UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA	)	
	)	No:
v.	)	
	)	
JAMES M. DUFF,	)	Violations: Title 18, United States
WILLIAM E. STRATTON,	)	Code, Sections 2, 1341, 1343, 1956,
PATRICIA GREEN DUFF,	)	and 1962(d)
JOHN J. LEAHY,	)	
EDWARD WISNIEWSKI,	)	
STARLING ALEXANDER, and	)	
TERRENCE DOLAN	)	

COUNT ONE

The SPECIAL FEBRUARY 2002-2 GRAND JURY charges:

1. At times material to this indictment:

THE ENTERPRISE

a. Defendants JAMES M. DUFF and WILLIAM E. STRATTON were employed by and associated with an enterprise, hereinafter referred to as the "The Duff Family Business Enterprise," consisting of Windy City Labor Service, Inc. ("Windy City Labor"), Remedial Environmental Manpower, Inc. ("REM"), Windy City Maintenance, Inc. ("Windy City Maintenance"), Curtis Storage & Trucking Company ("Curtis Trucking") and American Management and Consulting Services, Inc. ("American Management"), as more fully described in paragraphs 1(b) through (g) of this count of this indictment. These inter-related entities were owned, operated and controlled, in whole or in part, directly and indirectly by male members of the Duff family, and in particular defendant JAMES M. DUFF. The Duff Family Business Enterprise constituted an enterprise, as that term is defined in Title 18, United States Code, Section 1961(4),

namely, a group of legal entities associated in fact. The Duff Family Business Enterprise constituted an organization whose members, associates, employees and agents functioned as a continuing unit for a common purpose of achieving the objectives of the enterprise. This enterprise was engaged in interstate commerce, and the activities of the enterprise affected interstate commerce.

THE DUFF FAMILY BUSINESSES

b. Windy City Labor Service, Inc. ("Windy City Labor"), was an Illinois corporation located at 174-178 North Halsted Street, Chicago, Illinois. Windy City Labor was in the business of supplying unskilled temporary day laborers on an as needed basis principally to wholesale liquor warehouses and refuse transfer and sorting facilities. Corporate records listed Patricia Green, defendant JAMES M. DUFF's mother, as the president and sole shareholder of Windy City Labor.

c. Remedial Environmental Manpower, Inc. ("REM"), was an Illinois corporation located at 182 North Halsted Street, Chicago, Illinois. REM was principally in the business of supplying manual laborers to sorting centers operated by Waste Management, Inc. for the City of Chicago's blue bag recycling program. Corporate records listed WILLIAM E. STRATTON as REM's president and 55% shareholder and Patricia Green Duff as REM's secretary and treasurer and 45% shareholder from its incorporation in May 1988 to on or about September 1, 1991, when Patricia Green Duff purported to transfer her 45% interest in REM to Duff Family Member A. Duff Family Member A then was listed on corporate records as vice president and treasurer of REM until on or about October 7, 1993, when she purported to transfer all her shares of REM stock to WILLIAM STRATTON in return for $1,800.00. Thereafter, STRATTON held

the position of president and secretary of REM and was REM's sole shareholder until approximately August 30, 2000.

d. In or about July or August 2000, Windy City Labor merged with REM, with REM becoming the survivor corporation. Post-merger corporate records listed defendant STRATTON as REM's president and a 40 percent shareholder and Patricia Green Duff as secretary-treasurer and a 60 percent shareholder of the surviving corporation. As a result of this merger, the temporary day labor operations of the former WCL were assumed by a new division of REM, designated as Remedial Day Labor ("RDL").

e. Windy City Maintenance, Inc. ("Windy City Maintenance"), was an Illinois corporation located at 174-178 North Halsted Street, Chicago, Illinois, until in or about 1997 when the company's offices were moved to 1024 West Kinzie, Chicago, Illinois. Windy City Maintenance was in the business of supplying janitorial services to private companies and on a direct contract or sub-contract basis to City of Chicago facilities, including the Harold Washington Library, the International Terminal at O'Hare International Airport, Area 2 Chicago Police Department locations and Office of Emergency Communications sites, and the Taste of Chicago and other City-sponsored festivals and special events. Windy City Maintenance was incorporated in May 1989 by JAMES M. DUFF. Initial corporate records listed Patricia Green (Duff), as the president, director and sole shareholder of Windy City Maintenance and WILLIAM E. STRATTON as Windy City Maintenance's secretary and treasurer and director. In 1991, Terrence Dolan and Duff Family Member B were added as directors of Windy City Maintenance. Reports filed with the Illinois Secretary of State for 1992 and 1993 identified JAMES M. DUFF as treasurer and Terrence Dolan as secretary of Windy City Maintenance, with WILLIAM E. STRATTON remaining as a director

of the company. Corporate records for and after 1994 listed Terrence Dolan as secretary and Patricia Green (Duff) as president and sole director and shareholder of Windy City Maintenance.

f. Curtis Storage & Trucking Company ("Curtis Trucking") was an Illinois corporation which operated at various locations, including 3201 South Wolcott, Chicago, Illinois. Curtis Trucking was in the business of supplying hauling services to private companies, including Waste Management, and on a direct contract or sub-contract basis to the City of Chicago. Curtis Trucking was incorporated in October 1991, with Patricia Green (Duff) listed as the incorporator. Corporate records and tax returns through 1995 listed Patricia Green (Duff) as the sole shareholder of Curtis Trucking and Patricia Green (Duff), Duff Family Member B, and JAMES M. DUFF as full time officers of the company. Corporate tax returns filed on behalf of Curtis Trucking reflected that until approximately September 1994, Patricia Green (Duff) was the president and JAMES M. DUFF the secretary and treasurer of Curtis Trucking; and in 1995, Patricia Green (Duff) was listed as the president and sole officer. State of Illinois Domestic Corporation Annual Reports and corporate tax returns filed after 1996 listed JAMES M. DUFF as the sole shareholder and officer of Curtis Trucking.

g. American Management and Consulting Services, Inc. ("American Management"), located at 1024 West Kinzie, Chicago, Illinois, was incorporated in the State of Illinois in January 1996, by JAMES M. DUFF. Corporate records listed defendant JAMES M. DUFF as the president and sole shareholder of American Management. American Management elected to become a small business corporation (also known as an "S corporation") as that term is defined in the Internal Revenue Code. From its incorporation in 1996 through the end of 2001, on the instructions of JAMES M. DUFF, payments exceeding an aggregate total of $9.2 million have

been made by Windy City Labor, REM, Windy City Maintenance, and Curtis Trucking to American Management. These funds were thereafter disbursed to various Duff family members, including JAMES M. DUFF, Patricia Green Duff, and Duff Family Member B.

THE RACKETEERING DEFENDANTS

h. Defendant JAMES M. DUFF ("DUFF") is the son of Patricia Green Duff. Defendant JAMES M. DUFF was the sole officer and shareholder of American Management after its incorporation in early 1996. While not listed on corporate records as an officer, shareholder or employee of Windy City Labor, Windy City Maintenance or REM since at least 1993, defendant JAMES M. DUFF was the principal leader, organizer and manager of the Duff Family Business Enterprise, and participated in the operation and management of that enterprise by being the principal decision maker for the enterprise and by directing other members, associates, employees, and agents of the enterprise to do acts that assisted him in carrying out unlawful and other activities in furtherance of the conduct of the enterprise's affairs.

i. Defendant WILLIAM E. STRATTON ("STRATTON"), also known as "Wilco," was a long-time Duff family friend and confidant and was an employee for over eighteen years of Local 3 of the Liquor & Allied Workers Union, a union run by members of the Duff family. Since at least in or about October 1993, defendant WILLIAM E. STRATTON was the purported sole owner, officer and director of REM. In September 1994, REM was certified by the City of Chicago as a Minority-owned Business Enterprise ("MBE") on the basis of defendant WILLIAM E. STRATTON's sworn affidavit and representations that he, as an African American, held at least a 51% ownership interest in and exercised operational and financial control over the company, even though, as defendant WILLIAM E. STRATTON knew, defendant JAMES M. DUFF operated and

controlled REM and made all significant financial decisions for that company, including directing the transfer of large sums of monies from REM to American Management. After Windy City Labor merged into REM in or about July or August 2000, defendant STRATTON was listed on corporate records as retaining only a 40% stock interest in REM after the merger.

WORKERS' COMPENSATION INSURANCE

j. Pursuant to Illinois law, as codified in the Workers' Compensation Act, 820 ILCS 305/1, *et seq.*, all employers in the State of Illinois were required to secure and provide workers' compensation insurance coverage for their employees to ensure that employees would be compensated for work-related injuries or illness. Workers' compensation insurance could be obtained by submitting an application directly to an insurance carrier usually through an insurance agent and paying the required premium, which was a practice known as obtaining coverage through the "voluntary market." Alternatively, because many new employers, or established employers with a significant history of work-related injuries, were unable to find an insurance company willing to sell them workers' compensation insurance in the "voluntary market," the State of Illinois legislated and implemented an "involuntary market" or "assigned risk" plan or pool through which certain insurance companies, called "servicing carriers," were obligated to accept applications and write insurance coverage for employers who were not able to obtain workers' compensation coverage in the voluntary market. To be eligible for coverage in the assigned risk pool, an employer was required to certify that its direct application for insurance had been rejected by at least two separate companies in the voluntary market.

k. The "assigned risk" plan for the State of Illinois was at all times material to this indictment administered by the National Council on Compensation Insurance ("NCCI"), which

acted as the plan administrator for assigned risk plans in a number of states. The NCCI received applications from employers who certified that they were unable to secure coverage in the voluntary market. The NCCI then processed those applications and assigned a servicing carrier to employers.

l. The premiums charged an employer for workers' compensation insurance were determined by various factors, including the type of work performed by the company's employees, the total annual payroll by job classification, and the employer's past history of work-related injuries. Generally, a company with employees engaged in high-risk job classifications, such as warehousing, could expect to pay as much as twenty times the annual workers' compensation insurance premiums of a company employing low-risk clerical workers.

CITY OF CHICAGO WBE/MBE PROGRAM

m. The City of Chicago (the "City") was a municipal corporation and a political subdivision of the State of Illinois.

n. Pursuant to an Ordinance passed by the Chicago City Council in 1990, Chapter 2-92-420 *et seq.* of the amended Municipal Code, the City of Chicago established a Minority and Women Owned Business Enterprise ("MBE/WBE") Procurement Program to promote minority and women-owned businesses by modifying City procurement practices and policies. The MBE/WBE ordinance established an overall goal of annually awarding not less than twenty-five percent (25%) and five percent (5%) of the total annual dollar value of all City contracts to MBEs and WBEs, respectively.

o. Under the City Ordinance and regulations promulgated thereunder, to participate in the program either directly or as a subcontractor, a minority and women-owned business was required to be certified as an MBE/WBE by the City of Chicago.

PURPOSES OF THE ENTERPRISE

2. The purposes of the enterprise included the following:

a. Enriching the defendants and other members of the Duff family by fraudulently obtaining contracts valued in excess of $100 million, as well as funds paid pursuant to those contracts, from various corporate and governmental entities.

b. Preserving and protecting the wealth of the defendants and other members of the Duff family by concealing and furthering various schemes to defraud.

THE RACKETEERING CONSPIRACY

3. From a time unknown, but beginning at least as early as in or about 1989, and continuing through at least in or about June 2002, at Chicago and elsewhere, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF, and
WILLIAM E. STRATTON,

defendants herein, being persons employed by and associated with an enterprise, namely the Duff Family Business Enterprise, which enterprise engaged in, and the activities of which affected, interstate commerce, did conspire together and with other persons known and unknown to the grand jury, to violate Title 18, United States Code, Section 1962(c), that is, to conduct and participate, directly and indirectly, in the conduct of the affairs of the enterprise through a pattern of racketeering activity consisting of multiple acts indictable under the laws of the United States, namely:

(a) 18 U.S.C. § 1341 (mail fraud);

(b) 18 U.S.C. § 1343 (wire fraud); and

(c) 18 U.S.C. § 1956 (money laundering).

4. It was part of the conspiracy that the defendants agreed that a conspirator would commit at least two acts of racketeering in the conduct of the affairs of the enterprise.

METHOD AND MEANS OF THE CONSPIRACY

The method and means of the conspiracy were as follows:

5. It was a further part of the conspiracy that defendants engaged in a scheme to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, promises and material omissions from the City of Chicago through the City's MBE/WBE Procurement Program, as more fully described in paragraphs 2 through 30 of Count Two of this indictment.

6. It was a further part of the conspiracy that defendants used and caused to be used the United States mails and the interstate wires to defraud the City of Chicago, as more fully described in Counts Two through Fifteen of this indictment.

7. It was a further part of the conspiracy that defendants engaged in a scheme to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, promises and material omissions from the State of Illinois Department of Insurance Residual Market/Assigned Risk Workers Compensation Plan (the "Illinois Assigned Risk Plan"), all insurance companies licensed to do business in the State of Illinois required by law to contribute to the Illinois Assigned Risk Plan ("contributing carriers"), including those "assigned risk" servicing carriers assigned to Windy City Labor and REM/RDL, and those insurance companies providing "voluntary market" workers' compensation insurance to Windy City Labor and REM, as that scheme is more fully described in paragraphs 2 through 26 of Count Sixteen of this indictment.

8. It was a further part of the conspiracy that defendants used and caused to be used the United States mails and interstate wires, namely the facsimile transmissions of false, fraudulent and misleading documents, to defraud the Illinois Assigned Risk Plan and various private insurance carriers licensed to do business in the State of Illinois, as more fully described in Counts Sixteen through Twenty-Three of this indictment.

9. It was a further part of the conspiracy that defendants engaged in financial transactions designed, in whole or in part, to conceal and disguise the nature, source, ownership, and control of the proceeds fraudulently obtained, directly and indirectly, from the City of Chicago, including the writing of checks drawn on the accounts of Windy City Maintenance and REM and payable to American Management for "consulting fee(s)," the cashing of checks at currency exchanges and banks, the writing of checks to cash on business accounts created and controlled by the defendants, and the transfers of funds between and among the various Duff family business entities, as more fully described in Counts Twenty-Four through Thirty of this indictment.

10. It was a further part of the conspiracy that defendants misrepresented, concealed and hid, and caused to be misrepresented, concealed and hidden, the purposes of and acts done in furtherance of the conspiracy.

All in violation of Title 18, United States Code, Section 1962(d).

COUNT TWO

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Subparagraphs (1)(b)-(i) and (1)(m)-(o) of Count One of this indictment are realleged and incorporated as though fully set forth herein.

2. At times material to this indictment:

a. Effective October 1, 1991, Windy City Maintenance was certified by the City of Chicago as a WBE, on the basis of the sworn affidavit and other statements of defendant PATRICIA GREEN DUFF falsely representing that she was the real owner and controlled the management and daily operations of Windy City Maintenance. As a City-certified WBE, Windy City Maintenance was awarded City of Chicago Target Market Program contracts to provide janitorial services for the Office of Emergency Communications sites and Area 2 Chicago Police Department locations and was able to obtain sub-contracts, based on the company's WBE status, from primary contractors who were awarded City contracts to provide janitorial services for the Harold Washington Library and the International Terminal at O'Hare International Airport.

b. Effective September 1, 1994, REM was certified by the City of Chicago as an MBE, on the basis of the sworn affidavit and other statements of defendant WILLIAM E. STRATTON falsely representing that he was the real owner and controlled the management and daily operations of that company. As a City-certified MBE, REM was awarded a sub-contract from Waste Management of Illinois, Inc. to provide laborers and supervisors to perform recycling services for Waste Management of Illinois, Inc. under its contract with the City of Chicago to operate the City's Materials Recycling and Recovery Facilities, known as the "Blue Bag" Sorting Centers.

CITY OF CHICAGO WBE/MBE PROCUREMENT PROGRAM

c. The City of Chicago's MBE/WBE Procurement Program was administered by the Department of Procurement Services (formerly the Department of Purchases, Contracts and Supplies), which, among other things, was responsible for the initial certification and subsequent annual re-certification of minority and women owned business enterprises.

d. To be City-certified as an MBE/WBE company under the Ordinance and regulations promulgated thereunder, a minority or woman owned applicant company was required to submit a MBE/WBE certification application and all required documentation to the City of Chicago demonstrating, among other things, that the applicant company met certain ownership and managerial requirements, including:

i) that at least 51% of the company was owned and controlled by one or more minorities, women or socially and economically disadvantaged individuals, and that the ownership and control was real, continuing and beyond the pro forma ownership as reflected in ownership documents;

ii) that the management and daily business operations of the company were controlled by one or more such individuals, who possessed the power to direct company policies and objectives and make all substantive, day-to-day decisions, and that primary responsibility for these functions was not vested in someone who was not a minority or a woman; and

iii) that the company was a viable, independent business and the minority or female principal of the company possessed the resources and expertise to operate in the company's area of speciality, without substantial reliance upon finances, resources, expertise, manpower, facilities, equipment, etc. of non-minority or non-women businesses.

e. Under the City Ordinance and regulations, implementation of the WBE/MBE contracting goals were to be attained either by:

i) the City contracting directly with WBE and MBE certified companies through the "target market" program, which designated certain contracts for competition limited exclusively to MBE and WBE companies; or

ii) by including a requirement in all City contracts of a value in excess of $10,000 that the contractor awarded that contract commit to the expenditure of at least the WBE and MBE percentages of the dollar value of the contract with WBE and MBE firms.

Companies subcontracting work to WBE or MBE firms were further required to periodically report to the City all expenditures made to achieve compliance with the WBE and MBE commitments made as part of its contract with the City. The City used this information to monitor compliance with its MBE and WBE contract commitments.

f. City agencies and primary contractors contracting with Windy City Maintenance and REM relied upon the WBE and MBE certifications, respectively, of these companies in entering into "target market" contracts and subcontracts with Windy City Maintenance and REM, and in counting payments made to these companies towards the attainment of the WBE and MBE goals of the City Ordinance.

g. The City paid primary contractors the full amount owed under City contracts and prime contractors were in turn responsible for paying WBE or MBE subcontractors their share from the contract proceeds.

3. Beginning in or about 1991, and continuing thereafter through at least in or about June 2002, in Chicago, and elsewhere within the Northern District of Illinois, Eastern Division,

defendants herein, together with others known and unknown to the Grand Jury, devised, intended to devise, and participated in a scheme and artifice to defraud and to obtain money and property, including WBE/MBE contracts and sub-contracts calling for payments in excess of $100 million, as well as funds actually paid pursuant to those contracts, from the City of Chicago, by means of materially false and fraudulent pretenses, representations and promises, and material omissions, which scheme is further described in the following paragraphs:

4. It was part of the scheme that defendants used fraudulently obtained City of Chicago WBE and MBE certifications for Windy City Maintenance and REM, respectively, to obtain, directly and indirectly, "target market" contracts with the City of Chicago, and WBE/MBE sub-contracts with companies holding contracts with the City of Chicago.

5. It was further part of the scheme that defendant JAMES M. DUFF directed the submission to the City of Chicago of false and fraudulent Certification Applications for Windy City Maintenance and REM, which, among other things, concealed defendant JAMES M. DUFF's control of and ownership interest in each of these companies, intending that the false statements and representations therein would be used by the City in determining each company's eligibility for City certification as a Women-owned or a Minority-owned Business Enterprise, respectively, and thus in determining each company's eligibility for City contracts and sub-contracts.

6. It was further part of the scheme that defendants JAMES M. DUFF, PATRICIA GREEN DUFF and TERRENCE DOLAN, and others known and unknown to the Grand Jury, made and caused to be made materially false statements and material omissions in the original August 1991 certification application and subsequent annual re-certification applications submitted to the City of Chicago for Windy City Maintenance. These applications falsely represented that defendant

PATRICIA GREEN DUFF was and continued to be the owner and sole shareholder of Windy City Maintenance and that she controlled and continued to control the management and daily operations of that company, when, as defendants JAMES M. DUFF, PATRICIA GREEN DUFF and TERRENCE DOLAN, well knew, defendant JAMES M. DUFF operated and controlled Windy City Maintenance and made the significant financial decisions for that company.

7. It was further part of the scheme that defendant PATRICIA GREEN DUFF made false and misleading statements and representations, claiming real ownership of and managerial control over the operations of Windy City Maintenance during site visit interviews by City of Chicago Compliance Officers charged with investigating the eligibility of Windy City Maintenance for certification by the City as a WBE.

8. It was further part of the scheme that in or about September 1991, defendants JAMES M. DUFF, PATRICIA GREEN DUFF and TERRENCE DOLAN used Windy City Maintenance's fraudulently obtained status as a City-certified WBE to fraudulently obtain a sub-contract with Tishman Midwest Management Services ("Tishman"), acting as agent for the City of Chicago, to provide janitorial services at the Harold Washington Library for the period of September 16, 1991 through September 15, 1994, under a contract between Tishman and the City of Chicago, which contract included a requirement that Tishman commit to the expenditure of at least the WBE percentage of the dollar value of the contract specified in the contract with City-certified WBE companies. This fraudulently obtained WBE sub-contract was extended by periodic renewals through December 31, 1999, and provided for payments to Windy City Maintenance of over $12 million. During the years 1991 through at least 1999, Windy City Maintenance received periodic

payments from Tishman pursuant to the terms of this sub-contract in the total amount of approximately $12 million.

9. It was further part of the scheme that in or about April 1993, defendants JAMES M. DUFF, PATRICIA GREEN DUFF and TERRENCE DOLAN used Windy City Maintenance's fraudulently obtained status as a City-certified WBE to fraudulently obtain a sub-contract with the Airport Property Management Group ("APMG"), acting as agent for the City of Chicago, valued at approximately $16 million, to provide janitorial services for the period of April 15, 1993, through September 30, 1999, at the International Terminal of O'Hare International Airport, under a contract between APMG and the City of Chicago, which contract included a requirement that APMG commit to the expenditure of at least the WBE percentage of the dollar value of the contract specified in the contract with a City-certified WBE companies. From in or about 1993 through at least in or about September 1999, Windy City Maintenance received periodic payments from APMG pursuant to the terms of this sub-contract in a total amount of approximately $16 million.

10. It was further a part of the scheme that defendants JAMES M. DUFF, PATRICIA GREEN DUFF and TERRENCE DOLAN periodically provided Tishman and APMG with signed, written statements which the defendants knew to fraudulently represent that Windy City Maintenance was legitimately certified as a WBE by the City of Chicago.

11. It was further a part of the scheme that defendants JAMES M. DUFF, PATRICIA GREEN DUFF and TERRENCE DOLAN fraudulently caused Tishman and APMG to submit to the City of Chicago periodic certifications representing that Windy City Maintenance was being utilized as a WBE subcontractor and reporting that Windy City Maintenance was legitimately certified as a WBE by the City of Chicago.

12. It was further part of the scheme that in or about December 1995, defendants JAMES M. DUFF, PATRICIA GREEN DUFF and TERRENCE DOLAN used Windy City Maintenance's fraudulently obtained status as a City-certified WBE to fraudulently obtain a sub-contract with the City of Chicago, valued at over $1 million, through the assignment by Fluor Daniel of a contract between Fluor Daniel and the City of Chicago to provide janitorial/custodial maintenance services for the period of January 1, 1996 through January 31, 1998, at Office of Emergency Communications sites in Chicago. During the term of this contract, Windy City Maintenance received periodic payments from the City of Chicago pursuant to the terms of the contract.

13. It was further part of the scheme that in or about January 1998, defendants JAMES M. DUFF, PATRICIA GREEN DUFF and TERRENCE DOLAN used Windy City Maintenance's fraudulently obtained status as a City-certified WBE to fraudulently obtain a WBE "target market program" contract with the City of Chicago, receiving over $1.0 million in payments, to provide janitorial services for the period of February 1, 1998 through January 31, 2001, at Office of Emergency Communications sites in Chicago. During the term of this contract, Windy City Maintenance received periodic payments from the City of Chicago pursuant to the terms of the contract.

14. It was further part of the scheme that in or about March 1998, defendants JAMES M. DUFF, PATRICIA GREEN DUFF and TERRENCE DOLAN used Windy City Maintenance's fraudulently obtained status as a City-certified WBE to fraudulently obtain a WBE "target market program" contract with the City of Chicago, receiving over $1.0 million in payments, to provide janitorial services for the period of April 1, 1998 through March 2, 2000, at Area 2 Chicago Police

Department locations. During the term of this contract, Windy City Maintenance received periodic payments from the City of Chicago pursuant to the terms of the contract.

15. It was further part of the scheme that defendants JAMES M. DUFF and WILLIAM E. STRATTON, and others known and unknown to the Grand Jury, made and caused to be made materially false statements and material omissions on the initial certification application and subsequent re-certification applications submitted to the City of Chicago for REM. These applications falsely represented that defendant WILLIAM E. STRATTON was and continued to be the owner and at least the majority shareholder of REM and that he controlled and continued to control the management and daily operations of that company, when, as defendants JAMES M. DUFF and WILLIAM E. STRATTON, well knew, defendant JAMES M. DUFF operated and controlled REM and made the significant financial decisions for that company.

16. It was further part of the scheme that beginning in August 1993 and continuing periodically through at least in or about June 1999, defendant WILLIAM E. STRATTON made false and misleading statements and representations concerning his ownership of and managerial control over the operations of REM during site visit interviews by, and in correspondence with, City of Chicago Compliance Officers charged with investigating the eligibility of REM for certification by the City as an MBE.

17. It was further part of the scheme that in or about November 1995, defendants JAMES M. DUFF and WILLIAM E. STRATTON used REM's fraudulently obtained status as a City-certified MBE to fraudulently obtain a sub-contract with Waste Management of Illinois, Inc. ("Waste Management"), valued at over $74 million, to provide manual laborers and supervisors to perform services in connection with Waste Management's operation of the Chicago "Blue Bag"

Sorting Centers for the period of seven years effective November 1, 1995, under a contract between Waste Management and the City of Chicago, which contract included a requirement that Waste Management commit to the expenditure of at least the WBE percentage of the dollar value of the contract specified in the contract with City-certified WBE companies. During the years 1995 through at least 2002, REM received periodic payments from Waste Management pursuant to the terms of this sub-contract in the total amount of approximately $74 million.

18. It was further a part of the scheme that defendants WILLIAM E. STRATTON and JAMES M. DUFF periodically provided Waste Management with signed, written statements which they knew fraudulently represented that REM was legitimately certified as a MBE by the City of Chicago.

19. It was further a part of the scheme that defendants JAMES M. DUFF and WILLIAM E. STRATTON caused Waste Management to submit periodic MBE contract compliance reports to the City of Chicago representing that REM was being utilized as an MBE subcontractor and fraudulently reporting that REM was legitimately certified as a MBE by the City of Chicago.

20. It was further part of the scheme that in or about August 1999, in response to a City of Chicago investigation into the eligibility of Windy City Maintenance and REM as a WBE and MBE, respectively, defendants JAMES M. DUFF, WILLIAM E. STRATTON, PATRICIA GREEN DUFF and TERRENCE DOLAN sought to maintain the fraudulently obtained WBE and MBE status of Windy City Maintenance and REM by continuing to conceal the true ownership interest and control of each of these companies by defendant JAMES M. DUFF.

21. It was further part of the scheme that in or about August 1999, defendant JAMES M. DUFF directed the submission to the City of Chicago of a false and fraudulent Certification

Application for Windy City Maintenance, each page of which was signed and dated by defendant PATRICIA GREEN DUFF, in which it was falsely represented that defendant PATRICIA GREEN DUFF was the owner and sole shareholder of Windy City Maintenance and that she controlled and continued to control the management and daily operations of that company, when, as defendants JAMES M. DUFF and PATRICIA GREEN DUFF well knew, defendant JAMES M. DUFF operated and controlled Windy City Maintenance and made the significant financial decisions for that company.

22. It was further part of the scheme that in a continued effort to maintain the fraudulently obtained WBE status of Windy City Maintenance, defendant JAMES M. DUFF, in or about August 1999, caused one of his employees to meet on a daily basis with defendant PATRICIA GREEN DUFF and tutor her on the details and operation of Windy City Maintenance's business, contracts and financial arrangements, in an effort to enable defendant PATRICIA GREEN DUFF to convince City of Chicago officials during interviews that she, in fact, owned and exercised operational and financial control of Windy City Maintenance.

23. It was further part of the scheme that defendant JAMES M. DUFF, in or about August 1999, directed and caused one of his employees to attend and participate in the City of Chicago interview of defendant PATRICIA GREEN DUFF and further instructed this employee to help answer any questions defendant PATRICIA GREEN DUFF was unable to answer on her own.

24. It was further part of the scheme that prior to the interview of defendant PATRICIA GREEN DUFF in or about August 1999, defendant JAMES M. DUFF directed and caused employees of Windy City Maintenance to, among other things, remove anything from the offices shared by Windy City Maintenance and REM that was not related to Windy City Maintenance,

including REM's mailboxes, files, and telephones, and to change all of the labels on the office telephones that had been marked "Jim's line," to read "Mrs. Duff."

25. It was further part of the scheme that in or about August 1999, defendant PATRICIA GREEN DUFF, made false statements and representations concerning her ownership of and managerial control over the operations of Windy City Maintenance during interviews by City of Chicago officials.

26. It was further part of the scheme that in or about August 1999, defendant JAMES M. DUFF assisted defendant PATRICIA GREEN DUFF in making false statements and representations concerning her ownership of and managerial control over the operations of Windy City Maintenance during a telephone interview of PATRICIA GREEN DUFF by a Department of Purchasing Compliance Officer charged with investigating the eligibility of Windy City Maintenance for certification by the City as a WBE. Among other things, defendant JAMES M. DUFF wrote notes to PATRICIA GREEN DUFF telling her how to answer questions asked by the compliance officer.

27. It was further part of the scheme that defendant JAMES M. DUFF, in or about August 1999, directed and caused certain employees of Windy City Maintenance and others to provide false statements during interviews by City of Chicago officials concerning, among other things, the extent of defendant PATRICIA GREEN DUFF's involvement in and managerial control over the day-to-day operations and financial decisions of Windy City Maintenance.

28. It was further part of the scheme that defendant TERRENCE DOLAN, in or about August 1999, provided false statements during an interview by City of Chicago officials concerning, among other things, the extent of defendant PATRICIA GREEN DUFF's involvement in and managerial control over the day-to-day operations and financial decisions of Windy City

Maintenance in order to conceal defendant JAMES M. DUFF's control over Windy City Maintenance.

29. It was further part of the scheme that in or about August and September 1999, in a continued effort to maintain the fraudulently obtained MBE status of REM, defendant WILLIAM E. STRATTON falsely represented during interviews conducted by City of Chicago investigators and later by a Department of Procurement Compliance Officer that he was the real owner of REM, and that he controlled the management and daily operations of that company, when, as defendant WILLIAM E. STRATTON well knew, defendant JAMES M. DUFF operated and controlled REM and made the significant financial decisions for that company.

30. It was further a part of the scheme that to further the objects of the scheme and to continue the scheme without detection by the City of Chicago and various City regulatory departments and employees, primary contractors with whom Windy City Maintenance and REM had sub-contracts, law enforcement and others, defendants misrepresented, concealed, and hid, and caused to be misrepresented, concealed and hidden the existence of the scheme, as well as the conduct and the true purposes of the acts committed during and in furtherance of the scheme.

31. On or about November 6, 1998, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF
PATRICIA GREEN DUFF, and
TERRENCE DOLAN

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97593430, payable to Windy City Maintenance, Inc. in the

amount of $45,010.00, such envelope being addressed to Windy City Maintenance, Inc., 1024 W. Kinzie Avenue, Chicago, Illinois 60622;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT THREE

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about November 27, 1998, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF
PATRICIA GREEN DUFF, and
TERRENCE DOLAN

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97606412, payable to Windy City Maintenance, Inc. in the amount of $87,261.60, such envelope being addressed to Windy City Maintenance, Inc., 1024 W. Kinzie Avenue, Chicago, Illinois 60622;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT FOUR

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about January 26, 1999, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF
PATRICIA GREEN DUFF, and
TERRENCE DOLAN

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97635270, payable to Windy City Maintenance, Inc. in the amount of $45,010.00, such envelope being addressed to Windy City Maintenance, Inc., 1024 W. Kinzie Avenue, Chicago, Illinois 60622;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT FIVE

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about March 22, 1999, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF
PATRICIA GREEN DUFF, and
TERRENCE DOLAN

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97671853, payable to Windy City Maintenance, Inc. in the amount of $87,261.60, such envelope being addressed to Windy City Maintenance, Inc., 1024 W. Kinzie Avenue, Chicago, Illinois 60622;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT SIX

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about July 30, 1999, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF,
PATRICIA GREEN DUFF, and
TERRENCE DOLAN

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97771385, payable to Windy City Maintenance, Inc. in the amount of $87,261.60, such envelope being addressed to Windy City Maintenance, Inc., 1024 W. Kinzie Ave., Chicago, IL 60622;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT SEVEN

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about February 15, 2000, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF
PATRICIA GREEN DUFF, and
TERRENCE DOLAN

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97885883, payable to Windy City Maintenance, Inc. in the amount of $43,630.80, such envelope being addressed to Windy City Maintenance, Inc., 1024 W. Kinzie Avenue, Chicago, Illinois 60622;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT EIGHT

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about April 21, 2000, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF,
PATRICIA GREEN DUFF, and
TERRENCE DOLAN

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97930660, payable to Windy City Maintenance, Inc. in the amount of $45,010.00, such envelope being addressed to Windy City Maintenance, Inc., 1024 W. Kinzie Ave., Chicago, IL 60622;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT NINE

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about November 16, 1998, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF
PATRICIA GREEN DUFF, and
TERRENCE DOLAN

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97597626, payable to Tishman Midwest Management Corporation in the amount of $375,871.00, such envelope being addressed to Tishman Midwest Management Corporation, 180 W. Washington Street, Chicago, Illinois 60622;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT TEN

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about December 4, 1998, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF
PATRICIA GREEN DUFF, and
TERRENCE DOLAN

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97610350, payable to Tishman Midwest Management Corporation in the amount of $368,871.00, such envelope being addressed to Tishman Midwest Management Corporation, 180 W. Washington Street, Chicago, Illinois 60622;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT ELEVEN

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about November 9, 1998, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF
PATRICIA GREEN DUFF, and
TERRENCE DOLAN

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97594123, payable to Airport Property Management Group in the amount of $888,652.99, such envelope being addressed to Airport Property Management Group, 300 S. Wacker Drive, #200, Chicago, Illinois 60606;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT TWELVE

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about August 2, 1999, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF
PATRICIA GREEN DUFF, and
TERRENCE DOLAN

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97771477, payable to Airport Property Management Group in the amount of $668,208.00, such envelope being addressed to Airport Property Management Group, 300 S. Wacker Drive, #200, Chicago, Illinois 60606;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT THIRTEEN

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about December 11, 1998, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF, and
WILLIAM E. STRATTON

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97613967, payable to Waste Management of Illinois, Inc., in the amount of $928,042.99, such envelope being addressed to Waste Management of Illinois, Inc., 3757 W. 34th Street, Chicago, Illinois 60623;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT FOURTEEN

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about June 15, 1999, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF, and
WILLIAM E. STRATTON

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97743087, payable to Waste Management of Illinois, Inc., in the amount of $1,037,252.24, such envelope being addressed to Waste Management of Illinois, Inc., 3757 W. 34th Street, Chicago, Illinois 60623;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT FIFTEEN

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 30 of Count Two of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about May 12, 2000, in Chicago, and elsewhere in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF, and
WILLIAM E. STRATTON

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized repository for mail matter an envelope, containing a City of Chicago check, no. 97944109, payable to Waste Management of Illinois, Inc., in the amount of $1,200,084.93, such envelope being addressed to Waste Management of Illinois, Inc., 3757 W. 34th Street, Chicago, Illinois 60623;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT SIXTEEN

The SPECIAL FEBRUARY 2002-2 GRAND JURY charges:

1. Subparagraphs (1)(b)-(l) of Count One of this indictment are realleged and incorporated as though fully set forth herein.

2. At times material to this indictment:

a. Windy City Labor was an Illinois corporation required, pursuant to the Workers' Compensation Act, 820 ILCS 305/1, *et seq.,* to obtain and carry workers' compensation insurance. With the exception of the policy period July 5, 1999 through July 5, 2000, Windy City Labor obtained workers' compensation insurance in the "assigned risk" market through the State of Illinois, Department of Insurance Residual Market Workers' Compensation Plan.

b. REM was an Illinois corporation also required, pursuant to the Workers' Compensation Act, 820 ILCS 305/1, *et seq.*, to obtain and carry workers' compensation insurance. For the policy years beginning in or about 1995, and continuing through at least 2002, REM obtained workers' compensation insurance in both the "voluntary market" and the "assigned risk" from various workers' compensation insurance carriers.

c. Leahy & Associates, Inc. ("Leahy & Associates") was a licensee of the State of Illinois and annually registered with the State of Illinois Department of Insurance as a firm authorized to do business as an insurance agency and brokerage firm as required by the laws and rules of the State of Illinois to do insurance related business in Illinois. Leahy & Associates' main office was located in Westchester, Illinois.

d. Casualty Insurance Company ("Casualty"), United States Fidelity and Guaranty Company ("USF&G"), Lumbermens Mutual Casualty Company ("Lumbermens"), Liberty

Mutual Insurance Company ("Liberty Mutual"), AmComp Assurance Company ("AmComp"), Travelers Property Casualty Company ("Travelers") and United Heartland ("United Heartland") were insurance companies licensed to sell workers' compensation insurance in Illinois.

THE DEFENDANTS

e. Defendant JAMES M. DUFF operated, controlled and made the significant financial decisions for Windy City Labor, WCM and REM.

f. Defendant JOHN J. LEAHY ("LEAHY") was the president of Leahy & Associates. Defendant JOHN J. LEAHY also was an annual licensee of the State of Illinois authorized to do business as an Insurance Producer and was the person registered with the State of Illinois Department of Insurance as the firm member responsible for Leahy & Associates' compliance with the insurance laws, rules and regulations of the State of Illinois. Defendant JOHN J. LEAHY and Leahy & Associates served as a representative and agent of Windy City Labor and REM for the purpose of obtaining voluntary market and assigned risk workers' compensation and other types of insurance coverage for these client companies.

g. Defendant EDWARD WISNIEWSKI ("WISNIEWSKI") was an agent for and later the vice-president of commercial insurance sales of Leahy & Associates. In this capacity, defendant EDWARD WISNIEWSKI served as a representative and agent of Windy City Labor and REM for the purpose of obtaining voluntary market or assigned risk workers' compensation insurance and other types of insurance coverage for these client companies.

h. Defendant WILLIAM E. STRATTON, in his capacity as the purported owner and president of REM, signed insurance forms and premium checks for REM.

i. Defendant STARLING ALEXANDER ("ALEXANDER") was an employee of REM, holding the title of Operations Manager. In this capacity, ALEXANDER was responsible for, among other things, corresponding and communicating with representatives of Leahy & Associates concerning workers' compensation insurance coverage for REM.

WORKERS' COMPENSATION INSURANCE

j. As with other forms of insurance, premiums for workers' compensation insurance were designed to reflect the degree of risk being assumed by the insurance company based in part on the potential for injury associated with different jobs being performed by an employer's employees. The following factors typically were used in calculating a particular employer's workers' compensation insurance premium:

i. The total wages of the employees to be covered (known as "payroll");

ii. The nature of the employer's operations and employees' work activities, and the risk of employee injury associated with those activities (known as "job risk classifications") ;

iii. The nature of the employer's past history of work-related injuries (known as "experience modification"). The premiums for employers whose employees have had a large number or more severe injuries in previous years would be higher than for employers with low injury or severity rates in the same industry, or for new companies with no history of claims;

iv. The total annual premium for assigned risk workers' compensation insurance was calculated by applying the applicable job risk classification premium rate for every $100 in payroll in each of the employer's designated job risk classifications, and then multiplying the total of the calculated premiums for each class by the employer's experience modification.

k. Job classification codes and premium rates for each job code were established and filed in Illinois and other states by the NCCI. The NCCI also was responsible for calculating an employer's experience modifier based on its claims history and the industry averages.

l. Because many employers in Illinois and in other states were unable to find workers' compensation insurance in the "voluntary market," often because the employer was a new company or had experienced high injury rates in the past, Illinois and other states implemented "involuntary market" or "assigned risk" plans or pools to assure insurance coverage to employers who were not able to obtain workers' compensation coverage in the voluntary market.

m. The Illinois Department of Insurance Residual Market/Assigned Risk Workers Compensation Plan's assigned risk pool was funded by a combination of contributions required from all participants in the pool, that is, all insurance companies licensed to do business in the State of Illinois. The amounts of these contributions were based on each participant's volume of insurance business in Illinois, and the net premiums paid by employers obtaining workers' compensation insurance through the assigned risk market, after deduction by the servicing carriers of that portion of the premiums used to pay fees and to offset administrative and other costs. The funds in the assigned risk pool were then used to pay all injury claims processed by the servicing carriers as well as administrative fees and expenses of the Illinois Assigned Risk Plan. If the plan incurred a high volume of claims and incurred a deficit balance, the participant members of the plan were then obligated to contribute additional funds to the pool to cover any such deficits.

n. In the initial application for workers' compensation insurance, called an Acord, an employer was required to provide its insurance company, either directly or through the NCCI, with estimates of its anticipated annual payroll and the job classifications of its employees.

Those estimates provided a good faith basis for determining an estimated premium, some or all of which the employer could be required to pay as a deposit premium at the beginning of the policy period.

o. Under the terms of the insurance policy agreement entered into between the company and the insurance carrier, an employer was required to submit to an audit and permit an examination by the insurance company, or the NCCI, of its records to verify the employer's payroll and the job risk classifications of its employees and to determine the final annual premium. In the initial months of the policy period, the insurance company was entitled to conduct a "preliminary audit" of the employer's records to determine the estimated premium. At the close of the policy period, the insurance company conducted a "final audit" of the employer's exposure during the policy period, reviewing supporting documentation and information to verify actual payroll and employee risk classifications in order to determine the final amount of the premium due for that policy period. If an employer's estimated premium payments were too high, it received a refund. If the estimated premium payments were too low, the employer was billed for the difference. The insurance company generally had ninety days from the end of the policy period to complete its final audit.

p. Insurance carriers that provided voluntary market and "assigned risk" workers' compensation insurance relied upon the information contained in the application for insurance coverage submitted by an employer, such as the job risk classifications of its employees and the estimated annual payroll in each of these job risk classifications, as well as all the financial and other information provided to the insurance company's auditors both during and at the conclusion of the policy year, to assess the risks involved in providing workers' compensation

coverage to that employer and to determine the proper premium to be paid by that employer for insurance protection. Accordingly, employers and their insurance agents were required by the assigned risk plan and provisions of the insurance application itself to truthfully report the nature of the employer's business, the numbers and types of employees on the employer's payroll, and the payroll for those employees.

3. Beginning no later than in or about 1989 and continuing to at least in or about December 2001, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

JAMES M. DUFF,
WILLIAM E. STRATTON,
EDWARD WISNIEWSKI,
JOHN J. LEAHY, and
STARLING ALEXANDER,

defendants herein, together with others known and unknown to the Grand Jury, devised, intended to devise, and participated in a scheme and artifice to defraud and to obtain money and property, namely in excess of $3 million in unpaid workers' compensation insurance premiums, from the State of Illinois Department of Insurance Residual Market/Assigned Risk Workers' Compensation Plan, all insurance companies licensed to do business in the State of Illinois required by law to contribute to the Illinois Assigned Risk Plan, including those "assigned risk" servicing carriers assigned to Windy City Labor and RDL, and those insurance companies providing "voluntary market" workers' compensation insurance to Windy City Labor and REM, by means of materially false and fraudulent pretenses, representations, promises and material omissions, which scheme is further described in the following paragraphs:

4. It was part of the scheme that defendant JAMES M. DUFF directed the submission of various applications to the NCCI for assigned risk workers' compensation insurance coverage for

Windy City Labor, intending that the information therein be used in determining that company's workers' compensation premiums.

5. It was further part of the scheme that defendants JAMES M. DUFF, JOHN J. LEAHY and EDWARD WISNIEWSKI, and others known and unknown to the Grand Jury, made and caused to be made materially false statements and material omissions on workers' compensation applications submitted to NCCI for assigned risk workers' compensation insurance coverage. These applications falsely reported the job risk classification and the associated payroll for the vast majority of Windy City Labor employees as "Clerical" or "Labor Union," when, as defendants JAMES M. DUFF, JOHN J. LEAHY and EDWARD WISNIEWSKI, well knew, virtually all of Windy City Labor's employees were temporary day laborers engaged solely in unskilled, manual labor as warehouse workers and driver's helpers for wholesale liquor warehouses and clean-up workers at refuse transfer and sorting centers, which activities carried a higher job risk classification and an insurance premium rate approximately twenty times higher than the "Clerical" and "Labor Union" classifications reported.

6. It was further part of the scheme that as a result of Windy City Labor's false applications to NCCI, NCCI assigned various insurance companies, designated as "servicing carriers," to provide assigned risk workers' compensation insurance coverage to Windy City Labor from at least as early as July 5, 1989 through July 5, 1999, for premium rates well below what Windy City Labor would have been required to pay had defendants JAMES M. DUFF, JOHN J. LEAHY and EDWARD WISNIEWSKI provided true and accurate information on the NCCI applications for Windy City Labor.

7. It was a further part of the scheme that in order to frustrate the efforts of these servicing carriers to determine the true nature and full scope of the business activities of Windy City Labor, and to thereby prevent the servicing carriers from discovering that Windy City Labor had fraudulently obtained artificially low workers' compensation insurance premiums, defendant JAMES M. DUFF, and others at his direction, failed to fully cooperate, as required, with auditors from the servicing carriers by, among other things, refusing to provide these auditors with complete access to the financial and payroll records, accurate client lists and contact information and other pertinent documents and information concerning Windy City Labor.

8. It was further part of the scheme that on various dates beginning not later than 1989 and continuing until at least 2001, defendant JAMES M. DUFF personally provided, and directed others in his employ to provide, written summaries to the auditors for the various servicing carriers, which summaries falsely reported the job risk classification codes and thus the accompanying payroll by classification for Windy City Labor's employees. During the relevant time period, Windy City Labor had annual work forces of between approximately 650 and 2100 employees, approximately 90% of whom were fraudulently reported to the insurance carriers auditors during each of the policy years as engaged in work for Windy City Labor's clients classified for workers' compensation purposes as "Clerical" or "Labor Union." By misrepresenting a high percentage of Windy City Labor's employees' job risk classifications as clerical or labor union, which typically carried premium rates of approximately $0.35 per $100 of payroll, as opposed to warehousing or driver's helpers, which typically carried premium rates of approximately $8.00 per $100 of payroll or higher, defendant JAMES M. DUFF significantly and fraudulently reduced Windy City Labor's workers' compensation premiums.

9. It was further part of the scheme that in a continued effort to hide the true job risk classifications of Windy City Labor temporary day labor employees from NCCI and the servicing carriers, defendant JAMES M. DUFF, in or about August 1995, caused one of his employees to prepare a listing of Windy City Labor clients, which falsely represented that Windy City Labor provided "clerical" services to each of Windy City Labor's listed clients. This fraudulent listing was forwarded by fax transmission to defendant EDWARD WISNIEWSKI of Leahy & Associates, who in turn, forwarded it by fax transmission to the NCCI in Boca Raton, Florida.

10. It was further part of the scheme that in or about December 1995, defendants JAMES M. DUFF, JOHN J. LEAHY and EDWARD WISNIEWSKI caused a letter to USF&G to be prepared under the signature of defendant EDWARD WISNIEWSKI falsely asserting that Windy City Labor provided only one mail room employee to Waste Management, Windy City Labor client, when in fact Windy City Labor actually provided multiple manual laborers to Waste Management.

11. It was further part of the scheme that in or about January 1996, defendant JAMES M. DUFF, with the assistance of "Individual A," caused a letter to USF&G to be prepared and mailed by an official of Waste Management retracting information provided in previous correspondence to USF&G that Windy City Labor provided Waste Management with manual laborers and instead falsely representing that that previous information was in error and that Windy City Labor provided only a single mail room employee to Waste Management.

12. It was further part of the scheme that in or about June and July 1998, defendant JAMES M. DUFF caused one or more Windy City Labor employees to prepare, in response to requests from the NCCI for additional information regarding Windy City Labor's eligibility for assigned risk insurance coverage, a listing of Windy City Labor's employees identified by last name

only, fraudulently representing that the vast majority of these employees provided clerical services to Windy City Labor's clients. In addition, defendant JAMES M. DUFF caused Windy City Labor employees to prepare, in response to requests from the NCCI, as a false and fraudulent listing of Windy City Labor's purported clients. This purported client list fraudulently listed only one of the various Chicago-area wholesale liquor distributors to which Windy City Labor provided unskilled, manual labor. These false and fraudulent client and employee listings subsequently were submitted by fax transmission to the NCCI in Boca Raton, Florida, by defendant EDWARD WISNIEWSKI.

13. It was further part of the scheme that in or about September 1998, defendant JAMES M. DUFF caused one or more of his employees to provide representatives of insurance carriers with fraudulent and incomplete information to support previous fraudulent representations made in Windy City Labor's workers' compensation applications and thereafter caused these employees to continue to fail to cooperate with further attempts by the insurance carrier to gather information during the July 5, 1998 to July 5, 1999 policy year concerning Windy City Labor's clients and the nature of its work force.

14. It was further part of the scheme that in or about September 1998, defendants JOHN J. LEAHY and EDWARD WISNIEWSKI, in an effort to avoid potential cancellation of Windy City Labor's workers' compensation insurance for failure to cooperate with the insurance company audits, directed certain Windy City employees to provide representatives of the insurance carrier and its affiliates with false information consistent with the fraudulent statements made in Windy City Labor's previous workers' compensation applications.

15. It was further part of the scheme that in or about February 1999, defendants JAMES M. DUFF, JOHN J. LEAHY and EDWARD WISNIEWSKI , facing cancellation of Windy City

Labor's assigned risk insurance coverage for failure to cooperate with the insurance company auditors, endeavored to obtain voluntary market workers' compensation insurance coverage for Windy City Labor. In an effort to obtain voluntary market coverage for Windy City Labor, defendants JAMES M. DUFF, JOHN J. LEAHY and EDWARD WISNIEWSKI caused applications for coverage to be submitted to AmComp Assurance Corporation and ULICO Casualty Corporation, which applications falsely represented the job risk classification and the associated payroll for a substantial percentage of Windy City Labor's employees as "Clerical," when, as defendants JAMES M. DUFF, JOHN J. LEAHY and EDWARD WISNIEWSKI, well knew, Windy City Labor's temporary day laborers engaged almost exclusively in unskilled, manual labor.

16. It was further part of the scheme that in or about June and July 1999, defendants JAMES M. DUFF, JOHN J. LEAHY and EDWARD WISNIEWSKI, for the purpose of attempting to have the NCCI designate an assigned risk carrier for Windy City Labor, caused one or more of defendant JAMES M. DUFF's employees to provide fraudulent information to the NCCI about the payroll and employee job risk classifications for Windy City Labor employees as well as the listing of purported Windy City Labor clients previously provided to NCCI in July 1998 but adding Leahy and Associates, with defendant JOHN J. LEAHY as a contact. This purported client list again fraudulently listed only one of the various Chicago-area wholesale liquor distributors to which Windy City Labor provided unskilled, manual labor. This fraudulent information was submitted to the NCCI by defendant EDWARD WISNIEWSKI.

17. It was further part of the scheme that in or about July and August 1999, defendant JAMES M. DUFF, in order to conceal the scheme, authorized defendants JOHN J. LEAHY and EDWARD WISNIEWSKI to accept voluntary market coverage on Windy City Labor's behalf at a

significantly higher premium than the assigned risk market coverage, bound by Liberty Mutual in or about July 1999.

18. It was further part of the scheme that in or about September 1999, defendant JAMES M. DUFF caused others in his employ to provide a written summary to the auditor conducting a final audit for USF&G for Windy City Labor's policy year ending July 5, 1998, which falsely represented that a significant number of Windy City Labor's employees had provided clerical services to Windy City Labor's clients during that policy year, when in fact an overwhelming percentage of Windy City Labor employees had worked as unskilled, manual laborers.

19. It was further part of the scheme that in or about October 1999, defendant JAMES M. DUFF caused others in his employ to provide a written summary to the auditor conducting a final audit for Lumbermens for Windy City Labor's policy year ending July 5, 1999, which falsely represented that a significant number of Windy City Labor's employees had provided clerical services to Windy City Labor's clients during that policy year, when in fact an overwhelming percentage of Windy City Labor employees had worked as unskilled, manual laborers.

20. It was further part of the scheme that in or about late June or early July 2000, after Windy City Labor's voluntary market insurance carrier declined to renew Windy City Labor's workers' compensation insurance coverage, defendants JAMES M. DUFF, WILLIAM E. STRATTON and STARLING ALEXANDER, in order to conceal the scheme and avoid difficulties in obtaining coverage in the assigned risk market and the potential cancellation of such a policy due to Windy City Labor's failure to comply with prior document and audit requests by its assigned risk carriers, merged Windy City Labor's temporary day labor operations into REM. As a result of this merger, REM assumed all of Windy City Labor's employees and temporary labor clients.

21. It was further part of the scheme that after Windy City Labor's merger with REM, defendants JAMES M. DUFF, JOHN J. LEAHY, EDWARD WISNIEWSKI, WILLIAM E. STRATTON, and STARLING ALEXANDER fraudulently sought to have the former Windy City Labor temporary day laborers covered under REM's then-existing workers' compensation insurance policy with United Heartland by fraudulently concealing REM's merger with Windy City Labor and its assumption of Windy City Labor's employees and clients.

22. It was further part of the scheme that on or about July 21, 2000 and August 1, 2000, defendants JAMES M. DUFF, JOHN J. LEAHY, EDWARD WISNIEWSKI, WILLIAM E. STRATTON, and STARLING ALEXANDER caused an application to be submitted to the NCCI seeking assigned risk workers' compensation insurance coverage for REM's "new" temporary labor operations, intending that the information therein be used in determining REM's workers' compensation premiums. This application contained materially false statements and material omissions, including:

a. Intentionally withholding and omitting to disclose that Windy City Labor's temporary day labor operations had been merged into and combined with REM, with all Windy City Labor's operations and clients assumed by REM;

b. Falsely representing that REM and its "temporary labor operations" had not been the subject of "a name change, consolidation, merger or ownership change during the past five years," when, as defendants well knew, the operations of Windy City Labor had recently been merged and combined with REM;

c. Falsely representing that $600,000 of the estimated annual payroll of REM's "temporary labor operations" was properly classified for workers' compensation purposes as

"Clerical," when, as defendants well knew, REM's temporary labor operations provided no significant number of temporary day laborers to clients to perform clerical services.

d. Falsely representing that the applicable "experience modification" for REM's "temporary labor operations" was "1.09," when, as defendants well knew, Windy City Labor's prior year experience modification for this same "temporary labor operation" was 2.62, and defendants failed to reveal the same; and

e. Falsely representing that REM and its temporary labor operations were not "related through common management or ownership to any entity not listed" on the application, when, as defendants well knew, REM then shared common ownership with WCM and defendant JAMES M. DUFF managed and controlled the finances of both companies;

23. It was further part of the scheme that as a result of REM's false and fraudulent applications to the NCCI, Travelers was assigned by the NCCI to provide assigned risk workers' compensation insurance coverage to the "temporary labor operations" of REM from July 24, 2000 through July 24, 2001, for premiums well below what REM should have paid had defendants provided true and accurate information to the NCCI concerning the merger of REM and Windy City Labor and REM's assumption of Windy City Labor's prior temporary labor operations.

24. It was further part of the scheme that in or about October 2000, in order to keep REM's workers' compensation insurance premiums artificially low, defendant STARLING ALEXANDER failed to disclose to the auditor for Travelers during a preliminary audit that REM's temporary labor operation was not a "new" enterprise but rather was "a name change, consolidation, merger or ownership change" resulting from REM's merger with Windy City Labor and the assumption by REM of Windy City Labor's existing operations and clients.

25. It was further part of the scheme that, on various dates between on or about June 29, 2000 and on or about May 10, 2001, defendant JAMES M. DUFF, in order to frustrate efforts by Travelers and United Heartland, the existing workers' compensation insurance carriers for REM, to determine the nature of the relationship and the facts surrounding the merger of REM and Windy City Labor, caused others at his direction, including defendants WILLIAM E. STRATTON, EDWARD WISNIEWSKI and STARLING ALEXANDER, to repeatedly make false and misleading representations to insurance brokers and employees and representatives of the workers' compensation insurance providers designed to conceal the relationship between REM's then-existing temporary labor operations and the former temporary labor operations of Windy City Labor.

26. It was further part of the scheme that to further the objects of the scheme and continue the scheme without detection by the Illinois Assigned Risk Plan, the NCCI, the various workers' compensation insurance carriers and their assigned policy auditors and fraud units, the State of Illinois regulatory authorities, law enforcement, and others, defendants misrepresented, concealed, and hid, and caused to be misrepresented, concealed and hidden the existence of the scheme, as well as the conduct and the true purposes of the acts committed during and in furtherance of the scheme.

27. On or about September 22, 1999, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF
JOHN J. LEAHY, and
EDWARD WISNIEWSKI

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by the United States Postal Service, according to the directions thereon, an envelope containing a document entitled Statement of Premium Adjustment-Revised Final Audit documenting a workers' compensation insurance refund in the amount of $1,747 from

USF&G Insurance Company of Illinois, pertaining to workers' compensation insurance policy number 26 WZ XG9983, for the policy period July 5, 1997 to July 5, 1998, addressed to Windy City Labor Service, Inc., 174-178 North Halsted Street, Chicago, Illinois 60661;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT SEVENTEEN

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 26 of Count Sixteen of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about June 14, 1999, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF,
JOHN J. LEAHY, and
EDWARD WISNIEWSKI

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly deposited and caused to be deposited a matter to be sent and delivered by the United States Postal Service, namely, a package containing documents entitled Acord 130 and Acord 133, pertaining to the application for assigned risk workers' compensation insurance coverage for Windy City Labor Service, Inc. for the policy period July 5, 1999 to July 5, 2000, addressed to NCCI, Inc.-Illinois, P.O. Box 74607, Chicago, Illinois 60675;

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNT EIGHTEEN

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 26 of Count Sixteen of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about July 7, 1999, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF,
JOHN J. LEAHY, and
EDWARD WISNIEWSKI,

defendants herein, and others known and unknown to the Grand Jury, for the purpose of executing the above-described scheme and attempting to do so, knowingly did cause to be transmitted by means of wire and radio communication in interstate commerce, signals and sounds, namely a facsimile transmission of a document entitled Temporary Employment Contractor Information Form and a letter facsimile signed by "Patricia Green" listing clients of Windy City Labor Service, Inc. pertaining to the application for assigned risk workers' compensation insurance coverage for Windy City Labor Service, Inc. for the policy period July 5, 1999 to July 5, 2000, National Council on Compensation Insurance Service Center, in Boca Raton, Florida, to Liberty Mutual in Wausau, Wisconsin;

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT NINETEEN

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 26 of Count Sixteen of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about July 8, 1999, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF,
JOHN J. LEAHY, and
EDWARD WISNIEWSKI

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by United States Postal Service, according to the directions thereon, an envelope containing a document entitled Workers' Compensation and Employers Liability Insurance Binder acknowledging receipt of Windy City Labor Service's application and initial deposit premium payment for workers' compensation insurance coverage and assigning policy coverage, for the policy year July 5, 1999 to July 5, 2000, under the assigned risk plan to Liberty Mutual Insurance Co., PO Box 8090, Wausau, Wisconsin, addressed to Windy City Labor Service, Inc., 174-178 North Halsted Street, Chicago, Illinois 60661;

In violation of Title 18, United States Code, Sections 1341and 2.

COUNT TWENTY

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 26 of Count Sixteen of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about July 2, 1999, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF,
JOHN J. LEAHY, and
EDWARD WISNIEWSKI

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly did cause to be transmitted by means of wire and radio communication in interstate commerce, signals and sounds, namely a facsimile transmission of an Acord 130 pertaining to the application by Windy City Labor Service, Inc. for voluntary market workers' compensation insurance coverage for the period July 5, 1999 to July 5, 2000, from Vincent Braband Insurance, 1621 E. Carboy Road, Suite 101, Arlington Heights, Illinois to AmComp Incorporated in Indianapolis, Indiana;

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT TWENTY-ONE

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 26 of Count Sixteen of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about August 16, 1999, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF,
JOHN J. LEAHY, and
EDWARD WISNIEWSKI

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be delivered by United States Postal Service, according to the directions thereon, an envelope containing an original and file copy of a Workers' Compensation Insurance Policy, number WCV4102888, for Windy City Labor Service, Inc., for the policy year July 5, 1999 to July 5, 2000, issued by AmComp Incorporated , PO Box 40819, Indianapolis, Indiana 46240, addressed to Skip Braband, Vincent Braband Insurance, 1621 E. Carboy Road, Suite 101, Arlington Heights, Illinois 60005;

In violation of Title 18, United States Code, Sections 1341and 2.

COUNT TWENTY-TWO

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 26 of Count Sixteen of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about July 21, 2000, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF
JOHN J. LEAHY
EDWARD WISNIEWSKI, and
WILLIAM E. STRATTON

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly deposited and caused to be deposited a matter to be sent and delivered by the United States Postal Service, namely, an envelope containing documents entitled Acord 130 Workers' Compensation Application and Acord 133 Workers' Compensation Insurance Plan Assigned Risk Section, dated July 20, 2000, and signed by WILLIAM E. STRATTON and EDWARD WISNIEWSKI, pertaining to the application for assigned risk workers' compensation insurance coverage for the temporary labor operations of Remedial Environmental Manpower, Inc. for a proposed effective date of July 24, 2000, and a premium down payment check in the amount of $40,076.00, addressed to NCCI, Inc.-Illinois, P.O. Box 74607, Chicago, Illinois 60675;

In violation of Title 18, United States Code, Sections 1341and 2.

COUNT TWENTY-THREE

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Paragraphs 1 through 26 of Count Sixteen of this indictment are realleged and incorporated herein as if fully set forth.

2. On or about July 31, 2000, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF,
JOHN J. LEAHY,
EDWARD WISNIEWSKI,
WILLIAM E. STRATTON, and
STARLING ALEXANDER

defendants herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly did cause to be transmitted by means of wire and radio communication in interstate commerce, signals and sounds, namely a facsimile transmission of a Temporary Employment Contractor Application signed by STARLING ALEXANDER as well as an Acord 130 Workers' Compensation Application and an Acord 133 Workers' Compensation Insurance Plan Assigned Risk Section form, dated July 20, 2000 and signed by WILLIAM E. STRATTON, EDWARD WISNIEWSKI and STARLING ALEXANDER, pertaining to the application for assigned risk workers' compensation insurance coverage for the temporary labor operations of Remedial Environmental Manpower, Inc. for a proposed effective date of July 24, 2000, from EDWARD WISNIEWSKI, Leahy & Associates, Inc., Westchester, Illinois to the National Council for Compensation Insurance Service Center in Boca Raton, Florida;

In violation of Title 18, United States Code, Sections 1343 and 2.

COUNT TWENTY-FOUR

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. Beginning in or about February1996, and continuing thereafter through at least in or about June 2002, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF, and
WILLIAM E. STRATTON,

defendants herein, did conspire and agree with one another and with persons known and unknown to the grand jury, to conduct and cause to be conducted financial transactions, in and affecting interstate commerce, knowing that the property involved in the financial transactions represented some form of unlawful activity, and which financial transactions in fact involved the proceeds of specified unlawful activities, namely, mail fraud in violation of Title 18, United States Code, Section 1341, as more fully described in Counts Two through Fifteen of this indictment, knowing that the financial transactions were designed, in whole or in part, to conceal and disguise the nature, source, ownership, and control of the proceeds of said specified unlawful activities, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

2. The Grand Jury incorporates paragraphs 1 and 2 of Count Two of this indictment as though fully set forth herein.

3. It was part of the conspiracy that defendants, through Windy City Maintenance and REM, fraudulently obtained sums of money from the City of Chicago, both from direct contracts between those companies and the City of Chicago, and from subcontracts between those companies and companies that in turn held contracts with the City – specifically Waste Management, Tishman and APMG. Defendants arranged for Windy City Maintenance and REM to obtain those contracts and subcontracts by fraudulently causing REM and Windy City Maintenance to become certified as

a MBE and WBE, respectively, and caused REM and Windy City Maintenance to receive payments from the City of Chicago as a result of their fraudulently-obtained MBE and WBE status.

4. It was further part of the conspiracy that defendants JAMES M. DUFF and WILLIAM E. STRATTON concealed and disguised from the City of Chicago and others defendant JAMES M. DUFF's control of and ownership interest in REM and Windy City Maintenance, and his interest in and control over both the direct and indirect payments made to REM and Windy City Maintenance by the City of Chicago and Waste Management, Tishman and APMG.

5. It was further part of the conspiracy that defendants caused the City of Chicago, Waste Management, Tishman and APMG checks to be deposited into REM and Windy City Maintenance's bank accounts.

6. It was further part of the conspiracy that defendants caused large portions of the proceeds of the checks fraudulently obtained from the City of Chicago, Waste Management, Tishman and APMG, and deposited into the above-referenced accounts, to be provided to defendant JAMES M. DUFF through numerous checks written on the Windy City Maintenance and REM bank accounts and made payable to American Management, in order to conceal defendant JAMES M. DUFF'S interest in and control over REM and Windy City Maintenance, and his interest in and control over the proceeds of the checks payable to REM and Windy City Maintenance from the City of Chicago, Waste Management, Tishman and APMG.

7. It was further part of the conspiracy that in or about 1996, defendants caused REM to issue numerous checks payable to American Management in a total amount of approximately $550,000, and Windy City Maintenance to issue numerous checks payable to American Management in the total amount of approximately $130,000.

8. It was further part of the conspiracy that in or about 1997, defendants caused REM to issue numerous checks payable to American Management in a total amount in of approximately $945,000, and Windy City Maintenance to issue numerous checks payable to American Management in a total amount of approximately $212,000.

9. It was further part of the conspiracy that in or about 1998, defendants caused REM to issue checks payable to American Management in a total amount of approximately $1.04 million, and Windy City Maintenance to issue checks payable to American Management in the total amount of approximately $95,000.

10. It was further part of the conspiracy that in or about 1999, defendants caused REM to issue checks payable to American Management in a total amount of approximately $480,000, and Windy City Maintenance to issue checks payable to American Management in the total amount of approximately $315,000.

11. It was further part of the conspiracy that in or about 2000, defendants caused REM to issue checks payable to American Management in a total amount of approximately $160,000, and Windy City Maintenance to issue checks payable to American Management in the total amount of approximately $415,000.

12. It was further part of the conspiracy that in or about 2001, defendants caused REM to issue checks payable to American Management in a total amount of approximately $745,000, and Windy City Maintenance to issue checks payable to American Management in the total amount of approximately $100,000.

13. It was further part of the conspiracy that from 1996 through 2001, defendant JAMES M. DUFF received:

a. Over $900,000 in total payments from American Management in 1996;

b. Over $880,000 in total payments from American Management in 1997;

c. Over $864,000 in total payments from American Management in 1998;

d. Over $850,000 in total payments from American Management in 1999;

e. Over $974,000 in total payments from American Management in 2000; and

f. Over $1.1 million in total payments from American Management in 2001.

14. It was further part of the conspiracy that defendants caused large portions of the proceeds of the checks received from Waste Management as a result of the fraud scheme described in Count Two of this indictment, and deposited into REM bank accounts, to be provided to defendant JAMES M. DUFF through numerous checks written on the REM bank accounts and made payable to defendant WILLIAM STRATTON, who in turn cashed those checks at various currency exchanges in the Chicago area and at LaSalle National Bank and transferred the cash proceeds of those checks to defendant JAMES M. DUFF in order to conceal defendant JAMES M. DUFF'S interest in and control over REM and the proceeds of the checks from Waste Management.

15. It was further part of the conspiracy that in or about 1996, defendants caused REM to issue numerous checks, ranging in individual amounts of $2,750 to $40,000, payable to defendant WILLIAM STRATTON in the total gross amount of in excess of $220,000.

16. It was further part of the conspiracy that in 1997, defendants caused REM to issue numerous checks, ranging in individual amounts of $2,750 to $100,000, payable to defendant WILLIAM STRATTON in the total gross amount of in excess of $650,000.

17. It was further part of the conspiracy that in 1998, defendants caused REM to issue numerous checks, ranging in individual amounts of $2,750 to $100,000, payable to defendant WILLIAM STRATTON in the total gross amount of in excess of $625,000.

18. It was further part of the conspiracy that in 1999, defendants caused REM to issue numerous checks, ranging in individual amounts of $3,025 to $50,000, payable to defendant WILLIAM STRATTON in the total gross amount of in excess of $400,000.

19. It was further part of the conspiracy that in 2000, defendants caused REM to issue numerous checks, ranging in individual amounts of $3,025 to $100,000, payable to defendant WILLIAM STRATTON in the total gross amount of in excess of $425,000.

20. It was further part of the conspiracy that in 2001, defendants caused REM to issue numerous checks, ranging in individual amounts of $3,075 to $40,000, payable to defendant WILLIAM STRATTON in the total gross amount of in excess of $350,000.

21. It was further part of the conspiracy that defendants conducted the above-described financial transactions to conceal and disguise defendant JAMES M. DUFF'S ownership and interest in the proceeds of the fraudulent billings they caused to be made by Windy City Maintenance and REM to the City of Chicago, both directly and as subcontractors to Waste Management, Tishman and APMG.

22. It was further part of the conspiracy that the defendants misrepresented, concealed, and hid, and caused to be misrepresented, concealed, and hidden the purposes and the acts done in furtherance of the conspiracy.

23. In furtherance of the conspiracy and to effect its unlawful objectives, the defendants committed and caused to be committed overt acts as set forth in Counts Twenty-Five through Thirty, which are fully incorporated herein.

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

COUNT TWENTY-FIVE

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. The Grand Jury incorporates paragraphs 1 and 2 of Count Two of this indictment as though fully set forth herein.

2. On or about October 15, 1998, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF, and
WILLIAM STRATTON,

defendants herein, knowingly conducted and attempted to conduct a financial transaction affecting interstate commerce, when defendants caused REM check no. 021118, drawn on the LaSalle National Bank in the amount of $28,275.00 made payable to "STRATTON, WILLIAM" to be cashed at the LaSalle National Bank, which financial transaction involved the proceeds of a specified unlawful activity namely, mail fraud, in violation of Title 18, United States Code, Section 1341, knowing that the financial transaction was designed in whole or in part to conceal and disguise the nature, source, ownership, and control of the proceeds of said specified unlawful activity, and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity;

In violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

COUNT TWENTY-SIX

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. The Grand Jury incorporates paragraphs 1 and 2 of Count Two of this indictment as though fully set forth herein.

2. On or about December 18, 1998, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF, and
WILLIAM STRATTON,

defendants herein, knowingly conducted and attempted to conduct a financial transaction affecting interstate commerce, when defendants caused REM check no. 028033, drawn on the LaSalle National Bank in the amount of $28,275.00 made payable to "STRATTON, WILLIAM" to be cashed at the LaSalle National Bank, which financial transaction involved the proceeds of a specified unlawful activity namely, mail fraud, in violation of Title 18, United States Code, Section 1341, knowing that the financial transaction was designed in whole or in part to conceal and disguise the nature, source, ownership, and control of the proceeds of said specified unlawful activity, and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity;

In violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

COUNT TWENTY-SEVEN

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. The Grand Jury incorporates paragraphs 1 and 2 of Count Two of this indictment as though fully set forth herein.

2. On or about January 21, 1999, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF, and
WILLIAM STRATTON,

defendants herein, knowingly conducted and attempted to conduct a financial transaction affecting interstate commerce, when defendants caused REM check no. 030999, drawn on the LaSalle National Bank in the amount of $25,175.00 made payable to "STRATTON, WILLIAM" to be cashed at the LaSalle National Bank, which financial transaction involved the proceeds of a specified unlawful activity namely, mail fraud, in violation of Title 18, United States Code, Section 1341, knowing that the financial transaction was designed in whole or in part to conceal and disguise the nature, source, ownership, and control of the proceeds of said specified unlawful activity, and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity;

In violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

COUNT TWENTY-EIGHT

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. The Grand Jury incorporates paragraphs 1 and 2 of Count Two of this indictment as though fully set forth herein.

2. On or about May 28, 1999, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF, and
WILLIAM STRATTON,

defendants herein, knowingly conducted and attempted to conduct a financial transaction affecting interstate commerce, when defendants caused REM check no. 005011, drawn on the LaSalle National Bank in the amount of $200,000.00 made payable to "AMERICAN MGMT. & CONSULTING" to be deposited in American Management's bank account at the LaSalle National Bank, which financial transaction involved the proceeds of a specified unlawful activity namely, mail fraud, in violation of Title 18, United States Code, Section 1341, knowing that the financial transaction was designed in whole or in part to conceal and disguise the nature, source, ownership, and control of the proceeds of said specified unlawful activity, and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity;

In violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

COUNT TWENTY-NINE

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. The Grand Jury incorporates paragraphs 1 and 2 of Count Two of this indictment as though fully set forth herein.

2. On or about September 16, 1999, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF, and
WILLIAM STRATTON,

defendants herein, knowingly conducted and attempted to conduct a financial transaction affecting interstate commerce, when defendants caused REM check no. 050247, drawn on the LaSalle National Bank in the amount of $28,275.00 made payable to "STRATTON, WILLIAM" to be cashed at the LaSalle National Bank, which financial transaction involved the proceeds of a specified unlawful activity namely, mail fraud, in violation of Title 18, United States Code, Section 1341, knowing that the financial transaction was designed in whole or in part to conceal and disguise the nature, source, ownership, and control of the proceeds of said specified unlawful activity, and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity;

In violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

COUNT THIRTY

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. The Grand Jury incorporates paragraphs 1 and 2 of Count Two of this indictment as though fully set forth herein.

2. On or about March 26, 1999, in the Northern District of Illinois, Eastern Division,

JAMES M. DUFF,

defendant herein, knowingly conducted and attempted to conduct a financial transaction affecting interstate commerce, when defendant caused Windy City Maintenance check no. 005861 drawn on the LaSalle National Bank in the amount of $50,000.00 made payable to "AMERICAN MANAGEMENT AND CONSULTING SERVICES, INC." to be deposited in American Management's bank account at LaSalle National Bank, which financial transaction involved the proceeds of a specified unlawful activity namely, mail fraud, in violation of Title 18, United States Code, Section 1341, knowing that the financial transaction was designed in whole or in part to conceal and disguise the nature, source, ownership, and control of the proceeds of said specified unlawful activity, and that while conducting and attempting to conduct such financial transaction, knew that the property involved in the financial transaction represented the proceeds of some form of unlawful activity;

In violation of Title 18, United States Code, Sections 1956(a)(1)(B)(i) and 2.

FORFEITURE ALLEGATION ONE

1. The allegations contained in Count One of this Indictment are hereby repeated, realleged, and incorporated by reference herein as though fully set forth at length for the purpose of alleging forfeiture pursuant to the provisions of Title 18, United States Code, Section 1963. Pursuant to Rule 32.2, Fed. R. Crim. P., notice is hereby given to the defendants that the United States will seek forfeiture as part of any sentence in accordance with Title 18, United States Code, Section 1963 in the event of any defendant's conviction under Count One of this Indictment.

2. As a result of their violation of Title 18, United States Code, Section 1962(d),

JAMES M. DUFF, and
WILLIAM E. STRATTON,

defendant herein:

a. have acquired and maintained interests in violation of Title 18, United States Code, Section 1962, which interests are subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 1963(a)(1);

b. have interests in, securities of, claims against, and property and contractual rights which afford a source of influence over the enterprise named and described herein which the defendant established, operated, controlled, conducted, and participated in the conduct of, in violation of Title 18, United States Code, Section 1962, which interests, securities, claims, and rights are subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 1963 (a)(2);

c. have property constituting and derived from proceeds obtained, directly and indirectly, from racketeering activity, in violation of Title 18, United States Code, Section 1962,

which property is subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 1963(a)(3).

3. The interests of the defendants, jointly and severally, subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 1963(a)(1), (a)(2), and (a)(3), include, but are not limited to, at least $10,000,000 and interests and proceeds traceable thereto, including but not limited to:

a. Real property commonly known as 174-182 North Halsted Street, Chicago, Illinois 60661, which is more particularly described as:

> LOTS 1 AND 2 IN BLOCK 36 IN CARPENTER'S ADDITION TO CHICAGO, IN THE SOUTHEAST 1/4 OF SECTION 8, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS

b. Real property commonly known as 1024 West Kinzie, Chicago, Illinois 60622, which is more particularly described as:

> LOTS 10 AND 11 AND THE WEST 15 FEET, 2-1/8 INCHES OF LOT 9 IN BLOCK 5 IN OGDEN'S ADDITION TO CHICAGO, IN THE NORTHEAST 1/4 OF SECTION 8, TOWNSHIP 39 NORTH, RANGE 14 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS

4. Defendants JAMES M. DUFF and WILLIAM E. STRATTON are thereby jointly and severally liable to the United States for approximately $10,000,000.

5. To the extent that the property described in paragraphs 2 and 3 above as being subject to forfeiture pursuant to Title 18, United States Code, Section 1963, as a result of any act or omission of a defendants:

a. cannot be located upon the exercise of due diligence;

b. has been transferred or sold to, or deposited with, a third party;

c. has been placed beyond the jurisdiction of the court;

d. has been substantially diminished in value; or

e. has been commingled with other property which cannot be divided without difficulty;

The court shall order the forfeiture of any other property of the defendants up to the value of any property set forth in paragraphs 2 and 3 above; including, but not limited to:

a. All of his right, title, and interest in associated parcels of real estate (in whatever form held) which associated parcels of real estate comprise among other things buildings, a home and gardens located at 135 Post Road, Burr Ridge, Illinois 60527-5742, and further described as:

> LOT 14 IN CARRIAGE WAY SUBDIVISION BURR RIDGE, ILLINOIS, IN SECTION 19, TOWNSHIP 38 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS

b. All of his right, title, and interest in associated parcels of real estate (in whatever form held) which associated parcels of real estate comprise among other things buildings, a home and gardens located at 1050 Pine Avenue, Olympia Fields, Illinois 60461, and further described as:

> LOT 9 IN BLOCK 5 IN ARTHUR T. McINTOSH AND COMPANY'S HAWTHORNE HILLS, IN THE WEST ½ OF THE NORTH WEST 1/4 OF SECTION 23, TOWNSHIP 35 NORTH, RANGE 13 EAST OF THE THIRD PRINCIPAL MERIDIAN, (EXCEPTING THEREFROM THOSE PORTIONS DEDICATED OR TAKEN FOR HIGHWAY PURPOSES) IN COOK COUNTY, ILLINOIS.

All pursuant to Title 18, United States Code, Section 1963.

FORFEITURE ALLEGATION TWO

The SPECIAL FEBRUARY 2002-2 GRAND JURY further charges:

1. The allegations contained in Counts Twenty-four through Thirty of this Indictment are realleged and incorporated herein by reference for the purpose of alleging forfeiture pursuant to the provisions of Title 18, United States Code, Section 982.

2. As a result of their violations of Title 18, United States Code, Section 1956, and their conspiracy to violate this provision, as alleged in the foregoing Indictment,

JAMES M. DUFF, and
WILLIAM STRATTON,

defendants herein, shall forfeit to the United States, pursuant to Title 18, United States Code, Section 982(a)(1), any and all right, title, and interest defendants have in any property, real and personal, involved in such offenses, and any property traceable to such property.

3. The interests of the defendants, jointly and severally, subject to forfeiture pursuant to Title 18, United States Code, Section 982 include: all money and other property that represents the subject of each transaction; all money and other property that is traceable thereto; and all money and property that facilitated the transactions, including but not limited to approximately $7,857,000.

4. To the extent that the property described above as being subject to forfeiture pursuant to Title 18, United States Code, Section 982, as a result of any act or omission of the defendants:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred to, sold to, or deposited with a third person;

(c) has been placed beyond the jurisdiction of the court;

(d) has been substantially diminished in value, or

(e) has been commingled with other property that cannot be subdivided without difficulty;

the United States of America shall be entitled to forfeiture of substitute property under the provisions of Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1).

All pursuant to Title 18, United States Code, Section 982.

A TRUE BILL:

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F O R E P E R S O N

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UNITED STATES ATTORNEY