

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA	)	
	)	
v.	)	No. 15 CR 314
	)	
EDWARD R. VRDOLYAK	)	Judge Robert M. Dow, Jr.
	)	

**PLEA AGREEMENT**

1. This Plea Agreement between the United States Attorney for the Northern District of Illinois, JOHN R. LAUSCH, JR., and defendant EDWARD R. VRDOLYAK, and his attorney, MICHAEL MONICO, is made pursuant to Rule 11 of the Federal Rules of Criminal Procedure and is governed in part by Rule 11(c)(1)(A), as more fully set forth below. The parties to this Agreement have agreed upon the following:

**Charges in This Case**

2. The superseding indictment in this case charges defendant with obstructing and impeding the administration of the Internal Revenue Code, in violation of Title 26, United States Code, Section 7212 (Count One), and tax evasion, in violation of Title 26, United States Code, Section 7201 (Count Two).

3. Defendant has read the charges against him contained in the superseding indictment, and those charges have been fully explained to him by his attorney.

4. Defendant fully understands the nature and elements of the crimes with which he has been charged.

**Charge to Which Defendant Is Pleading Guilty**

5. By this Plea Agreement, defendant agrees to enter a voluntary plea of guilty to the following count of the superseding indictment: Count Two, which charges defendant with tax evasion, in violation of Title 26, United States Code, Section 7201.

**Factual Basis**

6. Defendant will plead guilty because he is in fact guilty of the charge contained in Count Two of the superseding indictment. In pleading guilty, defendant admits the following facts and that those facts establish his guilt beyond a reasonable doubt:

Beginning no later than approximately 2003 and continuing through in or around 2015, in the Northern District of Illinois, Eastern Division, and elsewhere, defendant EDWARD R. VRDOLYAK, together with Daniel P. Soso and other persons known and unknown to the Grand Jury, did willfully attempt to evade and defeat the payment of income tax due and owing by Soso to the United States for the calendar years 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2008, 2009, 2010, 2011, 2012, and 2013, in violation of Title 26, United States Code, Section 7201 and Title 18, United States Code, Section 2.

On or about October 9, 1996, the Attorney General for the State of Illinois entered into a written contract with several law firms, including Law Firm B. Pursuant to these contracts, members of these law firms were to be appointed by the Attorney General to act as Special Assistant Attorneys General who would represent the State of Illinois in its anticipated lawsuit against certain tobacco companies to recover, among other things, money damages incurred by the State of Illinois as a result of the sale of tobacco products to residents of the State of Illinois. In addition, the contracts provided that the law firms representing the State of Illinois, including Law Firm B, would share a “contingent fee” equal to ten percent of the total monetary recovery realized by the State of Illinois in its planned

lawsuit.

Individual B, a partner in Law Firm B, VRDOLYAK and Soso entered into additional agreements, including the 10/08/96 Agreement and the 05/24/99 Agreement, to pay VRDOLYAK and Soso a portion of the attorney fees to be awarded in this lawsuit.

In order to collect amounts due and owing from a taxpayer who failed to pay amounts due to the IRS, the IRS was permitted to serve a notice of levy on other individuals. An individual receiving a notice of levy was required to turn over to the IRS any income of the non-paying taxpayer in their possession or for which they were obligated.

VRDOLYAK acknowledges that, beginning no later than 1993, Soso failed to pay income tax due and owing to the IRS, and the IRS initiated efforts to collect amounts owed by Soso by making demands for payment to Soso, serving notices of levy, filing federal tax liens against Soso and obtaining information from Soso about his sources of income.

Beginning no later than in or around 2000 and continuing until in or around August 2005, VRDOLYAK made payments totaling approximately \$1,925,830 to Soso for amounts due to Soso under the 10/08/96 Agreement and the 05/24/99 Agreement, as Soso's share of the fees of the tobacco litigation.

On or about August 6, 2005, The Law Offices of Edward R. Vrdolyak was served with an IRS notice of levy which required the turnover of all salary, wages and other amounts owed to Soso. On or about November 22, 2005, after conferring with VRDOLYAK, the CFO of Law Firm A prepared and sent a response to an IRS revenue officer that stated neither VRDOLYAK nor Law Firm A had any amounts owing to Soso and that VRDOLYAK intended to honor the levy and send any future funds due Soso to the IRS. VRDOLYAK knew at the time the response was sent that if VRDOLYAK received money from Law Firm B under the 10/08/96 and 05/24/99 Agreements,

VRDOLYAK owed money to Soso.

Beginning no later than in or around August 2005 and continuing through in or around 2007, VRDOLYAK and/or Law Firm A received at least approximately \$262,854.83 due Soso. In so doing, VRDOLYAK concealed receipt of these funds as amounts due to Soso from the IRS knowing such concealment would assist Soso in evading the payment of taxes and assessments due the IRS.

From in or around 2010 and continuing through in or around 2011, after receiving the August 6, 2005 IRS levy, Soso and VRDOLYAK entered negotiations regarding amounts VRDOLYAK received that were due and owing Soso. Pursuant to these negotiations, VRDOLYAK caused approximately \$170,242 in funds due to Soso to be paid to Soso instead of remitting these funds to the IRS.

The defendant agrees that a federal tax loss of at least \$244,096.67 resulted from the offense but reserves the right to dispute the amount of penalties and interest owed and whether those amounts should be included in the loss calculation below.

**Maximum Statutory Penalties**

7. Defendant understands that the charge to which he is pleading guilty carries the following statutory penalties:

a. A maximum sentence of 5 years' imprisonment. This offense also carries a maximum fine of \$100,000, or twice the gross gain or gross loss resulting from that offense, whichever is greater. Defendant further understands that the Court must order costs of prosecution, estimated not to exceed \$500. Defendant further understands that the judge also may impose a term of supervised release of not more than three years.

b. Pursuant to Title 18, United States Code, Section 3013, defendant will be assessed

\$100 on the charge to which he has pled guilty, in addition to any other penalty or restitution imposed.

### **Sentencing Guidelines Calculations**

8. Defendant understands that in determining a sentence, the Court is obligated to calculate the applicable Sentencing Guidelines range, and to consider that range, possible departures under the Sentencing Guidelines, and other sentencing factors under 18 U.S.C. § 3553(a), which include: (i) the nature and circumstances of the offense and the history and characteristics of the defendant; (ii) the need for the sentence imposed to reflect the seriousness of the offense, promote respect for the law, and provide just punishment for the offense, afford adequate deterrence to criminal conduct, protect the public from further crimes of the defendant, and provide the defendant with needed educational or vocational training, medical care, or other correctional treatment in the most effective manner; (iii) the kinds of sentences available; (iv) the need to avoid unwarranted sentence disparities among defendants with similar records who have been found guilty of similar conduct; and (v) the need to provide restitution to any victim of the offense.

9. For purposes of calculating the Sentencing Guidelines, the parties agree on the following points:

a. **Applicable Guidelines.** The Sentencing Guidelines to be considered in this case are those in effect at the time of sentencing. The following statements regarding the calculation of the Sentencing Guidelines are based on the Guidelines Manual currently in effect, namely the November 2018 Guidelines Manual.

b. **Offense Level Calculations.**

i. Pursuant to Guideline §§ 2T1.1 and 2T4.1, the offense level is

calculated with reference to the corresponding tax loss. It is the government's position that the tax loss caused by the offense was more than \$250,000, but not more than \$550,000, resulting in a base offense level of 18. The defendant reserves the right to argue the amount of tax loss at sentencing.

ii. If the Court determines at the time of sentencing that defendant has clearly demonstrated a recognition and affirmative acceptance of personal responsibility for his criminal conduct within the meaning of Guideline § 3E1.1(a), including by furnishing the United States Attorney's Office and the Probation Office with all requested financial information relevant to his ability to satisfy any fine that may be imposed in this case, a two-level reduction in the offense level will be appropriate. Defendant understands that the government will reserve making a determination of whether the defendant has accepted responsibility within the meaning of Guideline § 3E1.1(a), until after considering the positions taken by the defendant at sentencing.

iii. In accord with Guideline § 3E1.1(b), defendant has timely notified the government of his intention to enter a plea of guilty, thereby permitting the government to avoid preparing for trial and permitting the Court to allocate its resources efficiently. Therefore, as provided by Guideline § 3E1.1(b), if the Court determines the offense level to be 16 or greater prior to determining that defendant is entitled to a two-level reduction for acceptance of responsibility, the government will move for an additional one-level reduction in the offense level.

c. **Criminal History Category.** With regard to determining defendant's criminal history points and criminal history category, based on the facts now known to the government, it is the government's position that defendant's criminal history points equal 4 and defendant's criminal history category is III. Defendant disagrees and it is the defendant's position that his criminal history points equal 2 and that his criminal history category is II:

i. On or about October 15, 2010, defendant was convicted of conspiring to participate in a scheme to defraud in violation of Title 18, United States Code, Section 371, in the United States District Court for the Northern District of Illinois and was sentenced to 10 months in prison, a term of supervised release of three years, and a fine of \$250,000. Pursuant to Guideline § 4A1.1(b), the defendant receives 2 criminal history points for this sentence.

ii. It is the government's position that the instant offense continued while under a criminal justice sentence, including imprisonment and supervised release and that pursuant to Guideline § 4A1.1(d), the defendant receives 2 criminal history points. The defendant reserves the right to argue otherwise.

d. **Anticipated Advisory Sentencing Guidelines Range.** Therefore, based on the facts now known to the government, it is the government's position that if the Court determines the defendant has accepted responsibility, the defendant's anticipated offense level is 15, which, when combined with the anticipated criminal history category of III, results in an anticipated advisory sentencing guidelines range of 24 to 30 months' imprisonment, in addition to any supervised release, fine, and restitution the Court may impose. Defendant reserves the right to argue an alternative guideline calculation.

10. Defendant and his attorney and the government acknowledge that the above guidelines calculations are preliminary in nature and are non-binding predictions upon which neither party is entitled to rely. Defendant understands that further review of the facts or applicable legal principles may lead the government to conclude that different or additional guidelines provisions apply in this case. Defendant understands that the Probation Office will conduct its own investigation and that the Court ultimately determines the facts and law relevant to sentencing, and that the Court's determinations govern the final guideline calculation. Accordingly, the validity of this Agreement is

not contingent upon the probation officer's or the Court's concurrence with the above calculations, and defendant shall not have a right to withdraw his plea on the basis of the Court's rejection of these calculations. Both parties expressly acknowledge that this Agreement is not governed by Fed. R. Crim. P. 11(c)(1)(B), and that errors in applying or interpreting any of the sentencing guidelines may be corrected by either party prior to sentencing. The parties may correct these errors either by stipulation or by a statement to the Probation Office or the Court, setting forth the disagreement regarding the applicable provisions of the guidelines. The validity of this Agreement will not be affected by such corrections, and defendant shall not have a right to withdraw his plea, nor the government the right to vacate this Agreement, on the basis of such corrections.

### **Agreements Relating to Sentencing**

11. Each party is free to recommend whatever sentence it deems appropriate.

12. It is understood by the parties that the sentencing judge is neither a party to nor bound by this Agreement and may impose a sentence up to the maximum penalties as set forth above. Defendant further acknowledges that if the Court does not accept the sentencing recommendation of the parties, defendant will have no right to withdraw his guilty plea.

13. Regarding restitution, defendant agrees to pay restitution to the United States Treasury, arising from the offense conduct set forth above, totaling at least \$244,096.97 plus penalties and interest to be determined, pursuant to Title 18, United States Code, Sections 3663(a)(3) and 3664. It is the Government's position that the total amount of restitution due to the IRS is greater than \$250,000, and that such amount, which will be determined at or before the time of sentencing, should be credited to Daniel P. Soso's Form 1040 amount due, beginning with tax year 1993 until such restitution amount is exhausted, as follows:

<u>Tax Year</u>	<u>Amount</u>
1993	\$24,319.00
1994	\$11,919.64
1995	\$5,469.62
1996	\$41,805.89
1997	\$19,611.35
1999	\$16,989.30
2000	\$141,148.91
2001	\$104,195.65
2002	\$82,175.40

14. Restitution shall be due immediately and paid pursuant to a schedule to be set by the Court at sentencing. Defendant acknowledges that pursuant to Title 18, United States Code, Section 3664(k), he is required to notify the Court and the United States Attorney's Office of any material change in economic circumstances that might affect his ability to pay restitution.

15. Defendant agrees to pay the special assessment of \$100 at the time of sentencing with a cashier's check or money order payable to the Clerk of the U.S. District Court.

16. Defendant agrees that the United States may enforce collection of any fine or restitution imposed in this case pursuant to Title 18, United States Code, Sections 3572, 3613, and 3664(m).

17. After sentence has been imposed on the count to which defendant pleads guilty as agreed herein, the government will move to dismiss the remaining count of the superseding indictment as to defendant.

## Acknowledgments and Waivers Regarding Plea of Guilty

### **Nature of Agreement**

18. This Agreement is entirely voluntary and represents the entire agreement between the United States Attorney and defendant regarding defendant's criminal liability in case 15 CR 314.

19. This Agreement concerns criminal liability only. Except as expressly set forth in this Agreement, nothing herein shall constitute a limitation, waiver, or release by the United States or any of its agencies of any administrative or judicial civil claim, demand, or cause of action it may have against defendant or any other person or entity. The obligations of this Agreement are limited to the United States Attorney's Office for the Northern District of Illinois and cannot bind any other federal, state, or local prosecuting, administrative, or regulatory authorities, except as expressly set forth in this Agreement.

20. Defendant understands that nothing in this Agreement shall limit the Internal Revenue Service in its collection of any taxes, interest or penalties from defendant and his spouse or defendant's partnership or corporations. Defendant understands that the amount of tax as calculated by the IRS may exceed the amount of tax due as calculated for the criminal case.

### **Waiver of Rights**

21. Defendant understands that by pleading guilty he surrenders certain rights, including the following:

a. **Trial rights.** Defendant has the right to persist in a plea of not guilty to the charges against him, and if he does, he would have the right to a public and speedy trial.

i. The trial could be either a jury trial or a trial by the judge sitting without a jury. However, in order that the trial be conducted by the judge sitting without a jury, defendant,

the government, and the judge all must agree that the trial be conducted by the judge without a jury.

ii. If the trial is a jury trial, the jury would be composed of twelve citizens from the district, selected at random. Defendant and his attorney would participate in choosing the jury by requesting that the Court remove prospective jurors for cause where actual bias or other disqualification is shown, or by removing prospective jurors without cause by exercising peremptory challenges.

iii. If the trial is a jury trial, the jury would be instructed that defendant is presumed innocent, that the government has the burden of proving defendant guilty beyond a reasonable doubt, and that the jury could not convict him unless, after hearing all the evidence, it was persuaded of his guilt beyond a reasonable doubt and that it was to consider each count of the superseding indictment separately. The jury would have to agree unanimously as to each count before it could return a verdict of guilty or not guilty as to that count.

iv. If the trial is held by the judge without a jury, the judge would find the facts and determine, after hearing all the evidence, and considering each count separately, whether or not the judge was persuaded that the government had established defendant's guilt beyond a reasonable doubt.

v. At a trial, whether by a jury or a judge, the government would be required to present its witnesses and other evidence against defendant. Defendant would be able to confront those government witnesses and his attorney would be able to cross-examine them.

vi. At a trial, defendant could present witnesses and other evidence in his own behalf. If the witnesses for defendant would not appear voluntarily, he could require their attendance through the subpoena power of the Court. A defendant is not required to present any evidence.

vii. At a trial, defendant would have a privilege against self- incrimination so that he could decline to testify, and no inference of guilt could be drawn from his refusal to testify. If defendant desired to do so, he could testify in his own behalf.

b. **Appellate rights.** Defendant further understands he is waiving all appellate issues that might have been available if he had exercised his right to trial, and may only appeal the validity of this plea of guilty and the sentence imposed. Defendant understands that any appeal must be filed within 14 calendar days of the entry of the judgment of conviction.

22. Defendant understands that by pleading guilty he is waiving all the rights set forth in the prior paragraphs, with the exception of the appellate rights specifically preserved above. Defendant's attorney has explained those rights to him, and the consequences of his waiver of those rights.

#### **Presentence Investigation Report/Post-Sentence Supervision**

23. Defendant understands that the United States Attorney's Office in its submission to the Probation Office as part of the Pre-Sentence Report and at sentencing shall fully apprise the District Court and the Probation Office of the nature, scope, and extent of defendant's conduct regarding the charges against him, and related matters. The government will make known all matters in aggravation and mitigation relevant to sentencing.

24. Defendant agrees to truthfully and completely execute a Financial Statement (with supporting documentation) prior to sentencing, to be provided to and shared among the Court, the Probation Office, and the United States Attorney's Office regarding all details of his financial circumstances, including his recent income tax returns as specified by the probation officer. Defendant understands that providing false or incomplete information, or refusing to provide this information, may be used as a basis for denial of a reduction for acceptance of responsibility pursuant

to Guideline § 3E1.1 and enhancement of his sentence for obstruction of justice under Guideline § 3C1.1, and may be prosecuted as a violation of Title 18, United States Code, Section 1001 or as a contempt of the Court.

25. For the purpose of monitoring defendant's compliance with his obligations to pay a fine and restitution during any term of supervised release or probation to which defendant is sentenced, defendant further consents to the disclosure by the IRS to the Probation Office and the United States Attorney's Office of defendant's individual income tax returns (together with extensions, correspondence, and other tax information) filed subsequent to defendant's sentencing, to and including the final year of any period of supervised release or probation to which defendant is sentenced. Defendant also agrees that a certified copy of this Agreement shall be sufficient evidence of defendant's request to the IRS to disclose the returns and return information, as provided for in Title 26, United States Code, Section 6103(b).

#### **Other Terms**

26. Defendant agrees to cooperate with the United States Attorney's Office in collecting any unpaid fine and restitution for which defendant is liable, including providing financial statements and supporting records as requested by the United States Attorney's Office.

27. Defendant will not object to a motion brought by the United States Attorney's Office for the entry of an order authorizing disclosure of documents, testimony and related investigative materials which may constitute grand jury material, preliminary to or in connection with any judicial proceeding, pursuant to Fed. R. Crim. P. 6(e)(3)(E)(i). In addition, defendant will not object to the government's solicitation of consent from third parties who provided records or other materials to the grand jury pursuant to grand jury subpoenas, to turn those materials over to the Civil

Division of the United States Attorney's Office, or an appropriate federal or state agency (including but not limited to the Internal Revenue Service), for use in civil or administrative proceedings or investigations, rather than returning them to the third parties for later summons or subpoena in connection with a civil or administrative proceeding involving, or investigation of, defendant and his spouse or defendant's partnerships or corporations. Nothing in this paragraph or the preceding paragraph precludes defendant and his spouse or defendant's partnerships or corporations from asserting any legal or factual defense to taxes, interest, and penalties that may be assessed by the IRS.

28. Defendant understands that, if convicted, a defendant who is not a United States citizen may be removed from the United States, denied citizenship, and denied admission to the United States in the future.

### **Conclusion**

29. Defendant understands that this Agreement will be filed with the Court, will become a matter of public record, and may be disclosed to any person.

30. Defendant understands that his compliance with each part of this Agreement extends throughout the period of his sentence, and failure to abide by any term of the Agreement is a violation of the Agreement. Defendant further understands that in the event he violates this Agreement, the government, at its option, may move to vacate the Agreement, rendering it null and void, and thereafter prosecute defendant not subject to any of the limits set forth in this Agreement, or may move to resentence defendant or require defendant's specific performance of this Agreement. Defendant understands and agrees that in the event that the Court permits defendant to withdraw from this Agreement, or defendant breaches any of its terms and the government elects to void the Agreement and prosecute defendant, any prosecutions that are not time- barred by the applicable

statute of limitations on the date of the signing of this Agreement may be commenced against defendant in accordance with this paragraph, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of such prosecutions.

31. Should the judge refuse to accept defendant's plea of guilty, this Agreement shall become null and void and neither party will be bound to it.

32. Defendant and his attorney acknowledge that no threats, promises, or representations have been made, nor agreements reached, other than those set forth in this Agreement, to cause defendant to plead guilty. Defendant acknowledges that he has read this Agreement and carefully reviewed each provision with his attorney. Defendant further acknowledges that he understands and voluntarily accepts each and every term and condition of this Agreement.

AGREED THIS DATE: \_\_\_\_\_

\_\_\_\_\_  
JOHN R. LAUSCH, JR.  
United States Attorney

\_\_\_\_\_  
EDWARD R. VRDOLYAK  
Defendant

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AMARJEET S. BHACHU  
Assistant U.S. Attorney

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MICHAEL MONICO  
Attorney for Defendant