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APRIL 22, 2021

MAYOR LORI LIGHTFOOT
121 N. LASALLE, SUITE 500
CHICAGO, ILLINOIS 60602

RE: SIGNIFICANT ACTIVITY REPORT

On April 6, 2021, John McClendon was sentenced to two years of probation, six months of home detention, and paid \$11,743.19 in restitution. McClendon, owner and president of McClendon Holdings LLC, was indicted on federal charges, including four counts of wire fraud (18 U.S.C. 1343), for defrauding the City of Chicago by falsifying price increases in two City contracts that McClendon Holdings secured in 2014 and 2015.

In 2014, McClendon won a bid 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. In order to fraudulently increase his profits, McClendon submitted false price increase requests to the City on both contracts, and falsely represented that his suppliers had raised prices due to increases in the costs of raw materials, despite not having incurred any increases at all. 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 fraudulently increase his profits.

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.

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

Respectfully,

A handwritten signature in blue ink, appearing to be "J. Ferguson".

Joseph M. Ferguson
Inspector General
City of Chicago