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BUSINESSMAN AND POLITICAL FUNDRAISER ANTOIN REZKO INDICTED IN TWO FRAUD CASES, INCLUDING SCHEME TO EXTORT MILLIONS OF DOLLARS FROM FIRMS SEEKING TEACHERS' PENSION FUND INVESTMENTS

CHICAGO – Two federal grand jury indictments were unsealed today charging Chicago area businessman and political fundraiser **Antoin Rezko** in connection with two separate and extensive fraud schemes. One indictment alleges that Rezko participated with Chicago businessman **Stuart Levine** in a scheme to obtain millions of dollars by shaking down firms doing business before two Illinois regulatory boards on which Levine served. The second indictment alleges that Rezko fraudulently obtained more than \$10 million in loans for a pizza restaurant business from General Electric Capital Corp. (GECC) and also defrauded investors in that business.

The 24-count superseding indictment charging Rezko and Levine alleges that the first stage of their scheme began in 2003 when the two men agreed to divert to Rezko and his associate \$250,000 out of a \$375,000 finder's fee paid by an investment firm that received \$50 million in investment funds from the Teachers Retirement System (TRS), on whose board of trustees Levine served, and that they engaged in a flurry of additional illegal deal-making during the spring of 2004. During April and May of 2004, according to the indictment, Rezko and Levine arranged to split among themselves and others nearly \$5 million in kickbacks from six different investment firms then

seeking funds from TRS and another state pension fund. Rezko and Levine also allegedly agreed to tell a seventh firm that it would only receive a \$220 million allocation from TRS if it either paid \$2 million to a consultant who would funnel the money evenly to Rezko and Levine, or made a \$1.5 million political contribution to a certain public official. During the same time period, the indictment alleges, Rezko and Levine also were seeking to obtain a kickback of at least \$1 million from contractor Jacob Kiferbaum, whose construction company was to build a new facility for Mercy Hospital in Crystal Lake, Illinois, if that facility received approval from the Illinois Health Facilities Planning Board, on which Levine sat. After the firm seeking the \$220 million investment from TRS rejected the alleged extortion attempt in early May 2004, Rezko and Levine's fraud scheme was further thwarted when Levine was confronted by federal agents on May 20, 2004, according to the indictment.

The loan fraud indictment, which charges only Rezko, alleges that he fraudulently caused GECC to extend more than \$10 million in loans to finance what Rezko portrayed as sales of two different groups of pizza restaurants in the Chicago and Milwaukee areas. In fact, the indictment alleges, the sales were sham transactions that occurred at inflated prices, and involved the presentation of false financial information to GECC. The indictment alleges that in addition to defrauding GECC, Rezko defrauded investors in his pizza business by concealing the fact that he was transferring the company's assets to himself and a straw purchaser.

Rezko, also known as "Tony," 51, of Wilmette, who, in addition to owning pizza and fast food restaurant franchises in Illinois and Wisconsin, developed real estate and was involved in political fund-raising in Illinois, was added as a new defendant in a pending federal corruption case that was brought against Levine and others last year. In that case, Rezko was charged with 15

counts of honest services wire and mail fraud, six counts of aiding and abetting Levine's solicitation of bribery, two counts of money laundering and one count of attempted extortion. In the GECC loan fraud indictment, Rezko was charged with two counts of wire fraud. Both indictments were returned by a federal grand jury on Oct. 5 and unsealed today, announced Patrick J. Fitzgerald, United States Attorney for the Northern District of Illinois.

Federal authorities have obtained an arrest warrant for Rezko, who is believed to be traveling abroad. The indictment seeks forfeiture from Rezko of \$250,000, or substitute assets including his home in Wilmette and a second home in Lake Geneva, Wisconsin.

Levine, 60, of Highland Park, a lawyer who also served on the Illinois Health Facilities Planning Board (Planning Board), was charged in the same counts as Rezko in the superseding indictment. Levine, whose attorney, Jeffrey Steinback, authorized the government to disclose that Levine is cooperating with the government, is scheduled to plead guilty in the TRS case on Oct. 27 before U.S. District Judge Amy St. Eve.

"This indictment describes a frenzy of corrupt scheming, particularly in April and May 2004, in which political insiders sought to manipulate the activities of two state boards to fleece investment firms and individuals. The defendants and their associates put the word out loud and clear: you have to pay to play in Illinois," Mr. Fitzgerald said.

Mr. Fitzgerald announced the charges with Robert D. Grant, Special Agent-in-Charge of the Chicago Office of the Federal Bureau of Investigation; Byram Tichenor, Special Agent-in-Charge of the Internal Revenue Service Criminal Investigation Division in Chicago; Kenneth T. Laag, Inspector-in-Charge of the U.S. Postal Inspection Service in Chicago; and James Vanderberg, Regional Inspector-in-Charge of the U.S. Department of Labor Office of Inspector General.

The indictment alleges that beginning no later than the spring of 2003 and continuing through at least July 2004, Rezko and Levine, together with others including Joseph Cari, Steven Loren, Jacob Kiferbaum and Individual A, schemed to defraud the beneficiaries TRS and the people of the State of Illinois of money and property and the right to Levine's honest services. TRS, a public pension plan for teachers and administrators in public schools statewide except in Chicago, serves approximately 325,000 members and beneficiaries and has assets in excess of \$30 billion.

Cari and Loren, both formerly prominent Chicago lawyers, each pleaded guilty in the pending TRS fraud case. Kiferbaum, a suburban construction executive, pleaded guilty in the pending Planning Board case. All three are cooperating with the government and awaiting sentencing.

According to the indictment, Rezko, Levine and their co-schemers fraudulently used and sought to use Levine's position and influence, as well as that of other TRS trustees and Planning Board members, to enrich themselves and their associates. Rezko and Levine solicited and demanded millions of dollars in undisclosed kickbacks and payments and received and directed hundreds of thousands of dollars in actual undisclosed kickbacks and payments from investment firms seeking to do business with TRS and from Kiferbaum, the indictment alleges. Rezko and Levine's illegal activity included:

- ▶ Rezko using his relationship with certain state officials to ensure that he and Levine had the ability to influence the actions of TRS and the Planning Board to enrich themselves and their associates. This included in the spring of 2003 – after being asked by Levine and Individual A to do so – Rezko and Individual B agreed to use their relationships and influence with high-ranking state officials to oppose the proposed consolidation of TRS, the Illinois State Board of Investment (ISBI), and the State University Retirement System (SURS), into a single pension fund. In exchange, Levine and Individual A agreed to use their influence and Levine's position at TRS to ensure that TRS used investment firms and hired lawyers identified by Rezko and Individual

B. It also included in the spring of 2004 Rezko using his relationships and influence with high-ranking state officials to facilitate Levine's re-appointment to the TRS board, representing that it had been approved by a high-ranking state official, as well as the appointment of two new TRS trustees who voted with Levine on matters of interest to him and Rezko;

- ▶ Using Levine's position with TRS, and their combined influence over TRS staff, TRS trustees, and Loren to assist certain investment funds in obtaining TRS funds, in exchange for payments by those investment firms and their representatives to individuals and entities Rezko and Levine designated;
- ▶ Agreeing to establish or acquire a company that they or individuals they directed would control, and using their influence with TRS trustees and staff to ensure that their company would be chosen to make hundreds of millions of dollars of real estate investments for TRS, without disclosing their financial interests to TRS. Rezko and Levine expected to share the profits from this company; and
- ▶ Assisting Mercy Hospital in receiving Planning Board approval for a new hospital in northwest suburban Crystal Lake to be built by Kiferbaum Construction Company, in exchange for Kiferbaum paying a kickback of approximately \$1 million or more to Rezko and Levine.

Regarding Investment Firm 7, the indictment alleges that Levine used his influence in February 2004 to delay a planned \$220 million real estate investment by TRS with Firm 7 so that Levine could extort the firm. Levine and Rezko then agreed to extort either \$2 million that they would share or a \$1.5 million political donation for a certain public official from Individual J, who was a principal of Investment Firm 7, by threatening to withhold the \$220 million allocation unless Individual J made such a payment. They further agreed that Levine would arrange for Individual A to indicate to Individual J that Investment Firm 7 had not received its \$220 million allocation because the firm had not contributed significantly to a certain public official.

Rezko, Levine and their co-schemers backed down from the alleged extortion attempt when Individual J threatened to expose the scheme, but they further vowed that Investment Firm 7 would not receive any future business from any state entity. Subsequently, Individual A spoke to

Individual J on several occasions to discourage him from exposing the scheme. Individual A falsely advised Individual J that Rezko and Levine had nothing to do with the delay in Investment Firm 7 receiving its allocation, and assured him that Levine and Individual A had used their influence with TRS staff to ensure that Investment Firm 7 would receive its allocation. On May 25, 2004, five days after he was first confronted by federal agents, Levine and the TRS board voted to approve the \$220 million investment.

Another new allegation in the superseding indictment details Rezko and Levine's agreement that each expected to receive at least approximately \$1.3 million from Individual I, a Chicago businessman who acted as a placement agent for Investment Firm 6. In the spring of 2004, Levine and Individual I agreed that Levine and Rezko would help Investment Firm 6 obtain funds from TRS and other state pension boards in exchange for Individual I paying Levine two-thirds of the finder's fees and management fees that Individual I would receive from the firm, and Rezko and Levine agreed to evenly split the portion of the fees that Individual I would pay Levine, the indictment alleges. The \$2.6 million they expected to share was based on the size of the investment they believed TRS would make in Investment Firm 6.

Rezko also agreed to use his influence with other Illinois state pension funds to help Investment Firm 6 obtain investments from them. After Levine arranged a meeting with himself, Loren, Individual I, and representatives of Investment Firm 6 about how the firm 6 should proceed with an application for funds from TRS, Levine told Individual I on May 19, 2004, that he intended to recommend Investment Firm 6 to TRS staff after that month's TRS board meeting. When Levine was approached by law enforcement agents on May 20, 2004, Investment Firm 6 had not yet applied for TRS funds, and Levine did not attempt to help the firm after that date.

The indictment also alleges that Rezko and Levine agreed to assist Investment Firm 5 in obtaining \$25 million from TRS, in return for a fee that Investment Firm 5 would pay to Individual G, who worked with Rezko's real estate business and who would then share that fee with Rezko. As part of the scheme, it was agreed that Individual G would not be disclosed to TRS as receiving a finder's fee from Investment Firm 5 because of Individual G's close association with Rezko. Instead, Individual G instructed Firm 5 to replace his name on the disclosure with the name of Individual H, who was a business associate of Individual G and a political fund-raiser, according to the indictment.

The indictment also adds new allegations concerning Rezko's role relating to the actual or proposed placement of TRS funds with four other unnamed investment firms – identified as Investment Firms 1, 2, 3 and 4 – that were contained in the original indictment. As part of the scheme, Rezko and Levine agreed to assist Individual C in obtaining TRS funds for Firms 1, 2 and 3, and, in return, Levine would instruct Individual C to pay a share of his finder's fees to individuals chosen by Rezko.

Regarding Investment Firm 1, in August 2003, the TRS board approved placing \$50 million in two Firm 1 funds, with Individual C receiving a total fee from Firm 1 of \$375,000. In early 2004, Rezko told Levine that Individual C should pay \$250,000 of his finder's fee from Firm 1 to Individual D, who was involved with Rezko in operating a chain of pizza restaurants. Levine instructed Loren to prepare a sham consulting agreement that would pass scrutiny if someone like the U.S. Attorney looked at it, and Individuals C and D later signed the agreement and further agreed that there would be two installment payments of \$125,000 each. Although the first payment made

on time, the second payment was accelerated at Rezko's insistence. Individual D used a substantial part of the money he received from Individual C for Rezko's benefit, the indictment alleges.

Regarding Investment Firms 2 and 3, on April 12, 2004, Levine directed Individual C to share his potential finder's fees with Individual E, who was Levine's friend and business associate. On April 14, 2004, Rezko and Levine agreed that they would each receive one-third of the fees that Individual C expected to receive, which they expected would be approximately \$250,000 from Firm 2 and \$1 million from Firm 3. Ultimately, after Levine was questioned by federal agents on May 20, 2004, neither firm received TRS funds.

Regarding Investment Firm 4, which had already submitted an application to obtain TRS funds, in the spring of 2004, Levine, with Cari's assistance, attempted to coerce Firm 4 into hiring a consultant who would receive a finder's fee from the firm. Rezko and Levine allegedly agreed that they would share evenly the finder's fee that Firm 4 paid, which they expected would be about \$750,000, and Rezko directed that the fee be paid to Individual F, a businessman and Rezko associate, to whose wife Rezko owed a substantial sum of money. Ultimately, after being questioned by agents on May 20, 2004, Levine voted at the TRS board meeting five days later to approve an \$85 million investment with Firm 4, without the firm paying any finder's fee to associates of Rezko and Levine.

The second indictment unsealed today alleges that between 2001 and August 14, 2003, Rezko defrauded GECC, of Bellevue, Washington, and individual investors in connection with the financing and sale of Papa John's pizza restaurants in the Chicago and Milwaukee areas. Rezko was the president of Rezko Enterprises LLC that was owned by individual investors and that owned pizza restaurants directly and through subsidiaries, including PJ Chicago LLC.

Rezko allegedly schemed with four unnamed individuals to sell off pizza restaurants owned by Rezko Enterprises to a company owned by a co-schemer and another company wholly-owned by Rezko for inflated prices and without the knowledge of the individual investors.

The indictment alleges that Rezko and his co-schemers fraudulently obtained a \$4.5 million loan from GECC in March 2001 to finance the purchase of the Milwaukee stores by a straw purchaser and his company at an inflated price, and through the submission of fraudulent documents, including false financial statements about the condition of the pizza stores.

The indictment alleges that Rezko and his co-schemers made similar fraudulent representations to obtain a \$6 million loan from GECC in October 2001 in connection with Rezko's sale of the Chicago area pizza restaurants from Rezko Enterprises to his own company, Chicago PJ LLC. After closing on the loan for the Chicago stores, the loan became delinquent, and Rezko caused additional false financial information to be submitted to GECC in asking for forbearance on the default.

In addition, Rezko allegedly misled individual investors about the performance and financial condition of Rezko Enterprises by providing fraudulent financial statements that made it appear that Rezko Enterprises still owned the Chicago and Milwaukee area stores, and by falsely characterizing the GECC loans as re-financing of existing debt.

Both indictments were returned under seal last week based on information that Rezko was then outside the United States but had immediate plans to return. That information has not proved accurate, and the government has no current information as to whether or when Rezko intends to return to the United States, Mr. Fitzgerald and the law enforcement officials said.

The government is being represented by Assistant U.S. Attorneys Christopher Niewoehner, Carolyn McNiven, Kaarina Salovaara, Reid Schar, Jacqueline Stern and John Blakey.

If convicted, the charges alleged in the indictments carry the following maximum penalties on each count: mail fraud, wire fraud and attempted extortion – 20 years in prison and a \$250,000 fine (except in the GECC loan fraud case, the two wire fraud counts each carry a maximum of five years in prison); soliciting a bribe and aiding and abetting that offense – 10 years and a \$250,000 fine; and money laundering – 20 years in prison and a \$250,000 fine. As an alternative maximum fine, the Court could impose a fine of twice the gross profit to any defendant or twice the loss to any victim. The Court, however, would determine the appropriate sentence to be imposed.

The public is reminded that an indictment contains only charges and is not evidence of guilt. The defendants are presumed innocent and are entitled to a fair trial at which the government has the burden of proving guilt beyond a reasonable doubt.

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