UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA	)	
	)	No.____________________________
v.	)	Violations: Title 18, United States Code,
	)	Sections 1014, 1343 and 2
BRADLEY VALLEM	)	

COUNT ONE

___________The SPECIAL FEBRUARY 2002-1 GRAND JURY charges:

1. At all times material to this indictment:

a. Mercury Finance Company (Mercury Finance) was incorporated in Delaware and had its principal offices in Lake Forest, Illinois. Mercury Finance was in the subprime lending business, extending loans directly to customers and acquiring installment loans previously extended to customers by dealers of used automobiles. Mercury Finance's customers generally were higher risk borrowers known as subprime borrowers.

b. Mercury Finance was a publicly-held company with its common stock listed and traded on the New York Stock Exchange. By early 1997, it had approximately 177,700,000 shares of common stock outstanding with a market value of over $2,000,000,000. The company was required to publicly file certain reports with the United States Securities and Exchange Commission, including quarterly reports with unaudited financial information on Form 10Q and annual reports with audited financial information on Form 10K.

c. Securities analysts, rating agencies, lenders, and purchasers and sellers of Mercury Finance's common stock and commercial paper used information contained in Mercury Finance's publicly filed reports and other information made available by the company in making investment, credit and rating decisions.

d. Mercury Finance funded its operations in part through obtaining loans and other credit extensions from financial institutions and others and through the sale of commercial paper on almost a daily basis to financial institutions and others. Commercial paper refers to a type of short term debt issued by Mercury Finance. By in or about 1996, the company had nearly one billion dollars in long term and short term debt with additional loan funds of approximately $600,000,000 available to it. Mercury Finance's costs of obtaining these loans and credit extensions and the pricing of its commercial paper and common stock were determined in part by the ratings Mercury Finance received from rating agencies.

e. The difference between what it cost Mercury Finance to obtain funds and what Mercury Finance charged its customers to borrow funds, also known as the net interest rate margin, in large part determined the profitability of Mercury Finance's operations.

f. Mercury Finance's primary assets were its outstanding loans to customers. The value of those loans depended on their collectibility. Therefore, the number of delinquent loans and uncollectible loans were important factors in determining the quality and value of the company's primary assets.

g. On or about January 10, 1997, Mercury Finance publicly announced that it agreed to acquire Fidelity Acceptance Corporation (Fidelity Acceptance) from Bank Boston Corporation (Bank Boston). Fidelity Acceptance was also in the subprime lending business. The acquisition price was to be $1.1 billion, which included 32,708,333 shares of Mercury Finance common stock based on a market price of $12 per share plus the assumption and refinancing of approximately $730,000,000 of Fidelity Acceptance's debt.

h. Mercury Finance engaged a New York-based investment bank to assist in the acquisition of Fidelity Acceptance, including the refinancing of the approximately $730 million in debt. As a part of its responsibilities, the investment bank assisted Mercury Finance in arranging a syndicate of banking institutions to provide the funds for the refinancing.

i. In or about mid-January 1997, Mercury Finance, with the assistance of the investment bank, sought the participation of over twenty banking institutions in the loan syndicate. Most of these banking institutions, including Bank of America, Morgan Guaranty Trust Company of New York, First Chicago and NationsBank, had their deposits insured at the time by the Federal Deposit Insurance Corporation.

j. During the period from on or about January 14, 1997 through January 23, 1997, Bank of America, Morgan Guaranty Trust Company of New York, First Chicago and NationsBank each committed to provide $200,000,000 to Mercury Finance in connection with the proposed acquisition, with the understanding that these institutions would in turn seek the participation of other financial institutions in providing the committed funds.

k. On or about January 23, 1997, Mercury Finance publicly disclosed that its net earnings for 1996 were approximately $120,700,000, an increase of $21,800,000 , or 22%, over the previously disclosed net earnings for 1995 of approximately $98,900,000. On the same day Mercury Finance publicly disclosed its 1996 net earnings, the price of its common stock rose to a fifty-two week high of $16 per share on the New York Stock Exchange.

l. On or about January 27, 1997, Mercury Finance sponsored a meeting at the offices of its investment banker at the World Trade Center in New York City for the purpose of explaining the acquisition of Fidelity Acceptance and inviting other banking institutions to participate in the loan syndicate. Representatives of more than twenty banking institutions were invited, including the four banks which had already committed funds. Prior to this meeting, all of the invitees were provided with a Confidential Information Memorandum.

m. The closing price of Mercury Finance common stock on January 28, 1997 on the New York Stock Exchange was $14 7/8 per-share.

n. On or about January 29, 1997, before the opening of the New York Stock Exchange, Mercury Finance issued a press release stating that accounting irregularities had been discovered, Mercury Finance's principal accounting officer, James Doyle, had disappeared and Mercury Finance's net earnings for 1996 were actually about $56,700,000, rather than the previously announced approximately $120,700,000 and its net earnings for 1995 were approximately $76,900,000 rather than the previously announced approximately $98,900,000.

o. Based on Mercury Finance's announcement about accounting irregularities, the New York Stock Exchange suspended trading of Mercury Finance common stock before the market opened on January 29, 1997.

p. On or about January 29, 1997, Mercury Finance applied for and obtained a $10,000,000 unsecured loan from Bank of America for the purpose of redeeming a portion of its maturing commercial paper.

q. On January 31, 1997, when trading in Mercury Finance common stock resumed, the price of Mercury Finance common stock fell from $14 7/8 per share to $1 5/8 per share and closed the day at $2 1/8 per share on a trading volume of about 42,000,000 shares, making Mercury Finance common stock the most actively traded stock on the New York Stock Exchange for the day.

r. On or about October 10, 1997, Mercury Finance publicly announced a further restatement of its earnings. Instead of the originally announced $120,700,000 in earnings for 1996, the company ultimately declared a loss of about $30,000,000. This translated into a reduction of approximately $150,000,000 in the initially announced earnings figure.

s. Defendant Bradley Vallem was an Assistant Vice President and Treasurer at Mercury Finance from in or about July 1995 through in or about July 1997. He was responsible for arranging and overseeing the company's short term and long term financing as well as for maintaining relationship with lenders, rating agencies, commercial paper purchasers and shareholders and for providing them with information about the company. He also signed quarterly and annual reports, representing that the contents of the reports were true and accurate, and supervised the filing of the reports with the United State Securities and Exchange Commission and the dissemination by the company of the reports to selected securities analysts, ratings agencies, financial institutions, shareholders and others.

t. On a daily basis, defendant Bradley Vallem supervised the purchase and sale of commercial paper by Mercury Finance. At times the company had nearly $500,000,000 of its commercial paper outstanding. This commercial paper was collateralized by revolving lines of credit at over 20 banks totaling approximately $600,000,000.

u. As a part of their compensation, certain Mercury Finance employees, including defendant Bradley Vallem, from time to time received options to purchase Mercury Finance common stock at a specified price, usually after holding the option for two years. The value of these stock options depended on the market price of Mercury Finance's common stock. As of January 1996, defendant Bradley Vallem had received options to buy at least 20,000 shares of Mercury Finance common stock, 5,000 of which he could purchase for $11 per share and 15,000 of which he could purchase for $11.75 per share.

v. Corporate Officer A had an employment contract with Mercury Finance which provided him a significant bonus if the company's net after-tax earnings exceeded the prior years earnings by 20% or more. During the period from 1994 through 1996, Corporate Officer A was awarded a bonus of nearly $1,500,000 or more each year under this provision. In addition, Corporate Officer A received and exercised a substantial number of Mercury Finance stock options.

w. James Doyle, now deceased, was the Chief Financial Officer of Mercury Finance and reported to Corporate Officer A. Accounting Manager Lawrence Borowiak reported to James Doyle. Accounting Employee A reported to Lawrence Borowiak

2. Beginning no later than in or around January 1996 and continuing until at least in or about late January 1997, in the Northern District of Illinois, Eastern Division, and elsewhere,

BRADLEY VALLEM,

defendant herein, and others, including Corporate Officer A, Mercury Finance's then Chief Financial Officer James Doyle and, Accounting Manager Lawrence Borowiak, devised and intended to devise and participated in a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, promises and omissions, which scheme affected financial institutions in violation of Title 18, United States Code, Sections 1343 and 2.

3. It was part of the scheme to defraud that, in order to artificially inflate and maintain the price of the common stock to obtain and keep sufficient financing to fund Mercury Finance's daily operations, and to obtain personal benefits in the form of salaries, bonuses, and stock options, defendant Bradley Vallem, Corporate Officer A, James Doyle, Lawrence Borowiak and others engaged in a scheme to defraud financial institutions, the investing public and others by making and causing to be made material misstatements and omissions and by creating and causing to be created materially false pretenses about the financial condition of Mercury Finance.

4. It was further part of the scheme to defraud that, in or about early 1996 in order to artificially and fraudulently inflate Mercury Finance's earnings, James Doyle directed Lawrence Borowiak to add $31,850,000 in accounts receivable to the company's books and records. This $31,850,000 in accounts receivable did not exist.

5. It was further part of the scheme to defraud that, in or about March 1996 when Mercury Finance's outside auditors challenged the basis for the $31,850,000 accounts receivable entry, James Doyle misled them by explaining that it was a mistake.

6. It was further part of the scheme to defraud that, in or about early March 1996 in order to eliminate the $31,850,000 in accounts receivable without reducing earnings, James Doyle directed Lawrence Borowiak to reduce short term debt by $30,000,000. Lawrence Borowiak did so, even though there had been no actual reduction in short term debt.

7. It was further part of the scheme to defraud that, in or about April 1996, in order to convince Mercury Finance's outside auditors that short term debt had genuinely been reduced by $30,000,000, defendant Bradley Vallem provided Mercury Finance's outside auditors with a fraudulently altered listing of Mercury Finance's short term debt. Defendant Bradley Vallem knew that this listing did not reflect $30,000,000 which Mercury Finance owed Mellon Bank.

8. It was further part of the scheme to defraud that, in or about April 1996, Accounting Employee A, with the knowledge and approval of defendant Bradley Vallem, James Doyle and Lawrence Borowiak, fraudulently altered a Mercury Finance bank statement to reflect phony deposits of $20,000,000 and $10,000,000 and phony withdrawals of $20,000,000 and $10,000,000. Accounting Employee A altered the document by cutting, pasting and photocopying it. James Doyle gave the altered bank statement to Mercury Finance's outside auditors to further convince them that short term debt had actually been reduced by $30,000,000.

9. It was further part of the scheme to defraud that defendant Bradley Vallem signed and caused to be filed with the United States Securities and Exchange Commission and disseminated to the investing public, financial institutions and others, three quarterly reports on Form 10Q in 1996, all of which were false and misleading in that among other

things, short term debt had been fraudulently reduced by $30,000,000, retained earnings had been fraudulently inflated by at least $30,000,000, and delinquency and charge off figures had been substantially understated.

10. It was further part of the scheme to defraud that, in or about early January 1997 when the outside auditors became aware that Mercury Finance's reported short term debt was $30,000,000 too low, James Doyle and Lawrence Borowiak, with the knowledge and approval of defendant Bradley Vallem, corrected Mercury Finance's short term debt reporting, but avoided reducing earnings by recording $30,000,000 in phony accounts receivable.

11. It was further part of the scheme to defraud that, on or about January 16, 1997, defendant Bradley Vallem falsely represented that the Confidential Information Memorandum, which was prepared in connection with the proposed acquisition of Fidelity Acceptance, did not contain any material misstatement or omission and authorized Mercury Finance's investment bank to distribute the Confidential Information Memorandum to potential lenders . At the time the defendant authorized the release of the Confidential Information Memorandum, the defendant knew that it was false and misleading in that:

a. Mercury Finance's financial statements were the product of accounting fraud; and,

b. Mercury Finance had concealed the accounting fraud from its auditors by, among other things, providing the auditors with fraudulent documents.

12. It was further part of the scheme to defraud that, beginning in or about the middle of January 1997, defendant Bradley Vallem and his co-schemers caused the false and misleading Confidential Information Memorandum to be provided to over twenty financial institutions, which had already extended credit, were prospective lenders, or both.

13. It was further part of the scheme to defraud that, on or about January 23, 1997, Mercury Finance, through James Doyle, publicly announced earnings for 1996 of approximately $120,700,000, without disclosing that these earnings were fraudulently inflated through, among other things, the recording of non-existant accounts receivable and other fictitious accounting entries, the misclassification of uncollectible loans as performing assets and the manipulation of earnings figures to meet earnings projections.

14. It was further part of the scheme to defraud that, on or about January 23, 1997, James Doyle and defendant Bradley Vallem met about the accounting fraud at Mercury Finance, at which time James Doyle showed defendant Bradley Vallem where the documents keeping track of the accounting fraud were being kept.

15. It was further part of the scheme to defraud that, on or about January 25, 1997, defendant Bradley Vallem and Corporate Officer A met and reviewed part of the above-described documents, including those detailing accounting fraud relating to Mercury Finance's financial condition as of September 30, 1996.

16. It was further part of the scheme to defraud that, beginning on or about January 24, 1997, when the outside auditors began questioning certain Mercury Finance employees regarding the accuracy of Mercury Finance's 1996 financial statements, defendant Bradley Vallem and Corporate Officer A misled the outside auditors by not disclosing the existence, nature and scope of the accounting fraud.

17. It was further part of the scheme to defraud that, on or about January 27, 1997, defendant Bradley Vallem made a presentation to lenders and prospective lenders concerning Mercury Finance's financial condition. Defendant Bradley Vallem presented the financial information without disclosing that the financial information was the product of an accounting fraud that had been intentionally perpetrated at Mercury Finance since at least 1993.

18. It was further part of the scheme to defraud that, on or about January 29, 1997, after Mercury Finance announced certain accounting irregularities, defendant Bradley Vallem attempted to and did obtain an additional $10,000,000 in loan funds by falsely representing that the accounting irregularities at Mercury Finance publicly disclosed earlier that day were overblown, manageable and insignificant.

19. It was further part of the scheme to defraud that defendant Bradley Vallem and his co-schemers would and did misrepresent, conceal and hide, and cause to be misrepresented, concealed and hidden, the acts and the purpose of the acts done in furtherance of the scheme to defraud.

20. As a result of the scheme to defraud, Mercury Finance fraudulently obtained and maintained nearly $1,500,000,000 in loan commitments and lines of credit from financial institutions; the investing public lost nearly $2,000,000,000 in the market value of their stock; commercial paper purchasers lost over $40,000,000; and lenders, including federally insured financial institutions, lost over $40,000,000 on loans extended to Mercury Finance.

21. On or about May 15, 1996 at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

BRADLEY VALLEM,

defendant herein and others, for the purpose of executing and attempting to execute the above-described scheme to defraud, did cause to be transmitted in interstate commerce from Lake Forest, Illinois, to Washington, D.C. by means of wire and radio communications, certain writings, signs, signals and sounds, namely the electronic transmission to the United States Securities and Exchange Commission of the Mercury Finance quarterly report on Form 10Q for the period ending March 31, 1996;

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

COUNT TWO

The SPECIAL FEBRUARY 2002-1 GRAND JURY further charges:

1. Paragraphs 1 through 20 of this indictment are realleged and incorporated as if fully set forth here.

2. On or about August 15, 1996 in the Northern District of Illinois, Eastern Division, and elsewhere,

BRADLEY VALLEM,

defendant herein and others, for the purpose of executing and attempting to execute the above-described scheme to defraud, did cause to be transmitted in interstate commerce from Lake Forest, Illinois to Washington, D.C. by means of wire and radio communications, certain writings, signs, signals and sounds, namely the electronic transmission to the United States Securities and Exchange Commission of the Mercury Finance quarterly report on Form 10Q for the period ending June 30, 1996;

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

COUNT THREE

The SPECIAL FEBRUARY 2002-1 GRAND JURY further charges:

1. Paragraphs 1 through 20 of this indictment are realleged and incorporated as if fully set forth here.

2. On or about November 15, 1996 in the Northern District of Illinois, Eastern Division, and elsewhere,

BRADLEY VALLEM,

defendant herein and others, for the purpose of executing and attempting to execute the above-described scheme to defraud, did cause to be transmitted in interstate commerce from Lake Forest, Illinois to Washington, D.C. by means of wire and radio communications, certain writings, signs, signals and sounds, namely the electronic transmission to the United States Securities and Exchange Commission of the Mercury Finance quarterly report on Form 10Q for the period ending September 30, 1996;

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

COUNT FOUR

The SPECIAL FEBRUARY 2002-1 GRAND JURY further charges:

1. Paragraphs 1 through 20 of this indictment are realleged and incorporated as if fully set forth here.

2. On or about August 2, 1996 in the Northern District of Illinois, Eastern Division, and elsewhere,

BRADLEY VALLEM,

defendant herein and others, for the purpose of executing and attempting to execute the above-described scheme to defraud, did cause to be transmitted in interstate commerce from Lake Forest, Illinois to New York, New York by means of wire and radio communications, certain writings, signs, signals and sounds, namely the facsimile transmission of Mercury Finance financial information to the Den Danske Bank;

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

COUNT FIVE

The SPECIAL FEBRUARY 2002-1 GRAND JURY further charges:

1. Paragraphs 1 through 20 of this indictment are realleged and incorporated as if fully set forth here.

2. On or about September 10, 1996 in the Northern District of Illinois, Eastern Division, and elsewhere,

BRADLEY VALLEM,

defendant herein and others, for the purpose of executing and attempting to execute the above-described scheme to defraud, did cause to be transmitted in interstate commerce from New York, New York to Lake Forest, Illinois by means of wire and radio communications, certain writings, signs, signals and sounds, namely a facsimile transmission from Thomas BankWatch Inc. relating Mercury Finance's financial condition.

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

COUNT SIX

The SPECIAL FEBRUARY 2002-1 GRAND JURY further charges:

1. Paragraphs 1 through 20 of this indictment are realleged and incorporated as if fully set forth here.

2. On or about January 7, 1997 in the Northern District of Illinois, Eastern Division, and elsewhere,

BRADLEY VALLEM,

defendant herein and others, for the purpose of executing and attempting to execute the above-described scheme to defraud, did cause to be transmitted in interstate commerce from Lake Forest, Illinois to New York, New York by means of wire and radio communications, certain writings, signs, signals and sounds, namely the facsimile transmission of the Mercury Finance quarterly report on Form 10Q for the period ending September 30, 1996 to the Den Danske Bank;

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

COUNT SEVEN

The SPECIAL FEBRUARY 2002-1 GRAND JURY further charges:

1. Paragraphs 1 through 20 of this indictment are realleged and incorporated as if fully set forth here.

2. On or about January 8, 1997 in the Northern District of Illinois, Eastern Division, and elsewhere,

BRADLEY VALLEM,

defendant herein and others, for the purpose of executing and attempting to execute the above-described scheme to defraud, did cause to be transmitted in interstate commerce from Chicago, Illinois to New York, New York by means of wire and radio communications, certain writings, signs, signals and sounds, namely the facsimile transmission of Mercury Finance financial information to Mercury Finance's investment banker, Salomon Brothers, Inc.

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

COUNT EIGHT

The SPECIAL FEBRUARY 2002-1 GRAND JURY further charges:

3. Paragraphs through 20 of this indictment are realleged and incorporated as if fully set forth here.

4. On or about January 16, 1997 in the Northern District of Illinois, Eastern Division, and elsewhere,

BRADLEY VALLEM,

defendant herein and others, for the purpose of executing and attempting to execute the above-described scheme to defraud, did cause to be transmitted in interstate commerce from Chicago, Illinois to New York, New York by means of wire and radio communications, certain writings, signs, signals and sounds, namely the facsimile transmission of a loan commitment letter in the amount of $200,000,000 from Bank of America;

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

COUNT NINE

The SPECIAL FEBRUARY 2002-1 GRAND JURY further charges:

1. Paragraphs 1 through 20 of this indictment are realleged and incorporated as if fully set forth here.

2. On or about January 24, 1997 in the Northern District of Illinois, Eastern Division, and elsewhere,

BRADLEY VALLEM,

defendant herein and others, for the purpose of executing and attempting to execute the above-described scheme to defraud, did cause to be transmitted in interstate commerce from Los Angeles, California to Lake Forest, Illinois by means of wire and radio communications, certain writings, signs, signals and sounds, namely a telephone conversation with an employee of T. Rowe Price concerning Mercury Finance's financial condition;

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

COUNT TEN

______The SPECIAL FEBRUARY 2002-1 GRAND JURY further charges:

1. Paragraph 1 of Count One of this indictment is realleged and incorporated as if fully set forth here.

2. On or about January 29, 1997, in the Northern District of Illinois, Eastern Division,

BRADLEY VALLEM,

defendant herein, and others, including Mercury Finance's Corporate Officer A, for the purpose of influencing Bank of America to loan Mercury Finance an additional $10,000,000, made a false statement to an employee of Bank of America, namely, that Mercury Finance's accounting irregularities were overblown, manageable and insignificant when the defendant knew Mercury Finance had engaged in an extensive and intentional accounting fraud, in which the defendant himself and Corporate Officer A participated;

In violation Title 18, United States Code, Sections 1014 and 2.

True Bill:

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Foreperson

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United States Attorney