

THE WATCHDOGS

THIS WEEK BY CHRIS FUSCO, DAVE MCKINNEY AND TIM NOVAK

DOC BANKS ON GOVERNMENT CASH

UNPAID TAXES NO OBSTACLE | Big campaign donor still got OK to buy controlling interest in bank

Dr. Ronald Michael once headed a company that faced more than its share of money troubles. It didn't pay its taxes. And it ended up bankrupt.

But those financial problems didn't prove to be a hurdle when Michael decided to buy a down-state bank.

State and federal officials signed off on the Bourbonnais neurosurgeon's purchase of 73 percent of Arcola Homestead Savings Bank in 2003. And in the past year, the tiny bank has seen a big boost in deposits from public, taxpayer-funded sources.

So how do you go from running a bankrupt company to owning a bank with millions in government deposits?

Michael — who's made \$178,390 in campaign contributions to state and local officials and thousands of dollars more to federal candidates — won't say. "I'm not talking about my personal life," he says.

His business troubles involve a restaurant delivery company called Hypermeals Inc. In the late 1990s, Michael started a business that acquired a 70 percent stake in Hypermeals. He personally held a 2.5 percent stake in Hypermeals and served

as its chairman.

In 2002, Hypermeals' troubles boiled over. The company filed for bankruptcy that May after failing to pay \$34,987 in state taxes. The state filed a second tax lien — for \$49,979 — against the company in 2004. Hypermeals still owes the tax man, records show.

Less than six months after the bankruptcy filing, Michael began seeking approval to buy Arcola Homestead from then-Gov. George Ryan's administration. State and federal banking officials gave their OK to the \$1.1 million purchase in February 2003, a month after Gov. Blagojevich took office.

Bank regulators won't say if they investigated Michael's involvement with Hypermeals. Nor will they release details of the financial report Michael filed with his banking application. They cite privacy laws.

But records show that, as of June 30, 2006, Arcola Homestead had just \$550,000 in deposits from state and local government entities. A year later, that figure had soared to \$7.2 million.

FDIC records don't specify where the cash comes from. But the Illinois State Treasurer's

office says it has \$285,000 in Michael's bank. The most recent deposit came in January 2004, when then-state Treasurer Judy Baar Topinka deposited \$95,000 in state funds.

Subsequently, in May 2005, Michael started donating to Topinka's failed 2006 run for governor. In all, he ended up giving Topinka \$63,810.

Michael also has given \$21,180 to current state Treasurer Alexi Giannoulias, a Democrat.

Topinka and Giannoulias say Michael's contributions didn't affect decisions about his bank. Also, they say they didn't even know Michael was in the banking business, that they knew only that he was a doctor.

Gov. Blagojevich has accepted \$47,000 from Michael, including \$25,000 on Nov. 23, 2002 — 18 days after Blagojevich won election.

About three months later, on Feb. 28, 2003, Michael won approval to take control of Arcola Homestead. He gave another \$20,000 to the governor's campaign fund on July 25, 2003.

The donations had nothing to do with Michael being OK'd to buy the bank, Blagojevich campaign spokesman Doug Scofield says.

Chris Fusco

"I'm not talking about my personal life."

DR. RONALD MICHAEL,

neurosurgeon and campaign financier, refusing to discuss how he went from heading a bankrupt business that didn't pay its taxes to getting government approval to buy into a bank

THE LIST | DOCTOR'S POLITICAL GIVING

Dr. Ronald Michael has given a total of \$178,390 to state lawmakers, state political groups and Chicago aldermen. Nearly 60 percent of the money has gone to Republicans.

Judy Baar Topinka, former state treasurer and 2006 GOP nominee for governor: \$63,810

Gov. Blagojevich (D): \$47,000

Illinois Republican Party: \$25,000

State Treasurer Alexi Giannoulias (D): \$21,180

Cook County Commissioner Tony Peraica (R): \$10,000

State Senate Majority Leader Debbie Halvorson (D): \$3,000

Former Gov. George Ryan (R): \$2,500

Kankakee Republican Central Committee: \$2,400

Jim Ryan, former attorney general and 2002 GOP gubernatorial nominee (R): \$1,500

State Senate President Emil Jones (D): \$1,000

Chicago 1st Ward Ald. Manuel "Manny" Flores (D): \$750

Chicago 7th Ward Ald. Sandi Jackson (D): \$250

Republican total: \$105,210

Democratic total: \$73,180

Source: Illinois State Board of Elections

