



## U.S. Department of Justice

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### **Remarks as Prepared for Delivery by United States Attorney Peter F. Neronha**

Good morning.

Late yesterday, having concluded an extensive grand jury investigation, we filed in federal court here in Providence a three-count Information charging former Rhode Island House Speaker Gordon Fox with three felonies: bribery, wire fraud and filing a false tax return. These charges stem from former Speaker Fox's substantial abuse of his campaign account to pay for his personal expenses, and his solicitation and acceptance of a bribe in exchange for using his official position as Vice-Chairman of the City of Providence Board of Licenses in 2008 to advocate and move for the granting of a liquor license for a Thayer Street restaurant. Also filed in federal court late yesterday is a Plea Agreement, pursuant to which, if accepted by the District Court, former Speaker Fox will spend three years in federal prison. The information and plea agreement, along with a statement of facts, were unsealed this morning.

The allegations contained in the Information, and admitted to by former Speaker Fox in the signed statement of facts also filed late yesterday, paint a clear picture: that former Speaker Fox looted his campaign account repeatedly over a number of years to pay for plainly personal expenses, and that his official, appointed position as a member of the Providence Board of Licenses was for sale. Not surprisingly, he reported none of the personal income gained from stealing from his campaign accounts and accepting a \$52,000 bribe on his tax returns. His corrupt conduct has resulted in his removal from the high office he once held, and deservedly so.

As alleged in the Information, former Speaker Fox has served in the General Assembly for many years, becoming House Majority leader in 2002, and Speaker of the House of Representatives in 2010, holding that position until his resignation last March. Like every other candidate for elected office in Rhode Island during those years, former Speaker Fox maintained a campaign organization – in his case, "Friends of Gordon Fox." Through that organization, former Speaker Fox solicited and raised money from individuals and political action committees purportedly to retain his public office and his position as speaker.

There is no dispute that under Rhode Island's election laws, such funds can only be used for that purpose – to obtain or retain public office. Rhode Island law prohibits the use of such funds to pay for personal expenses. And the rationales for that prohibition are, or should be, plain and obvious. When you ask people for money to support your campaign for public office, and you use it for something else, you've lied to them. There is no other way to say it. You have committed fraud. And it is a particularly pernicious type of fraud, and one that should concern all Rhode Islanders. Because when elected officials rely on campaign donors to maintain their personal lifestyle, there is a very real danger that they will feel a particularly strong sense of obligation to those donors. A sense of personal obligation that may cause them to act in a way more in the interest of those specific donors than in the general interest of all Rhode Islanders.

This is precisely what former Speaker Fox did – use campaign funds for personal expenses - to the tune of \$108,000. From February 2008 and continuing until just before the execution of the federal search warrants in March of 2014, former Speaker Fox repeatedly transferred money he had misled campaign donors into believing would be used for campaign purposes from his campaign accounts into his personal accounts. Over that approximately six year period, he used that money - \$108,000 - to pay his personal expenses, including the mortgage on his home, the loan payment on his car, and his personal American Express card, used to make purchases at such places as Tiffany's, TJ Maxx, Target, Walmart, Urban Outfitters, and the Warwick Animal Hospital.

Not only did former Speaker Fox mislead his campaign donors regarding what he was using their donated money for, he lied on his Rhode Island Board of Elections filings so as to conceal his fraud. Nowhere on his Board of Elections filings did he identify the transfers out of the Friends of Fox campaign account into his personal accounts. As a result, his campaign finance filings were a fantasy – at the conclusion of 2013, his filing claimed a balance in the Friends of Fox account of \$212,060.66, when in truth the balance in the account was only \$52,403.02, as reflected on the account's actual bank statement.

We discovered much of what I have just described in the wake of the execution of the search warrants in March of last year. In the course following that money trail, which required a tremendous amount of work on the part of the prosecutors, agents and detectives, we discovered that in 2008 former Speaker Fox accepted a \$52,000 bribe while serving as an appointed member of the Providence Board of Licenses.

As alleged in the Information, in 2008, the Shark Sushi Bar and Grill, a new restaurant on Thayer Street in Providence, applied for a liquor license from the City of Providence Board of Licenses. Former Speaker Fox was, at that time, Vice-Chairman of the Board of Licenses and House Majority Leader.

The Shark Bar's application was not without controversy. To the contrary, there was considerable neighborhood opposition to the application. As alleged in the Information, in the face of that opposition, one of the Shark Bar partners told another that in exchange for money, then Vice-Chairman Fox would, in his official capacity, help the Shark Bar obtain a liquor license. Board Vice-Chairman Fox met with the two Shark Bar partners in August of 2008. As a result of this meeting, Board Vice-Chairman Fox agreed to accept a bribe from the partners in exchange for supporting and advocating in favor of the Shark Bar application before the Board.

Vice-Chairman Fox followed through on his corrupt promise. At a Board of Licenses hearing on August 13, 2008, the two Shark Bar partners testified in favor of their application, and members of the public voiced their opposition. The Board took the application under advisement. At a subsequent Board hearing on August 29, 2008, Vice-Chairman Fox, pursuant to his corrupt agreement with the Shark Bar partners, spoke in detail regarding why the license should be awarded, and moved the Board to approve the Shark Bar's application. The Board voted to approve the Shark Bar's application.

With their liquor license now in hand, the two Shark Bar partners delivered \$32,000 in cash and checks to Board Vice-Chairman Fox. A third, silent Shark Bar partner delivered an additional \$17,500 to Vice-Chairman Fox through one of the other Shark Bar partners. In all, Vice-Chairman Fox accepted a \$52,000 bribe in exchange for his official action as Vice-Chairman of the Providence Board of Licenses on behalf of the Shark Bar.

When the federal search warrants in this case were executed nearly a year ago, there was talk about the State House being "the People's House." I agree completely. The People's House should be occupied by elected officials who hold office to serve the people, not themselves. As federal and state prosecutors, and federal and state law enforcement officials, we represent the people of the United States and the people of Rhode Island. And we will go anywhere – *anywhere* – we can lawfully go to obtain the evidence we need to protect their interests.

Since I have been U.S. Attorney, just in federal court alone, we have convicted three town councilmen, a mayor, a state senator, and the Deputy Speaker of the House of Representatives. Now the Speaker of the House of Representatives stands before the federal court. Attorney General Kilmartin could give you his own list. As Rhode Islanders, we need to lose our political corruption amnesia. In general, I believe in rehabilitation and second chances. But I do not believe that those who have sworn to uphold the public trust and violated it, and been given the enormous opportunity and privilege to serve the public and abused it, should ever be given that opportunity again. I believe that those who have paid to play should never be given the opportunity to play again. I believe that companies who have received enormous public contracts, and intentionally or negligently fail to perform as required, should never be given an opportunity to receive those contracts again.

If we are serious about ending public corruption – really serious about it – we can do it. But it requires real change in the way we do business. The good people of Rhode Island, those who have lived here all our lives and those who just arrived last week, are not getting what they deserve. And once and for all, that has to change.

There are many people to thank in this case. Assistant United States Attorney Dulce Donovan, Assistant Attorney General Patrick Youngs, FBI Special Agent Jim Pitcavage, IRS Special Agent Troy Nero, Rhode Island State Police Sergeant Robert Kramer and Detective Jim Brown worked incredibly hard on this case, and performed brilliantly.

I want to thank FBI Special Agent in Charge Vincent Lisi for his commitment to the people of Rhode Island. I also want to thank Colonel Steven O'Donnell. Time after time, the State Police have worked with this Office to build some of our most impactful cases. I also want to thank IRS Special Agent in Charge William Offord for IRS's outstanding work in this case, and in so many of the other major cases we have brought over the past few years.

Finally, I want to thank Attorney General Peter Kilmartin for his partnership on this case. We have acted in concert on a whole host of cases and initiatives over the past several years, with great success. This case represents the pinnacle of that cooperative effort. Without the Attorney General's support, and his willingness to proceed with state charges if necessary, we would not be here today. This was truly a team effort.