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**SEVEN LAWSON PRODUCTS-AFFILIATED SALES AGENTS AMONG 13
CHARGED NATIONALLY IN SEPARATE KICKBACK AND BRIBERY SCHEMES**

CHICAGO – Thirteen defendants, including two current and five former sales agents for a publicly-traded company based in suburban Des Plaines and some of their customers' purchasing agents were indicted today on federal fraud charges, law enforcement officials announced. The sales agents in the Chicago area and elsewhere allegedly paid kickbacks totaling approximately \$140,000 to employees of some of their customers, which included suburban municipalities, school districts, a non-profit organization and private businesses, disguising the kickbacks as purchasing incentives. In return, the sales agents allegedly obtained higher sales commissions based on greater volume and prices. Eleven of the defendants were charged in six separate cases in Chicago, while two additional cases were filed in Dayton, Ohio, and Philadelphia. All of the cases involve commissioned sales agents for either Des Plaines-based Lawson Products, Inc., or one of its subsidiaries, Drummond American Corp. Lawson, which is traded on the Nasdaq under LAWS, and its subsidiaries have approximately \$400 million in annual sales of such products as hardware, tools and chemicals.

The charges follow the execution of federal search warrants in December 2005 at Lawson and Drummond offices at 1666 East Touhy Ave., and 2150 Frontage Rd., Des Plaines, and the

offices of a third company, Keogh, Inc., in Lake Bluff and formerly of Woodstock. None of the companies themselves were charged.

According to the indictments, the Lawson businesses – since as early as the 1990s – ran a program called “Winners Choice,” in which Keogh, Inc., would issue checks to individuals purchasing Lawson merchandise on behalf of their employers. The sales agents would order “Certificates of Award” for individuals designated by the sales agents. The certificates, often awarded in multiple \$25 increments, entitled recipients to receive checks for a certain amount that could be used to purchase items at various retail stores. Keogh, Inc., would then issue the checks, often times in multiple \$50 increments. One defendant charged today allegedly received approximately \$80,000 worth of checks through this program. The kickbacks were a way for the sales agents to increase their commissions and the prices paid by their customers. The programs ended following the execution of the search warrants, authorities said.

All of the defendants will be arraigned at later dates in U.S. District Court.

The Chicago cases were announced by Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois; Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Kenneth T. Laag, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago; and Byram Tichenor, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division. The General Services Administration Office of Inspector General assisted in the investigation of the Goldman case. The investigation is continuing, they said.

The U.S. Attorney’s Office in Chicago coordinated the filing of similar charges today against current or former Lawson sales agents in Dayton and Philadelphia, and the U.S. Attorney’s Offices in those cities assisted by handling those cases in their jurisdictions.

In Chicago, the government is being represented by Assistant U.S. Attorneys Brandon Fox, Nancy Miller and Kruti Trivedi.

Details of the Chicago cases follow. In each case, conviction on each count of mail fraud carries a maximum penalty of 20 years in prison and a \$250,000 fine. One defendant, Gary Goldman, also is charged with bribery of a federal employee, which carries a maximum penalty of 15 years in prison and a \$250,000 fine. As an alternative, the Court may impose a fine totaling twice the gain to the defendant or twice the loss to any victim, whichever is greater. In addition, restitution is mandatory, and the Court would determine the appropriate sentence to be imposed.

In each case, the public is reminded that criminal charges contain only allegations and are not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

United States v. Richard Vidor and Aniello Izzo

Richard Vidor, 48, of Frankfort, a former Lawson sales agent, and **Aniello Izzo**, 39, of Chicago Heights, a mechanic for the City of Chicago Heights Fire Department, were indicted together – Vidor on nine counts, and Izzo on three counts, of mail fraud, respectively. Izzo, who had authority to purchase hardware, tools, chemicals and solvents for the maintenance and repair of fire department vehicles, allegedly redeemed Winners Choice certificates and fraudulently obtained approximately \$3,840. After the Winners Choice program ended, Vidor allegedly attempted to provide gift cards to Izzo in exchange for purchasing Lawson products, unaware that Izzo was cooperating with law enforcement at the time. Vidor also allegedly paid kickbacks ranging from \$1,500 to \$3,600 each to three additional unnamed employees of three other south suburbs who were not charged. The scheme enabled Vidor to fraudulently obtain approximately \$80,000 in commissions on sales to the four municipalities, according to the indictment, which also seeks forfeiture of the proceeds from the defendants.

United States v. Scott Osika, Charles Schertzing and Joseph Bettuzzi

Scott Osika, 51, of Hoffman Estates, a former Drummond sales agent; **Charles Schertzing**, 50, of Niles, director of maintenance for Skokie School District 72; and **Joseph Bettuzzi**, 40, of Niles, director maintenance for Niles School District 64, were indicted together. Osika was charged with six counts of mail fraud and Schertzing and Bettuzzi were each charged with three counts of mail fraud. The indictment seeks forfeiture of \$60,177 from Osika, representing commissions that he allegedly fraudulently obtained selling products to the two schools districts. It also seeks forfeiture of \$2,200 and \$1,575 from Schertzing and Bettuzzi, respectively, representing the kickbacks from the fraud scheme.

United States v. Peter Fonfara and Greg Terry

Peter Fonfara, 60, of Lansing, a former Drummond sales agent, and **Greg Terry**, 50, of South Holland, area director for Ada S. McKinley Community Services, were indicted together – Fonfara on five counts, and Terry on four counts, of mail fraud, respectively. Terry allegedly redeemed Winners Choice certificates and fraudulently obtained approximately \$28,000 that he was not entitled to receive. Fonfara also allegedly paid kickbacks totaling \$1,900 and \$1,200 to two unnamed employees of the City of Blue Island who purchased chemical solutions from Drummond on behalf of the south suburb but were not charged. The scheme enabled Fonfara to fraudulently obtain approximately \$150,000 in commissions on sales to McKinley Community Services and Blue Island, according to the indictment, which also seeks forfeiture from him of that amount.

United States v. Ron Gholdson

Ron Gholdson, 46, of Indianapolis, environmental supervisor who was responsible for purchasing environmental cleaning products for Indianapolis-based Reilly Industries, was indicted on five counts of mail fraud. Gholdson allegedly fraudulently obtained approximately \$80,000 in redeemed certificates awarded to him by an unnamed Drummond sales agent responsible for the Indianapolis market, who was not charged. The indictment also seeks forfeiture of that amount from Gholdson. The indictment also alleges that the sales agent paid an additional \$8,000 in kickbacks to a subordinate of Gholdson and that the sales agent fraudulently obtained approximately \$350,000 in commissions on sales to Reilly Industries.

United States v. Gary Goldman

Gary Goldman, 60, of Northbrook, a former Drummond sales agent, was indicted on one count of mail fraud and two counts of bribery. Goldman allegedly agreed to provide Winners Choice certificates to Individual A, who was a General Services Administration employee responsible for purchasing supplies to be used in the Dirksen Federal Courthouse, and James Kramer, who was a GSA supervisor who was also responsible for purchasing and approving the purchasing of supplies for the courthouse. Kramer was cooperating with law enforcement after

October 2001, and was subsequently convicted as a result of a related federal corruption investigation. Goldman allegedly agreed to pay Kramer \$5,000 cash if Kramer purchased approximately \$60,000 worth of paint from Drummond on behalf of GSA.

United States v. Xochitl Baker and Patrick McGowan

Xochitl Baker, 47, of Pasadena, Calif., a Drummond sales agent responsible for the Los Angeles and Long Beach markets, and **Patrick McGowan**, 48, of Corona, Calif., building services supervisor for the City of Long Beach, were each indicted on one count of mail fraud for an alleged scheme that enabled McGowan to fraudulently obtain more than \$11,000 that he was not entitled to receive.

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