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FEBRUARY 8, 2019

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

**RE: SIGNIFICANT ACTIVITY REPORT**

On February 5, 2019, John McClendon, owner and president of McClendon Holdings LLC, was indicted on federal criminal charges, including four charges of wire fraud (18 U.S.C. 1343) for defrauding the City of Chicago, by falsifying price increases in two City contracts that were secured in 2014 and 2015.

The indictment alleges that McClendon won a bid in 2014 to supply the City's Department of Water Management with butterfly valves in a five-year, \$11.7 million contract, and won a second bid in 2015 to supply the City's Department of Transportation with pavement marking materials in a five-year, \$1.45 million contract. The contracts allowed for the contractor to raise prices three to five percent annually after the first year if the cost of raw materials increased, as long as the increases were supported by a statement from the supplier confirming the price increases.

The indictment further alleges that McClendon requested a price increase from the City on both contracts despite not having incurred any increases in the cost of raw materials. Without the supplier's knowledge, McClendon forged and fabricated letters that were purported to be from his suppliers in order to support the proposed price increases. He then submitted these letters to the City in an attempt to increase profits.

McClendon is scheduled to appear before Judge Cox in the Northern District of Illinois on February 14, 2019. This investigation was conducted by the City of Chicago Office of Inspector General, working in conjunction with the United States Attorney's Office for the Northern District of Illinois and the Chicago Field Office of the Federal Bureau of Investigation.

The public should note that charges in an indictment are not evidence of guilt. The defendant is presumed innocent and entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

Wire fraud carries a maximum statutory sentence of 20 years in prison. If convicted, the Court must impose a reasonable sentence under federal statutes and the advisory U.S. Sentencing Guidelines.

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', is positioned above the printed name.

Joseph M. Ferguson  
Inspector General  
City of Chicago