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Final Edition

**Did Rezko pay for gov's rehab?; Probe into Blagojeviches centering on whether indicted fund-raiser paid for all or part of $90,000 work on Northwest Side home**

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Federal investigators are zeroing in on whether Tony Rezko paid for all or part of a $90,000 rehab of Gov. Blagojevich's Northwest Side bungalow as the corruption probe of the state's first family accelerates.

Since Rezko's felony conviction in June, the FBI has been investigating how the former top Blagojevich fund-raiser billed the governor and his wife for the work, who paid for it and whether Rezko ever arranged for cash to be passed in envelopes to the Blagojeviches, several sources familiar with the probe told the Chicago Sun-Times.

A grand jury has issued at least one subpoena related to the project, according to the sources, who spoke on condition of anonymity. Agents also have inquired about the governor's wife's real estate dealings with Rezko and whether Rezko might have disguised payments for the work through sham billings at a large housing development he was building.

The work was done in 2003 shortly after Rezko, a prominent developer, had succeeded in placing his friends and associates on state-government boards that controlled lucrative deals. Rezko was convicted of wide-ranging fraud involving those boards.

In recent weeks, Rezko has broken his long-held silence and sat down in a series of meetings with the feds -- a sign he might cooperate in the Blagojevich probe. A spokesman for the U.S. Attorney's office in Chicago declined to comment.

The governor and his wife maintained Friday through a spokesman that they paid for the entire project, though they refused to provide bills, canceled checks, a list of subcontractors or other documentation.

The work on the governor's family room and deck -- first reported by the Sun-Times in February 2007 -- was overseen by Chicago Construction Services, a now-defunct firm once owned by Rezko.

The Blagojeviches have said they hired the firm because it was equipped to employ union labor on their relatively small job. The renovations entailed remodeling a 14-foot by 20-foot family room and building a deck.

"As we have said several times before, the renovations done to the 14-by-20 family room were paid for by the Blagojeviches through their personal checking account," said Lucio Guerrero, the governor's spokesman.

The work got under way in July 2003 -- about six months after the governor began accepting Rezko's candidates for state boards and about eight months after the state's first lady, real estate broker Patti Blagojevich, landed a $47,000 commission from a Rezko land deal.

To date, the governor has provided only a one-page summary showing $72,922 was spent on a dozen aspects of the project, including "carpentry," "millwork and windows" and "iron railings." On top of that, the Blagojeviches said they paid $17,768 directly to Chicago Construction. It's unclear how the total amount paid -- $90,690 -- was divvied up between Chicago Construction and subcontractors.

The FBI has asked repeated questions about how the project was billed and whether subcontractors were paid on time. An agent "just kept on asking me about this whole billing thing, kept coming back to it," said a source who worked on the Blagojevich house and has been questioned by the feds.

The agent also asked, " 'Was I aware there was a contractor upset because they weren't getting paid?' I told her, 'No, but that in this business, everybody's always chasing their money and trying to keep their doors open.' "

During Rezko's corruption trial earlier this year, a former top Blagojevich aide, Ali D. Ata, testified he delivered a plastic bag filled with $25,000 in cash to Rezko to prevent subcontractors from placing a lien on the governor's home because they had not been paid.

No lien was ever filed. Said Guerrero, the governor's spokesman: "The Blagojeviches most certainly did not receive $25,000 or any other cash from anyone concerning the renovations of the room."

The questions about the Blagojevich house are part of a joint investigation by the FBI, IRS and U.S. Postal Inspection Service. Other aspects include whether the governor's administration traded state posts or contracts for campaign cash and Patti Blagojevich's real estate dealings.

Neither the governor nor his wife have been charged with any crimes.