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OCTOBER 5, 2018

MAYOR RAHM EMANUEL
CITY OF CHICAGO
121 N. LASALLE, SUITE 500
CHICAGO, ILLINOIS 60602

RE: SIGNIFICANT ACTIVITY REPORT

Today, John Balzano pleaded guilty to stealing nearly \$1 million from the City of Chicago via a contracting pass-through scheme. Standing before Circuit Court Judge Kenneth J. Wadas, Mr. Balzano plead guilty to one Class 1 felony of theft of government property (720 ILCS 5/16-1(a)(2)) and one Class 2 felony of fraudulently obtaining money reserved for disadvantaged business enterprises (720 ILCS 5/17-10.3(d)). Judge Wadas ordered Mr. Balzano to pay \$100,000 in restitution and sentenced him to 300 hours of approved community service. Mr. Balzano, along with his spouse and business partner, Natalie Balzano, were also permanently barred from owning any interest in or acting as an officer, director, or manager of any entity that does business with the City of Chicago.

The Balzanos defrauded the City of Chicago by working with a Minority Business Enterprise (MBE) subcontractor, the owner of Oak Park-based PJ's Ace Hardware, who generated false invoices for car wash products that were sold and delivered by non-MBE suppliers. Mr. Balzano placed the orders directly with the non-MBE suppliers and PJ's Ace Hardware created new invoices, marked up by 15 to 20 percent, which he then paid to make it appear that J&J Car Wash was complying with the City's MBE contract goal to spend at least 16.9 percent of the total contract price with MBEs. J&J President Natalie Balzano then submitted bids to the City for car wash contracts.

Previously in connection with this investigation, Clyde Williams, the owner of PJ's Ace Hardware, and Kurt Koziol, the former owner of Koziol Car Wash, pleaded guilty to one charge of Class 4 felony theft of government property (720 ILCS 5/16-1(a)(2)). Pursuant to plea agreements, Williams agreed to pay the City restitution of \$22,280.51, and Koziol agreed to pay the City restitution of \$8,637.24. Williams and Koziol were also ordered permanently barred from doing business with the City of Chicago, and Williams was ordered permanently barred from receiving City MBE certification.

The investigation was conducted by the City of Chicago Office of Inspector General, in conjunction with the Illinois Attorney General.

Please do not hesitate to direct any questions or requests for additional information to me or Natalie A. Kuriata, Communications Coordinator, at (773) 478-8417.

Respectfully,

A handwritten signature in blue ink, appearing to read 'J. Ferguson', with a stylized flourish at the end.

Joseph M. Ferguson
Inspector General
City of Chicago