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Final Edition

**Obama spells out 'regret' after land deal with Rezko: Sen. bought land from Rezko near home in January**

By Dave McKinney and Chris Fusco

Staff reporters

U.S. Sen. Barack Obama expressed regret late Friday for his 2005 land purchase from now-indicted political fund-raiser Antoin "Tony" Rezko in a deal that enlarged the senator's yard.

"I consider this a mistake on my part, and I regret it," Obama told the Chicago Sun-Times in an exclusive and revealing question-and-answer exchange about the transaction.

In June 2005, Obama and Rezko purchased adjoining parcels in Kenwood. The state's junior senator paid $1.65 million for a Georgian revival mansion, while Rezko paid $625,000 for the adjacent undeveloped lot. Both closed on their properties the same day.

In January 2006, aiming to increase the size of his sideyard, Obama paid Rezko $104,500 for a strip of his land.

The transaction occurred at a time when it was widely known Tony Rezko was under investigation by U.S. Attorney Patrick Fitzgerald and as other Illinois politicians who were befriended by Rezko distanced themselves from him.

In the Sun-Times interview, Obama acknowledged approaching Rezko about the two properties being up for sale and that Rezko developed an immediate interest. Obama did not explain why he reached out to Rezko given the developer's growing problems.

Last month, Rezko was indicted for his role in an alleged pay-to-play scheme designed to fatten Gov. Blagojevich's political fund. Rezko also was accused of bilking a creditor.

"With respect to the purchase of my home, I am confident that everything was handled ethically and above board. But I regret that while I tried to pay close attention to the specific requirements of ethical conduct, I misgauged the appearance presented by my purchase of the additional land from Mr. Rezko," Obama said.

"It was simply not good enough that I paid above the appraised value for the strip of land that he sold me. It was a mistake to have been engaged with him at all in this or any other personal business dealing that would allow him, or anyone else, to believe that he had done me a favor," the senator said.

The land deal came up in a court hearing Friday that delved into Rezko's finances. Obama said he has not been approached by federal prosecutors about the transaction, nor does he have plans to go to them about it.

Obama and Rezko have been friends since 1990, and Obama said the Wilmette businessman raised as much as $60,000 for him during his political career. After Rezko's indictment, Obama donated $11,500 to charity -- a total that represents what Rezko contributed to the senator's federal campaign fund.

After the controversy surfaced on Wednesday, the Sun-Times presented Obama's office with a lengthy set of questions about the land deal, Obama's relationship with Rezko and the story's impact on a potential 2008 bid for the White House.

Here are his responses:

Q: Senator, when did you first meet Tony Rezko? How did you become friends? How often would you meet with him, and when did you last speak with him?

A: I had attracted some media attention when I was elected the first black President of the Harvard Law Review. And while I was in law school, David Brint, who was a development partner with Tony Rezko, contacted me and asked whether I would be interested in being a developer. Ultimately, after discussions in which I met Mr. Rezko, I said no.

I have probably had lunch with Rezko once or twice a year, and our spouses may have gotten together on two to four occasions in the time that I have known him. I last spoke with Tony Rezko more than six months ago.

Q:. Have you or your wife participated in any other transactions of any kind with Rezko or companies he owns? Have you or your wife ever done any legal work ever for Rezko or his companies?

A: No.

Q: Has Rezko ever given you or your family members gifts of any kind and, if so, what were they?

A: No.

Q: The seller of your house appears to be a doctor at the University of Chicago. Do you or your wife know him? If so, did either of you ever talk to him about subdividing the property? If you ever did discuss the property with him, when were those conversations?

A: We did not know him personally, though my wife worked in the same university hospital. The property was subdivided, and two lots were separately listed when we first learned of it. We did not discuss the property with the owners; the sale was negotiated for us by our agent.

Q: Did you approach Rezko or his wife about the property, or did they approach you?

A: To the best of my recollection, I told him about the property, and he developed an interest, knowing both the location and, as I recall, the developer who had previously purchased it.

Q: Who was your Realtor? Did this Realtor also represent Rita Rezko?

A: Miriam Zeltzerman, who had also represented me in the purchase of my prior property, a condominium, in Hyde Park. She did not represent Rita Rezko.

Q: How do you explain the fact your family purchased your home the same day as Rita Rezko bought the property adjacent to yours? Was this a coordinated purchase?

A: The sellers required the closing of both properties at the same time. As they were moving out of town, they wished to conclude the sale of both properties simultaneously. The lot was purchased first; with the purchase of the house on the adjacent lot, the closings could proceed and did, on the same day, pursuant to the condition set by the sellers.

Q: Why is it that you were able to buy your parcel for $300,000 less than the asking price, and Rita Rezko paid full price? Who negotiated this end of the deal? Did whoever negotiated it have any contact with Rita and Tony Rezko or their Realtor or lawyer?

A: Our agent negotiated only with the seller's agent. As we understood it, the house had been listed for some time, for months, and our offer was one of two and, as we understood it, it was the best offer. The original listed price was too high for the market at the time, and we understood that the sellers, who were anxious to move, were prepared to sell the house for what they paid for it, which is what they did.

We were not involved in the Rezko negotiation of the price for the adjacent lot. It was our understanding that the owners had received, from another buyer, an offer for $625,000 and that therefore the Rezkos could not have offered or purchased that lot for less.

Q: Why did you put the property in a trust?

A: I was advised that a trust holding would afford me some privacy, which was important to me as I would be commuting from Washington to Chicago, and my family would spend some part of most weeks without me.

Q: A Nov. 21, 1999, Chicago Tribune story indicates the house you bought "sits on a quarter-acre lot and will share a driveway and entrance gate with a home next door that has not yet been built." Is this shared driveway still in the mix? Will this require further negotiations with the Rezkos?

A: The driveway is not shared with the adjacent owner. But the resident in the carriage house in the back does have an easement over it.

Q: Does it display a lack of judgment on your part to be engaging in real estate deals with Tony Rezko at a point his connections to state government had been reported to be under federal investigation?

A: I've always held myself to the highest ethical standards. During the 10 years I have been in public office, I believe I have met those standards, and I know that is what people expect of me. I have also understood the importance of appearances.

With respect to the purchase of my home, I am confident that everything was handled ethically and above board.

But I regret that while I tried to pay close attention to the specific requirements of ethical conduct, I misgauged the appearance presented by my purchase of the additional land from Mr. Rezko. It was simply not good enough that I paid above the appraised value for the strip of land that he sold me. It was a mistake to have been engaged with him at all in this or any other personal business dealing that would allow him, or anyone else, to believe that he had done me a favor. For that reason, I consider this a mistake on my part, and I regret it.

Throughout my life, I have put faith in confronting experiences honestly and learning from them. And that is what I will do with this experience as well.

Q: Why did you not publicly disclose the transaction after Rezko got indicted?

A: At the time, it didn't strike me as relevant. I did, however, donate campaign contributions from Rezko to charity.

Q: Have you been interviewed by federal investigators about this transaction or about your relationship with Rezko? If not, do you intend to approach them?

A: I have not been interviewed by federal investigators. I have no reason to approach them.

Q: Did Rezko or his companies ever solicit your support on any matter involving state or federal government? Did Al Johnson, who was trying to get a casino license along with Tony Rezko, or Rezko himself ever discuss casino matters with you?

A: No, I have never been asked to do anything to advance his business interests. In 1999, when I was a state Senator, I opposed legislation to bring a casino to Rosemont and allow casino gambling at docked riverboats -- which news reports said Al Johnson and Tony Rezko were interested in being part of. I never discussed a casino license with either of them. I was a vocal opponent of the legislation.

Q: Has this disclosure about your relationship with Rezko changed your thoughts about a White House run?

A: No. As I have said, how I can best serve is something I will think about after the 2006 election next Tuesday.

Q: Did Rezko ever discuss with you his dealings with Stuart Levine, Christopher Kelly or William Cellini or the role he was playing in shaping Gov. Blagojevich's administration?

A: No.

Q: Are the Obamas the only beneficiaries of the land trust?

A: Yes.

Q: Are you aware of any efforts by previous owners to develop what is now the Rezko lot, possibly as townhomes?

A: I was not aware of any prior effort by the seller to develop the property, but always understood the other lot was to be developed upon sale.

Q: Did Rezko have an appraisal performed for the 10-foot strip?

A: I had an appraisal conducted by Howard B. Richter & Associates on Nov. 21, 2005.

Q: Was there a negotiation? Did Rezko have an asking price, or did he just say, "whatever you think is fair"?

A: I proposed to pay on the basis of proportionality. Since the strip composed one-sixth of the entire lot, I would pay one-sixth of the purchase price of the lot. I offered this to Mr. Rezko, and he accepted it.

Q: How many fund-raisers has Mr. Rezko hosted for you? Were these all in his home? How much would you estimate he has raised for your campaigns?

A: He hosted one event at his home in 2003 for my U.S. Senate campaign. He participated as a member of a host committee for several other events. My best estimate was that he raised somewhere between $50,000 and $60,000.

Contributing: Mark Brown