

Operation Greylord

by Terrence Hake (1981-1988) with contributions from David Grossman (1978-1999), David Ries (1976-2000) and William Megary (1977-1999)



Terrence Hake

For years, Cook County judges were taking part in robberies, rapes, child molestations and murders. In accepting bribes to free the criminals committing these and many other crimes, the judges were in effect part of the crimes. Any crime could be fixed — from a traffic ticket to a mob hit.

For the FBI in the late 70s, the most shocking perversion of justice was the freeing of notorious Chicago LCN killer Harry Aleman. On the night of September 27, 1972, union truck dispatcher William Logan was leaving home for work, when Aleman called out from the shadows, “Hey, Billy!” As Logan turned around, he was cut down by three shotgun blasts. A neighbor walking his dog saw the short, slender gunman heading for a car, and a woman talking on the phone glimpsed the man’s face through a window. She shuddered because he looked so much like Aleman, whom she remembered from her old neighborhood. Aleman was charged with the murder, but a judge, who usually found everyone guilty in bench trials, found him not guilty, despite the eyewitness testimony.

The FBI had heard about the corruption in the Cook County court system for a long time. In 1975, the Bureau was wiretapping a group of organized crime gamblers. While listening to the gamblers’ criminal conversations, the Agents overheard an attorney brag to the gamblers that if they were arrested for their gambling activities, they didn’t have to worry about a thing. He told them that he could pay bribes to Cook County judges to get them off. After the gambling investigation concluded, the Bureau approached the attorney and convinced him that it was in his best interest to cooperate, rather than be prosecuted. He then laid out his corrupt activities in bribing judges and became a Confidential Source (CS). He agreed to wear a recorder, but as it turned out, he was never willing to wire up on a judge or lawyer. He always had an excuse as to why he couldn’t do it.



Harry Aleman

After the CS attorney did not fully cooperate, and after the Aleman murder fix, the FBI started thinking about an undercover case. SSA Bob Farmer and Case Agent Randall Lamar Jordan worked with the United States Attorney’s Office (USAO) to draft the undercover proposal. FBIHQ approved it and in March 1980, UCA David Reis was transferred to Chicago from Detroit to work undercover as a criminal defense attorney. Ries, from North Central Illinois, went to law school at the University of Illinois and had an Illinois law license.

The DOJ instructed the USAO and the Chicago Division to notify public officials in the State of Illinois about the undercover case targeting the court system. The DOJ believed that the law required notification to protect the law licenses of Agent/attorneys and AUSAs because fake cases would be introduced into the system and undercover FBI Agent/attorneys would be suborning perjury in presenting testimony regarding these phony cases to judges. The USAO felt it could entrust the secret of this investigation, code-named Greylord, with the former U.S Attorney for the Northern District of Illinois, then governor, Jim Thompson. After Thompson was notified, the FBI felt the State’s Attorney of Cook County, former Agent Bernard Carey, was trustworthy, because he had complained about many cases being fixed against his prosecutors, in particular Aleman.

When Carey was informed of the investigation, he mentioned that one of his prosecutors, Terry Hake, had recently complained about cases being fixed in the murder, rape and child molestation preliminary hearing courtroom. Hake was a 28-year-old Assistant State’s Attorney, who had graduated from law school three years previously. From the moment he began his work as a prosecutor, he had heard rumors about criminal defense attorneys paying off judges and judges taking bribes. As Hake worked his way through the misdemeanor courts in Chicago, he started losing cases in front of judges, where the evidence was overwhelming in the State’s favor.

Eventually, Hake was transferred to the murder, rape and child molestation preliminary hearing court at the main criminal courthouse in Cook County. The rumor in that courtroom was that if Lucius Robinson, Judge Maurice Pompey’s bailiff, sat in the jury box during a preliminary hearing, this was a signal to the judge that Robinson had received money from the defense attorney and Pompey could throw the case out. Interesting story, but Hake never saw Robinson sit in the jury box during his three months in the



David Ries

courtroom. However, Pompey and Robinson did not have to go to such extremes to fix cases. Hake eventually told the FBI that he was sure that the most serious cases in the justice system were being fixed. But first, he complained to one of his supervisors in the State's Attorney's Office about the corruption in Judge Pompey's courtroom. That was how State's Attorney Carey became aware of Hake and later informed the

FBI about Hake's disgust with the courts.

The FBI decided to take a chance on approaching Hake. The FBI brought him into the Chicago Office and he met with Farmer, Jordan, Jim Hersley and SAC Jim Ingram. The Agents made Hake think that he was the entire focus of the investigation, without telling him that Ries had been working undercover for a month. Hake said that he had been informed by the State's Attorney's Office that if he participated, he would not be able to practice law again in Cook County for five years. The lead AUSA told him that if he made cases on lawyers and judges, he would never practice law again in Cook County. After two meetings, Hake said that he would cooperate with the FBI.

The Bureau decided that Hake should be assigned to Judge Wayne Olson's narcotics courtroom. Olson was rumored to be one of the most corrupt judges in the county. The night before Hake was transferred to Olson's courtroom, he and Jordan practiced with the Nagra body recorder, thinking that Olson and the corrupt attorneys practicing there would take him in on their schemes. But of course, it only works that way on television and Hake did not make too much headway for about three months. He received his first bribes from criminal defense attorney Jim Costello. Costello had been both a corrupt police officer and an Assistant State's Attorney, before becoming a defense attorney. Hake's first bribe from Costello was \$50 to release a car that had been seized with narcotics in it. Then the bribes increased to \$100 to dismiss felony narcotics cases. Hake was wearing the Nagra every day.

Costello took Hake into his confidence and told him that he and Judge Olson had cut a deal, whereby Olson would refer defendants to Costello, if Costello kicked back 50% of his fees to the judge. Costello began paying \$500 to \$1,000 to the judge in his chambers every Friday. Costello would come out of chambers and tell Hake and his Nagra about the payoffs. The USAO decided that this gave the FBI probable cause to bug Olson's chambers. This was easier said than done. A judge's chambers had never been bugged in the United States. The Bureau and the DOJ proceeded very cautiously in making the decision to install the bug. The Greylord Headquarters Supervisor Bob Walsh (later a Supervisor in Chicago and San Francisco SAC), worked

tirelessly to obtain approval of the bug, but things moved very slowly at headquarters and Judge Olson wanted to transfer out of narcotics court. After three months, it was approved, only after Hake flew to Washington and met with Director William Webster. Director Webster instructed CFO that only Agent/attorneys were to monitor the T-III, because bugging a judge's chambers was so sensitive.

During the six weeks the bug was in Olson's chambers, ten lawyers were overheard fixing cases with Olson. Most importantly, Costello and Olson were heard arguing about how much Costello owed Olson for the week. They were arguing over \$50. Costello stormed out of the chambers and lamented to Hake what a greedy bastard Olson was. Hake calmed Costello down and advised him to pay Olson what he demanded because Olson was developing a lot of business for him. Costello followed the advice and went into the chambers and paid off the judge. The importance of this conversation was that it confirmed the conspiracy between the judge and lawyer and now all of Hake's recordings of Costello would be admissible against Olson in any future prosecution.

In early 1981, after the Title III ended, the FBI decided that Hake could add more to the investigation by becoming a criminal defense attorney, like David Ries. That way, Hake could roam throughout Cook County bribing judges. Hake

Terrence Hake Special Agent, FBI



Special Agent in Charge of the Chicago FBI Office, Ed Hegarty shown swearing in Terrence Hake

In another Greylord first, Hake was sworn-in as an FBI Agent in a garage and remained in his undercover role for another four months before attending training at Quantico.

He left the FBI in 1988 and continued in law enforcement, retiring in 2008 from the U.S. Department of Justice Office of Inspector General.

quit the prosecutor's office and became an undercover attorney working for the FBI. Before Hake resigned from the State's Attorney's Office, UCA David Grossman, from Milwaukee, was also inserted into the office, to pose as a corrupt prosecutor.

Also in 1981, Lamar Jordan received an OP transfer and William Megary became the Case Agent for the remainder of the undercover phase of Greylord. Bill was an attorney from Maryland and did an excellent job managing the rapidly expanding case. After the undercover phase ended, and Bob Farmer was assigned to Quantico, Megary became the Squad Supervisor until transferring to Headquarters in 1987.

The DOJ decided it did not want Hake and Ries fixing the cases of real criminals, who could then commit other crimes, after being freed, because of a bribe paid by the government. So, in their roles as defense attorneys, Hake and Ries represented dozens of undercover FBI Special Agents from throughout the country, who came to Chicago to pose as criminal defendants and as witnesses in FBI-created criminal cases. In these cases, Agents shoplifted, stole autos and possessed illegal guns and narcotics. For example, Hake represented UCA Luis Rivera, from Los Angeles, who in a staged robbery, pushed UCA Maryjo Marino, also of Los Angeles, to the ground and stole her purse. Hake cross-examined Marino at the trial, casting doubt on her ID of Rivera, and Rivera was found not guilty by Judge Pompey after Hake paid Lucius Robinson \$1,300 to fix this felony

case. In another staged case, UCA Bill Steckel of Madison stole Christmas plates from department store Marshall Fields and sat in the police lockup for 10 hours, before UCA Jane Koshuto bonded him out. Today Steckel jokes that he bonded with his cellmate and they exchange holiday cards and Christmas plates.

Staging these phony cases was logistically difficult and complex because the Chicago police were not informed of the investigation. Credit cards, identities and other personal facts were backstopped. Guns, drugs and vehicles were procured to be possessed, stolen and used in cases. A team of Agents handled all the details in staging the cases. On this team were Ken Misner, Bob Williams, Ron Poole, Larry Dickerson, Jack Thorpe, Steve Nash, Jim Leu, Marie Dyson, Tony Siedl and Marc Bell.

Such was the situation in 1981, when Judge Brocton Lockwood, agreed to wear a wire, in one of his cowboy boots. Lockwood was a judge from Marion County, over three hundred miles to the south of Chicago. He had first come to the big city because downstate judges were used to ease the backlog in traffic court. When he first arrived, he didn't even know what a bagman was. Shocked by what he saw on a return visit, Lockwood decided to call the DOJ in Washington, because he felt he could not trust anyone in Chicago. The FBI saw this as a great opportunity to gather evidence augmenting the work UCA Ries had accomplished as a crooked attorney in the traffic courts. Lockwood

The Holy Grail of Greylord Photos



David Ries described this photo, as "the Holy Grail of GL photos." It was taken at an offsite, where autos and other props were stored. Taken in 1983, during the UC phase, Hake is in a suit and tie because he had just come back from court, maybe from fixing a case.

From l to r: SAs Bill Megary, Ken Misner, UCA George Schenk (with beard), Ron Poole, Bob Williams (in front of Poole's left ear), UCA David Grossman, SSA Bob Farmer (seated with suit and tie), UCA David Ries (with can in right hand) Jim Leu (seated), Jack Thorpe on floor with hands crossed, UC Attorney Terry Hake, Investigative Assistant Nancy Chess on floor with scarf, UCA Jane Koshutko and Marie Dyson

volunteered to take the Chicago time owed by all the judges in his district. Since he was recently divorced, he claimed he just liked the singles action in the toddlin' town. So, the judge boarded a train and took an apartment near the Traffic Court building for an indefinite stay.

Lockwood successfully introduced Ries to a major bagman, gruff policeman Ira Blackwood, and to Assistant City Attorney Thomas Kangalos, in charge of prosecuting drunken drivers and other traffic violators. Blackwood had mob friends, and Kangalos was a hyperactive gin drinker who always illegally packed a gun. Ries went on to use Kangalos, Blackwood and another bagman, Harold Conn, to fix numerous criminal cases, not only in traffic court, but throughout the county. These three bagmen could fix cases with judges in many courtrooms because most of the judges started out in traffic court to gain judicial experience, before moving to assignments in misdemeanor and felony courts.

Meanwhile, over the next two plus years, Hake used a series of bagmen to funnel bribes to ten judges. Once a fix was set up through a bagman, Hake would arrive at the courthouse early and visit the judge in chambers. With the reels on his Nagra turning, Hake would ask the judge if he had received a phone call from the bagman. When the judge would confirm it, Hake would then tell the judge that his client was going to lie in his testimony at the trial. These recordings played very well in front of juries.

Hake's best bagman was Chicago Police Officer Jimmy LeFevour. Jimmy could fix anywhere in the courts because he was the bagman for Judge Richard LeFevour, his first cousin. Judge LeFevour was the chief judge of the municipal courts in Chicago, the largest division of the circuit court. Judge LeFevour, and cousin Jimmy, organized attorneys, who hustled and solicited clients in the hallways of the courthouses, into a "Hustlers Bribery Club." Soon, the chief judge was collecting \$2,500 a month from the hustling attorneys for the right to hang out in the courthouse hallways and unethically solicit clients.

After over three years of undercover investigation, the secret of Greylord leaked to the press on August 5, 1983. It is thought that bagman Ira Blackwood might have leaked it. The FBI approached Blackwood to cooperate and he refused. Within a few weeks, the press was onto the investigation. It is unfortunate that Greylord leaked. UCA George Schenk had recently joined the case to act as a corrupt lawyer in the civil divisions of the circuit court. The day Greylord leaked, Hake had fixed the first case in a suburban courtroom, paying the judge \$500 on a drunken driving case and additional cases were set to go in the suburbs.

Shortly after the leak, Ries was exposed in the press and Judge Lockwood gave a press conference without notifying the Bureau. Hake's role was not exposed. On August 8, Hake was sworn in as a Special Agent, while he was still undercover. Hake remained undercover for an additional four months, recording conversations and trying to fix cases, before he was exposed in the press in December 1983. Two months later he attended Quantico.

Greylord, "The Bureau's Perspective"

*by Robert E. Walsh (1970-1998)
Bureau Supervisor at the time*

The initial undercover (UC) proposal to initiate an undercover operation targeting judicial corruption in Cook County, IL was assigned to the Bureau's Organized Crime Section under the leadership of Section Chief Sean McWeeney and Supervisor Bob Walsh. Since this was a highly sensitive proposal, which came at the same time as the Abscam case surfaced, this proposal demanded additional scrutiny by the Director, the Undercover Review Board and the Department of Justice. Several issues had to be resolved including:

The Undercover Agents selected as undercover attorneys needed to be attorneys licensed by the State of Illinois. The Bureau's Personnel Division identified Special Agents who were licensed attorneys in Illinois.

Since Undercover Agents would be testifying falsely under oath, approval was needed by the Attorney General.

The initial UC proposal noted that the FBI's undercover attorneys would solicit actual criminal defendants and pay bribes to fix their cases. After much discussion and review, the Department of Justice rejected this proposal. All cases introduced into the courts had to be contrived (made up). All defendants, witnesses and victims needed to be undercover FBI Agents. Over 300 Undercover Agents were used in Greylord.

Terry Hake, a Cook County Assistant States' Attorney, agreed to work with the Bureau and it was decided to hire Terry as an FBI employee. Even though there was a hiring freeze, Terry was hired as a "Project Development Specialist" with a very vague job description. When the case surfaced, Terry was sworn in as a Special Agent before attending training school.

The trials began in 1984 and would conclude in 1994. The trials lasted over ten years because as the Greylord Agents conducted historical investigations and secured convictions, more and more attorneys and judges cut deals and testified against other corrupt players.

SAs Jim Leu and Doug Lenhardt conducted a massive investigation of Traffic Court and numerous attorneys were indicted for their case fixing, as was the chief judge John McCollom. One attorney testified that he had bribed 24 judges, who had sat in Traffic Court. The same attorney estimated that he had paid Judge McCollom 200 to 400 times to fix mostly drunken driving cases. In another Greylord-related investigation, SAs Neal O' Malley, Rick Fuhrman and David Steele worked to bring charges in which Judge Frank Salerno was convicted of taking bribes in licensing court. This was a very lucrative assignment for Salerno because many Chicago business owners were more than happy to pay bribes to Salerno to ensure that they would not lose their

licenses for serving someone underage or for having filthy kitchens in their bars or restaurants. Salerno received nine years and was the first judge to testify during the trials.

The largest Greylord indictment came in 1985 when Judge Ray Sodini and 21 co-defendants were indicted for being part of a bribery scheme in Sodini's courtroom and four other courtrooms located in the Chicago Police Headquarters building. This indictment, and other cases, were put together by a new group of Greylord Agents — David Benscoter, Phil Page, Malcolm Bales, David Gorr, Al Close, Gabrielle Burger and Dan Lee, all of whom worked endless hours to make the case. All 21 defendants were convicted, with nine defendants being tried together.

Greylord's success led to corrupt attorney Robert Cooley cooperating with the FBI. Cooley came forward of his own volition in 1986 and wore a wire for three years. Cooley's case was called Operation Gambat. The Case Agent was Steve Bowen, who was supervised by Megary and later David Grossman. Gambat exposed the Chicago mob's ties to the corrupt courts. One of the first things Cooley told the Bureau was that he paid \$10,000 to Judge Wilson in 1977 to find Harry Aleman not guilty of murder. Cooley did this at the request of Chicago mobster Pasqualino Marchone. Judge Wilson committed suicide in 1990, shortly after Cooley's cooperation became known. Aleman was convicted of the 1972 murder in a 1997 trial. The courts ruled against his claim of double jeopardy, reasoning that because the bribe had been paid, Aleman knew he was not in jeopardy.

Gambat led to the indictment of three judges, two of whom overlapped with the Greylord investigations. One of these judges, Thomas Maloney, was the last judge convicted in 1994. Case Agent Marie Dyson's investigation revealed that Maloney's fixes included three murder cases. Maloney took \$100,000 from the Chicago mob to find one defendant not guilty of murder and \$10,000 to fix another murder by two brutal street gang members.

After the Maloney case concluded, 103 had been charged in what was by then a joint FBI and IRS CID investigation. The evidence developed by the IRS CID, concerning judges spending enormous amounts of cash above their judicial incomes, dovetailed perfectly with the Bureau's bribery evidence. The number of charged individuals included 20 judges, 57 lawyers, 9 police officers and 17 court personnel. Three judges died before indictment, two by shooting themselves.

Today, Greylord is still recognized as one of the FBI's most successful undercover investigations and one of its largest public corruption cases.

Epilogue

Lucius Robinson was convicted of bribery and received three years. He admitted to delivering over two hundred bribes to Judge Pompey, after the statute of limitations had expired.



Former Judge Thomas Maloney

Robinson later testified at Judge Maloney's trial. Judge Olson and Costello lost their motion to suppress the Title III tapes and both pled guilty. They received 12 years and eight years, respectively. Policeman Ira Blackwood received seven years. Tommy Kangalos fled to Greece, dying there in 2006 of cancer. Harold Conn received six years, but said the worst part was losing his county pension. Judge LeFevour was convicted after a lengthy trial. The star witness was his bagman cousin, Jimmy, who by his cooperation saved his police pension. The judge received 12 years and his cousin received two years by pleading guilty to misdemeanor tax charges. Judge Sodini took a plea for eight years in the middle of his trial because of the overwhelming evidence developed by the FBI. Judge Maloney received 16 years and was the last Greylord defendant released from prison, in 2008.

David Ries retired as SAC of Knoxville in 2000. That same year, David Grossman retired as an ASAC in Chicago. Bill Megary retired as SAC of Newark in 1999. The first Greylord Supervisor, Bob Farmer, retired from the Seattle Office in 1998, after serving as Legat Vienna. Hake left the FBI in 1988, but continued in federal law enforcement, retiring in 2008 as a DOJ OIG Special Agent. He then returned to Cook County, working first in the Sheriff's Office, under the supervision of former ASAC Joseph C. Ways. Hake retired in 2016 as an Assistant State's Attorney, the same job he held when the Bureau found him in 1980. Hake could practice law again in Cook County, thanks to the FBI's cleaning up the courts in Greylord. Former Chicago SAC, William Beane, was instrumental in Hake's receiving the 1989 Louis E. Peters Award from the Society for his undercover work as a cooperating prosecutor.

Hake's book, *Operation Greylord: The True Story of an Untrained Undercover Agent and America's Biggest Corruption Bust* was published in 2015 and filming on a movie, based on the book, is to begin in 2017.

1989 Louis E Peters Award Recipient



Associate Deputy Director John E. Otis, who was Chicago SAC at start of "Greylord;" President Bill Quinn; Terry Hake and FBI Director William Sessions