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December 10, 2021

Mayor Lori Lightfoot
City of Chicago
121 N. LaSalle St., Suite 500
Chicago, IL 60602

RE: SIGNIFICANT ACTIVITY REPORT

On December 8, 2021, William M. Mahon, a deputy commissioner in the City of Chicago Department of Streets and Sanitation, was indicted on federal charges, including one count of conspiracy to falsify bank records and to deceive and obstruct the Office of the Comptroller of the Currency (OCC) (18 U.S.C. 371), and six counts of willfully filing a false income tax return (26 U.S.C. 7206(1)). Mahon's arraignment in U.S. District Court in Chicago has not yet been scheduled.

The new criminal charges against Mahon resulted from an ongoing federal investigation into the failure of Washington Federal Bank for Savings in Chicago. Mahon and two other former members of the bank's Board of Directors allegedly conspired to obstruct regulators and falsify bank records, and Mahon is further alleged to have filed false income tax returns. Washington Federal was closed in December 2017 after OCC determined that the bank was insolvent and had at least \$66 million in nonperforming loans. Several former Washington Federal employees, including the bank's chief financial officer and treasurer, were previously indicted for allegedly conspiring with an Illinois attorney and other individuals to embezzle money from the bank. On Tuesday, a federal grand jury in Chicago returned a 37-count superseding indictment that added four new defendants, including Mahon, bringing the total number of charged defendants to fourteen.

The superseding indictment alleges that the bank's former vice president and two other employees made false entries and documents in Washington Federal's records to support insider loans to Mahon and others. The employees allegedly altered and caused appraisals to be altered for two properties owned by Mahon that served as collateral for two mortgages at Washington Federal. The indictment states that the false items on the altered appraisals include inflated appraisal values and inflated values for the listed comparable sales. The superseding indictment also alleges that Mahon concealed a loan he received from Washington Federal's president in applications for loans from Washington Federal.

The new charges allege that when OCC was evaluating Washington Federal's loan portfolio prior to its failure, Mahon and others made and caused false entries to be made in bank records and provided them to OCC with the intent to deceive the agency and obstruct its examination. The

defendants also falsified records to make it appear that Washington Federal was operating in compliance with banking rules and internal policies and controls, the indictment states.

The superseding indictment was announced by the United States Attorney for the Northern District of Illinois, working in conjunction with the FDIC's Office of Inspector General; the Internal Revenue Service Criminal Investigation Division in Chicago; the Chicago Field Office of the Federal Bureau of Investigation; the Central Region of the Federal Housing Finance Agency, Office of Inspector General; the U.S. Department of Housing and Urban Development's Office of Inspector General; the Department of the Treasury, Office of Inspector General; the Chicago Housing Authority Inspector General; and the City of Chicago Office of Inspector General.

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

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

Respectfully,

A handwritten signature in black ink, appearing to read 'William Marback', written in a cursive style.

William Marback
Interim Inspector General
City of Chicago