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**Pension fund firms big donors to gov; Aide sees nothing wrong in $500,000 from investment companies**

By Dave McKinney and Chris Fusco

Staff reporters

Gov. Blagojevich has netted more than $500,000 in political contributions through companies that do business with state pension systems, a Chicago Sun-Times analysis of campaign records has found.

He took in thousands of dollars more from a 2003 fund-raiser one of those firms held at an exclusive New York club. A former state teacher pension board member facing federal extortion charges flew Blagojevich to that event on a private plane.

There is nothing to suggest anything illegal about the pension-related donations, which make up about 3 percent of Blagojevich's $14.3 million campaign fund.

But their disclosure follows a recent guilty plea in which a defendnat accuses the governor and two top political fund-raisers of hatching a covert "fund-raising strategy." Investment firms and consultants allegedly were considered for pension business in exchange for campaign contributions -- a claim the administration adamantly denies but prosecutors continue to investigate.

**Gov's campaign: No quid pro quo**

The Sun-Times found that 21 of 144 investment firms awarded investment cash by the state's five pension funds have given the governor $505,549 in donations through their corporate names, their executives or affiliated companies.

A top Blagojevich campaign aide said that figure gives a false impression that investment firms were specifically targeted for cash by the governor, who controls some appointments to the pension boards but can't directly dictate how funds are invested.

The aide also noted that some investment firms give prolifically to both Democrats and Republicans.

"The implication of this story is reckless and totally false," Pete Giangreco, the governor's campaign spokesman, said in a statement. "The facts actually prove that there is no pattern of giving and no pattern of getting business, not the other way around."

But, in some cases, the Blagojevich campaign kitty grew fatter near times when the teacher pension system took investment votes.

The largest Blagojevich donor with state pension business is Edgewater Funds. Its president, James Gordon, and two companies he controls have given

Blagojevich $120,794 since 2001, records show.

Since Blagojevich took office, Edgewater has been awarded investments totaling $50 million from the teacher pension board. Edgewater made a $10,000 contribution to Blagojevich on Nov. 4, 2003 -- five days after the Teachers' Retirement System board voted to invest $25 million with Edgewater.

Gordon did not return a message left at his Chicago office.

Blagojevich also accepted $8,500 in donations from Louis Holland. He's the president of Holland Capital Management, which manages $286 million in teacher pension cash.

Part of Holland's contributions, $2,500, came in May 2004 -- the same month TRS invested $148 million with his firm. He contributed another $2,500 to the governor in June 2003, a month after TRS voted to invest $22 million with the firm.

A message left with Holland Capital Management was not returned.

New York fund-raiser

HealthPoint Partners, a New York investment firm, held a fund-raiser for

Blagojevich at the Harvard Club of New York City on Oct. 29, 2003. It was one of three money-raising events for the governor in New York that day, and his campaign stressed HealthPoint had nothing to do with the other two.

Two days later, TRS voted to invest $15 million with HealthPoint, following up on a $20 million investment it made with the firm in April 2003.

Former TRS board member Stuart Levine paid for the private plane that flew Blagojevich to New York, but Blagojevich flew home separately. Also aboard the flight there was prominent Chicago lawyer Joseph Cari, who at the time was a HealthPoint managing director.

Levine and Cari have since been indicted in the TRS corruption probe, and the Blagojevich campaign has returned or donated to charity the cost of the flight and all other contributions the two gave -- nearly $20,000 total. The $3,500 HealthPoint spent on meals for the event also has been donated.

Levine has denied any wrongdoing. But it is Cari's guilty plea for attempted extortion last month that accuses a high-ranking Illinois "Public Official A" and two of the official's "associates" of hatching the fund-raising strategy that the administration denies existed.

**Republicans cry foul**

The governor is not identified by name in the plea deal, but sources confirmed to the Sun-Times that Blagojevich is Official A. The associates, the sources said, are top Blagojevich fund-raisers Christopher G. Kelly and Antoin "Tony" Rezko.

The Blagojevich campaign said it couldn't determine exactly how much the HealthPoint and other two events raised, but records show at least $93,750 in contributions from East Coast businesses and individuals being deposited days after, including $9,000 from two HealthPoint executives.

One company that made a $10,000 contribution at the HealthPoint event is CompBenefits, which once employed Levine as a consultant and is the dental insurer for the Chicago Public Schools. The feds have subpoenaed records on the company from CPS, but it has not been accused of wrongdoing.

"CompBenefits did receive an invitation to the fund-raiser, made a contribution and attended the event in New York City," Judith Herron, a CompBenefits vice president, said in a statement.

The fact Blagojevich's campaign fund has received so many five-figure checks from donors with ties to state pension boards is drawing fire from government watchdogs and Republicans.

"It would fit into the pattern described in the Cari guilty plea," said Jay Stewart, executive director of the Better Government Association. "That's not helpful to the governor."

After Edgewater, the next largest donor to Blagojevich with state pension business is Chicago-based Ariel Capital Management, which is managing $578 million in state pension funds. The firm and its top executives have contributed $117,500 to the governor.

Ariel President John Rogers said the donations reflect a close philosophical alignment with Blagojevich. He also said he has seen no evidence of any fund-raising scheme, and that Ariel's pension holdings predate Blagojevich taking office.

"When we get calls from people around the country that even remotely attempt to connect giving [contributions] to some kind of business result, we basically hang up the phone and say we can't do business with you," Rogers said.

Another significant bloc of campaign cash came from companies controlled by William F. Cellini, who founded and whose children now control Commonwealth Realty Advisors, which manages more than $1.4 billion in state pension funds.

While Commonwealth donated only $1,000 to Blagojevich in its own name, corporations connected with Cellini chipped in another $63,100. Of that, $14,500 came from South Campus Development Team, whose principals include Cellini and developer Richard Stein, senior managing director of Mesirow Financial, which manages $30 million in state teacher pension funds.

The Blagojevich administration retained Mesirow in 2003 to help provide advice to state pension boards about how to invest proceeds from a mammoth $10 billion bond sale designed to bolster the long-underfunded systems. Trustees on some of those boards felt the advice infringed on their autonomy.

The head of the pension fund at the heart of the federal probe said he could not comment about other interaction between the Blagojevich administration and his agency. "That gets into matters that are subjects of the investigation that I can't talk about," TRS executive director Jon Bauman said.

**Gov aide: Numbers inflated**

Giangreco, the Blagojevich campaign aide, said donations like Cellini's and Stein's offer an inflated picture of investment firms' impact on the governor's campaign. Only contributions made directly in the name of corporations should be counted, he said.

"Only four of the 95 firms that do business with TRS have ever given to the governor's campaign," Giangreco said. "That means over 96 percent of those firms won business without ever giving a dime to the governor."

One GOP lawmaker said the Sun-Times analysis casts doubt on the governor's denials that he never knew of any fund-raising strategy involving investment firms.

"I don't know how you can argue, when you're talking a half million dollars, that it's just coincidental," said Sen. Christine Radogno (R-LaGrange).