



**United States Attorney's Office  
Eastern District of Michigan**

**Barbara L. McQuade  
United States Attorney**

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**PRESS RELEASE**

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**FORMER DETROIT MAYOR KWAME KILPATRICK, HIS FATHER BERNARD  
KILPATRICK AND CITY CONTRACTOR BOBBY FERGUSON WERE CONVICTED  
ON RACKETEERING, EXTORTION, BRIBERY, FRAUD AND TAX CHARGES**

Today a federal jury returned guilty verdicts against Kwame M. Kilpatrick, 42, of Southlake, Texas and Bobby W. Ferguson, 44, of Detroit, on charges that they used Kwame Kilpatrick's positions as Mayor of Detroit and Michigan State House Representative to execute a wide ranging racketeering conspiracy involving extortion, bribery and fraud, United States Attorney Barbara L. McQuade announced. Bernard Kilpatrick, 70, of Detroit was convicted of a felony tax offense.

McQuade was joined in the announcement by Robert D. Foley, III, Special Agent In Charge of the Detroit Field Office of the Federal Bureau of Investigation, Randall Ashe, Special Agent in Charge of the U.S. Environmental Protection Agency, Criminal Investigation Division, Richard Weber, Chief of IRS Criminal Investigation and Barry McLaughlin, Special Agent in Charge, U.S. Department of Housing and Urban Development - Office of Inspector General.

Kwame Kilpatrick was convicted of 24 counts extortion, mail fraud, tax violations and racketeering, Bobby Ferguson was convicted of 9 counts of extortion and racketeering and Bernard Kilpatrick was convicted of one count of filing a false tax return.

Co-defendants Victor Mercado, former Director of the City of Detroit Water and Sewerage Department and Derrick Miller, former Chief Administrative Officer of the City

of Detroit were also indicted as being part of the conspiracy and both pleaded guilty to their roles and are waiting sentencing.

The jury deliberated for about 14 days before returning the verdicts, concluding a five-month long trial before United States District Judge Nancy G. Edmunds.

United States Attorney Barbara L. McQuade stated, "Although this investigation spanned many years, this case is not about the past. It is about the future. This verdict has sent a powerful message that corruption will not be tolerated in this community. The people of Detroit deserve better and expect better. Candidates should seek public office to make a difference, not to make money for themselves."

FBI Special Agent in Charge Foley stated, "The FBI Led Detroit Area Public Corruption Task Force worked tirelessly to pursue and prosecute individuals associated with a criminal enterprise run for years out of the Detroit Mayor's Office. Due to the scope and complexity of the investigation, it was imperative to make sure no corners were cut and no stone was left unturned. With this conviction, the public can be reassured that no corrupt activity will be left unchecked. No violation of the public's trust will go unpunished. The citizens of the state of Michigan and in this case the City of Detroit, deserve and expect the highest quality of government, and we remain dedicated to ensuring they receive it."

"Corruption at any level diminishes the hard work and dedication of the thousands of elected officials and government employees who are dedicated to providing honest services to the American public", said Richard Weber, Chief of IRS Criminal Investigation. "IRS-CI stands committed to weed out individuals who ignore the public's well being, and choose to take the path to financial success by using greed and corruption. Mr. Kilpatrick attempted to conceal his public corruption by failing to report to the Internal Revenue Service his illicit receipt of hundreds of thousands of dollars. When elected officials disregard their sworn oath because greed has clouded their judgment, let this case serve as a reminder that no one is above the law and everyone is accountable for their misdeeds."

"The U.S. EPA mandated the improvement of the Detroit Water & Sewerage Department to address long term non compliance with the city's discharge permit," said Randall K. Ashe, Special Agent in Charge of EPA's criminal enforcement program in Michigan. "Sadly, former Mayor Kwame Kilpatrick used the awarding of these contracts as an opportunity to enrich himself and Bobby Ferguson. EPA CID is very grateful to the jury for rendering this verdict and hope that this sends a clear message to all municipal officials that this conduct will not be tolerated."

HUD Special Agent in Charge Barry McLaughlin stated, "The citizens of Detroit should not have to tolerate those who use deceit and fraud to fill their pockets with money reserved to improve this community. This case will serve notice that the United States Attorney Office and HUD - Office of Inspector General will make every effort to

ensure that these funds are used for this community, and will vigorously investigate those that work scams at the expense of Detroiters”.

The evidence presented at trial established that Kwame Kilpatrick and Bobby Ferguson participated in a racketeering conspiracy to financially enrich themselves, their associates and their families by using the power and authority of Kwame Kilpatrick’s position as Mayor of Detroit, as well as his position as a member of the Michigan House of Representatives, to commit extortion, bribery and fraud, as well as by defrauding donors to nonprofit entities under the control of Kwame Kilpatrick and his associates, including the Kilpatrick Civic Fund, Kilpatrick for Mayor, and the Kilpatrick Inaugural Committee.

**Extortion of Municipal Contractors.** At the heart of the conspiracy was a scheme to use the power and authority of Kwame Kilpatrick’s office as Mayor of Detroit to extort municipal contractors by coercing them to include Ferguson in public contracts, and to rig the award of public contracts to ensure Ferguson obtained a portion of the revenue from those contracts. Ferguson obtained at least eighty-three million dollars in revenues from municipal contracts through this scheme, a portion of which he shared with his co-conspirators. At trial, the government presented evidence regarding multiple instances of attempted or actual extortion and contract rigging, including the following:

- Kwame Kilpatrick held up a \$50 million sewer lining contract until Inland Waters, the winning bidder, agreed to pay Ferguson, who ultimately received \$24.7 million in contract revenue when the contract was increased to \$138 million.
- Kwame Kilpatrick held up a \$12 million amendment to a sewer lining contract until Inland Waters agreed to pay Ferguson \$350,000 for work Ferguson wanted at a large sewer collapse at 15 Mile Road in Sterling Heights, although Ferguson did no work in exchange for the payments.
- Ferguson extorted Lakeshore Engineering Services to give Ferguson \$1.7 million from a \$28 million sewer outfalls contract although Ferguson did no work for the payments.
- Ferguson extorted Walbridge Aldinger Company for \$5 million in work for Ferguson on a contract to construct the Baby Creek combined sewer overflow facility and the Patton Park recreational facility.

**Defrauding the State and Non-Profit Donors.** Evidence showed that during Kwame Kilpatrick’s tenure as a Representative of the Michigan House and as the Mayor of Detroit, Kwame Kilpatrick, Bobby Ferguson, and Bernard Kilpatrick obtained over half a million dollars from the State of Michigan and donors to nonprofit entities they controlled, including the Kilpatrick Civic Fund, Kilpatrick for Mayor, and the

Kilpatrick Inaugural Committee, under the false pretense that the money would be used to better the community or for campaign expenses when, in reality, the money was used for personal or other impermissible expenses. This included the following:

- Kwame Kilpatrick, while a member of the State House of Representatives and with the assistance of Ferguson, defrauded the State of Michigan by directing over \$280,000 in grant money from the State to nonprofit entities controlled by Ferguson and Kwame Kilpatrick's wife. The State grant money, which was supposed to help children and seniors in the Detroit area, was spent in large part by Kilpatrick on personal expenses and by Ferguson to refurbish the offices of his company.
- Kwame Kilpatrick defrauded donors to Kilpatrick for Mayor, the Kilpatrick Inaugural Committee and the Kilpatrick Civic Fund by taking cash kickbacks of over \$250,000 from his fundraising director.
- Kwame Kilpatrick, defrauded donors to the Kilpatrick Civic Fund by using at least \$200,000 in Civic Fund money for personal expenses, \$200,000 for friends and family, and \$150,000 in improper campaign expenses.

**Bribery/Extortion Involving Other Public Contracts and Investments.**

Further evidence showed that during Kwame Kilpatrick's tenure as Mayor, he and Bernard Kilpatrick solicited and accepted payments and property valued at over one million dollars from persons seeking business with the City or its General Retirement System or Police and Fire pension funds. Included in this bribery/extortion scheme were the following:

- Karl Kado paid Kwame Kilpatrick and Bernard Kilpatrick approximately a quarter-million dollars in cash for favorable treatment with respect to his contracts for cleaning and electrical services at Cobo Hall;
- Jon Rutherford provided money and campaign-related payments totaling over \$300,000 on behalf of Kwame and Bernard Kilpatrick in return for Kwame Kilpatrick's support of Rutherford's waterfront casino development plan;
- Tony Soave provided free private jet service and other benefits to Kwame and Bernard Kilpatrick worth over \$300,000, so that he would not be harmed with respect to his business interests with the City; and
- Marc Andre Cunningham paid Bernard Kilpatrick a portion of his commission on a pension fund consulting deal from a venture capital firm (totaling at least \$15,000) for Kwame Kilpatrick's support of Cunningham's firm getting the pension fund monies.

**Proceeds from the Extortion/Bribery Conspiracy.** Evidence was presented that in return for the proceeds from the public contracts Ferguson received, Ferguson kicked back significant sums of cash, items of value or other benefits to Kwame Kilpatrick. Further evidence was presented that during his tenure as Mayor, Kwame Kilpatrick used over \$840,000 cash, derived from the extortion/bribery/fraud conspiracy, to make deposits into his bank accounts, pay his credit card bills, purchase cashier's checks, and clothing, and to repay loans. During his son's tenure as Mayor, Bernard Kilpatrick deposited over \$840,000 in cash into his personal bank accounts.

As a result of the lengthy and wide-ranging investigation into corruption in the City of Detroit, the government has obtained convictions from thirty-two other individuals. Attached is a list detailing these convictions.

The investigation of this case was conducted by agents of the FBI, EPA-CID and IRS-CID. The case is being prosecuted by Assistant U.S. Attorneys Mark Chutkow, R. Michael Bullotta, Jennifer Blackwell and Eric Doeh.