

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA	)	No. 07 CR 298
	)	
v.	)	Violations: Title 18, United
	)	States Code, Sections 2, 666,
	)	1341, 1343, and 1346
EDWARD R. VRDOLYAK	)	Superseding Indictment

**COUNT ONE**

The SPECIAL DECEMBER 2005 GRAND JURY charges:

1. At times material to this indictment:

**Relevant Entities and Individuals**

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

- b. The Northshore Supporting Organization (“NSO”) was a charitable trust which initially supported and operated for the benefit of the Chicago Medical School and subsequently supported and operated for the benefit of certain other qualified charitable entities.

- c. Stuart Levine was an attorney and businessman. In addition, Levine was a member of the Board of Trustees of the Chicago Medical School and he was the chair of the CMS Board of Trustees’s Real Estate Committee. In those capacities, Levine owed a fiduciary

duty and a duty of honest services to the Chicago Medical School. Levine was also a trustee of NSO.

d. Smithfield Properties Development LLC was a company that purchased and developed real estate property in the Chicago metropolitan area. Smithfield Properties Development LLC formed multiple limited liability corporations in connection with its interest in acquiring the Scholl Property (collectively referred to as “Smithfield Properties”).

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

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

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

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

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

Eastern Division, and elsewhere:

EDWARD R. VRDOLYAK,

defendant herein, and others known and unknown to the Grand Jury, including, prior to in or about February 2006, Stuart Levine, devised and intended to devise, and participated in, a scheme and artifice to defraud the Chicago Medical School of money, property, and the intangible right to the honest services of Levine, by means of materially false and fraudulent pretenses, representations, and promises, and material omissions, and in furtherance thereof used the United States mails and other interstate carriers, and interstate wires, which scheme is further described below.

### **OVERVIEW**

3. It was part of the scheme that VRDOLYAK and Levine fraudulently sought to obtain a kickback for the benefit of Levine in connection with the sale of the Scholl Property. VRDOLYAK and Levine agreed that VRDOLYAK would solicit Smithfield Properties to purchase the Scholl Property and that Levine, with VRDOLYAK's knowledge, would misuse, and did misuse, Levine's position and influence as a CMS trustee to arrange a sale of the Scholl Property to Smithfield Properties in exchange for a payment that would benefit Levine. VRDOLYAK ultimately entered into an agreement with Smithfield Properties to receive a \$1.5 million payment after Smithfield Properties acquired the Scholl Property and repaid certain project costs. VRDOLYAK and Levine agreed that after VRDOLYAK received the \$1.5 million payment, VRDOLYAK would deliver a portion of that amount to Levine.

### **THE SCHEME TO DEFRAUD CMS**

## **IN CONNECTION WITH THE SCHOLL PROPERTY**

4. It was further part of the scheme that in or about 2002, Levine contacted VRDOLYAK about the Scholl Property and CMS's sale of that property. VRDOLYAK and Levine discussed the Scholl Property and VRDOLYAK and Levine agreed that VRDOLYAK would identify a purchaser for the Scholl Property and that Levine would misuse his position and influence as a CMS trustee to ensure that this purchaser obtained the Scholl Property in exchange for a kickback to Levine.

5. It was further part of the scheme that VRDOLYAK told Levine that Smithfield Properties was interested in purchasing the Scholl Property, and VRDOLYAK directed Levine to contact Smithfield Properties. Levine met with Smithfield Properties, and Smithfield Properties then began to negotiate with CMS to purchase the Scholl Property.

6. It was further part of the scheme that Levine used his position and influence with CMS to cause it to negotiate only with Smithfield Properties and to direct CMS's agents or employees not to pursue and to reject inquiries about the Scholl Property from other potential buyers.

7. It was further part of the scheme that Levine discussed with VRDOLYAK the payment of Levine's kickback to NSO, a charitable trust from which Levine personally benefitted. In about March 2003, Levine caused a draft agreement to be prepared and sent to a representative of Smithfield Properties, which draft agreement provided that Smithfield Properties agreed to pay \$2 million in cash to NSO by December 31, 2005. A representative of Smithfield Properties subsequently told Levine that Smithfield Properties declined to make a payment in this manner. VRDOLYAK and Levine eventually agreed that VRDOLYAK

would receive a payment from Smithfield Properties, and that VRDOLYAK and Levine then would split this payment.

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

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

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

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

12. It was further part of the scheme that on or about June 5, 2003, Levine used his position and influence with CMS to induce the CMS Board of Trustees to vote to accept

Smithfield Properties's purchase offer and enter into a purchase agreement to sell the Scholl Property to Smithfield Properties for approximately \$15 million. Levine voted to approve this purchase agreement and Levine took steps to cause other CMS trustees to vote to approve the purchase agreement. VRDOLYAK knew that Levine did not disclose to CMS that VRDOLYAK and Levine had agreed that Levine would receive a kickback in connection with Smithfield Properties's purchase of the Scholl Property and that VRDOLYAK would receive the payment from Smithfield Properties and provide a portion to Levine.

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

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

15. It was further part of the scheme that VRDOLYAK and Levine had a series of discussions, continuing through approximately June 2006, regarding when VRDOLYAK would receive the \$1.5 million payment from Smithfield Properties and how VRDOLYAK and Levine would arrange for Levine secretly to get his money from VRDOLYAK. At different times, VRDOLYAK and Levine discussed disguising VRDOLYAK's transfer of the money to Levine through various subterfuges: by arranging for VRDOLYAK to make a sham loan to Levine's

wife, by having VRDOLYAK repay a loan that Levine would make with a business associate of VRDOLYAK's, and by having VRDOLYAK make payments to Levine in cash. During this time period, VRDOLYAK talked with Smithfield Properties about the timing of Smithfield Properties's payment to VRDOLYAK and VRDOLYAK then shared this information with Levine.

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

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

#### **Mailings and Transmissions by Wire and Radio**

18. It was further part of the scheme that VRDOLYAK and Levine executed and attempted to execute the scheme described above by causing correspondence, communications, contracts, invoices, other documents, funds, and other items, to be transmitted in interstate commerce by signals, over wire or radio, through the U.S. mails, or by private or commercial interstate carriers.

#### **Mail Fraud**

19. On or about June 9, 2003, in the Northern District of Illinois, Eastern Division,

EDWARD R. VRDOLYAK,

defendant herein, for the purpose of executing the above-described scheme, and attempting to execute the above-described scheme, did knowingly cause an envelope to be delivered by a commercial interstate carrier according to the directions thereon, which envelope contained four original executed signature pages of the purchase agreement between Smithfield Properties and the Chicago Medical School relating to Smithfield Properties's purchase of the Scholl Property, which envelope was addressed to one of the lawyers for the Chicago Medical School, at the law firm's address in Chicago, Illinois;

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.



## **COUNT TWO**

### **Wire Fraud**

The SPECIAL December 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 18 of Count One of this Indictment as though fully set forth herein.

2. On or about March 11, 2004, in the Northern District of Illinois, Eastern Division,

EDWARD R. VRDOLYAK,

defendant herein, for the purpose of executing the above-described scheme, and attempting to execute the above-described scheme, did knowingly cause to be transmitted in interstate commerce from Chicago, Illinois, through New York, New York, to Waukegan, Illinois, by means of wire and radio communication in interstate commerce, certain writings, signs, and signals, namely: a wire transfer of \$200,000 from an account at LaSalle National Bank containing funds held for the benefit of Smithfield Properties to Chicago Medical School's account at First Midwest Bank in Waukegan, which was part of Smithfield Properties's payment for the Scholl Property;

In violation of Title 18, United States Code, Sections 1343, 1346, and 2.

**COUNT THREE**

**Wire Fraud**

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 18 of Count One of this Indictment as though fully set forth herein.

2. On or about November 1, 2004, in the Northern District of Illinois, Eastern Division,

EDWARD R. VRDOLYAK,

defendant herein, for the purpose of executing the above-described scheme, and attempting to execute the above-described scheme, did knowingly cause to be transmitted in interstate commerce from Chicago, Illinois, through New York, New York, to Chicago, Illinois, by means of wire and radio communication in interstate commerce, certain writings, signs, and signals, namely: a wire transfer of \$1,546,088 from a Smithfield Properties account at MB Financial Bank to an account at LaSalle National Bank containing funds held for the benefit of Smithfield Properties in Chicago, which was part of Smithfield Properties's payment for the Scholl Property;

In violation of Title 18, United States Code, Sections 1343, 1346, and 2.

**COUNT FOUR**

**Wire Fraud**

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 18 of Count One of this Indictment as though fully set forth herein.

2. On or about November 1, 2004, in the Northern District of Illinois, Eastern Division,

EDWARD R. VRDOLYAK,

defendant herein, for the purpose of executing the above-described scheme, and attempting to execute the above-described scheme, did knowingly cause to be transmitted in interstate commerce from Chicago, Illinois, through New York, New York, to Chicago, Illinois, by means of wire and radio communication in interstate commerce, certain writings, signs, and signals, namely: a wire transfer of \$400,000 from a Smithfield Properties account at MB Financial Bank to an account at LaSalle National Bank containing funds held for the benefit of Smithfield Properties in Chicago, which was part of Smithfield Properties's payment for the Scholl Property;

In violation of Title 18, United States Code, Sections 1343, 1346, and 2.

**COUNT FIVE**

**Wire Fraud**

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 18 of Count One of this Indictment as though fully set forth herein.

2. On or about November 1, 2004, in the Northern District of Illinois, Eastern Division,

EDWARD R. VRDOLYAK,

defendant herein, for the purpose of executing the above-described scheme, and attempting to execute the above-described scheme, did knowingly cause to be transmitted in interstate commerce from Chicago, Illinois, through New York, New York, to Chicago, Illinois, by means of wire and radio communication in interstate commerce, certain writings, signs, and signals, namely: a wire transfer of \$128,884 from an account at MB Financial Bank containing funds held for the benefit of Smithfield Properties to an account at LaSalle National Bank containing funds held for the benefit of Smithfield Properties in Chicago, which was part of Smithfield Properties's payment for the Scholl Property;

In violation of Title 18, United States Code, Sections 1343, 1346, and 2.

**COUNT SIX**

**Wire Fraud**

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 18 of Count One of this Indictment as though fully set forth herein.

2. On or about November 1, 2004, in the Northern District of Illinois, Eastern Division,

EDWARD R. VRDOLYAK,

defendant herein, for the purpose of executing the above-described scheme, and attempting to execute the above-described scheme, did knowingly cause to be transmitted in interstate commerce from Chicago, Illinois, through New York, New York, to Chicago, Illinois, by means of wire and radio communication in interstate commerce, certain writings, signs, and signals, namely: a wire transfer of \$9,353,912 from an account at MB Financial Bank containing funds held for the benefit of Smithfield Properties to an account at LaSalle National Bank containing funds held for the benefit of Smithfield Properties in Chicago, which was part of Smithfield Properties's payment for the Scholl Property;

In violation of Title 18, United States Code, Sections 1343, 1346, and 2.

**COUNT SEVEN**

**Wire Fraud**

The SPECIAL DECEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraphs 1 through 18 of Count One of this Indictment as though fully set forth herein.

2. On or about November 1, 2004, in the Northern District of Illinois, Eastern Division,

EDWARD R. VRDOLYAK,

defendant herein, for the purpose of executing the above-described scheme, and attempting to execute the above-described scheme, did knowingly cause to be transmitted in interstate commerce from Chicago, Illinois, through New York, New York, to Chicago, Illinois, by means of wire and radio communication in interstate commerce, certain writings, signs, and signals, namely: a wire transfer of \$11,279,121.50 from an account at LaSalle National Bank containing funds held for the benefit of Smithfield Properties to Chicago Medical School's account at Bank One, which was part of Smithfield Properties's payment for the Scholl Property;

In violation of Title 18, United States Code, Sections 1343, 1346, and 2.

**COUNT EIGHT**

**Bribery**

The SPECIAL DECEMBER 2005 GRAND JURY further charges:

1. The Grand Jury realleges and incorporates by reference paragraph 1 of Count One of this Indictment as though fully set forth herein.

2. During a one year period beginning in or about late summer 2002 and ending in or about late summer 2003, in the Northern District of Illinois, Eastern Division,

EDWARD R. VRDOLYAK,

defendant herein, did corruptly offer and agree to give a thing of value to a person, namely, payments to Stuart Levine, with the intent to influence and reward Stuart Levine in his capacity as an agent of Chicago Medical School, an organization that annually received benefits in excess of \$10,000 under federal programs, in connection with the business, transaction, or series of transactions of CMS involving a thing of value of \$5,000 or more, namely, CMS's sale of the Scholl Property;

In violation of Title 18, United States Code, Sections 666 (a)(2) and 2.

A TRUE BILL:

\_\_\_\_\_  
FOREPERSON

\_\_\_\_\_  
UNITED STATES ATTORNEY