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**Lawyer's role questioned**

By Tim Novak and Dave McKinney

Staff reporters

Gov. Ryan's confidant, attorney Jeremy Margolis, was hired by state prison officials last spring when the FBI began investigating a prison contract with a company tied to Ryan's brother, the Sun-Times has learned.

Ryan's brother Thomas was an investor in Comguard Inc., which struggled until it started getting state contracts in 1992 to electronically monitor prisoners. The contract was extended four years ago, even though Comguard had defaulted on a $ 150,000 state loan and had a couple of prisoners escape.

Thomas Ryan says he sold his financial stake in Comguard to an Israeli firm that paid $ 1.6 million for half of Comguard in late 1999.

A few months after the sale, FBI agents began examining Comguard's contracts, and the Ryan administration hired Margolis to act as an intermediary between the prison officials and the FBI. It was similar to the role Margolis played in the licenses-for-bribes scandal that has enshrouded Ryan's administration.

Margolis' role in the prison investigation raises the question of whether he was trying to shield Ryan and his family from further political damage from yet another FBI probe.

"It is well-known that using a lawyer as an intermediary is designed to maintain careful control on the exchange of questions and answers. Why are you so concerned, Mr. Governor, about controlling these questions and answers?" said

Geoffrey C. Hazard Jr., a nationally renowned expert on legal ethics who teaches at the University of Pennsylvania Law School.

"What's going to be fascinating is if one of the Department of Corrections people, when interviewed by the FBI, would say, 'I would be glad to talk to you, but I don't want Mr. Margolis there.' "

Margolis and his firm's work includes "review of the grand jury documents, consultation with FBI, agents of IDOC and maintain ongoing document files as the investigation continues," according to the contract. "When agents of the Department of Corrections are contacted by the FBI for interviews, (Margolis) will provide legal counsel to participate in this interview process."

Ryan spokesman Dennis Culloton said state prison employees "are free to seek their own counsel" when dealing with the FBI, but none has done so.

"In this case, the administration has committed to cooperating in every way and that Jeremy Margolis' services are simply to coordinate that," Culloton said.

Culloton said the FBI probe recently ended because "there was no evidence of criminal wrongdoing." But the U.S. attorney's office in Springfield was unwilling to confirm Culloton's statements.

Neither federal nor state officials would discuss the reason for the FBI investigation, but agents did inquire about Thomas Ryan's ownership in Comguard.

Former prison director Odie Washington said he discussed Comguard with an FBI agent last May, a month after the state had hired Margolis.

"The only specific question was whether I knew that one of the owners was one of the Ryan brothers," Washington told the Sun-Times last summer. "My response was basically that I knew there was an affiliation, but I never dealt with them."

Thomas Ryan said in a brief interview that he was unaware of any FBI probe and that he had no idea why he would be the object of questioning. "I would not know," he said.

Margolis refused to be interviewed.

Margolis, a partner and litigation chairman of the Altheimer & Gray law firm, has served as an unpaid, informal adviser to Gov. Ryan for the last two years. At the same time, his firm has collected $ 1.5 million from 10 contracts it has gotten from Ryan's administration. That's about 18 times more than the firm collected during Gov. Jim Edgar's last four years in office.

Margolis has been under fire since 1998, when he issued a report for Ryan finding no corruption in the secretary of state's office. Months later, the federal government began a string of indictments in the licenses-for-bribes scandal.

Margolis came under fire again last fall after the Sun-Times reported that he helped Ryan pick casino regulators. Margolis now represents 71 suburbs that want a casino in Rosemont.

Margolis issued a statement defending his firm's work, saying his lawyers have toiled at discounted rates, helping the state save tax dollars. "In each of these cases, Altheimer & Gray were chosen on merit," the statement said.

The statement did not address the contract Margolis signed last April with Ryan's prison director, Donald Snyder. The contract has been extended until June. Margolis has been paid $ 50,500 so far.

When the FBI began meeting with prison officials, Culloton said Ryan's staff assumed it was part of the licenses-for-bribes probe, so Margolis was sent to intervene. Margolis "continues to coordinate the ongoing cooperation and support for the (licenses-for-bribes) investigation," Culloton said.

Comguard was formed in 1991 by some investors from the Kankakee County Republican Party, including Thomas Ryan, the former mayor of Kankakee. While he was mayor, Thomas Ryan's handpicked police chief was Dean Bauer, who went on to become inspector general under Secretary of State George Ryan.

Bauer is set to stand trial Jan. 23 on charges of covering up corruption in the secretary of state's office to help George Ryan become governor.

Comguard struggled until 1992, when it got its first state contract, said L. Patrick Power, the firm's lawyer and former Kankakee County state's attorney. Today, Comguard is paid $ 1.9 million to monitor 2,025 prisoners statewide.

Comguard is now a subsidiary of Dmatek Ltd. of Tel Aviv. The company did not respond to an e-mail about the FBI investigation.