 11. The Secretary of the Interior has authority to approve certain land exchanges. Some
4 land exchanges, such as those involving land in different states or land managed by different
5 federal agencies, require legislative approval. In the United States House of Representatives,
6 land exchanges fall under the jurisdiction of the Natural Resources Committee, of which RENZI
7 was a member.

8 12. Investment groups and private companies customarily acquire options to purchase
9 private real estate parcels of potential interest to the federal government in order to exchange
10 those private parcels of potential interest with existing federal land. Investment groups and
11 private companies customarily use options to purchase because of the uncertainty involved in
12 the approval process.

13 Two Federal Land Exchange Proposals Presented to RENZI

14 13. In 2004 and 2005, Company A owned the mineral rights to a large copper deposit
15 located near Superior, Arizona (the "Superior Property"), within RENZI's congressional district.
16 Company A was preparing to extract the copper from the Superior Property, but sought
17 ownership of the surface rights. The United States Government owned the surface rights.

18 14. In order to obtain the surface rights via a land exchange with the federal government,
19 Company A hired a consulting firm to assist in the process. The consulting firm's primary
20 function was to assist Company A to acquire private property that would be attractive to the
21 federal government, and then exchange these private parcels for the surface rights to the Superior
22 Property. The land exchange would need legislative approval by Congress. The Natural
23 Resources Committee would need to approve the proposed legislation prior to a floor vote in the
24 House of Representatives.

25 15. In April 2005, a separate group of investors, Investment Group B, approached RENZI
26 to discuss the possibility of RENZI sponsoring a federal land exchange (unrelated to Company
27 A's proposal) on its behalf. As with Company A's proposal, Investment Group B's proposal
28 would require legislative approval and undergo scrutiny by the Natural Resources Committee.

1 19. It was further an object of the conspiracy for SANDLIN and RENZI to conceal the
2 payment to RENZI of a substantial portion of the proceeds from the sale of Sandlin's real
3 property, because RENZI was having financial difficulty throughout 2005 and needed a
4 substantial infusion of funds to keep his insurance business solvent and to maintain his personal
5 lifestyle.

6 **MANNER AND MEANS OF THE CONSPIRACY**

7 20. RENZI would and did direct Company A to purchase the Sandlin Property and include
8 it in their land exchange proposal in order to obtain RENZI's support for their proposal in
9 Congress. When Company A failed to purchase the Sandlin Property, RENZI would and did tell
10 Company A, "no Sandlin Property, no bill."

11 21. RENZI would and did direct Investment Group B to purchase the Sandlin Property and
12 include it in their land exchange proposal in order to obtain RENZI's support for their proposal
13 in Congress.

14 22. RENZI and SANDLIN would and did conceal from Company A and Investment Group
15 B the fact that Sandlin owed Renzi \$700,000.00 in principal on the \$800,000.00 note.

16 23. Investment Group B paid SANDLIN approximately \$2.6 million for the sale of the
17 Sandlin Property, and gave him a note for an additional \$2 million.

18 24. As a result of the contract to sell the Sandlin Property to Investment Group B,
19 SANDLIN would and did pay \$733,000.00 to RENZI in 2005. SANDLIN first paid RENZI
20 \$200,000.00 from the proceeds of the sale of the Sandlin Property to Investment Group B.
21 SANDLIN then paid RENZI an additional \$533,000.00 days prior to the closing on the sale of
22 the Sandlin Property. RENZI and SANDLIN used a variety of means to conceal the nature and
23 purpose of these transactions.

24 25. RENZI would and did conceal from Congress and the public his receipt of more than
25 \$733,000.00 from SANDLIN in 2005.

26 ///

27 ///

28 ///

1 OVERT ACTS

2 26. In furtherance of the aforesaid conspiracy, and to effect the objects of the conspiracy,
3 the defendants performed and caused to be performed, among others, the following overt acts,
4 in the District of Arizona and elsewhere.

5 a. Between January 2005 and April 2005, in the District of Arizona and elsewhere, RENZI
6 told Company A's representatives that they should purchase the Sandlin Property and include
7 it in the land exchange proposal.

8 b. At a meeting on or about January 11, 2005, in the District of Arizona, RENZI did not
9 disclose, and Company A and its consulting firm did not know, that SANDLIN owed RENZI
10 \$700,000.00 in principal on the \$800,000.00 note.

11 c. In February 2005, RENZI met in his congressional office with representatives of
12 Company A and its consulting firm and insisted that the Sandlin Property must be included in
13 the land exchange proposal if he was to be a sponsor.

14 d. During the February 2005 meeting, RENZI did not disclose, nor did he ever disclose, to
15 Company A or its consulting firm that SANDLIN owed RENZI \$700,000.00 in principal on the
16 \$800,000.00 note even though a member of Company A's consulting firm expressly asked
17 RENZI about any business relationship with SANDLIN.

18 e. In or about March 2005, SANDLIN rejected reasonable requests and terms in relation
19 to the sale of the Sandlin Property, thereby causing Company A to advise RENZI that Company
20 A was unlikely to be able to reach an agreement with SANDLIN for the purchase of the Sandlin
21 Property.

22 f. On March 18, 2005, RENZI spoke by telephone with a representative of Company A in
23 Arizona, stating, in substance, that SANDLIN would be more cooperative in future discussions
24 and urging the representative to conclude successful negotiations with SANDLIN.

25 g. On or about March 18, 2005, shortly after the telephone conversation between RENZI
26 and the Company A representative, SANDLIN faxed a letter to Company A's Arizona offices
27 in which he stated, "I just received a phone call from Congressman Renzi's office. They have
28

1 the impression that I haven't been cooperative concerning this water issue. I feel I have been
2 very cooperative. . . . I still want to cooperate."

3 h. In the March 18, 2005 letter, SANDLIN did not disclose, nor did he ever disclose, to
4 Company A or its consulting firm that SANDLIN owed RENZI \$700,000.00 in principal on the
5 \$800,000.00 note.

6 i. On or about April 12, 2005, after the Vice President and General Manager of Company
7 A informed RENZI that Company A would not acquire the property from SANDLIN because
8 they had not been able to reach a financial agreement, RENZI replied, "no Sandlin Property, no
9 bill", meaning that RENZI would not sponsor Company A's legislative proposal unless
10 Company A included the Sandlin Property in the land exchange.

11 j. On or about April 16, 2005, RENZI met in the District of Arizona with a separate group
12 of investors, Investment Group B, to discuss the possibility of RENZI sponsoring a federal land
13 exchange on its behalf.

14 k. During the April 16, 2005, meeting between RENZI and Investment Group B, RENZI
15 insisted that Investment Group B purchase the Sandlin Property as part of its land exchange
16 proposal and told Investment Group B that it would receive a "free pass" through the House of
17 Representatives Natural Resources Committee.

18 l. During the April 16, 2005, meeting, RENZI did not disclose, nor did he ever disclose, and
19 Investment Group B did not know, that SANDLIN owed RENZI \$700,000.00 in principal on
20 the \$800,000.00 note.

21 m. On April 17, 2005, as result of the meeting between RENZI and Investment Group B,
22 RENZI and SANDLIN caused a representative from Investment Group B to send the following
23 email to RENZI's congressional office:

24 I have the funds committed for the purchase of the Sandlin Conservation
25 Easement. We now can fund on 3 days notice. Please let me know how to
26 proceed with you and [a non-profit group]. Please be sensitive to the fact that we
27 are going way out on a limb at the request of Congressman Renzi. I am putting
28 my complete faith in Congressman Renzi and you that this is the correct decision.
I stand waiting for your instructions.

Very Truly Yours,
[Investment Group B Representative]

1 n. In or about April 2005, SANDLIN rejected Investment Group B's request for an
2 option to purchase the property, thus causing Investment Group B to agree to purchase 480 acres
3 of the Sandlin Property from SANDLIN for \$4.6 million.

4 o. During SANDLIN's April 2005 contact with Investment Group B, SANDLIN did not
5 disclose, nor did he ever disclose, and Investment Group B did not know, that SANDLIN owed
6 RENZI \$700,000.00 in principal on the \$800,000.00 note.

7 p. On or about May 5, 2005, RENZI and SANDLIN caused Investment Group B to wire
8 SANDLIN a total of \$1 million via two wire transfers into SANDLIN's bank account at The
9 Stockmen's Bank in Kingman, Arizona.

10 q. On or about May 5, 2005, SANDLIN wrote a \$200,000.00 check payable to Renzi
11 Vino, Inc. ("Renzi Vino"), an Arizona company owned by RENZI.

12 r. On or about May 20, 2005, RENZI deposited the \$200,000.00 check into a Patriot
13 Insurance bank account.

14 s. On or about July 6, 2005, SANDLIN sent from Texas to Arizona a fax containing both
15 a signed addendum extending escrow and deposit instructions for an extension-of-escrow fee.

16 t. In or around September 2005, prior to closing on the Sandlin Property, a representative
17 from Investment Group B sought and received assurances from RENZI that the Sandlin Property
18 was an important part of the land exchange and that RENZI would introduce Investment Group
19 B's legislative proposal.

20 u. On or about September 30, 2005, RENZI caused a Patriot Insurance letter, which was
21 addressed to SANDLIN and dated August 30, 2005, to be faxed to the Pioneer Title Company
22 in Sierra Vista, Arizona that falsely stated in part:

23 This letter is informing you of Mr. Renzi 'calling' in the note for the Kingman
24 property. It is his understanding you have recently sold this land, therefore the
25 balance of the note plus interest, is due and payable. Patriot Insurance Agency,
26 Inc. is handling this part of the former Renzi Investments.

27 v. On or about September 30, 2005, SANDLIN paid \$533,000.00 to Patriot Insurance
28 through a transaction conducted by SANDLIN at the Pioneer Title Company in Sierra Vista,
Arizona.

1 w. On or about September 30, 2005, RENZI transferred the \$533,000.00 received by
2 Patriot Insurance into a bank account in the name of Rick Renzi Rain Whisper Account ("Rain
3 Whisper"), which was opened on that same day.

4 x. On or about October 7, 2005, RENZI and SANDLIN caused Investment Group B to
5 transfer approximately \$1.6 million to SANDLIN through escrow along with a \$2 million note
6 payable to SANDLIN, thus completing the purchase of the Sandlin Property by Investment
7 Group B.

8 y. Between October 11, 2005 and January 5, 2006, RENZI transferred \$200,000.00 from
9 Rain Whisper to RENZI's personal checking account to pay personal expenses.

10 z. On or about January 10, 2006, RENZI transferred \$324,287.05 from the Rain Whisper
11 account to a Patriot Insurance account at Bank One, N.A.

12 aa. On or about February 10, 2006, RENZI transferred \$325,000.00 out of Patriot
13 Insurance's account to his personal checking account for use as payment of unpaid federal and
14 state income taxes on his 2001 federal and state amended tax returns.

15 bb. On or about May 31, 2006, RENZI filed a false Financial Disclosure Statement for
16 Calendar Year 2005 in which RENZI did not disclose, among other things, the \$700,000.00
17 outstanding debt from SANDLIN and the \$733,000.00 in payments made by SANDLIN.

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

19
20 **COUNTS TWO THROUGH TEN**
21 **HONEST SERVICES WIRE FRAUD**
22 **(18 U.S.C. §§ 1343 and 1346 and § 2)**

23 27. Paragraphs 1-15 and 17-26 are realleged and incorporated by reference as though
24 fully set forth herein.

25 **The Scheme**

26 28. Between in or about January 2005 and in or about February 2006, in the District of
27 Arizona and elsewhere, the defendants, RICHARD G. RENZI and JAMES W. SANDLIN, aided
28 and abetted by one another, devised, attempted to devise, and intended to devise a scheme and

1 artifice to defraud and deprive the United States of its intangible right to the honest services of
2 RENZI performed free from deceit, self-dealing, bias, and concealment.

3 **The Purposes of the Scheme**

4 29. The purpose of the scheme was to enrich both RENZI and SANDLIN by using the
5 promise of RENZI's exercise of his official authority in their favor to compel Company A and
6 Investment Group B to purchase the Sandlin Property.

7 30. It was also a purpose of the scheme to conceal RENZI's financial relationship with
8 SANDLIN from Company A, Investment Group B, the United States House of Representatives,
9 and the public.

10 **Use of Interstate Wires**

11 31. For the purpose of executing the scheme and artifice to defraud, in the District of
12 Arizona and elsewhere, RENZI and SANDLIN did knowingly transmit and cause to be
13 transmitted certain writings, signs, signals and sounds by means of interstate wire, as set forth
14 below:

15

16 Count	17 Date (on or about)	18 Location	19 Description of Wire
20 2	21 May 3, 2005	22 Henderson, Nevada 23 to Tucson, Arizona	24 \$500,000.00 initial deposit by 25 Investment Group B toward 26 purchase of Sandlin Property
27 3	28 May 5, 2005	Henderson, Nevada to Tucson, Arizona	\$500,000.00 deposit by Investment Group B toward purchase of Sandlin Property
4	July 6, 2005	Henderson, Nevada to Tucson, Arizona	Additional payment of \$264,653.39 into escrow toward purchase of Sandlin Property
5	July 6, 2005	Texas to Arizona	Escrow addendum and wire instructions

1	6	Sept. 26, 2005	New York to Arizona	\$445,000.00 wire transfer to Pioneer Title, Sierra Vista, Arizona
2				
3	7	Sept. 26, 2005	New York to Arizona	\$551,000.00 wire transfer to Pioneer Title, Sierra Vista, Arizona
4				
5	8	Sept. 27, 2005	Texas to Arizona	Payout instructions for \$533,000.00 to Patriot Insurance Agency, Inc.
6				
7	9	October 7, 2005	Las Vegas, Nevada to Tucson, Arizona	Second half of purchase payment at closing on Sandlin Property in the amount of \$827,413.03
8				
9				
10	10	October 7, 2005	Tucson, Arizona to McKinney, Texas	Seller proceeds of \$1,549,104.92 to SANDLIN
11				

12 All in violation of Title 18, United States Code, Sections 1343, 1346, and 2.

13 **COUNT 11**

14 **CONSPIRACY TO COMMIT MONEY LAUNDERING**

15 32. The factual allegations in paragraphs 1-15 and 17-26 of the Indictment are
16 incorporated herein by reference and re-alleged as though fully set forth herein.

17 33. Beginning on or about January 2005 to in or about February 2006, in the District
18 of Arizona and elsewhere, defendants, RICHARD G. RENZI and JAMES W. SANDLIN, did
19 knowingly and willfully conspire and agree with each other and with other persons known and
20 unknown to the Grand Jury:

21 (A) knowing that the property involved in financial transactions represented the proceeds
22 of some form of unlawful activity, to knowingly conduct and attempt to conduct financial
23 transactions through interstate commerce, which in fact involved the proceeds of
24 specified unlawful activity, that is, wire fraud in violation of 18 U.S.C. §§ 1343 and 1346,
25 and extortion, in violation of 18 U.S.C. § 1951, knowing that the transaction was
26 designed in whole or in part to conceal and disguise the nature, the location, the source,
27 the ownership, and the control of the proceeds of specified unlawful activity, in violation
28 of Title 18, United States Code, Section 1956(a)(1)(B)(i); and

1 (B) to knowingly participate in the transfer of proceeds of a specified unlawful activity,
2 that is, a scheme to defraud by wire, in violation of Title 18, United States Code, Sections
3 1343 and 1346, and extortion, in violation of 18 U.S.C. § 1951, in the District of Arizona
4 and elsewhere, and to knowingly engage and cause another to engage in the following
5 monetary transactions in criminally derived property that was of a value greater than
6 \$10,000.00 and was derived from said specified unlawful activity, and that affected
7 interstate and foreign commerce, in violation of Title 18, United States Code, Section
8 1957.

9 OBJECTS OF THE CONSPIRACY

10 34. It was an object of the conspiracy for RENZI and SANDLIN to distribute the
11 proceeds of the financial transactions with Investment Group B without detection and in a
12 manner designed to facilitate RENZI's and SANDLIN's use of the proceeds in financial
13 transactions to pay personal expenses and business debts.

14 MANNER AND MEANS OF THE CONSPIRACY

15 35. SANDLIN paid RENZI using the names of corporate entities, even though under an
16 agreement entered into in May 2004, the debt was owed from SANDLIN personally to RENZI
17 personally.

18 36. SANDLIN and RENZI used the services of escrow companies to distribute the
19 proceeds, making the transactions more difficult to trace for tax authorities, investigators and
20 others.

21 37. RENZI caused to be faxed a letter addressed to SANDLIN dated August 30, 2005,
22 to the title company handling the transaction. The letter stated in part, "This letter is informing
23 you of Mr. Renzi 'calling' in the note for the Kingman property. It is his understanding you have
24 recently sold this land, therefore the balance of the note plus interest, is due and payable. Patriot
25 Insurance Agency, Inc. is handling this part of the former Renzi Investments." The transaction
26 was conducted in this manner, that is, the false statements regarding the sale of the Kingman
27 property and the "calling" of the note, to hide the source of the money and thus the connection
28 between SANDLIN and RENZI.

1 38. RENZI made false statements in his annual Financial Disclosure Statements and in
2 his 2005 personal tax returns to further conceal the nature of his transactions with SANDLIN.

3 39. On or about September 30, 2005, RENZI opened a bank account at Bank One, N.A.
4 in the name of "Rick Renzi Rain Whisper Account" using the Patriot Insurance employer
5 identification number. On the same date, RENZI made the only deposit of money into the Rain
6 Whisper account, that is, a transfer of \$533,000.00 from Patriot Insurance to the newly-opened
7 Rain Whisper account. RENZI then transferred funds out of the Rain Whisper account into his
8 personal account at Bank One as follows:

9 **2005**

10 October 11	\$50,000.00
November 10	\$20,000.00
11 November 22	\$20,000.00
November 29	\$20,000.00
12 December 8	\$45,000.00
December 15	\$10,000.00
13 December 19	\$15,000.00
14 2006	
15 January 3	\$10,000.00
16 January 5	\$10,000.00
Total	<u>\$200,000.00</u>

17 40. On or about November 18, 2005, SANDLIN wrote a check in the amount of
18 \$242,250.00 on an account at Independent Bank to pay off a separate personal debt owed by
19 RENZI.

20 41. On or about December 8, 2005, RENZI paid his third quarter estimated taxes to the
21 Internal Revenue Service through a \$45,000.00 check written on his personal account at Bank
22 One, N.A.

23 42. On or about January 10, 2006, RENZI transferred \$324,287.05 from the Rain
24 Whisper account to a Patriot Insurance account at Bank One, N.A.

25 43. On or about February 10, 2006, RENZI transferred \$325,000.00 from a Patriot
26 Insurance account to his personal account for the purpose of writing checks for the payment of
27 amended state and federal taxes for calendar year 2001.

28 All in violation of Title 18, United States Code, Section 1956(h).

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

COUNT 12

CONCEALMENT MONEY LAUNDERING

44. The factual allegations of paragraphs 1-15 and 17-26 of the Indictment are incorporated by reference and re-alleged as though fully set forth herein.

45. On or about May 5, 2005, in the District of Arizona and elsewhere, defendants RICHARD G. RENZI and JAMES W. SANDLIN, and others known and unknown to the Grand Jury, knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, knowingly conducted and attempted to conduct a financial transaction affecting interstate commerce, that is, a transfer of funds in the amount of \$200,000.00 by check drawn on The Stockmen's Bank, Kingman, AZ (account number xxxx8797 in the names of SANDLIN and his wife) from SANDLIN to Renzi Vino, Inc., which RENZI deposited into a Patriot Insurance trust account, and which in fact involved the proceeds of specified unlawful activity, that is, wire fraud in violation of 18 U.S.C. §§ 1343 and 1346, and extortion, in violation of 18 U.S.C § 1951, knowing that the transaction was designed in whole or in part to conceal and disguise the nature, the location, the source, the ownership, and the control of the proceeds of specified unlawful activity.

All in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i) and 2.

COUNTS 13-25

TRANSACTIONS IN CRIMINALLY DERIVED FUNDS

46. Paragraphs 1-15 and 17-26 of this Indictment are re-alleged as if fully set forth herein.

47. On or about the dates and in the amounts set forth below, defendants RICHARD G. RENZI and JAMES W. SANDLIN knowingly participated in the transfer of proceeds of a specified unlawful activity, that is, a scheme to defraud by wire, in violation of Title 18, United States Code, Sections 1343 and 1346, and extortion, in violation of Title 18, United States Code, Section 1951, in the District of Arizona and elsewhere, and there and then did knowingly engage and cause another to engage in the following monetary transactions in criminally derived

1 property that was of a value greater than \$10,000.00 and was derived from said specified
 2 unlawful activity, and that affected interstate and foreign commerce:

Count	Date	Amount	Item	Transaction
13	May 12, 2005	\$77,357.42	Cashier's Check from SANDLIN to The Slalom Shop	Purchase of Boat
14	May 20, 2005	\$200,000.00	Check from SANDLIN to Renzi Vino	Deposit into Patriot Insurance Agency, Inc. Trust Account at Bank One, N.A.
15	July 7, 2005	\$100,000.00	Intra-state wire transfer Fidelity National Title Agency to The Stockmen's Bank	Extension of escrow agreement
16	September 30, 2005	\$533,000.00	Intra-bank transfer within Bank One, N.A.	Transfer from Patriot Insurance Agency, Inc. to "Rick Renzi Rain Whisper Account"
17	October 11, 2005	\$50,000.00	Intra-bank transfer within Bank One, N.A.	Transfer from Rick Renzi Rain Whisper Account to RENZI's personal account
18	November 10, 2005	\$20,000.00	Intra-bank transfer within Bank One, N.A.	Transfer from Rick Renzi Rain Whisper Account to RENZI's personal account
19	November 22, 2005	\$20,000.00	Intra-bank transfer within Bank One, N.A.	Transfer from Rick Renzi Rain Whisper Account to RENZI's personal account
20	November 29, 2005	\$20,000.00	Intra-bank transfer within Bank One, N.A.	Transfer from Rick Renzi Rain Whisper Account to RENZI's personal account
21	December 8, 2005	\$45,000.00	Intra-bank transfer within Bank One, N.A.	Transfer from Rick Renzi Rain Whisper Account to RENZI's personal account

22	December 19, 2005	\$15,000.00	Intra-bank transfer within Bank One, N.A.	Transfer from Rick Renzi Rain Whisper Account to RENZI's personal account
23	January 10, 2006	\$324,287.05	Intra-bank transfer within Bank One, N.A.	Transfer from Rick Renzi Rain Whisper Account to Patriot Insurance Agency, Inc.
24	February 10, 2006	\$325,000.00	Intra-bank transfer within Bank One, N.A.	Transfer from Patriot Insurance Agency, Inc. account # xxxxx2558 to Patriot Insurance account # xxxxx7952
25	February 10, 2006	\$325,000.00	Intra-bank transfer within Bank One, N.A.	Transfer from Patriot Insurance Agency account # xxxxx7952 to RENZI personal account

All in violation of Title 18, United States Code, Sections 1957 and 2.

COUNT 26

HOBBS ACT EXTORTION UNDER COLOR OF OFFICIAL RIGHT

48. Paragraphs 1-15 and 17-26 of this Indictment are re-alleged as if fully set forth herein.

49. From on or around January 2005 through April 2005, in the District of Arizona and elsewhere, RICHARD G. RENZI and JAMES W. SANDLIN knowingly, willfully, and unlawfully obstructed, delayed, and affected interstate commerce and the movement of articles and commodities in such commerce, by extortion, as those terms are defined in 18 U.S.C. § 1951(b), and attempted to do so, in that RENZI and SANDLIN attempted to unlawfully obtain from Company A, with its consent, money not due to RENZI, RENZI's official office, or SANDLIN from Company A under color of official right by using RENZI's position as a United States Representative to promise to take official action to assist Company A, and to threaten to withhold official action to disrupt the business of Company A.

All in violation of Title 18, United States Code, Sections 1951 and 2.

1 New York. NIF, in turn, contracted with Safeco Insurance Company ("Safeco") to insure
2 RENZI's non-profit clients. Any premium monies received by Renzi and Company from clients
3 were required to be held in trust to be passed on, minus Renzi and Company's 10% commission,
4 to NIF and Safeco.

5 **THE CONSPIRACY**

6 54. Beginning in or about December 2001 and continuing until in or about June 2003,
7 in the District of Arizona and elsewhere, defendants RICHARD G. RENZI, ANDREW
8 BEARDALL and others both known and unknown to the grand jury, being engaged in the
9 business of insurance and whose activities affect interstate commerce, and being an officer,
10 director and agent in the business of insurance, did knowingly and unlawfully conspire,
11 confederate, and agree together and with each other to: 1) knowingly and with intent to deceive,
12 make a false material statement in connection with documents presented to insurance regulatory
13 officials and agencies for the purpose of influencing the actions of such officials or agencies, in
14 violation of Title 18, United States Code, Section 1033(a)(1); and 2) willfully embezzle and
15 misappropriate moneys, funds and premiums, in violation of 18 U.S.C. Section 1033(b)(1).

16 **OBJECTS OF THE CONSPIRACY**

17 55. It was an object of the conspiracy for RENZI to embezzle and misappropriate client
18 premiums to fund his congressional campaign.

19 56. It was further an object of the conspiracy for RENZI, BEARDALL and others to
20 conceal RENZI's embezzlement and misappropriation of those funds by making false statements
21 to insurance regulators, in RENZI's annual Financial Disclosure Statements, and to the Federal
22 Election Commission.

23 **MANNER AND MEANS OF THE CONSPIRACY**

24 57. RENZI misappropriated more than \$400,000.00 of insurance premiums. As a result,
25 RENZI failed to pay NIF \$236,655.90, invoiced in April 2002, which represented the price of
26 the premiums minus the 10% brokerage fee for Renzi and Company. Based on Renzi and
27 Company's failure to pay the invoice, NIF in July 2002 sent notices to the insureds canceling
28

1 their coverage on or about August 11, 2002. NIF then proceeded to notify insurance departments
2 in the insureds' respective states of RENZI's nonpayment and of the policy cancellations.

3 58. To conceal his use of client funds, in late July 2002, RENZI approved and sent letters
4 to customers via the United States Postal Service from Arizona, falsely claiming that the
5 insureds' liability coverage with Safeco had been moved to a company known as "Jimcor," and
6 attached a false certificate of general and professional liability insurance in the name of "Jimcor
7 Insurance Company." In fact, Jimcor was simply another insurance broker and unlike Safeco,
8 did not issue insurance policies.

9 59. Commencing in November 2002, RENZI and BEARDALL made a series of false
10 representations to state insurance regulators who had commenced investigations of the
11 cancellations. RENZI and BEARDALL falsely told insurance regulators, among other things,
12 that the fake Jimcor insurance certificates were issued due to a clerical error. This was done to
13 conceal the fact that Renzi and Company's nonpayment was caused by RENZI's
14 misappropriation of insurance premiums.

15 60. RENZI also concealed his misappropriation and embezzlement by filing Federal
16 Election Commission Form 3, REPORT OF RECEIPTS AND DISBURSEMENTS, on or about
17 January 24, 2002, for the final quarter of 2001. During the period December 11, 2001 through
18 December 31, 2001, RENZI claimed total receipts of \$404,090.00, all of which he claimed to
19 be loans from himself to the campaign. In fact, as RENZI well knew, more than \$300,000.00
20 of those funds constituted insurance premiums that were neither the property of RENZI nor of
21 Renzi and Company.

22 OVERT ACTS

23 61. In furtherance of the aforesaid conspiracy, and to the effect the objects of the
24 conspiracy, the defendants performed and caused to be performed, among others, the following
25 overt acts:

26 a. On or about December 11-18, 2001, RENZI directed an employee to move \$30,000.00
27 in insurance premiums held in trust from the Renzi and Company insurance premium Trust
28

1 Account, to the operating account, to his personal account and finally to the Rick Renzi for
2 Congress campaign account.

3 b. On or about December 19-20, 2001, RENZI directed an employee to move \$50,000.00
4 in insurance premiums held in the insurance premium Trust Account, to the operating account,
5 to his personal account and finally to the Rick Renzi for Congress campaign account.

6 c. On or about December 28, 2001, RENZI directed an employee to move \$272,000.00
7 in insurance premiums held in trust in the insurance premium Trust Account, to the operating
8 account, to his personal account and finally to the Rick Renzi for Congress campaign account.

9 d. On or about March 12-28, 2002, RENZI directed an employee to move \$70,000.00 in
10 insurance premiums held in trust from the insurance premium Trust Account, to the operating
11 account, to his personal account and finally to the Rick Renzi for Congress campaign account.

12 e. On or about October 2, 2002, RENZI approved and signed check number 7804, in the
13 amount of \$7,108.00, sent via the U.S. Postal Service and payable to an insured in Texas, and
14 with a memo field including "Donation Towards Claim Expenses."

15 f. On or about October 4, 2002, RENZI approved and signed check number 2979, in the
16 amount of \$4,600.00, sent via the U.S. Postal Service and payable to an insured in Missouri, and
17 with a memo field including "Donation Towards Claim Settlement."

18 g. On or about November 7, 2002, BEARDALL sent a mail-merged letter by U.S. mail
19 to RENZI clients again falsely claiming that the insureds' liability coverage with Safeco (through
20 NIF) had been moved to another company.

21 h. On or about November 25, 2002, RENZI approved and ordered the payment of a
22 cashier's check in the amount of \$236,655.90 to NIF, following the receipt of a wire transfer in
23 the amount of \$230,000.00 from RENZI's father.

24 i. On or about December 10, 2002, BEARDALL falsely told an investigator with the
25 Virginia Bureau of Insurance that Renzi and Company withheld claims payments due to a
26 dispute with the underwriter.

27 j. On or about March 3, 2003, BEARDALL signed and mailed, via the United States
28 Postal Service, a letter to the Virginia Bureau of Insurance on Renzi & Company letterhead

1 falsely claiming that an administrative error caused Renzi and Company to issue certificates of
2 insurance from Jimcor.

3 k. On or about March 24, 2003, BEARDALL signed and mailed, via the United States
4 Postal Service, a letter to the Florida Department of Insurance on Renzi & Co. letterhead falsely
5 claiming that an administrative error caused Renzi and Company to issue certificates of
6 insurance from Jimcor.

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

8 **COUNTS 29-32**

9 **INSURANCE FRAUD**

10 62. Paragraphs 52-53 and 57-61 of this Indictment are re-alleged as if fully set forth
11 herein.

12 63. On or about the dates hereinafter set forth, RENZI, an officer and director of Patriot
13 Insurance Agency, Inc., and a broker of North Island Facilities, Ltd., being engaged in the
14 business of insurance, did willfully embezzle, abstract, purloin and misappropriate moneys,
15 funds, premiums, credits, and other property of his insureds and of NIF. In each case, the funds
16 were ultimately converted to use by Rick Renzi for Congress.

17

Count	Date	Amount	Description
19 29	December 11, 2001	\$55,000.00	Transfer from Renzi and Company Trust Account to Operating Account
21 30	December 19, 2001	\$60,000.00	Transfer from Renzi and Company Trust Account to Operating Account
23 31	December 28, 2001	\$255,000.00	Transfer from Renzi and Company Trust Account to Operating Account
25 32	March 28, 2002	\$95,000.00	Check payable to "Renzi and Co." from Trust Account

26

27 All in violation of Title 18, United States Code, Section 1033(b).

28

1 FALSE STATEMENTS TO INFLUENCE INSURANCE REGULATORY
2 INVESTIGATIONS

3 **COUNT 33**

4 64. Paragraphs 52-53 and 57-61 of this Indictment are re-alleged as if fully set forth
5 herein.

6 65. On or about November 7, 2002, RICHARD G. RENZI and ANDREW BEARDALL,
7 individuals engaged in the business of insurance within the District of Arizona and elsewhere,
8 whose activities affect interstate commerce, knowingly, with intent to deceive, made false
9 statements and reports for the purpose of influencing a pre-existing investigation by an insurance
10 regulatory agency, that is, they arranged for a mail-merged letter to be sent by United States mail
11 to a Texas insured and others noting the existence of an insurance investigation and falsely
12 claiming that the insured's liability coverage with Safeco (through NIF) had been moved to
13 "companies that will better represent your needs."

14 All in violation of Title 18, United States Code, Sections 1033(a)(1) and 2.

15 **COUNT 34**

16 66. Paragraphs 52-53 and 57-61 of this Indictment are re-alleged as if fully set forth
17 herein.

18 67. On or about March 3, 2003, RICHARD G. RENZI and ANDREW BEARDALL,
19 individuals engaged in the business of insurance within the District of Arizona and elsewhere,
20 whose activities affect interstate commerce, knowingly, with intent to deceive, made false
21 statements and reports for the purpose of influencing a pre-existing investigation by an insurance
22 regulatory agency, that is, they signed and mailed, via the United States Postal Service, a letter
23 to the Virginia Bureau of Insurance on Renzi & Co. letterhead falsely contesting allegations of
24 false statements. In particular, RENZI and BEARDALL falsely claimed that an administrative
25 error caused Patriot Insurance to issue a general liability policy for coverage from Jimcor, when
26 in fact RENZI and BEARDALL knew that RENZI intentionally falsified the coverage
27 declaration.

28 All in violation of Title 18, United States Code, Sections 1033(a)(1) and 2.

1 **COUNT 35**

2 68. Paragraphs 52-53 and 57-61 of this Indictment are re-alleged as if fully set forth
3 herein

4 69. On or about March 24, 2003, RICHARD G. RENZI and ANDREW BEARDALL,
5 individuals engaged in the business of insurance within the District of Arizona and elsewhere,
6 whose activities affect interstate commerce, knowingly, with intent to deceive, made false
7 statements and reports for the purpose of influencing a pre-existing investigation by an insurance
8 regulatory agency, that is, RENZI and BEARDALL signed and mailed, via the United States
9 Postal Service, a letter to the Florida Department of Insurance on Renzi & Co. letterhead falsely
10 contesting allegations of false statements. In particular, RENZI and BEARDALL falsely claimed
11 that an administrative error caused Patriot Insurance to issue a general liability policy for
12 coverage from Jimcor, when in fact RENZI and BEARDALL knew that RENZI intentionally
13 falsified the coverage declaration.

14 All in violation of Title 18, United States Code, Sections 1033(a)(1) and 2.

15 **FORFEITURE ALLEGATIONS**

16 I. Upon conviction of one or more of the Wire Fraud, Mail Fraud and Hobbs Act offenses
17 alleged in Counts 1-10 and 26-27 of this Indictment, RICHARD G. RENZI and JAMES W.
18 SANDLIN, shall forfeit to the United States pursuant to 18 U.S.C. § 982, 18 U.S.C. §
19 981(a)(1)(C) & 28 U.S.C. § 2461, and under the procedures set forth in Fed. R. Crim. P. 32.2:

20 (a) All property, real and personal, that constitutes or is derived from proceeds traceable
21 to the commission of the offenses, including but not limited to the following:

22 The proceeds of account number xxxxx3649 at Independent Bank in Sherman, Texas,
23 and/or a sum of money in United States currency representing the amount of proceeds obtained
24 as a result of the offenses, 18 U.S.C. §§ 1341, 1343, and 1951(a), for which the defendants are
25 jointly and severally liable.

26 II. Upon conviction of one or more of the Money Laundering offenses alleged
27 in Counts 11-25 of this Indictment, RICHARD G. RENZI and JAMES W. SANDLIN, shall

28

1 forfeit to the United States pursuant to 18 U.S.C. § 982(a)(1), and under the procedures set forth
2 in Fed. R. Crim. P. 32.2:

3 (a) All right, title, and interest in any and all property involved in each offense in
4 violation of Title 18, United States Code, Sections 1956 or 1957, or conspiracy to commit such
5 offense, for which the defendant is convicted, and all property traceable to such property,
6 including the following: 1) all money or other property that was the subject of each transaction,
7 transportation, transmission or transfer in violation of Sections 1956(a)(1) or 1957; 2) all
8 commissions, fees and other property constituting proceeds obtained as a result of those
9 violations; and 3) all property used in any manner or part to commit or to facilitate the
10 commission of those violations;

11 (b) A sum of money equal to the total amount of money involved in each offense, or
12 conspiracy to commit such offense, for which the defendant is convicted. If more than one
13 defendant is convicted of an offense, the defendants so convicted are jointly and severally liable
14 for the amount involved in such offense.

15 If any of the forfeitable property described above, in paragraphs I and II, as a result of any
16 act or omission of the defendants: (1) cannot be located upon the exercise of due diligence; (2)
17 has been transferred or sold to, or deposited with, a third person; (3) has been placed beyond the
18 jurisdiction of the Court; (4) has been substantially diminished in value; or (5) has been
19 commingled with other property which cannot be subdivided without difficulty; it is the intent
20 of the United States, pursuant to 18 U.S.C. § 982(b), to seek forfeiture of any other property of
21 said defendant(s) up to the value of the above forfeitable property.

22 ///

23 ///

24 ///

25 ///

26 ///

27 ///

28 ///

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

A TRUE BILL



FOREPERSON OF THE GRAND JURY
Date: February 21, 2008

REDACTED FOR
PUBLIC DISCLOSURE

DIANE J. HUMETEWA
United States Attorney
District of Arizona

WILLIAM M. WELCH II
Chief, Public Integrity Section
Criminal Division
Department of Justice

Handwritten signature of Gary M. Restaino in black ink.

GARY M. RESTAINO
Assistant U.S. Attorney

Handwritten signature of Andrew Levchuk in black ink.

ANDREW LEVCHUK
Senior Trial Attorney

FEB 20 2008