

September 16, 2005 Friday

**Blagojevich surfaces in pension probe;**

**Federal investigators told of alleged pay-to-play scheme**

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Staff reporters

Gov. Blagojevich and two top fund-raisers schemed to steer lucrative state pension deals to investment firms and consultants who agreed to donate to Blagojevich's campaign, a key figure in a widening corruption probe claims he's been told.

The unproved but explosive allegation surfaced Thursday in a federal plea deal by Chicago lawyer Joseph Cari, a former finance chairman for the Democratic National Committee. Cari, 52, pleaded guilty to attempted extortion for his role in a kickback scheme the feds say was directed by former state teacher pension board member Stuart Levine.

**'Fund-raising strategy'**

Blagojevich said he had "no knowledge whatsoever" about any pension deals being traded for contributions to his campaign. "Absolutely not," the governor said. "I know nothing about any of that."

Cari's 17-page plea offers no indication he ever spoke directly to Blagojevich or anybody from his political fund-raising operation, but the document laid out a broad "fund-raising strategy" outlined to Cari by Levine. Levine told Cari that he and Blagojevich's two fund-raisers would "not let an Illinois public pension fund . . . invest in a private equity fund" unless that firm hired a consultant they chose, and that consultant agreed to make "certain political or charitable contributions."

Blagojevich was not specifically named in the Cari plea, which referred to him as "Public Official A." Sources confirmed to the Chicago Sun-Times that the governor is Official A. The administration said it had no idea who Official A is.

Top Blagojevich fund-raisers Antoin "Tony" Rezko and Christopher G. Kelly were referred to in the plea as "two close associates" of the governor who helped him "pick law firms, investment banking firms and consultants that would help Public Official A." The Sun-Times confirmed their identities through the same sources.

Blagojevich, Kelly and Rezko have not been charged with any wrongdoing.

Attempts to reach Kelly and Rezko were unsuccessful.

Also Thursday, former teacher pension board outside counsel Steven Loren, 50, pleaded guilty to tax-related charges tied to the alleged scheme. Both Cari and Loren are cooperating with prosecutors.

The scheme outlined in Cari's plea deal is similar to allegations raised earlier this year by Blagojevich's estranged father-in-law, Chicago Ald. Richard Mell (33rd), who accused Kelly of orchestrating appointments to state boards and commissions in exchange for contributions to Blagojevich.

Under threat of lawsuit from Kelly, Mell retracted the claim. But it still triggered a probe into the administration's hiring and contracting practices by Attorney General Lisa Madigan and Cook County State's Attorney Richard Devine. To date, no charges have arisen from that investigation.

**'This is speculation'**

Levine, who has pleaded not guilty to defrauding the state teacher pension system, would seem an unusual source about the inner workings of Blagojevich's campaign -- he was the top fund-raiser for Blagojevich's 2002 GOP opponent, former Attorney General Jim Ryan. Still, Blagojevich reappointed Levine to two state panels, including the Teachers' Retirement System of Illinois. After Blagojevich took office, Levine contributed $4,267 worth of free air travel to his campaign.

Levine often spoke of his ties to Rezko and openly discussed how Rezko helped reappoint him to the teacher pension board, according to one source familiar with the probe. Records involving Rezko and a consulting firm he ran were sought by a subpoena investigators sent to TRS.

Cari was familiar with the teacher pension board because he was a partner and managing director of HealthPoint LLC, a New York investment firm that secured two TRS investments worth $35 million in 2003. Cari and other principals in HealthPoint contributed $30,500 to Blagojevich's $14.3 million campaign fund, records show.

Despite his ties to top national Democrats, Cari knew Levine and backed Ryan against Blagojevich.

In his plea, Cari admitted he acted as Levine's emissary and tried to get a Virginia real estate investment firm, JER Partners, to pay an $850,000 fee to an unnamed consultant who would do no work on the deal. Cari believed that if JER "hired the consultant identified by Levine, the consultant would be required to make political or charitable contributions as directed by Levine and Public Official A's associates," according to the document.

Talking to a JER lawyer, Cari said the fee "was political and this was how Public Official A handled patronage." At Levine's insistence, he repeatedly told JER officials that if the fee agreement wasn't executed, the $85 million investment JER appeared poised to secure would be dropped from an upcoming board agenda.

A pension official, however, kept JER on the agenda. The consultant was not hired and JER won the investment deal.

Cheryle Jackson, Blagojevich's communications director, downplayed the credibility of Cari's statements. "This is speculation based on testimony from an admitted extortionist who was told this by someone twice accused of extortion himself." Jackson said the feds have not contacted the governor.

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