

(Mount Clipping in Space Below)

# VECO \$ recipients

# 'Club' targeted by FBI

(Indicate page, name of A-1 newspaper, city and state.)

KETCHIKAN DAILY NEWS

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By MATT VOLZ  
*Associated Press Writer*

JUNEAU — The Corrupt Bastards Club started as a barroom joke last spring among Alaska legislators whose names were linked to large campaign contributions from oil field services company VECO Corp.

"Somebody walked up and said, 'You corrupt bastards,' and that name stuck," said House Finance Co-Chairman Mike Chenault, R-Nikiski.

Campaign contributions from VECO executives to 11 lawmakers, including Chenault, were detailed in a guest opinion article that ran in the state's three largest newspapers in March. A 12th lawmaker, Senate President Ben Stevens, the son of U.S. Sen Ted Stevens, was also noted in the article as receiving generous consulting fees from VECO. Stevens has collected more than \$240,000 from VECO since 2000.

All Alaska Alliance Executive Director Lori

Backes wrote the column, questioning whether the financial linkages between VECO and lawmakers created "undue influence" over the state's political process. Backes' group supports a North Slope natural gas pipeline proposal different from the project favored by Gov. Frank Murkowski and supported by VECO, a heavy hitter in Alaska politics.

"It was a barroom joke that (was made) after Ms. Backes wrote her article about legis-

lators that had received money from VECO," Chenault said.

Hats were even made with the initials "CBC" on them, but "that was the extent of the CBC deal," Chenault said.

"I'm glad that they can make fun of themselves," Backes said Friday when contacted at the offices of the Alaska Gasline Port Authority.

The FBI wasn't laughing when agents served a warrant at VECO's headquarters and

raided the offices of six legislators this week, looking for financial ties between the company and lawmakers, and documents having to do with Murkowski's proposed gas pipeline contract and a related rewrite of Alaska's production tax laws.

Included in the search were the offices of four legislators associated with the Corrupt Bastards Club: Stevens, Rep. Pete Kott, R-Eagle River; Sen. John Cowdery, R-  
See 'VECO recipients,' page A-3

FBI - Stevens-529

## VECO recipients

Continued from page A-1

Anchorage, and Rep. Vic Kohring, R-Wasilla.

Also searched were the offices of Sen. Donald Olson, D-Nome, and Rep. Bruce Weyhrauch, R-Juneau.

A copy of one of the search warrants, obtained by The Associated Press, links the investigation to the new production tax law signed last month by Murkowski and the natural gas pipeline draft contract Murkowski and the state's three largest oil companies negotiated.

Among the items to be seized, according to the warrant, "from the period of October 2005 to the present, any and all documents concerning, reflecting or relating to proposed legislation in the state of Alaska involving either the creation of a natural gas pipeline or the petroleum production tax."

VECO and its chairman, Bill Allen, were staunch supporters of the governor's production tax plan, a version of which the Legislature passed in August after twice rejecting it earlier this year. Lawmakers have also twice failed to pass legislation related to the governor's pipeline fiscal contract with BP PLC, ConocoPhillips and Exxon Mobil Corp.

VECO's executives are top contributors to Alaska politicians, mostly

Republican. Allen flew to Juneau at the end of the regular session to lobby lawmakers and watch the vote on the new production tax.

The warrant calls for seizure of documents concerning, reflecting or relating to any payment to lawmakers by VECO executives Allen and Richard Smith. Agents also looked for documents about contracts, agreements or employment of legislators provided by VECO, Allen, Smith and company president Peter Leathard.

In the warrant served on state Sen. Donald Olson, D-Nome, agents were also authorized to seize any documents related to fuel payments, landing strip fees, storage fees and similar aircraft costs. Olson owns a flying service.

A specific item named in the search for seizure: "Any physical garments (including hats) bearing any of the following logos or phrases: 'CBC,' 'Corrupt Bastards Club,' 'Corrupt Bastards Caucus,' 'VECO.'"

House Speaker John Harris, R-Valdez, said he saw Smith and Kott handing out hats in June during the first special session when lawmakers voted down the petroleum tax bill. But he did not see anything with the "Corrupt Bastards Club" on it.

"They were handing out hats down at the Baranoff (Hotel) at the bar down there. All they had was 'VECO' on them," Harris said.

Chenault said he may still have a "CBC" hat, but he can't recall.

Besides VECO and its executives, agents were authorized to seize any documents related to The Petroleum Club, Republican pollster David Dittman or his company, Dittman Research and Communication Corp., pollster Marc Hellenthal or his company, Hellenthal and Associates, Roger Chan, VECO's chief financial officer, and Olson Air Service, according to the warrant.

Amy Menard, an Anchorage-based attorney for VECO, said the company received a warrant on Thursday. She said the company will cooperate with agents in providing the broad range of information they want.

"We have no information that would suggest that there have been any improper activities either by VECO Corp., VECO Alaska, or any of the principals involved in those companies," Menard said.

A receipt of items seized from Olson's office by the FBI and obtained by The Associated Press lists five things: Olson's 2006 year planner, Murkowski's gas pipeline

proposal released in May, a manila folder labeled "APOC," the Alaska Public Offices Commission, Olson's interim travel file and a binder related to the Alaska Stranded Gas Fiscal contract.

Department of Justice spokeswoman Jaclyn Lesch said Friday the searches began Thursday and continued Friday. FBI spokesman Eric Gonzalez said a total of 20 search warrants were being executed across Alaska, but would not say where.

No further comment is likely to come from the Justice Department unless charges are filed, Lesch said.

Ben Stevens, Weyhrauch and Kott did not return calls on Friday.

Kohring and Olson said they cooperated and was told he was not a target of the investigation.

Cowdery, a Republican from Anchorage, said Friday he didn't know why he was included in the raid or why agents seized items "unrelated to anything," including the stubs of his legislative salary checks. Cowdery said he has not retained an attorney to deal with the matter, but probably will.

"It's pretty bizarre," he said. "That's all I know, it's pretty bizarre. I certainly haven't done anything wrong."

(Mount Clipping in Space Below)

## OUR VIEW

# It's time to back off

## *Governor, legislators should drop plan for gas line special session*

**W**hatever thoughts anyone may have had of witnessing a miracle and seeing a gas line contract during a special legislative session disappeared before their hopeful eyes Thursday. That's when federal agents arrived at legislators' offices, armed with search warrants.

The federal probe involves one of the state's largest companies and its lobbying efforts on oil and gas legislation, including the proposed North Slope natural gas pipeline deal. There's no way legislators can — or should — meet and vote on such an important issue while the FBI is looking into potential legislative corruption on this and other matters.

It's over. It's time for Gov. Frank Murkowski to cancel his plans for a special session of the Legislature to start Sept. 19. It's time for the Murkowski administration, in its final three months in office, to start putting together its transition packet of information for the next governor to pick up and, hopefully, finish a gas line contract next year.

Gov. Murkowski tried his best to close the deal before he leaves office, but it just isn't going to happen. And no third special session this year is going to make it happen; it will only make it worse.

*Gov. Murkowski  
should shut  
down all  
gas line  
negotiations.*

The risk of further damage to Alaska's hopes of a gas pipeline is too real to ignore any longer at this point. Pressing for a decision by lawmakers in the middle of the election campaign for the governor's successor and 50 legislators is reason enough to put the contract on the shelf until calmer times. The danger is that some candidates will kick so hard at the proposed gas

line deal that all the new governor's men and women next year wouldn't be able to put Humpty Dumpty back together again.

And now it's an even worse time for hurried work sessions by gas line negotiators and legislators, considering the tainted politics and legal uncertainties of the FBI probe into the dealings of Veco Corp., the state's most politically active company. Like it or not, fair or not, the gas line contract is at least a temporary victim of the federal probe.

(Indicate page, name of newspaper, city and state.)

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- 267

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FBI - Stevens-531

Besides giving up on another special session, Gov. Murkowski should shut down all gas line negotiations with the major North Slope producers. Any effort to work toward a deal in his final weeks will just add to the public's distrust and dislike for controversial provisions in the draft contract, especially in the highly charged atmosphere of FBI search warrants, closed-door interviews and rumors.

Before last week's FBI swoop, the governor had been pushing hard for legislative approval of a gas line deal before the Nov. 7 election, when Alaskans will vote on a citizens initiative to impose a billion-dollar-a-year tax on North Slope natural gas reserves. The tax will hit Conoco Phillips, Exxon Mobil and BP for not moving fast enough to build a North Slope gas line. Gov. Murkowski figures — rightfully so — that the heavy tax will not help get the project built. And he figures the only way Alaskans might vote against the tax would be to have a signed deal for the gas line in hand.

The governor went so far last week as to have the attorney general give an opinion on how the Legislature might be able to void, repeal or amend the tax after it passes.

At this point, the best Alaskans can hope for is to complete a gas pipeline contract early next year and then, assuming the punitive reserves tax initiative passes, schedule a special election to overturn the tax or possibly amend the terms. We have to believe that even if Alaskans are angry enough to pass a bad tax this year, they would be smart enough to void it after seeing proof that the project is under way.

**BOTTOM LINE:** Federal probe is the final nail in the coffin of a special session on the gas line.

194A-AN-13620  
Press

## Who's up Who's down



**Legislators:** Knock, knock. Who's there? The FBI. That's no joke.



**Poker players:** City and federal agents raid a high-stakes Anchorage poker game. Let the chips fall where they may, but was this the best trump card authorities have to play against crime?



**School contract:** Teachers vote against three-year deal, but union refuses to release the totals. It's not nice to keep secrets.



**Public broadcasting:** State and federal funding cuts add even more static to TV and radio stations already hurting in the wallet. Maybe the stations should make a show out of their layoffs and call it "Survivor."



**Smoking initiative:** Opponents of Anchorage's new anti-secondhand smoke ordinance will try gathering signatures for a public vote to overturn the law. Here's hoping healthy residents snuff out the effort.



**The Great Pumpkin:** J.D. Megchelsen of Nikiski rocks the state fair scale with his Alaska-record pumpkin at 1,019 pounds. Will it keep to Thanksgiving?



**Alaska fashions:** A Carhartt fashion show at the state fair? Who says Alaskans have no style.



**Sen. Ted Stevens:** He is outed as the senator who blocked a bill to put federal spending on the Web for all to see. Turns out he had help from his West Virginia pal, Sen. Bobby Byrd. At least it was a bipartisan effort to deny the public.



**Arctic researchers:** University of Alaska uses oil companies' donations to bring aboard 13 young researchers for polar studies. Green money helps buy cold, hard facts about global warming.

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

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- 268

B-2 Sunday, September 3, 2006

A L A

# Alaska Ear

The Divine Appendage

**THE INSIDE MAN:** This was one of those annoying weeks when all the great Ear items turned into front-page stories. No one's talking about anything but the FBI raids on sundry legislative and business offices. Alas, the talk has produced only more questions for the Omniscient Orifice.

Was there a wired informant? Did it have to be an actual legislator? Do all those bloggers who think they know the identity of the inside man really know anything?

Is there a connection between the raids and the appointment of a U.S. attorney over Uncle Ted's objections? Are the warrants really the end of the investigation?

Did it actually begin two years ago? Was it really run from Outside? The warrant application was signed by a well-known Juneau FBI agent. What does that mean?

What did poor Dave Ditt-

man and Marc Hellenthal do to attract FBI attention? How delighted was the current CIRI management to answer questions about Veco and past CIRI management? Why does the FBI use blue latex gloves?

Right now, darlings, truth is stranger than Ear.

**NEXT:** With Alaska Republican Party attorney Bill Large out of the running, and the new guy allegedly here for no more than a year, who is next in line for the U.S. attorney's job? Earwigs report Admin Commish Scott Nordstrand is talking about his application.

**PULLEEZE:** Governor Murkowski officially declared Friday Christopher Allridge Day. He's the campaign volunteer who caught a stray ricochet from the drive-by on Northern Lights on primary day.

Darlings, this is nothing against Mr. Allridge, who is

no doubt a good guy. But to proclaim a day in his honor because he showed up that night at election central, pushed in a wheelchair by Frank, thus demonstrating "commitment to open government and volunteer activism?" Give Ear a break.

**FLYING FACTOID:** Doug Mertz, the lawyer who represents the "Bong Hits 4 Jesus" kid, is married to Margo Waring, a member of the Juneau-Douglas School Board, which her husband sued and beat; the school board that is now taking the infamous free speech case to the U.S. Supreme Court. So does that mean Mertz is sorta suing his wife?

**SHAPING UP FOR THE BIG ONE:** Curtis Smith, the PR professional who lost his short-lived radio talk show because of a perceived bias in favor of one of his clients, is the new media person for the Sarah Palin campaign. Lobbyist John Bitney is reportedly her policy manager.

Terry Gardiner, president of NorQuest fish processing before Trident bought it in 2004 and former speaker of the state House, has reportedly signed on as a policy adviser to the Tony Knowles campaign.

**OOPS:** Remember when Ear congratulated the Dimond-West Little League team for making it to the Northwest Regionals? So far so good. But when Ear



JOHN FROSCHAUER / The Associated Press

Sen. Ted Stevens was probably having a bad week even before the search warrants were served. First he got outed as the perp who secretly derailed a bill to make government contract info easily available online. Then the man he has called his "brother," Sen. Daniel Inouye, D-Hawaii, went to Washington state and campaigned publicly with Ted's arch enemy, Sen. Maria Cantwell, D-Wash. Is it Ear's imagination, or are Dan and Ted starting to look alike?

said they had advanced farther than any Alaska team before, the Luscious Lobe was a tad out of date. The Nunaka Valley Little League Junior Fastpitch Softball team went to the Western Regionals earlier in the month. So, d'Ears, sweet on both of them.

**VISITORS:** From an AP story: Missouri Gov. Matt Blunt took a secret vacation to Alaska this past week with Massachusetts Gov. Mitt Romney, but salmon wasn't the only thing on the

agenda. Romney is a potential 2008 Republican presidential contender, and the governors' getaway was hosted by Sam Fox, a major Republican fundraiser. An earwig says they went somewhere near Bethel.

**LIVING LANGUAGE:** The following appears in the Anchorage School District Elementary School Guideline, Page 12, under "inappropriate sexual behavior": "This would include departing (or) attempting to depart a student."

**WHAT THEY THINK OF US:** "Alaskan licence-plates may growl that this is "The Last Frontier," but urban areas — where four-fifths of Alaskans live — are amply stocked with espresso bars, broadband connections and all the comforts of modernity.

"Alaskans are, on average, slightly richer than Americans who live in the Lower 48 states. Yet they are wrapped in a thick mink coat of subsidies.

"Federal spending supports a third of all Alaskan jobs ... Alaska's representatives in Washington, DC have a hard-earned reputation for piping federal dollars back home.

"A proposed \$229m 'Bridge to Nowhere,' connecting Ketchikan to an airport on an island with a population of 50, is the most notorious boondoggle. But the state is paved with pork — from its half-empty high-speed ferries to the \$500,000 that the federally-funded Alaska Fisheries Marketing Board gave to Alaska Airlines to paint a giant king salmon on one of its aeroplanes.

"Citizens Against Government Waste, a watchdog, calculates that Alaska guzzles more pork per head than any other state. ... Politics revolves around two issues: how to suck more cash out of Washington and more fossil fuels out of the ground."

From [www.Economist.com](http://www.Economist.com), and there's more.

— Compiled by Sheila Toomey

194A-AU-1560 - Press

### Gubernatorial candidates campaign ethics after FBI raids

Tuesday, September 5, 2006 - by Bill McAllister



Anchorage, Alaska - In the wake of the FBI's influence-peddling investigation, all three major candidates for governor are now boasting of their clean credentials. While legislators remain under an ethical cloud, each gubernatorial hopeful is touting him or herself as the candidate ideally suited to restore trust in state government.

As an FBI probe continues to examine ties between certain legislative offices and the oilfield services company VECO Corp., former Democratic Gov. Tony Knowles today came out with an unspecific but strongly worded five-point stand on ethics.

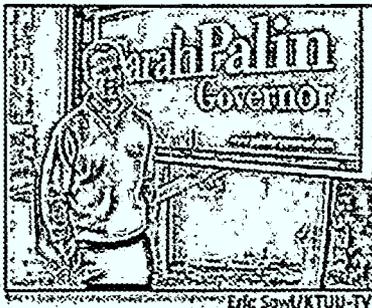
"On day one, when I take office, I will execute an executive order requiring all executive branch employees to follow the highest ethical standards and disclose any potential conflicts, so Alaskans are fully informed," said Knowles (right).



Along with the executive order on disclosure of conflicts, Knowles said he would propose legislation to close what he calls a loophole in the Alaska Executive Branch Ethics Act, which currently allows stock ownership in a company that can be affected by an official's action.

Knowles also said he would propose legislation requiring lawmakers to disclose what work they do under contract for companies who might have interests at the capitol, as well as a code of ethics that would include people who do business with the state.

Increased funding for the Alaska Public Offices Commission and personnel board, which enforce ethics regulations, were also mentioned.



"I think it's encouraging that Mr. Knowles wants to make integrity part of his campaign," said Curtis Smith (left), the spokesman for Republican nominee Sarah Palin's campaign.

FBI - Stevens-535

Smith noted that ethics issues have been a critical issue since the beginning of Palin's campaign, including her ongoing rift with Republican Party chairman Randy Ruedrich (below right), who paid a \$12,000 fine after Palin blew the whistle on him for doing party work at the Alaska Oil and Gas Conservation Commission.

"Honesty, trust and transparency. They are not a campaign strategy for Sarah Palin. That's how she lives her life, and if



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she's elected governor, she expects to be held to that very same high standard by Alaskans," Smith said.

Andrew Halcro, the Independent candidate for governor, said that he was publicly criticizing the behavior of Republican legislators when he was one, and that ethical government was important to him before Palin made it "fashionable."



Eric Sow/KTUU-TV

"I ran these ads, got re-elected and basically during the organization was stripped of all my committee chairmanships," said Halcro (left).

While Halcro agrees that Knowles served two terms without scandal, he says the former governor made mistakes.

"There were several pieces of legislation that Gov. Knowles signed that I would consider ethically questionable: the private prison in Kenai, repealing voluntary term limits," Halcro said.

Knowles says everything he did was above board, which is part of the candidates' three-way conversation about who spoke out or acted on ethics earliest and most often.

Knowles says he will not take campaign contributions from the VECO executives who were targeted in search warrants by the FBI, but did not rule out accepting them from other company employees. Smith says Palin decided early on not to take any VECO money, although the anti-Palin columns and editorials in the VECO-owned Voice of the Times indicate that the feeling is mutual. Halcro also is avoiding all VECO money, which he calls "going out on a strong limb."

Earlier this year, state Rep. Berta Gardner, D-Anchorage, introduced a bill to require a description of the services provided by legislators to private companies that would be sufficient for "a person of ordinary understanding." The bill passed one committee in the House and then died of neglect.

House Speaker John Harris said he expects the bill to get a stronger look next session.

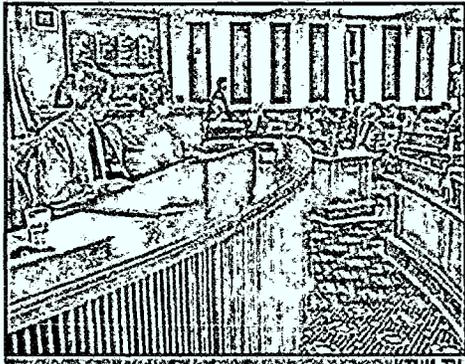
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Channel 2 Broadcasting Inc.  
<http://www.ktuu.com/>

FBI - Stevens-536

### Corruption questions tar upcoming general election

Wednesday, September 6, 2006 - by Bill McAllister



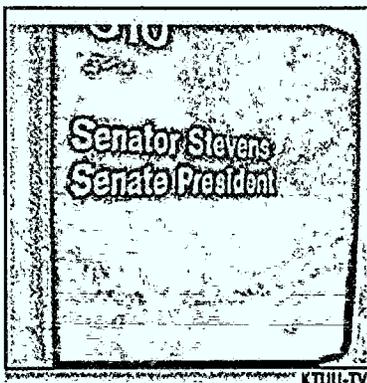
Anchorage, Alaska - The state Legislature is hanging in two kinds of limbo -- legal and political -- and now some lawmakers are saying it's time for some clarity. While lawmakers wonder about the FBI's intentions, they're also awaiting word from Gov. Frank Murkowski. Members of the House of Representatives say they have not heard whether the governor will heed their plea not to call another special session on his gas line deal.

In the meantime, the FBI still is not explaining the execution of two dozen search warrants last week, which included the offices of at least six lawmakers, in a raid seeking information on oil and gas issues. Some of those legislators, whose offices have not been searched, say the FBI needs to level with Alaskans about what's happening.

Legislators who are seeking re-election are doing so in an unprecedented climate following last week's search warrants executed by the bureau in an influence-peddling probe involving oil field services company VECO Corp.



"If it's a fishing expedition, it's a pretty public one right before an election. So now we all get painted with the same brush," said Rep. Ralph Samuels, R-Anchorage (right).



Agents, many of them reportedly not from Alaska, searched the offices of Senate President Ben Stevens, Senate Rules Committee chairman John Cowdery, former House Speaker Pete Kott, House Oil and Gas Committee chairman Vic Kohring, House Ways and Means chairman Bruce Weyhrauch and Senate Finance Committee member Donny Olson. A few other lawmakers and at least one aide say they have been interviewed by the FBI as well.

But with the bureau saying nothing about who might be targeted for what, House Speaker John Harris is calling for some disclosure by the agency.

"I'd like the FBI to come forward with some information. You know, clear as many people as you can, narrow it down, say, 'All right, this one, this one and this one are the ones we're really looking at,' or whatever, rather than say everyone's painted with them," said Harris, R-Valdez.

FBI - Stevens-537

"Let us know what's happening. Are the elected people involved? Are they not involved? Is this simply evidence



M-270  
194A-AW 13620  
9/7/2006

gathering? Is it going to be a year? Is it going to be two years?" Samuels said.

But Rep. Harry Crawford, right, says that while there might be an anti-incumbent backlash in the election that undermines innocent legislators, he's glad there's an investigation.

"I'd love to hear what all is going on. And what, if any, charges are going to be filed, and just the rest of the story," said Crawford, D-Anchorage.

But with that story unfolding just two months before the election, some legislators wish they could skip to the end.

VECO Corp. also is concerned about the public relations toll. Although company officers have declined to return numerous phone calls from KTUU-TV, a news release from VECO says it's not surprised by negative media coverage, but is disappointed by any suggestion that the company or its executives have done anything improper or illegal.



Former governor Tony Knowles plans to say something in the morning about how Alaska's next governor will negotiate a gas line deal now that Murkowski's deal is dead. Independent gubernatorial candidate Andrew Halero has called for relatively minor modifications to Murkowski's proposed deal. So far, Knowles, the Democratic nominee, and Republican nominee Sarah Palin have both talked about bargaining from a position of strength and inviting multiple proposals.

Significantly, Murkowski's failure to win legislative ratification of his gas line contract will result in a ballot initiative vote for a \$1 billion tax on gas reserves. The governor had proposed to nullify that tax in the contract.

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Channel 2 Broadcasting Inc.  
<http://www.ktuu.com/>

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(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

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or  
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*see attached*

FBI - Stevens-539

# Veco political pockets run deep

## Before this year's governor's race, the three candidates took donations

By KYLE HOPKINS  
Anchorage Daily News

All three major candidates running for Alaska governor cashed campaign checks from Veco — one of the biggest spenders in state politics — in the past. But with a federal investigation now looking into possible corruption involving the oil field services and construction company and state lawmakers, the politicians are saying no thanks.

Former two-term Democratic Gov. Tony Knowles said Tuesday that he won't accept donations from the four Veco officials identified in an FBI investigation

that became public last week. His opponents, outspoken Veco critics Sarah Palin, a Republican, and Independent Andrew Halero, say they want nothing to do with the company.

But that doesn't mean any of the three turned away Veco contributions in past elections. Knowles, who unveiled a five-point plan for improving ethics rules in state government Tuesday, received more than \$23,000 in Veco-related contributions throughout the 1990s as he ran for governor three times, according to a

See Back Page, CANDIDATES

194A-AN-13620-Press

### Veco investigation

• **DEVELOPMENTS:** State Rep. Bill Stoltze said the FBI asked him Friday if BP ever asked him to vote a certain way.

• **WASHINGTON STATE:** Republican Senate hopeful Mike McGavick has returned \$14,000 he received in campaign donations from Veco executives.

See stories, Back Page

• **ONLINE:** For complete coverage of the FBI investigation, visit the Web.

[www.adn.com/veco](http://www.adn.com/veco)

FBI - Stevens-540

## In 10 years, four contributed \$570,000

By MATT VOLZ  
The Associated Press

The four Veco executives named in warrants the FBI used to raid six Alaska legislators' offices have long been top Republican donors, but the money really started rolling in when natural gas pipeline talks heated up.

Together, chief executive Bill Allen, president Peter Leathard, executive vice president Roger Chan and vice president Rick Smith have given more than \$570,000 to state candidates over the past decade, according to the Institute on Money in State Politics.

The four have also contributed more than \$384,000 to presidential and congressional races in Alaska and other

states since 1997, according to the Federal Election Commission.

Since Gov. Frank Murkowski and the state's three largest oil producers began negotiations to build a \$25 billion natural gas pipeline to Canada about two years ago, the four executives have bumped up the giving.

The four have spent \$231,273 on state candidates in 2004 and through this year's primary elections.

This year alone, the executives have spent \$84,800 on individual legislative races, all to Republican incumbents, challengers or the state's Republican Party.

See Back Page, DONATIONS

194A-AN-13620-Press

# CANDIDATES: FBI raid brings uncertainty

Continued from A-1

review of Alaska Public Offices Commission records.

Halcro, who represented Anchorage in the House of Representatives for four years, collected \$5,500 in 1998 and 2000.

While mayor of Wasilla, Palin ran for lieutenant governor in 2002. She gathered \$5,000 — or about 10 percent of her campaign fund — from Veco officials or their wives along the way.

Knowles and Halcro said Tuesday that they wouldn't return the money. It was donated to long-ago campaigns that have no bearing on the current race, they say. Palin was driving to the Kenai Peninsula and couldn't be reached for comment.

Asked about the past Veco contributions, Knowles says that business people should be able to donate money to candidates like anyone else: "This is a democracy." He said it only becomes a problem when those contributors have undue influence on a candidate, and described his own administration as "squeaky clean."

Palin spokesman Curtis Smith said there has long been an understanding inside the campaign that Palin didn't want Veco money.

"She wanted nothing to do with that company," he said, acknowledging that Veco, which supported incumbent Gov. Frank Murkowski during the primary last month, likely wouldn't offer her cash in the first place.

Halcro who served as a Republican legislator but, like Palin, has a reputation as a maverick within the party, said he won't take donations from the company either. But that isn't exactly going out on a limb, he said.

He says Veco donates to candidates it thinks it can control, and by his second term in the Legislature, the money started to dry up. Now, it wouldn't help anyway.

"If Veco shows up on your APOC report, you would imagine that would generate a response from your opponent," Halcro said.

Halcro is running with former Soldotna lawmaker Ken Lancaster, who does not appear to have received Veco-related donations in the current race or previous campaigns.

Knowles' running mate, Anchorage Rep. Ethan Berkowitz, received \$3,000 from Veco officers or their wives in his 1998 and 2000 campaigns.

Palin's running mate, Sean Parnell, received two \$500 checks from Veco officers in August, including one from Veco chief executive officer Bill J. Allen, and

## Veco-related campaign donations

By election cycle

(Totals may not include all donations from spouses or family members of Veco officers or employees.)



### Andrew Halcro, Independent

|                         |         |
|-------------------------|---------|
| ■ 1998 state House race | \$3,500 |
| ■ 2000 state House race | \$2,000 |
| ■ 2006 governor's race  | 0       |



### Tony Knowles, Democrat

|                         |          |
|-------------------------|----------|
| ■ 1990 governor's race  | \$2,000  |
| ■ 1994 governor's race* | \$12,500 |
| ■ 1998 governor's race  | \$8,600  |
| ■ 2004 U.S. Senate race | 0        |
| ■ 2006 governor's race  | \$50     |

\*Includes money donated in 1992



### Sarah Palin, Republican

|                            |         |
|----------------------------|---------|
| ■ 2002 Lt. governor's race | \$5,000 |
| ■ 2006 governor's race     | 0       |

Source: Alaska Public Offices Commission

Compiled by KYLE HOPKINS / Anchorage Daily News

collected about \$16,000 while running for the Legislature in the 1990s.

Palin, meantime, spent the primary election defending criticism from the Voice of the Times — a separate editorial space produced by Veco that appears in the Daily News everyday.

While Palin often draws heat from the oil industry for her association with a natural gas pipeline plan that's at odds with the route sought by oil companies, Parnell is a former oil lobbyist. Can they co-exist on the same ticket?

"Alaskans chose Sean Parnell to run with Sarah Palin. It wasn't necessarily Sarah," Smith said.

Still, he said, "She's not disappointed with Alaskans' choice, that's for sure." He described Parnell as a "straight-shooter" who can work with Democrats and Republicans.

Last week, the FBI raided several legislative offices, armed with at least one warrant that named four Veco officials: Allen, president Pete Leathard, executive vice president and chief financial officer Roger Chan and vice president

Rick Smith.

No one has been charged with a crime.

Randy Ruedrich, chairman of the Alaska Republican Party, said Tuesday that any donations the party receives from the Veco officers will be put aside until investigators decide if anyone is in trouble.

"If any of our candidates ask, we'll encourage them to do the same," Ruedrich said.

Ruedrich said everyone needs to wait and see what comes of the investigation.

"Jumping to conclusions is totally inappropriate," he said.

With Murkowski and some incumbent legislators falling in the Aug. 22 primary and all the candidates for governor presenting themselves as a fresh alternative to the past four years, change was already a theme in this year's election.

The FBI investigation brings even more uncertainty, said Jean Craciun, an Anchorage pollster and public-opinion researcher.

"I don't think that Veco or any of the usual suspects will be presenting themselves as they have in the past. I think they'll probably lay low," she said.

In other words, who wants to be backed by the establishment when anti-establishment candidates are on a roll?

Knowles held his own eight years as governor up for comparison Tuesday, and listed steps he said would ward off future troubles.

He said: Loopholes that allowed former state Attorney General Gregg Renkes to own stock in a company that would benefit from a coal deal he was negotiating for the state need to be closed, executive branch employees would need to reveal all potential conflicts of interest to the public, lawmakers should have to tell people what it is they do to earn lucrative consulting contracts, and state watchdog agencies need more money to enforce the rules.

Ruedrich begged to differ with Knowles' description of his two terms of governor as blemish free, but said he'd need time to research before offering specific examples.

■ Daily News reporter Kyle Hopkins can be reached at khopkins@adn.com.

# DONATIONS: Four gave \$84,000 just this year

*Continued from A-1*

Aside from cash contributions, Senate President Ben Stevens, R-Anchorage, has received \$252,000 since 2001 for consulting work from the company, according to disclosure statements filed with the Alaska Public Offices Commission. Little is known about what Stevens did for that money, as he is not required to report details of the work.

One of the roughly two dozen warrants executed in raids last week across Alaska gave federal agents the authority to seize any documents, letters, records, electronic mail or any other form of communication with Veco, Allen, Smith, Leathard and Chan. The warrant calls for seizing proof of payments, contracts, employment, gifts or fundraisers by the executives to the legislators.

The warrant specifically looks for "any and all documents concerning, reflecting or relating to proposed legislation in the state of Alaska involving either the creation of a natural gas pipeline or the petroleum production tax."

The Legislature passed the petroleum production tax last month, a major rewrite of the state's oil tax laws that will base production taxes on the net profits of each oil company's Alaska operations.

Offices raided in Juneau, Anchorage and the Matanuska-Susitna Borough included those of Stevens; Sen. John Cowdery, R-Anchorage; Rep. Pete Kott, R-Eagle River; Rep. Vic Kohring, R-Wasilla; Rep. Bruce Weyhrauch, R-Juneau; and Sen. Donald Olson, D-Nome.

Little is known about the purpose of the investigation. But the raids have soured plans for a special session Mur-

kowski wanted to call for Sept. 19 to again consider his pipeline deal with BP, Conoco Phillips and Exxon Mobil Corp.

Monday, Republican leaders of the House sent Murkowski a letter saying House members have no interest in another special session.

For one thing, the letter says, voters sent the message in last month's primary election that they want change, and House members want to give whoever is elected governor in November the chance to have input on the gas line.

"Second, there is no doubt the FBI investigation of some legislators and dealings with Veco has had an impact on members," says the letter, signed by Speaker John Harris of Valdez and Majority Leader John Coghill of North Pole. "There could be a perception of influence by the public on earlier and possible future special session proceedings. Members believe a cooling off period is essential in order to distance the Legislature from this perception of corruption and give us time to learn what the FBI is attempting to accomplish."

Murkowski spokesman John Manly said the governor's staff is discussing the possibilities for a session with legislators.

"We haven't given up completely. Strike that, we haven't given up," Manly said.

Amy Menard, an Anchorage attorney representing the company, said some Veco employees have a strong interest in politics, which is their right.

"Veco has always worked hard to promote a pro-business and pro-economic development climate in those places where it does business," she said.

Menard added the company is now in a "very intense fact-gathering process" and does not have enough information to elaborate on questions about the executives' political ties.

Allen, Leathard and Chan themselves elaborated on their political interests in an October 2004 newsletter to Veco employees. The three co-authored an article in which they called that election critical to the company's future.

Alaska represents more than 50 percent of the company's business volume worldwide and an even higher percentage of its net income, they wrote.

"The right people in the White House, the U.S. Capitol and the Alaska State Legislature make a huge impact on oil and gas resource development and on the economy of Alaska," they wrote.

Earlier that year, in March, Allen wrote a separate article setting the stage for the elections. He placed at the top of the Alaska agenda opening the Arctic National Wildlife Refuge, oil taxes and the gas pipeline.

The major Democratic presidential candidates, he wrote at the time, are backed by environmental groups and are firmly against drilling in ANWR, and for the pipeline, "they have so far done nothing to move that project ahead."

"Closer to home, the Democratic minority in the Alaska Legislature is calling for a review of taxes paid by the major producers, repeating the statements of past years that the state deserves a bigger share of the pie," Allen wrote.

■ Daily News reporter Richard Richtmyer contributed to this story.

(Mount Clipping in Space Below)

# McGavick returns money

■ **\$14,000:** Veco made donations to GOP candidate in Washington's Senate race.

By **RACHEL LA CORTE**  
The Associated Press

OLYMPIA, Wash. — Republican Senate hopeful Mike McGavick has returned \$14,000 he received from executives with an Alaska oil services company under investigation by the FBI, his campaign announced Tuesday.

Spokesman Elliott Bundy said the money was returned Friday, a day after federal agents raided the offices of at least six Alaska legislators, including the son of Sen. Ted Stevens.

The senior Stevens hosted a fundraiser in Alaska for McGavick in April that netted about \$100,000 for McGavick's bid to unseat Democratic Sen. Maria Cantwell. All but \$2,000 of the contributions in question came in from six Veco Corp. executives at that fundraiser, including chairman Bill Allen and president Pete Leathard, according to The Center for Responsive Politics, a Washington, D.C.-based group that tracks money in politics.

Bundy said the remaining \$2,000 came in July from vice president

Tom Corkran, who also had given \$2,000 at the April fundraiser.

Bundy said that while details of those at the center of the investigation have not been confirmed by authorities, the reporting by the media that Veco was under investigation was enough for McGavick to decide to return the money.

"We simply wanted to err on the side of caution," he said.

Bundy said they did not announce the return Friday because "we didn't feel the situation warranted an announcement."

"This is a criminal investigation, and it's a very serious matter," he said. The FBI searches began Thursday and continued Friday. A copy of one of the search warrants, obtained by The Associated Press, links the investigation to a production tax law signed last month by Gov. Frank Murkowski and a draft natural gas pipeline contract Murkowski and the state's three largest oil companies negotiated.

The warrant called for seizure of documents concerning any payment made to lawmakers by Allen and Smith. Agents also looked for documents about contracts, agreements or employment of legislators provided by Veco, Allen, Smith and Leathard.

194A-AN-13620-Press

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 09/06/2006  
Edition: WEDNESDAY

Title: MCGAVICK RETURNS MONEY

Character:  
or  
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FBI - Stevens-543

# FBI wanted to know about Veco, hat gifts

**■ LEGISLATORS:** Reps. Bill Stoltze, Mike Hawker were questioned, not suspected.

By LISA DEMER  
Anchorage Daily News

State Rep. Bill Stoltze was at the Alaska State Fair on Friday when his legislative staff alerted him the FBI was in his office. They wanted to talk. He met two agents at a pizza place in downtown Palmer for maybe 45 minutes. They asked about select lawmakers and their relationships with Veco, the Anchorage-based oil field services and construction company.

"They had a list of written questions that they indicated they were asking of a number of people who served in the Legislature," said Stoltze, a Republican whose district stretches from Chugiak to the Mat-Su. He said he asked the agents whether he could talk about the interview and they said he could.

About Veco, Stoltze said, the FBI wanted to know: "Did they ever ask me to vote a certain way? ... Just those types of general questions. Some of them are as silly as 'Did they ever give you a hat?'"

Stoltze and state Rep. Mike Hawker, R-Anchorage, revealed Tuesday that they were interviewed by the FBI as part of a growing federal investigation into possible corruption involving lawmakers and Veco.

Both said their offices were not searched. Both said they were told they were not targets of the investigation.

The FBI is saying little about the investigation, and neither is Veco. So far, no one in Gov. Frank Murkowski's office has been questioned by the FBI, a spokesman said. Agents did interview former Sen. Robin Taylor, who is now deputy transportation commissioner.

Two dozen search warrants were executed Thursday and Friday in six communities — Anchorage, Juneau, Wasilla, Willow, Eagle River and Girdwood. Offices of at least six lawmakers — Sens. Ben Stevens, John Cowdery and Donny Olson, and Reps. Pete Kott, Bruce Weyhrauch and Vic Kohring — were searched.

The FBI also looked over electronic files and other records — probably related to campaign fundraisers — on Friday during a search of The Petroleum Club, a private organization, said Jack Laasch, club president.

"Employees cooperated with the agents and gave them whatever information they asked for," said Laasch, who was in Barrow last week and is just now catching up on the events. "They stayed back in the office. It was business as usual in the lounge and restaurant."

Around the state, agents searched for records on the proposed gas pipeline and the new petroleum profit tax, copied computer hard drives, and looked for hats or other clothing with the logo "Corrupt Bastards Club."

That catch phrase is giving the investigation a quirky Web life of its own. After an opinion columnist wrote a piece published in the Daily News and other Alaska newspapers listing Veco contributions to 11 lawmakers and Gov. Frank Murkowski, lawmakers started joking they were in the "Corrupt Bastards Club" or the "Corrupt Bastards Caucus" and someone printed up hats.

"The joke is the absurdity of the allegations," Hawker said.

Since the news of the FBI investigation broke, whole blogs devoted to the "corrupt bastards" idea have sprung up, as has a Web site selling T-shirts, coffee mugs, baby bibs and even thongs that say "Corrupt Bastards Club."

Hawker said he was interviewed by the FBI on Friday for a couple of hours but said it would be inappropriate for him to reveal specifics.

Stoltze said the FBI was mainly interested in Veco and Kott, R-Eagle River, a former House speaker who lost his primary election race. He speculated that they asked him about Kott because their districts are next door to each other.

During the 2004 election season, Veco made it clear the company wanted Kott to remain in the powerful House speaker position, Stoltze said. But instead, Valdez Rep. John Harris got the post, and Stoltze was part of the crowd visibly supporting him. Nevertheless, Veco later sponsored a fundraiser that benefited Stoltze, among others.

Kott has not returned calls in recent days.

"It's not a comfortable process," Stoltze said. "I haven't done anything in return, but I don't blame the public for being suspicious."

He didn't know about any "Corrupt Bastards Club" hats. But once, he said, Veco gave him a hat with the company name. He gave it to an aide.

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

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FBI - Stevens-544

(Mount Clipping in Space Below)

# Don't die of shock, but — surprise! — big oil has invaded politics

Hearing that the relationship between certain lawmakers and one of the oil industry's biggest companies might be too intimate is like hearing there was gambling at Rick's Cafe in Casablanca.

I'm shocked — shocked! — to learn that something wrong is going on here.

We still don't know much about last week's FBI raids, other than they targeted some of the Legislature's biggest names and appear to focus on the financial coziness between lawmakers and Veco, one of the oil industry's most powerful political entities in Alaska.

Well, duh.

Oil is to Alaska politics what water is to fish and tequila is to a first date. You can barely have one without the other.

Lawmakers are chummy with the oil industry because they need money to run for office, and the industry is chummy with lawmakers because it

**BETH  
BRAGG**

COMMENT



needs legislation to protect its interests. Each uses the other to get what it wants. Done properly, it's called lobbying, and it's legal.

But it's so much a part of doing business here that the public seems unable or unwilling to recognize when it spins out of control.

We aren't surprised when reports of campaign contributions show that oil and gas executives give generously to politicians, often more generously than those in other industries.

We barely flinch when Bill Allen, who owns Veco, buys The Anchorage Times to push his industry's agenda. The newspaper didn't last, but half an editorial page of it survives and runs every day in this newspaper at significant cost to Veco.

We suppress yawns upon learning Ben Stevens, the president of the state Senate, is on Veco's payroll as a "consultant."

We shrug when we learn that Randy Ruedrich, a member of the state commission charged with overseeing the oil industry, leaks a confidential document to an oil industry lobbyist. In fact, this misconduct mattered so little that Ruedrich could admit he'd been unethical, pay a big fine, and two years later win re-election as chairman of Alaska's Republican Party.

In short, the oil industry does whatever it takes to get what it wants. And there's no shortage of accommodating

Alaskans.

"Somebody says in these halls, 'Bill Allen wants this,' and it gets done," is how Eric Croft, an Anchorage Democrat, described the way things worked in Juneau back in 2002.

Little has changed.

Last week, as the FBI searched offices and interviewed politicians and pollsters, Croft again described a culture that can only be called sleazy: "Lobbyists writing bills. Special interests, not only funding campaigns, which unfortunately I've kind of gotten used to, but hiring legislators as consultants."

Croft proudly proclaimed he was running an oil-free campaign when he made a bid for governor this year. Of the five leading candidates, he was the only one to state he'd accepted no money from the oil industry.

He finished fifth among the bunch. Croft looks pretty good now in the

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

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Title: DON'T DIE OF SHOCK, BUT  
SURPRISE-BIG OIL HAS INVADED  
POLITICS

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or

Classification: 194A-AN-13620-M  
Submitting Office: Anchorage

~ 274

Indexing:

light of those FBI raids, although we don't know what, if anything, the investigation will expose. We do know a handful of lawmakers took to calling themselves the Corrupt Bastards Club after their names showed up in a newspaper opinion piece about Veco's contributions to 11 lawmakers and the governor. Corrupt Bastards Club logo items have replaced Valley Trash T-shirts as the gotta-have-it Alaska fashion, provided the FBI doesn't confiscate them all.

Even if the investigation fizzles faster than you can say Security Aviation, the FBI is doing us a favor. Someone needs to kick over a few rocks to show us the creepy things living under them. Maybe someday we'll squirm enough to call an exterminator.

■ Beth Bragg's opinion column appears Wednesday, Friday and Sunday. Her e-mail address is bbragg@adn.com.

FBI - Stevens-545

### McGavick's Refund

Posted yesterday at 9:41 am by Rick Anderson

Mike McGavick's decision to return \$14,000 in donations from executives and employees of VECO, the global engineering and construction firm, begs the question: Why did the Republican Senate candidate, supposedly a seasoned politico, accept the support in the first place? The money is pocket change for the multimillionaire who, just by quitting his insurance industry job, walked away with a \$28 million bonus. Why bother accepting small and risky donations from VECO's Alaska oil field operations, in a state where both the fish and oil industries are often greased by corruption? Alaska Sen. Ted Stevens, for one, has become a multimillionaire in part through questionable deals tied to his powerful position as senior Republican in the Senate. In 1997, for example, Stevens invested \$50,000 in a local Alaska project; five years later, the developer and his partner bought the investment back for \$872,000. At the same time, Stevens was helping steer a \$450 million federal housing contract to the developer. Similarly, Stevens' son Ben is an Alaska state senator and business consultant who can be on the receiving end of money streams set loose by his father. Court documents show that in 2003 Ben Stevens held a secret option to buy into an Alaska seafood company, Adak Fisheries, owned in part by Icicle Seafoods Inc. of Seattle; at the same time, father Ted was pushing federal legislation to establish a special Aleutian Islands fishing area that could supply Adak Fisheries with millions of dollars in prized pollock, most of it caught by the Seattle-based North Pacific fishing fleet.

Ben Stevens is now caught up in the newest allegations of corruption. His office was among those searched last week by FBI agents looking for evidence of possibly illegal deals between legislators and VECO. It was no secret that VECO executives prowl the halls of power and give freely to state and national campaigns, sometimes illegally (as far back as 1985, VECO was fined \$72,000 for funneling secret campaign donations to Alaska officials through an employee payroll-deduction plan). Such a player makes for cozy dealings in the great white north: Ben Stevens has been on VECO's payroll, earning \$240,000 in unexplained "consulting" fees, the past six years, while Scott Leathard, the son of VECO president Peter Leathard, is on Ted Stevens' payroll, employed as an aide in the senator's offices. It was into this questionable history and familial menage that McCormick strode, presumably eyes wide open, seeking Ted Stevens' political blessings and VECO's financial support at a fund-raiser last April. A spokesperson now says McGavick is returning the money because he wants to "err on the side of caution." You mean, finally?

FBI - Stevens-546

M-275  
194A AN-13620-~~13620~~

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

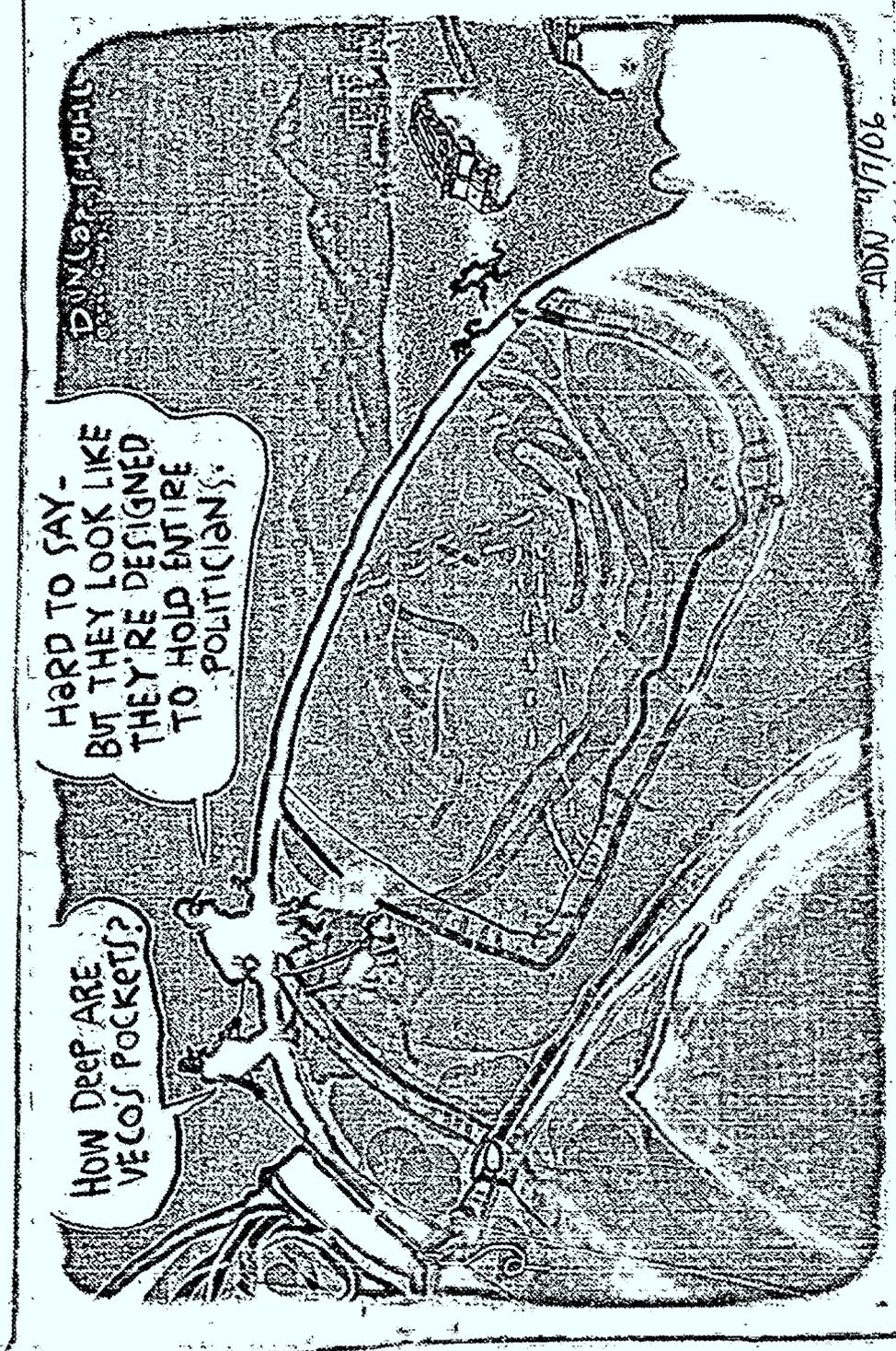
(Mount Clipping in Space Below)

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Title: HOW DEEP ARE VECO'S POCKETS

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or  
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FBI - Stevens-547



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ANCHORAGE DAILY NEWS

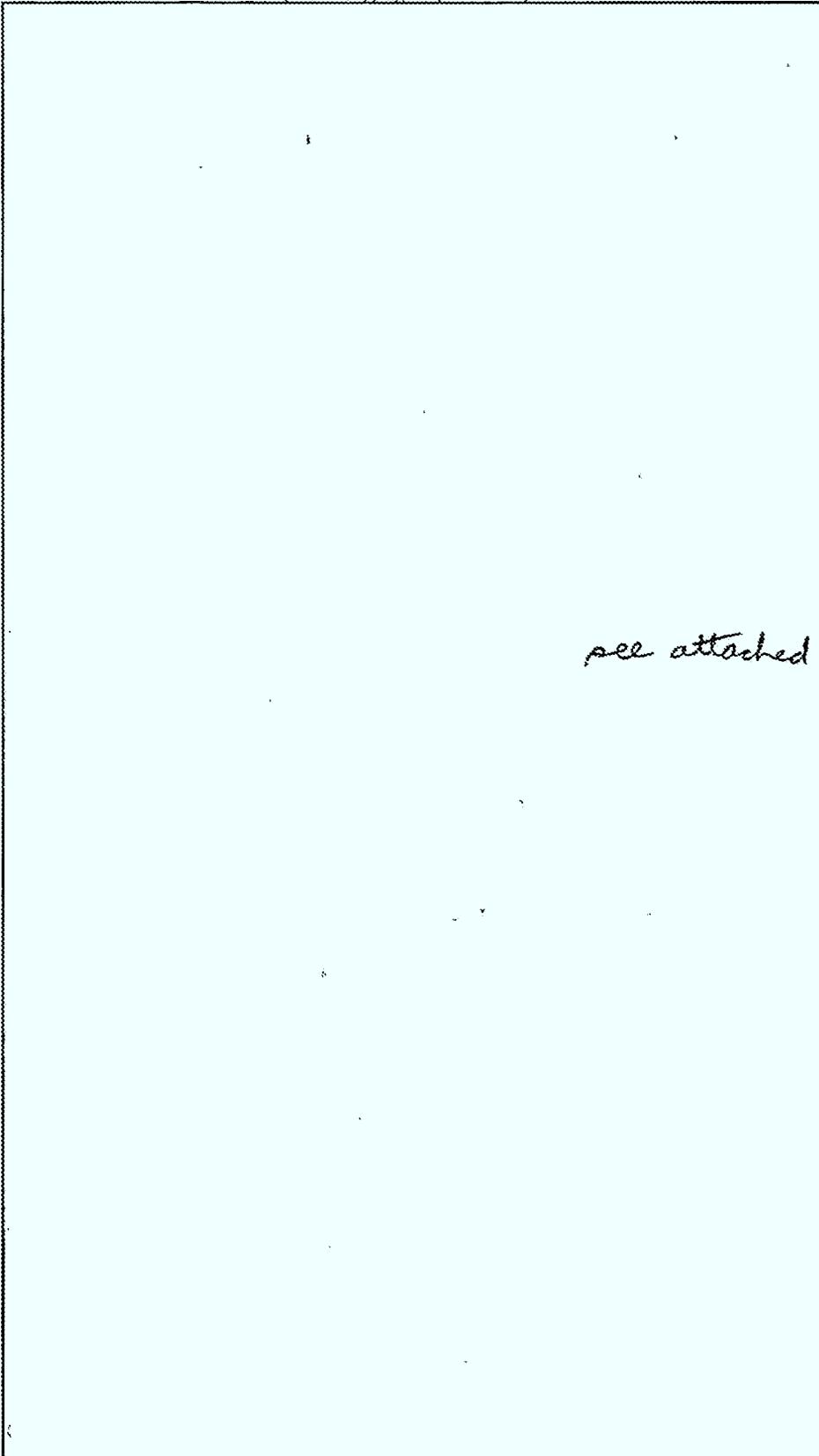
Date: 09/07/2006  
Edition: THURSDAY

Title: VECO'S INFLUENCE HAS BEEN  
PART OF CAPITOL SCENE  
FOR YEARS

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(Mount Clipping in Space Below)



Indexing:

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FBI - Stevens-548

# Veco's influence has been part of Capitol scene for years

■ **BILL ALLEN:** Near the close of this year's session, he engaged directly with legislators.

By **TOM KIZZIA**  
Anchorage Daily News

For two decades, oil man and political financier Bill Allen has been a familiar presence in the halls of the Alaska Capitol. But toward the end of this year's regular legislative session, the Veco chief executive may have taken that familiarity a step too far.

Allen was watching the state House debate oil taxes on the next-to-last night of business in May when he began passing notes to legislators across the railing of the small spectator gallery, according to Rep. Harry Crawford, D-Anchorage. Rules say the public can pass notes through the front door to be delivered by a page. Direct engagement from the visitor gallery is forbidden once the speaker's gavel sounds.

Crawford said he saw Rep. Tom Anderson, R-Anchorage, carry several notes from Allen to other legislators. Anderson has re-

ceived Veco campaign contributions and has also reported \$20,000 in consulting contracts with the company since 2003. Several other legislators say their staff observed similar goings-on.

"He was definitely directing traffic back there," Crawford said of Allen.

Democrats were frustrated as cell phones rang and legislators returned from at-ease breaks to reverse votes they'd just taken. House minority leader Ethan Berkowitz finally stood up and gave a speech blasting undue interference in the legislative pro-

cess. He said later he was referring not just to Veco but to meddling during House floor sessions from all directions, including Murkowski administration officials.

Allen later sent an e-mail to some legislators apologizing for getting carried away, said Sen. Ralph Seekins, R-Fairbanks. Seekins, who wasn't in the House chamber that night, said it wasn't clear exactly what Allen was referring to other than getting "a little overexuberant." Seekins said he no

## INSIDE

### ■ VECO Q&A:

A quick rundown of what's known, what isn't and what's next in the FBI's Alaska investigation.

Back Page

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194A-20-13620-1925  
See Back Page, VECO

(Mount Clipping in Space Below)

# What's known and what isn't in FBI's Alaska investigation

By LISA DEMER  
Anchorage Daily News

**Q.** What is the investigation about?

**A.** The FBI won't say. But witnesses who have been interviewed say it's clear the feds are examining the relationship between Alaska state legislators and Veco, an oil field services and construction contractor. One of the search warrants says agents are looking for documents concerning "anything of value provided by Bill J. Allen, Richard Smith, and/or Veco to any public official." Allen is Veco's chief executive officer, and Smith is a corporate vice president. The warrant also says agents are seeking information about legislation for the proposed natural gas pipeline and the new petroleum production tax.

**Q.** Who is leading the investigation?

**A.** The FBI.

**Q.** Who is being investigated?

**A.** The FBI won't name the targets. About 24 search warrants have been executed in six Alaska communities: Anchorage, Juneau, Wasilla, Willow,

Eagle River and Girdwood. Search warrants were executed at offices of six legislators: Senate President Ben Stevens, R-Anchorage, Sen. John Cowdery, R-Anchorage, Sen. Donny Olson, D-Nome, Rep. Pete Kott, R-Eagle River, Rep. Vic Kohring, R-Wasilla, and Rep. Bruce Weyhrauch, R-Juneau. Cowdery, Olson and Kohring have said they don't believe they are targets of the investigation. Other lawmakers and former lawmakers have been interviewed, as have executives with Cook Inlet Region Inc. and at least one Anchorage political pollster and consultant.

**Q.** Besides offices of lawmakers, where have search warrants been served in the case?

**A.** Veco, The Petroleum Club and the office of political pollster Dave Dittman. Other locations haven't been disclosed.

**Q.** Has anyone been charged or arrested?

**A.** No.

**Q.** Is the U.S. attorney's office involved?

**A.** Yes. But the role of the Anchorage office isn't clear. Some prosecutors have directed queries to the U.S. Jus-

(Indicate page, name of newspaper, city and state.)

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TO SEE one of the search warrants, read Veco's statement and see more on the investigation, go to [www.adn.com/veco](http://www.adn.com/veco)

Justice Department in Washington, D.C. Nelson Cohen, interim U.S. attorney for Alaska, said Wednesday: "We don't explain our role. We don't explain what we do. We don't explain why we do it. We have no comment. ... The policy is based in part on the reality that investigations create rumors and that people who are completely and totally innocent and may never be charged with anything could have their reputations besmirched, their character tarnished in some way, for no reason."

**Q.** So is the case being handled out of Washington?

**A.** No comment, Cohen said.

**Q.** What does Veco say?

**A.** On Wednesday, Veco Corp. issued a one-page statement in which it said it is cooperating with federal agents. "To Veco's knowledge, it has done noth-

FBI - Stevens-550

ing improper or illegal," Veco said in its statement. "... If Veco had failed to work to enhance business sectors, it would not be the robust company it is today, and it would have failed to serve its clients and employees. Veco regrets if those efforts could be construed as wrong, especially in view of the fact that the right to participate actively in the political process is something treasured by all Americans." The full Veco statement is online at [www.adn.com](http://www.adn.com).

**Q.** Has the FBI seized records?

**A.** Yes. Computer records and other files have been copied or seized by agents.

**Q.** Were wiretaps used in the investigation?

**A.** The FBI won't say.

**Q.** Can the public see the search warrants?

**A.** Not most of them. All of the warrants officially remain sealed at this stage in the investigation. So do the FBI affidavits that laid out the government's evidence to the magistrate judge who approved the search war-

rants. One state senator has given reporters a copy of the warrant served on his office, and it has been described in various news accounts. A copy of the document is online at [www.adn.com](http://www.adn.com).

**Q.** Besides the FBI, what agencies are involved?

**A.** Numerous federal, state and local law enforcement agencies have assisted in the investigation, said FBI spokesman Eric Gonzalez, though he couldn't reveal precisely which ones Wednesday except for the IRS.

**Q.** How many agents were involved in the searches last week?

**A.** Several dozen FBI agents from across the country, including Cincinnati, Pittsburgh and Sacramento, Calif.

**Q.** What's next?

**A.** Again, the FBI won't say. But generally, the FBI will examine seized evidence, continue witness interviews and consult with federal prosecutors in deciding whether to pursue charges. Often evidence is presented to a grand jury. Sometimes cases fizzle with no charges brought.

# VECO: Allen's protests prompted structuring of lobby laws

Continued from A-1

longer had a copy of the e-mail.

Allen did not return a message Wednesday seeking comment on the episode. Anderson was traveling and could not be reached for comment.

Veco's role in Alaska's political process is under intense scrutiny now. Last week the FBI served search warrants on legislative offices and others seeking a wide range of information related to Allen and other Veco executives, including gifts to public officials. But much of Veco's influence, dating from the early 1980s, comes from sources in plain sight. This includes close to \$1 million in state and federal campaign contributions over the past decade as well as consulting contracts with individual legislators.

"It's not just their checks. It's all the people who show up at their fundraisers," said Andrew Halcro, a former Republican legislator now running for governor as an independent. "They can bring lots of other people to the table. That's where people underestimate the company's power."

Late Wednesday, Veco issued its first official statement after an eventful week. The company said that, to its knowledge, it had done nothing "improper or illegal." Veco said it had offered to assist the federal investigation and defended its right to get involved in the political process.

## SWAY OVER REGULATIONS

Veco's presence in Juneau is distinctive not just for its role in helping finance many campaigns but for the personal role played by Allen and several other company executives. Veco has hired top-drawer professional lobbyists in the past, as it did while pushing for a private prison between 1996 and 2002. But Allen, 69, is known for taking a personal hand in promoting his priorities, in a manner often described as gentlemanly rather than bullying.

Halcro said he got crossways with the Veco boss two days after first being elected in 1998. As House Republicans organized around two factions, Allen called to suggest Halcro side with Rep. Pete Kott in the name of party unity, Halcro recalled. Halcro said he was lining up instead with Rep. Brian Porter. He said Allen started talking about all the money he'd raised that year for the Republican Party and the help he'd given Halcro's own campaign.

"I thought, 'This guy's putting the strong arm on me,'" Halcro said. "You hear about these stories. I couldn't get off the phone fast enough."

In 2002, Allen became so involved pressing for two priority pieces of legislation that he got pinched by the state's lobbying law. In a bold display of Veco's influence, Allen's protests prompted Republican legislators the next year to overhaul the state's regulation of lobbyists, passing what opponents called "the Bill Allen bill."

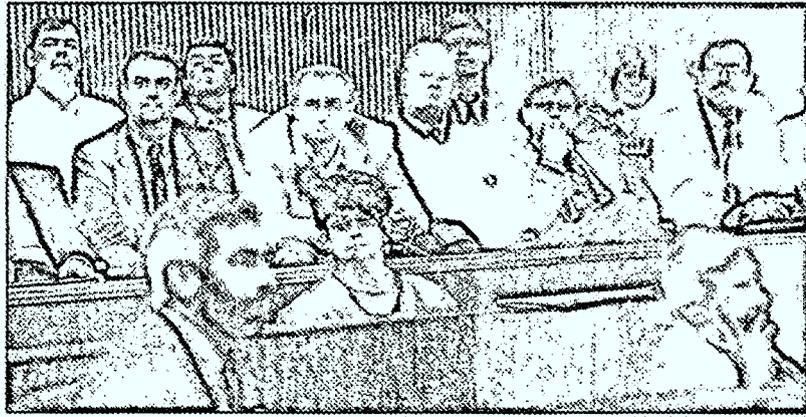
At the time, business owners were supposed to register as lobbyists if they put in more than four hours of face-to-face time with public officials over a 30-day period. The four-hour standard had been in place since 1979, according to the Alaska Public Offices Commission. Teachers, city council members and other group members on lobbying trips had an exemption known as "legislative fly-ins." No one ever complained, said APOC assistant director Chris Ellingson.

In 1996, the Legislature added a new twist — anyone registering as a lobbyist was barred from giving campaign contributions outside his or her home district. The idea was to prevent favor-seeking lobbyists from working a building full of people they'd given money to.

Allen spent a lot of time in the Capitol in 2002, pressing the Legislature to pay for a private prison in Whittier (Veco was teamed with a national prison company, Cornell, to build the project) and to authorize a property tax break for construction of a North Slope natural gas pipeline.

Allen was in the Capitol so much that APOC ordered him to register as a lobbyist. Allen protested, saying business owners looking out for their own interests should not be treated like professional lobbyists who represent a variety of clients.

Allen eventually complied, registering for 2002 and 2003 and reporting his hourly wage as \$156.25. That meant he had to forgo writing campaign checks in those years. (Not that candidates were starved for Veco money: Other company officials gave more than



ERIC HILL / Daily News Archive 1995

Veco's Bill Allen, fourth from left in the Senate gallery, listened to floor debate as the 1995 legislative session drew to a close mid-May in Juneau. Allen has not registered as a lobbyist since his protests led to an overhaul of those laws several years ago.

## Veco Corp. at a glance



- Headquarters: Anchorage
- Other offices: Bellingham, Wash.; Denver, Durango, Colo.; Rock Springs, Wyo.; Calgary, Alberta; Vancouver, British Columbia; Mumbai, India; Abu Dhabi, United Arab Emirates
- Founded: 1968
- Employees: About 5,000 worldwide, 1,200 in Alaska
- Sales: Estimated \$325 million in 2004
- Industries works in: Oil and gas, oil refining, pipelines, and terminals, power plants and systems, chemical and petrochemical, food packaging, government.
- Activities: Engineering, procurement, construction; construction management, fabrication, pipeline-integrity management.
- Owners: Allen Limited Partnership, 62%; Tammy Kerrigan Revocable Trust, 17%; Leathard Limited Partnership, 10%; Roger Chan, 6%; Bill Allen, 5%.
- Other:
  - Gov. Frank Murkowski named Veco the state's Exporter of the Year last spring
  - Prime contractor cleaning up the 1989 Exxon Valdez oil spill
  - Owns the Voice of the Times, a half-page opinion section in the Daily News
  - No. 26 on Engineering News-Record magazine's list of nation's 500 largest design firms

Sources: State of Alaska, Veco Corp., Alaska Business Monthly, Daily News research.

Compiled by BILL WIRTH / Anchorage Daily News

\$200,000 to state candidates in 2002 alone.)

Also snared by the APOC that year was David Marquez, an ex-Arco lawyer doing \$150-an-hour contract work for Veco on the gas pipeline property tax exemption. He eventually registered. Marquez is now the state attorney general, appointed by Gov. Frank Murkowski in 2005 after Gregg Renkes was forced out in an ethics scandal.

Neither the private prison bill nor the gas line tax break passed, though both came close. But the lobbyist law that annoyed Allen was doomed. Objections to the four-hour rule started to fly, with the Alaska Chamber of Commerce taking the lead in pushing for change. In its lobbying overhaul of 2003, the Legislature changed the definition of lobbyist from someone who engages in four hours of direct lobbying in a month to 40 hours.

"Why should John Q. Public be restricted that way?" Seekins, the primary sponsor of the change, said this week. "Two rounds of golf with me and you've got to be a professional lobbyist. That isn't right."

Allen has not registered since. He has resumed making contributions and hosting fundraisers. But that may change again. Voters in the August primary reversed the Legislature's 2003 changes, cutting the number of hours to define a lobbyist from 40 hours to 10 hours. The new lobbying law, approved as part of a campaign finance package by 73 percent of the voters, will be in effect by the next legislative session. FBI - Stevens-552

## GROWTH INTO POLITICAL ACTIVISM

Veco's beginnings as an oil field contractor reach back to the early 1970s after Allen, a New Mexico welder, moved to Alaska to work on Cook Inlet oil platforms. Past news accounts of the company's early years describe an unusually close relationship between Allen and the oil company Arco, which was later bought out by BP. The stories also depict a joint venture in the North Sea that fell apart when Allen's partner was banned for kickbacks of watches and boots to Phillips Petroleum contract officials.

A disastrous investment in a Houston shipyard brought Veco to bankruptcy court in 1982, but the company was reorganized with support from North Slope producers Arco and Sohio and adopted a new role of political activist. Some veteran legislators who found themselves opposed by Veco-financed candidates alleged that Veco had been set up by Alaska's oil giants to do their political work. Officials for the companies denied any collusion.

Veco started out promoting pro-development Republicans, with former Sen. Ed Dankworth helping organize leadership coalitions as Allen's lobbyist. For a decade starting in the late-1980s, with Democrats controlling the governor's mansion, Veco money flowed to both parties, though lately it has again mostly helped Republicans.

Some of Veco's campaign efforts ran afoul of the law. Veco was fined by APOC in 1985 for a scheme that funneled secret donations to certain candidates through employee deductions. In 1989, APOC investigated a \$1,000 contribution made by Allen's girlfriend. Bank records showed she had made a \$1,000 deposit and wrote the check the same day, leaving a balance of \$57.15.

Veco grew in prominence and financial strength as Exxon's main oil-spill-cleanup contractor in 1989. Allen said he used the oil-spill profits to buy the founding Anchorage Times, which he eventually closed in 1992 (preserving the Voice of the Times as a half-page editorial section within the Daily News).

In 1994, Allen was named Alaskan of the Year, sharing that year's award with former Gov. Jay Hammond. His contracting and construction work has continued to grow, with subsidiaries working in the Lower 48 and overseas. And so have his political contributions, with some \$500,000 spent on state and federal political donations since 2004.

This year, ironically, Veco's visibility in Juneau was somewhat reduced, given the crush of oil company executives and lobbyists also working on oil tax and gas-line bills; Veco had two professional lobbyists on contract, according to disclosure forms: Paul Richards and Kris Knauss. Allen and Veco vice president Rick Smith worked out of the Baranof Hotel and usually met legislators there, according to legislators from both parties.

In its statement issued Wednesday, Veco attributed the company's economic success in part to "shrewd foresight" directed at strengthening the communities where it does business. This included nurturing pro-business and pro-development attitudes and helping enhance business sectors, Veco said.

"Veco regrets if those efforts could be construed as wrong," the company said, "especially in view of the fact that the right to participate actively in the political process is something treasured by all Americans."

(Mount Clipping in Space Below)

# Successor to inherit gas deal

■ **LAME DUCK:** Plans for a special session dropped in light of primary, FBI investigation.

By **MATT VOLZ**  
The Associated Press

**JUNEAU** — It will be up to a future governor to sign a contract for a \$25 billion North Slope natural gas pipeline to Canada, Gov. Frank Murkowski's top aide said Wednesday.

This past month saw Murkowski lose his re-election bid, BP shut down part of the Prudhoe Bay oil field and federal agents raid lawmakers' offices for their ties to an oil field services company. The effects of those events have effectively dashed Murkowski's hopes to be the governor who delivers a fiscal contract with the state's largest oil companies that leads to a gas pipeline to Canada and then Midwestern markets.

Murkowski Chief of Staff Jim Clark, Revenue Commissioner Bill Corbush and others on Murkowski's gas negotiating team met with several state senators Wednesday in Anchorage. The talk no longer centered on whether to meet in a special session this fall, but how best to prepare the past two years of pipeline negotiations for the next governor.

"We described to them that we're going to work to finish it so we have a package to hand off to the next administration,"



Gov. Frank Murkowski's chief of staff, Jim Clark, said, "Obviously, things can change, but that's essentially it."

See Back Page, **SESSION**

(Indicate page, name of newspaper, city and state.)

**ANCHORAGE DAILY NEWS**

Date: **09/07/2006**  
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FBI - Stevens-553

*Continued from p. 1*  
Clark said. "It's important that we leave a road map as a transition for the next administration that comes in."

Clark tried to leave a little wiggle room for Murkowski to call a new session anyway. "Obviously things can change, but that's essentially it."

That road map includes responding to public comments made about the contract, which could be presented in

an interim meeting of the Senate Special Committee on Natural Gas Development at the end of September or the beginning of October.

It will also include new fiscal interest findings written by Corbus on whether the contract is in the state's best interests, plus the framework of partnership between the state and the three oil companies that would own the pipeline. That limited liability company

agreement is still being negotiated.

State Sen. Hollis French, D-Anchorage, participated in Wednesday's meeting. He said a new session would have been a bad idea in the wake of the FBI raid on six legislators' offices last week, with federal agents searching for any financial links to Veco Corp. and its executives.

"From my perspective, you just couldn't convene a Legislature under

worse circumstances," French said. "The public perception, and rightfully so, would be that we're operating under a cloud."

Murkowski, who was duck hunting Wednesday, leaves office in December after coming in last in the three-way Republican primary on Aug. 22. Republican nominee Sarah Palin is up against former Democratic Gov. Tony Knowles in the Nov. 7 general election.

After the election, Murkowski said he would call lawmakers back to the capital for another try at a revised contract, which would set financial terms for BP, Exxon Mobil Corp. and Conoco Phillips to tap into the North Slope's 35 trillion cubic feet of gas reserves.

Legislators have twice failed to pass bills related to the pipeline, many of them saying they saw major flaws with the terms of the contract.

FBI - Stevens-554

(Mount Clipping in Space Below)

# Veco cash too hot to handle

■ **INVESTIGATION:** As FBI search continues, some shun donations.

By LISA DEMER  
and KYLE HOPKINS  
Anchorage Daily News

Eight days after it came into public view, an FBI investigation of Alaska state legislators and possibly corrupt ties to Veco Corp. is making lawmakers, candidates and political leaders scramble.

A few candidates for the Legislature are hurriedly distancing themselves from Veco, the oil field services and construction company that has long been a big player in Alaska politics, by returning campaign contributions.

House Speaker John Harris, R-Valdez, said he telephoned the FBI asking if the agency could at least say who's not a suspect. No one called back.

And Thursday Alaska Republican Party chairman Randy Ruedrich sent a short, unusual e-mail addressed to "All Candidates."

"If the FBI should contact you and ask to interview you, it is very important that you first call our party counsel, Bill Large," Ruedrich wrote.

Ruedrich said he simply wanted Republican candidates to know they had the right to an attorney, but Large said there's more to it.

Large said he doesn't have expertise in criminal defense work — his background is in oil and gas — so over the weekend he called lawyers from around the country who are adept in federal criminal cases.

He said he learned the government sometimes will give witnesses "a non-subject" letter that explains they are not a subject or target of the investigation.

If any Republican candidates are contacted by the FBI, Large said, he wants to make sure they know they can ask for that written assurance, that they can be represented by a lawyer, and that they don't have to talk at all. But the message isn't to keep quiet, he said, just that they

See Back Page, VECO

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

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Continued from A-1

know their rights and options. He said he wouldn't ask legislators what they'd talk to the FBI about. He wouldn't represent them but he could help them find an attorney.

So far, the FBI has conducted searches on offices of six sitting legislators. Others have been interviewed by the FBI. Some have said they were assured they were not a target but Large doesn't know that any sought "non-subject" letters.

"I think the general perception is, you get interviewed and, oh man, why would they be talking to them unless they did something wrong," Large said.

The letter gives political protection and maybe legal protection too, Large said.

"You'll notice that lots of folks were just talking to the FBI, talking to the cops," he said. "I watch 'Law and Order.' So I'm thinking, well I don't know that's the best thing to do is or that's the right thing to do." People can get themselves in trouble even if they're not guilty, he said.

An FBI spokesman, Eric Gonzalez, said he couldn't comment on the e-mail but said generally there's no problem with someone giving advice.

So far, Large said, no one has contacted him as a result of the e-mail but one lawmaker did earlier in the week before it was sent.

State Rep. Jay Ramras, R-Fairbanks, said when the FBI asked him to come in for an interview a few days ago, he turned to Large.

"I sought some legal advice about the nature of this because it is pretty serious to be called by the FBI," Ramras said. Large told him about the non-subject letter, and Ramras asked the FBI agents for one. The FBI agents checked with the U.S. Justice Department, then told him they wouldn't issue one but didn't really need to talk to him either.

66  
*I'm not interested  
in participating in  
something that could  
injure my good name.*

— Rep. Jay Ramras

"I'm certain I'm a million miles away from being a subject of an investigation," Ramras said. But Ramras, who faces no opposition in November, wanted an assurance that he could show others.

Ramras said he wants no part of what he called a "McCarthyism" interview process.

"If it's just a fishing expedition, I'm not interested in participating in something that could injure my good name," he said. He said he is segregating six \$500 campaign contributions from Veco executives but hasn't decided what to do with the money.

Another Republican legislator, Rep. John Coghill of North Pole, said he was interviewed Wednesday by the FBI.

Coghill, the majority leader, said he figured the FBI will eventually question the "whole leadership." He said he didn't hesitate to sit down with the agents in the federal building in Fairbanks, but told them he'd walk out if they "tried to lead me into something." He hadn't seen Ruedrich's e-mail but thought that a non-subject letter might be helpful for some. He didn't think he needed it, though.

The FBI wanted to know if Veco had ever offered him or his wife a job, or asked him to vote a certain way or put in certain amendments, he said.

Nothing happened that was out of line, he said. Veco certainly lobbied him,

he said, but nothing that he considered "quid pro quo," nothing that went beyond a professional business relationship.

Coghill said he's not returning five \$500 contributions from Veco executives because he's done nothing wrong.

"My record's clear," he said.

"I didn't feel any pressure, except I knew what they wanted," said Coghill. "It certainly helps their access to me.

... But it doesn't put me under any obligation." The new petroleum profits tax was the big issue, and he said he voted for a higher tax than Veco wanted.

Some political candidates aren't waiting around to see if anyone gets in trouble. They say they're giving back recent Veco-related donations. And there may be others in the give-back group.

Republican lieutenant governor candidate Sean Parnell returned two \$500 checks that Veco officials gave him in August, he said Wednesday when returning a call about Veco contributions.

"I'm making no judgment regarding the outcome of the current investigation," he said, but added that as a candidate, he is held by the public to a higher standard.

"I can best meet those standards of public trust and transparency by returning the contributions," he said.

On Friday, Republican House candidate Jeff Gonnason, who's running against Democrat Rep. Harry Crawford in East Anchorage, sent out a press release announcing he was giving money back too. Gonnason said he returned six \$500 checks he received from Veco officials late last year.

He said that he didn't want the donations to be a distraction in the campaign, but that no one from Veco ever contacted him or implied strings were attached to the money.

"The checks just showed up in the basket," he said.

Another Republican contender for state House in East Anchorage, Matt Moon, said he also returned six \$500 donations from Veco officials, as well as a donation from Senate President Ben Stevens, one of the six lawmakers whose offices were searched.

No one from Veco ever implied or stated that something was wanted in return for the money, he said when called by the Daily News Friday afternoon.

"My returning their campaign donations is not personal, nor is it an opinion of guilt versus innocence," he said. "But I have promised to myself and to my voters that I do not want to engage in any unethical behavior, even if it's only perceived."

Moon, running against Democrat Max Gruenberg, said the anti-incumbent sentiment he noticed among voters this year only seemed to solidify once the investigation became public.

The other legislators served with search warrants are Sen. John Cowdery, R-Anchorage; Sen. Donny Olson, D-Nome; Rep. Pete Kott, R-Eagle River; Rep. Vic Kohring, R-Wasilla; and Rep. Bruce Weyhrauch, R-Juneau.

Coghill is one of at least four other lawmakers who have been interviewed by the FBI.

The investigation "clouds and muddies the water for those who are running for office," said Harris, the House speaker. He wanted the FBI to clear the names of those who aren't implicated. Otherwise, he said, "the public thinks everyone is guilty."

He hasn't been interviewed but said he'd "absolutely" talk to the FBI.

"To me, if you didn't say anything, if you kept your mouth shut, that's probably worse than talking," Harris said.

■ Daily News reporter Lisa Demer can be reached at ldemer@adn.com or 257-4390. Reporter Kyle Hopkins can be reached at khopkins@adn.com or 257-4334.

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 09/10/2006  
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IS VECO INFLUENCECharacter:  
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# That flushing sound is Veco influence

Republican Party chairman Randy Ruedrich responded to the FBI raid on Veco and the Legislature by telling the ADN, "Jumping to conclusions is totally inappropriate."

Randy, baby, here's a conclusion I'm leaping to right here in print: You're finished in Alaska politics — and so are your pals at Veco, including Bill Allen.

The Republican Party won't be able to stand the stench coming from Veco headquarters. The smell already has reached Seattle where Republican Senate candidate Mike McGavick returned the \$14,000 Veco raised for him.

That ripping sound you hear in the background is Alaska's Republican elite tearing up invitations to Veco fundraisers.

For the rest of this election cycle, Randy, you and your Republican friends are going to play a little game of "Survivor" — and you and Allen will be the first players tossed off the island.

I know, somewhere in this column it is necessary to make the obligatory concession: Nobody has been arrested, nobody has been convicted, nobody has gone to jail.

But we don't have to wait until the FBI has the Corrupt Bastards Club perform the perp walk in orange suits before commenting on Veco's influence in the Legislature.

Everybody in the capitol building knew Veco's money bought the company exceptional access to lawmakers. Everybody in the building knew many lawmakers, mostly Republicans, were inordinately dependent on Veco dollars for their campaigns. Everybody in the building knew Veco wanted to make the state lob-

**MICHAEL  
CAREY**

COMMENT



bying laws less restrictive so corporate officials could report less of their activities. And succeeded when subservient lawmakers passed a measure known as "the Bill Allen bill."

I watched part of the process that produced the Allen bill and saw something I had never seen in more than 30 years of first-hand experience with the Legislature.

Ralph Seekins of Fairbanks, chairman of Senate Judiciary, conducted a committee hearing on the bill. The committee was gathering information. Not much transpired during the afternoon.

A couple hours after the hearing, I was in the bar of the Baranof Hotel, waiting for a friend. Seekins, Bill Allen and several men I didn't know sat down at a nearby table. They began talking about the hearing and began laughing. Laughing at the hearing. Laughing at the lobbying law.

Where does such arrogance and indifference to watching eyes come from?

It is well known — we have all had the experience — that while we go through life observing others, we like to pretend others are not observing us, our behavior does not give away our real intentions.

*It never occurred to them anyone would see them for who they are — let alone the FBI — and they never saw themselves for who they are. Self-awareness was beyond their grasp.*

Bill Allen, Veco and their legislative allies became so powerful in Juneau, so influential in the Capitol, they not only aspired to omnipotence but invisibility.

It never occurred to them anyone would see them for who they are — let alone the FBI — and they never saw themselves for who they are. Self-awareness was beyond their grasp.

The same thing with those lawmakers who called themselves the Corrupt Bastards Club — and probably gave the name to a book that will be written about this scandal. These blockheads thought they could have a laugh over allegations that they were in Veco's pocket. Who would notice and have the power to call them to account?

For years, our friends in Juneau have insisted they are tough on crime — just throw another pot smoker in jail and we'll all be safer. Well, we're about to find out what happens to those who get stoned on arrogance and suffer the illusion — as those loaded often do — their behavior will be neither noticed nor questioned.

■ Michael Carey is the former editorial page editor of the Anchorage Daily News. He can be reached at mcarey@adn.com.

(Mount Clipping in Space Below)

## OUR VIEW

# It's up to the voters

*Big money taints politics  
because Alaskans let it happen*

**A**laskans can only speculate what the FBI knows and what it is looking for in its probe of oil field services and construction company Veco Corp. Federal agents aren't talking about their search warrants, about any possible civil or criminal charges, or about what led them to undertake such a coordinated investigation into Veco's financial dealings with Alaska legislators.

But that shouldn't stop the public — and legislators — from admitting the obvious: Big-money contributors have too big a role in Alaska politics. It taints the entire legislative process and undermines the credibility of public officials.

This is the year to demand that our elected officials start repairing the damage. What better time than an election to push for change. And those who refuse to help should lose their election in November.

Not convinced there are problems? Look at just a few examples.

The four Veco executives named in the FBI warrants contributed almost \$1 million to state and federal campaigns nationwide over the past decade — all on behalf of candidates favorable to the company's agenda. Almost a

quarter-million dollars went to state races in Alaska between 2004 and last month's primary election. More than \$80,000 went to Republican legislative candidates or the Alaska Republican Party this year alone.

With so much at stake in oil and gas legislation, no wonder Veco executives are so quick to spend the money they earn at the office. And with big money like that floating around, no wonder the public is cyni-

cal and skeptical, even if the contributions are legal.

Meanwhile, Veco has been paying legislators for consulting work, the most notable being Senate President Ben Stevens. The Anchorage Republican, who is not seeking re-election this year, has received \$252,000 from the company for consulting work since 2001. But the senator refuses to say what he did for the money, and the law doesn't require him to do so. Hiding behind the law may be a good legal defense but it's lousy public policy.

*Our elected  
officials  
should start  
repairing  
the  
damage.*

(Indicate page, name of newspaper, city and state.)

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And, separate from Veco, there is Gregg Renkes, who while attorney general to Gov. Frank Murkowski negotiated a coal deal involving the state and a company in which Mr. Renkes owned more than \$100,000 of stock. The attorney general resigned in 2005, after enduring months of criticism for ignoring the serious conflict of interest between his state job and his personal finances.

Solutions to these last two problems have been before legislators for the past couple of years, with no progress. It's time to act.

The Legislature should pass a law that requires all lawmakers to provide details of how they earn money in their off-hours. Simply listing the magic word "consultant" is not enough; the public deserves to know what legislators do, the issues they work on and how they are paid.

Next, legislators should adopt a specific limit on how much financial interest a public official may hold in a company involved in a state issue or contract. Existing law sets no dollar limit. Legislators need to fix that ethical hole in the levee immediately after getting back to work in January.

Until then, the public should demand of every legislative candidate a pledge to pass a tight dollar limit on conflicts of interest and full disclosure of legislators' outside earnings. They should demand that every candidate for governor promise to sign such legislation.

As for whether big donors have too much of a role in Alaska politics: Campaign money buys access and influence. It often puts donors ahead of the public. At least the law requires full disclosure of contributors. That way, voters can choose the best candidates by the company they keep.

**BOTTOM LINE:** Alaska can clean up its act, if voters are willing to demand it.

194A-AN-13620-PROD  
FBI - Stevens-559

(Mount Clipping in Space Below)

ADN 9/12/06

# FBI case managed from D.C.

■ **EXCLUDED:** Investigations of officials often recuse a local area's U.S. attorney's office.

By RICHARD MAUER  
Anchorage Daily News

WASHINGTON — The federal investigation that erupted with fury 10 days ago with searches of a half-dozen Alaska legislative offices is being managed independent of the Alaska U.S. Attorney's office, a U.S. Justice Department official said Monday.

"The whole office is recused," Justice Department spokesman Bryan Sierra said.

Instead, the wide-ranging investigation is being overseen by attorneys from the Justice Department's Public Integrity Section in Washington, D.C., Sierra said.

The Public Integrity Section has about 25 attorneys, a team that often lives out of suitcases in pursuit of corruption cases as far away as Guam. They've prosecuted petty thefts by sheriff's deputies, the massive frauds of Enron and the high-profile corruption case of Jack Abramoff.

Sierra wouldn't say why the Alaska office wasn't allowed to participate in the case or how many lawyers from Washington were assigned to it. But the case is even off-limits to Nelson Cohen, the new U.S. Attorney for Alaska who just arrived last month from Pittsburgh, he said.

194A-AN-13620-Press  
See Back Page FBI

(Indicate page, name of newspaper, city and state.)

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FBI - Stevens-560

# FBI: Integrity Section investigated Abramoff, Enron

Continued from A-1

Sierra said it's not unusual that the local U.S. Attorney's office will recuse itself from a sensitive corruption case and wall off its legal, public relations and even clerical staffs from the investigation and prosecutions. Sometimes one or two assistant U.S. attorneys might still be assigned to work with the Public Integrity attorneys, but Sierra said he didn't know if that was the case in Alaska.

FBI agents from Alaska are lead investigators, working the case alongside the prosecutors from the Public Integrity Section, said Eric Gonzalez, spokesman for the FBI in Alaska.

The investigation is being run out of the FBI building on East Sixth Avenue in downtown Anchorage.

If it's anything like the Enron case, Sierra said, the investigation has taken over a sizeable chunk of the FBI building.

Dozens of extra FBI agents were brought in from Outside to execute about two dozen search warrants when the first raids started at legislative offices and elsewhere Aug. 31. After the initial round of searches and interviews, the Outside agents



FOR LINKS to the FBI Anchorage office and Department of Justice Integrity Section, go to

[www.adn.com/veco](http://www.adn.com/veco)

were sent home, Gonzalez said.

Authorities won't release any particulars, including how many FBI agents remain on the case, Gonzalez said. Other agencies also are involved, including the IRS.

While officials say little, the warrants target the relationships between legislators and the oil field service and construction company, Veco. The company, which has long been generous with campaign donations at the state and federal levels and lobbying in Juneau, has gone so far as to hire sitting legislators, including Senate President Ben Stevens, R-Anchorage, the son of Alaska's powerful U.S. senator, Ted Stevens.

In disclosures he was required to file as a legislator, Ben Stevens has reported that Veco paid him \$252,000 over the last five years to serve as

a consultant, including \$37,000 in 2005. Neither Stevens nor Veco has described what he did for the money. Stevens is one of six lawmakers whose offices were searched Aug. 31.

Perhaps a year ago, the FBI began collecting campaign and other publicly available financial disclosure records on selected legislators, said Brooke Miles, executive director of the Alaska Public Offices Commission. As she remembers it, agents then came back at the beginning of this year for campaign reports and financial disclosure records on all legislators.

Created in 1976, the Public Integrity Section has a number of jurisdictions. It investigates election fraud, misconduct by federal judges and corruption of elected officials.

U.S. Attorney offices prosecute corruption cases, too. The Alaska office prosecuted a dozen officials, lobbyists and businessmen in a massive kickback scandal in the North Slope Borough in the 1980s.

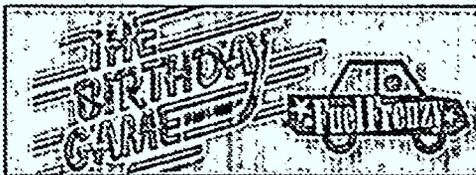
But the position of U.S. attorney is a political appointment headquartered in a local jurisdiction, so the Justice Department will sometimes

assume control over cases involving powerful local figures.

"Public corruption cases tend to raise unique problems of public perception that are generally absent in more routine criminal cases," the Public Integrity Section wrote in its 2004 report to Congress, explaining why U.S. Attorney's offices are sometimes recused.

"An investigation of alleged corruption by a government official, whether at the federal, state or local level, or someone associated with such officials, always has the potential to be high-profile, simply because its focus is on the conduct of a public official. In addition, these cases are often politically sensitive, because their ultimate targets tend to be politicians or government officials appointed by politicians. A successful public corruption prosecution requires both the appearance and the reality of fairness and impartiality."

Daily News reporter Richard Mauer can be reached at [mauer@adn.com](mailto:mauer@adn.com) or 1-202-383-0007. Daily News reporter Lisa Demer contributed to this story.



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#### More on money

Posted: September 12, 2006 - 8:42 pm

Daily News reporter Lisa Demer talked to Senate hopeful Earl Mayo today about Veco, but first, it's probably worth getting on the record that David Dittman says he hasn't heard a thing from the FBI.

He was actually kind of hoping to be questioned, to see what they were interested in, he said. "Then someone said, 'Oh no you don't.'"

Anyway, back to Mayo. Lisa writes:

Earl Mayo, the How How restaurant owner and Republican who is running for the open Senate seat in East Anchorage, on Tuesday became the latest candidate to announce he doesn't want Veco money. He said he returned six, \$500 checks in contributions from Veco executives last week.

"I am not saying they have done anything wrong at all," Mayo said. No one from Veco ever approached him about wanting anything. But "if there is any impropriety in it, we don't want it." He said he was following the advice of his campaign consultants, Marc and Jean Hellenthal.

The FBI is investigating Veco Corp. and its possibly corrupt relationships with lawmakers. Mayo said the FBI questioned him but he didn't want to discuss what agents talked with him about and said he didn't know anything anyway.

"As far as I know, I'm not suspected of anything. I am not in power. I am not in a position to give favors," Mayo said. Even if he beats Democrat Bill Wielechowski in November and becomes a senator, he won't be one to cater to special interests, he said. "I am 75 and I'm not going to change."

On Sept. 5, we reported that Hellenthal was among the people interviewed by the FBI.

Darwin Peterson today said he hasn't been contacted by investigators.

## The Trail



A blog on the 2006 Alaska governor's race



Kyle Hopkins

About the blog: The race to become Alaska's next governor is on and it's about to get muddy. Grab your boots and follow the Daily News along the winding campaign trail.

Contact: thetrail@adn.com

#### ARCHIVE

- Abortion letter - 9/19/2006 12:31 pm
- Not today - 9/19/2006 12:30 pm
- Baloney patrol - 9/18/2006 6:42 pm
- F-bomb (UPDATED, Palin response) - 9/15/2006 6:15 pm
- Not so fast - 9/15/2006 6:13 pm
- Petroleum Club - 9/14/2006 8:40 pm
- New lineup - 9/14/2006 5:51

FBI - Stevens-562

m-284

If you read the post that includes his e-mail and letter to Bill Allen -- his comments are similar to Matt Moon's quotes about why he returned Veco money.

Why is that? Peterson said Hellenthal is a political consultant for them both.

[add new comment](#)

#### Palin and Veco

Sarah Palin got thousands of dollars in Veco contributions the last time she ran. Tony Knowles did not. Enough said.

new alaskastraighttalker | September 14, 2006 - 12:27pm

[reply »](#)

#### Coming to a blog near you by Mike Doogan

Until May 1994, Knowles was just another liberal Democrat with ambitions. Then -- in an essay in the Voice of the Times, owned by Veco chairman Bill Allen -- Knowles sided with the oil industry in a tax fight with the state. Soon after taking the oath of office, he made a tour of oil capitals, accompanied by Allen.

During Knowles' first legislative session, he pushed through a bill that allowed oil companies to pay less for leases, a benefit for BP. This session, he's pushing a deal that would lower BP's payments on Northstar.

In 1995, almost all of the \$45,000 that Arco, Veco and BP gave to the Democratic Party was paid at the time of Knowles' inauguration, a midsummer fishing trip fund-raiser for Knowles, or a December fund-raiser for a fund that Knowles uses to pay personal and political expenses. Last year was the first time in the 1990s that any of the companies gave more money to the Democratic Party than to the Republican Party. That company was BP.

What is the relationship between all Knowles' effort and all the companies' money?

"For too long, Alaska Republicans have managed to extract the majority of campaign dollars from the oil industry," said Bob King, Knowles' press secretary. "Alaska's political chemistry changed last year when Democrats led the way in keeping the industry healthy. Hopefully, voters will also appreciate what the industry has come to know when election time comes around."

From the companies' point of view, the campaign contributions are good investments. If you were BP, wouldn't you invest \$350,000 if what you got in return was \$100 million? When you're dealing in those sorts of numbers, even Arco's \$750,000 seems like chump change.

But not to the politicians. To them, it's a lot of money. That's one reason legislative Republicans are trying to pass their bill and block Knowles' bill, and vice versa. Each side wants the credit. Of course, they've got the perfect compromise. Pass both bills. That way the companies get everything they want. And the money keeps flowing.

<http://www.adn.com/legislature/opinions/doogan/story/2460663p-2508547c.html>

Doogan was always a talkative kinda guy.....

How far back can the FBI investigate?

new tlamb99503 | September 14, 2006 - 11:04am

[reply »](#)

pm

Tea leaves - 9/13/2006 6:34 pm.

Mat-Su mega-prison - 9/13/2006 11:36 am

More on money - 9/12/2006 8:42 pm

\*Moses\* - 9/11/2006 1:30 pm

Well hello... (UPDATED) - 9/11/2006 11:01 am

Another Veco return - 9/9/2006 8:05 pm

Their sources must be better than mine - 9/9/2006 2:47 pm

Today was a print edition day - 9/8/2006 9:33 pm

So ... - 9/7/2006 7:57 pm

Parnell - 9/6/2006 4:51 pm

(UPDATED: Read the search warrant) - 9/6/2006 4:16 pm

It was only a matter of time - 9/5/2006 8:20 pm

Pay back - 9/5/2006 2:10 pm  
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FBI - Stevens-563

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**liberal democrats**

don't get elected in States like Alaska. Veco gave \$45,000 to the democratic party? That figure seems awfully high, especially since democrats are and have always been ever since I could remember, the minority party. How much did Veco give to the republican party? I'm curious. You refer back to a time when oil was \$9 a barrel. What other companies benefited from the bill you say Knowles "pushed through?" Not just BP. If companies pay less for a lease doesn't that create an incentive for them to develop? Was there a better way back then?

new opal | September 14, 2006 - 10:33pm

reply »

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**follow the money**

the reason they gave it to the democratic party was because VECO had limited out on individual contributions to Tony and they needed the party to launder the money. You can give up to \$25k to the party and they can then funnel it to the candidate for governor up to \$200k. What did VECO get for their money? truthseeker will have to go on the net and see what she can find. Haven't looked up the new law just passed by initiative but I believe it reduces the amount you can give to the party and that the party can give to the candidates. That law will not take effect until after the general election but it is a good thing.

new truthseeker | September 15, 2006 - 8:59am

reply »

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**correction**

In 1998 and in 2006 companies were not allowed to give money to candidates or the Democratic Party. I believe the rule then and I know the rule now is that the contribution level to parties is \$10K per individual. My recollection from 1998 (my memory isn't 100%) is that the TK/FU campaign got far less than \$200K from the Party. In fact it was probably \$50K or less.

thanks.

new leslie | September 15, 2006 - 10:50pm

reply »

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**You seem to have it all figured out**

Not! Veco needed the democratic party to launder the money for Knowles??? Are you listening to what you are saying? The FBI would have showed up a long time ago if there were any truth to what you are suggesting. Veco doesn't support Knowles. You obviously didn't read the Veco Times editorials bashing him over, and over, and over again when he ran for Senate...Veco hates him because he supports Labor Unions, PLA's and is against Right to Work legislation.

new opal | September 15, 2006 - 6:15pm

FBI - Stevens-564

reply »

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**And to this I would say**

There was approximately one vitriolic VOT editorial per week against Tony Knowles in 2004. Combined with the 2003 attacks, it probably added up to over 70 editorials. That's no way to treat someone you "support."

new leslie | September 15, 2006 - 10:53pm

reply »

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**That was then, this is now...**

Check out this fundraiser:

<http://republicanmoderate.blogspot.com/2006/09/look-how-fast-dirty-money-finds-new.html>

new marty2 | September 16, 2006 - 4:58am

reply »

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**Bill Allen Knows 1000's of People**

That makes them all suspect? Please. Even I know Bill Allen. And believe me, I'm not going to prison soon. At least not for that.

new akpoliticalanimal | September 16, 2006 - 6:51am

reply »

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**A closed primary vent**

I know this is off topic and you probably discussed this way back at the time of the primary, but just wanted to get it off my chest. The closed primary isn't making sense to me and just seems wrong. I had to choose the non-R ballot to vote for my representative, but my first choice for Governor wasn't on the ballot I had to use. I understand why the R's pushed the issue and I think it has even withstood legal challenge - but it still ain't right. I won't vote down some party line - I want the best person in office and that has little to do with party affiliation in my book.

new rkniaziowski | September 13, 2006 - 1:54pm

reply »

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**To solve your problem,**

To solve your problem, perhaps there shouldn't be a 'primary'. The primary is designed to allow each of Alaska's political parties, i.e. Ds Rs, RMS, AIPs, Gs, etc. to designate their Party's candidate for office. Having you vote in a party's primary without being a member is like having Joe Torre of the Yankees decide the starting lineup for the visiting Red Sox.

new akjack | September 14, 2006 - 12:03pm

reply »

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**Less is good**

One good thing about all the VECO money being returned is that there will be less money for political advertising. Yeah!!!

By they way...full disclosure. I was on the VECO payroll for about 2 months during the Exxon Valdez oil spill cleanup. Was anyone else on the beach crew in Chignik that summer?

new marty2 | September 12, 2006 - 10:24pm

reply »

FBI - Stevens-565

(Mount Clipping in Space Below)

ADN 9/12/06  
**Sponsors file petition**

**for gaming commission vote**

By **MATT VOLZ**  
The Associated Press

**JUNEAU** — The sponsor of a plan to create an Alaska gaming commission says he turned in enough signatures to the Division of Elections on Monday to place an initiative on the 2008 ballot.

Darwin Biwer, who owns the Anchorage bar Darwin's Theory and leads a group called Alaskans for Gaming Reform, said he delivered 50,405 signatures to the division.

"It took a year and \$100,000, but we jumped through all the hoops," he said.

The initiative would create a commission to regulate gaming in

Alaska. Gaming is now overseen by the Department of Revenue and involves nearly two dozen games of chance and contests of skill from ice classics to bingo and pull-tabs.

The commission would be able to expand gambling in the state, although Biwer said that is not his aim.

"This is Alaskans for Gaming Reform, not Alaskans for Gaming Casinos," he said. "The gaming commission would have the authority to administer, monitor, authorize and enforce all gaming activities. Right now, there is no enforcement."

(Indicate page, name of newspaper, city and state.)

**ANCHORAGE DAILY NEWS**

Date: 09/12/2006  
Edition: TUESDAY

Title: SPONSORS FILE PETITION FOR GAMING COMMISSION VOTE

Character:  
or  
Classification: 194A-AN-13620-M - 285  
Submitting Office: Anchorage

Indexing:

## **GAMING:** 2008 ballot initiative goal

*Continued from B-1*

Earlier this year, a legislative task force made up of lawmakers and state residents recommended against establishing a gaming commission. Among the reasons cited by the task force members was that it would present an opportunity to expand gambling in Alaska and that problems with the industry could be addressed through changes in laws and regulations.

The head of the task force, Rep. Tom Anderson, R-Anchorage, disagreed with the decision. He wrote in a March 30 letter accompanying the report that "pervasive fallacies exist about the status and future of gaming in Alaska" and endorsing a new commission does not equal an endorsement of gaming.

Biwer said he was not put off by the task force's recommendations. The Legislature will have two

sessions to pass a bill similar to his initiative if lawmakers want to keep it off the ballot, he said.

To be placed on the 2008 primary election ballot, the petition had to receive 31,451 signatures from voters, or 10 percent of the turnout of the last election.

Plus, the signatures had to come from three-quarters of the state's 40 House districts instead of two-thirds. Within each of those districts, petitioners must gather signatures from at least 7 percent of those who voted in the last election for that district to count in the total.

Biwer had a deadline of Monday to turn in the signatures.

Kelly Cyrus, the division's elections administration supervisor, said division officials will review and verify the signatures within the required 60 days.

(Mount Clipping in Space Below)

# Moses says Veco didn't buy his vote

ANU 9/12/06

**■ DONATION:** The ailing Democratic legislator, whose campaign got \$3,000, broke an impasse.

By **MATT VOLZ**  
The Associated Press

**JUNEAU** — Days before an ailing Rep. Carl Moses flew from Anchorage to cast the deciding vote on a contentious oil and gas tax bill last month, six Veco Corp. executives contributed \$3,000 to the Unalaska Democrat's campaign.

Four of the six executives have been linked to an FBI investigation that resulted in raids of six legislators' offices Aug. 31.

Moses, contacted Monday in Unalaska, denies that the Veco campaign contributions had anything to do with his vote and said his name has not previously been connected with the FBI raids.



Moses

"Don't worry; I'm squeaky clean," Moses said. "I don't accept contributions on that basis."

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 09/12/2006  
Edition: TUESDAY

Title: MOSES SAYS VECO DIDN'T BUY HIS VOTE

Character:  
or  
Classification: 194A-AN-13620-M - 286  
Submitting Office: Anchorage

Indexing:

## MOSES: Tax bill seemed doomed

Continued from A-1

One of the 20 search warrants executed in the FBI raids links the investigation to the tax bill passed last month by the Legislature and the draft natural gas pipeline contract proposed by Gov. Frank Murkowski and BP, Exxon Mobil Corp. and Conoco Phillips.

The warrant called for seizure of documents concerning any payment, contracts, agreements, gifts or employment provided by Veco or company executives Bill Allen, Rick Smith, Peter Leathard and Roger Chan.

Moses said Monday that he has not talked to or been contacted by the FBI.

On Aug. 2, Allen, Smith, Leathard, Chan and Veco personnel manager James Slack each contributed \$500 to Moses' campaign, according to Alaska Public Office Commission records. Then, on Aug. 7, Thomas Corkran, Veco's chief information officer, donated \$500 more.

Veco, an oil field service company and a major political player in Alaska, typically supports Republican candidates. The contributions to Moses are among the only donations company executives have given to a Democrat this election year.

Moses faced his stiffest competition in years in a primary election that still hasn't been decided. The outcome of the race between him and Bryce Edwards is still too close to call and appears headed toward a mandatory recount by the Division of Elections.

Veco and Allen, the company's chief executive, supported the net-profit production tax plan proposed by Murkowski, but it faced major opposition in the House of Representatives. Twice before, the tax plan had been rejected. Some lawmakers disliked the structure of a tax based on company profits, some thought the tax rate was too low and others thought it was too high.

On Aug. 10, the bill seemed doomed again. It was the final day of the second special session, when the House failed by a single vote to gather the 21 votes needed to pass the measure. The only legislator missing was Moses, who was recuperating in Anchorage from a pinched nerve.

A lengthy recess was called while Moses boarded a plane and flew to Juneau.

The state paid for the flight, Moses said. He said Sen. Lyman Hoffman — a Democrat who represents the same area — called and asked him to come down for the vote.

That night, the House reconvened and passed the bill. The final vote was 26-14, with several legislators changing to yes votes after realizing the matter had been decided.

Moses said he had a big stake in that vote: funding for a new school in New Stuyahok and millions in power-cost-equalization fund money were tied to passage of the production tax bill.

With the exception of Rep. Richard Foster, D-Nome, all members of the Democrat-heavy House Bush caucus voted for the measure, with the rural fuel cost subsidy a major incentive.

Moses said he does not plan to return the Veco executives' campaign contributions, as some other candidates have already done.

"I don't have a guilty conscience," he said.

Moses said he thinks he received the checks in the mail and said he doesn't recall what prompted the donations. "They were just offered to us," he said.

Meanwhile, a retiring legislator who received tens of thousands of dollars in consulting fees from Veco has not responded to reporters' inquiries about those fees for nearly two weeks.

Rep. Tom Anderson, R-Anchorage, received \$30,000 in consulting fees from Veco between 2003 and 2005, according to APOC filings.

Anderson and Senate president Ben Stevens, R-Anchorage, are the only two legislators to report consulting fees from Veco in that time.

Stevens, the son of U.S. Sen. Ted Stevens, has reported making \$252,000 from the company since 2001, including \$57,000 last year.

Stevens' office was one of the six raided; Anderson's was not.

A review of Anderson's financial disclosures filed with APOC shows that Anderson was paid consulting fees on three occasions by Veco totaling \$30,000: "election/proposition research," "consultation on Russian business endeavor" and "consulting on community council and government affairs."

Legislators are not required to detail the work they do for their consulting fees.

Anderson's wife, Republican Rep. Lesil McGuire of Anchorage, is running for the Senate seat Stevens is vacating.

Anderson has not returned messages left by phone and e-mail since the raids took place. A legislative aide to McGuire said Monday that McGuire and Anderson were on vacation out of state and could not be reached for comment. Stevens also has not returned repeated calls.

Department of Justice spokesman Bryan Sierra said he could neither confirm nor deny that Anderson and Moses are part of the FBI investigation.

"We're not confirming any details of the investigation at this point," Sierra said.

Veco has largely been silent on the investigation. The company's only public statement came last week in a press release denying that the company had participated in anything improper or illegal.

■ Daily News reporter Kyle Hopkins contributed to this story.

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

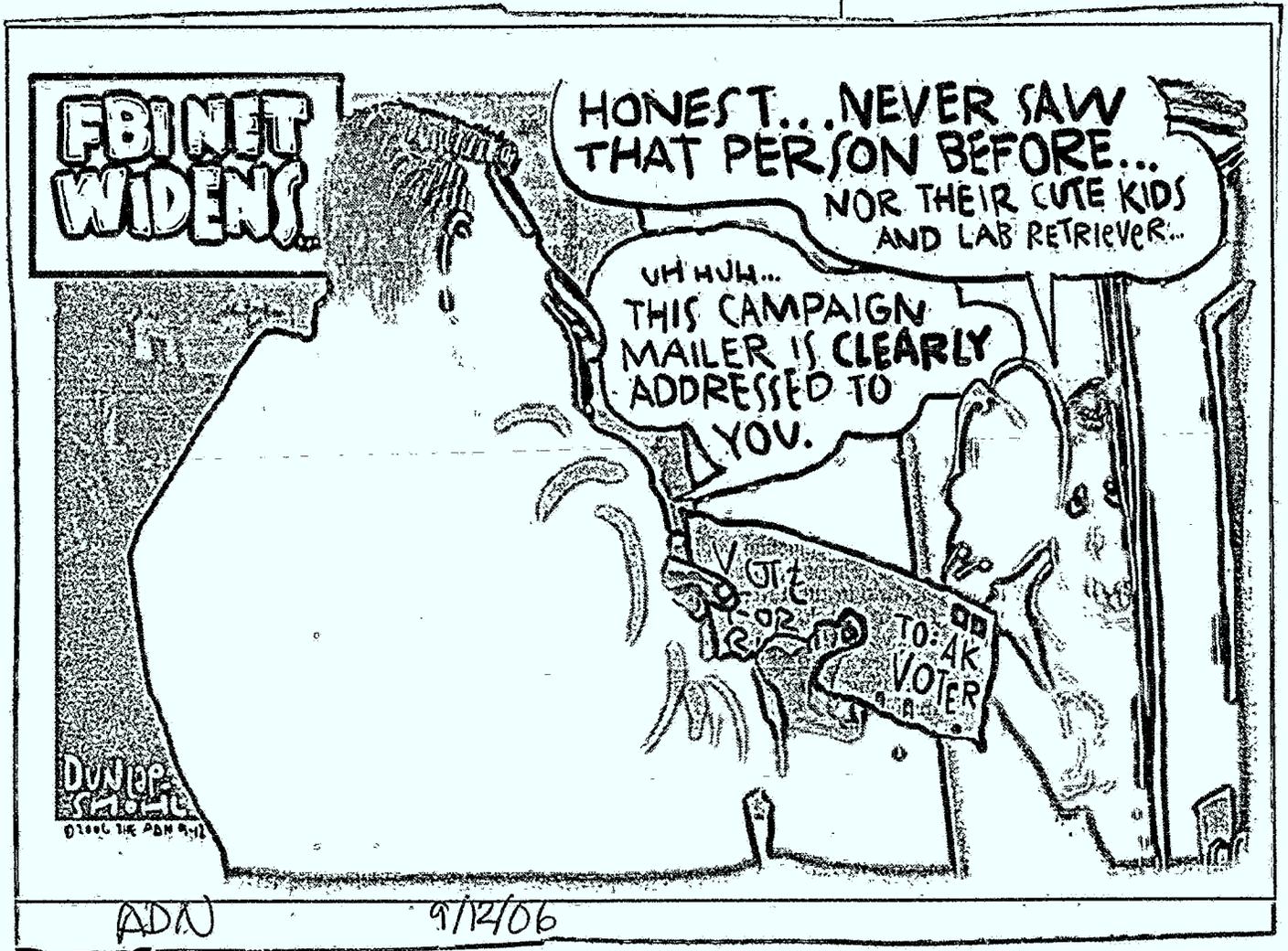
(Mount Clipping in Space Below)

Date: 09/12/2006  
Edition: TUESDAY

Title: FBI NET WIDENS

Character:  
or  
Classification: 194A-AN-13620-M - 287  
Submitting Office: Anchorage

Indexing:



(Mount Clipping in Space Below)

**OUR VIEW**

# Campaign disclosure

*Alaskans have right to know who's influencing reserves tax vote*

**A**laska's Future is exploiting a weakness in state campaign disclosure laws as it fights the natural gas reserves tax on the Nov. 7 ballot. The group has spent at least \$33,853 urging voters to defeat the tax but says it doesn't have to follow disclosure rules that normally apply to groups fighting a ballot measure. The group says it can keep its donor list secret and not report details on its expenses because it is not a group whose "major purpose" is securing or defeating a ballot initiative.

That means Alaska's Future is so well-heeled that its \$33,000 expense is not "major." It means Alaska's Future is such a busy organization that its anti-reserves tax advocacy is just one of many activities. It means that prior to spending the \$33,000, Alaska's Future had hundreds of thousands of dollars in other money spent on other purposes.

It means no one from the group went out and solicited money, saying, "Give it to us and we'll use it to fight the reserves tax initiative." It means no one gave money with the understanding it would be used to fight the tax. It means a BP official misspoke when he told a reporter the company had given money to Alaska's Future to fight the initiative.

To claim the campaign disclosure exemption, the people running Alaska's Future must have complete discretion about whether to spend any donation on fighting the reserves tax. It means everyone who gave to the group would have been content if Alaska's Future didn't utter a peep about the reserves tax vote, but used it to, say, urge development of the Pebble mine or ANWR or the gas line.

Alaska's Future may be what it claims to be — a group of young Alaskans who raise lots of money to promote a pro-industry view on oil, gas and other development issues.

There may be a good explanation why half its board of directors are members of a Washington, D.C., law and lobbying firm whose clients include major oil companies.

There may be a good explanation for why the group's routine business is handled by a prominent Alaska Republican political consultant.

There may be a good explanation why the group's official office location in Anchorage never seems to be used.

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 09/20/2006  
Edition: WEDNESDAY

Title: OUR VIEW: CAMPAIGN DISCLOSURE

Character:  
or  
Classification: 194A-AN-13620-M - 288  
Submitting Office: Anchorage

Indexing:

It may be mere coincidence that the group was founded just six weeks after Alaska's lieutenant governor cleared the reserves tax proponents to begin collecting signatures. The two legislators sponsoring the tax initiative want the Alaska Public Offices Commission to demand full disclosure from Alaska's Future. Reps. Eric Croft and Harry Crawford will appear before the commission Thursday to make their case. The circumstantial evidence they offer is strong, but there is no smoking gun — yet. Confirming their suspicions would require the commission take a detailed look at Alaska's Future's financial records and advocacy materials.

That kind of scrutiny into a political group's operations is invasive, but Alaska voters have the right to know who is trying to influence their decisions at the ballot box.

If Alaska's Future wants to protect the privacy of its other activities, it has two choices: It can fess up and voluntarily disclose its ballot-related contributions and expenditures. Or it can create a separate group solely to fight the ballot measure, reporting all donations and expenses. That's what the Alaska Oil and Gas Association is doing, according to Brooke Miles, director of the public offices commission.

Creating an advocacy group, with full disclosure, is clean; it's simple; and it upholds Alaska's voters' right to know who is trying to influence them. It's the right way to go.

**BOTTOM LINE:** Fight the tax? OK, but fill out the disclosure forms.  
194A-AN-13620-1149

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

(Mount Clipping in Space Below)

Date: 09/20/2006  
Edition: WEDNESDAYTitle: NEW ETHICS LAW OPENS DOOR  
TO VIOLATIONS

Character:

or

Classification: 194A-AN-13620-M -289

Submitting Office: Anchorage

Indexing:

COMPASS: *Points of view from the community*

# New ethics law opens door to violations

By ALLAN TESCHE

For six years, the city's ethics board has been working on a new law governing conflicts of interest among elected officials, members of city boards and municipal employees. While some improvements have been made by assembly counsel, the draft now before the Anchorage Assembly raises too many unanswered questions and still needs work. Here's my list of issues that need to be resolved before the new ethics code becomes law.

• Even if a member has a "substantial financial interest" in a matter before the Assembly or School Board, the new ethics code allows the member to vote if the body finds that action "in the public interest." This lower standard for public accountability opens the door to backroom deals between lawmakers who may place their own interests above the public interest in official actions.

• "Consulting contracts" with elected officials are not addressed. State legislators made huge sums in recent years by "consulting" with private firms that are regulated by or have business before state and local governments. Even though these interests were disclosed in the cases of two state senators, the public needs to discuss and decide if these same activities by local officials should be allowed in Anchorage as well.

• Officials can represent private interests before municipal staff. Curiously, the new code omits an existing provision which bars elected officials from representing private clients before municipal agencies and employees. This new loophole should be plugged before it is discovered by lawyers on the Assembly.

• How much evidence is enough to sustain a violation? The new code says the



*The new code omits an existing provision which bars elected officials from representing private clients before municipal agencies and employees. This new loophole should be plugged.*

board may find a violation, impose a reprimand or recommend more serious sanction if it finds "substantial evidence" to support that violation. Although the term is not defined in the new law, "substantial evidence" to lawyers means only "some" evidence to sustain a violation but not evidence "beyond a reasonable doubt" used in criminal cases, or "by a preponderance of evidence" used in civil cases. The civil standard should apply here.

• Are Board of Ethics "investigations" really fair? The new ethics law makes no guarantee that persons investigated by the board may present witnesses on their own behalf. Moreover, the right of cross-examination is not allowed in board hearings. Constitutionally guaranteed due process may be lacking in board investigations.

• What role does the Assembly or School Board play once the board has upheld a complaint? The new code is unclear as to whether the board's "finding" of a violation is binding on the Assembly, School Board or administration or if a second hearing must be held before sanctions, including fines, are levied.

• What about the common law? Prior court decisions form the "common law" which, along with the constitution and statutory law comprises all of the law governing public ethics. The new code does not an-

swer the question as to whether common law principles governing ethics will survive enactment of the new code.

• Should the Board of Ethics police the Assembly and School Board on open meetings? The new code carries over existing laws which empower the Board of Ethics to hear and remedy complaints against the Assembly and School Board over the open meetings law. The amended state law contains detailed provisions governing remedies; the question naturally arises as to whether the public is better protected if the Board of Ethics can get into the act. Does the board have any special expertise in that law?

Assembly Vice Chair Debbie Ossianer promises a new draft of the ethics ordinance on Friday and that it will be heard by the Assembly on Oct. 14. Let's hope these questions are answered in the newest draft and that Assembly members hear directly from the public on the ethics code. The code is not written for the convenience of elected or appointed officials; instead it represents the community's expectations in how the public's business is to be conducted by those we call to serve.

■ Allan Tesche represents the downtown area on the Anchorage Assembly. 194A-AN-13620-P

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 09/20/2006  
Edition: WEDNESDAYTitle: FBI RAID OF OUR LAWMAKERS'  
OFFICES WAS AN INFRINGEMENT  
ON OUR RIGHTS

Character:

or  
Classification: 194A-AN-13620-M - 290  
Submitting Office: Anchorage

Indexing:

ADN 9/20/06

**FBI raid of our lawmakers' offices  
was an infringement on our rights**

Because I've crossed swords plenty of times on state policy with the Veco mob and its political cronies from both parties, I am well-positioned to say that I wonder why professed civil or political libertarians or independents in Alaska aren't concerned about FBI raids on the offices of state lawmakers without so much as a publicly filed bill of indictment or an arrest warrant. A raid on a lawmaker's office is a raid on your privilege to communicate with that lawmaker and influence his decisions, not just Bill Allen's.

In those boxes of documents carted off are letters from you and maybe me. Were they meant for your FBI file? How will this affect future communication with lawmakers? Not a word of political or editorial concern emerges. Instead, former allies and candidates run for cover. We get a newspaper story about Bill Allen passing notes over the Legislature's rails, which apparently didn't deserve publication when the Legislature was in session when it might have aroused public outrage ("Veco's influence has been part of Capitol scene for years," Sept. 7).

How many times have open-ended police investigations chilled freedom of speech and freedom of political petition and freedom of association? To those quietly crowing or loudly cheering, may I remind you of an old hippie aphorism: "What goes around comes around"?

— Steve Conn  
Seward

194A-AN-13620-Press

FBI - Stevens-573

(Mount Clipping in Space Below)

# If there's no ethics reform, something's rotten in Juneau

(Indicate page, name of newspaper, city and state.)  
ANCHORAGE DAILY NEWS

Date: 09/24/2006  
Edition: SUNDAY

Title: IF THERE'S NO ETHICS REFORM, SOMETHING'S ROTTEN IN JUNEAU

Character:  
or  
Classification: 194A-AN-13620-M -291  
Submitting Office: Anchorage

Indexing:

It is quite reasonable for the average Alaskan to wonder who our elected leaders work for. We the people? Or whoever writes the biggest checks?

The FBI raids on six legislators' offices early this month reminded us just how cozy some lawmakers are with some campaign contributors. There's something rotten in Juneau, and it's sapping our trust.

Luckily there's an easy way for lawmakers to regain at least a portion of our confidence:

Pass the ethics bills that died last session.

When the new session begins in January, two bills that address conflict-of-interest concerns will be re-introduced.

One is Berta Gardner's bill that would require lawmakers to disclose more information about the income they receive. The other is Les Gara's bill that would close the Gregg Renkes loophole in the executive branch ethics law.

Gardner's bill would require a legislator who has a consulting job worth more than \$5,000 to tell us what exactly they do to earn their money and how many hours they expect to spend

**BETH BRAGG**  
COMMENT



on the job. Exceptions would be made if the lawmaker is a licensed professional performing services in his or her field of expertise — a licensed lawyer providing legal consultation, for instance.

This is a must-pass bill, given that so much of our distrust concerns politicians who collect huge paychecks but won't say how they earn them. The current poster child for this is Ben Stevens, who has reported receiving five years' and \$252,000 worth of consulting fees from Veco — but refuses to say how he earns the money, because current law doesn't require him to.

It'd be nice if politicians gave us this information because they believe in transparency — or at the least, because they're worried it might look like

they're taking the money for favors bestowed instead of services rendered.

But this is Alaska, not Utopia, so we need a law that requires them to tell us these things. Otherwise, there will be those who sniff that it's none of our business, when in fact it's very much our business.

Gardner's bill made it to the House State Affairs Committee, but no further. A Senate version of the bill, introduced by Anchorage Democrat Hollis French, also stalled.

In light of the FBI raids that seem to target the link between several legislators and Veco, Gardner's bill should be a popular one this year. If it doesn't get bipartisan support, it should be only because a Republican introduces one similar to hers.

And in fact, Rep. Bob Lynn of Anchorage, who told the Daily News he doesn't think legislators should accept any consulting fees, is working on a reform bill of his own. House Speaker John Harris of Valdez, meanwhile, "guarantees" ethics reform will be an issue.

"If not," Gardner said, "shame on us."

Ditto if lawmakers fail to fix a loop-

hole in the executive branch ethics law that allowed former Attorney General Renkes to dodge serious ethics violations. Renkes owned more than \$100,000 worth of stock in a company that potentially stood to benefit from a state contract he was helping to negotiate, but current law doesn't put a dollar amount on what's considered a significant enough financial stake to constitute a conflict.

The former U.S. attorney who ruled on the Renkes case pointed out the flaw and advised legislators to fix it. That was 20 months ago, and the loophole's still there, waiting to be taken advantage of again.

Les Gara, a House Democrat from Anchorage, introduced a fix that's both simple and obvious: Put a dollar amount in the law. His original version set the limit at \$5,000, which was later amended to \$10,000.

French introduced a similar bill in the Senate. But neither got anywhere, because Fairbanks Republican Ralph Seekins introduced a version that created more problems than it fixed — but because he's a member of the majority, it was the preferred bill.

Seekins' bill would have established

a \$10,000 limit that would be waived if the stock is placed in a blind trust. Worse, at varying times it would have punished people who disclose confidential ethics information with jail time (up to a year) or fines (up to \$5,000).

The bill was amended to eliminate the spectre of fines and misdemeanors, although it still would have made it illegal to talk about the filing of a complaint or even about the potential filing of a complaint.

And that's a problem, because a memo from the Legislature's Legal Services says the bill could expose private citizens to civil liability for talking about a complaint.

The bill passed the Senate but didn't make it to the House floor. That means the simple fix proposed by Gara and French could have a fighting chance next session. Alaskans should be following conflict-of-interest issues closer than ever, and we should demand that our lawmakers pass good bills. If we don't, shame on us.

■ Beth Bragg's opinion column appears Wednesday, Friday and Sunday. Her e-mail address is [bbragg@adn.com](mailto:bbragg@adn.com).

ADN 9/24/06

(Mount Clipping in Space Below)

9/24/06

# FBI raids cast light on dual incomes

■ **CONSULTANTS:**  
Ethical standards for  
lawmakers questioned.

By **TOM KIZZIA**  
and **LISA DEMER**  
Anchorage Daily News

Last month, state Rep. Tom Anderson testified before the Anchorage Assembly in favor of Wal-Mart's plan for two stores in his old neighborhood. Assembly chairman Dan Sullivan introduced him as Representative Anderson, but the lawmaker for Muldoon corrected him.

He was there representing the home builders association, Anderson said.

Anderson, who was a consultant before he was elected to the state House four years ago, has never stopped making money on the side as a paid adviser for clients who do business with state and local government.

His dual role may have surprised the Assembly in August. But it would not have surprised some members of the Northeast Community Council, the neighborhood group that opposed the stores. They recall seeing Anderson at their meetings all through 2003. They assumed he

was there as the local state legislator. But Anderson's state financial disclosure form, filed the following year, revealed he was also working as a \$10,000 consultant on community councils and local government for the oil field services and construction company Veco.

"We are all going, 'This is so bogus,'" said council president Peggy Robinson, who publicized Anderson's Veco connection in an unsuccessful bid to topple Anderson from his House seat in 2004.

Now Anderson's role as a consultant to industry is coming under scrutiny again, following last month's FBI searches of six legislative offices seeking information on legislators' links to Veco.

The practices of Anderson and a few others who consult on the side also raise broader questions about state ethics laws. As it stands, lawmakers can receive unlimited and undefined "consulting" income from companies who could benefit from the Legislature's actions.

The FBI inquiry has given momentum to reform efforts.

See Page A-10, CONSULTANTS

**FOCUS:** Rep. Tom



Anderson's  
work as a  
business  
consultant

and city lobbyist has  
raised questions and led  
to a call for reform.

**A-11**

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

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FBI - Stevens-576

# CONSULTANTS: Conflict of interest concerns extend beyond Veco

Continued from A-1

"I can guarantee you this: That the subject will be brought up in the next session," said House Speaker John Harris, R-Valdez.

The cloud from the current investigation shows that reform is needed, Harris said. The public needs better assurance that lawmakers are qualified to do the work, he said.

"The question is: Do legislators get hired to do duties that they are really not qualified for and they're not asked to produce anything? That's what it comes down to," Harris said. "Is it just a form of a payoff?"

### ON THE PAYROLL

Veco executives have long been frequent and generous contributors to political campaigns in Alaska and nationally. But two current legislators also have been regulars on its consulting payroll. Anderson reported \$30,000 in Veco income between 2003 and 2005.

Senate President Ben Stevens declared \$252,000 in consulting work for Veco from 2001 to 2005.

Veco, which also publishes the half-page "Voice of the Times" editorial section in the

Daily News, did not respond to interview requests for this story. In a statement earlier this month, the company said, "To Veco's knowledge, it has done nothing improper or illegal." Stevens also has declined to be interviewed, and said last week that he's been advised not to answer questions about the investigation.

The concerns raised about lawmakers' employment by Veco — heavy disclosure requirements, public uncertainty about motives and qualifications, possible conflicts of interest in and out of the Capitol building — extend to consulting work for other business interests as well.

One example is Anderson's municipal lobbying work for the Anchorage Home Builders Association, which hired him at \$2,500 a month in July. His job put him at odds with the Northeast Community Council.



EDIE HILL / Daily News archive 2005

State Senate President Ben Stevens listened as Republican Moderate Party founder Ray Metcalfe argued for an investigation of Stevens' consulting business at a meeting of the Alaska Public Offices Commission on Dec. 1, 2005, in Anchorage. Metcalfe said business payments to Stevens were thinly disguised graft. Stevens denied involvement in influence peddling.



EDIE HILL / Daily News archive 2005

Bill Allen, Veco's chief executive, fourth from left in the gallery, listened to Senate floor debate on an oil royalty tax bill as the 1995 legislative session drew to a close in June. Allen has been a familiar presence in halls of the

greater disclosure of consulting and other contracts held by elected officials. Their efforts went nowhere.

The measure, introduced by Rep. Berta Gardner, D-Anchorage, would have required legislators and two other lawmakers show up for personal services contracts to disclose in broad terms what they did to earn the money and how much time they spent on the job. The bill required a description of the work "sufficient to make clear to a person of ordinary understanding the specific services performed."

"I think the solution probably is to tighten up the existing rules a little bit."

— House Speaker John Harris, R-Valdez

"I thought I was dealing with the appearance of corruption, but maybe it's something more."

“It just sets up a bad relationship when the same body you go to for funding comes to you to lobby for other things.”

— Assemblyman Dick Hall



66  
I thought I was dealing with the appearance of corruption, but maybe it's something more,

—Rep. Bertie Gardner, D-Anchorage

Wal-Mart project. Anderson argued on behalf of the home builders it was good economic development. The most noted example is Stevens, who has received more than \$1.8 million in consulting contracts and pay from private organizations in the past five years. He reported \$382,000 in income from an Adak fisheries company that received a pollock al-

location worth millions of dollars through special congressional action by his father, U.S. Sen. Ted Stevens, R-Alaska. Ben Stevens returned \$142,000 in consulting fees from Cook Inlet Region Inc., in the wake of bad publicity and complaints from several CIRI board members, saying he'd been unable to complete work on the business venture they'd discussed. Stevens, with Veco as a major client, is one of the lawmakers whose office was searched by the FBI. Anderson's was not.

Three years ago, then-Sen. Scott Ogan, R-Palmer, came under heavy criticism for a \$40,000 consulting contract with a shallow-gas drilling firm interested in his district. A former cabinetmaker, Ogan had developed his expertise as chairman of the Senate Resources Committee, in charge of regulating shallow-gas development. He gave up the contract but was threatened with a recall campaign and eventually quit the Senate.

While several legislators are employed directly by companies with interest in Jensen bills, the number of other reported consulting jobs remains small. One case is Rep. Vic Kohring, R-Wasilla, who reported income of \$1,400 in 2004 and \$30,100 in 2005 from Anchorage developer Marc Marlow.

Kohring's official disclosure said he was getting paid to assist with the development of construction-

related projects, including arranging and conducting meetings, performing research, and developing plans and strategies. Marlow said recently that the work was to help him with plans to build an electrical power plant in the Mat-Su. Marlow said he isn't seeking any state funds, and Kohring said he has been very careful to follow state ethics rules.

Kohring, a longtime acquaintance, has the smarts for the complex power plant project, Marlow said. He's "detail oriented and conscientious," Marlow said, plus he has a master's degree in business administration and has served on the Alaska Housing Finance Corp. board. Kohring has said his other sources of income are work as a house painter and drywall hanger.

**'RED-FACE TEST'**

Earlier this year, before the FBI inquiry of the lawmakers and Veco burst into public view, Democrats tried to change state law to require

April and was referred to the House Judiciary Committee, where it died. The Judiciary Committee chairman was Rep. Leif McGuire, R-Anchorage, who is married to Anderson. Anderson was the committee's vice-chairman.

McGuire said in an interview last week that she thought the bill had merit. She said she herself gave up consulting after completing a \$10,500 contract with Providence Alaska Medical Center because public questions made her uncomfortable. But she said this year's bill died because Gardner didn't request a committee hearing early enough.

Gardner's office disputes that, saying their records show the request was made April 13, five days before the deadline for committee hearings. Gardner said she thought the bill died because Republican leaders didn't relish a fight with Ben Stevens. "He of course believed it was aimed at him," said Gardner. She said the plans to introduce a similar bill next year.

Neither Stevens nor Anderson is running for re-election. But that's not the only reason reform efforts are likely to get more attention from Republican leaders next year.

One Republican already preparing a bill, Rep. Bob Lynn of Anchorage, said he doesn't think legislators should take any consulting money. Even if their loyalties are not conflicted, it looks like they are. "I don't agree with the consulting contracts. Period. It doesn't matter if it's 5 cents or 5 million," said Lynn, whose bill would stop short of a total ban.

Harris has a different solution. He wants evidence the legislator is truly being paid for expertise.

"I think the solution probably is to tighten up the existing rules a little bit to say the legislator has to show some either work or educational experience before they can accept a job from somebody," Harris said.

In his eight years in the House, Harris said, he's been offered a couple of consulting contracts that would have paid "substantial" money. Harris, who usually works in the off season as a Teamster truck driver, said he turned them down because the arrangement didn't pass "the red face test." He said he couldn't justify the work for the money. When it came down to it, he said, he knew they wanted him because he's a legislator. He wouldn't name the business, other than it wasn't Veco.

**FOLLOW THE MONEY**

A rule insisting on proper qualifications would probably have done

old rig construction job.

The legal payments, went to then-Sen. Robin Taylor, who got into a jam with critics in his home town of Wrangell over that work.

Taylor, a lawyer and longtime chairman of the Senate Judiciary Committee, reported being paid \$15,700 for legal work by Veco in 2000, \$19,300 in 2001 and \$16,800 in 2002. He also served as city attorney for Wrangell during that period.

Critics accused Taylor of hiding his Veco ties when the city council considered taking up a private prison project in 2001. Veco had been part of the consortium whose prison plan had just been turned down in Ketchikan. Taylor insisted he had disclosed his Veco ties on state forms and didn't need to announce them.

Taylor retired from the Senate and his private legal practice in 2003 and is now head of the state marine highway system. He was among the current and former legislators known to have been interviewed by the FBI in the current investigation.

Taylor said last week that he had never been lobbied by Veco over the prison. As far as he knew, he said, Veco wasn't interested in a Wrangell prison. "It's a breach of attorney-client privilege, but I can tell you from that client never talked to me once about that project," Taylor said.

Gardner, the Democrat who pushed ethics reform last session, said legal work like Taylor's would probably require a different disclosure standard. There are privacy reasons for protecting details of legal work. But she said it would help to divulge the type of legal work required, to be sure the legislator has proper expertise.

Information on private-services contracts with Veco and other companies is available only through 2006. Any consulting salaries paid to legislators for 2006, in a year of high-stakes debate over oil tax and gas line issues, do not have to be disclosed until reports are due March 15, 2007.

As for past Veco consultants Anderson and Stevens, the public may never know if they had consulting contracts this year. As retiring legislators, the Alaska Public Offices Commission said, neither will have to file disclosure forms next year.

Reporters Ben Hille and he can be reached at hille@alaska.com or in Homer at 907-235-4244. Reporter Lisa Dener can be reached at lden@alaska.com or 237-4350. Reporter Dan Hester also contributed to this story.

**Outside income for Ben Stevens and Tom Anderson**

| Entity                              | 2001             | 2002             | 2003             | 2004             | 2005               | TOTAL              |
|-------------------------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|
| <b>BEN STEVENS</b>                  |                  |                  |                  |                  |                    |                    |
| Adak Fisheries LLC                  |                  | \$80,000         | \$120,000        | \$80,000         | \$382,000          | \$662,000          |
| Year                                | \$52,500         | \$47,500         | \$47,500         | \$47,500         | \$157,000          | \$282,000          |
| Special Olympics World Winter Games | \$28,225         |                  |                  |                  |                    | \$28,225           |
| Stevens & Associates                | \$23,000         | \$43,000         | \$43,000         | \$43,000         | \$143,000          | \$212,000          |
| North Pacific Crab Assn             | \$102,000        | \$44,000         | \$44,000         | \$42,000         | \$124,000          | \$166,000          |
| Cook Inlet Region Inc.              | \$172,500        | \$145,854        |                  |                  |                    | \$318,354          |
| Clackee Fish Co.                    |                  | \$4,200          | \$21,000         | \$21,000         | \$416,800          | \$463,000          |
| Special Olympics Inc.               | \$42,000         | \$115,000        |                  |                  |                    | \$157,000          |
| Highland Light Fisheries Inc.       |                  | \$4,200          | \$25,200         | \$25,200         |                    | \$54,600           |
| Al-Soot Processors Assoc.           | \$19,000         | \$30,000         |                  |                  |                    | \$49,000           |
| Yardarm Tool Inc.                   |                  |                  |                  |                  | \$33,000           | \$33,000           |
| Keyport Seafoods Inc.               | \$25,002         |                  |                  |                  |                    | \$25,002           |
| Adak Fisheries Development Inc.     | \$15,300         |                  |                  |                  |                    | \$15,300           |
| SW Alaska Municipal Coal            | \$32,800         |                  |                  |                  |                    | \$32,800           |
| Exstar Natural Gas (Gomez)          | \$1,000          | \$5,000          |                  |                  |                    | \$6,000            |
| Alent Enterprises (Dary)            | \$875            | \$1,050          |                  |                  |                    | \$1,925            |
| <b>ANNUAL TOTAL</b>                 | <b>\$508,223</b> | <b>\$432,854</b> | <b>\$518,845</b> | <b>\$162,700</b> | <b>\$2,281,700</b> | <b>\$3,804,422</b> |
| <b>TOM ANDERSON</b>                 |                  |                  |                  |                  |                    |                    |
| Veco                                |                  | \$18,000         | \$11,500         | \$2,500          | \$38,000           | \$70,000           |
| Alaska Fishermen Association        |                  |                  | \$28,000         |                  |                    | \$28,000           |
| Pacific Publishing                  |                  |                  | \$10,000         |                  |                    | \$10,000           |
| Marc Marlow                         |                  |                  |                  |                  | \$5,000            | \$5,000            |
| <b>ANNUAL TOTAL</b>                 | <b>\$0</b>       | <b>\$18,000</b>  | <b>\$57,500</b>  | <b>\$7,500</b>   | <b>\$53,000</b>    | <b>\$88,500</b>    |

\*Don't report any income but reported working on the board  
\*\*Unaudited money in 2005  
\*\*\*Not in legislature



Sen. Robin Taylor, a lawyer and longtime chairman of the Senate Judiciary Committee, was paid \$15,700 for legal work by Veco in 2000, \$19,300 in 2001 and \$16,800 in 2002. He also served as city attorney for Wrangell during that period.

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

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FBI - Stevens-579



### Alaska candidates get cash from Veco

\$119,000: Six executives donated what turns out to be unwanted money.

By DON HUNTER  
Anchorage Daily News

(Published: September 29, 2006)

Six executives for the Veco Corp., the company named in the federal investigation into political corruption in Alaska, donated at least \$119,000 to the campaigns of candidates running for more than half the seats open in this year's primary election.

The total might have still been climbing had not the FBI raided the company's corporate headquarters and the offices of at least a half-dozen state lawmakers two months before the Nov. 7 election. Veco's total in this election cycle is a little more than half the \$200,000 its executives generated for legislative races in 2004, but Veco money has suddenly become unwanted across most of the political spectrum.

Scores of Alaskans are regular and generous contributors to political candidates, year after year. Developers, construction company owners, doctors, lawyers, business owners, oil and gas executives, retirees. Many give the candidates of their choice the maximum amounts available in a given year -- \$1,000 annually since 2003; \$500 annually starting next year under an initiative passed by voters in August.

Veco's six executive contributors -- chairman Bill Allen, president Peter Leathard, chief financial officer Roger Chan, vice president Rick Smith, information officer Thomas Corkran and personnel manager James Slack -- regularly donate to a similar list of candidates, usually in the same \$500 amounts and with checks dated within a few days of each other.

As is usually the case, almost all the Veco money donated to candidates this year and during the 2005 interim year went to Republicans, and the vast majority to incumbents.

Leathard didn't return two calls seeking comment. In the past, company officials have said they support candidates who favor economic development and a stable oil tax climate in Alaska. In a written statement issued Sept. 5 in response to the federal investigation, Veco said its officials were cooperating with the authorities and denied any wrongdoing by the company or its executives. The company said it looked forward to "dispelling any concerns on the part of the government and others."

One Democrat, Rep. Carl Moses of Unalaska, got a total of \$3,000 in

| Donations list   |          |
|--|----------|
| Veco executive list shows campaign or political, 2005-2006 election cycle, list of most recent reports filed by Aug. 22. |          |
|                                       |          |
| OFFICE   | AMOUNT   |
| Senate, Seat B   |          |
| Ralph Serrano, Republican, incumbent   | \$12,000 |
| Senate Seat H  |          |
| Charles Higgins, Republican, incumbent   | \$13,000 |
| Senate Seat J  |          |
| Lois "Earl" Mayo, Republican   | \$3,000  |
| Senate, Seat M   |          |
| Norman Kolbe, Republican   | \$16,000 |
| Norman Kolbe, Republican   | \$16,000 |
| Ben Stevens, Republican (other)  | \$13,000 |
| Senate, Seat P   |          |
| Con Burns, Republican, incumbent   | \$3,000  |
| Senate, Seat R   |          |
| Gary Stevens, Republican, incumbent  | \$3,000  |
| House District 1   |          |
| Jim Ekens, Republican, incumbent   | \$12,000 |
| House District 2   |          |
| Greg Wilson, Republican, incumbent   | \$3,000  |
| House District 3   |          |
| St Thomas, Rep. Allen, incumbent   | \$3,000  |
| House District 9   |          |
| Jim Holm, Republican, incumbent  | \$3,000  |
| House District 10  |          |
| Jay Harris, Republican, incumbent  | \$3,000  |
| House District 11  |          |
| John Cognelli Jr., Republican, incumbent   | \$3,000  |
| House District 12  |          |
| Ken Wank, Republican, incumbent  | \$3,000  |
| House District 13  |          |
| Carl Moses, Republican, incumbent  | \$3,000  |
| House District 14  |          |
| Dr. Kathryn Eckstein, incumbent  | \$6,000  |
| House District 15  |          |
| Mark Newman, Republican, incumbent   | \$3,000  |
| House District 16  |          |
| Ed Seltzer, Republican, incumbent  | \$3,000  |
| House District 17  |          |
| Paul Kott, Republican, incumbent   | \$6,000  |
| House District 20  |          |
| Max Moon, Republican   | \$3,000  |
| House District 21  |          |
| Jeff Davidson, Republican  | \$3,000  |
| House District 24  |          |
| Darwin Peterson, Rep. Dean   | \$3,000  |
| House District 26  |          |
| Mike Friesdorf, Republican   | \$3,000  |
| House District 27  |          |
| Philas Stange, Republican  | \$3,000  |
| House District 29  |          |
| Ralph Serrano, Republican, incumbent   | \$6,000  |
| House District 30  |          |
| Kurt Meyer, Republican, incumbent  | \$6,000  |
| House District 31  |          |
| Bob Lynn, Republican   | \$3,000  |
| House District 32  |          |
| Alta Hewitt, Republican, incumbent   | \$6,000  |
| House District 33  |          |
| Paul Olson, Republican, incumbent  | \$3,000  |
| House District 35  |          |
| Mike Cheraus, Republican, incumbent  | \$6,000  |
| House District 36  |          |
| Gabriel Le Douarin, Republican, incumbent  | \$2,200  |
| House District 37  |          |
| Carl Moses, Democrat, incumbent  | \$3,000  |

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donations from the Veco executives in the first seven days of August.

A couple of weeks later, Moses, nursing a pinched nerve in Anchorage, flew to Juneau to break a deadlock on a revamped state oil and gas tax the company favored, one of only four Democrats to support the measure. Moses has said the donations had nothing to do with his vote.

Nineteen of the 22 Republican House incumbents running for re-election this year had received Veco donations by the time the most recent campaign finance reports were filed Aug. 15: Four Senate Republicans who are running for re-election got Veco donations, along with state Sen. Ben Stevens, who withdrew, and a Republican candidate for another vacant Senate seat. Veco's executives also donated to four Republican candidates in House races with no incumbent.

A few Republican incumbents up for election, however, had received no Veco money. They were state Sen. Gene Therriault of Fairbanks, and Reps. Mike Kelly, R-Fairbanks, Nancy Dahlstrom, R-Eagle River, and Paul Seaton, R-Homer.

Three Republicans in one race -- for seat N in the state Senate -- got a total of \$15,000. Stevens, the incumbent, accepted \$3,000 last year, before pulling out of the race in July. House incumbents Lesil McGuire and Norm Rokeberg each got about \$6,000 -- \$3,000 in 2005 and another \$3,000 this year -- to run against each other for Stevens' vacated seat.

McGuire, who handily defeated Rokeberg in the primary, said her 2006 Veco checks were delivered by Smith to a fundraiser she held on Aug. 9. Rokeberg's were dated a day later.

McGuire was one of four Republicans who took a position in at least some votes against the oil profits tax and against Veco's position. The other Republicans were her husband, retiring Rep. Tom Anderson, and Reps. Dahlstrom of Eagle River, who got no Veco money, and Vic Kohring of Wasilla, who received about \$6,000 in contributions.

McGuire said she's segregated the \$3,000 in Veco contributions she received this year and won't spend it unless the company is exonerated. Kohring didn't say.

In all, 33 candidates in 31 races got Veco donations, but some, like McGuire, have had second thoughts. Among them: Earl Mayo, a Republican seeking a Senate seat in East Anchorage, and House candidates Matt Moon, Jeff Gonnason and Darwin Peterson returned the \$3,000 each received from six Veco executives. Rep. Jay Ramras, R-Fairbanks, also said he was "segregating" the Veco money in his campaign account and would decide what to do about it later.

Peterson, who will face incumbent Democrat Berta Gardner in House District 24, said he wasn't worried that accepting contributions from a company under investigation would taint his candidacy.

"I'm above reproach as far as I'm concerned," he said. "I just wanted to make sure I was impartial and neutral in this whole investigation."

In some cases, donations went to influential incumbents facing only token opposition, or none at all. Reps. Kevin Meyer and Mike Chenault, for example, were unopposed in their primary elections and have no opponent in the November general election. Both incumbents got a total of \$3,000 from the Veco executives in 2005, and both were among a series of candidates who received another \$3,000 in Veco donations during joint fundraisers held at Anchorage's Petroleum Club in the second week of July, as lawmakers were being called back into a second special session on oil and gas issues by Gov. Frank Murkowski. Meyer and Chenault are co-chairmen of the House Finance Committee.

Another incumbent, Rep. Peggy Wilson, R-Wrangell, accepted \$3,000 in Veco contributions during  
FBI - Stevens-582

the same week of Petroleum Club fundraisers.

"I have nothing to feel guilty about," Wilson said. "I didn't do anything wrong. And I definitely don't pay any attention to what people give me (when) I make my decision."

Wilson said she does remember the first time she met Allen, however.

"It was my first year in Juneau. My staff was making appointments for different lobbyists, and I got up -- I can remember, I was in Room 409 -- and (saw) this man coming in. It was Bill Allen. He's a big man, so I'm kind of looking up at him, and the first words out of his mouth were, 'I've donated to your campaign.' I got so hot! I shook my finger in his face and said, 'Listen here, mister, I'll be glad to sit and listen to you, but whether you gave me any money or not will have nothing to do with the decision I make.'"

Daily News reporter Don Hunter can be reached at [dhunter@adn.com](mailto:dhunter@adn.com). Reporter Lisa Demer contributed to this story.

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(Mount Clipping in Space Below)

# Knowles long past

# honeymoon with Veco

■ **1990s:** Alaska politicians have found it difficult to avoid contributions from the oil industry.

By **TOM KIZZIA**  
Anchorage Daily News

If this were a normal election season, Tony Knowles' effort years ago to reach out to the oil industry might look like brilliant political foreshadowing.

With Alaska facing major negotiations over a proposed natural gas pipeline, Knowles could

have pointed to his two terms as a centrist Democrat in a Republican state who proved he can sit down and make deals with oil companies. Knowles, as governor, even showed he could strike up a working relationship with one of his harshest industry foes, Veco chief Bill Allen.

But this election year is turning inside-out. Republican Sarah Palin is campaigning as the ethical outsider — at odds with her state party's long and close association with the oil industry. And Knowles is struggling to keep his outreach to Allen and Veco in the 1990s from turning into a major liability following the FBI searches of Veco

and state lawmakers' offices and the ongoing federal investigation into possible corruption in the Legislature.

The tension was apparent last week when Palin spokesman Curtis Smith described Allen as head of Knowles' transition team in 1994. The Knowles campaign howled in protest, saying Allen played a relatively minor role in the transition and accusing Palin of deliberately trying to tar Knowles by association with "a highly controversial figure." Both campaigns have said they

*See Back Page, VECO*

(Indicate page, name of newspaper, city and state.)  
A-1  
ANCHORAGE DAILY NEWS

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HONEYMOON WITH VECO

Character:  
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# VECO: Early contributions to Knowles faded to nothing

Continued from A-1

won't take contributions this year from Veco employees.

All of which leaves political heads spinning.

"For so long, Bill Allen's been involved in politics up here. To ignore him would have been a mistake" in 1994, says Curtis Thayer, a longtime Republican insider who is now backing Knowles. He says many Republicans were miffed and resentful that their ally, Allen, was cooperating with Knowles at the time. "Now, ironically, 12 years later, it's seen as a problem for Knowles," he said.

Palin says voters should be aware of Knowles' one-time relationship with Veco and decide for themselves whether it is significant. "We've been told that they literally flew off together to visit oil companies after he was elected," Palin said. "This isn't being negative. These are just facts that illustrate the relationship."

Knowles says the transition-period trips in 1994 were well-publicized symbolic gestures, carefully set up to avoid any conflicts of interest. He says his work with Allen was part of his larger effort to help the state's economy.

"He was a very strong political opponent in every race I was in, with the exception of 1998, when I was running against a wingnut," Knowles said, referring to John Lindauer, the candidate for governor whom Republicans eventually dumped in favor of a write-in campaign. "I felt as governor it was my goal to bring people together from both sides after winning a close election."

## REPRIEVES FROM THE COMPANY

Knowles devoted considerable energy during his 1994-2002 term to oil field concerns — providing new drilling incentives, settling back-tax disputes and laying groundwork for a gas pipeline. Critics — including some Democrats — often accused him of being too generous to oil companies, for example when the state intervened in BP's 1999 buyout of Arco. Knowles defends those efforts now as good policy in a shaky time of low oil prices. And he says his eight years in office were never tainted by ethics scandals or political payoffs.

Veco, frequently described as the industry's main political operator in Alaska, showed some appreciation for Knowles' efforts. The oil field service and construction company and its executives and employees directed some \$23,000 in campaign contributions to Knowles in the 1990s. Company officials, along with other industry figures, donated tens of thousands of dollars more to a post-victory Governor's Fund and to the Democratic Party while Knowles was in office. Those contributions were relatively small change: Veco gave hundreds of thousands of dollars during that time to the Republican Party and conservative legislative candidates. Company officials have put close to \$1 million into state and federal races over the past decade, according to federal figures and tallies by nonprofit watchdog groups.

But Knowles' efforts also seemed to win him periodic reprieves from the scorn of the Veco-owned Voice of the Times, a separate conservative, pro-development editorial section published in the Daily News.

As governor, Knowles sometimes clashed with Veco over the company's legislative priorities, such as tort reform, private prisons and a property tax incentive proposed for the gas pipeline in 2002. And if Knowles hoped Veco's good will would follow him out of the governor's mansion, he was quickly disappointed.

Veco backed Frank Murkowski for governor in the 2002 election instead of Knowles' chosen successor, Lt. Gov. Fran Ulmer. And Veco froze out Knowles in his 2004 run for U.S. Senate, backing



"I felt as governor it was my goal to bring people together from both sides after winning a close election."

— Tony Knowles

Lisa Murkowski and subjecting Knowles to an almost daily barrage of unfavorable editorials in the campaign's home stretch.

Veco officials have said in the past that they support candidates who favor economic development and a stable oil tax climate in Alaska. Allen and other Veco executives have declined to talk with reporters since search warrants were served by the FBI on the company and six state legislators starting Aug. 31. In a written statement issued Sept. 5, the company said its officials were cooperating with the investigation, denied wrongdoing by the company or its executives and said it looked forward to "dispelling any concerns on the part of the government and others."

Palin, the former Wasilla mayor, has had her own dealings with Veco in her short political career, receiving \$5,000 from company officials at the end of 2001 toward her unsuccessful run for lieutenant governor in 2002. The money equaled 10 percent of her campaign funds. Veco gave similar amounts to three other Republicans running against her in that primary. This year, Veco backed Gov. Frank Murkowski in the primary, and Palin said early that she would not take contributions from the company if she won.

Former state Rep. Sean Parnell, a former oil lobbyist and Palin's running mate for lieutenant governor this year, received \$16,000 from Veco while running for the Legislature in the 1990s. He got \$1,000 from Veco during this year's primary. (Rep. Ethan Berkowitz, Knowles' running mate this year, received a total of \$3,000 from Veco executives in his runs for state House in 1998 and 2000.)

Palin has to be a little careful with the Veco issue this year, says political consultant and pollster Marc Hellenenthal, since she's taken their money herself. But voters shouldn't assume anyone who's ever accepted Veco money is corrupt, he said. "You'd get rid of most of the politicians in the state, since Veco was the political arm of the oil industry," Hellenenthal said.

Among Allen's past political roles, he was co-chairman of the Alaska state campaign team for George W. Bush in 2000.

In raising the issue, Palin presumably thinks it tilts in her favor.

Palin and Knowles are both making ethics a central theme, and Veco gives her a way to create a small doubt in voters' minds, said Hellenenthal, who is not working in the current governor's race but has worked extensively for Republicans in the past.

"It allows her to have a contrast between herself and Tony on the ethics scale," Hellenenthal said, "because he's the one with the long history."

## KNOWLES OPPONENTS BACKED

Knowles, a former Anchorage mayor, first ran for governor in 1990. Veco was flush with cash from its cleanup role in the Exxon Valdez oil spill and had just purchased The Anchorage Times. The company backed Knowles' Republican opponent, Arliss Sturgulewsky. Former Republican Gov. Wally Hickel, financing an independent run with his own fortune, was elected.

Entering the 1994 race, Knowles surprised many allies with a newspaper column calling for a new partnership with the oil industry and criticizing an effort by Hickel — and many Democrats — to pass a law strengthening the state's position in negotiations over back taxes. The May column, headlined "Hickel tax scheme makes IRS look good," appeared in the Voice of the Times, the Veco-published editorial page that survived the newspaper's demise.

That declaration had no immediate effect on Veco. The company backed Knowles' Democratic opponent, former Lt. Gov. Stephen McAlpine, in the primary, then his Republican opponent, Jim Campbell, in the general campaign. Campbell received \$24,000 in Veco-related contributions. Late in the primary and then right before the general election, Knowles received a total of \$8,500 from Veco contributors.

Several weeks before the election day, according to press accounts, Bill Allen joined several Republican leaders, including Sen. Ted Stevens, to urge third-party candidate Jack Coghill to drop out. They feared he would help Knowles by splitting the conservative vote. Coghill stayed in and took 13 percent of the vote, and Knowles was elected governor by 536 votes.

In the transition, Knowles made Allen co-chairman of his economic and community development team, one of 26 such committees operating under transition chairs Ulmer and Dave Rose. The committee's other leader was bank executive and former Alaska Federation of Natives president Janie Leask. Its other members were grocer Gregg Carr and Native leader Willie Hensley, newly appointed to head the state's Commerce Department.

Allen already had a controversial reputation as a kingmaker. Veco had been investigated several times for skirting state campaign finance laws and had paid the biggest fine on record for one violation. Knowles says he reached out to Allen as a key industry official but kept him off the natural resources team to avoid an appearance of conflict.

The four team members flew with Knowles to the headquarters of Exxon, Arco and BP to discuss the oil industry's future in Alaska. The trip was a lot about symbolism — quick visits to build personal relationships, not discuss substantive issues, Leask recalled in an interview last week. Allen seemed a logical addition, she said, knowledgeable and influential: "He was somebody you really wanted to have on your side."

During the honeymoon, harsh invective from the Voice of the Times went away. Times editors have long insisted that Allen doesn't tell them what to write, but the change of tone was noticeable after Allen joined the transition team. Knowles "has delighted folks of every political persuasion during his first two weeks in office," the Voice wrote on Dec. 23, 1994. Veco also took part in post-election fundraising for Knowles and for several Democratic Party funds.

"Bill Allen likes to support winners. That's what he's always done," said Thayer.

Oil and gas issues figured prominently — and often controversially — in Knowles' two terms as governor. One particular issue was Knowles' successful effort to rewrite lease terms for BP's



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Thayer



Hellenenthal

Northstar holdings on the North Slope. The new, more favorable royalties led to development of a new oil field, along with work for Veco and other Alaska contractors building production modules under the agreement.

John Shively, Knowles' commissioner of natural resources, said the provisions for local hire and local construction got their big push in the Legislature. Union-backed Democrats joined in amending and approving the revised contract. Critics questioned the wisdom of the deal, but a few — including former legislator and longtime Veco opponent Ray Metcalfe, who brought a lawsuit in state court — also alleged that Knowles had pushed the change as a favor to political contributors Veco and BP.

"It was 'Here's the money, there's the deal,'" said Metcalfe, who has renewed his charges this year.

Knowles continues to defend the Northstar agreement, saying it removed long-standing obstacles to development and received lots of review, from the public, the Legislature and the courts. And, in his defense, he said he's long supported campaign finance reform as a way to reduce the influence of money in politics.

The Northstar criticism was picked up by Knowles' Republican opponent, Lindauer, in the 1998 governor's race. Lindauer, who was eventually disowned by his own party in a fundraising scandal, charged in television commercials that Knowles had gone easy on Northstar to please Veco. Veco wound up suing Lindauer for defamation.

The suggestion that Knowles was rewarding Veco has a certain irony, says pollster Hellenenthal.

"Tony has a long reputation of not paying off his contributors," Hellenenthal said, meaning it as a negative. "People have been grumbling for years that they don't get the return on investment that they want."

In his last years as governor, Knowles sparred more frequently with Veco. The company was one of the main lobbying forces for a state-funded private prison; Knowles helped block it. Allen lobbied personally for a local property tax exemption to help jump-start gas line construction; Knowles declared that the Veco-backed bill was too generous to oil companies, and it failed.

By 2002 the luster was lost. The Voice of the Times declared Alaska's economy was more sagging than soaring after the Knowles-Ulmer years. Two years later, in the run for U.S. Senate, the Times said electing Knowles would be a "tragic blunder." Knowles got no Veco money.

Thayer, the longtime Republican who served as campaign finance chairman for Lisa Murkowski in that race, has now moved from John Binkley to Knowles in the governor's race because he thinks Knowles is most likely to reach a gas line deal with the oil industry. Thayer, an Enstar Natural Gas Co. executive, still sees Knowles' past effort to work with Allen as a positive thing. But he knows better than most that any honeymoon was long over. As Murkowski's finance chairman, he collected more than \$41,000 from Veco employees to beat Knowles.

"Obviously, their relationship had changed," Thayer said.

■ Daily News reporter Tom Kizla can be reached at [tkizla@adn.com](mailto:tkizla@adn.com).

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 10/06/2006  
Edition: FRIDAYTitle: VECO HAS ALWAYS SUPPORTED  
CHARITY; WHAT ARE THOSE  
PEOPLE SAYING NOW?

Character:

or  
Classification: 194A-AN-13620-M  
Submitting Office: Anchorage

Indexing:

10/6/06  
**Veco has always supported charity;  
what are those people saying now?**

I was pleased to see a letter commending Veco and others for supporting the American Heart Association's cause. ("Veco, other teams; participated in the newsworthy Heart Walk," Sept. 18). There ought to be an outpouring of letters from nonprofits on causes that Veco is always first up to bat to support.

Years ago I spearheaded a fundraising project for the Red Cross. Veco's Bill Allen offered his and his staff's full support. The Red Cross should remember that. And I've been involved on behalf of the Armed Services YMCA on numerous efforts affecting the needs of the military and their dependents. Veco never let us down.

Where's the payback support for Allen, and Veco's Pete Leathard and Rick Smith? And who will support our pro-development candidates now? And where will the jobs come from when industry says it's had enough?

If candidates are so sanctimonious they're returning Veco's contributions, they won't have to worry about bucks from ol' Barb. I usually find cause to send them e-mails telling them to wake up and smell the coffee. I wouldn't want them to feel "compromised" if they listened to me. But there's probably no worry about that, huh? Listening to constituents, I mean.

194A-AN-13620-PROS — Barbara Mee  
Anchorage

FBI - Stevens-586

(Mount Clipping in Space Below)

ADN 10/9/06

# FBI looks at more than Veco

■ **INQUIRY:** Officials show interest in a developer and the Department of Corrections.

By **LISA DEMER**  
Anchorage Daily News

When FBI agents searched the Wasilla office of Rep. Vic Kohring on Aug. 31, they weren't just looking for documents related to Veco Corp., its executives and ties to lawmakers. They also wanted information about developer Marc Marlow as well as the state Department of Corrections.

That element of the ongoing FBI investigation emerged last week when Kohring's attorney, Wayne Anthony Ross, provided a copy of the search warrant to the Daily News, along with the list of items taken. Those documents, though lacking detail or context, suggest that the probe is wide-ranging and not focused on any one company, issue or individual.

No one has been charged in the investigation, and federal authorities have declined to discuss it except to say that it continues. The lead prosecutors are from the Department of Justice's Public Integrity Section in Washington, D.C., which often handles government corruption cases.

In all, offices of six lawmakers have been searched, along with Veco offices and additional undisclosed locations. Other lawmakers whose offices weren't searched have said they were interviewed by the FBI.



Rep. Vic Kohring is one of several lawmakers who have hired attorneys.

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 10/09/2006  
Edition: MONDAY

Title: FBI LOOKS AT MORE  
THAN VECO

Character:  
or

Classification: 194A-AN-13620-M -297  
Submitting Office: Anchorage

Indexing:

Kohring, a Republican, is not the only Alaska lawmaker who hired an attorney within days of the search.

Senate President Ben Stevens, R-Anchorage, has hired a prominent Seattle criminal defense lawyer, John Wolfe.

Wolfe, who declined to comment last week, has been named as one of Seattle's top criminal defense lawyers by Seattle Magazine. He's represented the famous and the infamous, from Seattle Seahawks players and judges to strip club owners and a pawnshop associate.

194A-AN-13620-Press *See Back Page, FBI*

FBI - Stevens-587

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

(Mount Clipping in Space Below)

Date: 10/14/2006  
Edition: SATURDAY

Title: METCALFE SAYS VECO  
MONEY SHOULD BE RETURNED

Character:  
or  
Classification: 194A-AN-13620-M - 298  
Submitting Office: Anchorage

Indexing:

Metcalfe says Veco money should be returned

■ DONATIONS: GOP, Democrats are at odds over \$25,000 in funding.

By DON HUNTER, Anchorage Daily News

The chairman of the Alaska Democratic Party says his Republican counterpart should return \$25,000 in party donations from Veco Corp. executives mentioned in federal search warrants served on several Alaska legislators.

"The public deserves to know that Republican candidates won't receive money from corporate executives who've been identified in a federal investigation, Demo-



It's our position that is tainted money.

Democratic party chairman Jake Metcalfe on Veco donations from three executives

cratic party chairman Jake Metcalfe said in a press release issued this week.

Alaska Republican Party chairman Randy Ruedrich said party officials have set aside the Veco contributions and won't spend the money this year. But Ruedrich

said he has no plans to return the donations.

"We looked into this matter and first of all these are fully legal contributions received from Alaska citizens who have not been found guilty of anything," Ruedrich said. "We will segregate those funds

until this matter is resolved, and I fully expect to use those funds in future years to beat Democrats."

In an interview Friday, Metcalfe targeted Veco donations from company president Peter Leathard, vice president Rick Smith and chief financial officer Roger Chan. Democrats aren't calling for Ruedrich to return contributions from other Veco executives or employees whose names were not mentioned in search warrants. "It's our position that is tainted money," Metcalfe said.

Some individual Republican candidates have returned contri-

See Page B-2, DONATIONS

# FBI: Lawmakers have hired lawyers

Continued from A-1

He has worked in Alaska, representing a former Doyon Drilling Inc. worker who pleaded guilty in 1998 to concealing the dumping of hazardous materials on the North Slope.

"I think it's probably fair to assume that everybody's lawyered up," said Kevin Fitzgerald, an Anchorage defense attorney representing another of the legislators, though he wouldn't say which one.

Fitzgerald was part of the team that earlier this year won not-guilty verdicts in the federal rocket launcher case in Anchorage involving Security Aviation. The other lead defense lawyers in that case — Paul Stockler and former U.S. Attorney Bob Bundy — also are representing separate parties in the new FBI investigation, though they wouldn't say whom, either.

Hiring an attorney is a common practice in criminal investigations even for people who don't believe they are targets. For instance, individuals may want a lawyer to talk to prosecutors about the status of an investigation, to recover evidence taken in searches or to advise them on whether to talk and what to say.

Efforts to reach Kohring on Friday were unsuccessful, but in the past he has said he's cooperating in the investigation, is not a target and has been careful to follow all ethics rules.

Ross said he doesn't see that Kohring has done anything wrong.

"He asked me to advise him what the procedures mean and just make sure he doesn't step on his nose. He was told that he's not a suspect and of course I told him that, to be real honest with you, you can't always believe what you are told," Ross said, adding that he didn't expect any criminal charges against Kohring.

According to an FBI receipt for the property, agents took a folder with information on Marlow, phone message books, a Gateway computer from Kohring's office, fundraising notes — which Ross said were essentially required campaign reports to the state — a box of canceled checks, a thank-you note from Veco, bank statements, bills and an unexplained "business application and dividend papers."

"It doesn't look like anything there, any smoking guns or anything," Ross said.

Kohring and Marlow have known each other for years. Marlow hired him in 2004, according to disclosure statements that Kohring was required to file as a legislator. He reported income of \$5,400 from Marlow that year and \$38,100 in 2005. Kohring continues to provide "business services" for Marlow, arranging and conducting meetings, performing research and developing plans and strategies, Kohring said in an e-mail to the Daily News last month. Marlow has said that Kohring was helping him with plans to build a power plant in the Mat-Su, and Kohring has said he worked on a total of about six projects.

Reached on the telephone Friday, Marlow said he had no idea why the FBI would be interested in his relationship with Kohring. The FBI hasn't interviewed him or searched his offices, he said.

## The FBI investigation at a glance

### What's known:

- Dozens of FBI agents executed about two dozen search warrants Aug. 31 and Sept. 1, though in some cases individuals agreed to the search.
- Six legislative offices were searched, and so was Veco Corp. Searches were conducted in Anchorage, Juneau, Eagle River, Wasilla, Willow and Girdwood. The office of Senate President Ben Stevens was then searched a second time, on Sept. 18.
- One search warrant, provided by Sen. Donny Olson, said the FBI was looking for "any and all documents" related to Veco, four of its executives and two political pollsters, as well as information on Olson Air Service, among other matters. When agents searched Stevens' office, they seized materials related to

controversial fisheries organizations. In the search of Rep. Vic Kohring's office, agents also sought information on developer Marc Marlow and on the state Department of Corrections.

- The lead prosecutors on the case are from the Justice Department's Public Integrity Section in Washington, D.C., which handles public corruption cases.
- No one has been charged.

### What's not known:

- Perhaps the biggest of the many unanswered questions is this: Who or what is being targeted?
- Authorities also won't say how many FBI agents or prosecutors are working on the investigation, when it began, when it might end or how they are proceeding.

Kohring agreed to the search of his office, but the agents came prepared with a warrant that sought, among other things, any documents concerning relationships, correspondence, giving or receiving "things of value of any nature," or acts or failures to act that involved Veco executives Bill Allen, Richard Smith, Peter Leathard, Roger Chan, Veco itself, The Petroleum Club, pollster David Dittman, pollster Marc Hententhal and Marlow.

"Cool. I made the list," Marlow joked. "What a crowd to be associated with."

The warrant also sought all correspondence between Kohring and the Alaska Department of Corrections. Ross said Kohring was questioned by the FBI about efforts to build a private prison in Whittier.

"He indicated it was a facility that Cornell was hoping to build in the past and that's apparently all they asked about that," Ross said. Cornell Cos. had teamed with Veco in the private prison endeavor, which ultimately died last year after the city of Whittier dropped its support.

Along with those of Kohring and Stevens, FBI agents searched offices of Sen. John Cowdery, R-Anchorage; Sen. Donny Olson, D-Nome; Rep. Pete Kott, R-Eagle River; and Rep. Bruce Weyhrauch, R-Juneau. Messages left for them were not returned. Kohring is the only one of the six still facing an election battle in November. Kott lost in the primary, Stevens and Weyhrauch aren't running again and the others aren't up this year.

Much of the wording on the Kohring search warrant is identical to the language on one provided by Olson's office the day after the search. Both are five pages long. In the warrants, agents sought documents concerning "any thing of value" provided by Allen, the Veco chief executive officer; Smith, a Veco vice president; or Veco itself to any public official. Agents were also looking for documents concerning the creation of a natural gas pipeline or the new petroleum production tax. They wanted financial documents related to the legislator, including bank records, wire transfers and credit card statements. They want-

ed to search computers, too. But where agents sought information on Marlow and the Department of Corrections from Kohring, they wanted documents on Olson Air Service including any payments or storage fees related to aircraft from Olson, a doctor who owns a flying service.

None of the other legislators provided warrants in response to requests from the Daily News.

Stevens' legislative office is the only one searched twice, according to the FBI. In a letter to the Daily News last month, the Anchorage Republican said he agreed to both searches but had been advised not to answer questions. He didn't provide the warrant, but his letter listed what was taken by the FBI.

Many of the items hauled away were seemingly innocuous public records such as presentations on the new petroleum profits tax and a copy of the state legislative handbook. But the materials also included letters from Stevens regarding the Alaska Fisheries Marketing Board, which he had headed since its creation by his father, U. S. Sen. Ted Stevens, until he resigned earlier this year. The board provided federal grants totaling between \$5 million to \$10 million a year to companies to promote Alaska seafood. At least three of the grant beneficiaries paid consulting fees to Ben Stevens.

The FBI also took "unknown documents" of Ted Stevens with a June 5 cover page and a Jan. 23 faxed letter to "T. Stevens."

Ted Stevens has repeatedly declined to comment and last month explained why in an e-mail sent through his spokesman.

"I understand the public's interest in the investigation. It has always been my practice to not comment on such matters to avoid even the appearance that I might influence the investigation. That is especially important in this case where records have been obtained from a number of legislators, including my son Ben. Therefore, I am withholding comment about this matter and will not discuss it," Stevens said in the Sept. 27 e-mail.

*Continued from B-1*

butions from Veco executives, and some others have said they are segregating the contributions, as Ruedrich said the party is doing.

FBI agents searched the offices of at least a half-dozen state lawmakers, Veco's corporate headquarters in the Frontier Building, and The Petroleum Club, among other locations, in a series of raids that began Aug. 31. No one has been charged in the investigation and federal authorities have refused to discuss it. The lead attorneys are with the Department of Justice's Public Integrity Section in Washington, D.C., which often handles government corruption cases.

■ Daily News reporter Don Hunter can be reached at [dhunter@adn.com](mailto:dhunter@adn.com).

FBI - Stevens-590

(Mount Clipping in Space Below)

# Kohring's work for developer criticized, defended

■ **TAX BREAK:** Legislator lobbied him on behalf of Marlow, borough mayor says.

By LISA DEMER  
Anchorage Daily News

Last year, state Rep. Vic Kohring sat down with the mayor of the Fairbanks North Star Borough, Jim Whitaker, to talk about changing a state law to increase a tax break for an Anchorage-based developer.

Kohring, a Wasilla Republican, wasn't there to represent a constituent. He was on the payroll of the develop-

er, Marc Marlow, for whom he had been working since November 2004.

To Whitaker, himself a former legislator, Kohring was acting like a lobbyist, not a lawmaker.

The Fairbanks borough had already approved a tax break for Marlow should he buy and renovate the Polaris Hotel, a boarded-up derelict building that is to Fairbanks what the old MacKay Building was to Anchorage.

But in the meeting in Whitaker's office on Nov. 3, Kohring wanted to see if the borough would agree to a change in state law to make the tax break even more

beneficial to Marlow, according to Whitaker.

"As far as I could tell, he was functioning as a lobbyist, and lobbyists do that all the time," said Whitaker, who served alongside Kohring from 1999 to 2003 as part of the Republican majority in the state House. "I thought it was inappropriate."

The bill was eventually introduced in the Alaska Legislature by Fairbanks Rep. Jay Ramras, who said he was asked by Kohring to advance the legislation. Marlow said in an interview recently that he drafted



Kohring



Marlow

194A-AN-13620-Press

See Back Page, KOHRING

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 10/21/2006  
Edition: SATURDAY

Title: KOHRING'S WORK FOR DEVELOPER CRITICIZED, DEFENDED

Character:  
or  
Classification: 194A-AN-13620-M - 299  
Submitting Office: Anchorage

Indexing:

FBI - Stevens-591

# KOHRING: Part-time lawmaker says taking on other work

Continued from A-1

the bill.

"I wrote the original language," Marlow said.

## TWO-YEAR RELATIONSHIP

Kohring has worked on a half-dozen projects for Marlow since being hired by him in 2004. Several of the projects, including a proposed electrical generating plant in the Mat-Su, are subject to government approvals.

Now their relationship is coming under new scrutiny as part of an FBI investigation into legislators, influence peddling and the oil field service and construction company Veeco Corp.

Kohring is one of six Alaska legislators whose offices were searched by the FBI on Aug. 31. Agents took a folder of information on Marlow along with other items, according to a copy of the receipt for property provided by Kohring's attorney.

No one has been charged with a crime. The FBI has said the investigation is continuing.

Kohring, 48, is a Republican seeking his seventh term representing the Wasilla area. He rode the wave of conservatism that swept through the Mat-Su Borough in the 1990s. He is among a handful of state lawmakers who have found work with companies that have business before the Legislature or state agencies. Kohring's business, Vic Kohring Enterprises, has one client, Marlow, according to required financial disclosures. Marlow paid him \$38,160 last year and \$5,400 in 2004. Kohring won't have to disclose his 2006 income until March, but he said in an e-mail that his pay from Marlow has dropped because he's taking time off for campaigning.

Kohring says he's abiding by all the ethics rules for legislators.

Outside employment is to be expected for part-time legislators, he wrote in one of several e-mails to the Daily News.

"I trust the voter's judgment to evaluate my activities and my constituents are the ultimate judge," Kohring wrote. "I firmly believe I have never compromised my obligations to them or the state because of my personal employment."

The alternative, he said, is either full-time legislators or "those who are rich or retired."

Kohring declined to sit for an interview and answer detailed questions about his relationship with Marlow.

Kohring, who had a drywall business until back surgery four years ago, says he's qualified for his job with Marlow regardless of his role as legislator. He has a master's degree in business administration from Alaska Pacific University and served stints as vice chair-



SAM NARBREL / Fairbanks Daily News-Miner

Rep. Vic Kohring sought a tax break on the Polaris building in Fairbanks.

## Bills helping Marlow

State Rep. Vic Kohring has sponsored two bills that benefited developer Marc Marlow and, after he began working directly for Marlow, asked another legislator to sponsor a third. The bills are:

- **HB 389:** Sponsored by Kohring in 2002 to extend an existing state law allowing tax breaks to developers of deteriorated properties. Without the legislation, the opportunity for such tax breaks would have expired July 1, 2002. The bill passed, extending the tax breaks to 2006.
- **HB 97:** Sponsored by Kohring in 2003. Would have allowed Marlow to extend a lease of Alaska Railroad land on Government Hill from 55 to 75 years. Passed the House but stalled in the Senate.
- **HB 334:** Sponsored by Fairbanks Rep. Jay Ramras this year at the request of Kohring, who said he couldn't sponsor it himself because he was being paid by Marlow. Bill concerned tax breaks to developers of deteriorated properties. Marlow wanted to specify that deferred taxes only came due when the property sold. Bill passed, says that the taxes will be due as specified by the municipality. Also eliminated the expiration date.

man of the board of the Alaska Housing Finance Corp. and chairman of the Wasilla Planning Commission.

## 'GOOD HORSE SENSE'

Marlow said he hired Kohring because of his "good horse sense," work ethic and contacts in the Valley from spending his adult life there — not because he's a legislator.

"There's not a lot of hand holding for him to get things done and analyze

situations and figure out ways around roadblocks and that sort of thing," Marlow said. "The things I have him working on primarily are controlled by the state or a public utility."

Marlow, 49, has a knack for projects supported by tax breaks, grants and government-backed loans. The Oregon native came to Anchorage in 1983 as an electrical contractor. He soon branched out.

Marlow rescued the old MacKay building in downtown Anchorage after it had sat empty and ugly for nearly a quarter century and reopened it this year as a fashionable apartment house, McKinley Tower. A city property tax break, plus government loans and guarantees, made it possible. Over the past decade, he's developed a dozen low-income senior housing projects in Alaska with federal grants. He's a part owner of the old Knik Arm Power Plant on Ship Creek and plans to seek a property tax break once he firms up plans to get it running again.

Marlow said there's nothing wrong with hiring a legislator. He's known Kohring since about 1991, three years before Kohring was first elected to the House.

"The rules don't preclude it from happening, and the rules have been followed to the letter," Marlow said. "So if somebody has a problem with it, then they need to change the rules. They don't need to attack the people that are following the rules."

Marlow sounded offended that anyone would take issue with a lawmaker working for a developer and linked his situation to that of an oppressed minority.

"Some people don't like Muslims either or black people or homosexuals, but it doesn't make them right," Marlow said. Asked what that had to do with his situation with Kohring, Marlow said, "There's all kinds of different prejudices or people's different reasons for not liking one thing or another."

In 2002, a couple of years before he started working for Marlow, Kohring sponsored a bill to extend an existing state law allowing tax breaks to developers of deteriorated properties. Without the legislation, the opportunity for such tax breaks would have expired that July 1. The bill passed.

The next year, Kohring introduced a bill sought by Marlow to extend a lease for Alaska Railroad land on Government Hill from 55 to 75 years. The longer lease was necessary, Marlow testified, so a senior housing project proposed for the site would qualify for a government grant. The bill passed the House but stalled in a Senate committee.

In November 2004, Kohring started working for Marlow. He estimates he

worked 800 hours last year on meetings, making phone calls, developing plans and conducting research on about a half-dozen projects.

In late 2005, Kohring called then-Anchorage municipal attorney Fred Boness on behalf of Marlow. At issue was an untried tax mechanism that Marlow hoped to use to pay for water and sewer lines on land in South Anchorage, around Minnesota Drive and C Street. Boness said he told Marlow the mechanism wouldn't work in Anchorage.

The concept, provided for in state law, is almost a "chicken and egg thing," said the municipality's chief fiscal officer, Jeff Sinz. A local government would issue revenue bonds to pay for improvements that are then repaid through higher taxes generated by the new development.

Asked what he wanted Kohring to accomplish for him, Marlow denied that the legislator ever worked for him on that project.

Kohring also said he didn't remember doing anything regarding any South Anchorage project.

But Boness said in an e-mail to the Daily News that Kohring contacted him for an explanation. He figured Kohring was making the kind of inquiry a legislator would typically make to find out why a law didn't work. Boness said he doesn't recall Kohring disclosing he was on Marlow's payroll.

On Dec. 29, Boness sent a detailed e-mail to Kohring explaining why the tax mechanism wouldn't work even though state law provided for it. Boness referred to Marlow three times in the e-mail. The short answer is that in Anchorage, property taxes are designated for specific services; police taxes shouldn't be used for sewer lines.

## FOCUS ON POLARIS BUILDING

In Fairbanks, the tax break at issue was for the infamous Polaris building. The old hotel is Fairbanks' tallest building, but it's been empty for years, a boarded-up embarrassment across the street from the new courthouse.

Marlow doesn't own the Polaris but said he's looking to buy it — if the finances work out. He said his option has run out; talks continue.

The tax break approved by the Fairbanks borough in September 2005 exempted all but \$10,000 a year in property taxes for 10 years and deferred normal property taxes for the five years after that.

Marlow thought he wouldn't have to pay the deferred taxes unless he sold the property. The borough expected the taxes when those five years were up, or when the property sold — whichever happened first.

In stepped Kohring, said Whitaker, the borough mayor. Kohring made

Whitaker said...

Kohring wanted to know whether the borough would agree with a change in state law to match Marlow's view. His answer, Whitaker said, was no — not if it meant the deferred taxes didn't come in as expected.

Kohring then approached Ramras, R-Fairbanks, and asked him to sponsor the legislation. The Polaris is in Ramras' district.

Why not just sponsor the bill yourself? Ramras recalled asking him.

He couldn't, because he had taken consulting fees from Marlow, Ramras said that Kohring told him.

"I further informed Jay that even though the rules would have allowed me to draft and file a bill, I had made a personal decision to limit my involvement with any legislation," Kohring wrote to the Daily News in an Oct. 15 e-mail.

Ramras said he was glad to sponsor the bill if it helped bring back to life the once glamorous hotel. He said he tried to keep his distance from Marlow and told him not to send a card, a campaign donation or anything else.

Fairbanks officials say the bill that passed doesn't provide as lucrative a tax break as Marlow wanted, allowing the taxes to be deferred until the building sells. Marlow insists it does. The final wording says the due date will be as specified by the municipality. The bill also eliminated the expiration date for the law.

On the House floor April 5 and again May 9, Kohring asked to be excused from voting on the measure because he worked for a developer who could benefit. He was directed to vote anyway, standard when conflicts are declared in the Legislature.

Just recently, Marlow said the legislation didn't even benefit him. On Oct. 9, Marlow battled talk radio host Dan Fagan over the issue. The exchange on KFQD went like this:

Marlow: "You said on the radio that I was going to have a direct benefit by the legislation, which is not true."

Fagan: "So that legislation did not in any way save you any money?"

Marlow: "Absolutely not one dime. All that legislation did is set up a situation in Fairbanks wherein the Polaris building could be renovated like the McKinley (the old MacKay) building was ..."

But as the 10-minute duel ran its course, Marlow admitted that he needed the legislation to even consider buying the building.

"You just made my point!" Fagan exclaimed.

■ Daily News reporter Lisa Demar can be reached at ldemar@adn.com and 257-4390.

(Mount Clipping in Space Below)

# Running for office got tricky this year

■ **POLITICAL MINEFIELD:** FBI investigation, ethics rules and gas pipeline cloud the horizon.

By **MATT VOLZ**  
The Associated Press

**JUNEAU** — Facts are hard to come by in the ongoing federal investigation into corruption in Alaska politics, but it has still managed to change the political landscape in the campaign for the Nov. 7 election.

Candidates are wary about the sources of their donations. Ethics is now a staple issue in every campaign. And voters who otherwise may have dozed through another mid-term election have perked up.

"There's a lot of people that took more notice because of this," said Chris Thomas, a 24-year-old state employee living in Juneau. "There are scandals all across the United States and then something hit home locally. It was like a surge to go out and at least vote."

At the end of August, just after the primary election, the offices of six Alaska legislators were raided by federal agents. One of the search warrants said investigators were looking for financial ties between the lawmakers and the oil field services company Veco Corp. Among the items agents were looking for: caps and clothing with the phrase "Corrupt Bastards Club."

(Indicate page, name of newspaper, city and state.)

B-1  
ANCHORAGE DAILY NEWS

Date: 10/30/2006  
Edition: MONDAY

Title: RUNNING FOR OFFICE GOT TRICKY THIS YEAR

Character:  
or

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Submitting Office: Anchorage

Indexing:

No indictments have been handed down and no charges of wrongdoing have been levied against those legislators. FBI agents and Department of Justice officials have been silent on the investigation ever since the raids.

The Veco executives named in the warrant — chief executive Bill Allen, president Peter Leathard, executive vice president Roger Chan and vice president Rick Smith — are regularly among the top individual donors for Republican candidates.

Not this year. Candidates for governor and the Legislature have sworn off Veco money for fear of being touched by scandal. Several who had already taken money have returned it.

That has left something of a void in Republican Party coffers, but one that was

FBI - Stevens-593

## ELECTION: Candidates campaigning carefully

*Continued from B-1*

quickly filled by retirees and other oil industry service workers, state GOP chief Randy Ruedrich said.

"When people say, 'I'm not going to take a contribution or return a contribution,' it makes people more creative or resourceful in how they reach out to folks," Ruedrich said. "We have seen donors involved that have not necessarily been involved or very active in '02 and '04."

Ruedrich said the state Republican Party has not taken any Veco cash, either, but only because those executives have not donated.

"They have been neither indicted nor convicted, so it's totally inappropriate to characterize their funds in any way," Ruedrich said.

When it comes to the issues, the big topic of the election — a North Slope natural gas pipeline — had to make room for a sudden flood of ethics stances and proposals. gubernatorial candidates Sarah Palin and Tony Knowles each proclaimed being "squeaky clean" and pledged action upon taking office.

Knowles says he will sign an executive order his first day "requiring all executive

branch employees to follow the highest ethical standards" and to disclose potential conflicts. Palin said she is committed to making government more transparent and dispelling the atmosphere of distrust.

At the legislative level, Democratic lawmakers wagged their fingers at the Republican majority for stopping their revisions to state ethics laws for the past two years. Hopeful candidates have seized upon the issue in their campaign ads, such as Democrat Mike Doogan, a former newspaper columnist running for Anchorage House District 25 against Republican Thomas Lamb.

"Whether crimes were committed really isn't the point. Our lawmakers should be in the center of the ethical playing field, not skulking around the sidelines, or worse, completely out of bounds," Doogan says in one radio spot.

Independent gubernatorial candidate Andrew Halcro said he believes the biggest impact of the FBI raids is on a voting public already skeptical of state government from scandals past.

"The biggest impact on the public's per-

ception is that government is broken," Halcro said.

But will that perception change how Alaskans vote on Nov. 7? If a sample of Juneau voters heading to the polls to cast absentee ballots is any indication, probably not.

Thomas, the 24-year-old state worker, is a registered Democrat. He said the ethics cloud gave him another reason to vote, but it didn't change how he was going to vote.

"For me, it was just a reconfirmation of everything I always knew about the people I don't want to vote for," Thomas said.

Joe Kyle and Larry Cotter, registered Republicans and executives with the Aleutian Pribilof Island Community Development Association, have kept up with the news reports but also said the news changed nothing for them at the polls.

Kyle, 57, said he would like to see more disclosure requirements of public officials. But the way he sees it, ethical foibles in politics are a part of human nature.

"I'm not looking for any great pieces of legislation to make people stop being human beings," Kyle said.

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 11/04/2006  
Edition: SATURDAY

Title: DISTRICT 14 DRAWS STRONG CANDIDATES

Character:  
or  
Classification: 194A-AN-13620-M -301  
Submitting Office: Anchorage

Indexing:

194A-AN-13620-  
Press  
**District 14  
draws strong  
candidates**

■ **HOUSE:** Republicans dominate in Wasilla; Hurley has a stellar history.

By ZAZ HOLLANDER  
Anchorage Daily News

WASILLA — State Rep. Vic Kohring is the only legislator up for re-election Tuesday whose office was among those searched in August by federal agents investigating potentially corrupt ties between lawmakers and oil field service company Veco.

That investigation also drew attention to Kohring's three-year job with Anchorage developer Marc Marlow, making him one of a handful of lawmakers fielding ethical questions about his work as a consultant.

The six-term legislator's challenger is a heroine of Alaska's Democratic Party, Katie Hurley, at 85 a senior stateswoman with a sterling reputation nicknamed the "Mother of Alaska's Constitution."

See Page B-2, DISTRICT 14

FBI - Stevens-595

## DISTRICT 14: Despite Veco ties, Kohring has a good chance in Wasilla

Continued from B-1

Yet Kohring is still viewed by many as a shoo-in.

"It's a foregone conclusion," said Anchorage pollster Ivan Moore, who isn't working for either candidate. "Obviously, Katie Hurley is an enormously credible candidate, but she's a Democrat in an extremely Republican district."

Registered Republicans in District 14 — encompassing much of greater Wasilla — outnumber Democrats by roughly 3 to 1. Nonpartisan and undeclared voters do outnumber the Republicans, but for Hurley to pull out a win she would need "landslide territory" of 65 percent of those non-party voters, according to Moore's math.

Pollster David Dittman — who donated \$100 to Kohring's campaign but isn't working for him — agreed that the Republican will prevail. Kohring made his name as a small-government crusader with a reputation for dogged door-to-door campaigning.

And Alaska's FBI investigation lacks the smoking guns that have fueled national ethics scandals surrounding videotaped bribe taking or illicit text messages to underage pages, Dittman said.

Anyway, his polling for the Palin campaign over the summer revealed the proposed natural gas pipeline as the top issue for Alaska voters, followed by education and jobs, he said. "You know, ethics is pretty far down the list."

Nonetheless, there are a few who think Hurley might pull it off.

In early October, Anchorage pollster and researcher Jean Craciun predicted a possible win for Hurley, based on Kohring's role in the FBI investigation as well as the political bounce from a wave of moderate, female Wasilla voters turning out behind Sarah Palin in her bid for governor.

Then, on Oct. 20, a small group of Hurley supporters led by Valley activist Michael Janecek and his wife, Gayle, formed a new special interest group, Citizens for Ethical Government and Against Vic Kohring.

Anchorage resident Vic Fischer, a former state senator who served in the Alaska Constitutional Convention, said he decided to join the anti-Kohring group to help Hurley because he thinks she can win. And because he wants Kohring out.

"I will try to put this as nice as I can," Fischer said. "I have not had much respect for Vic Kohring as legislator in terms of public policy issues and leadership. ... Katie has a chance and I think this is a time when ethics and corruption are issues before the public that need to be dealt with."

Asked in an earlier interview if the FBI investigation put him at a disadvantage, Kohring said, "I don't see that this is even a campaign issue."

He bristles when his job with Marlow is described as consulting. Kohring said he "provides business services" and defined consulting as "providing advice for somebody."

He said he earned \$38,000 from Marlow last year, working about 800 hours on various projects, including a coal-fired plant for the Mat-Su at Point MacKenzie.

Visiting Fairbanks last year to help Marlow renovate the old Polaris building there, Kohring met with Fairbanks North Star Borough Mayor Jim Whitaker, who later said he assumed that he was meeting with a legislator, not a paid lobbyist.

In September, Mat-Su port director Mare Van Dongen also said he was under the impression Kohring was calling as a legislator during a brief telephone conversation about the power plant. Kohring was working for Marlow at the time, and later said he made that clear to Van Dongen.

In an interview last month, Hurley changed the subject when asked about the FBI investigation.

"I'm running a positive campaign," she said. "I'm just talking about myself and what I believe is good for the state. I hope the public can see the dif-

ference."

She did, however, have a comment about the Marlow relationship, saying, "I think it's a real conflict of interest. ... Everyone should insist that politicians fully disclose any kind of relationship they have with people who are looking for special legislation."

Hurley agreed to replace candidate Neal Lacy after he dropped out of the District 14 race in mid-August to take a job with the Alaska Department of Fish and Game.

Hurley served as chief clerk at the Alaska Constitutional Convention in the 1950s, was elected to one term in the House in the 1980s and served on a variety of boards including as president of the state school board for seven years.

Kohring cited as his proudest achievement a 1999 law that merged two state departments into the Department of Commerce and Economic Development.

Last session, he sponsored at least two bills that became law: One allotted \$1.3 million to Arctic Power to push for oil drilling in the Arctic National Wildlife Refuge; the other extended the termination date for the State Board of Registration for Architects, Engineers, and Land Surveyors. Another, failed bill would have declared Feb. 6 Ronald Reagan Day.

Neither candidate supports preserving the gas line deal struck with oil

and gas producers by Gov. Frank Murkowski, for different reasons. Kohring would rather see the private sector back the project; Hurley faults the governor's promise to lock in tax levels for 30 years.

Kohring supports construction of the Knik Arm Crossing and Ketchikan bridge project. Hurley opposes both.

Both candidates favor the reinstatement of state revenue sharing programs to lower property taxes.

Asked what legislation they would start work on upon arriving in Juneau, Hurley said she would draw up a bill to reinstate revenue sharing, confer with experts on the education funding formula, and strengthen ethics rules.

Kohring said he would focus on increasing the senior citizen property tax exemption.

As of the end of October, Hurley had raised nearly \$30,000 since early September, much of it from more than 250 individual contributors and \$2,000 from the Alaska Public Employees Association political action committee.

Kohring had raised nearly \$75,000 since last year, including \$6,000 from Veco executives and \$3,000 from Alaska Physicians and Surgeons Inc., a political action committee.

Reporter Zaz Hollander can be reached at the Daily News Wasilla office at zhollander@adn.com or 1-907-352-6711.



Kohring

# ALASKA

## GOLD WARS

# B

Two companies are in a bloody battle for one of Alaska's top gold-mine prospects, with accusations of lies, deceit and unlawful behavior.

Today in Money, Page E-1

SECTION I

ANCHORAGE DAILY NEWS • www.adn.com

★ SATURDAY, NOVEMBER 4, 2006

# City beats auctioneer to 29 acres

**■ MULDOON PROPERTY:**  
Acreage at end of DeBarr Road cost \$5 million.

By ROSEMARY SHINOHARA  
Anchorage Daily News

The city successfully nabbed a strip of Muldoon land that had been owned by alleged drug smugglers, closing a deal to buy the property just before it was to go to auction last week.

As a result, the city now owns 29 acres southeast of where DeBarr Road meets Muldoon Road — a deep, narrow parcel including the old Alaska Greenhouse site.

Originally, the city wanted only the back 12 acres, for a park with sports fields. But just as the city was completing a deal to buy that por-

tion last summer, the federal government moved in to seize the entire 29 acres as part of its drug-dealing investigation. Property owners Tom Cody and Joe Bryant were named in court papers as drug smugglers.

Recently, the U.S. Attorney's office agreed to let the city buy it for \$5 million. The only thing was: it had to buy the whole 29 acres.

The Anchorage Assembly quickly approved an appropriation last month to buy it all. Some of the money was already on hand from a parks bond proposition. The city expects to eventually sell portions of the property it doesn't need, said city real estate director Robin Ward.

Having the whole 29 acres will allow the city to fill in a missing piece of DeBarr, extending the road east across Muldoon to Boston Street,

Ward said. As part of the redevelopment, the city also wants to restore a section of Chester Creek that was moved years ago, to put it closer to its original alignment, she said. The creek will be shifted south.

The city will sell the land fronting Muldoon Road that is classified for commercial use, Ward said. A plan for the middle section, between the commercial frontage and the park, hasn't yet been made, she said.

"It's a key piece of property," Northeast Community Council president Peggy Robinson said of the 29 acres. "Overall, people are pleased" the city got it, she said.

Area residents think the city will be "a bit choosy" about who they sell the commercial property on Muldoon Road to, Robinson said.

"It's better for the city to have

control over it than some developer who wants to put in site condos," said Robinson.

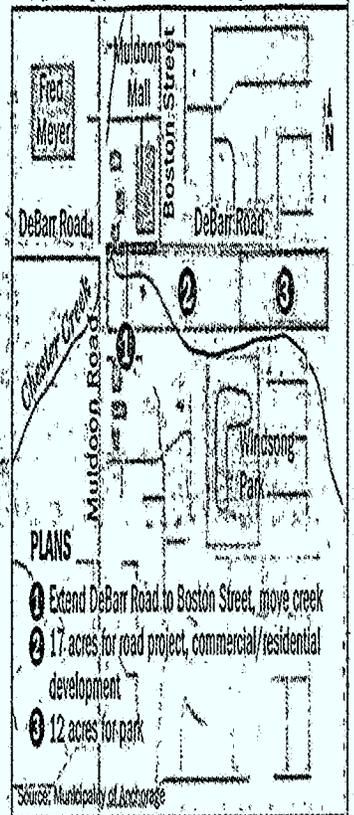
The city had to rush to buy the property before its original owner, Alaska Greenhouse Inc., the estate of Mann Leiser, foreclosed on it.

Cody and Bryant had been unable to make payments. Cody disappeared in 2005. His burned vehicle turned up in a remote part of the Valley. Bryant committed suicide in May 2006.

Documents filed in court after Bryant's death show that federal investigators believe Cody and Bryant were top figures in a multimillion-dollar drug ring that imported marijuana into Alaska.

■ Daily News reporter Rosemary Shinohara can be reached at rshinohara@adn.com or 257-4340.

## City acquires 29-acre parcel



RON ENGSTROM / Anchorage Daily News

(Mount Clipping in Space Below)

# FBI targets corruption in politics

■ **A TOP PRIORITY:** A new director wouldn't balk at sting operations.

By GREG GORDON  
McClatchy Newspapers

WASHINGTON — The new chief of the FBI's Criminal Division, which is swamped with public-corruption cases, says the bureau is ramping up its ability to catch crooked politicians and might run an undercover sting on Congress.

Assistant FBI Director James Burrus called the bureau's public-corruption program "a sleeping giant that we've awoken" and predicted that the nation will see continued emphasis in that area "for many, many, many years to come."

So much evidence of wrongdoing is surfacing in the nation's capital that Burrus recently committed to adding a fourth 15- to 20-member public-corruption squad to the FBI's Washington field office.

In the past year, former Republican Reps. Duke Cunningham and Bob Ney have pleaded guilty to corruption charges. FBI agents are investigating about a dozen other members of Congress, including up to three senators. Dozens of agents are actively engaged in a massive investigation of illegal influence in the Alaska Legislature.

If conditions warrant, Burrus said, he wouldn't balk at urging an undercover sting like the famed Abscam operation in the late 1970s in which a U.S. senator and six House members agreed on camera to take bribes from FBI agents posing as Arab sheikhs.

"We look for those opportunities a lot," Burrus said, using words rarely heard at the bureau over the last quarter-century. "I would do it on Capitol Hill. I would do it in any state legislature. ... If we could do an undercover operation, and it would

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

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IN POLITICS

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or

Classification: 194A-AN-13620-M - 302  
Submitting Office: Anchorage

Indexing:

FBI - Stevens-598

*Continued from A-1.*  
get me better evidence, I'd do it in a second."

Philip Heymann, who oversaw the Abscam investigation as chief of the Justice Department's Criminal Division during the Carter administration, expressed surprise to learn of the FBI's willingness to attempt another congressional sting after the outcry from Capitol Hill over Abscam.

"It shows courage at the FBI," said Heymann, now a criminal law professor at Harvard University. He said he concluded, after watching a recent public television documentary and listening to experts, that "there is more corruption (on Capitol Hill) than I ever thought imaginable" and that a single FBI sting "might result in very large numbers of prosecutions."

But even without an undercover operation, Heymann and other observers say they have been pleased with the GOP-controlled Justice Department's willingness to pursue old-fashioned investigations, even if they hurt congressional Republicans in Tuesday's elections.

Nationally over the last year, 600 agents worked 2,200 public-corruption cases, resulting in 650 arrests, 1,000 indictments and 800 convictions, Burrus said.

FBI Director Robert Mueller, who listed public corruption as his top criminal investigative priority when he shifted the FBI's focus to terrorism in 2002, said last month that the surge in convictions "sends the message that public corruption will not be tolerated." Despite the realignment, the number of agents working on public corruption has remained constant.

Burrus argued that the FBI is "uniquely qualified" to handle such cases, pointing to the bureau's political independence, exemplified by Mueller's 10-year term. Burrus said that Alice Fisher, the politically appointed chief of the Justice Department's Criminal Division with whom he confers weekly, also has "an aggressive attitude" about pursuing public officials.

"Operation Rainmaker," the FBI's broad investigation of a Washington lobbying ring, has already led to a handful of convictions, including Ney's guilty plea last month. The inquiry was one reason for the resignation last year of House Majority Leader Tom DeLay, R-Texas, who also faces state campaign finance charges. Other investigations seem to be sprouting everywhere.

But Reid Weingarten, a former Abscam prosecutor who now is a high-profile Washington criminal defense lawyer, said he would bet that the flurry of congressional cases has resulted from evidence "falling in their (investigators') laps" rather than a programmed FBI hunt for corruption.

The FBI does appear to be stepping up its use of electronic surveillance and has conducted stings of state politicians. Bureau agents secretly taped Rep. William Jefferson, D-La., before finding \$90,000 in his freezer during a raid last May. Cell phones were wiretapped for four months in an investigation of Rep. Curt Weldon, R-Pa., government sources say.

In "Operation Tennessee Waltz," 10 Tennessee state officials, including five current and former legislators, have been prosecuted in a scheme in which hidden cameras whirred as FBI undercover agents offered payoffs in return for help for a dummy company. Burrus said some targeted Tennessee legislators were moving so quickly that "we were actually having to discuss how we were going to slow it down" so that bills aiding the phony firm didn't become law.

A separate undercover inquiry led to the indictment of three members of San Diego's city council.

In Alaska, the FBI has more than doubled its manpower in a massive investigation of illegal influence in the Alaska Legislature by the international oil-field service company Veco and other businesses. On Aug. 31 and Sept. 1, the FBI conducted two dozen



Burrus

raids and searched the office of state Sen. Ben Stevens, son of U.S. Sen. Ted Stevens, R-Alaska. No charges have been filed, but the FBI has said the investigation continues. Burrus declined to discuss any investigation but said the FBI will focus on more state capitals over the next year "because we have seen a trend in cases that leads us to believe there's more out

there." When he arrived as deputy chief of the criminal division in 2004, he said, field offices frequently told him they had "no idea" how to pursue public corruption leads. Since then, he said, agents in about 30 of the bureau's 56 field offices have been trained. FBI agents in Washington have studied congressional activities that might invite bribes, such as hard-to-trace "earmarks," in which members appropriate money

for pet projects and often keep their involvement off the public record. "Public corruption cases have to be fished out," he said, noting that crooked politicians tend to do secret deals with one other person and often try to disguise their actions as "for the public's good." Controversial new legal theories are also helping prosecutors bring cases in which they can't prove outright bribes. A vaguely written, 28-word 1988

law, for example, makes it a fraud for a politician to deprive taxpayers of his "honest services." It was among the charges lodged against Cunningham, Ney, former lobbyist Jack Abramoff and the San Diego councilmen. Burrus said the FBI has to prove "that this person engaged in the activities specifically to receive this stream of benefits and knew that stream of benefits would stop if he did not support these particular projects."

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 11/07/2006  
Edition: TUESDAY

Title: WHEN THE FBI SHOWS UP

Character:  
or  
Classification: 194A-AN-13620-M -303  
Submitting Office: Anchorage

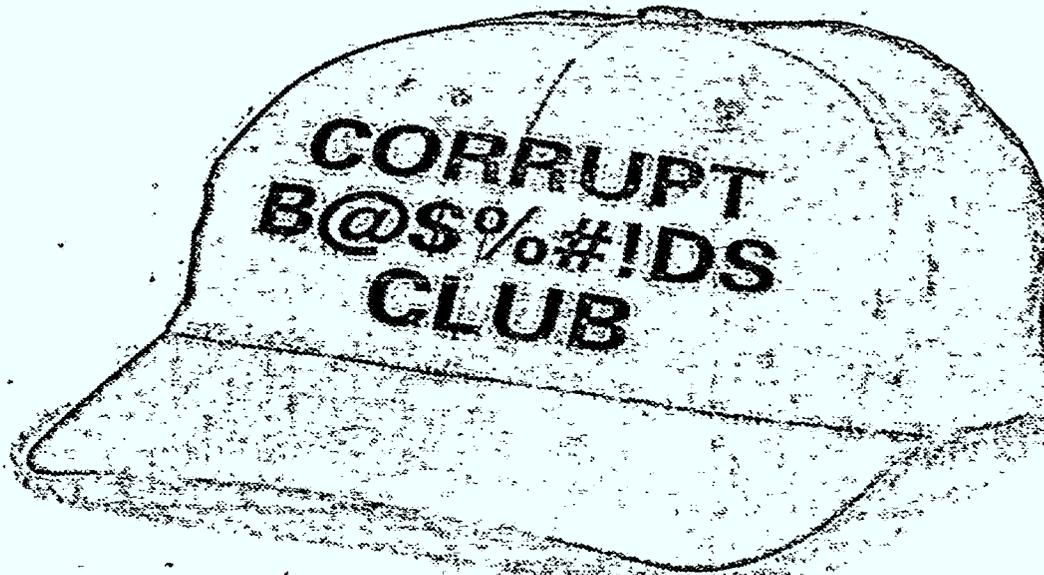
Indexing:

(Mount Clipping in Space Below)

*see attached*

FBI - Stevens-601

# When the FBI shows up,



## it's no longer funny.

### Republicans have failed Alaskans.

#### *It's time for a Better Legislature.*

- **VECO & The FBI:** This election the Republican Party took, and kept, \$25,000 from VECO executives named in this summer's FBI search warrants.

- **Ethics Reform:** The Republicans Stopped It. Last year Democrats pushed, and Republicans stopped, needed reforms to stop legislators from taking questionable "consulting" fees.

- **Republicans Voted With Murkowski** to break the promise of the Longevity Bonus, to allow lobbyists to give more money to legislators, and to roll back public campaign finance reform and fair pay initiatives. Democrats stood up to Murkowski.

- **Billions In Giveaways To Exxon:** Republicans Allowed, and Democrats voted to stop, billions in "net" oil tax giveaways to Exxon & BP.

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199A-AO-13620-Press

(Mount Clipping in Space Below)

# Kohring, Valley incumbents winners

**ISSUE:** FBI raid on his and other legislators' offices fail to tarnish voters' support.

By **ZAZ HOLLANDER**  
Anchorage Daily News

**WASILLA** — It was good to be a Valley Republican Tuesday night. Unofficial results at 11 p.m., about the time Wasilla's Sarah Palin declared herself governor, showed that

every Mat-Su legislative incumbent is headed back to Juneau.

In the Valley's most closely watched legislative race, Rep. Vic Kohring easily defeated Democratic challenger Katie Hurley, the 85-year-old former legislator thought by some to be capable of beating the incumbent in state House District 14, a Republican stronghold that takes in greater Wasilla.

Kohring drew roughly 60 percent of

the votes counted with all seven precincts in, according to preliminary results.

Federal agents looking for potentially corrupt links to oil field services company Veco, as well as developer Marc Marlow, searched a number of legislators' offices, including Kohring's, in late August. Of six lawmakers searched Aug. 31, only Kohring sought re-election. Kohring also works for Marlow.

Asked to come in as Kohring's challenger in late August after the original candidate stepped down for a state job, Hurley quickly raised nearly \$30,000, largely in small donations from more than 250 contributors.

Starr Bynum, preparing to "drag" her husband out of their busy Wasilla auto repair shop to vote Tuesday evening, planned to vote for Kohring. She

194A-AN-1/See Page B-2, MAT-SU 5620-press

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 11/08/2006  
Edition: WEDNESDAY

Title: KOHRING, VALLEY INCUMBENTS WINNERS

Character:  
or  
Classification: 194A-AN-13620-M - 304  
Submitting Office: Anchorage

Indexing:

FBI - Stevens-603

## MAT-SU: Voter says investigation not proof of any guilt

*Continued from B-1*

didn't know that much about Hurley, Bynum said.

And she did consider the FBI investigation but wasn't swayed.

"I never heard that he was actually convicted," she said. "You're going to have to prove to me that he was guilty before I say he was."

Kohring was unavailable for comment Tuesday night.

In an e-mail, he said he planned to campaign until polls closed at 8 p.m., "go to bed early," and rise at 4 a.m. today to wave a "thank you" sign along the Glenn Highway, regardless of the election results.

Only one legislative race was even marginally close. First-term incumbent Mark Neuman bested independent challenger Myrl "Boone" Thompson with 58 percent of the vote in House District

15, which ranges from Point MacKenzie to Petersville. All nine precincts were accounted for in unofficial results.

Neuman, a former woodworker from Big Lake, won his first term as a political newcomer in 2004 when he defeated former Rep. Beverly Masek and Thompson. But this season, the incumbent weathered challenges from citizen activist Thompson — who spent the legislative session in Juneau serving as a self-appointed watchdog — that he had become an oil industry puppet.

In other races, Sen. Charlie Huggins won an easy victory over independent challenger Jay Cross in state Senate District H, which runs from Cantwell to Birchwood.

Huggins was appointed in 2004 by Gov. Frank Murkowski to fill the seat held by former Sen. Scott Ogan, who resigned. Cross, a political new-

comer, said he had decided to run over frustration with the previous Legislature's failure to pass a fiscal plan. He criticized Republican Party ties to Veco.

Huggins, a retired U.S. Army colonel, said he returned \$3,000 in Veco contributions a few days after the investigation came to light.

In House District 16, which stretches from Chugiak to the outskirts of Palmer, Rep. Bill Stolte defeated Patricia Chesbro, his Democratic opponent, on his way to a third term.

Rep. Carl Gatto also easily beat Democrat Jim Wardman for his third term serving House District 13, which includes Hatcher Pass and Palmer.

Reporter Zaz Hollander can be reached at the Daily News Wasilla office at [zhollander@adn.com](mailto:zhollander@adn.com) or 352-6711.

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

(Mount Clipping in Space Below)

Date: 11/15/2006  
Edition: WEDNESDAY

Title: DOORS OPEN FOR JUNEAU SPECIAL SESSION

Character:  
or  
Classification: 194A-AN-13620-M -305  
Submitting Office: Anchorage

Indexing:

11/15/06

DOORS OPEN FOR JUNEAU SPECIAL SESSION



Rep. Lesil McGuire, R-Anchorage, and her husband, Rep. Tom Anderson, R-Anchorage, enter a car Tuesday after leaving the Capitol in Juneau. After an early winter storm kept many lawmakers from arriving in the state capital, the legislative special session began late Tuesday night, a day later than planned.

BRIAN WALLACE / Juneau Empire via The Associated Press

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 12/08/2006  
Edition: FRIDAY

Title: FEDERAL AGENTS ARREST  
ANDERSON

Character:  
or  
Classification: 194A-AN-13620-M -306  
Submitting Office: Anchorage

Indexing:

(Mount Clipping in Space Below)

### Federal agents arrest Anderson

Daily News staff

Federal authorities arrested state Rep. Tom Anderson on Thursday afternoon on "public corruption" charges, the FBI said. Anderson was still in custody at the Anchorage Jail on Thursday night.

FBI spokesman Eric Gonzalez said further details would be available from the Department of Justice today.

Gonzalez would say only that there was a federal warrant for the arrest "in connection with a public corruption probe."

Anderson, who was elected to the state House four years ago to represent Muldoon

but did not seek re-election in November, kept up his consulting business as an adviser for clients who do business with state and local government. He is married to state Rep. Leslie McGuire, R-Anchorage, who was elected to the state Senate in November.

Federal agents swarmed legislative offices around the state at the end of August, seeking information on legislators' links to oil services and construction company Veco. The FBI made no arrests at that time. Check [www.adn.com](http://www.adn.com) for updates.



Anderson

FBI - Stevens-606

(Mount Clipping in Space Below)

# 'Sorry' raises whiff of bribes

■ **LOBBYIST:** Apology to city leaders by Bill Bobrick is called a link to the Anderson scandal.

By **KYLE HOPKINS**  
and **LISA DEMER**  
Anchorage Daily News

Bill Bobrick, the lobbyist who set up a company that federal prosecutors say was used to funnel bribes to indicted state Rep. Tom Anderson, called Mayor Mark Begich and several members of the Assembly over the weekend.

His message: I'm sorry.

"He wanted to apologize for the mistake he's made and he knows he needs to deal with it," Begich said Monday.

The mayor, who considers Bobrick a friend and served as best man at Bobrick's 1998 wedding, said that he was disappointed in the longtime lobbyist and that Bobrick should work with the FBI.

194A-AN-13620-Press  
See Back Page, **BOBRICK**

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 12/12/2006  
Edition: TUESDAY

Title: 'SORRY' RAISES WHIFF OF BRIBES

Character:

or  
Classification: 194A-AN-13620-M - 307  
Submitting Office: Anchorage

Indexing:

FBI - Stevens-607

# BOBRICK: Mayor Begich says highly active city lobbyist made big mistake

Continued from A-1

"If he has to serve time, then that's the way life goes," Begich said.

For years, Bill Bobrick has been one of the city's top lobbyists — hired by local companies to serve their interests before the local government — and a fixture at Assembly meetings. He also fits the description of an unnamed co-conspirator in the indictment that sent Anderson to jail for a night last week.

When Bobrick left an apologetic message on Assemblyman Dan Coffey's cell phone, Coffey said it confirmed for him that Bobrick is indeed the same person accused of accepting bribe money from a secret FBI source and funneling cash to Anderson.

"He said he was sorry that he'd done what he'd done, and he said he was sorry that he'd hurt his community," Coffey said.

Bobrick hasn't been charged with any crime. He did not return phone messages Monday.

Several members of the Assembly interviewed Monday — including two Bobrick didn't talk to, Ken Stout and Paul Bauer — said they hadn't personally seen Bobrick break any ethics rules during his frequent dealings with city government. Some had a lot of good things to say about Bobrick.

FBI agents arrested Anderson on Thursday afternoon on conspiracy, money laundering, bribery and other charges.

He pleaded not guilty Friday, was released from jail, and made a brief appearance in federal court Monday afternoon for a status hearing on who will represent him. Anchorage lawyer Jeffrey Feldman, who has been appearing in court for Anderson, said he won't be able to handle the case because of "back-to-back trials" in other cases in March and April. He also is representing BP in the complex, ongoing federal investigation into pipeline corrosion on the North Slope.

Anderson's trial is tentatively set to begin Feb. 12.

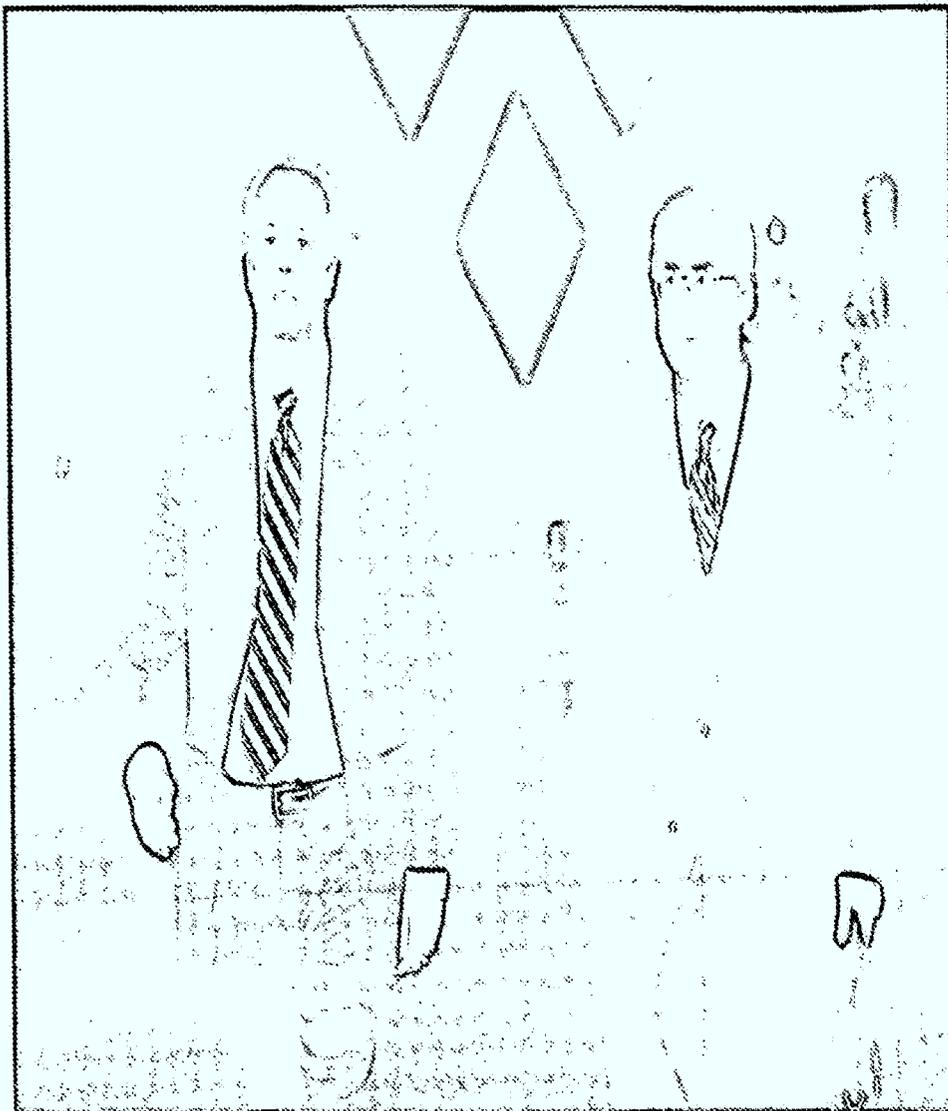
Also, Anderson has decided not to take a planned vacation to Mexico because of his need to find a lawyer and start his legal defense, Feldman said after the hearing. Magistrate Judge John D. Roberts earlier had given Anderson permission to go.

The 18-page indictment against Anderson doesn't name the lobbyist he's accused of working with, but does describe that person as someone who set up a shell company called Pacific Publishing on or around Aug. 2, 2004.

According to state Commerce Department records, Bobrick is listed as the owner of Pacific Publishing on a now-expired business license issued Aug. 2, 2004. In a September interview for a story about Anderson and his consulting income outside of the Legislature, Bobrick told the Daily News he had created the company.

The indictment also describes the anonymous lobbyist as someone who had a consulting contract with an unnamed corrections company that Anderson is accused of helping in exchange for money.

Bobrick registered with the city in 2004 as a lobbyist for Cornell Companies, which had been



Rep. Tom Anderson and attorney Jeffrey Feldman walk through the Federal Building on their way to a court hearing Monday. FBI agents arrested Anderson on Thursday afternoon on conspiracy, money laundering, bribery and other charges. He pleaded not guilty Friday and has decided not to take a planned vacation to Mexico because of his need to find a lawyer and start his legal defense.

BILL ROTH / Anchorage Daily News

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■ **INVESTIGATION:** For previous stories on the FBI corruption investigation and Anderson indictment, go to [www.adn.com/news/politics/FBI](http://www.adn.com/news/politics/FBI)

■ **BLOG:** For updates or to express yourself, click on [www.adn.com/alaskapolitics](http://www.adn.com/alaskapolitics)

working to open a facility for juvenile offenders in Anchorage and also to build a private prison in the state.

Federal prosecutors have emphasized that the corrections company was not implicated in the case.

Assembly members said Bobrick didn't get specific in his apologies. He didn't talk about Anderson, or what exactly he did or didn't do, they said.

Assemblywomen Pamela Jennings and Anna Fairclough said Bobrick told them he was sorry if he made the Assembly or the city look bad.

"He actually said I've done something wrong and I'm going to have to pay for it," Jennings said.

Assemblyman Paul Bauer — who said Bobrick campaigned against him when he ran for office — said he thinks Bobrick's potential ties to the Anderson case raise questions about his lobbying work before the city.

Begich said Bobrick made a big mistake, but that "from all indications, there's nothing connected to the city in a negative way."

Bobrick was executive director of the Alaska Democratic Party in the 1980s. He later became a registered lobbyist in Anchorage and has said he represented only clients who had city business.

Bobrick is currently registered as lobbyist for 11 different companies and entities doing business before the city, far more than any other individual. Among them: JL Properties, Carr-Gottstein Properties, developer Marc Marlow, Alaska Interstate Construction, Eklotna Inc., and the firefighters union. He earlier lobbied for Wal-

Mart.

Long before Anderson's arrest, Bobrick had been telling people he wanted to move away from his lobbying business.

Coffey said that he'd been planning to meet with Bobrick and the advertising/public relations firm Lottsfeldt Smith last Tuesday — until Coffey had a heart attack and was hospitalized. Coffey said he later learned that meeting was to talk about Bobrick's lobbying clients transferring to the other company.

Coffey said Bobrick visited him in the hospital and talked about getting out of lobbying for health reasons.

Curtis Smith, a partner at Lottsfeldt Smith, said Friday that Bobrick told him something similar weeks before.

"He said lobbying was simply too stressful."

■ Contact Daily News reporter Kyle Hopkins at [khopkins@adn.com](mailto:khopkins@adn.com). Contact reporter Lisa Demer at [ldemer@adn.com](mailto:ldemer@adn.com). Read our politics blog at [adn.com/alaskapolitics](http://adn.com/alaskapolitics).

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 12/19/2006  
Edition: TUESDAY

Title: FROM SMALL POTATOES TO BIG ONES, LET'S HOPE FOR NEW ETHICS LEGISLATION

Character:  
or

Classification: 194A-AN-13620-M -308  
Submitting Office: Anchorage

Indexing:

**From small potatoes to big ones, let's hope for new ethics legislation**

12/19/06

Rep. Tom "Small Potatoes" Anderson should be taking a lesson from Sen. Ben "300 Clams" Stevens on how to shoot for the real big bread. Stevens received \$775,000 for five years of consulting, and Alaska Public Offices Commission hit him with only a \$300 fine for not disclosing his two-year chairmanship on the Alaska Fisheries Marketing Board.

I sincerely hope the new alliance in Juneau gets some ethics reform legislation happening when they get together in January. We the voting public would like to be informed about how our public officials are making this vast amount of money as consultants. And while they're at it, would they give APOC some teeth too?

— B. MacMillan  
Anchorage

194A-AN-13620-Press

FBI - Stevens-609

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 12/19/2006  
Edition: TUESDAY

Title: ANDERSON TAPS STOCKLER  
TO HANDLE HIS DEFENSE

Character:  
or  
Classification: 194A-AN-13620-M -309  
Submitting Office: Anchorage

Indexing:

(Mount Clipping in Space Below)

# Anderson taps Stockler to handle his defense

12/19/06 ADN

■ **SCHEDULING:** Jeff Feldman was too busy to take the case.

By LISA DEMER  
Anchorage Daily News

State Rep. Tom Anderson, facing seven federal felony charges including allegations of extortion, money laundering and bribery, is replacing one high-profile defense lawyer with another.

Anchorage attorney and restaurateur Paul Stockler entered an appearance in the case on Friday, and the arrangement was confirmed at a brief federal court hearing Monday.

He is a former state prosecutor who was a key part of the team that successfully defended Rob Kane and Security Aviation on



Stockler

federal weapons charges earlier this year. He usually handles complicated civil litigation, he said.

Anderson originally had hoped to be represented by another prominent Anchorage attorney, Jeff Feldman. But Feldman is representing BP in an investigation into pipeline

corrosion and has trials in civil cases coming up next year. He couldn't handle this as well, he earlier told the judge.

Anderson was indicted Dec. 6. He is so far the only person to face charges in an ongoing FBI probe into allegations of corrup-

FBI - Stevens-610

194A-AN-13620-PRESS  
See Page B-3, ANDERSON

## ANDERSON: *Trial*

*Continued from B-1*

tion involving Alaska legislators.

Anderson, whose term in office ends in mid-January, is accused of working with a lobbyist to set up a sham company. Payments were funneled through that shell, Pacific Publishing, to Anderson in exchange for helping a private corrections company with efforts to build a private prison in Alaska and operate an adolescent treatment center in Anchorage, according to the charges.

Those efforts failed. The corrections company, which was unnamed in the indictment but appears to be Cornell Companies, was reportedly unaware of the scheme, which was set up through an undercover informant.

Anderson's trial is scheduled to begin Feb. 12. Whether that date will stick is unclear. Anderson wants to go to trial, but Stockler said Monday he has just gotten the case and hasn't seen the government's evidence yet.

He spoke by cell phone from Houston, Texas, where he was representing an Alaska contractor in mediation of a multimillion-dollar lawsuit.

"I need to get home this week and read what the government has," Stockler said.

■ Daily News reporter Lisa Demer can be reached at ldemer@adn.com and 257-4390.

FBI - Stevens-611

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 12/20/2006  
Edition: WEDNESDAY

Title: WAIT! ANDERSON MAY NEED  
A JET RIDE

Character:  
or

Classification: 194A-AN-13620-M  
Submitting Office: Anchorage

-310

Indexing:

**Wait! Anderson may need a jet ride**  
Perhaps Gov. Sarah Palin should wait to sell former Gov. Frank Murkowski's prisoner transport jet until we know whether Rep. Tom Anderson needs a ride.  
— David Miller  
Juneau  
194A-AN-13620-A

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

Date: 12/25/2006  
Edition: MONDAY

Title: WE WISH YOU GOOD TIDINGS AT CHRISTMAS

Character:  
or  
Classification: 194A-AN-13620-M -311  
Submitting Office: Anchorage

Indexing: FBI - Stevens-613

# We wish you good tidings at Christmas

12/25/06

By **BILL J. ALLEN**

Once again, I am privileged on this special day to extend to all of our readers our warm wishes for a wonderful Christmas and our most sincere hopes that your New Year will be filled with good health, happiness and prosperity.

We remain grateful to each of you who has made The Voice of The Times part of your regular newspaper reading routine, and we are pleased as always to express our thanks to the men and women of the Anchorage Daily News who make it possible for this daily editorial page to continue.



Allen

It has been 14 1/2 years since the old Anchorage Times ceased publication. Yet its voice — a conservative view of issues that face our city, state and nation — has been preserved by this unique arrangement with the publishers of what now is Alaska's largest newspaper.

We believe most readers consider this a rare journalistic treat, something that — despite occasional flashes of antagonism between competing forces — has

helped enrich and enliven the public's understanding of the headlines of the day.

In one respect this has been a difficult year for me, personally, as the result of a federal investigation involving political campaign contributions to members of the Alaska Legislature. Hopefully those issues will be resolved in the new year.

As most of you know, I am not only the publisher of The Voice of the Times, but also am chairman of VECO Corp., one of Alaska's largest and most successful engineering, construction and project management companies.

We employ thousands of wonderful and talented men and women in Alaska and in many places the world over. As a corporation, we have donated millions of dollars to worthy charitable causes, and individually our people in every part of our business likewise have been generous givers to hundreds of agencies and activities that help make Anchorage and Alaska a better place to live.

We will continue to do so in the year that is about to unfold. We also look forward to continuing our commitment to readers who look to us to express a different viewpoint on the issues of the day.

There certainly will be no shortage of compelling topics on the 2007 agenda.

Gov. Sarah Palin has brought to Juneau a new energy and her enthusiasm assures that Alaska will be moving ahead at full speed. We wish her well. Her success will mean success for all Alaskans. We may disagree with some of her strategies and policies as time goes on, but we will do so with respect for her and her office — and in the hope that our view, along with that of all Alaskans, will assist her overall goal to do great things for this state.

But Alaska is not all about politics or political leaders. Mostly, it is about people — ordinary folks who are here because they love the beauty and the opportunities that abound in this state.

People like you and people like me. We're Alaskans, all.

And on behalf of those who each day bring to you The Voice of The Times, I extend the warmest of wishes for a wonderful Christmas. May your day be filled with love and joy. And may the New Year bring fulfillment of your dreams.

Bill J. Allen is publisher of The Voice of The Times and chairman of VECO Corp.

194A-AN-13620-1100

## The Anchorage Times

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# Delay sought in legislator's bribery trial

**ANDERSON: Defense says it needs time to review 20 CDs of FBI data.**

By LISA DEMER

Anchorage Daily News

Published: January 9, 2007

Last Modified: January 9, 2007 at 10:34 AM

Indicted state legislator Tom Anderson wants to delay the start of his trial so his lawyer can better prepare.

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In a court motion filed Friday, Anderson's attorney, Paul Stockler, wrote that he is still working his way through 20 discs "which contain hours of audio and video recordings involving the defendant taken over an extended period of time."

The trial is now scheduled for Feb. 12, and Stockler said he wants to delay it until April 23.

The three-page motion provides the first mention of video recordings in the FBI corruption investigation of Anderson and other legislators. Anderson was indicted by a federal grand jury in December on seven felony counts including money laundering, extortion and bribery.

The indictment contains a number of references to recorded conversations between Anderson and two others: a local-government lobbyist for a private corrections company and a confidential source who had worked for the same company. The indictment doesn't specify whether any of the recordings were on video.

The indictment describes a conspiracy that began in July 2004 in which the lobbyist set up a shell company that existed to launder money to Anderson. The FBI gave money to the informant, who passed it on to Anderson and the lobbyist in exchange for Anderson pushing the interests of the corrections company. Anderson received less than \$13,000, according to the indictment.

Anderson has pleaded not guilty to all the charges.

No one else has been charged in the multi-pronged investigation into corruption involving Alaska legislators, and federal officials will say only that the probe continues.

Federal agents executed search warrants in August for numerous sites around Alaska, including the offices of six legislators. According to two of the warrants, the FBI was seeking information on Veco, the oil services and construction company, including "anything of value" provided by Veco and two top executives to any public official. The FBI also has issued subpoenas to commercial fishing interests, including some based in Seattle, for records related to retiring Senate President Ben Stevens, son of U.S. Sen. Ted Stevens. Ben Stevens has been paid to work as a fishing industry consultant.

Stockler said he's listening to or watching the Anderson recordings himself because it's important to hear the speaker's tone. The government didn't provide a transcript and every hour of a recording takes two to eight hours "to decipher exactly what was said," Stockler's motion said.

He wouldn't describe the recordings or what is depicted on the videos.

*M-312*  
*194A-AN-13620-~~PRELIS~~*

had estimated a week, his motion said.

Assistant federal prosecutor Joe Bottini didn't return a call on Monday but earlier said the government didn't oppose delaying the trial though wanted an earlier date in April than Stockler.

Anderson was elected to the state House in 2002 from East Anchorage but last year decided not to run again. He remains in office until Jan. 16 when new legislators are sworn in. He is married to Sen.-elect Leslie McGuire, who served three terms as a state representative.

Anderson worked as a consultant when he was a legislator, and one of his biggest clients was Veco. After last year's regular legislative session, he registered as a municipal lobbyist in Anchorage. He hasn't registered for 2007.

Anderson also was hired last year as executive director of the new Midtown Improvement District. But after Anderson was indicted, the organization's board and Anderson agreed he should step down, said Tom McGrath, interim board chairman and owner of electronic parts store Frigid North.

FBI - Stevens-615

## Anderson's trial rescheduled for April 9; lawyer is reviewing tapes

Published: January 11, 2007

Last Modified: January 11, 2007 at 02:33 AM

ANCHORAGE -- The trial of indicted state legislator Tom Anderson on bribery, money laundering and extortion charges has been rescheduled for April 9.

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U.S. District Judge John Sedwick this week set the new date so that Anderson's defense attorney has time to prepare for the trial. Defense lawyer Paul Stockler said he's listening to and watching 20 discs containing many hours of audio and video involving Anderson.

Stockler wanted the trial to be pushed back to later in April because he has a state court case set for trial at the start of that month. But Sedwick wrote in his order that he wasn't available then. If there's a conflict as Anderson's new trial date nears, he can ask to delay his

trial further, the judge said.

--- Anchorage Daily News

FBI - Stevens-616

M-313

194A-AN-13620-~~POSS~~

# FBI raids help set agenda in Juneau

**LEGISLATURE: Ethics, pipeline, education are top issues this session.**

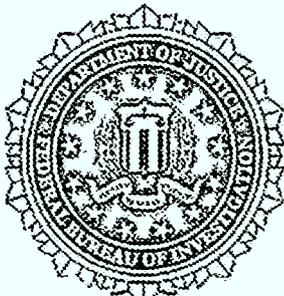
By SABRA AYERS

Anchorage Daily News

Published: January 14, 2007

Last Modified: January 14, 2007 at 04:04 AM

JUNEAU -- An unfinished gas pipeline deal, rising health care and education costs, and a bipartisan call for revising the legislative ethics laws -- Alaska's lawmakers return to the capital this week to begin tackling these and other issues in a four-month session that starts Tuesday.



Click to enlarge

The session gets under way after a year of political change in which Alaska saw the election of its first female governor and Democrats gained powerful Senate committee seats after being in the minority since 1984.

A political scandal, which erupted in August when the FBI raided six lawmakers' offices in an investigation into alleged government graft, has brought curbing corruption to the forefront of both voters' and legislators' minds.

How much the shadow of the FBI raids will hover over this year's legislative session remains to be seen, lawmakers said. Rumors of more indictments to come are swirling around the capital after the December indictment of one lawmaker, Tom Anderson, a Republican representative from Anchorage whose term in office ends Tuesday.

"The black cloud is definitely going to be difficult for some people," said Sen. Kim Elton, a Democrat from Juneau. "The most distressing part is now it has become easy for people to assume everything we do

is tainted."

The scandal has placed ethics reform at the top of the list in both chambers of the government. Legislators from both sides of the aisle have filed ethics-reform bills.

The governor's office has said it will also submit a proposal.

"People understand what the concerns are, but the best solution has yet to be hammered out," said Sen. Gene Therriault, a Republican from North Pole and the Senate minority leader.

Lawmakers begin the session at a time when the state is flush with cash, thanks to high oil prices and a new oil tax. That's good news for those pushing for spending in education and beefing up the under-funded state pension system.

FBI - Stevens-617

But Gov. Sarah Palin has asked for spending restraint, and additions to state savings accounts, saying being prudent is the best way for Alaska to safeguard for the future. Palin has asked her Cabinet members to trim her proposed \$3.7 billion budget for state operations by \$150 million.

"It's going to be tough, there's no doubt about it," said incoming Senate President Lyda Green, a Republican from Wasilla. Green is heading a 15-member bipartisan coalition, a setup that will see Republicans on both sides of the aisle.

194A-AN-13620-~~REB~~ m-314

Securing a gas pipeline deal is expected to become a main focus in both the governor's office and with lawmakers, but it's unclear how much progress will happen. The Palin administration is working on a bill it promises will "jump start" a deal on state tax terms if a developer takes on the pipeline. Palin has said she wants to "bring transparency to a competitive process" when negotiating contract proposals.

Lawmakers said they hope to be kept in the loop on the governor's progress, but agree that her administration will need time to thoroughly figure out the best deal for Alaska.

"No one is expecting her to have something ready on Jan. 16," said Rep. Ralph Samuels, a Republican from Anchorage. "But after six weeks, I'm sure the pressure will start to build and we'll be looking for some indication as to the direction the governor is moving."

Several crime fighting bills have also been filed this year. Requiring schools to report chronic truants would help communities keep at-risk children in school and out of gangs, according to a bill proposed by Sen. Con Bunde, R-Anchorage.

Another bill, sponsored by Rep. Kevin Meyer, an Anchorage Republican, would require ignition interlocks systems, which prevent a car from starting if a driver fails a breathalyzer test for alcohol, for all repeat offenders convicted of driving under the influence.

Daily News reporter Sabra Ayers can be reached at sayers@adn.com or 907-586-1531.

FBI - Stevens-618

# Alaska Ear

## The divine appendage

Published: January 28, 2007  
Last Modified: January 28, 2007 at 02:41 AM

**WILL WORK FOR SARAH . . .** The Alaska Budget Report, an insider subscription newsletter about legislative doings, says former lawmakers and Cabinet members who applied -- unsuccessfully -- for Cabinet posts in the Palin administration include former Kenai Peninsula state Sen. John Torgerson, former Anchorage state Sen./Lt. Gov. Loren Lemman, former AG Dave Marquez, former state Sen. Jerry Ward, former Murkowski Administration Commissioner Scott Nordstrand, former Murkowski DOT Commissioner Mike Barton, former Knowles DOT Commissioner Joe Perkins, former Kenai House member Gary Davis, former state Sen. Dave Donley and former Murkowski Administration Commissioner/North Pole Sen. Mike Miller.

Win some, lose some, darlings.

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### BAR BIGGIES BAGGING IT? . . .

Ear hears some longtime Anchorage CHARR members are abandoning ship, fed up with its "new liberal slant." As the story goes, Blues Central owner Frank Dahl, Chilkoot Charlie's owner Mike Gordon, and

Crossroads Lounge owner Don Skewis are all voluntarily ditching their long-held seats. The powerful trio is apparently irked by CHARR's recent blessing of State Rep. Harry Crawford's driver's license violation coding bill, which essentially would ban alcohol sales to people with DUI convictions.

### MUM'S THE WORD . . .

Juneau Earwigs report Gov. Sarah's office has banned the various departments from taking positions on bills. Commissioners and their underlings can present neutral info to legislators, at public hearings and the like, but no opinions allowed. Word is, all administration positions will come straight from the governor's office.

Other governors have tried this, d'Ears. Control, you know. Speak with one voice. It's understandable, but it never works. There's just too much stuff, and the Gov's office gets overwhelmed.

**SHHHH . . .** In an interview with Channel 2 about the appointment of Keri Brady as Anchorage D.A., deputy attorney general Mary Anne Henry mentioned low morale in the D.A.'s office, attributing it to a pattern of harassment and discrimination against women prosecutors under the previous administration.

It took about a week, but AG Talis Colberg issued a statement publicly chiding his top criminal assistant: "The department's policy is not to comment on personnel matters," the statement

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The divine appendage dishes the scoop on political hijinks in Alaska.

FBI - Stevens-619

194A-AN-13620-M-315

**Legislative pay hardly meager, numbers show -  
Mostly hidden supplements help many lawmakers earn a decent annual income**

Juneau Empire (AK)  
February 11, 2007  
Author: PAT FORGEY  
JUNEAU EMPIRE

Estimated printed pages: 4

Alaska legislators like to talk about their low salaries in a "citizen" Legislature. Actually, thousands of dollars of mostly hidden compensation add up to higher incomes than many of their constituents enjoy.

And since legislators have great flexibility in choosing whether to earn supplemental income, you could say they are as professional as they want to be.

Legislators typically claim to make about \$24,000 a year. That is indeed the base salary.

However, a Juneau Empire analysis of public data shows the average legislator last year actually earned nearly \$75,000, more than triple that.

The highest paid legislator earned \$88,000 from the state last year.

"Our system of compensation has been a bit of a farce as long as I've been here," said Sen. Con Bunde, R-Anchorage, who has served in the Legislature since 1992.

When legislators say publicly how much they make, they usually claim \$24,000. That's what House Speaker John Harris, R-Valdez, said in a recent Empire opinion piece.

The reality: Harris last year made \$83,363 as a state legislator, according to Empire calculations.

It's still not much, he said, and last year's numerous special sessions made the figure unusually high, Harris said.

"It still didn't make up for the income I lost by not being able to work all summer," he said.

Powerful Sen. John Cowdery, R-Anchorage, chairs both the Senate's Rules Committee and the Legislative Council. He claimed in an Alaska Public Offices Commission filing last year that he made \$24,012 from the state the previous year.

The reality: The Empire's calculations show Cowdery made more than \$60,000 in 2005 and \$67,483 last year.

The commission's disclosure forms specifically state that disclosing legislative pay is not required, said Brooke Miles, the commission's executive director, and Cowdery did nothing wrong by reporting an incorrect amount.

Cowdery was unavailable for comment Friday, but a call to his office was returned by spokesman Jeff Turner, who pointed out that Cowdery was paid well below the legislative average.

**Hard to Track**

The difference between what legislators say they get paid and what they actually get stems from the way they're compensated.

FBI - Stevens-620

Each legislator starts with a flat salary of \$2,001 a month, or \$24,012 a year. The president of the Senate and the speaker of the House each get paid an additional \$500.

That amount is so low that legislators need income from elsewhere to support themselves, many say.

"I cannot afford to do this job unless I have outside employment," said House Majority Leader Ralph Samuels, R-Anchorage.

Several legislators and former legislators have said that if they are to avoid any conflict of interest or perceived conflict of interest, they'd have to become "professional" lawmakers with commensurate salaries. In that case, outside employment could be banned entirely.

194A-AN-13620-M-316

Few legislators like that idea, however, even those who have been active in ethics reform.

"If you have a professional Legislature, it sounds terrible," Samuels said. "I think a citizen Legislature is the way to go."

In addition to a base salary, each legislator gets "session per diem" for each day the Legislature meets. Last year that amount ranged between \$163 and \$218 per day for legislators from outside Juneau, according to the Legislative Affairs Agency. The three from Juneau were paid between \$117 and \$163 per day.

Last year most legislators from outside Juneau got paid between \$30,000 and \$33,000 in session per diem. Legislators from Juneau got \$23,000-\$24,000 per year. The Empire calculations included this amount as income.

The theory behind session per diem is that legislators sometimes have to run two households, one in their home district and one in Juneau. Some legislators, however, have been reported living in their Capitol offices and showering in Capitol showers and saving the per diem amount.

Harris said he's heard of some legislators doing that as well, but the practice is "discouraged."

Some income is tax free

Legislators from outside Juneau aren't taxed on their per diem. The Legislative Affairs Agency considers 57 of them as nonresidents of Juneau, even though it paid \$10,000 or more to move some of them here.

Bunde has introduced a bill barring the Legislature from paying per diem to legislators who reside in Juneau but said it would only apply to the three who represent Juneau.

Relocation expenses can run as high as \$26,000, which is what Sen. Gary Stevens, R-Kodiak, incurred. Relocation expense was not included in the Empire's calculations of income.

In addition, legislators who travel from Juneau back to their home districts during the session can also be reimbursed directly for a hotel room if their house is rented out for the session, said Pam Varni, Legislative Affairs Agency director for the state. That amount was not included in these income calculations.

When the Legislature is not in session, members can receive what is called "long-term per diem," \$150 a day. To qualify, a legislator must either attend a meeting or spend at least four hours of that day on legislative or constituent business.

Claiming long-term per diem is left to each legislator's discretion, according to the agency.

Claims vary widely. Sen. Bert Stedman, R-Sitka, put in for the largest amount, working on average more than five days a week when the Legislature was not in session. That made him the highest paid legislator last year, at more than \$88,000.

Bunde said he didn't consider that as true per diem and said he'd prefer the term "stipend" so as to not mislead the public. "Truth in labeling, I guess I'd call it," he said.

Sen. Gary Wilken, R-Fairbanks, was the only senator to claim no long-term per diem last year.

"I'm financially in a position that I don't rely on my legislative income to live here," he said. "Some people do."

Finally, legislators get paid an office or business expense allowance. Senators get \$10,000 each; Representatives get \$8,000 each.

FBI - Stevens-621

Legislators can either submit receipts for each expenditure to be paid out of that account or can get it in a lump sum from which taxes are withheld. Harris takes his in a lump sum. For purposes of compensation, the Empire included that amount.

Amounts not included in the Empire's pay calculations include travel (average \$4,800 per legislator). Rep. John Coghill, R-North Pole, spent more than \$24,000 on travel last year.

The information on how much legislators actually earn is difficult to determine. The Legislative Affairs Agency publishes on paper a list of amounts spent on each Legislator's behalf, but does not typically make it available electronically.

It also does not tally the amounts, and excludes long-term per diem from its total compensation.

The Legislative Affairs Agency also refuses to release the amounts of total income it reports to the Internal Revenue Service on legislators' W-2 forms.

APOC's Miles said that maybe it is time for the commission to include state pay in legislator's financial disclosure reports.

Miles said her agency has previously not required it because of a belief that the information was readily available elsewhere.

She has since heard reports that the numbers are less readily available than she'd thought.

"That makes me think it needs to go on that form," she said.

Miles said she'll ask the commission whether it wants to require disclosure of that information by legislators. That request is likely to come at the commission's March meeting, she said.

2006 Selected Legislator PaySessionPer Diem OfficeExpenseLongtermPer DiemBaseSalary TotalPay Rep.  
 John Harris, R-valdez \$31,251 \$8,000 \$19,500\$24,512\$83,263Former Rep: Bruce Weyhrauch, R-Juneau  
 \$23,765 \$8,000\$19,050\$24,012\$74,827Rep. Beth Kerttula, D-Juneau \$24,092\$8,000\$16,200 \$24,012  
 \$72,304Sen. John Cowdery, R-Anchorage\$32,121 \$10,000\$1,350\$24,012\$67,483Sen Kim Elton, D-  
 Juneau\$24,091\$10,000\$6,150\$24,012\$64,253SOURCE: legislative affairs agency data, empire analysis •  
 Pat Forgey can be reached at patrick.forgey@juneauempire.com.

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## Veco fades into Juneau background

**ETHICS:** Last year's scandals leave lawmakers with a keener sensitivity to every interaction with lobbyists.

By SABRA AYRES  
Anchorage Daily News

Published: February 27, 2007

JUNEAU -- Lawmakers here say there was a time in legislative history when a cocktail party sponsored by Veco executives in a Baranof Hotel suite would have seen oil executives and lobbyists cozying up to lawmakers and staffers.

But such a scenario was before the FBI raided six legislators' offices last year. It was before a House member was indicted on charges of bribery, conspiracy and extortion, and before talk in the Capitol turned to ethics reform and clean government.

This year, lawmakers said, Veco executives haven't been around either the halls of the Capitol or the hotel bars frequented by the lawmakers who rent rooms upstairs during the session.

When the FBI searched legislative offices last August, search warrants show they were targeting material linked to interactions with Veco chairman Bill Allen, among other documents.

None of the lawmakers' whose offices were searched or any Veco executives have been charged. In December, then-Rep. Tom Anderson, R-Anchorage, was indicted on charges of bribery, extortion and money laundering. The two actions have not been linked by the FBI's continued investigation into government corruption in Alaska.

One lobbyist is registered to work for Veco this year, compared with three last year, according to the state's Public Offices Commission.

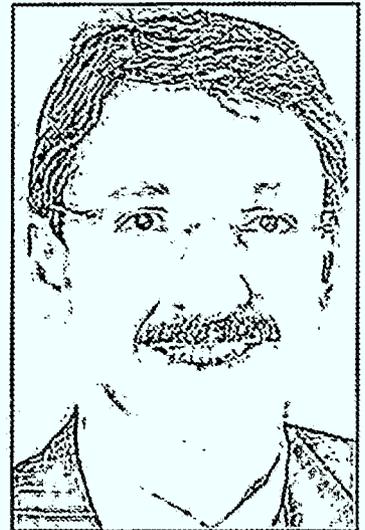
In the past, Veco stood apart from other interest groups by heavily using its top executives to lobby in Juneau, in addition to its contracted lobbyists. Veco is an Anchorage-based oil-field service company and one of the largest businesses in Alaska. It has championed oil company interests in Juneau for over two decades.

In 2002, the state insisted that Allen himself register as a professional lobbyist because he was making so many visits to the capital on behalf of his company.

A request for an interview with Veco executives Monday was turned down. A woman answering the phone at Veco's headquarters said the company's legal counsel had advised executives to refrain from media comments until after the FBI investigation's conclusion.

Lawmakers say the raids and swirling rumors of more indictments have created a magnifying glass when it comes to legislative conduct this year.

FBI - Stevens-623



"There is certainly more scrutiny of behavior that could potentially reflect badly on the institution," said Senate Minority Leader Gene Therriault, R-North Pole. (Seanna O'Sullivan/AP)

194A-AU-13620-M-317

Lobbyists from oil companies still visit lawmakers, but some legislators say a hyper-awareness to what could be perceived as unethical behavior has changed the way the government operates with special-interest groups.

Since the legislative session began last month, some lawmakers say they have thought twice about attending the abundance of lavish receptions hosted each year by special-interest groups from pharmaceutical companies to municipalities and nursing groups.

Some said they have become more cautious about public perceptions of their behavior, particularly as discussions continue in both chambers on more than a dozen legislative and executive ethics-reform bills.

There is certainly more scrutiny of behavior that could potentially reflect badly on the institution," said Senate Minority Leader Gene Therriault, R-North Pole.

This year, some senior legislative staffers have said they are choosing not to visit popular Juneau bars, where in previous years lobbyists have socialized with lawmakers and staffers.

It's a given that our bosses are a public figure and therefore subject to public scrutiny," said Heath Hilyard, the chief of staff for Rep. Carl Gatto, R-Palmer. "This year some of us are questioning where we go out in public because of how it might reflect on our bosses."

An early session primer on how Alaska fared compared with other states' ethical guidelines raised questions about what should be and shouldn't be acceptable behavior, said Rep. Mike Hawker, R-Anchorage.

I've opted not to attend receptions this year, because you don't know where the new ethics legislation is going," Hawker said. "The water is so murky now, I don't want to have to justify why I would go to one or oppose going to one. It's just better to avoid all questions and potential problems by not going until the reforms are worked out.

Hawker said he never attended a Veco suite party, nor was he ever invited to go "anywhere with them."

But lobbyists and the special-interest functions have their place in the legislative process, Hawker said. The recent accusations of unethical behavior in Alaska's government have clouded that role and created bad press for what the Anchorage Republican said was part of public participation in lawmaking.

The conventional wisdom has changed so that now lobbyists are a discredited profession and inherently evil," Hawker said. "What's lost is that a lobbyist is no more than someone hired to convey a group's interest to the legislature. They can be extremely helpful."

Interactions with lobbyists, receptions and special interest groups may change in the coming weeks, however. Gov. Sarah Palin is expected to introduce her revised state budget proposal as well as her gas pipeline legislation later this week.

Lawmakers said the debate over the Palin administration's pipeline bill could bring more lobbyists to Capitol halls as the debate on it heats up.

There is heightened awareness of any appearance of impropriety, and a sense that we better well care what the public thinks," Gatto said.

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Daily News reporter Sabra Ayres can be reached at [sayres@adn.com](mailto:sayres@adn.com) or 907-586-1531.

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FBI - Stevens-625

March 27, 2006

Author: RICHARD RICHTMYER

Anchorage Daily News

Staff

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Myrl "Boone" Thompson lost his bid for the state House from Wasilla in the 2004 election, but that didn't stop him from packing his bags and heading to Juneau.

The Mat-Su political activist may not have an office in the Capitol, but he has become a fixture in its hallways, hearing rooms and legislative chambers, monitoring the goings-on in the Legislature, keeping a particularly close eye on the delegation from his borough.

"I'm generally watching out for stuff that goes under the radar," said Thompson, who describes his role in Juneau as "citizen lobbyist."

His critics, however, call it something else.

"A lot of people call him a liar, a scoundrel and a scumbag," said Mark Kelsey, managing editor of the Mat-Su Valley Frontiersman, the local newspaper that publishes a monthly opinion column from Thompson as well as occasional excerpts from his e-mail newsletter.

A lifelong Alaskan, Thompson, 47, jumped into the political breach in 2003 during a controversy in the Valley over former Palmer Republican state Sen. Scott Ogan's business relationship with Evergreen Resources, which wanted to explore for coal-bed methane on more than 300,000 acres across the Matanuska-Susitna Borough.

During that flap -- which ended with Ogan resigning and Evergreen abandoning Mat-Su -- Thompson got involved in citizens' groups aimed at ousting Ogan from office and became a vocal critic of the state's shallow-gas program to streamline coal-bed methane development.

In November 2004, Thompson ran as an independent to represent his district in the state House. He lost the election to Republican Rep. Mark Neuman from Big Lake, himself a political newcomer.

Notwithstanding his defeat at the polls, Thompson said, he took a leave of absence from his regular job as a banquet manager at the Hotel Captain Cook and headed off to Juneau, at his own expense, when the session started the following January.

He stayed for the duration of the 2005 regular session, mostly just watching and listening, occasionally testifying during public hearings on legislation, all the while sending regular e-mail dispatches to a handful of supporters.

This year, Thompson returned to Juneau -- this time with a list of e-mail subscribers he says has swelled to more than 500 names and his regular forum in the Frontiersman.

But if Republican lawmakers want to subscribe to his e-mail bulletins, they'll have to do it under a phony name.

"When they ask to get on it, I tell them I have a closed-door caucus e-mail filter," he said, making a jabbing reference to the group sessions the majority party has in private where they discuss political strategy.

In a recent e-mail musing under the heading "Neumanism," Thompson sarcastically chronicles some recent developments in his former opponent's activities in Juneau, including his recent appointment by House Speaker John Harris to the Alaska Statehood Commission.

FBI - Stevens-626

"It has to be related to Mark's powerhouse performance on the POMV committee of 55 that Neuman constantly reminds us of," Thompson writes, referring to the 2004 Conference of Alaskans that was aimed at finding a long-term solution to the state's chronic budget shortfalls.

As one of only two citizen members of the conference, Neuman became something of a media star among a hall filled with politicians and businessmen who debated such issues as fixing the Permanent Fund dividend to a "percentage of market value" of the fund principle.

In another e-mail, he provides a short list of bills up for review in Rep. Vic Kohring's Oil and Gas Committee, and a short editorial comment:

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"HB 373 Exploration and Incentive Credits; HB 386 Extended North Slope Severance Tax Credit; Natural Gas Pipeline Incentive/Gas Tax. Do you notice a pattern here?"

Although he testifies from time to time on particular pieces of legislation, lawmakers say he does little else to try to influence the process. In fact, some of those whom he criticizes most sharply say they rarely even speak with him.

"He comes to just about every one of my Oil and Gas Committee meetings, and I usually greet him with a little chit-chat," said Kohring, R-Wasilla. "But he's certainly not lobbying me."

Kohring -- who was a sponsor of coal-bed methane drilling legislation that was part of the Evergreen controversy -- said he admires Thompson's commitment and appreciates the personal sacrifices he's making to relocate to Juneau. At the same time, Kohring said, he's frustrated by Thompson's approach.

"He's got it in his head that people are conspiring, we're in cahoots with big business, we're beholden to them, and it's just not true," Kohring said. "I wish he would be a little bit more open minded."

Wasilla Republican Sen. Lyda Green, co-chair of the Senate Finance Committee, said she is often confounded by Thompson's writings, especially when he neglects to seek comment from the lawmakers he is panning.

"I see him as someone who goes from committee to committee, waiting and watching to see what the Mat-Su legislators do," Green said. "I have no problem with that, but the conclusions he draws are biased and incomplete. It's just kind of snarly."

Kelsey of the Frontiersman said he fields frequent complaints about Thompson's Juneau dispatches, many of which come from Mat-Su legislators. But so far, none of them have made any real persuasive arguments, he said.

"I frequently hear, 'Myrl is a liar,' or 'Myrl stretches the truth,' But they can never say, 'Here's a specific example,'" Kelsey said. "It's a lot of name calling with no substance."

Thompson said he's gotten used to being a pariah in Juneau.

"It's like I'm radioactive," he said.

Neuman, who won the seat Thompson was vying for in the 2004 race, said he hasn't spoken a word to him since the election, and he declined to comment on his former rival's activities in the Capitol.

Thompson said he hasn't decided if he'll make another run for the House this year.

"I kind of like what I'm doing now more than if I were a legislator," he said. "As a legislator, they might be able to more effectively muzzle me."

Rep. Carl Gatto, a Republican from Palmer, said he fully expects Thompson's name to be on the November ballot, considering the amount of time he has spent in the Capitol over the past two years.

"I cannot for a moment think that he doesn't intend to run again," Gatto said. "This is a great opportunity for him to get enormous experience that he couldn't get any other way."

Caption:

Photo by SEANNA O'SULLIVAN

FBI - Stevens-627

Myrl "Boone" Thompson sits in the back of a House Finance Committee meeting Thursday at the Capitol in Juneau.

Rep. Mike Chenault, R-Nikiski, right, peers at the notes of Myrl "Boone" Thompson during a House Finance Committee meeting Thursday at the Capitol in Juneau. "I'm generally watching out for stuff that goes under the radar," Thompson said.

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Anchorage Daily News

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## Anderson's trial is delayed

By LISA DEMER  
Anchorage Daily News

Published: March 29, 2007

The trial of former state Rep. Tom Anderson for extortion, bribery and money-laundering charges won't begin until June 25, a delay of more than two months from the scheduled April 9 trial date, a federal judge said Wednesday.

Anderson's defense lawyer, Paul Stockler, sought the delay so he could review as many as 100 additional audio and video recordings made of conversations involving witnesses.

Stockler already has received 50 to 60 CDs and DVDs from the government, but on Wednesday he told U.S. District Judge John Sedwick that prosecutors have alerted him that they plan to turn over even more recorded evidence.

Assistant U.S. attorney Joe Bottini said some of the material is ready for Stockler to pick up now.

Anderson participated in the Anchorage hearing by telephone from Juneau, where he's living with his wife, state Sen. Lesli McGuire, during the legislative session.

He wants a delay, he said, but doesn't know how jurors will react if the trial isn't wrapped up by July 4.

Sedwick said jurors will get time off for the holiday.

Anderson didn't want the trial pushed back so far, but the government insisted on the June date if there was to be any delay, Stockler said.

"My client is very antsy about getting the case resolved," he said.

Bottini told Sedwick the scheduling conflict is because of "other matters" coming up that involve the prosecutors and witnesses.

He didn't explain what those "matters" were all about.

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Daily News reporter Lisa Demer can be reached at [ldemer@adn.com](mailto:ldemer@adn.com) and 257-4390.

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194A-AN-13620-M-319

**Senate can police itself on ethics, Stevens says -  
INTEGRITY: Office would make it too easy to accuse, senator warns.**

*Anchorage Daily News (AK)  
March 29, 2006  
Author: LIZ RUSKIN  
Anchorage Daily News  
Staff*

*(Estimated printed pages: 2*

It's just fine that the U.S. Senate investigates ethics complaints against its own, Sen. Ted Stevens said Tuesday, arguing against legislation to create an independent "office of public integrity" to screen complaints.

The proposed new bureau, one response to the Jack Abramoff influence-buying scandal, would do nothing to restore the public's trust, Stevens maintained.

"The way to restore confidence in the system is for senators to stop repeating rumors about the Senate, to stand up and say the Senate has integrity, and the Senate is doing its job," he said during the Senate floor debate Tuesday afternoon.

His side prevailed, and the amendment failed 67-30.

The vote was part of the Senate's debate on an ethics and lobbying reform bill.

Under the Senate's existing rules, ethics complaints go to the Senate Select Committee on Ethics. The committee releases almost no information about complaints or their resolution except in the most egregious cases.

Sen. Susan Collins, R-Maine, said a public integrity office would remove the appearance that senators were sweeping allegations of wrongdoing under the rug. It would have acted as the committee's investigative arm, she said.

Stevens said the office would merely be an avenue for people to publicize their accusations against a senator. Political partisans outside the Senate are lodging more complaints than ever before, he said.

"We have people accusing us almost daily of having done something wrong, and publishing it through blogs and all that," he said. "I think we should be very careful (not) to set up another tool for these bloggers and these people to use, to create more news, to create more charges against the Senate."

Collins said the office would have been required to follow the Ethics Committee's confidentiality rules.

The committee can't say what complaints have been filed or investigated, but Stevens has lamented to news reporters that one case against him took two years to resolve.

Reporter Liz Ruskin can be reached in Washington at 202-383-0007 or lruskin@adn.com.

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FBI - Stevens-629

194A-AN-13620-M-320

**Alaska Ear**

Anchorage Daily News (AK)

April 1, 2007

Author: Staff

Estimated printed pages: 4

**IN TOM'S DEFENSE ...** Ear wasn't actually in the Senate Finance conference room Thursday, so it isn't positive the silence was strained as Sen. Gene Therriault presented his proposal to strip lawmakers convicted of felony misconduct, like bribery, of their pensions.

However, Sen. Lesil McGuire, a committee member, was there, and handled the situation with aplomb. She questioned whether such a bureaucratic and complicated-to-enforce penalty was really the best way to send a message against such crimes. What about the rights of wives or ex-wives and children who depend on the pension, people who "happen to have a member in their family who's a bad actor?" she asked. Why not be straightforward and just fine the bad guy \$500,000?

Lesil reminded her colleagues, in case any had just returned from an extended trip to Pluto, that a member of her family has been indicted for conduct committed prior to their marriage. He's not guilty, she said, but if he were, why should she and baby Grayson be punished?

"This is a political bill," she said, putting her finger on what was really going on. "To wave around." But, she finished, "To the degree that this is your political sound bite, I'll vote for it."

Even if the bill passes, it won't apply to Tom. Such laws can't be retroactive. Want to listen for yourself? Check the audio archives at: [www.ktoo.org/gavel/stream.cfm](http://www.ktoo.org/gavel/stream.cfm).

**BAD NEWS ...** For Ear and other fans of Noble's Restaurant in Mountain View. It closes this weekend. Part of the much promised, little delivered Mountain View Renaissance, Noble's was unable to attract enough people from outside the neighborhood to make a go of it.

Word is chef/co-owner Rob Kinneen is going to Inlet Towers to ramp up their catering and special events.

**DON'T ALL TALK AT ONCE ...** Earwigs report former Rep. Tom Anderson is deep in discussion with a local radio station to host his own talk show. And why not? Ear would listen. He's likable and, based on reports that prosecutors have more than 100 CDs of taped conversations and statements in the federal case against him, exceptionally well qualified to talk.

Over at KFQD, Eddie Burke is doing his own morning talk show, daily from 10 to noon. Earwigs report he's taken the Cary Carrigan slot.

\* Morning Radio Mouth Rick Rydell has re-upped with Clear Channel for another three years, but who knows who he'll be working for by the time that deal is done. Clear Channel Alaska is still on the block as the nationwide corporation divests itself of its smaller markets.

**ON THE MOVE ...** TV babe Angela Unruh is leaving KTUU in May for the best of reasons -- to have a baby. Friends say she wants to see what being a mom is like before deciding when to return to the news wars.

\* Daily News business reporter Richard Richtmyer is off to a new job in Texas as a technology reporter for the Austin Business Journal. Too much winter here, he said, after enduring five of them. He wants to ride his Harley all year round.

\* Longtime assistant U.S. attorney Deborah Smith will be sworn in on April 12 as a U.S. magistrate judge for the District of Alaska. There's a reception later at the museum. **FBI - Stevens-630**

\* Daryl Hoflich, a vice president at Bradley Reid advertising, has moved to Porcaro Communications, where he will be the agency's new creative director. Ear is told the advertising world is all abuzz.

**HOOKED UP ...** Tongues are wagging over a Far North legislator in his 40s dating a 19-year-old legislative aide. (Not his.)

Even if it's so, Lovesick Lobe doesn't see the problem. They're both single and legal. Alors, if you add their ages together and divide by two, their average age is 31.

**WE'RE NO. 2 ...** Backyard Living magazine ran a contest for the biggest backyard snowmen in America and Snowzilla got beaten by Frosty, a 23-foot nicely manicured creation in Hermantown, Minn.

194A-AN-13620-M-321

At 16 feet, Snowzilla came in second.

**GOES AROUND, COMES AROUND ...** In a delightful karmic turnaround, pollster Ivan Moore was randomly selected last week by the U.S. Census Bureau to participate in a survey. Participation is required by law. Earwigs report Ivan is grumbling about the survey being 24 pages long.

Speaking of Ivan, looks like he and Elvi Gray-Jackson have finally played the "Joe Millionaire" card in Elvi's attempt to unseat Assemblyman Dan Coffey. Dan, who's lost weight and is looking almost as good as Elvi these days, was one of the people who asked a federal judge to take Josef Bohem's addiction into account when sentencing the businessman two years ago. The judge didn't. He gave Bohem, who was trading drugs for sex with mommas and daughters, the maximum.

Jeez. Dan doesn't even drink.

**MILESTONES ...** Mary Louise Rasmuson turns 96 on April 11. Friends and family plan to gather at her Palm Springs home to celebrate. Most Alaskans know her only as a philanthropist and widow of banker Elmer Rasmuson. But did you know she was once the head of the WACs? That's the U.S. Women's Army Corps.

**FLYING FACTOIDS ...** Did you see Lisa Demer's story on Thursday's front page about the scathing OCS report that says the child protection agency is so dysfunctional it should toss itself out and start over? The spanking was administered by an Outside consulting firm called ACTION for Child Protection.

Now check [www.hss.state.ak.us/press/2005index.htm](http://www.hss.state.ak.us/press/2005index.htm) and look at the resume of OCS boss Terry Sandoval (a June 7, 2005, news release). Guess where she worked right before coming to OCS? ACTION for Child Protection. Go figure.

**GOOD CAUSES ...** Kohanic Broadcasting, parent of public radio station KNBA, raised close to \$350,000 at their annual Native art auction last month. Haven't heard yet how much the Alaska Botanical Garden raised last night at "An Evening with Jeff Lowenfels," a \$100/head fundraiser hosted by Sandy and Marc Langland at their home. Maybe not quite as much. But they did offer northern Italian cooking by artist Ayse Gilbert, so maybe.

Compiled by Sheila Toomey ear@adn.com

Graphic 1: Ear logo large\_040107.eps

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*Section: Alaska*  
*Page: B2*

FBI - Stevens-631

**Young may return tainted money -  
\$20,000: Recipients of indicted businessman's political donations included  
Alaska congressman.**

Anchorage Daily News (AK)

April 6, 2007

Author: KEVIN DIAZ

Anchorage Daily News

Staff

Estimated printed pages: 4

Rep. Don Young might return some \$20,000 in campaign contributions linked to a Wisconsin businessman under federal investigation.

Young had boosted the businessman's trucking company by helping pass new federal truck-hauling rules.

Young has maintained a public silence on the case, though his top aide said this week that Young does not recall ever meeting Dennis Troha, the apparent target of the probe.

Two other congressmen involved in the legislation, Republican Paul Ryan of Wisconsin and Democrat Jim Oberstar of Minnesota, have purged the money they got from Troha and his associates. Young's chief of staff, Mike Anderson, said Young is "considering" doing the same.

While Young's office has denied any link to the investigation, a spokeswoman for the U.S. Attorney's office in Milwaukee declined to say whether Young is "in or out as a subject."

Family members and others associated with Troha were among Young's top campaign contributors in his 2006 re-election, though their money was a tiny fraction of the \$1.9 million that filled his campaign coffers.

Anderson said it is not unusual for people with an interest in federal legislation to make campaign contributions to key committee members like Young.

"There is no personal connection," Anderson said. "Mr. Young wouldn't know Dennis Troha if Mr. Troha walked in and hit him with a bat."

Young, facing criticism from Alaska Democrats, has had Anderson review the legislative history that led to Congress passing a major highway bill in 2005 that included provisions Troha sought. They allow truckers to haul as many as four semi-trailer truck cabs at once.

Federal prosecutors in Milwaukee say they are looking into a deal whereby Troha will be paid by his former trucking company, JHT Holdings, until 2010 as a result of congressional passage of the trucking provisions, which help the firm.

In a separate case, Troha was indicted last month on charges of using family members to illegally funnel more than \$100,000 in campaign contributions to Wisconsin Gov. Jim Doyle and the state's Democratic Party. The federal indictment alleges that Troha was trying to win approval for a casino in his hometown of Kenosha, Wis.

Anderson said Young had no idea Troha stood to gain from the congressional provision allowing longer "saddlemount" truck combinations.

Troha and members of his family donated \$14,000 to Young in 2005, the year Congress passed the highway spending bill increasing maximum multi-truck combinations from 75 feet to 97 feet. Such a change lowers costs for trucking companies.

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In all, Troha and his associates have given Young's campaign about \$20,000 since 2003, according to federal campaign records.

Young, as chairman of the Transportation Committee, was instrumental in attaching the trucking rules in the highway bill, as was Oberstar, then the ranking Democrat on the panel. Oberstar received more than \$20,000 in campaign contributions from people associated with Troha.

Ryan, who urged Young and Oberstar to support the trucking provisions, received \$58,000 in contributions from Troha, his family members and his associates.

Ryan has denied any wrongdoing and said he will donate the Troha money to the Boys and Girls Club. Oberstar has said he will give the money he got to the federal treasury.

Anderson did not say how Young might dispense with the Troha money, if at all, noting that he just got his staff report on Tuesday.

But Anderson said none of the contributions was linked to Young's support for the longer truck limits, which he said reduce the number of trucks, saving fuel and wear and tear on highways.

Anderson also denied that Young is linked to the federal probe, which focuses on Troha's financial dealings in Wisconsin.

A federal prosecutor in Milwaukee, however, said Tuesday that she could not say whether the investigation extends to Troha's contributions to Young or other members of Congress.

"I'm not going to confirm or deny that he is or is not a subject," said Michelle Jacobs, a spokeswoman for U.S. Attorney Steven Biskupic in Wisconsin. "What we've put out on this is that we are continuing the investigation into the contributions and transactions involving Paul Ryan, and that's as far as we're going to go right now."

Troha's lawyer, Franklyn Gimbel, is out of the office this week and has not returned several phone messages seeking comment. In the past, he has denied any criminal wrongdoing by Troha, saying he is the victim of a "media feeding frenzy."

Troha sold his share of JHT in 2005, and Gimbel has suggested that the continuing payments reflect his share of the company's increased profits from the new truck rules.

Congressional records show that Ryan and a dozen other House members representing truck manufacturing districts had been lobbying for the rule change since at least October 2003, two months before Troha made his first \$1,000 contribution to Young.

A letter from Ryan to Young at that time said the new length limits, which went into effect this year, would "improve industry safety, reduce miles driven, improve fuel consumption, and reduce congestion on our highways while emitting fewer pollutants."

Some trucker groups opposed the longer length limits, arguing that they would be dangerous, unwieldy and primarily save on labor costs.

The U.S. Transportation Department also rejected the idea, not because longer truck limits would compromise safety but because the proposed changes would be "insignificant" to the industry.

The trucking provisions Young backed were tucked into the highway bill and sent to the full House in February 2005, Anderson said. That was about the same time Troha inked his deal with JHT, and two months before much of the Troha family money started finding its way into

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Young campaign accounts.

Anderson said Young looked into the new truck-hauling provisions independently and decided they "made sense" and did not compromise safety.

"This is not about Mr. Young doing something to help JHT or Dennis Troha make money," Anderson said. "It's about good public policy."

Reporter Kevin Diaz can be reached at [kdiaz@mcclatchydc.com](mailto:kdiaz@mcclatchydc.com) or in Washington, D.C., at 202-383-0003.

FBI - Stevens-634

### Lobbyist rules proposed at Assembly

Under new rules proposed by two Anchorage Assemblymen on Tuesday night, people caught committing certain crimes would be banned from lobbying before the city.

Dan Sullivan, who represents West Anchorage, and East Anchorage Assemblyman Paul Bauer proposed the ordinance, which would require potential lobbyists to undergo background checks.

Anyone convicted of a felony, or of any crime related to bribery, extortion or fraud and certain other crimes, wouldn't be allowed to register as a lobbyist. As written, the proposal also would apply to lobbyists who plead guilty or no contest to those crimes.

One of the top lobbyists before the city, Bill Bobrick, has been linked to the bribery indictment of former Anchorage Rep. Tom Anderson. Bobrick has not been charged with a crime, but has apologized to Assembly members for making some kind of mistake and, more recently, told Assemblyman Dan Coffey that he planned to plead guilty to a felony, Coffey said.

-- Anchorage Daily News

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194A-AN-13620-M-323

**Former Young aide pleads guilty in corruption case -  
ABRAMOFF SCANDAL: Alaska congressman was not implicated or named  
during court hearing.**

*Anchorage Daily News (AK)*

April 25, 2007

Author: KEVIN DIAZ

*Anchorage Daily News*

Staff

*Estimated printed pages: 4*

An aide to former House Transportation Committee Chairman Don Young pleaded guilty Tuesday to helping convicted lobbyist Jack Abramoff get business and inside government information in exchange for cash, gifts and job favors.

Mark Zachares, a lawyer on Young's Transportation Committee staff between 2002 and 2005, faces a likely two-year prison term under a deal with the government requiring him and his wife, Cynthia, to cooperate in the widening corruption probe that has already reached a dozen Capitol Hill figures.

Young, R-Alaska, was not implicated in the scheme, nor did his name come up in the half-hour federal court hearing in which Zachares pleaded guilty to a single conspiracy count and surrendered his passport.

Zachares, flanked by his lawyer and a U.S. Marshal, said little during the hearing other than confirm federal prosecutors' allegations with a firm "Yes, your honor," or "No, your honor."

Asked finally how he pleaded, he said "Guilty, your honor," ending a pro-forma series of questions from U.S. Judge Ellen Huvelle, who is presiding over much of the Abramoff litigation.

Zachares, in a black suit and a blue tie, left the courthouse without talking to reporters.

His lawyer, Edward MacMahon, called him "a good man who has taken responsibility for the things that he did."

Zachares' most recent business card from the committee gave his title as special counsel to chairman Young.

"He was the go-to guy on Alaska issues for the transportation committee," said Karl Ohls of the North Star Group, a small lobbying firm in Washington specializing in Alaska matters.

Zachares spent time in Alaska as a young man and attended the University of Alaska Anchorage, where he played basketball in the first Great Alaska Shootout tournament in 1978.

His father, William Zachares Jr., served in the Air Force for 30 years, retiring in 1976, according to a 2002 newspaper announcement celebrating his parents' 50th wedding anniversary. His mother, Sarah Zachares, was a nurse. In 1977, the family settled in Kotzebue, where they lived for six years. The parents and their other son now live in Anchorage. They didn't return messages left on their home answering machines.

After leaving the Transportation Committee, the 49-year-old Zachares is now working in sales, MacMahon said.

Richard Pilger, a Justice Department prosecutor, told the court that Zachares' "cooperation may be ongoing for some time."

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Standing before the court, Zachares acknowledged that he and Abramoff began forming their illegal partnership in late 2000, when Zachares was working as Labor and Immigration Secretary for the Commonwealth of the Northern Mariana Islands, a U.S. possession in the Pacific. At the time Abramoff was a Washington lobbyist for the commonwealth.

Their relationship, which they dubbed a "two-year plan," actually continued until late 2004, by which time Abramoff had helped Zachares land a Capitol Hill job on Young's committee. There, Abramoff described Zachares' role to a fellow lobbyist as "Zack pulling our load inside."

In all, Zachares admitted that he accepted more than \$30,000 in tickets to sporting events and a luxury golf trip to Scotland, as well as \$10,000 in cash from Abramoff, who is now in prison.

In exchange, he said, he helped steer business to Abramoff and his lobbying firm and provided him with inside government information on maritime issues, federal aid and the reorganization of the Homeland Security Department.

MacMahon and federal prosecutors declined to say whether Young or other Transportation Committee members were aware of Zachares' dealings with Abramoff.

Young maintained his public silence on the matter Tuesday.

Young has been dogged for more than a year by his past ties to Abramoff.

Since 1999, Indian tribes represented by Abramoff gave about \$20,000 to Young's campaign and his political action committee. Young's campaign also acknowledged using Abramoff's skybox at Washington's MCI Center for several fundraisers. Another former Young aide, Duane Gibson, later went to work for Abramoff's lobbying firm, Greenberg Traurig.

Young was also linked to one of Abramoff's lobbying successes -- blocking a 2000 bill that would have made the garment industry in the Northern Mariana Islands comply with federal labor laws. Young, then chairman of the House Resources Committee, said at the time that the government lacked credible information about alleged civil and human rights abuses there.

Young's allies note that he was hardly a top lobbying target for Abramoff, who together with his many clients bestowed more than \$4 million in political contributions on hundreds of members of Congress.

The single felony count against Zachares comes as federal investigators have been intensifying their probe of Abramoff's connections to Congress. Besides Zachares' cooperation, prosecutors revealed Tuesday that they interviewed his wife on Feb. 23.

According to Pilger, she is being offered a separate deal that will shield her from prosecution.

Zachares, the 11th person to plead guilty in the Abramoff scandal, could have faced a five-year prison sentence. But under advisory guidelines worked out with prosecutors, he likely faces a range of 18 to 24 months, according to Judge Huvelle.

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Code of silence

Don Young disrespects Alaskans by dodging scandal questions

Alaska Congressman Don Young had a corrupt aide working on his House transportation committee. The aide, Mark Zachares, traded favors with convicted lobbyist Jack Abramoff. Tuesday, Zachares admitted his crime in federal court.

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What does Don Young have to say about it?

Nothing.

No statement of regret. No promise to get to the bottom of what happened. No comment on whether he knew what was going on under his nose. No answers to the obvious questions about whether he was personally involved in hiring the aide or in any of the corrupt arrangements.

The congressman is silent, and with his silence, he is flouting his obligation to be accountable to the people who elect him.

Congressman Young can't just brush this scandal off as the excesses of a rogue employee. Zachares is a rogue, but it is well established that Congressman Young accepted campaign money steered his way by Zachares' patron, Jack Abramoff. Congressman Young took positions favored by Abramoff and his clients. A coincidence?

Young isn't saying.

Zachares was accused of scheming to "secure official action on maritime issues for Abramoff clients." Did Congressman Young take any such official action, either knowingly or unknowingly?

He isn't saying.

Prosecutors charged Zachares with trying to "advance federal support for a multimillion-dollar highway development project benefiting a businessman." Who was the businessman, and did Congressman Young fund that project, knowingly or unknowingly?

He isn't saying.

According to a report in Florida last year, Don Young mysteriously steered \$10 million to a local highway project needed by a local developer, who helped organize a \$41,000 fundraiser for Congressman Young. Is this the arrangement mentioned in the charges against Zachares?

He isn't saying.

These are obvious questions arising from the scandal at Congressman Young's transportation committee.

As long as Congressman Young keeps silent, he will leave Alaskans and the nation wondering. They'll be wondering whether he cares about the scandal that oozed out of his own committee. They'll ask themselves: Does the congressman have something to hide?

He isn't saying.

BOTTOM LINE: It's past time for Congressman Don Young to answer questions about the

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scandal in his congressional committee.

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**Young aide's link to Abramoff sheds new light on Marianas bill -  
MYSTERY: How did Zachares land a job on congressman's committee?**

Anchorage Daily News (AK)

April 29, 2007

Author: RICHARD MAUER

Anchorage Daily News

Staff

FBI - Stevens-640

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The guilty plea last week by a former senior committee aide to Rep. Don Young sheds new light on the circumstances surrounding Young's success seven years ago in blocking reforms of the sweatshop industry on the Mariana Islands.

But the plea also raises new questions about why Young, R-Alaska, took the actions he did.

Former Alaskan Mark Zachares, a Mariana Islands official when Young blocked the reforms, admitted Tuesday that he later conspired to illegally use his official position on the House Transportation Committee to enrich disgraced lobbyist Jack Abramoff, once the lobbyist for the island commonwealth.

Zachares admitted engaging in the conspiracy for nearly four years -- including more than two years under the noses of Young, the committee chairman, and the committee's chief of staff, former Alaska state Sen. Lloyd Jones, a long-term Young aide from Ketchikan.

A spokesman for Young said the congressman wouldn't talk about Zachares. Jones didn't respond to requests for comment last week.

In return for doing Abramoff's bidding, Zachares received more than \$60,000 in cash and benefits plus the promise of a lucrative career working in one of Abramoff's companies, according to the charges.

Zachares, 49, is now cooperating with U.S. prosecutors, who have already notched 11 convictions in the Abramoff scandal.

#### YOUNG BLOCKS BILL

After Zachares' father retired from the Air Force, the family moved to Kotzebue in 1977, where his mother, a nurse, worked for the Indian Health Service. Zachares attended the University of Alaska Anchorage and played for UAA in the first Great Alaska Shootout in 1978. He eventually became a lawyer.

From 1994 to 2002, Zachares worked in Saipan for the Commonwealth of the Northern Mariana Islands (CNMI), a string of tiny islands under U.S. jurisdiction north of Guam. Starting in 1998, he was the commonwealth's secretary of labor and immigration, according to the criminal information.

Abramoff was the commonwealth's lobbyist. According to the Saipan Tribune, he was paid at least \$11 million from 1994 to 2001 to prevent Congress from interfering with local regulation of wage rates and immigration -- the two issues under Zachares' authority.

"Beginning in the mid-1990s, Zachares came to have extensive contact with Abramoff during Zachares' tenure as an official of the CNMI, and Zachares and Abramoff became personal and professional acquaintances," the charging document said.

The island economy was booming with garment factories relocated from Asia and run by guest workers from Bangladesh, China and other countries. Clothing produced there is

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exempt from duties and is allowed to be labeled "Made in U.S.A." - desired by American retailers -- but the exemptions from U.S. immigration and labor laws led to widespread reports of abusive practices.

Reform efforts surfaced over the years, including in 2000. That was Young's last year as chairman of the House Resources Committee, which has jurisdiction over U.S. territories. A bill reached his committee that would have imposed U.S. immigration laws on the Northern Marianas, ending the freewheeling local policies.

Young stopped the bill cold, saying it interfered with the commonwealth's right to self-rule. He was supported by then Majority Whip Tom DeLay, who described the Marinas as "a perfect petri dish of capitalism."

"I'm not going to move anything," Young said at the time. "Why should you move anything that's really been fueled, very frankly, by hysteria reporting by the media?"

Young's assertion was false. The measure that found its way to Young's roadblock was fueled by the eyewitness account of none other than U.S. Sen. Frank Murkowski, R-Alaska.

#### ABUSES APPALL MURKOWSKI

Murkowski was then chairman of the Senate Energy and Natural Resources Committee, which had parallel jurisdiction over the Mariana commonwealth. In 1996, he traveled to Saipan and was outraged by the human rights abuses he saw.

Visiting one garment factory, Murkowski said, he "talked with some Bangladesh workers who had not been paid and who were living in appalling conditions." He also described a young woman taken to Saipan as a minor and forced to work as a prostitute.

"This was occurring under the U.S. flag and supposedly with the protection all U.S. citizens enjoy under our Constitution," Murkowski said in a Senate speech in 1999.

His response was to initiate an immigration reform measure. His bill passed the Senate unanimously in February 2000 but never got to the floor of the House.

That was years before "Abramoff" or DeLay's "K Street Project" -- the granting of special access to Republican lobbying firms -- had entered the popular vocabulary. Both were at work in preserving the status quo in Saipan.

"Abramoff teamed up with DeLay in defeating a proposed legislation passed by the U.S. Senate that would have stripped the CNMI of its exemption from the U.S. minimum wage and immigration laws," the Saipan Tribune reported in 2002.

While Young won't answer questions now, he said in an Op-Ed piece in the Daily News last year that he was convinced to oppose reforms by Saipan officials, not Abramoff.

"I have never had any personal or professional relationship with Abramoff. My congressional campaign and political action committee have never received a contribution from Abramoff. I have personally never received one cent from him," Young wrote.

But Young and Abramoff continued to intersect after the death of Murkowski's immigration legislation, the charges against Zachares reveal.

#### ABRAMOFF TIED TO ZACHARES

Term limits forced Young to give up the House Resources Committee after the 2000 election. But his seniority earned him another chairmanship, this one in control of hundreds of millions of dollars in pork-barrel spending -- the House Transportation and Infrastructure

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Committee.

One of the mysteries in the Zachares case is what led Abramoff to find a job for him on Young's committee.

From late 2000 through 2001, Abramoff tried to get Zachares appointed as director of insular affairs, the Department of the Interior position that oversees the commonwealth and other U.S. territories, according to the charges. For unexplained reasons, he was unsuccessful.

Zachares left his job in Saipan in January 2002 and asked Abramoff for money, according to the charges. Abramoff paid him \$10,000. At the same time, prosecutors said, Abramoff continued to look for a place for Zachares to land.

That place turned out to be Young's committee.

Zachares was hired as legal counsel to its Oversight and Investigations subcommittee, then became staff director for the Coast Guard and Maritime subcommittee. The then-chair of that subcommittee, Rep. Frank LoBiondo, R-N.J., said he had nothing to do with hiring Zachares.

"Congressman Don Young, who was chair of the full House Transportation and Infrastructure Committee during that time, was solely in charge of the hiring, firing and daily management of staff, including Mark Zachares," LoBiondo press secretary Jason Galanes said in a prepared statement last week. "Despite being a subcommittee chair, Congressman LoBiondo had no input in the selection or management of staff members for the Coast Guard and Maritime Transportation Subcommittee."

#### HANDING OUT FAVORS

While doing favors for Abramoff from his positions on Young's committee, Zachares was rewarded with all kinds of favors, from being invited on a \$160,000 golf trip to Scotland to use of Abramoff's luxury box seats at the MCI Center in Washington where the Wizards of the NBA and Capitals of the NHL play.

Young also used Abramoff's Skybox at the MCI Center for several political fundraisers, campaign spokesman Steve Dougherty told the Daily News last year. Most of those events took place during Capitals hockey games, he said.

Dougherty would not say whether Abramoff was reimbursed for the use of the skybox. "My answer to you is we pay for all costs that the campaign is legally responsible for," he said.

While records confirm Young's statement that Abramoff himself never gave Young campaign money, Abramoff's clients have given at least \$20,000 to Young's campaigns and his Midnight Sun political action committee since 1999, according to the Center for Responsive Politics, a public interest nonprofit, and campaign finance reports

On March 12, three weeks before a Justice Department lawyer signed the charges against Zachares, Young spent \$25,000 of his campaign money to retain a Washington law firm. Dougherty said the firm, Akin Gump, was hired to advise Young on campaign finance questions related to a donor involved in another scandal, indicted Wisconsin trucking executive and gambling casino developer Dennis Troha.

#### REFORM ON AGENDA

Now, with Abramoff in prison on fraud and bribery charges and Democrats in control of Congress, reform in the Northern Marianas has once again returned to the political agenda.

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Last year, a new governor in Saipan demanded that Abramoff's firms return all the money the government paid him over the years now that the commonwealth was getting nothing but bad publicity for having hired him. Abramoff lost his contract there in 2001.

And this year, Young's longtime nemesis in House Resources, Democrat Rep. George Miller of California, inserted a provision in the Iraq spending bill that would extend the U.S. minimum wage to the commonwealth. The measure passed the House and Senate, but is expected to be vetoed by President Bush because of its deadline to withdraw troops from Iraq.

Miller, the new Resources chairman, has been saying for years that failure to reform immigration and labor policy in the Marianas has not only enriched Abramoff and his clients, it's caused real human suffering and threatened national security.

"The core corruption in the CNMI is the failure to apply our federal immigration laws to this part of the United States," Miller said in a 1999 oversight hearing chaired by Young. "As a result, organized crime, communicable disease and human exploitation, directly attributable to the CNMI's lax immigration laws, not only thrive in Saipan, but threaten every American. The time has long since passed to slam the door shut on these abuses and to restore federal law to the Marianas."

Reporter Richard Mauer can be reached at 257-4345 or at [rmauer@adn.com](mailto:rmauer@adn.com).

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<<Back



## Radio talk hosts, listeners weigh in on corruption indictments

by Jason Moore  
Friday, May 4, 2007

ANCHORAGE, Alaska -- It didn't take long before word of the indictments started spreading today.

Aside from e-mails, phone calls and Web site messages, the news also hit the airwaves, first on radio.

The news of the indictments broke at about noon and KUDO talk show host Shannyn Moore was on air.

"So here's the scoop -- this just in -- former state legislators Pete Kott and Bruce Weyrauch have been indicted," she announced.

It's the kind of story radio talk show hosts thrive on: charges of corruption and politicians being bribed.

"This is basically, I mean the net profits tax, as far as I can see, was bought and paid for by the not-named company that rhymes with Stinko," said Moore.

And Dan Fagan had something to say as well.

While Fagan and Moore couldn't be further apart in their political views, they read this issue the same.

"The FBI has on tape VECO's CEO and vice president saying we need to get Pete Kott some more money let's get his son some more money. Do you need to hear anymore?" Fagan said on his radio show.

Rumors have circulated since FBI agents raided the offices of six lawmakers last August. The raids provided fodder for speculation then as well as now, after the first arrests.

"This is a big damn deal and I don't think these are the only guys going down," said Moore.

Slowly, word filtered out and the calls started coming in.

"This whole Pete Kott thing this is kind of an example of what goes on in D.C., with a lot of politicians, representatives and congressmen," said one listener. "They are bought and paid for."

And the talk is only beginning.

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A dark day

Indictments tell an ugly story

The constitutional protections of our criminal justice system say the accused are innocent until proven guilty. And, not everyone who is indicted gets convicted. But that is of little comfort to Alaskans reading today about federal indictments on corruption charges against two former state House members and one sitting legislator.

The indictments tell of so much cash moving from business-executive hands to legislators in a Juneau hotel suite that the room should have been licensed as an ATM site. The lawmakers were so busy allegedly soliciting work in exchange for their support on legislation, the room could have doubled as a job service office.

Even if just one of the multiple allegations is true, former Republican Reps. Pete Kott of Eagle River and Bruce Weyhrauch of Juneau and current Republican Rep. Vic Kohring of Wasilla owe the public a deep apology. It's a sad day for Alaskans, and it will take a long time to rebuild the public's trust in its elected officials.

**BOTTOM LINE:** Most elected officials are honest, but the bad ones ruin it for everyone.

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194A-AN-13620-M-328

**Feds charge 3 in Juneau -****REACTION: Rumor mill runs wild as three legislators stand handcuffed in federal court.***Anchorage Daily News (AK)**May 5, 2007**Author: SABRE AYRES**Anchorage Daily News**Staff**Estimated printed pages: 3*

By 8:30 Friday morning, the Capitol rumor mill was flaming hotter than it had in months. Whispers swirled that indictments were on the way. Everyone was checking sources. Legislative aides compared notes in hallways. Normally media-shy lawmakers asked reporters "What are you hearing?"

Security guards at the front desk joked that they were keeping an eye out for tinted-window vans full of FBI agents.

By the end of the day, three state legislators-- one of them still in office -- were standing handcuffed in a federal courtroom on charges of extortion and bribery. Lawmakers, less than two weeks from adjourning, questioned what events would mean for work still undone on Gov. Sarah Palin's gas line legislation, an ethics bill and the state budget.

"It made my stomach turn," said Sen. Hollis French, D-Anchorage, of the indictments. He said the charges raise questions about legislative passage of an oil tax last year.

Senate Minority Leader Gene Therriault, R-North Pole, agreed.

"Last year during the oil tax battle, we heard about stuff like this going on," Therriault said. "But now we read the indictment and there's quotes in there that suggest it was (actually) happening."

Rep. Jay Ramras, a Fairbanks Republican, suggested the arrests would give momentum to Palin's gas pipeline proposal. Palin has emphasized an open and competitive application process to getting a North Slope gas line built, he said.

Others thought it was a hard knock, particularly for Weyhrauch, who made statewide news last month after falling out of his boat in Auke Bay and barely surviving hypothermia.

Speculation about the feds and indictments has been around for months. The FBI investigation that netted former Rep. Tom Anderson in December while he was still in office had an unfinished feel about it. Questions about who was next lingered, coloring the whole 2007 session.

By Friday afternoon, the buzz had focused on three current legislators whose offices the FBI searched last summer -- Sens. John Cowdery, R-Anchorage; Donny Olson, D-Nome; and Rep. Vic Kohring, R-Wasilla.

Olson and Cowdery braved the stares and tension, keeping their regular schedules, attending committee meetings and a floor session.

"I have no problems with my indictment," Cowdery told KTUU-TV. "I don't think it's ever going to be one."

Over in the House, Kohring, who works and sleeps in his office during the legislative session, was absent; he had been officially excused until Sunday for back surgery,

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according to his office.

By late afternoon, the two senators were gone from the building. Their offices declined to say where. But Kohring had been indicted. He turned himself in, was arraigned and released. He pleaded not guilty and his lawyer said he would fight the charges.

By 5 p.m., federal prosecutors handling the case signaled their work was done.

Done for Friday.

No one thought it was over.

Daily News reporter Sabra Ayres can be reached at sayres@adn.com or 1-907-586-1531

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**Feds charge 3 in Juneau -  
Kohring, Kott and Weyhrauch plead not guilty to extortion and bribery counts**

Anchorage Daily News (AK)

May 5, 2007

Author: RICHARD MAUER, LISA DEMER,  
SABRA AYRES and KYLE HOPKINS

Anchorage Daily News

Staff

FBI - Stevens-648

Estimated printed pages: 6

Three more state legislators were arrested on federal corruption charges Friday, accused of selling their votes and influence to the oil field services company Veco Corp. and its chief executive, Bill Allen, during last year's debate on oil taxes.

Acting on felony indictments brought by the Justice Department's Public Integrity Section, federal agents arrested the three Republicans in Juneau -- one a sitting legislator, Rep. Vic Kohring of Wasilla, and two others who left office in January, Reps. Pete Kott of Eagle River and Bruce Weyhrauch of Juneau.

Each was brought in handcuffs before a federal magistrate judge, and each pleaded not guilty to bribery, extortion and conspiracy and was released on \$20,000 bond. The charges carry penalties of between five and 20 years in prison and \$250,000 in fines.

The indictments, unsealed with the arrests, describe a conspiracy among the legislators, Veco, Allen and Veco's vice president for government affairs, Rick Smith, to steer an oil-production tax bill favored by the industry through the Legislature last year.

The bill was seen as a prerequisite for the North Slope oil producers to agree to build a natural gas pipeline. Ultimately, Veco, Allen and Smith wanted to see a gas line built that would help the company through contracts with the oil companies, the indictments charged.

Veco, Allen and Smith were neither charged nor directly named in the indictments. But "Company A," "Company CEO" and "Company VP" are described in long passages in the indictments, and those descriptions point unmistakably to them. Veco's attorney, Amy Menard, confirmed the identifications.

Allen's lawyer, Bob Bundy of Anchorage, wouldn't comment on what might be in store for his client.

"Veco and Bill have cooperated completely with the government's investigation," Bundy said.

#### WADS OF CASH

The charges describe the three lawmakers seeking money, jobs or both for themselves or family members, and Veco willing to oblige. Much of the activity described in the charges took place in Veco's suite in Juneau's Baranof Hotel, Room 604, during the 2006 legislative session.

Direct quotes attributed in the indictments to the three legislators and to Allen and Smith suggest the FBI conducted some form of electronic surveillance in the room and perhaps on telephones as well.

Kott's lawyer, Jim Wendt, said the room contained a hidden camera. He learned about the surveillance when the prosecutors offered to make a deal with him. They revealed snippets of their evidence, including video from inside a Baranof room, Wendt said.

FBI spokesman Eric Gonzalez wouldn't confirm whether agents used wiretaps or hidden

cameras. A Baranof employee on Friday said the hotel would not discuss the use of the suite.

The charges portray Kohring, 48, elected seven times by Mat-Su voters, as an eager-to-please loyalist pleading for opportunities to do Veco's bidding.

In a phone call Feb. 21, 2006, for instance, Kohring told Smith he was willing to help Veco "in terms of any questions that need to be asked, any information that needs to be sought out, any points to make in caucus, or in committee meeting, on radio columns ..."

On March 22, Kohring offered to be Smith's "information source," that he would "lobby on (Veco's) behalf," and that he would "consider modifications to legislation or whatever" if they asked.

Two days later, he told Smith over the phone that he was standing by to "do anything to help," that he would continue to advocate "good things for you guys" and that he wanted Smith to tell Allen that he was doing whatever he could "to help out."

By March 30, Kohring appeared to be looking for payback. Meeting with Allen and Smith in Suite 604, he asked for work or for a \$17,000 loan to pay off past-due credit card debt. The three discussed how to structure the transaction so it could avoid detection and reporting to the Alaska Public Offices Commission.

Allen then asked Smith if he had any "hundreds." Smith reached for his wallet and handed Allen a bunch of small bills -- perhaps \$100, according to the indictment. Allen passed the money to Kohring.

Thanking them for the money, Kohring repeated that he was broke. Allen gave him another wad of cash, between \$500 and \$1,000, the indictment said.

"What can I do at this point to help you guys, anything?" Kohring said.

"Whatever you, you know," Allen said.

But between themselves, Smith and Allen seemed to have little respect for Kohring. On March 4, Allen told Smith of another \$1,000 he gave to Kohring. One result of that payment: Kohring "would kiss our ass," Allen said.

Kohring's attorney, John Henry Browne of Seattle, said Kohring will fight the charges: He said Kohring is an uncomplicated man who sleeps on his office couch and doesn't own a cell phone or even a car. Kohring's constituents knew he was under investigation last fall and re-elected him anyway, Browne said.

#### LAWMAKERS WANTED JOBS

Kott, 57, the House speaker in 2003 and 2004, represented Eagle River from 1992 until his defeat in the Republican primary last year.

Weyhrauch, 54, a private-practice attorney married to an assistant state attorney general, represented Juneau for two terms, choosing not to run last year. Just last week, his boat was found adrift in Auke Bay. Weyhrauch was missing overnight. When he was rescued on an island the next day, he said he had accidentally fallen overboard and swam to safety.

Kott's role in the alleged conspiracy began earlier than Kohring's, according to his indictment. On Sept. 26, 2005, Kott called Smith and said, "I need a job."

Smith's reply: "You've got a job; get us a pipeline."

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A few minutes later, Kott, apparently aware that a Veco subsidiary was building a prison in Barbados, told Smith, "I just want to be the warden in Barbados."

In February, Allen and Smith discussed their influence over Kott in what they apparently believed was a private conversation.

"We got more money in Pete Kott than he can even think about it," Allen said.

In March, Kott reported to Allen and Smith in the Baranof that he was putting the squeeze on another legislator by blocking that legislator's bill until he supported Veco's version of the oil tax measure. Kott said he wouldn't release the "hold" until Allen said it was OK.

In May, Kott told Allen in Suite 604 that he succeeded in defeating a tax amendment Allen opposed. "I had to get 'er done," Kott was quoted as saying. "I had to cheat, steal, beg, borrow and lie."

Allen's response to Kott: "I own your ass."

On June 1, Allen handed Kott \$1,000 in cash. Kott said he wanted to become a lobbyist after leaving the Legislature.

"Well, you will be," Allen said.

The indictment also said that Veco paid a "fraudulently inflated" invoice of \$7,993 to Kott's flooring company in August.

Kott's attorney, Jim Wendt of Anchorage, said Kott "didn't really break any law" and would fight the charges.

#### FLIP-FLOP VOTE

Weyhrauch also professed to be having financial difficulties; according to the charges. On May 4, he mailed a solicitation to Allen, offering to do legal work for Veco.

Allen and Smith talked about the bid, and decided that Weyhrauch was connecting it to his support for the tax measure. Three days later, Weyhrauch voted the "wrong way" on a tax amendment, then changed his vote after instructions from Kott and Allen, the indictment charges:

Weyhrauch flew to Anchorage after the regular session ended in May for a meeting with Allen. Just before the meeting Allen and Smith decided they needed Weyhrauch's vote, but would "string" him along before giving him legal work.

Then, on June 5, another legislator is introduced in the indictment, "Senator A." The indictment said Allen told "Senator A" that Weyhrauch would support the favored tax bill because of the promised legal work.

"Senator A" was identified in the indictment only as a legislator whose term ended in January.

Three former senators match that description: Ben Stevens, R-Anchorage; Ralph Seekins, R-Fairbanks; and Gretchen Guess, D-Anchorage.

Guess said it's not her. She said she didn't have any of the conversations described in the document, and had an alibi as well -- she had just given birth around the time of some of those conversations.

Seekins said it's not him. "I don't recall ever even having a phone conversation with Bill Allen

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when I was in the Legislature," he said.

Stevens didn't return a telephone message and his wife, Elizabeth, said he wasn't home. His lawyer, John Wolfe of Seattle, said Stevens doesn't know who "Senator A" is.

Of the three, only Stevens had his offices searched by FBI agents last year, and only Stevens was on the Veco payroll as a consultant.

"Ben Stevens maintains he is innocent of any and all criminal activity," Wolfe said. "Questions about Senator A should be directed to the U.S. Attorney's office."

Weyhrauch's lawyer couldn't be reached for comment.

Stevens has not been charged, nor have two other legislators whose offices were searched, Sen. John Cowdery, R-Anchorage, and Sen. Donald Olson, D-Nome.

The FBI investigation of Alaska's Legislature and its relationship with Veco and other companies became public in August, when agents raided the offices of six sitting legislators.

Since then, one other former House member, Republican Tom Anderson of Anchorage, was charged in December with taking \$12,828 in bribes from a lobbyist representing private prison interests.

In a prepared statement Friday, Veco said it was fully cooperating with the federal investigation and has retained experts "to review and assess its corporate operations and practices and to implement a corporate compliance plan."

The company said the allegations about its top officials are not representative of the kinds of work its 4,000 employees perform in Alaska and around the world.

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FBI - Stevens-651

**Kohring's committee post pulled -  
OIL, GAS: Arrests also put spotlight on 2006 petroleum profits tax law.**

Anchorage Daily News (AK)

May 6, 2007

Author: TOM KIZZIA and SABRA AYRES

Anchorage Daily News

Staff

Estimated printed pages: 6

The chairman of a key state House committee was deposed and Alaska's most important oil tax law fell under new scrutiny Saturday as lawmakers reacted to the arrest of one current and two former legislators on federal corruption charges.

Rep. Vic Kohring, R-Wasilla, will lose his chairmanship of the Special Committee on Oil and Gas, House leaders said. Kohring was charged with selling his vote on oil taxes last year to oil field services company Veco.

The House committee had an important early role in shaping gas pipeline legislation this year. Republican majority leaders placed Kohring in charge of the committee this session, even though he was one of six legislators whose offices were raided by the FBI in a Veco-related probe last fall.

Kohring appeared before a federal magistrate Friday in handcuffs to face charges of bribery, extortion and conspiracy. Also appearing were two Republican colleagues from last year's legislative session, Pete Kott of Eagle River and Bruce Weyhrauch of Juneau. All three pleaded not guilty.

In detailed indictments, the three were charged with selling their votes and influence over other legislators for money and jobs during the 2006 legislative session.

The legislation in question was an overhaul of the state's oil production tax, which pays for most of state government and adds to the Alaska Permanent Fund. Veco wanted to keep the oil tax low and also was pressing for construction of a gas pipeline from which it would profit, according to the indictment.

Gov. Sarah Palin said Saturday that in light of the indictments, she wants a review of how the Legislature made its decision on the petroleum profits tax, known as PPT, and also a look at how well the tax is working.

"Yesterday's activities reinforce to me the desire and the need to revisit and evaluate the PPT to ensure Alaskans are getting the proper value for our natural resources," Palin said. "Alaskans need to know whether it was a fair debate or not. And whether there was unfair influence and if that influence led to the rate that was adopted."

Legislators from both parties seemed to agree. But with only 11 days to go in this year's legislative session, no one was predicting an immediate effort to change the tax. FBI = Stevens-652

The mood in Juneau Saturday was subdued, said Rep. John Coghill, R-North Pole.

"There's definitely a cloud over the whole Legislature," Coghill said.

**'IT TAKES TWO TO TANGO'**

Several legislators predicted that the arrests, and the appearance of undue oil industry influence, would strengthen Palin's hand as she pushes her Alaska Gasline Inducement Act, which is her plan for promoting a gas pipeline. Palin has been at odds with the major oil

194A-AW-13620-M-331

producers over how to build the line, with legislators poised in the middle.

"You know, it takes two to tango," the governor said Saturday. "Yesterday it was the Legislature who was under fire. But those who were exerting their powers will also have to be held accountable. And I think Alaskans will be very disappointed if they learn that the same people are still exerting power as the Legislature discusses AGIA."

Palin said she hopes no one in the Legislature uses Friday's arrests as an excuse to halt progress on her bill.

"I wouldn't want to stand in the way of that train now," said Sen. Tom Wagoner, R-Kenai, a supporter of the Palin bill.

Palin swept to electoral victory last fall on a campaign for ethics reform and open government, boosted by a pre-election FBI raid in late August that has opened into the biggest legislative scandal in Alaska history.

Major ethics reform legislation has been passed in both the House and Senate this year, but a final bill appears stalled by what appears to be disputes over personalities and who gets credit. No one was predicting that Friday's arrests would remove the logjam on ethics.

Palin called the stalling of ethics reform "perplexing."

Veco and its officials have not been charged with anything. But Veco was easily identifiable as "Company A" in the charges, and Veco's lawyer confirmed the identification on Friday.

For years the company has been a huge influence in Juneau, in terms of both campaign contributions and lobbying. Since the FBI raids Aug. 31, it has had very little visible presence in the Capitol.

A fourth legislator targeted in the federal probe, former Rep. Tom Anderson, R-Anchorage, was charged in December with taking bribes from a lobbyist representing private prison interests. Anderson also had a private consulting contract with Veco, but that was not a factor in the charges against him.

Kohring is the first sitting legislator charged with corruption since two state senators faced charges in the early 1980s. One, George Hohman, was convicted of bribery in 1981 and expelled from the Senate. The other, Ed Dankworth, left voluntarily but never faced trial after successfully appealing his 1982 conflict-of-interest charges.

The state constitution says members of the Legislature can be expelled on a two-thirds vote of the body they serve in, but it requires no particular response in the event of criminal charges or convictions.

#### INNOCENT UNTIL PROVEN GUILTY

House leaders were struggling Saturday to find a position that would be fair to Kohring but also protective of the Legislature's reputation. They said they considered him innocent until proven guilty -- but nevertheless decided to strip him of his committee chairmanship.

Kohring is expected to continue appearing as a voting member of the Legislature, said House Speaker John Harris, R-Valdez. But a special committee will be named Monday to remove him as chairman of the oil and gas committee, a position he has held for four years.

"You have to go under the assumption innocent until proven guilty, except in our business, a lot of what we do comes with public perception, and there is a cloud of suspicion over us," Harris told The Associated Press. "We need to make sure we remove that as much as possible."

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Coghill said no review of Kohring's work on the gas line bill early in the session is necessary. The still-pending legislation has been through many hearings and changes since then, he said.

#### A LIKABLE MAN

Kohring will find emotional support from his House colleagues, many of whom find him to be likable, during what must be a difficult time for him, Coghill said. But no one is likely to come to his defense on the alleged bribery case, he added.

Still, Coghill defended the leadership's earlier decision to make Kohring chairman.

"An investigation isn't an indictment, and an indictment isn't a conviction," he said.

Kohring's leadership position was not challenged when the session began, but objections were raised by minority Senate Republicans when Sen. John Cowdery, R-Anchorage, another FBI search target, was named chairman of the powerful Rules Committee. The minority said the committee chairman shouldn't be someone under "a cloud of suspicion."

The state's oil tax code came up for revision in 2006 after oil prices skyrocketed and legislators decided the old tax laws weren't giving the state much of the windfall. A revised oil tax was seen as a necessary prelude to working with oil companies on a gas line.

Some legislators wanted to continue taxing gross production in Alaska's oil fields, but the majority supported a net-profits tax proposed by Gov. Frank Murkowski, which would allow oil companies to deduct expenses.

Fierce debate raged over how high to make the PPT.

The federal indictments released Friday say Veco was pushing legislators to hold the line at a 20 percent tax. Others argued for a rate as high as 30 percent. Even Kott said he would have supported 30 percent were it not for Veco chief executive Bill Allen, according to a taped conversation cited in Kott's indictment.

The rate finally adopted in August, after two special sessions, was 22.5 percent.

Two of last year's candidates in the governor's race, Palin and Democrat Tony Knowles, said they had some concerns about the Murkowski-backed PPT but wanted to give it a chance before attempting any revisions.

The new tax, which was retroactive to April 2006, boosted last year's oil field return to the state by \$800 million, to about \$2 billion, according to the state Department of Revenue. But that was some \$150 million less than expected. Of that shortfall, \$50 million was because oil company deductions were higher than anticipated. FBI - Stevens-654

Coghill said any effort to revisit the PPT could be made next year, when he expects the Legislature to look at natural gas taxes as part of its gas line effort. Sen. Hollis French, D-Anchorage, also said it might be good to "cool down a bit" and take up the tax next year.

Former Rep. Ethan Berkowitz, D-Anchorage, who pushed for a tax on the gross as House minority leader last session, said a special session to address the oil tax was in order because of the high stakes -- both in terms of the state's finances and the Legislature's reputation.

But it makes sense to wait, he added, until further revelations emerge about the FBI investigation and what took place last year in Veco's suite in the Baranof Hotel.

"We don't know who else went into Room 604," Berkowitz said. "Would that paralyze or motivate them? We have to see where it unfolds."

Daily news reporter Tom Kizzia can be reached at tkizzia@adn.com or in Homer at 1-907-235-4244. Sabra Ayres can be reached at sayres@adn.com or in Juneau at 1-907-586-1531.

GO ONLINE to read the indictments and past stories, listen to audio, or post your opinion.

Caption:  
Kohring

Weyhrauch

MICHAEL PENN / Juneau Empire

Former state Sen. Pete Kott is led out of a federal courtroom by FBI agents in Juneau on Friday after being indicted by a grand jury in connection with taking bribes from oil companies.

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## Alaska Sen. Ted Stevens responds to corruption indictments

May 7, 2007 04:41 PM

by Megan Baldino

WASHINGTON -- Aaron Saunders, press secretary to Alaska Sen. Ted Stevens, has issued a statement regarding today's indictments of VECO Corp. executives, as well as the indictments Friday of two former state representatives and a current Wasilla representative.

"I was surprised and saddened to learn of the recent developments in the ongoing federal investigation in Alaska. Like many Alaskans, I am finding out about these events from the media. The legal process will now continue. Consistent with my longstanding practice regarding matters of this sort, I will make no further comment."



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194A-AU-13620-M-332

**Veco executives Allen, Smith plead guilty to bribery, conspiracy***Anchorage Daily News (AK)**May 8, 2007**Author: RICHARD MAUER and LISA DEMER**Anchorage Daily News**Staff**Estimated printed pages: 6*

Bill Allen, a welder who took Veco Corp. from a small Kenai oil-field company to a billion-dollar international contractor and a major political force, pleaded guilty Monday to bribing at least four Alaska legislators, including former Senate President Ben Stevens.

In a plea bargain with the U.S. Justice Department's Public Integrity Section, Allen and Richard Smith, Veco's vice president for community and government affairs, each pleaded guilty to three identical felony charges -- bribery and two counts of conspiracy.

Both men accepted responsibility for making more than \$400,000 in illegal payments and benefits to public officials or their families. More than half the money went to Stevens in the form of phony "consulting" fees, the government charged.

Stevens, son of U.S. Sen. Ted Stevens, has not been charged. He was named in the plea documents as "State Senator B," but his identity was unmistakable.

In return for special consideration at sentencing, Allen, 70, and Smith, 62, agreed to cooperate in the ongoing federal investigation. The government also promised to not seek charges against Allen's son Mark, a Veco official, or any other relative.

The federal plea bargain doesn't bar state prosecutors from seeking additional charges against Allen and Smith. Both men acknowledged violating state campaign finance laws in their plea.

The plea deals were formalized in secret last week and opened in U.S. District Court on Monday morning in unannounced back-to-back hearings before Judge John Sedwick, each lasting about 40 minutes.

Allen, in a gray suit, white shirt, red tie and black cowboy boots, sat hunched over the defense table beside his lawyer, former U.S. Attorney Bob Bundy. Allen is hard of hearing and asked Sedwick to repeat several of his questions, but not the questions about how he would plead.

"Guilty," he repeated three times in a gravelly voice.

Taking prosecutors' recommendations, Sedwick released the men on \$10,000 unsecured bond and ordered them to report weekly to federal probation officers. They were allowed to keep their passports and may travel freely pending sentencing, which was held off indefinitely.

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They could each face about 10 years in prison and up to \$750,000 in fines, but cooperation could substantially reduce the penalties.

On Friday, federal authorities acting on bribery and conspiracy indictments arrested Rep. Vic Kohring, R-Wasilla, and former Reps. Pete Kott, R-Eagle River, and Bruce Weyhrauch, R-Juneau.

Veco, Allen and Smith showed up in those indictments as "Company A," "Company CEO" and "Company VP."

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It appeared from those charges that the FBI used electronic surveillance of Veco's suite in Juneau's Baranof Hotel to capture incriminating dialogue and images.

The indictments spoke of payments by Allen and Smith of several thousand dollars and promises of jobs to the legislators. In return, the legislators agreed last year to vote for the oil production tax favored by the oil industry, the government alleged.

#### STEVENS IMPLICATED

Those indictments referred to an unnamed state senator who allegedly played a role in one part of the conspiracy -- a plan by Veco to farm out legal work to Weyhrauch, an attorney, in return for his vote on oil legislation. The description of that unnamed senator was ambiguous -- Stevens was one of three senators it could have been.

But one of two unnamed state senators in Monday's charges against Allen and Smith is clearly Stevens. The Veco "consulting" payments of \$243,250 between 2002 and 2006 documented in the charges precisely match the amount Stevens reported on his financial disclosures as consulting income to his firm, Ben Stevens and Associates.

Over the years, Stevens has refused to disclose what work he did for that money or for any of the other consulting jobs he has listed, mostly for fishing industry clients.

Former state representative Ray Metcalfe, in complaints to the Alaska Public Offices Commission and to federal authorities, challenged Stevens, saying the payments were thinly disguised bribes.

Nothing came of Metcalfe's APOC complaints -- the state agency said that Stevens adequately described his work. It refused Metcalfe's demands to look deeper and investigate whether Stevens actually worked for his money.

But in their admissions to federal prosecutors, Allen and Smith appeared to vindicate Metcalfe.

"Although Allen and Veco characterized these payments ... as being for consulting services, Allen acknowledges that in actuality the payments ... were in exchange for giving advice, lobbying colleagues and taking official acts in matters before the legislature," prosecutors said.

Only once in five years did Stevens consult for Veco on a matter not involving his legislative job -- a task involving a sunken boat at an unidentified location where Veco wanted to build a dock. Stevens worked less than 20 hours on that project, the prosecutors said.

Allen also promised an executive job to Stevens when he left office. On June 25, 2006, Stevens said he'd take that job, the charges said.

Stevens' attorney, John Wolfe of Seattle, declined to respond to specifics in the charges but said his client did nothing wrong.

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"Ben Stevens denies engaging in any criminal conduct and maintains that he is innocent," Wolfe said. "Mr. Stevens is surprised to learn that Bill Allen has pled guilty to various federal crimes and hopes that Mr. Allen is not falsely accusing former and current members of the Alaska Legislature in order to mitigate his admitted criminality."

#### CAMPAIGN CONTRIBUTIONS

One other unnamed state senator, a "state elected official" and two unnamed Veco executives also show up in the charging documents against Allen and Smith.

The senator in question was not accused of taking illegal payments but was listed as a member of the conspiracy to bribe and extort. That senator attempted to enlist the support for Veco-backed legislation of the "state elected official" through an illegal campaign contribution scheme.

Four state senators match the description of that person, two of whom had their offices searched by the FBI in August: John Cowdery, R-Anchorage, and Donald Olson, D-Nome.

The unnamed senator is likely Cowdery, said Kevin Fitzgerald, his defense attorney. As to what that means for Cowdery, Fitzgerald said he's investigating the allegations laid out in the case against Allen.

Cowdery is in poor health. He's been hospitalized in Juneau with pneumonia and a lung infection, Senate majority spokesman Jeff Turner said on Monday.

The "state elected official" was impossible to identify from the information in the charges, although he or she never received Veco's campaign contributions. It's possible the official was helping the government in the investigation.

The two unnamed Veco executives were accused of participating in a scheme to use corporate money to reimburse political campaign contributions by Veco officials -- crimes under federal and state law. Allen and Smith admitted violating federal tax laws by taking deductions for illegal activity.

Veco executives routinely donate to political campaigns, giving tens of thousands of dollars to candidates in last year's primary races alone.

Allen, in his plea, admitted reimbursing Rep. Kott for a \$1,000 donation Kott made in the governor's race. The contribution wasn't further described in the charges, but APOC records show that Kott donated \$1,000 to former Gov. Frank Murkowski's re-election bid on May 31.

Many of the allegations listed in the indictments Friday against Kott, Kohring and Weyhrauch show up in the Allen and Smith admissions as well. But there are also new allegations, such as from May 7, 2006, when Kott was on the floor of the House and his cell phone rang. Allen and Smith were calling to give Kott "instructions on how to vote on the particular piece of legislation," prosecutors said.

Some time later, Kott called them back with a report on the status of the vote "and the projected outcome," the charges said.

#### AT VECO, NOT BUSINESS AS USUAL

Veco, meanwhile, is continuing to conduct its business, the company said in a statement.

Allen is listed as an owner of 5 percent of Veco's stock in the company's 2006 biennial report to the state. But the company's attorney in the criminal case, Amy Menard, said he no longer has an ownership interest. FBI - Stevens-659

Allen is also the publisher of Voice of the Times, a half-page opinion section in the Anchorage Daily News. It is what remains of the Anchorage Times, which Allen owned for two years before it lost millions in a newspaper war with the Daily News and shut down in June 1992.

Asked whether the Daily News will continue to publish Voice of the Times, publisher Mike Sexton said, "We are troubled by recent developments and are reviewing the entire situation."

As to the status of Allen and Smith at Veco, they still held their titles on Monday, Menard

said. But that could change.

"I can tell you that in light of today's events, we expect the board of directors to be meeting this week and making decisions about appropriate actions," Menard said.

Contact reporter Richard Mauer at [rmauer@adn.com](mailto:rmauer@adn.com) and Lisa Demer at [ldemer@adn.com](mailto:ldemer@adn.com). Reporter Kyle Hopkins contributed to this story.

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**A long, long way from bankruptcy -  
INFLUENCE PEDDLER: Since bottom days 25 years ago, Veco has turned into  
big corporate political operator.**

Anchorage Daily News (AK)

May 8, 2007

Author: TOM KIZZIA, SABRA AYRES and KEVIN DIAZ

Anchorage Daily News

Staff

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From the state Capitol in Juneau to the halls of Congress, Veco has been Alaska's biggest corporate political operator since it emerged from bankruptcy 25 years ago with the help of North Slope oil producers.

Monday's guilty pleas from top Veco executives exposed hidden ways in which Veco wielded influence over at least a few legislators, through bribes and "no-show" consulting work.

But the executives also admitted that the most visible kinds of Veco influence, political campaign contributions, were also illegal.

Top officials for Anchorage-based Veco have reported giving nearly \$600,000 to state political candidates over the past decade. Since 1991, they also gave \$583,108 to federal candidates and their political action committees.

Under state and federal law, contributions are supposed to come from individuals, not companies.

At least for the past two years, however, the company was reimbursing the officials for thousands of dollars in campaign contributions through phony bonuses, according to the charges against company executives made public on Monday. Veco chief executive Bill Allen and vice president of government relations Rick Smith pleaded guilty Monday to conspiring to defraud the IRS with that phony bonus scheme.

Veco's political ties extend far beyond Juneau.

Since 1989, Veco has been the single biggest source of funds to U.S. Rep. Don Young, R-Alaska, according to federal campaign records. Young has received more than \$200,000 in that time from Veco officials, according to a database of campaign contribution records by the Center for Responsive Politics.

There are other links too. Federal reports show ex-Alaska Teamster leader Jerry Hood billed Veco for more than \$300,000 for federal lobbying between 2004 and 2006. Last November Hood quit as lobbyist to become head of Young's congressional office in Alaska.

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Veco chief Allen has long hosted an annual fundraising pig roast for Young.

Young and Hood declined to comment Monday.

Veco executives and employees gave at least \$61,500 to Sen. Ted Stevens' campaigns since 1993, ranking them third among top donors after officials from Boeing and BP. They gave another \$30,000 to Stevens' Northern Lights leadership political action committee. Sen. Lisa Murkowski has received \$44,250 since 2002.

Stevens did not respond to questions about Veco, instead issuing a brief statement Monday:

"I was surprised and saddened to learn of the recent developments in the ongoing federal

investigation in Alaska. Like many Alaskans, I am finding out about these events from the media. The legal process will now continue. Consistent with my long-standing practice regarding matters of this sort, I will make no further comment."

Sen. Murkowski also issued a short statement, calling this "a troubled time in our state's history and it comes when the Legislature is considering one of the most critical issues for our future."

#### VECO CONFESSIONS

In Juneau on Monday, where lawmakers were still reeling from Friday's arrests of one current and two former legislators, the Veco revelations came as another hard blow. And this time there was no "innocent-until-proven-guilty" response -- the Veco executives had pleaded guilty and were convicted.

"To have this truth now, to know that some Alaskans willingly and knowingly participated and encouraged this corrupt behavior is disgusting," Gov. Sarah Palin said in a written statement.

The Veco confessions yielded new details about relations between company officials and the indicted representatives.

During one crucial series of votes last May on a proposed new oil tax, the court documents say, Allen and Smith exchanged cell phone calls with Rep. Pete Kott while he was on the House floor, telling the Eagle River Republican how to vote. Kott was one of the former legislators indicted on corruption charges last week.

House Democrats issued a call Monday for an overhaul of the new oil tax bill passed last year under a "cloud of doubt and potential corruption." But Democrats had a hand in passing the tax bill. Rural Democrats voted for the tax after Republican leaders linked passage to construction of rural schools and energy assistance.

The final vote on the oil tax, which the oil industry supported as a precursor to building a gas line, hinged on the vote of a single Democrat backed by Veco.

Then-Rep. Carl Moses, D-Unalaska, was in Anchorage Aug. 10 recuperating from a pinched nerve when the tax lost its possible final showdown by one vote. A long recess was called while Moses flew to Juneau. With his vote, the final tally tilted the other way.

Moses, involved in a close Democratic primary that he later lost, had received \$3,000 from six Veco executives in the week before his journey and vote. Moses denied trading the vote for money at the time, saying he had other good reasons to support the tax.

Moses' name has not come up in the current scandal. But in another detail from the latest court documents, Allen admitted offering to raise \$25,000 in campaign funds for an unnamed elected official in return for a guaranteed vote on particular bills. That unnamed official never got back in touch with Allen, the plea agreement says.

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Legislators who had received generous contributions from Veco officials in the past said Monday there was no reason back then to suspect anything was wrong.

House Majority Leader Ralph Samuels, R-Anchorage, said he turned last year's contributions over to charity after the FBI searched Veco's offices and those of six lawmakers last August.

"If they think I can be bought then they were giving a campaign contribution to the wrong person," said Sen. Con Bunde, R-Anchorage.

The Alaska Republican Party is looking to give away to charity the roughly \$35,000 it

received and set aside from Veco executives during the last election cycle, said party chairman Randy Ruedrich. The party will ask the Alaska Public Offices Commission for an advisory opinion on what exactly it should do with the cash, he said.

#### BACKING WINNERS

The campaign financing scheme admitted to by the Veco executives Monday was illegal under state law. Campaign contributions must come from the individual who makes them, not be steered by someone else. But state regulators and past recipients said there was no way to tell that the tens of thousands of dollars coming from Veco officials were not their own money.

Veco has a history of trouble with campaign laws. The company was fined by the state Public Offices Commission in 1985 for a payroll deduction scheme used for campaign contributions.

Veco had been reborn out of bankruptcy court as an oil-field services company several years earlier, with support from oil producers Arco and Sohio. But it grew in prominence and financial strength thanks to a third North Slope leaseholder, Exxon, which hired Veco in 1989 as chief oil spill cleanup contractor.

The company started out promoting pro-development Republicans, with former Sen. Ed Dankworth helping organize leadership coalitions as Allen's lobbyist. When Democrats controlled the governor's mansion in the late 1980s, money flowed to both parties, though in recent years it has gone almost entirely to Republicans.

As Bill Allen's business and political involvement grew, so did his stature. He was named Alaskan of the Year in 1994. When his personal presence in Juneau ran afoul of the state's lobbying law in 2002, he successfully urged the Legislature to change the law so he wouldn't have to register -- and give up his campaign contributions.

Veco had a way of backing winners. Company officials supported Democrat Tony Knowles as governor with \$23,000, and Knowles put Allen on his economic development transition team in 1994. Veco switched back to Republicans, backing Frank Murkowski for governor in 2002 and his daughter, Lisa, in her race against Knowles for U.S. Senate in 2004.

In 2000, Allen co-chaired the Alaska presidential campaign of George W. Bush. After the election, Allen was co-chairman of a transition team that served as a clearinghouse for Alaska applicants for political appointments.

All that turned around last year after the FBI raided Veco's offices. Palin challenged Veco and seemed to revel in opposition from the Veco-owned newspaper section Voice of the Times. But even Palin had past Veco aid, receiving \$5,000 in an unsuccessful run for lieutenant governor in 2002. Her running mate, Sean Parnell, had gotten \$16,000 in contributions from Veco during his legislative career.

This year, Veco has had a much-diminished presence in Juneau.

This story was reported by Sabra Ayres in Juneau, Kevin Diaz in Washington and Tom Kizzia in Homer. Reporter Kyle Hopkins also contributed from Anchorage. Contact them at sayres@adn.com, kdiaz@adn.com, tkizzia@adn.com and khopkins@adn.com.

FBI - Stevens-663

**Veco's oil field customers plan to stick with company for now - PARTNERSHIPS: Baltimore firm to review the company's practices.**

Anchorage Daily News (AK)  
May 8, 2007  
Author: WESLEY LOY  
Anchorage Daily News  
Staff

Estimated printed pages: 3

Major customers of Veco Corp., whose chief executive pleaded guilty Monday to bribing state lawmakers, indicated Monday they plan to continue employing the company for the time being in Alaska's oil fields.

But a spokesman for one of Veco's largest customers, BP, said the contractor will be watched closely in coming weeks to see if it is fit to keep working in giant Prudhoe Bay and other North Slope fields.

"We're disappointed to hear that Veco executives admitted to these serious crimes," said BP spokesman Daren Beaudou. "It's not what we expect from companies with whom we do business. However, we're encouraged at Veco's pledge to commission an independent review of corporate operations and practices."

Veco's chief executive, Bill Allen, and Rick Smith, vice president of community and government affairs, entered guilty pleas in federal court in Anchorage on Monday to bribery and other charges. Each faces possible time in prison.

Veco is a major working partner with North Slope oil companies, particularly BP, which runs Prudhoe Bay, the nation's largest oil field. It is one of the largest private companies in the state, and it operates elsewhere in the country and world.

For BP on the Slope, Veco employees perform ongoing operations, maintenance and engineering work as well as chores such as hauling bulk fuel, Beaudou said.

Veco runs a fabrication yard in South Anchorage where it assembles modules and other equipment for hauling to the North Slope.

After the corrosion crisis last year in Prudhoe, where major pipelines sprang leaks, Veco was hired to help inspect and repair pipes, Beaudou said. The company is making modules now to house equipment for launching and receiving pigs -- probes that run through pipes looking for corrosion.

BP was not contacted by the FBI regarding the public corruption probe involving the Veco executives, Beaudou said.

FBI - Stevens-664

Other customers said Monday they also planned to keep using Veco.

Jack Griffin, spokesman for Conoco Phillips, which runs Alaska's next two biggest oil fields -- Kuparuk and Alpine -- said Veco is a relatively small contractor for the company.

Last year Veco got business worth \$30 million, or 3 percent of Conoco's Alaska operations and capital spending of just over \$1 billion, Griffin said.

"In the overall context, we're not one of Veco's major customers," he said. "They're not one of our top five contractors."

Mike Heatwole, spokesman for Alyeska Pipeline Service Co., which runs the 800-mile trans-

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Alaska oil pipeline, said Veco is helping with a major project to rebuild pump stations, and it is among many companies in Anchorage providing engineering services as needed.

"We don't have any changes planned," Heatwole said. Veco said it has "retained expert independent consultants to review and assess its corporate operations and practices."

Amy Menard, an attorney for Veco, said the review will be handled by FTI Consulting Inc., a large Baltimore-based firm. Veco expects initial results in a week. She said it was unclear whether the review would be made public.

Veco has 4,000 employees, about half of them working in Alaska, and it's important for people to remember that the corruption probe is separate from the work that Veco hands are doing in the field, Menard said.

"These events are totally unrelated to the actual substantive work that Veco does," she said.

A Veco executive, Tom Maloney, is an officer for the Resource Development Council for Alaska, a prominent industry nonprofit.

"I hope Veco as a whole is not judged by the actions of two individuals," said Jason Brune, the group's executive director.

Aside from Alaska, Veco is involved in oil and gas and other projects on Russian's Sakhalin Island, in Canada and in the United Arab Emirates in the Middle East.

Daily News reporter Wesley Loy can be reached at [wloy@adn.com](mailto:wloy@adn.com) or 257-4590.

FBI - Stevens-665

**COURT DOCUMENT EXCERPTS**

*Anchorage Daily News (AK)*

*May 8, 2007*

*Author: Staff*

*Estimated printed pages: 4*

**Excerpts from court documents**

Plea agreements made by Veco's Bill Allen and Richard Smith were unsealed Monday. Here's a sampling of statements from the documents:

**MORE STATEMENTS:** Additional excerpts are on Page A-7. Complete copies of these court documents can be found online at adn.com.

On or about May 7, 2006, State Representative B was on the floor of the Alaska State House of Representatives ... during a vote on a particular piece of legislation. ALLEN and SMITH contacted State Representative B on State Representative B's cellular telephone, and gave State Representative B instructions on how to vote on the particular piece of legislation.

Based on the conduct described herein, and including certain other criminal conduct not specifically included herein, ALLEN admits that the total amount of illegal benefits provided to elected public officials, their family members, and or their campaigns by ALLEN and SMITH totals an amount greater than \$400,000.

...ALLEN corruptly provided at least three separate cash payments to State Representative A: (1) a cash payment of \$1,000 ... by ALLEN at the Island Pub, a restaurant in Juneau ...; (2) two separate cash payments totaling approximately \$600 to \$1,000, given by ALLEN and SMITH to State Representative A in a hotel; and (3) a cash payment of approximately \$500, made by ALLEN to State Representative A in Juneau. ...

...ALLEN corruptly provided multiple financial benefits to State Representative B. For instance, on or about June 1, 2006, in a hotel room in Juneau ... ALLEN gave State Representative B a cash payment of approximately \$1,000. ALLEN intended the \$1,000 payment to reimburse State Representative B for a contribution in that amount given by State Representative B to an Alaskan gubernatorial campaign.

... ALLEN and SMITH agreed to provide additional funds to State Representative B. Accordingly, on or about July 31, 2006, SMITH provided, at State Representative B's request, approximately \$7,993 to State Representative B through an inflated invoice prepared by a private business owned by State Representative B. State Representative B referred to this scheme as "foolproof." The check given to State Representative B was drawn on ALLEN's personal checking account.

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From in or about 1995 until in or about 2001, ALLEN corruptly authorized VECO to engage and pay for on a monthly basis the consulting services of a private company owned by State Senator B, who was, at that time, not an elected public official.

From in or about January 2005 to on or about August 30, 2006, ALLEN did not ask State Senator B to perform any consulting work unrelated to State Senator B's official position as a member of the Alaska State Legislature. ALLEN instead asked State Senator B to use his official position to advance certain legislation pending in the Alaska State Legislature that ALLEN and VECO favored. ALLEN knew of no other substantive work that State Senator B performed in exchange for the "consulting" payments during this period.

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In or about 2006, ALLEN also offered, and State Senator B agreed to accept, an offer of employment with VECO. ... ALLEN called State Senator B to discuss a strategy for State Senator B to "kill" a piece of pending legislation that VECO did not support. ... ALLEN and State Senator B discussed the need to keep quiet the fact that State Senator B planned to become a VECO executive after the close of the 2006 legislative session. In that conversation, ALLEN and State Senator B explicitly discussed how State Senator B needed to ensure the passage of specific legislation before ALLEN and State Senator B disclosed the fact that State Senator B would thereafter be working for VECO.

In or about 2005 and in or about 2006, ALLEN authorized the payment of a "special bonus" of corporate funds to certain VECO executives, including VECO Executive A and VECO Executive B, understanding that the funds were to allow VECO executives to make state and federal political campaign contributions without using their base salaries or performance-related bonuses.

ALLEN directed VECO Executive B to classify a personal expense of ALLEN's as a corporate expense in VECO's corporate accounts, knowing and intending that such personal expense would ultimately be recorded as a corporate expenditure on VECO's yearly filing with the Internal Revenue Service of the United States Department of Treasury.

PAPERS: To see charging documents, plea facts and plea agreements for Bill Allen and Richard Smith, go to

[adn.com/corruption](http://adn.com/corruption)

Caption:

Sen. Ben Stevens matches the description of "Senator B" in the charges against Veco's Bill Allen and Richard Smith.

Rep. Pete Kott matches the description of "Representative B" in the charges against Bill Allen and Richard Smith.

Vic Kohring matches the description of "Representative A" in the charges against Bill Allen and Richard Smith.

FBI - Stevens-667

**TIMELINE***Anchorage Daily News (AK)**May 8, 2007**Author: Staff**Estimated printed pages: 4*

## Timeline of federal investigation into Alaska politics

\* 1995-2001: Veco CEO Bill Allen "corruptly authorized" hiring state "Senator B," who was not yet in office, as a consultant. "Senator B" fits the description of Ben Stevens.

\* JANUARY 2002: Stevens is now a state senator and he continues receiving Veco payments for consulting. However, these new payments were not for private work but rather for "taking official acts" as a legislator. He collects \$243,250 from Veco from 2002 through last August.

\* JULY 21, 2004: Anchorage lobbyist Bill Bobrick, representing an Outside private prison firm, tells a confidential source in a conversation federal investigators recorded that, for a price, Anchorage Rep. Tom Anderson would be "our boy in Juneau."

\* AUG. 17, 2004: Anderson tells the source he would help the prison firm in exchange for \$24,000.

\* AUG. 23, 2004: Anderson deposits the first of three payments, totaling more than \$6,000, from a company allegedly set up to launder money for him.

\* SEPT. 26, 2005: Eagle River Rep. Pete Kott allegedly calls Veco vice president Rick Smith and says, "I need a job," to which Smith replies, "You've got a job; get us a pipeline."

\* JAN. 8, 2006: As Legislature gets ready to meet, Kott allegedly calls Allen to learn "what our instructions are" concerning oil tax and natural gas pipeline legislation.

\* FEB. 21, 2006: Then-Gov. Frank Murkowski unveils a bill to start taxing crude oil based on oil company profits rather than production levels. The governor says the tax reform was part of a deal with Exxon Mobil, BP and Conoco Phillips on a gas pipeline contract.

\* FEB. 23, 2006: Wasilla Rep. Vic Kohring, who offered to help Veco, allegedly accepts \$1,000 in cash from Allen.

\* FEB. 25, 2006: Allen tells another Veco executive to classify one of Allen's personal expenses as a corporate expense, which would lower Veco's federal tax bill.

\* FEB. 28, 2006: Exxon and BP executives warn lawmakers that imposing a tax rate higher than the 20 percent of profits the governor proposes might undo the gas pipeline deal. (Veco also lobbies strongly for no changes.)

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\* MARCH 23, 2006: Juneau Rep. Bruce Weyhrauch calls Veco and leaves a message that he wants to talk to Allen about the oil tax and other issues.

\* MARCH 30, 2006: Kohring tells Veco executives he owes \$17,000 on a credit card. He asks for a loan or a job. They discuss how to structure a loan without raising "red flags." Kohring accepts at least \$600 cash from Allen then asks what he could do "for you guys." He agrees to lobby other lawmakers to support oil tax legislation favored by Veco.

\* APRIL 24, 2006: Senate passes an oil-tax bill that would tax oil at a rate of 22.5 percent.

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\* MAY 4, 2006: As legislative session winds down and Veco presses for the 20 percent tax rate, Weyhrauch mails his resume to Allen. Veco executives believe his job request is connected to how he will vote on oil taxes.

\* MAY 7, 2006: During House floor debate on oil taxation, Allen and Smith call Kott by cell phone and tell him how to vote. Later that night, Kott tells Allen he had to "cheat, steal, beg, borrow and lie" to defeat an amendment for a higher oil tax rate. Allen responds, "I own your ass."

\* MAY 9, 2006: Regular session ends with no new oil tax: Senate fails to concur with a House-approved 21.5 percent rate.

\* MAY 10, 2006: First special legislative session begins to consider oil-tax rate.

\* MAY 24, 2006: Weyhrauch tells Veco executives that he isn't doing well financially. They discuss his request for employment.

\* JUNE 1, 2006: Kott tells Allen he wants to be a lobbyist after he leaves the Legislature. Allen responds, "Well, you will be."

\* JUNE 1, 2006: Allen gives Kott \$1,000 cash in a hotel room to reimburse his contribution to a candidate in the governor's race.

\* JUNE 5, 2006: Allen calls Stevens to discuss a strategy for killing gas-pipeline legislation Veco doesn't support. Allen tells Stevens he wants him to work for Veco as an executive.

\* JUNE 8, 2006: Legislators adjourn special session after failing to agree on oil-tax rate.

\* JUNE 22, 2006: "Senator A," unidentified in the court documents, tells Smith that another lawmaker needs money.

\* JUNE 25, 2006: Allen meets "Senator A" and the unnamed lawmaker and says he could raise \$25,000 for the lawmaker's campaign. The lawmaker said he needed to be sure he was willing to support the legislation Veco favored. Veco never raised this money.

\* JULY 11, 2006: Stevens and Allen discuss the need to maintain secrecy that the senator planned to become a Veco executive after the 2006 legislative session. They agree that Stevens, then the Senate president, needs to ensure passage of specific legislation before they disclose his job at Veco.

\* JULY 12, 2006: Veco allegedly pays \$2,750 for a poll for Kott's re-election campaign. Legislators begin second special session.

\* AUG. 2, 2006: Veco's Smith allegedly instructs a Veco employee to pay a fraudulently inflated invoice, totaling \$7,993, to Kott's Hardwood Flooring. Kott calls the transaction "foolproof." The payment is drawn from Allen's personal checking account.

\* AUG. 10, 2006: Legislators approve new oil tax setting rate at 22.5 percent tax of profits.

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\* DEC. 6, 2006: Anderson indicted for money laundering, extortion and bribery. He pleads not guilty several days later. His trial is set for June 25.

\* MAY 4, 2007: Kott, Kohring and Weyhrauch indicted for conspiracy to commit extortion and bribery. Kott also indicted for wire fraud and Weyhrauch for mail fraud.

\* MAY 7, 2007: Allen and Smith plead guilty to bribing Alaska lawmakers.

Compiled by Daily News reporters Elizabeth Bluemink and Wesley Loy.

**Kohring returns to session, reasserts his innocence -  
INDICTMENT: A few lawmakers from each party offer nods or hugs to  
acknowledge his legal difficulties.**

Anchorage Daily News (AK)

May 8, 2007

Author: STEVE QUINN

The Associated Press

WIRE

Estimated printed pages: 2

Three days after he and two former House members pleaded not guilty to federal bribery and extortion charges, Rep. Vic Kohring showed up for work on the House floor on Monday.

As House leaders had earlier announced, he lost his job Monday as chairman of the House Oil and Gas Committee, though he will be allowed to remain on that committee as well as three others on which he serves.

He reported to the Capitol on Monday, attending the floor session and scheduled committee meetings.

During the House floor session, a few members from each political party nodded at or hugged Kohring, and some offered a handshake.

"It took a lot of courage, a lot of courage for him to come back," said Rep. Andrea Doll, a Juneau Democrat who gave Kohring a hug during a break.

"When you see somebody in just plain a lot of pain, my heart goes out to him," she said. "It's hard to imagine how difficult it must be for him to be there and to be judged."

Kohring deferred comment on the charges to his attorney, John Henry Browne, who last week said Kohring planned to fight the charges and continue serving his term.

However, Kohring also issued a statement saying he agreed with the decision handed down by members of a committee that oversees appointments.

"I firmly believe in the judicial system and that a jury of my peers will find me not guilty of these charges at which time the leadership of the House has agreed to return me to my chair," Kohring said in the statement.

Kohring and former state Republican Reps. Pete Kott of Eagle River and Bruce Weyhrauch of Juneau were indicted last week by a federal grand jury. They are accused of trading their legislative clout for cash and the promise of future work with an oil field services company.

On Monday, two top executives of VECO Corp., a multinational oil services company based in Anchorage, pleaded guilty to extortion, bribery, and conspiracy to impede the Internal Revenue Service. They were accused of bribing Alaska lawmakers with cash and the promise of jobs, contracts and favors for their backing on bills supported by the multinational firm.

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**Key figures in the case**

*Anchorage Daily News (AK)*

May 8, 2007

Author: Staff

Estimated printed pages: 3

**BILL ALLEN**

Age: 70 from Socorro, N.M.

To Alaska in 1969. Welder. Joined Veltri Enterprises c. 1969, which became Veco. Bought out his partner 1970s, became majority owner of Veco Corp., which emerged as a major construction firm in the 1970s under sponsorship of Arco. Made millions on the 1989 Exxon Valdez oil spill cleanup. Bought the Anchorage Times newspaper in 1989.

Major player in Alaska construction, oil field services and the financing of Alaska politicians.

Pleaded guilty Monday to bribery, conspiracy and tax fraud. Said he paid bribes to legislators in return for votes and other official actions. Veco lawyer says he is no longer a Veco owner.

**RICHARD "RICK" SMITH**

Vice president of Veco and its chief political operative.

Pleaded guilty Monday to federal bribery, conspiracy and tax fraud charges.

**PETE KOTT**

Age: 57 Born Flint, Mich. To Alaska 1984

Ret. Air Force. B.S. in criminal justice. MA in public administration 1979. Owns flooring company.

Elected to state House 1992 from Eagle River. Re-elected six times. House speaker 2003-04. Lost 2006 Republican primary to Anna Fairclough.

Indicted last week on federal bribery and conspiracy charges. Pleaded not guilty.

**VIC KOHRING**

Age: 48 Born Waukegan, Ill. To Alaska 1963

Resident of Wasilla since 1976. Lives in his Juneau legislative office during the session. MBA 1989, from Alaska Pacific University. Married to Russian violinist.

Elected to state House 1994. Re-elected six times. Is a sitting legislator.

Indicted last week on federal bribery and corruption charges. Pleaded not guilty.

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**BRUCE WEYHRAUCH**

Age: 43 Born Sacramento To Alaska 1974

Attorney, president of Alaska Bar Association, 2000-01. Runs own law office. Survived near-

death boating accident last month.

Elected to state House from Juneau 2002. Served two terms. Chose not to run in 2006.

Indicted last week on federal bribery and corruption charges. Pleaded not guilty.

#### TOM ANDERSON

Age: 39 Former state representative

A former legislative aide, member of the Anchorage School Board, executive director of the Cabaret, Hotel, Restaurant and Retailers Association.

Elected to House 2002, 2004 from Muldoon. Chose not to run in 2006

Married to state Sen. Lesil McGuire.

Indicted Dec. 6, 2006, on federal charges of money laundering, bribery and extortion. Pleaded not guilty. Trial set for June.

#### BEN STEVENS

Age: 48 Lifelong Alaska resident

Son of U.S. Sen. Ted Stevens. Lists occupation as "business consultant." Was a commercial fisherman. Ran the Special Olympics in 2001.

Appointed to state Senate in 2001 by Gov. Tony Knowles. Elected to four-year term in 2004. Chose not to run for re-election in 2006.

Identifiable as "Senator A" in indictments last week against three lawmakers. Is clearly the "Senator B" cited as recipient of some of the bribes that Bill Allen and Rick Smith pleaded guilty to in federal court Monday. Stevens has not been openly named and has not been charged with anything.

#### SENATOR A

Unnamed politician

Cited in federal charges against Bill Allen and Rick Smith

In addition to Ben Stevens, two senators' offices were searched last August by the FBI: John Cowdery, R-Anchorage, and Donny Olson, D-Nome.

Cowdery was in a Juneau hospital Monday, reportedly suffering from pneumonia. His attorney, Kevin Fitzgerald, said Cowdery is likely Senator A and he is investigating the allegations in the charges against Allen.

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# Judge delays Kohring trial

**OCT. 22: Defense says it needs more time to sort through evidence.**

By KYLE HOPKINS  
Anchorage Daily News  
Published: May 30, 2007  
Last Modified: May 30, 2007 at 02:27 AM

Hundreds of hours of video recordings, plus hundreds more of audio, added to thousands of pages of documents. As federal investigators silently tracked and secretly taped Alaska politicians and business leaders in a sweeping corruption investigation, they built a digital mountain of evidence, according to testimony in federal court Tuesday.



Click to enlarge.

Kohring

- Story tools
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Font size : A | A | A

It's all too much to sift through by July, the defense lawyer for Rep. Vic Kohring told U.S. District Judge John Sedwick.

The judge agreed.

In a brief Anchorage hearing that shed just a little light on the scope of the investigation, Sedwick delayed Kohring's trial more than three months, until Oct. 22.

Kohring, R-Wasilla, is accused of selling his vote on oil taxes last year to the oil field services company Veco Corp. Veco executives Bill Allen and Rick Smith pleaded guilty to conspiracy, bribery and tax charges on May 7.

Prosecutor Edward Sullivan said two computer hard drives full of evidence in the Kohring case include a number of conversations "intercepted" in Suite 604, a reference to Veco's room in Juneau's Baranof Hotel, as well as telephone conversations involving Allen and Smith recorded over 11 months beginning in September 2005.

Kohring has pleaded not guilty and says he's innocent.

"I feel in my heart that things are going to work out just fine for me and I'm going to be exonerated," he said in a phone interview

Tuesday.

Kohring called his legal bills "astronomical." He said he recently sold his Wasilla home and may have to sell his home in Beaverton, Ore., to pay legal fees that he expects to top \$100,000.

The charges against Kohring say the longtime Valley legislator asked for help paying a \$17,000 credit card debt and that he accepted cash from Veco executives. FBI - Stevens-673

Kohring said he couldn't answer specific questions about the case before it goes to trial.

"All I can say is that people have to remember that I am innocent until proven guilty," he said.

Kohring's lawyer, John Henry Browne of Seattle, said federal prosecutors gave him a tower of evidence in the corruption case only last week.

Browne said only a fraction of the evidence directly involves Kohring and that in the rest he

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testify against his client.

"The government was probably recording these guys for a reason ... my guess is that this material will contain information that I can use to impeach them when they testify, about their conduct, behavior and general reputation for honesty," Browne said.

Kohring said people still support him and he has refused calls to give up his seat in the Legislature. He said he needs surgery on his neck, which could keep him from attending a possible special legislative session in the fall.

Until Tuesday's delay -- which drew no objection from prosecutors -- Kohring's trial was to begin July 9.

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(Indicate page, name of newspaper, city and state.) B-1

ANCHORAGE DAILY NEWS

Date: 06/7/2007  
Edition: THURSDAY

Title: FBI TELLS STEVENS TO SAVE RECORDS

Character:  
or  
Classification: 194A-AN-13620  
Submitting Office: Anchorage

Indexing:

(Mount Clipping in Space Below)

FBI - Stevens-675

194A-AN-13620-M;341

says he took "wise counsel."

By STEVE QUINN  
The Associated Press

JUNEAU — State Rep. Vic Kohring, who faces bribery and extortion charges, revealed this week that a senior lawmaker asked that he not vote on Gov. Sarah Palin's natural gas pipeline bill.

He said he understands his pipeline vote could have been considered tainted, so he honored the request from Minority Leader Beth Kerttula, D-Juneau. Kohring is now considering a new request from Republican leaders — that he resign his legislative seat.

"I haven't made a final decision," he told The Associated Press. "I'll listen carefully to my constituents. I've taken this role very seriously, but I'm not so wedded to this job or have so much pride that it would get in the way of respecting the wishes of the public."

He has indicated a decision could be

Anchorage.

On Wednesday afternoon, Palin and members of her energy team participated in a ceremonial signing of the Alaska Gasline Inducement Act — or AGIA — in Fairbanks.

Under AGIA, producers and independent pipeline companies can vie for rights to build a pipeline that lawmakers hope will ship trillions of cubic feet of North Slope natural gas to market.

The House and Senate passed Palin's bill May 11, a week after Kohring and two former lawmakers were indicted on federal charges of bribery and extortion related in part to changes in the state's oil production tax passed in 2006.

Palin also said she would call a special session later this year to re-examine how last year's Legislature considered and passed the Petroleum Profits Tax plan, which she has said was approved under a dark cloud.

The indictments left some lawmakers

*I wasn't judging him when I was asking him to do that. He didn't have to do it, but he took a lot of pressure off the body.*

— Rep. Beth Kerttula, D-Juneau

others squeamish about Kohring casting votes on any energy-related bills in the waning days of this year's legislative session.

When lawmakers discussed and voted on AGIA on May 11, Kohring quietly left the House chambers and didn't return until all discussion on the bill was completed.

Kohring initially declined to identify who asked him to refrain, saying it was

and provide the least amount of disruption by not being a part of that vote," Kohring said. "So I made the decision to quietly slip out."

"She wasn't putting any pressure on me at all; she just gave me some wise counsel, and it was prudent of me to simply not vote," he said.

Kerttula said she approached Kohring outside the House chambers, saying she thought it was best he leave the floor before the vote.

"I had two concerns: integrity of the (legislative) body and for individuals to be treated fairly," she said. "Having him off the floor accomplished those."

An attorney, Kerttula said she was still mindful of Kohring's constitutional right to be considered innocent until his trial, now scheduled for October, is completed.

"I wasn't judging him when I was asking him to do that," she said. "He

dez, said it was his right to appear about talking to Kohring.

Harris said he supported the decision as Kohring had already been stripped of his position as chairman of the House Oil & Gas Committee following the charges.

"With all the speculation going on, it meant for a less confrontational vote," Harris said. "You can't say the vote was tainted because he didn't vote."

Besides Kohring, also facing bribery and extortion charges are former Republican Reps. Pete Kott of Eagle River and Bruce Weyrauch of Juneau. Kott has asked that his trial also be delayed until this fall; Weyrauch is scheduled for trial next month.

Additionally, two executives for oil services company Veco Corp. have pleaded guilty to extortion and bribery related to their dealings with legislators.

|        |                            |                   |                            |           |                            |            |                            |
|--------|----------------------------|-------------------|----------------------------|-----------|----------------------------|------------|----------------------------|
| Albany | 65/48/c 64/48/pc 72/53/pc  | Tucson            | 92/76/c 91/62/s 94/60/s    | Dublin    | 60/41/s 63/48/pc 65/50/pc  | Tokyo      | 76/61/na 77/63/pc 75/63/pc |
| Albany | 71/56/c 69/54/pc 82/60/pc  | Tulsa             | 69/64/s 67/64/pc 78/63/pc  | Edmonton  | 62/51/r 69/28/pc 69/47/pc  | Toronto    | 59/45/c 62/48/pc 75/62/pc  |
| Albany | 84/60/s 82/71/pc 89/72/pc  | W. Palm Beach, FL | 84/75/r 85/74/r 85/75/r    | Frankfurt | 80/60/pc 86/62/pc 85/62/pc | Vancouver  | 57/50/r 64/53/pc 69/51/pc  |
| Albany | 69/41/pc 70/45/pc 77/50/pc | Washington, DC    | 78/53/r 87/71/pc 95/70/r   | Gosport   | 75/59/r 71/52/pc 73/56/pc  | Wellington | 60/50/r 52/40/pc 57/34/pc  |
| Albany | 74/51/na 80/51/s 89/52/pc  | Yakima            | 88/41/pc 74/45/pc 74/47/pc | Honolulu  | 82/73/na 85/69/pc 91/61/pc |            |                            |
| Albany | 64/43/r 66/45/pc 72/50/pc  |                   |                            | Honolulu  | 67/71/r 68/77/pc 87/76/pc  |            |                            |
| Albany | 61/48/r 67/48/r 74/62/pc   |                   |                            | Honolulu  | 83/48/s 79/52/pc 80/53/pc  |            |                            |
|        |                            |                   |                            | Honolulu  | 91/84/r 89/81/pc 89/82/pc  |            |                            |
|        |                            |                   |                            | Honolulu  | 86/84/na 74/55/s 74/56/s   |            |                            |

\*Standard time and standard time are to the left of compass roses.  
 National high yesterday    National low yesterday  
 Bolthead City, AZ ..... 110    Sunlight Mountain, CO 28

|                      |                     |
|----------------------|---------------------|
| Voors high yesterday | Voors low yesterday |
| Kanani               | Amundsen Scott      |
| Kanani               | Antarctica ..... 72 |

# FBI tells Stevens to save records

■ **CORRUPTION PROBE:** U.S. senator confirms his son Ben "is also under investigation."

By PAUL KANE  
The Washington Post

WASHINGTON — Sen. Ted Stevens, the longest-serving Republican in the Senate, says the FBI asked him to preserve records as part of a widening investigation into Alaska political corruption that has touched his son and ensnared one of his closest political confidants and financial backers.

"They put me on notice to preserve some records," Stevens said in a brief interview

about his legal team's discussions with the FBI. He declined to say what kinds of records were involved but confirmed that he had hired lawyers and that his son, former state Senate President Ben Stevens, "is also under investigation."

Stevens, who is famous for bringing home federal money, was not previously confirmed as linked to the Justice Department's probe, which has uncovered evidence that bribes were given to state lawmakers in exchange for favorable oil-tax legislation.

The Justice Department's Public Integrity Section is running the inquiry, which includes two federal prosecutors and FBI agents based in Anchorage.

The FBI issued subpoenas last year to contractors who had performed work on Ted Stevens' Gridwood house, seeking information about the alleged involvement of Veco Corp. chief executive Bill J. Allen in overseeing the renovations, which cost more than \$100,000.

There has been no indication that Stevens is a target of the investigation, and federal law enforcement officials this week declined to comment about the probe.

Stevens has long been close to Allen. Since 2000, Allen has contributed more than \$50,000 to political and campaign committees controlled by Stevens. In 2005 and 2006, Allen and other Veco executives gave Stevens-affiliated election committees \$37,000, Federal Election Commission records show. A Stevens aide said the senator recently decided to donate contributions from Allen and another Veco executive from 2004 to 2006 to charity.

Several years ago, Allen joined with Stevens and a handful of other corporate executives to purchase thoroughbred horses, according to Stevens' financial disclosures to the Senate.

Last month, Allen and Veco vice president Rick Smith pleaded guilty to bribing state legislators primarily to secure the passage of oil tax legislation.

Stevens will donate money received from Veco executives to charity, an aide said.



Sen. Ted Stevens will donate money received from Veco executives to charity, an aide said.

See Page B-7, STEVENS

## STEVENS: \$243,250 given to 'state senator B'

Continued from B-1

As part of the plea, Allen said his bribes included \$243,250 in no-show consulting work from 2002 to 2006 to "state senator B" to win the lawmaker's support for the pipeline project and other legislative matters. State financial reports filed by Ben Stevens list the same dollar amount in receipts from Veco.

"We believe that the facts will show that Mr. Stevens didn't engage in any illegal activity," said John Wolfe, the lawyer for Ben Stevens.

Ted Stevens said he has not spoken to Justice Department officials, that he was complying with the request to preserve documents and that he anticipated turning them over at some point. He and his staff

declined to specify whether the investigators were seeking records on personal finances, legislative actions or both.

Stevens is the ranking Republican on the Commerce, Science and Transportation Committee. He said his lawyers warned him that any public statements could be construed as an attempt to obstruct the inquiry.

FBI - Stevens-677

Stevens, Son Press Project Roll Call June 7, 2007 Thursday

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Roll Call

June 7, 2007 Thursday

**LENGTH:** 1275 words

**HEADLINE:** Stevens, Son Press Project

**BYLINE:** Paul Singer, ROLL CALL STAFF

**BODY:**

In late 2005, Sen. **Ted Stevens** (R) joined other members of the Alaska delegation in pressing state officials to reserve \$2 million in earmarked federal money for a **pipeline** project being conducted by a gas company that employed Stevens' son, Ben.

Stevens, Rep. Don Young (R) and Sen. Lisa Murkowski (R) wrote a letter to the Alaska Department of Transportation on Nov. 9, 2005, to "more clearly explain the Congressional intent" of a \$2 million earmark in the 2005 highway bill, known as SAFETEA-LU. The letter clarified that the money was intended for the project Ben Stevens' company was working on, and the company was named in the letter.

**Ted Stevens'** office said this week that the letter merely reflected the importance of bringing natural gas to South-Central Alaska, and the elder Stevens' involvement in the issue had nothing to do with the younger Stevens' employment.

The provision that had been inserted into the bill by the Alaska delegation reserved the money for a "study on the feasibility of constructing a natural gas **pipeline** from the North Star Borough to South Central Alaska along the existing transportation corridors." The provision refers to a long-running discussion about how to get a portion of the state's abundant North Slope natural gas reserves to the chronically under-supplied gas consumers in the population centers around Anchorage.

But according to state officials, there are two possible **pipeline** routes that fit the description as it was worded in the earmark: one, a north-south route from Fairbanks that follows the "Parks Highway" to Anchorage and would pass through a small piece of Denali National Park, and a second that would swing east through Glennallen before cutting back west to Palmer, just outside Anchorage.

"That earmark came to us as an orphan," said Mike Chambers, spokesman for the Alaska Department of Transportation and Public Facilities. "When an earmark comes in, and if it is general enough, several people will stand up and claim it ... sort of like a custody battle."

The letter from Stevens, Young and Murkowski made it clear which side should win custody. The Members pointed out that the 2005 omnibus appropriations bill set aside an additional \$2 million "to allow ENSTAR Natural Gas and ASRC Energy

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194A-AN-13620-M;342

Service to move forward on a feasibility study along the Parks Highway for the construction of a spur line from Fairbanks to Anchorage." They added: "The intent of the two million dollars in SAFETEA-LU is to continue the Parks Highway Spur study begun under the DOE project."

ENSTAR Natural Gas is a subsidiary of SEMCO Energy, a Michigan-based energy company. Ben Stevens has served on the board of SEMCO since 2004 and was paid \$77,810 for his service in 2006, according to the company's most recent filings with the Securities and Exchange Commission.

**Ted Stevens** clearly was not the only advocate for the Parks Highway **pipeline** earmark. The delegation letter was written in the first person, suggesting that questions be directed to "my staff on the Transportation and Infrastructure Committee," which is the committee that Young chaired at the time.

The \$2 million earmark was not included in the House version of the SAFETEA-LU bill and was added in the Senate, where Stevens chaired the Commerce, Science and Transportation Committee, which had jurisdiction. But Murkowski also claims credit for the earmark. "If we can't get more gas [in the Anchorage area], people are going to freeze in the dark," said Chuck Kleeschulte, a legislative assistant on energy issues in Murkowski's office. Kleeschulte referred to the project as a "delegation earmark" and said, "We gladly accept responsibility for this earmark."

The Alaska Legislature also passed a resolution expressing support for constructing a natural gas **pipeline** from Fairbanks to South-Central Alaska, with then-state Sen. Ben Stevens voting in favor.

Aaron Saunders, spokesman for **Ted Stevens**, wrote in an e-mail to Roll Call that "The provision in the SAFETEA-LU bill to provide money to the state to continue to study possible spur lines was a priority for the entire Alaska Congressional Delegation. These funds would ensure that [the] ongoing study would be completed. It is the Delegation's understanding that the state will award a contract to finish the study based on its procurement process," meaning it is not guaranteed that ENSTAR will receive the money.

Saunders added that the delegation's support of the **pipeline** "is based on the project's merits and its importance to all of their constituents who live in South Central Alaska. ... At no time did Ben Stevens' role as one of 10 members of SEMCO's Board of Directors play any part in the Delegation's decision to support this study."

Stephen Slivinski, director of budget studies at the Cato Institute, said there is nothing wrong with the Alaska delegation setting aside money for the state to review alternative routes for a gas **pipeline**. But, he said, "If you are coming from the premise that the state should be the ones determining the best use of a lump of money ... the state should be free to interpret that. The follow-up correspondence is the odd part, which says 'No, no, you are to spend it this way.'"

Slivinski said Congressional letters to state agencies are a kind of a backdoor earmark. "If you wanted to be more honest about this, you could have done it in the law," instead of going to the state to make the distinction.

Mike Thompson, the state **pipeline** coordinator in the Alaska Department of Natural

Resources, said the \$2 million from the highway bill earmark has never been distributed. The state is waiting for the Energy Department to release a broader feasibility study that compares both routes before it releases a request for bids to conduct the study on the Parks Highway route. The DOE study has been completed - NORSTAR, another unit of SEMCO, was one of the contractors that the department hired to draft it - but it has not yet been released.

Harold Heinze, CEO of the Alaska Natural Gas Development Authority - the state-chartered corporation that has been advocating the Glennallen-to-Palmer pipeline route - said the Parks Highway route does not seem to make as much economic sense, but the Members of Congress may not have known that when they wrote their letter in late 2005. "In that timeline, [the letter] is absolutely correct," Heinze said, since the state did need to consider both routes. "I might differ with it tremendously today," he added, because he believes the superiority of the Glennallen pipeline seems clear.

Heinze encouraged the Energy Department to include in its analysis the challenges the Parks Highway line would have getting approval from Congress to cross into the Denali National Park, and he provided a copy of an e-mail reply he received indicating that the department "did ask the report's authors to 'beef up' the section dealing with this issue."

ENSTAR spokesman Curtis Thayer said the pipeline issue "was started before Ben Stevens was on the board. ... Ben had nothing ever to do with any of this." Thayer said that by his recollection, Ben Stevens had been to the ENSTAR Alaska offices only once since joining the SEMCO board in 2004.

Thayer pointed out that the state has been looking for more natural gas for the population centers around Anchorage for years, and ENSTAR, as the primary natural gas company in the state, probably will be involved no matter where such a pipeline is built.

"We have an interest in building such a line - but it will take a lot of partners," Thayer said.

Ben Stevens could not be reached for comment on this story, and several calls to his attorney were unreturned.

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Anchorage Daily News

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## Embattled Kohring undecided but will 'do what's right'

**Q AND A: He says he plans to attend the special session despite bribery indictment.**

By SABRA AYRES

Anchorage Daily News

(Published: June 6, 2007)

JUNEAU -- State Rep. Vic Kohring said he has not decided yet whether he will resign because of his indictment in a bribery scandal, and that most of what he hears from constituents is supportive of his staying in office.

Kohring's comments came in e-mail interviews this week after two House leaders recently urged him to consider resigning to help restore public trust in lawmakers and the Legislature.

Kohring, R-Wasilla, pleaded not guilty last month to federal charges of bribery, conspiracy and extortion. His trial is scheduled for October.

Kohring's case is part of a wider federal probe into government corruption. Prosecutors accused him and two former lawmakers of selling their votes on last year's petroleum production tax law, or PPT, to Anchorage oil services company Veco Corp. Two former Veco executives have pleaded guilty.

Kohring's term runs out in January 2009.

In excerpts from his e-mails, Kohring discusses his thoughts on resigning, support he's received and a recall effort he faces, and the financial strain he's experiencing. He also says that at times as a legislator he's feared for his personal safety, and years ago he even wore a bulletproof vest on the House floor.

**Q.** Have you made any decisions as to whether or not you will step down?

**A.** No.

**Q.** When do you think you might make a final decision?

**A.** I am giving all options careful consideration.

**Q.** What are you hearing from your constituents?

FBI - Stevens-681

**A.** Most correspondence indicates people wish for me to stay.

**Q.** House Speaker John Harris said this week that some legislators have expressed concern about the indictment and its effect on the Legislature as a whole. Have you had any discussions about this with your colleagues? Do you feel their concerns are justified?

**A.** I spoke with John Harris and Ralph Samuels (House majority leader) last week, and I respect their opinions. We discussed my options and all understood that I will be making any decision

regarding my future.

I intend to do what's right for my constituents and make a carefully thought-out decision, which will not be an easy one.

I've dedicated my life to my community for a dozen years, including knocking on 28,000 doors in an effort to be accessible, and helped over 3,000 people with problems associated with government, many times staying up all hours of the night and sleeping on my office couch.

I've always given 100 percent and have tried to be the best public servant I can.

**Q.** Are you planning to attend the special session on SeniorCare (aid to low-income seniors) in Anchorage later this month?

**A.** Yes.

**Q.** If Gov. Sarah Palin calls a fall special session to revisit the new oil tax, would you attend? Excuse yourself? Other options?

**A.** My decisions will be in my constituents' best interest.

**Q.** You have mentioned that you were concerned about your personal safety. What has happened that makes you feel unsafe?

**A.** I have received numerous threats over the years, both politically and dealing with my personal safety, from people who've disagreed with me on issues or don't like me for some reason. I've attempted to be honest and straightforward, as opposed to saying what I think is politically popular. When a person does that, they sometimes become a target as I have.

**Q.** During one campaign, while waving at cars along the Glenn Highway, someone fired a gun -- which sounded like a .22; I know my guns, so I recognized what it was -- from a passing car. The next week, it happened again. Fortunately, I was not hit in either incident. I wore a bulletproof vest to protect me. I also carried a 9mm pistol for protection, using my concealed-carry permit. There were times during my early years in Juneau when I also received threats, so I wore the same flak jacket on the House floor, despite its bulkiness. It made me look fat and was hot and uncomfortable. I did not carry a gun in the Capitol building.

**Q.** How do you feel about the recall petition initiated by Wasilla City Councilman Mark Ewing?

**A.** I'm disappointed that Mr. Ewing has begun a recall campaign against me without speaking with me first and expressing his concerns.

I'm also disappointed in some of my neighbors and constituents who are rushing to judgment against me. Some of these folks are saying I'm unable to do my job and therefore should be recalled. This is despite that fact that all of us in the Legislature are expected to be "citizen legislators" and go about our other jobs and responsibilities during the summer and fall months when not in session.

Since the session ended, I've worked in my legislative office nearly every day, often until 11 p.m. I've been very accessible to people even now. My long hours working for my community are in addition to my personal responsibilities. It's difficult and challenging but worth the effort.

**Q.** Is anyone organizing a counter-campaign on your behalf?

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A. Yes. I have a number of wonderful supporters who have offered to set a legal defense fund. In addition, a good friend is setting up a blog to keep people updated. Meanwhile, it has been very difficult, if not impossible, to mount a counter-campaign of my own. I've also been advised not to discuss details about my case and stick with the basics so that it doesn't jeopardize my case in any way.

Q. Where are you living in Wasilla? With your parents?

A. Yes, in Wasilla, in the heart of my district. I am living in the back half of my parents' 30-year-old mobile home in Kohring Subdivision, a subdivision my dad and I developed many years ago. We enjoy each other's company and play card games every night. I recently sold my Wasilla house to pay for my legal expenses, which are phenomenal.

Q. Is your family still in Portland? Will they be joining you in Wasilla during the interim?

A. Yes, my wife and stepdaughter are in Beaverton, Ore. I would love for them to be with me during this difficult time, but money is very tight, and given my legislative responsibilities here and the controversy I've found myself in, we're having to endure being separated for the time being.

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Reporter Sabra Ayres can be reached at [sayres@adn.com](mailto:sayres@adn.com) or in Juneau at 1-907-586-1531.

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(Indicate page, name of newspaper, city and state.) A-1

ANCHORAGE DAILY NEWS

Date: 06/7/2007  
Edition: THURSDAY

Title: YOUNG TIED TO FLORIDA  
EARMARK

Character:  
or  
Classification: 194A-AN-13620  
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Indexing:

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FBI - Stevens-684

194A-AN-13620-M;344

# YOUNG: Florida developers, builders contribute \$40,000

Continued from A-1

ple's Daily News, has sparked a controversy. Parts of the story were reported in the Anchorage Daily News last year, and the tale is receiving attention in Florida as environmentalists object that the interchange would threaten wetlands.

In addition, the Lee County planning organization is debating what to do about the money, and a Republican commissioner of Lee County, Ray Judah, is campaigning against the interchange, calling it an example of congressional corruption that is "a cancer on the federal government." He added, "It would appear that Don Young was doing a favor for a major contributor."

When he was approached near the House floor by a reporter, Young responded with an obscene gesture.

House Republicans are in a public relations battle with Democrats for the high ground on reforming "earmarks," the pet projects that lawmakers tuck into spending bills behind closed doors.

As they have exploded in number for the last 12 years — the 2006 transportation bill included more than 6,300 projects worth more than \$24 billion, the nonpartisan Taxpayers For Common Sense says — earmarks have proven ripe for cronyism, corruption and abuse. Though the House recently passed a rule requiring the disclosure of earmark sponsors, the flow does not appear to have slowed.

Until Democrats took control of Congress in January, Young was chairman of the Transportation Committee, and he and his staff distributed transportation earmarks to lawmakers seeking projects.

Young may have first learned of Coconut Road on Feb. 17, 2005. That is when he flew to the region on a plane owned by Corporate Flight, a Waterford, Mich., charter company that is associated with the Aronoff family, which is based in nearby Bloomfield Hills, Mich. The Aronoffs are among the company's biggest clients, its general manager, Tom Hector, said.

Young's re-election campaign reimbursed the company \$3,422 for the flight, according to his campaign filings.

At the invitation of Mack, Young visited Florida Gulf Coast University for a meeting on the interstate and

*Until Democrats took control of Congress in January, Young was chairman of the Transportation Committee, and he and his staff distributed transportation earmarks to lawmakers seeking projects.*

other transportation questions. Afterward, Young went directly to the fundraiser at the Hyatt Coconut Point.

His campaign records show that he received more than \$40,000 in contributions on one day around that time, mostly from southwestern Florida developers and builders.

Aronoff, whose family is a major contributor to Republicans, gave \$500 to Young's campaign and later gave \$2,500 to Young's Midnight Sun political action committee.

The invitations to the event listed as hosts Mack, a business group called the Southwest Florida Transportation Initiative that includes Aronoff's company and two executives of other Florida developers.

Asked in a telephone interview who had organized the fundraiser, Mazurkiewicz, the consultant, said he was then at another fundraiser with a member of Mack's staff who would know.

"Aronoff," the staff member told Mazurkiewicz, within earshot of his mobile phone.

"Just some local businessmen," Mazurkiewicz said into the phone.

When pressed, he confirmed that the staff member had named Aronoff. Later, Mazurkiewicz called again to list the names on the invitation.

A spokeswoman for Young, Meredith Kenny, initially said that Mack had requested the Coconut Road money and that no one on Young's staff was available to provide more information.

A spokesman for Mack, however, said he did not ask for the money. His chief of staff, Jeff Cohen, said Mack

was surprised to find the project in the bill long after it had passed. After issuing a press release when the bill passed celebrating its financing for other Florida projects, Mack followed up with a second press release when he learned of the Coconut Road interchange.

"At the end of the day this thing got stuck in there unbeknownst to us and having nothing to do with us, other than it is our district," Cohen said.

The Aronoffs gave more than \$200,000 to Republican candidates and political committees in 2006. Their business, the Landon Cos., is best known for building mobile-home parks. But it also operates a real estate development business in Florida.

Daniel Aronoff has taken over active management of the company from his father, Arnold Y. Aronoff, who had a checkered career in Florida real estate. In 1979, Arnold Aronoff was sentenced to two years in prison after pleading guilty to mail fraud in a scheme to sell Florida swampland at an inflated price.

The plans for the earmark and the Aronoff land hit a roadblock when the Lee County Metropolitan Planning Organization voted twice last year to block a preliminary study for the interchange, mainly on environmental grounds. Local opponents cited studies showing development in the area could harm wetlands that provide drinking water.

But Young was evidently determined to see the interchange move forward. In a Jan. 23, 2006, letter to the chairman of the Lee County Metropolitan Planning Organization, Young warned that his committee would draft another bill taking away the \$10 million if it was not used for the interchange.

On Jan. 31, Mack followed up with a letter warning that the rejection would "make it difficult for Southwest Florida to have future success in securing federal resources for other important projects."

The planning organization subsequently reversed itself and approved an initial study of the proposed interchange. But the last election put more environmentalists on the county commission. Next month, county planners will again take up the question of what to do about Coconut Road.

## YOUNG: Florida developers, builders contribute \$40,000

*Continued from A-1*

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# Young tied to Florida earmark

■ **\$10 MILLION:** County votes against it but is told it must take it or jeopardize future funding.

By **DAVID D. KIRKPATRICK**  
The New York Times

WASHINGTON — It is no secret that campaign contributions sometimes lead to lucrative official favors. Rarely, though, are the tradeoffs quite as obvious as in the twisted case of Coconut Road.

The road, a stretch of pavement near Fort Myers, Fla., that touches five golf clubs on its way to the Gulf of Mexico, is the target of a \$10 million earmark that

appeared mysteriously in a 2006 transportation bill written by Rep. Don Young, R-Alaska.

Young, who last year steered more than \$200 million to a so-called bridge to nowhere reaching 80 people on Gravina Island near Ketchikan, has no constituents in Florida.

Connie Mack, the Republican congressman whose district does include Coconut Road, says he did not seek the mon-

ey. County authorities have twice voted not to use it, until Young and Mack wrote letters warning that such refusal could

jeopardize future federal funds for Lee County.

The Coconut Road money is a boon, however, to Daniel J. Aronoff, a real estate developer who helped raise \$40,000 for Young at the nearby Hyatt Coconut Point hotel days before he introduced the measure.

Aronoff owns as much as 4,000 acres along Coconut Road. The \$10 million in federal funds would pay for the first

steps to connect the road to Interstate 75, exponentially increasing the value of Aronoff's land.

He did not return phone calls seeking comment.

A consultant who helped push for the project explained why its supporters held the fundraiser. "We were looking for a lot of money," said the consultant, Joe Mazurkiewicz. "We evidently made a very good impression on Congressman Young, and thanks to a lot of great work from Congressman Young, we got \$81 million to expand Interstate 75 and \$10 million for the Coconut Road interchange."

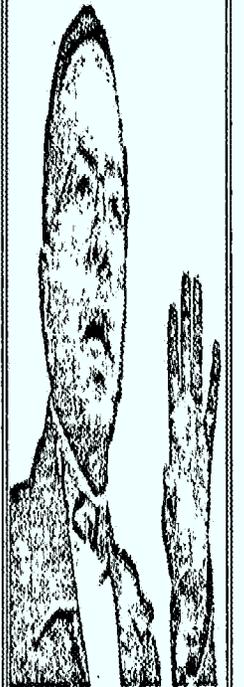
Young's role, first reported by The Na-



Young

## Stevens put on notice by FBI

Investigators ask senator to preserve records. B-1



See Page A-7, YOUNG

FBI - Stevens-687

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## Stevens, Young make national headlines on corruption charges

by Steve Mac Donald  
Thursday, June 7, 2007

ANCHORAGE, Alaska -- Two-thirds of Alaska's congressional delegation has made national headlines over the last two days related to possible corruption schemes from Alaska all the way to Florida.

The Washington Post is reporting that Sen. Ted Stevens has hired a lawyer as the result of an FBI investigation into the VECO Corp. bribery case.

According to the Post, the FBI has instructed Stevens to preserve records relevant to the probe.

The 83-year-old Republican has refused to say what kinds of records he's been asked to save.

Meanwhile, the New York Times reported yesterday that Congressman Don Young is forcing a county in south Florida to accept \$10 million it did not request and does not want.

According to the Times, Young added the money to the budget last year when he was chairman of the House Transportation Committee to pay for a major upgrade of Coconut Road in Lee County, Fla.

But county officials say they never asked for the money and are opposed to the road upgrade because of the harm it would do to nearby wetlands and drinking water.

The Times story says Young tucked the appropriation into the budget after receiving \$40,000 during a campaign fundraiser organized by a Florida businessman who would benefit from the road upgrade.

According to the story, the businessman owns 4,000 acres of land along Coconut Road. The Times says when its reporter asked Young to comment on the story, the congressman responded with an obscene gesture.

*Steve Mac Donald is assistant news director for Channel 2 News. Contact him at [smacdonald@ktuu.com](mailto:smacdonald@ktuu.com)*



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(Indicate page, name of newspaper, city and state.) B-1

ANCHORAGE DAILY NEWS

(Mount Clipping in Space Below)

Date: 06/8/2007  
Edition: FRIDAY

Title: KOHRING TO REVEAL DECISION  
JUNE 19

Character:  
or  
Classification: 194A-AN-13620  
Submitting Office: Anchorage

Indexing:

FBI - Stevens-689

194A-AN-13620-M, 346

# Kohring to reveal decision June 19

■ **RESIGNING?** The indicted legislator chooses a Chamber luncheon as the setting.

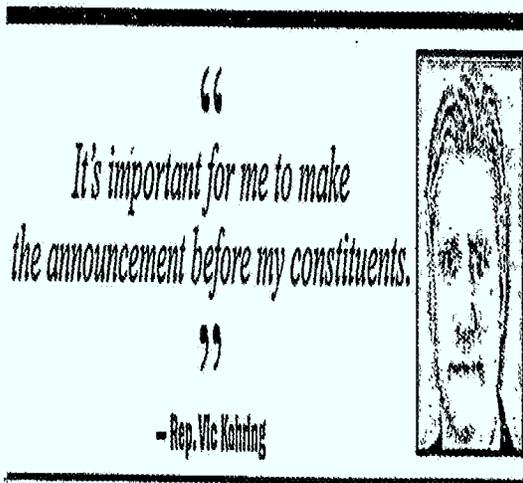
By STEVE QUINN  
The Associated Press

JUNEAU — An indicted member of the Alaska House said Thursday he may resign, but is reserving any announcement on his future until he can address voters in his home district.

State Rep. Vic Kohring said he has informed Gov. Sarah Palin that he may resign, and the Wasilla Republican will meet with House Speaker John Harris next Tuesday to discuss his options.

Those include "an agreeable transfer of responsibilities should I decide to resign," he said in a prepared statement.

Kohring said he will announce any decision at the Greater Wasilla Chamber of Commerce weekly luncheon



"It's important for me to make the announcement before my constituents," he told The Associated Press. "To do that, it's best for it to be at the Wasilla Chamber of Commerce in front of a diverse group of folks."

Last month, Kohring and two former lawmakers were indicted on federal charges of bribery and extortion related in part to changes in the state's

on June 19, one week before the Legislature will hold a special session in Anchorage to review funding for the state's SeniorCare program.

See Page B-7, KOHRING

## KOHRING: Several have suggested that he resign

Continued from B-1

oil production tax passed in 2006.

Kohring was chairman of the House Oil & Gas Committee, which did not review the petroleum production tax bill in 2006 but did hold hearings on Palin's gas line bill this year.

This year, during a House vote on Palin's Alaska Gasline Inducement Act — or AGIA

— Kohring heeded the advice of a senior lawmaker and did not vote.

Palin, also from Wasilla, has suggested that Kohring resign, and senior Republicans have also asked him to consider that option. A recall effort is under way in Wasilla.

Kohring has refused, saying resigning would not serve his constituents. He's working during the interim and attended the

House Resources Committee meeting on Thursday in Anchorage.

He said he still receives support from constituents, but he also understands the pressures on him to resign.

"If I decided to stay, I'm in for major battles on my hand with the recall and other issues," he said. "I hate to be boxed in a situation, but I can see there is no easy way out."

FBI - Stevens-690

(Indicate page, name of newspaper, city and state.) B-3

ANCHORAGE DAILY NEWS

(Mount Clipping in Space Below)

Date: 06/8/2007  
Edition: FRIDAY

Title: COCONUT ROAD DEAL MORE RECYCLED NEWS, YOUNG SAYS

Character:  
or  
Classification: 194A-AN-13620  
Submitting Office: Anchorage

Indexing:

FBI - Stevens-691

194A-AN-13620-m, 347

# YOUNG: Alaska con

...dismissed Coconut Road deal as old news

# Coconut Road deal more recycled news, Young says



Continued from B-1

there will be a plethora of projects for people to look at and pick apart. This is a recycled story."

Young's defense is similar to one he gave in April to explain campaign contributions from a Wisconsin trucking executive alleged to have improperly benefited from road legislation originating in Young's committee.

Young further dogged by the guilty plea of former aide Mark Zachares in the Jack Abramoff bribery scandal, has retained a Washington law firm.

Congressional Democrats quickly picked up on the Florida revelations, which were first reported in a Naples,

Fla., news were reported News last y

"The fact million on their objec campaign was, a spic ic Congres tee. "The Don Young scheme is taxpayer A spoke a fellow the Fort A learned o

**■ DENIES TRADEOFFS:** He says senior congressmen on powerful committees just get more money.

By KEVIN DIAZ  
Anchorage Daily News

Rep. Don Young calls a story about his sponsoring a \$10 million road project in Florida "old news."

WASHINGTON — Rep. Don Young, who has made a career out of bringing federal dollars to Alaska, shrugged off reports Thursday that he steered millions of dollars to help a prominent campaign contributor with a Florida road project.

Young's role in the Fort Myers Coconut Road deal two years ago has received growing media scrutiny in recent months as the new Democratic Congress debates earmark reform, an agenda energized by Alaska's controversial "bridges to nowhere" funding championed by Young and Sen. Ted Stevens.

Both Republican lawmakers were subjects of national news reports Thursday Stevens in a Washington Post story on the federal bribery investigation that has enveloped his son, former Alaska Senate President Ben Stevens; Young in a New York Times sto-

ry describing how he sponsored \$10 million for a road project that helped Florida real estate developer Daniel Aronoff, days after Aronoff helped raise \$10,000 for Young's political funds.

The Times reported that it got no response from Young other than an obscene gesture.

In a statement to the Anchorage Daily News, Young did not dispute any of the facts in the story, which he called "old news."

But he did dismiss the suggestion of tradeoffs for campaign cash, noting that busi- nesses with interests before the powerful

Transportation Committee that he chaired until this year routinely gave his senior members lots of money.

"Every story that comes out is the same, with different players and different projects," he said. "When you are the chairman of the largest committee in the House, and a senior member, and in charge of writing a \$200-odd billion bill, it's a guarantee that you are going to be raising more money than other less senior members. ... It's also a guarantee that

FBI - Stevens-092

See Page B-4, YOUNG

(Indicate page, name of newspaper, city and state.) A-5

FRONTIERSMAN

(Mount Clipping in Space Below)

Date: 06/8/2007  
Edition: FRIDAY

Title: KOHRING AVOIDED VOTING ON  
PALIN'S GAS LINE BILL

Character:  
or  
Classification: 194A-AN-13620  
Submitting Office: Anchorage

Indexing:

FBI - Stevens-693

194A-AN-13620-m;348

# Kohring avoided voting on Palin's gas line bill

BY STEVE QUINN

Associated Press Writer

JUNEAU — State Rep. Vic Kohring, who faces bribery and extortion charges, revealed this week that a senior lawmaker asked that he not vote on Gov. Sarah Palin's natural gas pipeline bill.

He said he understands his pipeline vote could have been considered tainted, so he honored the request from Minority Leader Beth Kerttula, D-Juneau. Kohring is now considering a new request from Republican leaders that he resign his legislative seat.

"I haven't made a final decision," he told The Associated Press. "I'll listen carefully to my constituents. I've taken this role very seriously, but I'm not so wedded to this job or have so much pride that it would get in the way of respecting the wishes of the public."

He has indicated a decision

could be reached this week, ahead of a legislative special session on benefits for senior citizens, which will start June 26 in Anchorage.

On Wednesday afternoon, Palin and members of her energy team participated in a ceremonial signing of the Alaska Gasline Inducement Act — or AGIA — in Fairbanks.

Under AGIA, producers and independent pipeline companies can vie for rights to build a pipeline that lawmakers hope will ship trillions of cubic feet of North Slope natural gas to market.

The House and Senate passed Palin's bill May 11, a week after Kohring and two former lawmakers were indicted on federal charges of bribery and extortion related in part to changes in the state's oil production tax passed in 2006.

Palin also said she would call a special session later this year to re-examine how last year's

*"I haven't made a final decision. I'll listen carefully to my constituents. I've taken this role very seriously, but I'm not so wedded to this job or have so much pride that it would get in the way of respecting the wishes."*

State Rep. Vic Kohring,  
R-Wasilla



Legislature considered and passed the Petroleum Profits Tax plan, which she has said was approved under a dark cloud.

The indictments left some lawmakers squeamish about Kohring casting votes on any energy-related bills in the waning days of this year's legislative session.

When lawmakers discussed and voted on AGIA on May 11, Kohring quietly left the House chambers and didn't return until all discussion on the bill was completed.

Kohring initially declined to

identify who asked him to refrain from voting, saying it was people he held in "high regard," but on Wednesday he confirmed Kerttula asked that he step aside.

"I thought it would keep things calm and provide the least amount of disruption by not being a part of that vote," Kohring said. "So I made the decision to quietly slip out."

"She wasn't putting any pressure on me at all; she just gave me some wise counsel, and it was prudent of me to simply not vote," he said.

Kerttula said she approached FBI - Steveris-694

Kohring outside the House chambers, saying she thought it was best he leave the floor before the vote.

"I had two concerns: integrity of the (legislative) body and for individuals to be treated fairly," she said. "Having him off the floor accomplished those."

An attorney, Kerttula said she was still mindful of Kohring's constitutional right to be considered innocent until his trial, now scheduled for October, is completed.

"I wasn't judging him when I was asking him to do that," she

said. "He didn't have to do it, but he took a lot of pressure off the body. It showed quite a bit of courage that moment."

House Speaker John Harris, R-Valdez, said Kerttula first approached him about talking to Kohring.

Harris said he supported the decision as Kohring had already been stripped of his position as chairman of the House Oil & Gas Committee following the charges.

"With all the speculation going on, it meant for a less confrontational vote," Harris said. "You can't say the vote was tainted because he didn't vote."

Besides Kohring, also facing bribery and extortion charges are former Republican Reps. Pete Kott of Eagle River and Bruce Weyhrauch of Juneau. Kott has asked that his trial also be delayed until this fall; Weyhrauch is scheduled for trial next month.

(Indicate page, name of newspaper, city and state.)

A-D  
FRONTIERSMAN

(Mount Clipping in Space Below)

Date: 06/8/2007  
Edition: FRIDAY

Title: KOHRING TO CHOOSE FATE JUNE 19

Character:  
or  
Classification: 194A-AN-13620  
Submitting Office: Anchorage

Indexing:

# Kohring to choose fate June 19

BY STEVE QUINN  
Associated Press Writer

JUNEAU — An indicted member of the Alaska House said Thursday he may resign, but is reserving any announcement on his future until he can address voters in his home district.

State Rep. Vic Kohring said he has informed Gov. Sarah Palin that he may resign, and the Wasilla Republican will meet with House Speaker John Harris next Tuesday to discuss his options.

Those include "an agreeable transfer of responsibilities should I decide to resign," he said in a prepared statement.

Kohring said he will announce any decision at the Greater Wasilla Chamber of Commerce weekly luncheon on June 19, one week before the Legislature will hold a special

session in Anchorage to review funding for the state's Senior-Care program.

"It's important for me to make the announcement before my constituents," he told The Associated Press.

"To do that, it's best for it to be at the Wasilla Chamber of Commerce in front of a diverse group of folks," he said.

Last month, Kohring and two former lawmakers were indicted on federal charges of bribery and extortion related in part to changes in the state's oil production tax passed in 2006.

Kohring was chairman of the House Oil & Gas Committee, which did not review the petroleum production tax bill in 2006 but did hold hearings on the Palin's gas line bill this year.

This year, during a House vote on Palin's Alaska Gasline Inducement Act — or AGIA — Kohring heeded the advice of a

senior lawmaker and did not vote.

Palin, also from Wasilla, has suggested that Kohring resign, and senior Republicans have also asked him to consider that option.

A recall effort also in under way in Wasilla.

Kohring has refused, saying resigning would not serve his constituents.

He's working during the interim and attended the House Resources Committee meeting on Thursday in Anchorage.

He said he still receives support from constituents, but he also understands the pressures on him to resign.

"If I decided to stay, I'm in for major battles on my hand with the recall and other issues. I hate to be boxed in a situation, but I can see there is no easy way out," he said.

FBI - Stevens-695

194A-AN-13620-M;349

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

A-1  
FRONTIERSMANDate: 06/10/2007  
Edition: SUNDAYTitle: RECALL BACKER SAYS KOHRING  
WON'T QUITCharacter:  
or  
Classification: 194A-AN-13620  
Submitting Office: Anchorage

Indexing:

# Recall backer says Kohring won't quit

BY JOHN R. MOSES  
*Frontiersman*

WASILLA — The head of a recall drive against Rep. Vic Kohring got an unexpected call last week from his recall target.

Kohring told Wasilla City Councilman Mark Ewing that the drive may not be necessary if Kohring decides to resign, and invited Ewing to attend his discussion session June 19 at the Wasilla Chamber of Commerce meeting about whether he should go.

Kohring is under indictment and facing trial in October on bribery charges following a federal investigation into corruption in Juneau.

The petition seeking his recall does not use corruption as a reason. It states that Kohring is emotionally unfit to serve due to "a lack of mental fitness that he has demonstrated in the wake of his

arrest on Federal Grand Jury indictments on May 4, 2007."

The petition goes on to state examples of "unfit" behaviors, such as Kohring's televised tears after losing his chairmanship of the Oil and Gas Committee, and his failure to vote on gas pipeline legislation — an inaction which the petition terms "Neglect of Duties."

Ewing spent a sunny Saturday afternoon at the corner of Lucille and Spruce gathering signatures from the tailgate of a black pickup parked in a vacant lot. He said he won't attend the chamber meeting and does not expect Kohring to resign by the end of it.

"I told him I don't have any hard feelings," Ewing said. "I'm doing what my constituents asked me to do. I'm doing what feels right."

Ewing has learned that

See RECALL, Page A10

FBI - Stevens-696

194A-AN-13620-M;350

# RECALL

Continued from Page A1

doing what he feels is right has some downsides. He recently reported a telephoned death threat, has had his vehicle spat upon and occasionally gets some interesting hand signals from passing motorists. He said he also has to closely guard the petitions and stopped one individual from walking away with a petition holding several signatures.

Saturday saw brisk business at Lucille and Spruce with several motorists honking in support of the "Recall Vic" signs posted on his truck. Three clipboards on the tailgate held signatures. Ewing said sometimes more than one car stops at the same time.

Kohring (R-Wasilla) may announce his decision to the Wasilla Chamber on June 19. He plans to discuss whether to

stay in office or resign his seat in the legislature.

The embattled legislator will meet Tuesday with House leadership in order to discuss the process "and an agreeable transfer of responsibilities should I decide to resign," Kohring said. "I have also contacted the governor to make her aware that I may leave my District 14 seat, so she can prepare for an orderly transition."

"As a courtesy, I have also contacted Mark Ewing (of the recall effort) and informed him I am considering resigning which may save him a lot of time and effort, enabling him to instead focus on serving his constituents as a city council member," Kohring said in his media release.

Kohring stated he is "disappointed that a few residents of District 14 have chosen to rush to judgment."

A media release from Kohring's office states that he has been talking with family, friends and constituents about

the pending trial and "the conflicts with his legislative position."

"As the result of these discussions, I am seriously considering resigning from the legislature," Kohring said in the release.

Kohring said any decision he makes will be based on the best interests of his family, friends, constituents and state.

"I wish to do what's right," he said. "I strongly believe in our constitution and its guarantee that I am presumed innocent until proven guilty. Should I decide to resign, I want to make it very clear it would not be an admission of guilt of any charges or allegations. However, with the growing perception created since my arraignment last month, it is making it difficult for me to serve in the best interests of all concerned."

Kohring said his attorney has asked that he limit what he says about the case, as it may jeopardize his defense.

"There are two sides to every

story and unfortunately my side cannot be told until after the trial. I ask the media to take that into account as it has often reported only one side," he said.

Whatever the sides are, the recall continues. Ewing said he has more than enough signatures to qualify the petitions. The state requires 710 valid signatures and Ewing has about twice as many unverified signatures. The state will eliminate signatures with bad addresses or that are from people who don't live in Kohring's district.

"I've got enough to satisfy the state. I don't have enough to satisfy me," he said shortly before the male half of a pair bicycling by stopped on the street began questioning Ewing from afar about the level of proof Ewing has that Kohring should be recalled. The short discussion ended after the bicyclist accused Ewing of duping people into signing the petition and said that no recall should go forward.

"Well, the 1,400 people who signed the petition think so," Ewing replied.

Like three men who stopped in the rocky lot within a 15-minute timeframe to sign a petition, the man who was against the petition declined to read its arguments.

"He wants to argue the point, but he doesn't want to read it," Ewing said after the man left. "I think it speaks for itself."

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Anchorage Daily News

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## Judge grants delays in the trials of two former legislators

By KYLE HOPKINS  
Anchorage Daily News

(Published: June 12, 2007)

A federal judge Monday delayed the political corruption trials of former state Reps. Pete Kott and Bruce Weyhrauch by two months.

Kott's lawyer asked for the extra time to review evidence -- including at least 250 hours of video and hundreds of phone conversations -- that investigators collected in the case.

U.S. District Court Judge John W. Sedwick agreed, pushing the trial date back from July 9 to Sept. 5.

Kott and Weyhrauch are accused of selling their votes and influence to executives at the oil field services company, Veco Corp. Much of the activity occurred during the 2006 legislative session. Both have pleaded not guilty to bribery, extortion and conspiracy charges.

Kott and Weyhrauch both now live in Juneau, their lawyers said. Kott, a former Republican House Speaker, had represented Eagle River. Weyhrauch, also Republican, represented Juneau.

The former legislators did not appear in court but phoned into the short hearing, saying little. As he waits for his trial to begin, Kott continues to work on his flooring business, said his defense lawyer, James Wendt. Weyhrauch, represented at the hearing by attorney Ray Brown, is continuing to work as a private practice attorney.

In late May, Sedwick agreed to delay a similar trial for Rep. Vic Kohring, R-Wasilla, by three months.

Former Anchorage Rep. Tom Anderson also is facing federal charges. He's pleaded not guilty to bribery, extortion and money laundering.

Anderson had a court date on Monday, too -- a status conference, according to a computerized database in the clerk's office. But no public hearing appeared on the court calendar.

Just before Kott and Weyhrauch's hearing began, defense lawyers asked assistant U.S. Attorney James Goeke if there had been a hearing to delay Anderson's case.

Goeke said Anderson's trial had not been continued. He did not acknowledge whether Anderson had actually appeared in court.

When asked about the Anderson hearing, U.S. Department of Justice spokesman Bryan Sierra said: "There's nothing public that I can disclose to you or discuss with you."

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Find Kyle Hopkins online at [adn.com/contact/khopkins](http://adn.com/contact/khopkins), read his political blog at [adn.com/alaskapolitics](http://adn.com/alaskapolitics) or call him at 257-4334.

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**Kohring seeks advice from his constituents****STAY OR RESIGN? Wasilla Republican is asking his constituents for their input.**By SABRA AYRES  
sayres@adn.com*(Published: June 12, 2007)*

JUNEAU -- Rep. Vic Kohring is asking his constituents whether he should resign as pressure mounts from the governor's office, House leadership and a public recall petition circulating in his district.

Kohring, a Republican from Wasilla, was indicted last month on federal charges of bribery, extortion and conspiracy and has pleaded not guilty. In a Daily News opinion piece being published today, he asked his constituents to send him e-mails, faxes or phone messages on whether they think remaining in office is in the best interest of his district.

Kohring has held his seat since 1994.

Kohring said he would consider all responses but isn't adding them up in columns marked stay or go. He will closely look at the reasons people give and will announce his decision on June 19 at the Greater Wasilla Chamber of Commerce.

"I want this to be an inclusive effort," Kohring said.

He said he is leaning toward leaving the Legislature so he can concentrate on his defense.

"To be honest, my life is on the line here," Kohring said.

He chose the upcoming chamber meeting as a good opportunity to reveal his decision in his district, he said.

"The issue of possibly resigning weighs heavily on my mind and is with me almost constantly," he said. But if he resigns, it would "absolutely not be an admission of guilt," he said.

Kohring's decision to make a public announcement came a week after House Speaker John Harris, R-Valdez, and House Majority Leader Ralph Samuels, R-Anchorage, asked him to consider leaving his seat. Harris and Samuels told Kohring the allegations against him had cast a negative light on the Legislature as a whole and diminished public trust in lawmakers.

The charges against Kohring spring out of a wider federal investigation into political corruption. Former House members Pete Kott, R-Eagle River, and Bruce Weyhrauch, R-Juneau have also pleaded not guilty to bribery, extortion and conspiracy. Federal prosecutors accused Kott, Weyhrauch and Kohring of selling votes to the Anchorage oil field services company Veco Corp. during last year's petroleum production tax vote. Two Veco executives, Bill Allen and Rick Smith, pleaded guilty on May 7 to charges of bribery and conspiracy. In addition, former Rep. Tom Anderson has been indicted on bribery, extortion and money laundering charges in connection with a scheme involving a private corrections company. Anderson also has pleaded not guilty.

Kohring, Kott and Weyhrauch's trials are scheduled to begin this fall. Anderson's trial is set for June

FBI - Stevens-700

25.

Gov. Sarah Palin has said she will call a special legislative session in the fall to ask lawmakers to revisit the oil tax. She said last month she believed Kohring should step down.

In his opinion piece, Kohring said he felt the media attention on his case had tainted the public's ability to judge him fairly. As a result, a "resign now bandwagon" has ensued, he wrote.

"To repeatedly remind the public that I've been indicted, have been charged, am part of an FBI investigation, etc., while conveniently leaving out the fact that a person is presumed innocent until proven guilty, creates an impression of guilt in the public's mind," Kohring said in an e-mail interview. "Why are you not writing multiple articles about former legislators Kott, Weyhrauch and Stevens, and why the nearly complete emphasis on me?"

Kott, a former House Speaker, was defeated in the primary election. Weyhrauch, Anderson and former Senate President Ben Stevens didn't run again. Stevens has not been charged with a crime but Allen and Smith admitted bribing a senator that matches the description of Stevens.

Wasilla Councilman Mark Ewing last month began collecting signatures in Kohring's district to initiate a recall petition. If the petition were successful in collecting some 1,700 signatures, the state could then call a new election to ask voters if Kohring should be removed.

Ewing said Monday he would abandon the recall petition if Kohring resigns on June 19.

"If he doesn't, I guarantee we will force him out with a recall vote," Ewing said. "I'm willing to take it all the way. I'm an ex-football player, and I'm willing to take this all the way home."

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Find Sabra Ayres online at [adn.com/contact/sayres](http://adn.com/contact/sayres) or call 1-907-586-1531.

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## Kohring likely to resign next week, House speaker says

By STEVE QUINN  
The Associated Press

*(Published: June 12, 2007)*

JUNEAU - House Speaker John Harris said Tuesday he expects an embattled lawmaker facing federal extortion and bribery charges to resign.

Harris, who joined Majority Leader Ralph Samuels for an hour-long meeting with state Rep. Vic Kohring today in Anchorage, said he expects Kohring will announce his resignation next week.

"He didn't fully say he was going to, but the gist I got out of the meeting is that he is going to resign," Harris said. "He is still trying to work his way through all of this."

Kohring, a Republican, did not immediately return phone calls left at his Wasilla office.

He earlier announced that he would announce at a chamber luncheon in Wasilla on June 19 whether he planned to remain in office or resign.

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FBI - Stevens-702

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(Indicate page, name of newspaper, city and state.) B-1

ANCHORAGE DAILY NEWS

Date: 06/13/2007  
Edition: WEDNESDAY

Title: SPEAKER EXPECTS KODJING  
RESIGN

Character:  
or  
Classification: 194A-AN-13620  
Submitting Office: Anchorage

Indexing:

FBI - Stevens-703

194A-AN-13620-M;354

# Speaker expects Kohring to resign

**'CORDIAL':** Despite Republican leaders' talk with legislator, he won't announce until Tuesday.

By STEVE QUINN  
The Associated Press

JUNEAU — House Speaker John Harris said Tuesday he expects an embattled lawmaker facing federal extortion and bribery charges to resign.

Harris, who joined Majority Leader Ralph Samuels for an hour-long meeting

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"He didn't fully say he was going to, but the gist I got out of the meeting is that he is going to resign," Harris said. "He is still trying to work his way through all of this."

Kohring, a Republican, earlier said he would announce at a chamber luncheon in Wasilla on June 19 whether he planned to remain in office.

On Tuesday, Kohring told The Associated Press that he won't veer from that

schedule despite the meeting, which he characterized as "cordial and friendly."

"There was no pressure involved," Kohring said. "I just simply went there on my terms and gave them an update."

Kohring, along with former Republican House Reps. Pete Kott, formerly of Eagle River and now of Juneau, and Bruce Weyhrauch, of Juneau, have all been charged with bribery and extortion.

All three have pleaded not guilty and have had their original July trial dates pushed back to the fall.

Not long after Kohring was charged, Gov. Sarah Palin, also of Wasilla, said she believed he should step down.

Tuesday's meeting with the Republican leaders was the second for Kohring. The first came after the end of the legislative session last month.

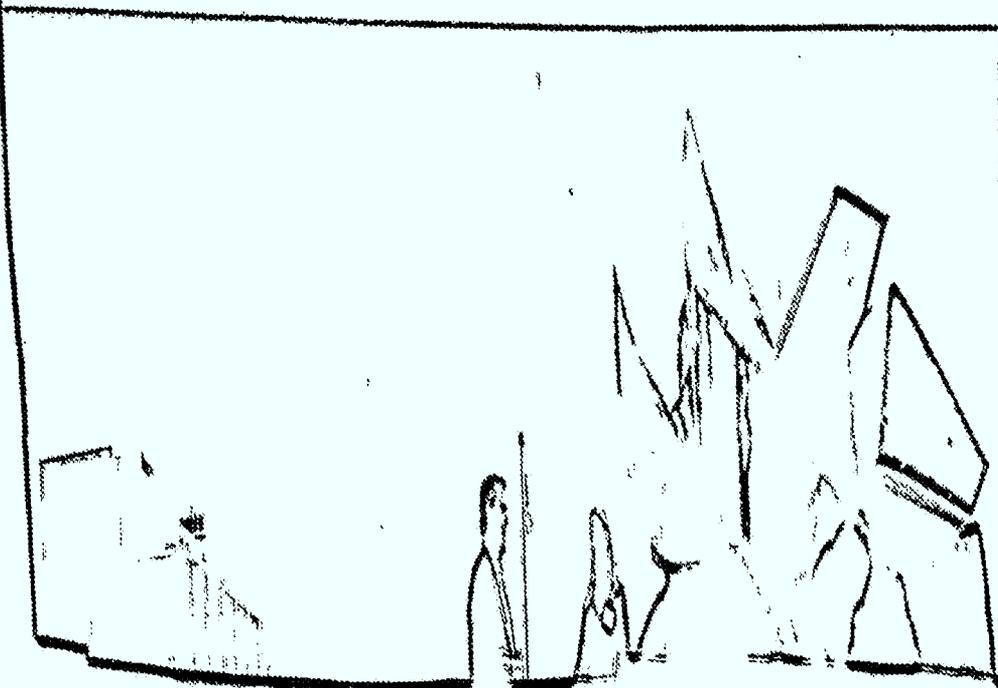
Kohring has repeatedly asked the public, legislators and Palin to presume he is innocent and to allow him to do a job he's held since 1994.



House Speaker John Harris met Tuesday with Kohring.

See Page B-2, KOHRING

## TAKING RENEWABLE ENERGY OUT FOR A SPIN



FBI - Stevens-704

to the public system.

By KATIE PESZNECKER  
kpesznecker@adn.com

Roger Sampson, Alaska's education commissioner, has resigned to work for a national education organization, according to the governor's office.

Gov. Frank Murkowski first approved Sampson's appointment to head the Department of Education and Early Development in May 2003, and Gov. Sarah Palin kept him in the job when she took over.

"Commissioner Sampson has worked tirelessly for the students

statement. While I am sorry to see Commissioner Sampson leave ... he has a tremendous opportunity to have an impact on a national level, which can only be good for ... Alaska."

Previously, Sampson was superintendent of the Chugach School District and won National Rural Superintendent of the Year honors in 1997. Now he'll preside over the Education Commission of the States, a group created by Congress in the 1960s to research improvements to public education.

"The country is crying for a way to



Sampson

think these opportunities at the national level come available very often, and I felt fortunate to be given the opportunity to do it. So I'm going to give it a whirl."

Sampson's achievements during his four-year tenure included starting a statewide mentoring program that pairs new teachers with experienced ones.

He also pushed changes in state-required tests. Exams are better now, Sampson said, because teachers can use them to figure out where children are lagging.

Sampson's last day on the job is Aug. 17. He starts in Denver Sept. 1. The State Board of Education will select a new commissioner candidate, subject to the governor's approval.

A commissioner must have at least a master's degree and five years of experience in education after earning that degree, including at least three in administration. The board will take applications through July 10, said Eric Frye, education department spokesman.

"We're looking for a proven education leader with a long track record of success," state board chairman

dren and learning, and have the leadership skills necessary to inspire others to achieve our goals."

The department, based in Juneau, oversees 53 school districts in the kindergarten-to-12 education system and operates a boarding high school. The department also operates the state archives, the state library, two state museums, a statewide arts council, the postsecondary education commission, and the professional teaching practices commission.

Find Katie Pesznecker online at [adn.com/contact/kpesznecker](http://adn.com/contact/kpesznecker) or call her at 257-4589.

# KOHRING: He sought constituents' feedback

Continued from B-1

"If I were to resign, it's not an admission of guilt; it's primarily because I've got to focus on this trial," he said.

Kohring declined to comment on the charges, on the advice of his lawyer.

"Once people hear the other side and understand where I'm coming from, they will see these charges are inappropriate," Kohring said.

In an opinion piece published Tuesday in the Daily News, Kohring asked his Matanuska-Susitna Borough constituents to tell him whether he should continue serving.

"The issue is actually very simple," he

wrote. "Can I or can I not adequately represent you while I wait for these charges to be resolved at trial?"

On May 4, federal prosecutors accused Kott, Weyhrauch and Kohring of selling votes to officials of Veco Corp., an Anchorage oil field services company.

Prosecutors allege this occurred while lawmakers were considering a rewrite of the state's petroleum production tax vote.

On May 7, two Veco executives, Bill Allen and Rick Smith, pleaded guilty to charges of bribery and conspiracy.

As a result, Palin has said she will call a special legislative session in the fall to

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**POLITICAL BLOG:** Share your thoughts on Kohring's fate and the current state of affairs in Alaska politics at

[adn.com/alaskapolitics](http://adn.com/alaskapolitics)

ask lawmakers to revisit how the Legislature in 2006 passed that oil tax.

Though he may not have felt pressure from his House colleagues, Kohring said the angst from the charges is mounting.

"I'm feeling very stressed, just as any man must feel after being charged with these serious crimes," Kohring said.

# Palin wants Mat Maid to reconsider closing

FBI - Stevens-705

(Indicate page, name of newspaper, city and state.)

B-1  
ANCHORAGE DAILY NEWS

(Mount Clipping in Space Below)

Date: 06/15/2007  
Edition: FRIDAY

Title: STEVENS ASKS ETHICS TO REVIEW FINANCES

Character:  
or  
Classification: 194A-AN-13620  
Submitting Office: Anchorage

Indexing:

# Stevens asks ethics panel to review finances



**ETHICS REPORTS:** No indication that Alaska senator will face any investigation.

assets, were due May 15 and scheduled for public release Thursday. But Stevens' report was not among them.

Instead, the longest serving Republican in the Senate was one of nine senators who got extensions.

Aaron Saunders, a spokesman for Stevens, said the extension was needed because the ethics panel review "is still ongoing."

He declined to say anything more about the matter.

Ethics reviews of lawmakers' financial

reports are unusual unless they are under a legal cloud.

Stevens, in his sixth term, recently disclosed that he has been asked to preserve financial records in connection with a Justice Department bribery investigation of several leading political figures in Alaska, including his son, former state Senate President Ben Stevens.

His office has declined to say whether the elder Stevens talked with investigators.

Ted Stevens was among nine U.S. senators who received extensions for financial disclosures.

See Page B-6, STEVENS

## STEVENS: Questioning contractors

Continued from B-1

from the Justice Department's Public Integrity Section, which is conducting the probe.

The FBI has questioned contractors who performed work on Stevens' Girdwood residence, a job overseen by his friend and then Veco Corp. head Bill Allen, who has pleaded guilty to bribing state legislators.

There has been no indication so far that Stevens, who faces re-election next year, is the di-

rect target of any investigation:

However, in delaying the release of his financial disclosure report this week, Stevens was in company with at least five others who face legal snags, including Sen. Robert Menendez, D-N.J., who faces a federal probe in connection with the rental of a building he owns, and Rep. John Doolittle, R-Calif., whose Virginia home was recently raided in connection with the ongoing Jack Abramoff investigation.

FBI - Stevens-706

194A-AN-13620-m;355

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### Florida residents react to earmark by Congressman Don Young



by Mike Ross  
Friday, June 15, 2007

ANCHORAGE, Alaska -- Officials in Lee County, Fla. have decided to accept a \$10 million earmark, which thrust Alaska Congressman Don Young into national headlines last week. But they're taking the money on their own terms.

Rep. Don Young earmarked money for a road in Florida that has become controversial because of who it may benefit. (KTUU-TV)

The earmark, added to a transportation bill by Young in 2005, provided funding to study the expansion of Coconut Road, making it an interchange between two major highways.



What made it controversial were allegations that the expansion project would benefit Daniel J. Aronoff, a Michigan businessman who owns land surrounding the road and who hosted a political fundraiser for Young. The fundraiser happened at a Florida hotel owned by Aronoff after Young attended a town hall meeting on transportation issues in the area a few days earlier.

Rep. Don Young earmarked money for a project that could potentially benefit a man who raised \$40,000 for Young's campaign. (KTUU-TV)

A county commissioner alleged that the earmark, which had not been requested, appeared to be payback for the fundraiser, which raised \$40,000 for Young.

"I think it's revolting, the way Congress conducts itself," said Ray Judah, commissioner, Lee County, Fla.



"They're setting priorities for us. The NPO didn't even have this in its 2030 plan," said Phillip Douglas, a resident of Lee County.

But some residents in Florida defend Young, saying that the road has needed an upgrade for a long time for hurricane evacuation purposes, and other reasons.

"I think it's revolting, the way Congress conducts itself," said Ray Judah, commissioner, Lee County, Fla. (KTUU-TV)

"It sounds like Congressman Young did a good thing by giving the community \$10 million to spend on I-75," said Kathy Harris, a resident of Naples, Fla.



Tonight Lee County leaders reached a compromise, voting to accept the money, but broaden the scope of the study to include other transportation projects.

Congressman Young's office this week responded to media requests by faxing several articles and editorials supporting the interchange, including one from the Florida Gulf Coast University president, who called the project vital.

"They're setting priorities for us. The NPO didn't even have this in its 2030 plan," said Phillip Douglas, a resident of Lee County. (KTUU-TV)

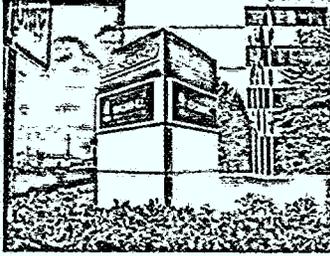
Contact Mike Ross at [mross@ktuu.com](mailto:mross@ktuu.com)

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### CH2M Hill to buy VECO for \$463 million

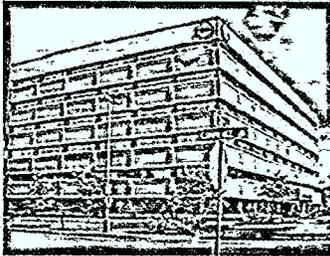


CH2M Hill will purchase VECO for \$463 million dollars. (Jason Kohler/KTUU-TV)

by Joy Mapaye  
Saturday, June 16, 2007

ANCHORAGE, Alaska -- It is official. A Denver-based company has reached a deal to buy VECO for \$463 million. Both companies made the announcement today.

A spokesperson for VECO says CH2M Hill and VECO reached an agreement on terms at the end of the day yesterday after a long week of negotiations. The two companies signed a letter of intent for exclusive negotiations on May 15.



A spokesperson for VECO says CH2M Hill and VECO reached an agreement on terms at the end of the day yesterday after a long week of negotiations. (Jason Kohler/KTUU-TV)

About a week before, VECO CEO Bill Allen and VECO's vice president of community and government affairs, Richard Smith, both pled guilty in federal court to charges of conspiracy, bribery and fraud. They admitted to bribing state lawmakers to win political favors for the company, allegations past and present lawmakers deny.

The company says negotiations with CH2M Hill began months before the federal charges came to light.

Right now VECO says the focus is on the future.



Former VECO CEO Bill Allen and vice president of community and government affairs, Richard Smith, both pled guilty in federal court to charges of conspiracy, bribery and fraud. (Courtesy photo)

"The ownership and the management really couldn't be more pleased. They really believe that this is a perfect fit and a tremendous outcome for VECO. CH2M Hill has a tremendous reputation, a global position, a tremendous array of clients that will work very well with what VECO's workforce brings to the table," said Tim Woolston, VECO spokesperson.

"The main attraction of VECO was the employees, a highly skilled workforce. I think it's a natural fit with our core business and we think the merger or the acquisition will allow us to offer a wider range of services to our customers and to VECO's customers," said John Corsi, CH2M Hill spokesperson.

VECO has more than 4,000 employees.

Both companies are expected to finalize details by the end of August.

Contact Joy Mapaye at [joy@ktuu.com](mailto:joy@ktuu.com)

FBI - Stevens-708



Tim Woolston, a VECO spokesperson, says the merger is a perfect fit for both companies. (Jason Kohler/KTUU-TV)



"It sounds like Congressman Young did a good thing by giving the community \$10 million to spend on I-75," said Kathy Harris, a resident of Naples, Fla. (KTUU-TV)



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FBI - Stevens-709

**adn.com**

Anchorage Daily News

Print Page

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**Grand jury examines Stevens' ties to Veco****INVESTIGATION: Expansion of senator's Girdwood home comes under scrutiny in Washington.**By RICHARD MAUER  
rmauer@adn.com*(Published: June 17, 2007)*

A federal grand jury in Washington, D.C., heard evidence last month about the expansion of U.S. Sen. Ted Stevens' Girdwood home in 2000 and other matters connecting Stevens to the oil services company Veco Inc.

As the far-reaching federal investigation into corruption in Alaska politics spreads to Washington, Stevens family friend and neighbor Bob Persons was ordered to appear before a grand jury in Washington on May 25. The government directed him to produce documents related to the work on Stevens' Girdwood house, especially to work that might have been performed by Veco and contractors who were hired or supervised by Veco.

Another close associate of Stevens, Anchorage businessman Bob Penney, testified two weeks ago before the federal grand jury in Anchorage that has been gathering evidence in the corruption cases.

The house expansion project, first reported in the Daily News on May 29, more than doubled the size of the home. The Stevenses had asked Persons, who lives above the Double Musky restaurant he owns in Girdwood, to help them oversee the addition while they were in Washington.

The existence of the Washington grand jury investigation is the strongest indication to date that Stevens himself has become a subject of the wide-ranging federal probe that surfaced with FBI raids on state legislative offices last August. Former State Sen. Ben Stevens, Ted Stevens' son, was among the legislators whose offices were searched. Ben Stevens has denied wrongdoing.

The FBI said at the time that it also had executed a search warrant in Girdwood, among other places, although the location of that search has never been disclosed. FBI - Stevens-710

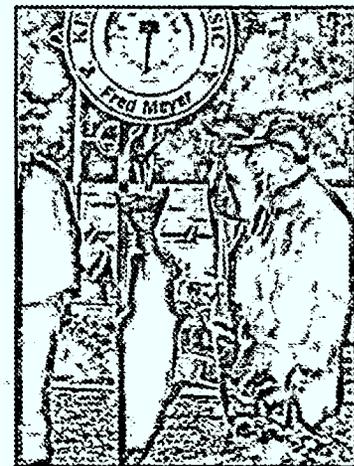
**VECO GUILTY PLEAS**

The investigation by the FBI and the Justice Department's Public Integrity Section has so far led to guilty pleas by former Veco chief executive Bill Allen, former Veco vice president Rick Smith and private-prison lobbyist Bill Bobrick. Four current or former state legislators have been indicted and are awaiting trial on corruption charges, three for taking bribes or attempting to take bribes from Veco, the other for taking bribes from the private prison interest.

How the Girdwood home fits in with the broader investigation, or what possible crimes are being

<http://www.adn.com/news/politics/fbi/v-printer/story/9013136p-8922071c.html>

6/17/2007



Ted Stevens, right, and Bob Penney, center, bring VIPs such as Commerce Secretary Donald Evans to Alaska for the Kenai Classic. Penney gave testimony to an Anchorage grand jury two weeks ago. (LIZ RUSKIN / Daily News archive 2003)

194A-AN-13620-M; 358

investigated, is not clear.

Persons was ordered by the Washington grand jury to produce documents going back more than eight years, including all letters, e-mails and other documents involving Ted, his wife, Catherine, or Ben Stevens. Specifically mentioned were records about a race horse partnership, Alaska's Great Eagle, he manages for Ted Stevens, Allen, Allen's son Mark, Penney and others.

But the main focus was clearly on the Girdwood addition. Persons was directed to produce blueprints and other plans, photos and purchase and installation documents for all phases of the project, including the heating system, generators, ice-melt systems and decorative lights. His summons also told him to bring invoices, payments and other documents related to several Veco employees and to the main contractor, Augie Paone of Christensen Builders in Anchorage.

Persons' didn't return a call for comment last week.

In a brief interview May 18, a week after he received his subpoena and one week before his date with the grand jury, Persons acknowledged he would be testifying, but didn't say where or in what setting.

#### STEVENS GOES TO FRANCE

Stevens left for France on Thursday to be President Bush's official representative to the Paris Air Show. His spokesman, Aaron Saunders, said that in any event Stevens and his wife would continue to refrain from commenting on the investigation.

FBI spokesman Eric Gonzalez also declined to comment.

Penney would not discuss his testimony.

"All that stuff is confidential," he said from his home in Soldotna. Penney and Stevens are longtime friends and business associates. Every summer for more than a decade, Stevens and Penney bring VIPs to Alaska for the Kenai River Classic, a king salmon tournament that raises money for fish habitat.

Penney's attorney, Bruce Gagnon, said of Penney's appearance before the grand jury: "I think you know as well as I do what they're interested in." Asked whether that was Ted Stevens and Ben Stevens, Gagnon said, "Yeah, yeah."

"And why are they going off in Washington, D.C., as well as here?" Gagnon wondered out loud. "It may well be because they want to try this case back there."

Gagnon said he only knew of one witness -- Persons -- who had been called before the Washington grand jury.

In the face of two years of video surveillance of his company's suite in Juneau's Baranof Hotel and wiretaps on his telephones, Allen pleaded guilty in May to conspiracy, bribing legislators and violating tax laws. Smith, a fixture in that suite, also pleaded guilty. They face about 10 years in prison but hope to reduce their time by cooperating with prosecutors. Their sentencings have not been scheduled.

ALLUDING TO BEN STEVENS

FBI - Stevens-711

The charging documents against Allen and Smith contained barely veiled references to Ben

Stevens, alleging that "State Senator B" accepted \$243,250 in phony "consulting" payments from Veco in exchange for advice, lobbying colleagues and taking official acts. Ben Stevens' legislative disclosures say he received that amount of money from Veco for consulting. But nothing in those documents appeared to refer to Ted Stevens. However, a seemingly out of place sentence in a paragraph on Veco described the company's activities: "Veco was not in the business of residential construction or remodeling."

In interviews with the Daily News in May, Paone said he was hired by Allen to complete the framing and other carpentry on the addition. He said he submitted more than \$100,000 in invoices for the job to Veco. After Veco approved the invoices, he received a check in the mail from the Stevenses that appeared to have been written on a new account -- all the check numbers were in single or double digits.

Stevens' home sits about two blocks from the day lodge parking lot at the Alyeska ski area. It was a single story building until the expansion, when a house mover from Anchorage, Tony Hannah, jacked it up so a new living area could be inserted under the original house. A garage was also built.

Paone said he testified before a federal grand jury in Anchorage in December.

Last month, Stevens' office issued this statement about the investigation: "While I understand the public's interest in the ongoing federal investigation, it has been my long-standing policy to not comment on such matters. Therefore, I will withhold comment at this time to avoid even the appearance that I might influence this investigation."

#### ROLE OF GRAND JURIES

Legal experts in corruption cases said that while it's unusual for prosecutors to use grand juries in separate jurisdictions in an investigation, they may have sound reasons. The experts also cautioned that even though prosecutors may be presenting evidence to a grand jury, that doesn't mean crimes have been committed.

Paul Butler, a law professor at George Washington University and a former federal attorney who prosecuted a U.S. senator and several FBI agents, said it could simply be a matter of convenience for witnesses.

Jules Epstein, a law professor at the Widener University School of Law in Wilmington, Del., and a criminal defense lawyer, said the grand juries could be investigating separate, unlinked crimes.

Peter Henning, a law professor at Wayne State University in Detroit, said prosecutors might bring a case against a popular elected official in Washington to avoid being "home-courted."

Prosecutors don't take an investigation into a sitting member of Congress lightly, Butler said. They almost certainly must get the approval of the attorney general, he said.

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Find Richard Mauer online at [adn.com/contact/rmauer](http://adn.com/contact/rmauer) or call 257-4345.

Print Page

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FBI - Stevens-712

# Kohring may not soon tell his plans

**UNABLE TO SPEAK?** Recovery after sinus surgery could delay lawmaker's talk about his future.

By STEVE QUINN  
The Associated Press

JUNEAU — Lawmaker Vic Kohring, who faces federal extortion and bribery charges, said Sunday that health problems might delay his announcement on plans to step down from public office.

Kohring said a slow recovery from sinus surgery to clear his nasal passages may keep him from giving the news at a Greater Wasilla Chamber of Commerce luncheon on Tuesday as he had previously announced.

"There is going to be a decision, and it's going to be soon," Kohring told The Associated Press. "I just hope it's on (Tuesday). We'll see how my health will be that day."

Kohring, a Wasilla Republican, has called resigning a "serious option," a direction pushed by other lawmakers since shortly after his May 4 arrest.

Kohring said he is favoring that option as the chamber luncheon draws close. He said he is not trying to delay the inevitable, nor is he trying to avoid a public disclosure.

The surgery was performed Thursday and planned long before he promised to make a chamber luncheon appearance, he said. The procedure was done when he and his doctor had compatible schedules, he said.

Kohring said he would prefer to make a public announcement at the chamber's weekly meeting rather than simply issue a news release. He said he owes a face-to-face disclosure to those who helped elect him and then kept him in office since 1994.

"I need to be as personal about this as I can," Kohring said. "It's the toughest and most challenging time."



Kohring

Below)

## KOHRING: Time to talk and move on

*Continued from B-1*  
cial session to address funding for senior citizens. The session will be held in Anchorage, beginning June 26.

Kohring, plus fellow Republicans Pete Kott and Bruce Weyhrauch all face federal charges. All have pleaded not guilty and await a fall trial.

On May 4, federal prosecutors accused Kohring and former lawmakers Kott and Weyhrauch of selling votes to officials of Veco Corp., an oil field services company.

Prosecutors allege this occurred while lawmakers were considering a rewrite of the state's petroleum production tax last year.

Last month, two Veco executives, Bill Allen and Rick Smith, pleaded guilty to charges of bribery and conspiracy. The two have since resigned. They have not yet been scheduled for sentencing.

As a result of the charges and pleas, Gov. Sarah Palin has said she will call a special legislative session in the fall. She has said she wants lawmakers to revisit how the Legislature in 2006 passed that oil tax.

Meanwhile, Kohring is spending time in his Wasilla office and preparing for his defense against the federal charges.

"I want to make my announcement and move on, whichever way I may," he said.

(Indicate page, name of newspaper, city and state.)

ANCHORAGE DAILY NEWS

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1001 P. 1. 1 11-359

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FRONTIERSMAN

Date: 06/19/2007  
Edition: TUESDAY

Title: KOHRING TO KEEP QUIET UNTIL NOON

Character:  
or  
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Submitting Office: Anchorage

Indexing:

(Mount Clipping in Space Below)

# Kohring to keep quiet — until noon

BY JOHN R. MOSES

Frontiersman

WASILLA — Embattled state Rep. Vic Kohring, R-Wasilla, said Monday he will attend today's Wasilla Chamber of Commerce luncheon and



Vic Kohring

announce whether or not he will step down from the Legislature.

The lawmaker is among three legislators facing trial in October following an FBI corruption inquest in Juneau. Kohring is the

subject of a recall drive organized by Wasilla City Councilman Mark Ewing and is under federal criminal indictment for suspicion of allegedly selling his vote on an oil pipeline issue.

Kohring last week underwent sinus surgery at an Anchorage hospital, and a slow recovery cast into doubt whether

hed be well enough to speak today. Kohring, voice scratchy but cracking jokes nonetheless, said Monday hed give that talk even if they have to wheel me in on a stretcher.

"I have made a decision. I will not announce it until tomorrow," Kohring said Monday.

Announcing his intentions before the meeting would take away from the public's interest in what he plans to say at the meeting and, cut attendance, he said. "Not that I'm trying to make a media circus out of it."

Kohring has maintained that even if he does announce that he will step down, he wants to stay long enough to address senior care legislation during a special session called for June 26 in Anchorage.

Kohring and the other defendants in the corruption cases, former Republican legislators Pete Kott and Bruce Weyhrauch, pleaded not guilty to selling

votes to the Veco Corp. during consideration of Alaska's petroleum production tax rates late last year.

The chamber luncheon begins at noon in the Lake Lucille Best Western Inn restaurant.

The keynote speaker will be Todd Smith of the Department of Transportation, who will update chamber members about summer road construction projects.

Vic Kohring will be giving a brief update, the chamber Web site notes.

Program fees are \$3 for chamber members and \$5 for nonmembers, and optional lunch is payable to the Best Western Lake Lucille Inn.

Visit the Frontiersman online at [www.frontiersman.com](http://www.frontiersman.com) following the luncheon for a full story about Kohring's announcement.

Contact John R. Moses at 352-2270 or e-mail [john.moses@frontiersman.com](mailto:john.moses@frontiersman.com).

(Indicate page, name of newspaper, city and state.) A-1

ANCHORAGE DAILY NEWS

Date: 06/20/2007  
Edition: WEDNESDAY

Title: KOHRING TO STEP DOWN

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or  
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Submitting Office: Anchorage

Indexing:

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FBI - Stevens-715

194A-AN-13620-17;361

RESIGNATION WILL TAKE EFFECT IN 30 DAYS

# Kohring to step down



FBI - Stevens-716

EVAN R. STEINHAUSER / Anchorage Daily News

Rep. Vic Kohring announces his resignation at the Wasilla Chamber of Commerce meeting at the Best Western Lake Lucille Inn on Tuesday.

## 'Constituents expect full-time representation,' Palin says

By JULIA O'MALLEY and KYLE HOPKINS  
Daily News reporters

Under indictment for bribery, state Rep. Vic Kohring announced his resignation on Tuesday, and Valley Republicans began work to replace him.

"I expect there will be at least 10 people who apply," said Alaska Republican Party head Randy Ruedrich.

Kohring told a ballroom packed with constituents that he'll resign from office in 30 days.

"The media and the population in general does not know I'm innocent. This has left a cloud of doubt over me and my votes," he said at a Wasilla Chamber of Commerce luncheon.

An hour after the luncheon, Steve Coligan, Republican party chairman for his Wasilla district, circulated a packet outlining how to apply for Kohring's job. But on pos-

### INSIDE

**REPLACEMENT:** Gov. Palin has 30 days to name a replacement. Follow the process.

**TIMELINE:** What prompted him to step down.

[Back Page](#)

sible replacements, both Ruedrich and Coligan were mum. Potential candidates can nominate themselves. Applications are due July 11.

Kohring, who was first elected in 1994, was indicted last month on federal bribery and extortion charges. He's accused of selling his vote on oil taxes last year to executives with the Anchorage oil field services and construction company Veco Corp. The executives pleaded guilty last month to pay-

ing the bribes.

Kohring has pleaded not guilty and said he hopes to return to office someday. He said his character has been unfairly maligned in the media.

"I have been charged by the federal government with serious crimes, for which I am totally innocent and plan to fully demonstrate at trial in October," he said. "Resigning by no means suggests guilt; it simply means I take the federal charges very seriously."

Kohring appealed to the public to tell him whether to step down over recent weeks, and about 60 percent of the responses he received favored his staying in office, he said. His lawyer told him to focus on his court battle. Trial is scheduled for Oct. 22.

"I very much want to shout the details proving my innocence, but I have been ad-

*See Back Page, KOHRING*

# KOHRING: Wasilla representative to resign July 19 to focus on case

Continued from A-1

vised not to by the court and my lawyer," he said, reading from a statement. "Thus, the drama will have to be concluded in a courtroom."

## CRITICS AND FRIENDS

After Kohring made his announcement, some people — maybe a third of the room — stood and clapped. Others sat and watched as the legislator took his seat.

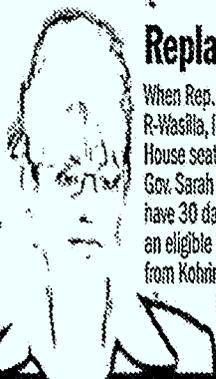
The split between Kohring's friends and critics was even clearer outside the hotel, where roughly 30 people waving "Recall Vic" and "Do the right thing" signs greeted Kohring as he arrived.

Wasilla City Councilman Mark Ewing, who led a recall effort, stood next to a pickup full of signs and shouted, "Do the right thing, buddy!" as Kohring's car rolled past.

Ewing said he and his girlfriend started circulating petitions to recall Kohring on Memorial Day weekend and gathered as many as 300 signatures a day. His stack of names is now at least 160 pages long, he said.

A few Kohring supporters appeared as well. Wasilla resident Debbie Wright said she's lived in the Valley for about 11 years. She held a "We like Vic" sign, though she's not the sign-waving type.

"I've never stood up for anything in my life," she said. It's up to a jury to judge Kohring, not the media, she said.



## Replacing Kohring

When Rep. Vic Kohring, R-Wasilla, leaves his House seat on July 19, Gov. Sarah Palin will have 30 days to appoint an eligible Republican from Kohring's district.

Here's how it will work:

**1** Republicans from his Wasilla district will take applications through July 11. E-mail them to [stevecolligan@gmail.com](mailto:stevecolligan@gmail.com). Applicants will be interviewed; the top three will be chosen July 13, and their names will be forwarded to the governor. Palin can, however, choose someone else.

**2** The appointee Palin selects must be confirmed by a majority vote of the Republicans in the House.

**3** House Republicans must vote in special or regular session. A special session on oil taxes has been suggested for this fall. The next regular session begins Jan. 15.

**4** If the appointee is confirmed, he or she will be sworn in and serve out the rest of Kohring's term, which ends in January 2009.

**5** If the House Republicans reject the appointee, Palin has 10 more days to repeat the selection process and submit a new name.

## adn.com

VIDEO: Go online to see Kohring's resignation announcement.

[adn.com/corruption](http://adn.com/corruption)

Nearby, another sign read, "Vic-tim" and "Vic-torious."

After his announcement, reporters mobbed Kohring, who told them this period had been one of the most trying of his life. Though he'd heard a lot of support from people in his district, he'd also gotten some threats.

"Frankly there have been some times when I've been concerned for my safety," he said.

## LOOKING FORWARD

House Speaker Rep. John Harris, R-Valdez, showed up at the luncheon to stand by Kohring and said the resignation will preserve the reputation of the House of Representatives.

"It helps to clarify the issue," he said.

Gov. Sarah Palin sent out a statement in the late afternoon in support of Kohring's decision.

"He has a lot on his plate in terms of a defense that he has to mount, and Kohring's constituents expect full-time representation," she said.

Jim Chesbro, chairman of the Mat-Su Democrats, expected Kohring to step down. He had sympathy for the legislator and was apprehensive about what might come next. The new selection could be worse, he said.

"It's kind of a mixed blessing that he'll be stepping down," he said. "We'll all have to wait and see what the outcome is."



EVAN R. STEINHAUSER / Anchorage Daily News

Protesters with signs urging Rep. Vic Kohring to resign demonstrate at Wasilla's Best Western Lake Lucille Inn before Tuesday's Chamber of Commerce meeting where Kohring announced he would step down.

## Timeline of federal investigation of Rep. Vic Kohring, R-Wasilla

- FEB. 21, 2006:** Then-Gov. Frank Murkowski unveils a bill to start taxing crude oil based on oil company profits rather than production levels. The governor says the tax reform was part of a deal with Exxon Mobil, BP and Conoco Phillips on a gas pipeline contract.
- FEB. 23, 2006:** Wasilla Rep. Vic Kohring, who offered to help Veco Corp., allegedly accepts \$1,000 in cash from Bill Allen, then chief executive of Anchorage-based Veco.
- FEB. 28, 2006:** Exxon and BP executives warn lawmakers that imposing a higher tax rate than the 20 percent of profits the governor proposes might undo the gas pipeline deal. (Veco also lobbies for no changes.)
- MARCH 30, 2006:** Kohring tells Veco executives he owes \$17,000 on a credit card, changing documents say. They discuss how to structure a loan without raising "red flags." Smith allegedly hands Kohring at least \$100 in cash.
- APRIL 24, 2006:** Senate passes an oil-tax bill that would tax oil at a rate of 22.5 percent. Veco is pressing for a 20 percent rate.
- MAY 9, 2006:** Regular session ends with no new oil tax — Senate fails to concur with a House-approved 21.5 percent rate.
- AUG. 10, 2006:** In special session, legislators approve new oil tax, setting rate at 22.5 percent tax of profits.
- MAY 4, 2007:** Kohring indicted for conspiracy to commit extortion and bribery. So are former Reps. Pete Kott, R-Eagle River, and Bruce Weyhrauch, R-Juneau.
- MAY 7, 2007:** Allen and another Veco executive plead guilty to bribing Kohring, Kott and Weyhrauch on the oil-tax legislation.
- OCT. 22, 2007:** Kohring's trial is scheduled



EVAN R. STEINHAUSER / Anchorage Daily News

Kohring arrives at the Wasilla Chamber of Commerce meeting Tuesday. Kohring, who had asked constituents to weigh in on whether he should quit, said responses ran about 60 percent in favor of his keeping his seat in the Legislature. He said he'd decided, though, he needed to devote his full time to fighting his federal indictment.

(Indicate page, name of newspaper, city and state.)

A-3  
FRONTIERSMAN

(Mount Clipping in Space Below)

Date: 06/22/2007  
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Title: KOHRING RESIGNS AMID  
CLOUD OF DOUBT

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or  
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Submitting Office: Anchorage

Indexing:



GREG JOHNSON/Frontiersman

State Rep. Vic Kohring ended weeks of speculation at Tuesday's Wasilla Area Chamber of Commerce meeting, announcing he will resign his position in the Legislature. Kohring faces criminal charges and a federal indictment for allegedly asking for money in exchange for his vote. He proclaimed his innocence again Tuesday and said his innocence would be proved at trial.

## Kohring resigns amid 'cloud of doubt'

*Editor's note: A version of this story was first published Tuesday online at [www.frontiersman.com](http://www.frontiersman.com). Visit daily for breaking news.*

BY RUSSELL STIGALL  
*Frontiersman*

MAT-SU — A local recall proponent is relieved but skeptical of Rep. Vic Kohring's announced resignation. "It was a graceful exit," said

Mark Ewing, Wasilla City Council member and head of a recall Kohring petition campaign. But whether Kohring, R-Wasilla, will honor his promise to leave office by July 19 Ewing said he isn't so sure.

"I still don't trust the guy. He is still the master of deception. Thirty days will tell, won't it?" Ewing said.

Ewing has spent the last several weekends collecting signatures from Kohring con-

stituents who wanted their scandal-wracked legislator to step aside. Ewing has suspended his recall effort, but said he would be ready to rekindle it if Kohring doesn't follow through. The state legislator announced his resignation at a Tuesday Greater Wasilla Chamber of Commerce meeting to a crowd of more than 200.

"I'm not getting rid of the sig-

See KOHRING, Page A6

FBI - Stevens-718

194A-AN-13620-M;362

# KOHRING

Continued from Page A3

natures," Ewing said, adding he harbors no animosity for Kohring. "No one is trying to beat him up here. We just want to be represented."

Though quitting his office, Kohring did not admit guilt to allegations he extorted and accepted bribes.

"I have been charged by the federal government with serious crimes for which I am totally innocent," Kohring said.

Kohring's decision stems from a grand jury indictment on counts of bribery and extortion. While stepping down from office, Kohring said the act would not be the end of his political career.

"I have decided to step down from office, win at court and then return to public life," he said.

Besides focusing his attention on proving his innocence, Kohring said he resigned to avoid to the appearance of guilt that could taint his office.

"The media and the population in general does not know I'm innocent," Kohring said. "This has left a cloud of doubt over me and my votes."

Material from Kohring's office was confiscated last year by the Federal Bureau of Investigation in its investigation into corruption surrounding oil and gas deals under then-Gov. Frank Murkowski. Kohring allegedly extorted Veco, a multinational oil field services company, when he allegedly agreed to perform certain official acts in exchange for money he did not officially earn, according to the indictment.

The indictment also says he conspired to perform official acts as a member of the Alaska State Legislature "for the purpose of enriching himself and his family members."

With Kohring leaving office, Gov. Sarah Palin will have to choose his replacement.

The replacement will not take office until Kohring steps down; however, Palin will probably not wait long to make her pick, said Speaker of the House John Harris, R-District 12.

"I think the governor will have somebody selected and named before the 30 days is up," Harris said.

Palin would pick from a selection of qualified voters from Wasilla provided by the Republican Party of the Kohring's Wasilla district, said Randy Ruedrich, chairman of the Republican Party of Alaska.

"Qualified requires a registered member of the outgoing legislator's party, who has lived in district and been registered as [a]



RUSSELL STIGALL/Frontiersman

Former state Rep. Vic Kohring has a myriad of media and hundreds of eyes on him while he waits to announce his resignation Tuesday in Wasilla.

party member for one year prior to outgoing legislator's date of election," Ruedrich said. State law would not allow Palin to pick a Democrat or Independent to replace Kohring.

Palin should pick a replacement who could be ratified by majority of the House's remaining Republicans. "The process works," Ruedrich said. "It is pretty well time tested."

Palin is not bound by the replacements recommended by the Republican party, said Rex Shattuck, Republican Party member and aide to Rep. Mark Neuman, R-Big Lake. The governor normally does, but does not have to.

Who will populate this short list of candidates is not yet known. Palin's pick will finish out Kohring's term, which expires in 2008. When Palin replaces Kohring, Mat-Su Borough Assembly Member Cindy Bettine said she hopes the governor looks close to home.

"I hope the governor picks somebody who has served in local government or has some real experience dealing with Mat-Su's growing pains," Bettine said.

Kohring was first elected to office in 1994.

Contact Russell Stigall at 352-2267 or [russell.stigall@frontiersman.com](mailto:russell.stigall@frontiersman.com).

(Indicate page, name of newspaper, city and state.) B-1

ANCHORAGE DAILY NEWS

Date: 06/26/2007  
Edition: TUESDAY

Title: PRUNING BEGINS ON ANDERSON  
JURY

Character:  
or  
Classification: 194A-AN-13620  
Submitting Office: Anchorage

Indexing:

(Mount Clipping in Space Below)

FBI - Stevens-720

194A-AN-13620-M; 363

# ANDERSON: Potential jurors vetted for views

Continued from B-1

judge she relies on National Public Radio and the Anchorage Daily News.

"Did you ever watch 'Perry Mason?'" Sedwick asked, referring to the television show famous for defendants on trial who turned out to be innocent.

Davis said she'd have to hear a lot of evidence that the allegations were not true before she'd vote that way.

She won't be on the jury either.

Not all those dismissed said they were biased against Anderson.

Warren Suddock, a retired police officer who said he had known Anderson's father — the former head of the Alaska State Troopers — for 40 years, told the judge he went through the FBI training academy and knew how the system worked. He wouldn't give his opinion publicly.

He's out too.

Among the Alaskans still being considered are Deidre Peterson, who told the judge that she once dated Anderson, found the accusations "kind of unbelievable," and tried to tune out news coverage about the case.

They met at a bar and went out just once, a few years ago, for dinner at Sullivan's, Peterson said. They haven't been in touch since. But she still thought well of Anderson and figured the stories about him couldn't be right.

Prosecutor Joe Bottini asked the judge to exclude her from the jury pool. But the judge noted that they just had the one date and that Peterson said she could still consider the case fairly. Anyway, the prosecution and the defense each can exclude some potential jurors today without having to give a reason.

Some others who remained in the pool either don't follow the news or didn't recall de-

tails of what had been published regarding Anderson.

Sean Sward of Anchorage said he tries to keep the news from his children.

"It seems to be mostly bad," Sward said.

Anderson is the first of four indicted Alaska state politicians to go to trial, but his case is distinct from the other three, who are accused of taking bribes from executives with Veco Corp. Anderson is accused of being paid off through a phony Web business to do the bidding of a private prison company.

A number of people in the jury pool told the judge they thought Anderson was part of the Veco mess. Sedwick told them the charges against Anderson have nothing to do with Veco.

Technically, that's true, though the government does plan to submit some evidence that involves Veco, Bottini told the judge as court wrapped up

Monday.

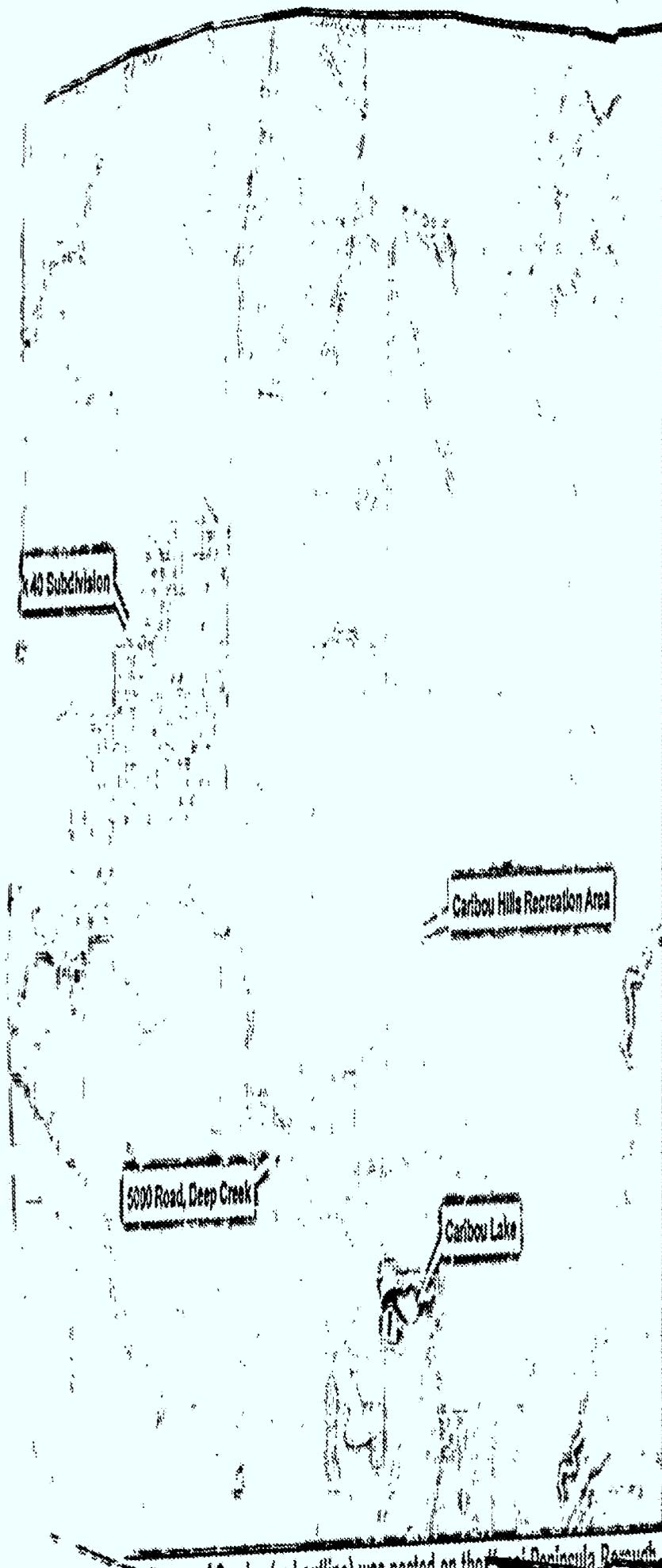
Anderson was a paid consultant to Veco at the time he was a legislator, and prosecutors plan to show jurors his financial disclosure reports, Bottini said.

Plus, in one of the secretly recorded conversations the government plans to play for jurors, the Veco contract is discussed in a way that suggests it's a "sham contract," Bottini said.

Anderson's lawyer, Paul Stockler, said he plans to file a motion regarding that material.

In all on Monday, Sedwick and attorneys on both sides questioned 70 potential jurors. Of that group, 20 people were excused, most because of their opinions on the case. At least three had scheduling conflicts.

Find Lisa Demer online at [adn.com/contact/lidemer](http://adn.com/contact/lidemer) or call 257-4390.



vance.

Property owners this evening will be allowed through to the Niniichik 40 subdivision on Oil Well Road for the first time since state troopers blocked it at pavement's end on Thursday, officials said.

**adn.com**

**WILDFIRE:** To see a list of damaged cabins on the Kenai Peninsula, visit

[adn.com/kenai](http://adn.com/kenai)

Fire managers will allow overnight public access from 7 p.m. until 7 a.m. and will continue that pattern daily as the fire allows, said Paul Slenkamp, an Alaska Division of Forestry spokesman.

Calm, moist weather Monday allowed firefighters to almost finish a dirt line blocking the fire from creeping farther down Deep Creek's south slope toward Niniichik, and officials said crews made strong progress on two other lines to protect housing developments.

The forecast called for warmer and drier days, though.

"As the weather warms, we'll see how our lines hold," Slenkamp said. "This fire is far from out."

On Monday the army fighting

FBI - Stevens-722



**ANDERSON: Debt****Anderson  
jury hears  
two views  
of his role****OPENING ARGUMENTS:  
Judge allows admission of  
financial data by prosecution.**by **LISA DEMER**  
ldemer@adn.com

Prosecutors say Tom Anderson was a debt-ridden politician who sold his office for \$12,838 and knew exactly what he was doing.

The defense says the real culprit is former state corrections commissioner Frank Prewitt, who was under investigation himself and exploited Anderson to save himself. Anderson was a hard-working legislator who never took any official actions in exchange for money, said defense attorney Paul Stockler.

Jurors on Wednesday heard those contrasting views as the two sides gave opening statements in the public corruption trial of Anderson. The first witnesses will be called today.

Anderson, a two-term state representative who didn't run again in 2006, is fighting seven felony charges including bribery, extortion and money laundering.

A jury of eight women and four men, plus four alternatives, was seated Wednesday afternoon. They were picked from a pool of 102 after hours of questioning by U.S. District Judge John Sedwick and lawyers spread over three days. Some scribbled notes as the lawyers gave their opening statements.

A small crowd of spectators came to hear. A friend of Anderson's who has been collecting money for his defense sat in, but Anderson's wife, state Sen. Lesil McGuire, didn't attend.

Jurors will be asked to absorb complicated information over the next few days, prosecutor Joe Bottini told them.

Neither of the central figures in the case against Anderson — Prewitt and former lobbyist Bill Bobrick — are "squeaky clean witnesses," Bottini acknowledged.

*Continued from A-1*

Bobrick has pleaded guilty to a conspiracy charge in the case and has agreed to testify against Anderson. Bobrick came up with a scheme to create a phony company and use it to funnel payments from the private prison firm Cornell Cos. to Anderson, prosecutors assert. Cornell didn't know about the scheme, and after the FBI got involved it provided the payments.

**PREWITT'S PAST**

The other key witness will be Prewitt, whose own flaws the prosecutor discussed at length.

Prewitt, who became a consultant to Cornell after leaving his state post, was being investigated for various actions when the FBI confronted him in April 2004, Bottini said.

He agreed to help the FBI in its "broad public corruption investigation," the prosecutor said. Anderson is one of four legislators or former legislators indicted in the past seven months.

Cornell had been trying for years to open a private prison in Alaska, and Prewitt may have tried to improperly influence a state corrections official regarding it, the prosecutor said.

He also was being investigated for a practice in political campaigns known as "conduit contributions" in which someone gives money to other people to pass on to candidates. That is done to bypass campaign contribution limits. Bobrick also was involved in "conduit contributions," Bottini said.

In addition, while Prewitt was state corrections commissioner, he accepted \$30,000 from a friend who had business with the department, Bottini said.

The government has no deal with Prewitt that he won't be charged with any crime in exchange for his help, but certainly he's hoping for a break, the prosecutor said.

At any rate, the government mainly will rely on conversations secretly recorded by Prewitt and will play a string of them for jurors, Bottini said.

The prosecution case "is primarily based on the words and actions of Tom Anderson," Bottini said.

FBI - Stevens-724

(Indicate page, name of newspaper, city and state.) **A-1****ANCHORAGE DAILY NEWS**Date: **06/28/2007**  
Edition: **THURSDAY**Title: **ANDERSON JURY HEARS TWO  
VIEWS OF HIS ROLE**Character:  
or  
Classification: **194A-AN-13620**  
Submitting Office: **Anchorage****'OUR BOY IN JUNEAU'**

In early July 2004, Prewitt heard from Bobrick that Anderson was deeply in debt and needed to find work, the prosecutor said. At a July 21, 2004, lunch at the Southside Bistro in Anchorage, Bobrick told Prewitt that Anderson would be "our boy in Juneau." A week later, Anderson told them that he could get on the right legislative committees for Cornell's interests. He had meetings with a corrections commissioner, testified at a public hearing in support of a Cornell project and took other official actions, Bottini said.

Bobrick told Prewitt that with Anderson, he actually would get two legislators, the government says. At the time, Anderson was dating then-Rep. McGuire, Bottini said. They since married. There's no evidence that McGuire knew about the scheme with Cornell, but once she did push the corporation's interests for Anderson, the prosecutor said.

**'TRUE BLUE' LEGISLATOR**

Stockler, Anderson's attorney, asked jurors to keep an open mind. The government just wants to play snippets of conversations that don't give the whole picture, he said.

Bobrick and Prewitt were both friends and mentors to Anderson, Stockler said, and "he was eager to please."

Anderson was a young man with children, a legislator who made just \$24,000 a year, a "guy who was broke," Stockler said.

Once Prewitt knew he was in trouble with the FBI, he sought to exploit Anderson's situation, the defense lawyer said. Anderson never changed a vote or a position on an issue, and it was Prewitt, not Anderson, who kept talking about money, Stockler said.

"He stays true blue to what he always had done in the Legislature," Stockler said.

Jurors can expect to hear more about Anderson's financial state during the trial. Sedwick ruled Wednesday that the material was relevant. Stockler had argued it wasn't.

"Given the relatively small amount that Anderson allegedly received in exchange for compromising the integrity of his office, the government's theory is more believable if defendant was facing serious financial difficulties," the judge wrote in his order.

An official with the Alaska Public Offices Commission likely will testify first today and prosecutors then intend to call Prewitt to the stand.

See Back Page, **ANDERSON**

194A-AN-13620 m:365

(Indicate page, name of newspaper, city and state.) A-4

ANCHORAGE DAILY NEWS

(Mount Clipping in Space Below)

Date: 06/28/2007  
Edition: THURSDAY

Title: STEVENS AND YOUNG COULD  
FACE SERIOUS CHALLENGES NEXT  
ELECTION

Character:  
or  
Classification: 194A-AN-13620  
Submitting Office: Anchorage

Indexing:

FBI - Stevens-725

194A-AN-13620-M; 366

## Stevens and Young could face serious challenges next election

*Democrats say the time is right*

By NICOLE DORAN  
Hill Staff

WASHINGTON — Republicans scoffed when Democrats first asserted they would seriously challenge Alaska's two most entrenched members of Congress next year.

Republicans maintain that Sen. Ted Stevens and Rep. Don Young will win reelection with the ease both have enjoyed through most of their careers. But the political terrain in the Last Frontier appears to be shifting, and two highly regarded young Democrats are seriously weighing bids against the state's two most powerful GOP politicians.

Anchorage Mayor Mark Begich is getting the full-court press from the Democratic Senatorial Campaign Committee and the Democratic Congressional Campaign Committee. Former state House Minority Leader Ethan Berkowitz has been in serious talks with the DCCC and has expressed interest in the Senate race, too.

Begich, the son of the late Rep. Nick Begich, D-Alaska — Young's predecessor — says he is considering the committees' entreaties, but that he is focused on his mayoral duties now.

"It is very flattering ... and I think it shows what we've accomplished these last four years as mayor," Begich said.

"It shows people like what we are doing; it's a huge compliment," he acknowledged. "But every day it's a call" from someone about his political future.

And it's not just DSCC chairman Charles Schumer of New York and DCCC chairman Chris Van Hollen of Maryland burning up the phone lines to City Hall. Begich said the encounter he had with a self-described Republican man who stopped him in the grocery store and asked him to run against either Stevens or Young has become common lately.

See Back Page, CONGRESS

# CONGRESS: Begich and Berkowitz would be Democrats' dream team

*Continued from A-1*

"I'll make a decision hopefully as the summer finishes out here," Begich said.

Berkowitz said he too will decide whether he'll run for one of the two offices by summer's end.

"They're both exciting opportunities," Berkowitz said. "I want to help put up the strongest candidates that we can. I want to see what the mayor wants to do; I want to see what other candidates want to do."

## WEAKENED BY SCANDAL

Just a year ago it was unimaginable that any Democrat could dislodge Stevens, the Senate's longest-serving Republican, or Young, who has held the state's lone House seat since 1973. But that was before the FBI began a wide-ranging public corruption investigation that could ensnare both lawmakers.

The FBI told Stevens to maintain records relating to Alaska-based Veco Corp., the oil services company, and a federal grand jury convened to scrutinize whether Veco officials were improperly involved in a remodeling project at Stevens' home in the resort town of Girdwood.

Last month, Veco founder Bill Allen and another former company official admitted they bribed state lawmakers. Allen is a personal friend and major supporter of both Stevens and Young.

Allen annually threw large pig roasts benefiting Young's campaigns.

Separately, questions have arisen about an earmark Young sponsored when he was chairman of the House Transportation Committee that could lead to a financial windfall for one of his contributors.

A poll commissioned by the Alaska Democratic Party and conducted by Anchorage's Hays Research Group in mid-June showed fewer than half of the 401 Alaskans surveyed approved of the job either Young or Stevens was doing.

"That race is high on our target list and we're confident we'll have a strong candidate in the race," said Fernando Cuevas, a DCCC spokesman. "Young's numbers are terrible right now and he's extremely vulnerable."

National Republican Congressional Committee spokeswoman Julie Shutley said she sees no cause for concern.

Young "has been re-elected for 18 cycles," she said. "He was re-elected last year in a horrible cycle."

Young won an 18th full term with almost 57 percent of the vote, but his unknown and seriously underfunded opponent, Democrat Diane Benson, captured 40 percent.

According to her Web site, Benson is seeking the Democratic nomination to face Young again.

Young's worst showing was in 1992 when he won with just 47 percent.

Stevens' smallest victory margin was when he won a 1970 special election with 60 percent of the vote.

*A poll commissioned by the Alaska Democratic Party and conducted by Anchorage's Hays Research Group in mid-June showed fewer than half of the 401 Alaskans surveyed approved of the job either Young or Stevens was doing.*

"I think any time you poll directly after any stories like this, you get a flash response, but the election is a long time away," National Republican Senatorial Committee spokeswoman Rebecca Fisher said.

"Stevens will sail to re-election," she predicted.

## UPHEAVAL WITHIN THE PARTY

Despite the positive talk of party officials in Washington, D.C., Stevens, Young and Democrats should all be concerned about the turn Alaska politics took last year. Seeking a second term as governor, former Sen. Frank Murkowski badly lost the Republican primary to Sarah Palin, a former small-town mayor who has

been vocal about corruption within the state party.

After knocking off Murkowski, she took 48 percent of the vote in the general election to defeat former Democratic Gov. Tony Knowles.

Palin's approval rating was above 80 percent in the latest poll, and several ambitious Republicans are considering following her lead and taking on the established GOP incumbents.

At least six fairly well-known Republicans are said to be weighing challenging Young or Stevens. Former Lt. Gov Loren Leman is on the list, as is former state Senate President Mike Miller, who challenged Sen. Lisa Murkowski for the Republican nomination when she sought a full term in 2004.

As governor, Frank Murkowski, appointed her to finish his Senate term after he won the governorship in 2002.

Former state Sen. John Binkley, whom Palin also defeated in last year's gubernatorial primary, and state House Speaker John Harris, also are said to be in the mix.

Shutley says Young will face no serious GOP opposition.

"I think that possibility has been out there before with Young and his record has gotten him put on the ballot and re-elected," she said.

## DEMOCRATS PRIMED TO RUN

Berkowitz said Alaskans are finally fed up with one-party domination and corruption.

"People thought that was the way

it was and that's just the way it always would be," he said. "You had a confluence of power consolidating in a handful of people and when you have that happen, it's corrupting."

Begich, who cannot seek another term as mayor in 2009, and Berkowitz, who gave up his state House seat to run for lieutenant governor with Knowles last year, have discussed their options.

"Ethan and I met [recently]," Begich said. "We talked about what his interests are and kind of what I'm thinking. It's not a decision that I need to make today."

Privately, Democrats say Begich is best suited to take on Stevens while Berkowitz should run against Young.

Both DSCC and DCCC officials refused to say which potential candidate they prefer.

"We're confident that we will have a strong candidate," DSCC spokesman Matt Miller said.

With Begich and Berkowitz talking regularly and with both setting the same timeline for making a decision, it is highly doubtful that Democrats would find themselves in a situation where the two would face each other in a primary. Both men have young families and enjoy living in Alaska, Berkowitz said.

As a result, national Democrats could end up with the slate they most desire. But they also could end up having to start recruiting all over again in September.

(Indicate page, name of newspaper, city and state.)

A-1  
ANCHORAGE DAILY NEWS

(Mount Clipping in Space Below)

Date: 06/29/2007  
Edition: FRIDAY

Title: ANDERSON JURORS HEAR FBI  
TAPES

Character:  
or  
Classification: 194A-AN-13620  
Submitting Office: Anchorage

Indexing:

FBI - Stevens-728

194A-AN-13620-m;367

# ANDERSON: Wife is 'sickened' by Prewitt

Continued from A-1

mother, Christiane, and wife, state Sen. Lesil McGuire, R-Anchorage.

One conversation played for jurors took place July 21, 2004, at the Southside Bistro in Anchorage.

Prewitt and lobbyist Bill Bobrick were meeting over the prospects of working out an arrangement to pay Anderson to work on Cornell's Alaska interests. Prewitt said those included a private prison, halfway house contracts and a new juvenile treatment center.

Halfway houses earned it \$10 million to \$12 million a year, and the juvenile center it wanted so intensely would add another \$6 million, Prewitt testified. Running a large private prison would be even more lucrative.

Bobrick told Prewitt the company paid him \$5,000 a month. He was hired after Anchorage Mayor Mark Begich told Cornell it needed a lobbyist to deal with various city issues concerning the juvenile center.

Bobrick told Prewitt that with Anderson, they'd get "two for one." At the time, McGuire was in the House, chair of that body's Judiciary Committee and dating Anderson, chairman of the Labor Committee.

"So we get two legislators for the price of one?" Prewitt asked.

"Yeah," Bobrick said.

Prewitt told jurors that committee heads and budget writers were particularly valuable.

"You get a bigger bang for your buck if someone has seniority and has influence," he testified.

## MCGUIRE LASHES BACK

During a break in the trial today, McGuire said she was outraged at the implication that she would go along with such a scheme.

"It sickens me," McGuire said. "They don't even know me."

McGuire referred to Bobrick, who has pleaded guilty in the corruption investigation, as "an admitted criminal." She said that Prewitt was under investigation himself for suspected illegal activities and that he was cooperating to get himself out of trouble.

"Who cares what they have to say," McGuire said.

There's no evidence that McGuire knew about any deal between Cornell and her husband, prosecutors have said.

In pitching Anderson to Prewitt, Bobrick described him as hungry, aggressive and a rising star. Bobrick also indicated others were trying to use him.

"There's like a struggle for Tom Anderson's soul," Bobrick says in one recording.

In a July 28, 2004, meeting of Anderson, Bobrick and Prewitt at the Whale's Tail in the Hotel Captain Cook, Anderson

adn.com

ANDERSON TRIAL: Find more information on this trial and the FBI investigation online.

adn.com/corruption

seemed torn. He said he wanted to help Cornell, but only "where I am not conflicted as a legislator."

He said he couldn't lobby fellow legislators and wanted to work behind the scenes, more on the municipal end of things.

The recording included video but the picture mainly showed Anderson's hands and part of his shirt.

But even as Anderson said he wanted to draw a line, he asked Prewitt whether there's any conflict with him getting on budget panels for corrections, and health and social services — the very subcommittees that Prewitt said Cornell wanted him on. And when Prewitt asked the legislator if, in a pinch, he could call in allies, Anderson responded "Of course. That's fair."

Prewitt told Anderson that state Rep. Mike Hawker, R-Anchorage and the chairman of those same budget subcommittees, already was working on Cornell issues but couldn't do it single-handedly. Hawker said in an e-mail Thursday that he tried to keep halfway houses open and worked to get a private prison in Whittier because he represents the area and the mayor asked him for help.

## 'CARRYING OUR WATER'

In various conversations, Bobrick pitches the business he wanted to create, which frequently changed name and form. Maybe it would be a political newsletter. Maybe a Web site. Hawker and Begich might write for it, Bobrick told Prewitt. Cornell would buy ads, but both Anderson and Bobrick knew that's not what it was paying for, Prewitt testified.

"In reality, "Rep. Anderson would be carrying our water on issues," Prewitt told jurors.

On Aug. 6, 2004, Bobrick told Prewitt that Anderson needed \$2,000 to \$2,500 a month for child support — an assertion that several of the jurors appeared to jot down. Anderson had three children before marrying McGuire, according to legislative disclosure reports. The couple has a son.

Prewitt's testimony will continue today. Anderson's lawyer still gets his chance to cross-examine him.

Anderson represented East Anchorage in the Legislature from 2003 until January. He didn't run for re-election last year.

His trial is expected to last about two weeks.

Find Lisa Demer online at adn.com/contact/ldemer or call 257-4390.

# Anderson jurors hear FBI tapes

**OUTSIDE COURT:** The accused's wife, Sen. Lesil McGuire, denies she was part of a 2-for-1.

By **LISA DEMER**  
ldemer@adn.com

Jurors hearing the corruption case against former state Rep. Tom Anderson are getting a window into a seamy side of Alaska politics, a world of connections, power and money.

On the stand most of Thursday as prosecutors began calling witnesses in U.S. District Court: former state corrections commissioner and Cornell Cos. consultant Frank Prewitt.

Prewitt, commissioner in the 1990s during the Hickel administration, told jurors that he "was visited by the FBI" in April 2004. The FBI was investigating legislative consulting contracts, campaign contributions and favors exchanged for official acts, Prewitt told jurors. Prosecutors and the defense both earlier told jurors that Prewitt himself was under investigation and began cooperating when the FBI confronted him.

He said he soon began secretly recording conversations with "persons of interest" to the FBI. Prosecutors played snippets of seven of those recordings in court on Thursday.

Prosecutors accuse Anderson of participating in a scheme in which a sham business was created to funnel money to him, purportedly from Cornell, a Houston, Texas, prison company. He is accused of accepting \$12,838 and faces seven felony counts. Cornell actually knew nothing of the scheme, the U.S. Justice Department has said. The FBI gave Prewitt the money.

Listening in the audience were some of Anderson's friends and relatives, including his

## Anderson trial

### Testimony begins

By Matthew Simon, CBS 11 News Reporter  
KTVA

Article Last Updated:06/29/2007 09:53:13 AM AKDT

So, how much was former Representative Tom Anderson in debt and what was said in those secret recordings that we've heard so much about?

Those questions and more got answered Thursday as testimony finally started in Anderson's trial.

Prewitt took the stand Thursday morning, as prosecutors played the conversations he recorded. They started back in the summer of 2004, when Prewitt testified former Muni lobbyist, Bill Bobrick, who has already pled guilty in this case, met with him and plotted to create a fake Web site and use it to funnel payments from the private prison firm, Cornell Company, to Anderson.

As Senator Lesil McGuire walked out of court, she told CBS 11 News that she is outraged that her husband is taking the fall for Prewitt, saying he exploited her husband just to save himself.

Also Thursday, prosecutors tried to establish how Anderson knowingly broke the law when disclosing financial statements with testimony from APOC's executive, Brooke Miles. Miles says the law makes it clear that Anderson had to show he was getting paid from Bobrick and the prison company. The defense countered that by saying the financial forms were confusing and it was an honest mistake.

CBS 11 News will continue to bring you further developing information as we follow the trial.

To contact Matthew, call 907-273-3186.



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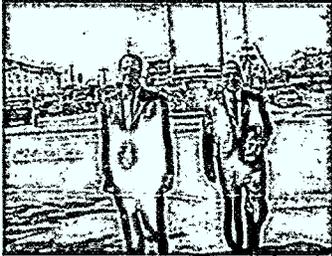
Send To Printer

FBI - Stevens-731

<<Back



### FBI informant testifies in Anderson trial

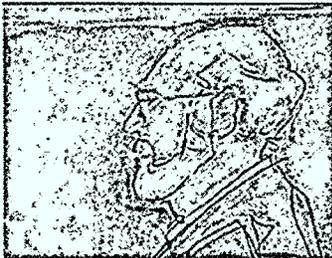


Jurors heard taped conversations of Tom Anderson with FBI Informant Frank Prewitt and convicted felon Bill Bobrick. (Scott Jensen/KTUU-TV)

by Jill Burke  
Thursday, June 28, 2007

ANCHORAGE, Alaska -- The man who secretly recorded meetings and phone calls with former Alaska lawmaker Tom Anderson testified against him today in court.

Formerly a commissioner for the Alaska Department of Corrections, Frank Prewitt explained how he was willing to go undercover for the feds to try and ease his own criminal exposure in unrelated investigations.

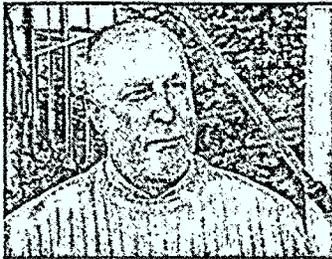


Frank Prewitt testified today against Tom Anderson, explaining how he went undercover for the FBI and recorded conversations with and about Tom Anderson. (Scott Jensen/KTUU-TV)

Anderson's wife, Lesil McGuire, says that Frank Prewitt has actually already entered a plea deal. Now that's not something that has been revealed in court. She says his criminal entanglements date back to the early 1990s. In any case, Prewitt is the one who recorded all of the conversations.

Jurors got the chance to hear at least six of the conversations through out the day today. They were conversations taking place during things like breakfasts, lunches, while passing tobacco and drinking coffee.

Prosecutors say it is all evidence of Tom Anderson's corruption.



Jurors heard recordings between Bill Bobrick and Frank Prewitt, discussing Tom Anderson's pull in the Legislature. (KTUU-TV)

A lot has been said about Tom Anderson's alleged abuse of office, selling official acts and working to hide the money.

For the first time jurors got to hear the evidence first-hand.

On the stand, Frank Prewitt, a former lobbyist turned FBI informant, who secretly recorded phone calls and meetings, most between himself and now fallen lobbyist and convicted felon Bill Bobrick.

During a recorded lunch at the Southside Bistro in 2004 Prewitt and Bobrick discussed how a company, Cornell Corporation, needed legislative help pushing a private prison in Whittier and youth residential treatment facility in Anchorage. And they discussed how and why to bring Tom Anderson in.



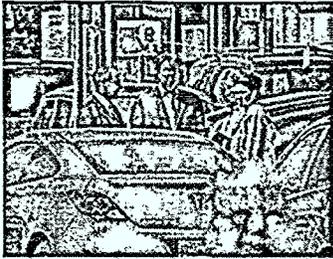
Tom Anderson's lawyer, Paul Stockler, says Sen. Lesil McGuire, Tom Anderson's wife, should be left out of the trial because she never had contact with

At the time, both Bobrick and Prewitt were working for Cornell and Bobrick, pitching an idea for a Web-based news letter that could also be a platform for shielded pass-through money, asked Prewitt if he thought Cornell would think the idea was weird, sleazy or make the company nervous.

Prewitt repeatedly asks, what, if Cornell buys in, Anderson can do for the company.

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Frank Prewitt. (Scott Jensen/KTUU-TV)



In one conversation, Bobrick assures Prewitt Anderson has pull, will push their issues, is a rising star and, if he's in, his wife, then girlfriend and House Judiciary Chair Lesli McGuire, was in as well. McGuire called it outrageous today. (KTUU-TV)

Bobrick assures Prewitt Anderson has pull, will push their issues, is a rising star and, if he's in, his wife, then girlfriend and House Judiciary Chair Lesli McGuire, was in as well. It would be two, essentially, for the price of one.

During a lunch break, McGuire, now a senator and married to Anderson, called the comment outrageous and the defense promises the remarks did not go unnoticed.

"I'll make them pay for it when I cross-examine them. He's gonna have to answer some tough questions because he had no contact with her, none, absolutely zero," said Paul Stockler, defense attorney for Tom Anderson.

With four more conversations over the following month, Bobrick and Prewitt continue to hash out the details of the Web business, a business prosecutors say had nothing to do with newspapers or advertising. The only thing clients were buying, they allege, was Tom Anderson's legislative muscle.

During those conversations Bobrick is also heard saying how there is kind of a fight underway for Anderson's soul, saying that there are a variety of interests leaning on him and that he was somewhat undecided.

Today, again, jurors heard six conversations. Five of those were audio, either in person or over the phone. One of them was video that happened at the Whale's Tail restaurant at the Captain Cook Hotel. That involved Tom Anderson, Bill Bobrick and Frank Prewitt. Tom Anderson's face is not seen, but he is seen from the neck down and he can be heard engaging in conversations among the trio.

Other lawmakers names came up as well. Prewitt indicated that Rep. Mike Hawker was certainly aligned with the philosophies and interests of Cornell. There was no direct discussion about any kind of monetary payments, but definitely some hope that he would make it onto a powerful subcommittee that would be in the interest of Cornell.

There was also some reference to former Sen. Jerry Ward, who was trying to win his seat back. Prewitt said if he were to win, that he would "fall on his sword" to protect Cornell's contracts.

Contact Jill Burke at [jburke@ktuu.com](mailto:jburke@ktuu.com)



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## The Anderson Trial: Day 6

July 2, 2007 11:03 PM

More from Channel 2's Jill Burke:

Frank Prewitt -- the man who made all of the secret audio and video recordings the government is using -- is done taking the stand. Prewitt is a former State of Alaska Commissioner for the Department of Corrections who went on to build a career as a state lobbyist.

At the time the FBI was gathering evidence for its case against Anderson, Prewitt was a consultant and lobbyist for Cornell Corrections. The Houston-based company operates prisons, halfway houses, and wanted to bring a semi-secure residential psychiatric treatment facility for juvenile offenders to Anchorage. It also had hopes of developing a privately run prison in Whittier.

Prewitt says there were three main issues Cornell was running into to get the projects pushed through: a cost analysis between the prospects of a privately operated prison in Whittier and a state-run facility in the Mat-Su, the ratio of staff to offenders allowed for halfway houses, and a state-driven study to show Anchorage needed a facility for youth offenders like the one Cornell wanted to build -- backed up with a certificate from the state saying the need was real.

In his two days on the stand, Prewitt said Anderson was hired to push all of those issues through, but he didn't want Cornell shown on the state financial disclosures he, as a legislator, is required to make. Tapes of phone calls and meetings between Anderson and Prewitt show Anderson found a way to get around those disclosures: work with a company that doesn't have a registered state lobbyist working on its behalf, and keep individual payments below \$5,000. With the help of Anchorage lobbyist Bill Bobrick, the trio developed a plan to get Anderson on Cornell's payroll undetected.

Anderson's attorney claims the scheme was meant to help Anderson win reelection in 2004. The idea was create a buffer between what Anderson and Bobrick believed to be the true source of the money -- Cornell -- in order to keep voters who support a state-run prison on board with Anderson until after the election.

Bobrick and Anderson created a company called Pacific Publishing. The concept was to develop a web-based newsletter to which Anderson and Bobrick would sell subscriptions. In Cornell's case, the cost was \$24,000 for 8 months, payable in 3 separate \$8,000 installments. Prewitt would pay Pacific Publishing which in turn would pay Anderson. At one point, complaining Bobrick was keeping too much of the money for himself, Anderson took in an additional \$2,000 payment directly.

To help create even further distance between Anderson and Cornell, Prewitt dispersed the checks from a business called RC Consulting -- a fake company name established by the FBI.

Prewitt testified there is no doubt in his mind that the website was a sham, and merely a cover by which to start funneling money to Anderson so that Anderson would start working on Cornell's priorities in Juneau.

Paul Stockler, Anderson's defense attorney, claims Prewitt, with the FBI actively monitoring every move, set up the payments to make Anderson look like he was being bribed. Stockler claims all along Anderson was, within the scope of the law, doing nothing more than working as a consultant whose employer happened to share like-minded philosophies on a few legislative

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matters.

Monday, Marc Antrim also took the stand. He was asked to resign as Alaska's Commissioner of Corrections in December by Governor Palin. Prosecutors say that -- at Prewitt's urging -- Anderson wrote to, called, and visited Antrim in person regarding various corrections-related matters. Stockler pointed out that other legislators could have done the same thing without anything seeming amiss. The problem in Anderson's case, Stockler reiterated, is that Prewitt, working for the FBI, brought money into the conversation and orchestrated transactions at seemingly pivotal moments.

Antrim also acknowledged that the FBI gave him a heads up Anderson might be contacting him on certain items. Antrim was asked to report back on the interactions, which he did. But in court he also revealed that, like Prewitt, he was working on other investigations with the FBI before Anderson came his way. Antrim said he had previously signed a non-disclosure agreement with the FBI as a result of some ongoing "issues" they were looking into.

Tuesday is Bill Bobrick's turn to take the stand. He describes Anderson as a friend and would-be business partner, a man who thought of him like an older brother, and a moderate Republican who had earned his respect. Bobrick, a registered independent and former Executive Director of Alaska's Democratic Party, is accused in the same scheme in which Anderson maintains his innocence. He pleaded guilty to a single felony in May.

The trial is expected to wrap up by the end of the week, possibly pushing into the week of July 9th since court will not be held the 4th of July.

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From me:

It was an entertaining event at the Millennium Hotel when conservative talk radio host Laura Ingraham spoke at an event sponsored by an Anchorage station. I've seen her on television going back many years, notably on Bill Maher's programs, but I found her even fresher and funnier in-person. She threw a quip about the liberal media in my direction, which she went out of the way afterwards to point out was mere teasing (although it had been understood already). Unlike many of her fellow practitioners in the talk radio format, Ingraham has the ability to deliver a punch without seeming petty, arrogant or desperate.

Which is more than one can say about our own Dan Fagan, who, without provocation, took the airwaves soon after to complain about my appearance, my personality and implicitly even my name, which he chose to pronounce with the diminutive 'y' attached. I kind of liken this to French resentment of America after we saved their bacon in World War II. Dan could not have made it through his short stint as Channel 2's Capitol reporter in 2003 without daily assistance from veteran journalists there, including me, while I was working just a few feet away from him for public television. Yet this formerly collegial relationship apparently is now an embarrassment to him.

They used to say that those who can't do, teach. I guess those who can't report, blather.



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## Corruption trial witness recounts Internet scam

**ANDERSON TRIAL: Legislator did nothing for community site but was paid anyway, ex-lobbyist testifies.**

By LISA DEMER  
ldemer@adn.com  
Published: July 4, 2007  
Last Modified: July 4, 2007 at 04:08 AM

On the stand for a second day in federal court Tuesday, former lobbyist Bill Bobrick told jurors that his idea for a political Web site started as a real business venture in 2004 with then-state Rep. Tom Anderson.

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It wasn't supposed to be a way "to bribe Tom Anderson or channel him funds. But it certainly ended up that way," Bobrick testified.

Ultimately, its only real purpose was to disguise payments to Anderson, he told jurors. Anderson never did any real work for the Web site and received the money "for being a legislator," Bobrick said. The Web site never got off the ground.

Prosecutors rested their corruption case against Anderson on Tuesday afternoon after calling eight witnesses over four days. The trial began June 25 with jury selection, which lasted 2 1/2 days.

Prosecutors contend that Bobrick's Web site business was used to funnel payments from a Cornell Cos. consultant to Anderson so that he would do the company's bidding on halfway houses, a juvenile treatment center and a private prison. Anderson faces seven felony counts.

Bobrick has pleaded guilty to conspiracy and said he is cooperating with the government in the hope of getting a lighter sentence.

In all, Anderson received a total of \$25,838, based on testimony about various checks.

That's much more money than was previously disclosed. The charges list \$12,838 in payments to Anderson. The FBI actually provided the money. Cornell was unaware of any scheme, the government has said.

Bobrick, a main witness for the prosecution, appeared drained but calm during hours of testimony and then aggressive cross-examination.

Defense attorney Paul Stockler on Tuesday pushed Bobrick on whether he turned on Anderson to save himself, the same approach he used the day before with the other star witness, Frank Prewitt, a former corrections commissioner who then became a Cornell consultant.

"I lost my career of 20 years. I lost my standing in this community," Bobrick said. And he may go to prison even yet.

"My life is pretty much wrecked because of my stupid, reckless actions," Bobrick said. He said he made \$200,000 a year as a lobbyist before the Anchorage Assembly, but no more.

Bobrick began cooperating with the FBI soon after agents called him in last September, he said. They were in front of his house and came in to play recordings of conversations. Prewitt had secretly made recordings as a "confidential source" for the FBI.

"I realized I had done something wrong and I needed to do the right thing," Bobrick said as prosecutor Joe Bottini questioned him. He said later that he had made "tremendous errors in judgment." When he thought the Web site would be a legitimate business with Anderson; he was "in denial," he said.

He also said he wore a wire, but prosecutors didn't introduce any of those recordings. His agreement with the government requires him to cooperate and "testify truthfully," he said.

Based on how he does, prosecutors may ask U.S. District Court Judge John Sedwick to give him less than the estimated sentence of 24 to 30 months for conspiracy. But the way his life is going, "I fully expect to be hit pretty hard," Bobrick said.

During the investigation, he said, the FBI would "check up on me to make sure I had not killed myself."

### THE BOGUS WEB SITE

The idea with the Web site or electronic newsletter was to have stringers all over Alaska writing about their communities, Bobrick told jurors. Companies like Cornell or the developers of the Pebble mine might buy subscriptions or pay to advertise on it. State and federal issues would be aired too. Anderson could give the view from Juneau.

Wasn't it a real project, with Anderson being paid for real work? Stockler asked time and again.

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"I wanted the Web site to be real," Bobrick said. "... I didn't wake up one day thinking, 'I'm going to bribe Tom Anderson.'"

But Anderson never produced any work, Bobrick said: no stories, no advertising contracts, no invoices, nothing.

Anderson had to have known he was being paid for his influence as a legislator, not for the Web site, Bobrick testified. "At the end of the day, that's all he had," said Bobrick.

Bobrick said he did pay two people to get the project going. A legislative aide to Anderson was paid to research communities as a first step to finding stringers.

And Ken Erickson, now the Web master for the House Republican majority, received \$1,000 as a partial payment to design and build the Web site.

Erickson testified Tuesday that his main contact on the project was Bobrick. But he admitted under questioning by Bottini that Anderson requested a detailed invoice after the fact. In September 2005, he said, he submitted one backdated to Dec. 27, 2004.

He said he designed the site so that people without technical skills could easily submit their stories. But the only story that ever ended up on the site was one written by state Sen. John Cowdery, R-Anchorage, that Erickson said he put on the site just to show it worked. He checked back two or three times a year, but no one had contributed.

"I figured the project was dead or moribund," Erickson said.

Out of 100 or so Web sites that he's designed for people over the years, this is the first one that fizzled after money was invested, though maybe half die during the talking stage, Erickson said.

#### PUSHING CORNELL'S INTERESTS

Also on Tuesday, prosecutors asked witnesses about Cornell's push to open a residential psychiatric treatment center in Anchorage for emotionally troubled kids.

Bobrick, who was a lobbyist for Cornell on the project, told jurors that he asked Anderson to testify at a Nov. 17, 2004, public hearing about the project.

Anderson signed in on behalf of himself and never acknowledged his financial relationship with Cornell, David Pierce, with the state Department of Health and Social Services, told jurors.

Twice in his testimony that day in 2004, Anderson said he had no connection to the competing groups seeking to open a treatment center. But he said he could endorse Cornell because he had met the administrators and knew how they worked.

The trial resumes Thursday. The defense gets its chance to call witnesses.

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Find Lisa Demer online at [adn.com/contact/lidemer](http://adn.com/contact/lidemer) or call 257-4390.

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#### Anderson trial at a glance

**THE DEFENDANT:** Tom Anderson, 39, represented East Anchorage in the state House from 2003 until this year. He did not run in 2006.

**THE CHARGES:** Three counts of money laundering, two of extortion and one each of bribery and conspiracy.

**THE CONSPIRACY:** Federal prosecutors say Anderson participated in a scheme in which he agreed to do the bidding of the private prison firm Cornell Cos. in exchange for money.

**THE CO-CONSPIRATOR:** Lobbyist Bill Bobrick pleaded guilty in May to a single count of conspiracy. He set up a company reportedly to produce a political Web site for which Anderson would write. Prosecutors say it became a sham used to funnel payments to Anderson.

**THE TRIAL SO FAR:** The trial began June 25 with jury selection. The prosecution rested its case Tuesday after calling eight witnesses over four days. Main government witnesses: Bobrick and Frank Prewitt, Alaska corrections commissioner in the 1990s and then a Cornell consultant. Working undercover for the FBI, Prewitt made about a dozen audio and video recordings involving Bobrick, Anderson or both. He testified that Anderson knew he was being paid to do what Cornell wanted.

**THE DEFENSE:** Defense lawyer Paul Stockler spent hours cross-examining Bobrick and Prewitt. His defense appears to be that the FBI entrapped Anderson, the government witnesses are just trying to save themselves, and the actions Anderson took for Cornell were the kinds of things that legislators do. He portrays Anderson as an eager-to-please legislator who wasn't the one who kept talking about money.

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COMING UP: The trial resumes Thursday, with the defense case. Stockler indicated Anderson hasn't decided whether to testify.

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## The Anderson trial: The week in review

July 2, 2007 09:10 AM

From Jill Burke:

OFTEN, WE LOOK TO TRIALS TO HELP REVEAL MORE ABOUT A SITUATION THAN IS ALREADY KNOWN. BUT THE CORRUPTION TRIAL AGAINST TOM ANDERSON IS GIVING GENESIS TO MORE QUESTIONS THAN ANSWERS.

FOR EXAMPLE, WHY -- IF THE GOVERNMENT'S KEY WITNESS, FRANK PREWITT, IS TELLING THE TRUTH -- DID TOM ANDERSON, AWARE ANOTHER LEGISLATOR WAS UNDER INVESTIGATION FOR MISDEEDS RELATED TO PRIVATE CONTRACTS - GO AHEAD AND THEN NEGOTIATE A SIDE DEAL THAT MIGHT BE PERCEIVED AS LESS THAN ABOVE-BOARD?

WHY, ANDERSON'S ATTORNEY ASKED JURORS TO CONSIDER, IF THE DEAL REALLY WAS ILLEGAL, DID ANDERSON ACCEPT CHECKS (WHICH LEFT A PAPER TRAIL) INSTEAD OF INSISTING ON CASH?

WHY WOULD ANDERSON'S ACCUSED CO-CONSPIRATOR, ANCHORAGE LOBBYIST BILL BOBRICK, PLEAD GUILTY IF THE CHARGES AGAINST THE MEN AREN'T TRUE? DEFENSE ATTORNEYS WILL TELL YOU DEFENDANTS GIVE IN FOR A NUMBER OF REASONS, INCLUDING THE POSSIBILITY OF BEING SLAPPED FOR OTHER, MORE SERIOUS CRIMES WHICH MAY BE ENTIRELY UNRELATED TO THE MATTER AT HAND. BETTER TO COOPERATE NOW AND GAIN FAVOR, THAN TO RISK THE IRE OF PROSECUTORS AT SENTENCING.

MEANWHILE, THERE ARE ALSO NUMEROUS HINTS THAT THERE IS A MUCH BIGGER SITUATION FACING THE STATE THAN THE MESS ANDERSON IS IN AND WHETHER THE GOVERNMENT CAN PROVE ITS CASE AGAINST HIM.

PREWITT SAYS HE SPENT UP TO 15 HOURS EACH WEEK FOR 2-1/2 YEARS WORKING ON BEHALF OF THE GOVERNMENT AS AN INFORMANT. HE SAYS AT THE REQUEST OF THE FBI HE WAS ACTIVELY WORKING ON INVESTIGATIONS AGAINST 6 TO 8 OTHER PEOPLE, ALL RELATED TO PUBLIC CORRUPTION, BEFORE ANDERSON EVER PIQUED THE INTEREST OF THE FBI.

DOCUMENTS NEWLY FILED BY PROSECUTORS REVEAL PREWITT WAS THE SUBJECT OF AN ACTIVE INVESTIGATION FOR AT LEAST THREE WEEKS IN APRIL OF 2004 BEFORE HE STARTED WORK ON BEHALF OF THE GOVERNMENT -- CHANGING HIS ROLE FROM THE SUBJECT OF AT LEAST ONE INVESTIGATION, TO SOMEONE WHO WAS WILLING TO GO TO GREAT LENGTHS TO LEND A HAND.

PROSECUTORS ARE TRYING TO MAKE SURE JURORS DON'T HEAR A THREE-WAY PHONE CALL BETWEEN ANDERSON, BOBRICK AND PREWITT, MADE BEFORE PREWITT STARTED COOPERATION. THE CALL WAS PLACED APRIL 18, 2004 AND INTERCEPTED BY INVESTIGATORS. PROSECUTORS SAY IT IS THE RESULT OF A COURT-GRANTED WIRE TAP -- MEANING THE GOVERNMENT WAS LISTENING IN AND RECORDING UNBEKNOWNST TO PREWITT AT THE TIME. SOMETIME THEREAFTER THE GOVERNMENT STOPPED INTERCEPTING PREWITT'S CALLS BECAUSE PREWITT, MOTIVATED TO COOPERATE, AGREED TO RECORD CALLS HIMSELF. THE DEFENSE WANTS JURORS TO HEAR THE CALL BECAUSE IT CLAIMS THE APRIL 18TH RECORDING -- THE SUBSTANCE OF WHICH WE KNOW LITTLE ABOUT -- HELPS ANDERSON'S CASE.

LISA DEMER OF THE ANCHORAGE DAILY NEWS CAUGHT ANOTHER REVELATION AT THE END OF

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THE DAY FRIDAY: PREWITT, WHILE ON THE STAND, CLAIMED ANDERSON, TOO, WORE A WIRE. BUT WHY, OR WHEN, HAS YET TO BE DISCLOSED.

ALL OF THE EMERGING DETAILS ARE LIKE FLEETING SPECKS OF LIGHT IN A DARK, LARGE CLOSET THAT STORES THE BEHIND-THE-SCENES HAPPENINGS OF ALASKA POLITICS. IT IS WHERE PUBLIC IMAGE CRAFTED TO SATISFY VOTERS MAY BE FAR DIFFERENT THAN A POLITICIAN'S QUIET, SHIELDED ALLEGIANCE TO DEEPER-POCKETED AND SOMETIMES CONTRARY INTERESTS.

AN EXAMPLE? TOM ANDERSON'S PLEDGE TO ADVOCATE FOR A PUBLICLY RUN PRISON TO SATISFY UNION WORKERS, WHILE BEHIND THE SCENES PLEDGING CORNELL COMPANY HE WOULD PUSH FOR A PRIVATELY OPERATED PRISON. THE FEAR AND HASSLE OF DRAWING VOTER BACKLASH IS JUST ONE REASON ANDERSON'S ATTORNEY TOLD JURORS ANDERSON WANTED TO CONCEAL -- HE CLAIMS, LAWFULLY -- HIS RELATIONSHIP WITH PREWITT AND CORNELL.

ANDERSON IS THE FIRST OF 4 INDICTED CURRENT OR FORMER LAWMAKERS TO GO TO TRIAL. HIS CASE IS SAID TO BE UNRELATED TO THE OTHERS LINKED TO THE RECENTLY RESIGNED OIL-SERVICES EXECUTIVES BILL ALLEN AND RICK SMITH, FORMERLY OF VECO. IN SOME OF PREWITT'S SECRETLY MADE RECORDINGS, ANDERSON CAN BE HEARD COMPLAINING THAT HIS \$2,500 CONSULTING SALARY FOR VECO -- IN PLACE DUE TO RICK SMITH -- WILL COME TO A HALT IN DECEMBER 2004. MONEY FOR THE GAP BETWEEN DECEMBER AND FEBRUARY IS IN PART, ANDERSON EXPLAINS, WHY HE SOUGHT ADDITIONAL OUTSIDE WORK WITH CORNELL COMPANY.

SO FAR THERE IS NO CONFIRMED LINK BETWEEN THE VECO BRIBERY SCHEMES AND ANDERSON'S SITUATION WITH CORNELL, PREWITT AND BOBRICK. BUT WE NOW KNOW PREWITT WAS WORKING ON OTHER CASES, YET HIS NAME HASN'T COME UP IN FILINGS ASSOCIATED WITH ALLEN, SMITH, WEYHRAUCH, KOTT OR KOHRING'S COURT RECORDS. AND ANDERSON -- WHO PREWITT CLAIMS ALSO WORE A WIRE -- ISN'T MENTIONED IN ANY OF THOSE CASES, EITHER.

ARE THEIR ROLES IN THOSE OTHER INVESTIGATIONS BEING SHIELDED? ARE MORE POLITICANS OR PRIVATE INTERESTS, PERHAPS IN SCHEMES YET TO BE REVEALED; HEADED FOR AN ENCOUNTER IN FEDERAL COURT?

JUST HOW DARK AND DEEP IS THAT CLOSET, AND WILL ENOUGH LIGHT GET IN TO EXPOSE THE FULL CONTENTS?

IT'S TIME TO START ASKING A LOT OF QUESTIONS.



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## Defense rests its case in Anderson trial

by Bill McAllister  
Thursday, July 5, 2007

ANCHORAGE, Alaska -- The defense rested its case today in the trial of Tom Anderson without calling the former Alaska legislator to the stand.

Anderson 's attorney says his client is guilty of nothing more than seeking outside consulting work while serving in the state House of Representatives.

A jury could begin deliberations on Anderson's public corruption case as soon as tomorrow afternoon.

After closing arguments tomorrow, the jury will decide if Anderson is guilty of any of seven felony counts or whether the government failed to prove its case that he sold his vote on corrections-related matters.

Defense attorney Paul Stockler says the federal government acted dishonestly two years ago when it first sought to alert then Rep. Tom Anderson that he was under investigation for bribery, extortion and money laundering.

According to the defense, Anderson's first contact with the FBI came on a voice mail message on June 13, 2005, which Anderson says he transcribed.

According to Anderson, a man identifying himself as Bart Bodett left the message, which said in part, "it's about a federal appointee, and we're looking for your input on the matter. And also because of your fantastic stance before in the past of being such a friend of peace officers and law enforcement, our SAC" -- meaning special agent in charge -- "would like to meet with you, as well."

Instead, Stockler says that when Anderson showed up the next day at FBI headquarters in downtown Anchorage, he was shown giant photos of himself and was played audio of himself conferring with government informant Frank Prewitt and Anderson's alleged co-conspirator, Bill Bobrick, who already has pled guilty to bribing the lawmaker.

Anderson is accused of conspiring with Bobrick to set up a sham business for a political website that was never created, with Anderson allegedly taking more than \$25,000 in FBI sting money that he and Bobrick thought came from a private prison firm.

Stockler says work on the website did not proceed after June 14, 2005 because FBI Special Agent Mary Beth Kepner ordered Anderson to drop it.

Called by Stockler to testify, Kepner said Anderson was free to do whatever he wanted with the website, testimony that Stockler strongly contradicted in talking with reporters later.

Stockler says the government has produced no evidence that Anderson agreed to a conspiracy on a specific date and he says Anderson never linked the money he was getting to any actions he was performing on behalf of the corrections company.

U.S. District Judge John Sedwick did not allow testimony that the defense says would have

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established that Anderson was talking to people about his plans for the website, thereby demonstrating its validity. The judge said he would not allow Anderson, in effect, to testify through others.

Despite that setback, Stockler says he's confident of winning the case.

On the stand today, state Rep. Bob Roses, who succeeded Anderson in the House, apparently was starting to relay a discussion he had with Anderson about the website, when the prosecution objected and the judge sustained the objection.

The judge did make another significant rulings. He barred testimony by Paul Fuhs, a former state commissioner, who the defense says would have testified that Anderson told him at a 2004 public meeting on corrections issues that he was appearing there on Bobrick's behalf, thus countering the notion that Anderson was trying to hide the relationship because it was criminal.

The defense also wanted to play more of the covert recordings made by the government, saying in some cases that it would speak to bias against Anderson. Judge Sedwick disallowed that, saying the government is not on trial, but Stockler said as far as he's concerned, it is.

Contact Bill McAllister at [bmcallister@ktuu.com](mailto:bmcallister@ktuu.com)



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FORMER ALASKA STATE REPRESENTATIVE THOMAS ANDERSON

CONVICTED OF EXTORTION, CONSPIRACY, BRIBERY AND MONEY  
LAUNDERING

WASHINGTON – Thomas T. Anderson, a former elected member of the Alaska state House of Representatives, has been convicted by a federal jury in Alaska of extortion, conspiracy, bribery and money laundering, Assistant Attorney General Alice S. Fisher of the Criminal Division announced today.

The jury in Anchorage convicted Anderson today of all seven counts charged in a December 2006 indictment. The jury found that Anderson solicited and received money from an FBI confidential source in exchange for Anderson's agreement to perform official acts to further a business interest represented by the confidential source.

Evidence at trial showed that from July 2004 to March 2005, Anderson and lobbyist William B. Bobrick solicited and received \$24,000 in payments in exchange for Anderson's agreement to take official action as a member of the Alaska State Legislature. Anderson solicited and received an extra \$2,000 from the source, in addition to the \$24,000. Anderson and Bobrick participated in the creation of a sham corporation – Pacific Publications – to conceal the existence and true origin of the payments, and used the sham corporation to funnel a portion of the bribes to Anderson.

Bobrick pleaded guilty in federal court in Anchorage in May 2007 to conspiring to obtain bribe payments for Anderson.

"Former Representative Tom Anderson corrupted his elected office when he took official actions in exchange for bribery payments. His illegal conduct impaired the integrity of the oath he took to represent citizens of the state of Alaska," said Assistant Attorney General Fisher. "Anderson has been held accountable for his crimes thanks to the hard work of federal prosecutors and FBI agents, and the Department of Justice will continue its pursuit of public corruption at all levels of government."

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194A-AV-13620-M;374<sub>e</sub>

"The conviction of former Alaskan Representative Anderson illustrates the FBI's commitment to investigating officials that misuse their public office for personal gain," said Assistant Director Kenneth W. Kaiser, FBI Criminal Investigative Division. "The public deserves fair and honest representation and the FBI will not relent in its pursuit of corrupt public officials."

Sentencing for Anderson has been scheduled for Oct. 2, 2007. Anderson faces a maximum penalty of 20 years in prison and a \$250,000 fine on each of two extortion counts and each of three money laundering counts; a maximum penalty of 10 years in prison and a \$250,000 fine on the bribery count; and a maximum penalty of five years in prison and a \$250,000 fine on the conspiracy count.

The Anderson case was prosecuted by Trial Attorneys Nicholas A. Marsh and Edward P. Sullivan of the Public Integrity Section, headed by Section Chief William M. Welch II, and Assistant U.S. Attorneys Joseph W. Bottini and James A. Goeke from the District of Alaska. The case is being investigated by special agents of the FBI.

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## Federal Jury Convicts Former Alaska Lawmaker In Bribery Trial

Associated Press  
 00:12:01  
 By Dan Joling  
 July 10, 2007

ANCHORAGE, AK -- A former Alaska lawmaker was convicted Monday of taking thousands of dollars from a corrections company consultant in exchange for his help in the Legislature.

"I'm devastated," former state Rep. Tom Anderson said after the federal jury announced its bribery verdict. Anderson, 39, was accused of conspiring to take money he thought was coming from a private prison firm, Cornell Industries Inc. The money was supplied by the FBI through an informant working for Cornell who secretly recorded his conversations with Anderson and a coconspirator, former municipal lobbyist Bill Bobrick. Anderson was one of four current or former state lawmakers facing federal bribery indictments. The other three face trial this fall for charges related to Anchorage-based oil field services company VECO Corp.

"I think the prosecution has criminalized being a legislator over the last year," Anderson said. "I think I fell victim to that." Minutes after Anderson's conviction, Gov. Sarah Palin signed into law an ethics reform package for state officials was signed into law. Palin said the law will help re-establish the public's trust, noting Anderson's case revealed a broader problem with public officials. "I believe it could be a precursor for what's to come, and it's unfortunate," she said. Anderson's family, including his wife, state Sen. Lesil McGuire, were not present for the verdict.

Anderson said they couldn't get to the downtown Anchorage courthouse in time after it was announced the jury had reached a verdict. Judge John Sedwick ordered Anderson to surrender his passport and scheduled sentencing for Oct. 2. Anderson was arrested Dec. 7 and charged with seven felonies, including conspiracy, bribery, money laundering and interfering with commerce, a charge connected to a demand for payments. He faces a maximum penalty of 115 years in prison and a \$1.75 million fine. Department of Justice officials in Washington said Anderson was held accountable for his crimes.

Anderson "corrupted his elected office when he took official actions in exchange for bribery payments," Assistant Attorney General Alice S. Fisher said. "His illegal conduct impaired the integrity of the oath he took to represent citizens of the state of Alaska." Bobrick pleaded guilty in May to bribing Anderson. He agreed to testify against Anderson in exchange for prosecutors' request for lenience at sentencing. Anderson was accused of accepting nearly

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\$26,000 he thought was coming from Cornell through Frank Prewitt, a former corrections department commissioner and an FBI informant was a \$150,000-per-year consultant for Cornell.

The Houston-based company operated halfway houses in Alaska and hoped to build a private prison and a juvenile psychiatric treatment center in Alaska. The defense argued that Anderson backed Cornell without being on the take and that Prewitt wore a wire to bag a legislator and deflect investigators from his legal problems. Prosecutors contend Bobrick and Anderson trolled for cash in conversations with Prewitt, using a phony Web-based newsletter as a front for Cornell to funnel payments to Anderson. Anderson, finishing his first term as a Republican legislator from east Anchorage, was strapped for cash, prosecutors said, as he romanced McGuire, who was then a state representative. He owed child support payments and was looking for a payoff of about \$3,000 per month when the Legislature was not in session.

**Attachments:**

[Link to press release](#)

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Roll Call

July 10, 2007 Tuesday

LENGTH: 2556 words

HEADLINE: Government Good To Stevens' Friends

BYLINE: John Stanton, ROLL CALL STAFF

BODY:

In 2004, two business partners of Sen. Ted Stevens (R-Alaska) sold an empty lot in Anchorage to the National Archives and Records Administration for just over \$3.5 million, more than doubling their year-old investment in the property.

Stevens earmarked the appropriation for NARA to purchase a site, although there is no indication he received any direct benefit from the deal and his spokesman said the Senator had nothing to do with the selection of the specific property.

But the project is one of several valuable contracts that the developers, Leonard Hyde and Jonathan Rubini, entered into with federal agencies while Stevens was either the ranking member or chairman of the Senate Appropriations Committee - and had significant investments in several Rubini/Hyde companies.

Stevens' investments with the two real estate magnates over a seven-year period turned him from one of the Senate's least wealthy Members into a millionaire, according to his financial records and statements by Stevens over the years.

That relationship has prompted questions from watchdogs who say, at the least, it raises the potential for an appearance of a conflict of interest.

"It absolutely raises flags when you have a Member having a business relationship with someone who may benefit from the Member's official actions," even in an indirect way, said Bill Allison, a senior fellow at the Sunlight Foundation, a watchdog group that pushes for greater disclosure by lawmakers. "The way [disclosure is] being handled now is just completely inadequate," Allison added.

Allison and other watchdogs argue the lack of adequate disclosure rules in the Senate makes it extremely difficult for the public to make an informed judgment on whether Stevens, for example, is acting appropriately, and they have called for more stringent rules.

Stevens' relationship with the two men is rare for a Senate appropriator.

Of the 19 Senate Appropriations Committee members whose offices responded to requests for comment, out of 29 on the committee, Stevens was one of only two members who disclosed a direct business relationship between themselves or their spouses and an entity that receives federal funds - and was the only member of the powerful committee who has such a relationship himself.

The vast majority of the lawmakers said they either never had business dealings with companies that receive federal funding or broke their ties with business entities before entering the Senate.

For instance, "Sen. [Lamar] Alexander [R-Tenn.] resigned from all boards and commissions on which he served when he was elected to the U.S. Senate," Alexander spokesman Lee Pitts said.

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Aside from Stevens, Sen. Dianne Feinstein (D-Calif.) is the only panel member who responded who disclosed such a relationship. According to Feinstein aide Scott Gerber, Feinstein's husband, Richard Blum, works for a defense contractor. Gerber, however, noted that the company has never received a specific earmark from Congress.

Unlike Stevens, Feinstein was wealthy well before entering the Senate.

#### A Profitable Relationship

According to published reports, Stevens' relationship with the two real estate magnates dates back to 1997, when at the urging of his brother-in-law, lobbyist Bill Bittner, Stevens invested \$50,000 with Hyde and Rubini in a new venture dubbed JLS Properties LLC.

Although he had a relatively modest 7 percent stake in the company, the investment would prove propitious to Stevens, who at the time was one of the few dozen or so Senators who did not count his personal wealth in the millions. According to a Dec. 17, 2003, Los Angeles Times article, by 2000 Stevens' stake in JLS Properties had grown in value to some \$250,000, and Stevens invested in several other of Hyde and Rubini's land projects, including their Centerpoint development project in Anchorage. By 2003, according to his financial records, Stevens' investments with the two had turned him into a millionaire.

In addition to the land deals, Stevens and Hyde also are co-owners of a racehorse through Alaska's Great Eagle LLC, a company that includes many of Alaska's most powerful businessmen, including Ed Rasmussen and former VECO executive Bill Allen.

Allen earlier this year pleaded guilty to four counts of conspiracy, bribery and other corruption charges stemming from the FBI's inquiry into state lawmakers, including Stevens' son, Ben Stevens.

The majority of federal funding that has made its way to Hyde and Rubini does not appear to be the result of either an earmark or direct involvement in the contract process by Stevens.

For instance, according to the most recent federal payment records compiled by

FedSpending.org, from the beginning of 2005 to July 2006 the General Services Administration paid Centerpoint Financial Center LLC - one of Hyde and Rubini's companies - \$936,586 for office space leased to the Department of Interior. The offices are in the Centerpoint building - built on land that Stevens had invested in, although the lawmaker appears to have divested his interest in the property at the end of 2004, according to his financial statements. He also sold his stake in JLS Properties that year.

Similarly, starting in fiscal 2003, Hyde and Rubini have had a long-term lease agreement with the National Park Service for its new office building in Anchorage. Operating through their 5th Avenue Development LLC company, Hyde and Rubini have received more than \$7 million in rental payments from the federal government.

Hyde and Rubini also have leased an apartment to the Department of Interior, although those payments appear to total less than \$10,000.

In several instances, Stevens has been directly involved in projects that ultimately have ended up benefiting his business partners. In the 2003 Los Angeles Times story, Stevens acknowledged lobbying the Air Force to award a multimillion-dollar housing contract to Hyde and Rubini.

#### The Archives Project

Stevens, in that same period of time, was taking a lead role in setting aside funding for a NARA facility expansion project in Anchorage that would eventually net his partners millions in federal funds.

According to a review of federal, state and local records and interviews with Hyde and federal officials, the project in Anchorage resulted in the two developers netting \$2 million in profits from the sale of land they had purchased weeks before Stevens inserted the first earmark into an appropriations bill in 2002.

The money for the purchase, according to Stevens' office, came from two earmarks worth \$6 million that Stevens had included in funding bills in 2002 and 2003.

NARA's 2004 decision to purchase the land from Eagle River Center LLC, a company owned by Rubini and Hyde, was the high-water mark of federal spending on the new archives project.

## Government Good To Stevens' Friends Roll Call July 10, 2007 Tuesday

NARA officials began the process of securing a new facility for documents in Alaska in 1998, making the project one of their top priorities, according to federal officials.

That same year, Stevens - who at the time was chairman of the Appropriations Committee - and local officials began working on what city officials dubbed the "Midtown Commons" project, which was a redevelopment plan for a largely unused area of Anchorage.

As part of that plan, officials proposed having the federal government purchase a piece of undeveloped land owned by a group of retired schoolteachers through their company, the 40th Street Investors, for use as the new archives facility. The spot made some sense: It was an undeveloped area that could be bought as opposed to leased and was located near a public library that serves as an archival facility for many historical documents.

To begin the process of securing land for a new facility, Stevens set aside \$875,000 for a site selection study and in 1999 he set aside another \$900,000 for additional studies, according to Rick Judson, who oversaw the project for NARA.

But despite NARA's stated need for expanded space and local support for the selection of the site, neither NARA nor Stevens' office ever contacted the 40th Street Investors or their real estate agent, according to a source involved in the issue at the time who asked not to be identified. Congressional interest in the project appears to have dropped off almost completely for the next few years until around the time Stevens' business partners agreed to purchase the property in 2002.

On May 21, 2002, Hyde, Rubini and the 40th Street Investors entered into an "Agreement to Purchase" the site, according to a timeline of the purchase that Hyde provided to Roll Call. On June 19 of that year, Hyde and Rubini formally incorporated Eagle River Center LLC and transferred interest in the agreement to that company.

On July 11, 2002, the Senate Appropriations Subcommittee on Treasury and General Government passed by voice vote a fiscal 2003 spending measure that included a \$3.75 million earmark for NARA to purchase property for a new facility in Anchorage.

In 2003, at the urging of NARA staff who indicated additional funding would be needed, Stevens inserted in the fiscal 2004 Treasury spending bill an additional \$2.25 million.

At the beginning of May 2003, the GSA released a request for bids, which according to Hyde's timeline Eagle River Center responded to on May 5, despite the fact they would not formally close on the property with the 40th Street Investors until June. Then, on June 2, 2003, according to state land records, Eagle River closed on the properties, paying the retired teachers some \$1.5 million for the 8-acre parcel.

On Jan. 21, 2004, the GSA informed Eagle River that it had selected its property for the new NARA location, and negotiations on the final price began.

By March 1 of that year, Hyde and Rubini had entered into an agreement with the GSA to sell the property to the federal government for \$3.5 million on June 8, 2004 - putting the closing on the sale just past the one-year trigger date for avoiding what would have been a significant capital gains tax hit.

Aaron Saunders, a spokesman for Stevens, said that while the veteran lawmaker was involved in the NARA project and has supported it for years, he had no role in the site selection process and never spoke with either Hyde or Rubini about the deal.

According to Saunders, the only site Stevens had backed - a parcel of land located just off the University of Alaska's campus - was rejected by federal officials for security reasons very early in the process and the selection process involved state, local and federal officials and was the result of a competitive bid process. "It is factually inaccurate to state National Archives officials selected the final facility site based on a recommendation by Sen. Stevens because this conclusion ignores the arduous process by which the site was selected," Saunders said.

Saunders said that while Stevens also had initially worked with local officials on the Midtown Commons project, the reason funding dried up from 1999 to 2002 had nothing to do with who owned the property. Rather, according to Saunders, Stevens from the beginning had decided to take a largely hands-off approach to the deal and only appropriated money when NARA staff requested it. In 2002, NARA aides came to the Appropriations Committee and requested funding, Saunders said, adding that Stevens was "just responding to appropriations requests."

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Saunders also said Stevens never talked about the project with Hyde or Rubini. "Sen. Stevens and his staff never, at any point, discussed the proposed National Archives' land acquisition with Mr. Rubini, Mr. Hyde or anyone representing them," he said.

Hyde also indicated neither he nor Rubini at any point called on their business partner Stevens to assist them in the purchase.

"I've never spoken to Senator Stevens about this issue," Hyde wrote in an e-mail.

#### Funding Lags for Project

Since the land deal was finished, federal funding has slowed significantly for the project. Despite a price tag of at least \$29 million in construction costs, Stevens appears to have taken only modest interest in securing funding for the project since the land transfer. Stevens set aside \$3 million in 2005 for site preparation, while the archives earmark diminished to just \$1.9 million last year.

However, according to a May 11, 2007, Anchorage Daily News story, \$290,000 tagged for the construction has been reprogrammed for a new speed-skating-rink project being planned next to the NARA land. Stevens also secured a \$940,000 earmark specifically for the skating rink in 2004, according to the story.

NARA's Judson said that while plans for the new building are complete - and that NARA has a standing contract with a non-Alaskan contractor to construct its facilities - the project has fallen behind schedule, largely because of a lack of funding, and he said it was unclear why further money has not been forthcoming. "We haven't seemed to be able to get in the queue for money," Judson said.

Saunders said that while Stevens supports the project, it is unclear whether any future funding will be earmarked for the construction of the archives building. "While it is safe to say that Sen. Stevens continues to support this project, he and his staff will consider future National Archives funding requests on a case-by-case basis," Saunders said.

Watchdogs argue that regardless of whether Stevens took any inappropriate actions on behalf of his business partners, his relationship with them highlights the need for significant revisions to Senate financial disclosure rules.

Last month, Taxpayers for Common Sense and the National Law and Policy Center proposed a series of ethics rule reforms that in part address the question of lawmakers' business relationships. The watchdog groups argue that Members should be required to provide the public with greater information on their business dealings, including detailing whom they enter into business relationships with. In a letter to Senate Majority Leader Harry Reid (D-Nev.), Senate Minority Leader Mitch McConnell (R-Ky.), Speaker Nancy Pelosi (D-Calif.) and House Minority Leader John Boehner (R-Ohio), the groups argue that "While current rules call for disclosure of assets of the lawmaker, there is no requirement that co-ownership of closely held investments be disclosed. There have been numerous examples in which special interests have carried improper favors with elected officials by including the official in a purported investment. In these cases, the officeholder typically receives an extraordinary return on investment with little or no risk."

"There ought to be complete transparency of these types of relationships," the Sunlight Foundation's Allison said, arguing that lawmakers should be required to disclose the names of their business partners in addition to simply disclosing their investments. While "you're always going to have situations where Members have a vested interest in things they're doing" in the Senate, greater disclosure would help limit the appearance of wrongdoing, Allison argued.

Allison also said a second step should be a more robust - and fully transparent - recusal process. "I think Members should recuse themselves from more things than they do," Allison said, arguing that the Senate should drop the secrecy that now veils the process.

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"All these arrangements should be open," he said.

Emma Dumain and Bryce Bauer contributed to this report.

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### Corrections company says lobbyist acted on his own



by Jill Burke  
Tuesday, July 10, 2007

ANCHORAGE, Alaska -- Cornell Cos., whose lobbyist became the federal government's chief witness in the corruption case against former Anchorage Rep. Tom Anderson, wants it known it had nothing to do with the bribery scheme.

Cornell Cos., whose lobbyist became the federal government's chief witness in the corruption case against former Anchorage Rep. Tom Anderson, wants it known it had nothing to do with the bribery scheme. (KTUU-TV)

The Texas-based corrections company runs five halfway houses across the state. It hired lobbyist Frank Prewitt to help advance its interest in those and other areas, including developing a privately run prison in Alaska and a juvenile treatment facility in Anchorage.

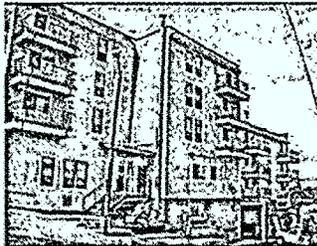


Lobbyist Frank Prewitt worked for Cornell. (KTUU-TV)

Cornell says while Prewitt may have told now-convicted co-conspirators Bill Bobrick and Anderson that the bribe money he had to offer was coming from Cornell, in reality, the company says they had no knowledge of what was going on.

The company also claims it had no idea Prewitt was an FBI informant.

However, Prewitt did admit under oath that he had been implicated but not yet charged in an illegal contribution scheme involving a Cornell Cos. executive in 2003.

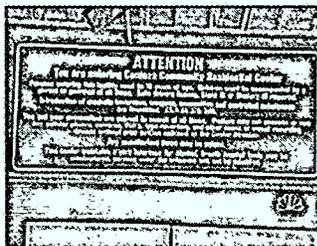


Cornell says it was unaware Prewitt was working as an FBI informant. (KTUU-TV)

Prewitt testified he helped funnel \$3,000 from that executive to an Alaska politician that same year.

The FBI has acknowledged the money Prewitt used in the bribe scheme involving Anderson came from them and not Cornell.

Cornell Cos. Consultant Charles Seigel said the company does not support bribery.



Cornell has not been implicated in the bribery scheme. (KTUU-TV)

"Cornell would never have authorized any kind of inappropriate activity, like greasing the wheels, corruption, bribery, side view anything like that," Seigel said.

In a written press release, the Department of Justice said Cornell was never told about the operation because of the investigation's undercover nature.

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Cornell has not been implicated in the scheme.

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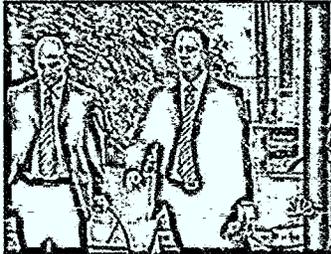


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## Anderson's attorney discusses trial



Paul Stockler, the lawyer who represented former Rep. Tom Anderson in his federal corruption trial, said a loss like yesterday's is not something a client or an attorney gets over quickly. (KTUU-TV)

by Jill Burke  
Tuesday, July 10, 2007

ANCHORAGE, Alaska -- Paul Stockler, the lawyer who represented former Rep. Tom Anderson in his federal corruption trial, said a loss like yesterday's is not something a client or an attorney gets over quickly.

Stockler said he believed they had a good chance of winning at least some of the counts, especially the conspiracy charge.

Stockler said he had prepared Anderson that if a guilty verdict came in on that charge, the first count in the indictment, it would be a bad omen for the rest to come.



Stockler said he believed they had a good chance of winning at least some of the counts, especially the conspiracy charge. (Mike Nederbrock/KTUU-TV)

It was sound advice.

"My biggest fear going in was the tapes - I thought this case was 90 percent about the tapes and how the jury perceived those conversations and those videos. And if they saw them our way, were going to win. And if they didn't see them our way, we were going to lose," Stocker said.

On the day the verdicts came in, jurors had asked to re-hear the very first meeting between Anderson, his co-conspirator, and the government informant.



Recordings taken by Frank Prewitt (pictured) were especially damaging, Stocker said. (KTUU-TV)

According to Stockler, it was the first time the trio discussed the Web site idea, finances and what kind of things Anderson could do to help if hired as a consultant.

The corruption case centered on the government's assertion that the Web site was bogus and that the so-called consulting contract was just a ruse to hide a bribery scheme.

In that July 2004 conversation, Anderson tells Frank Prewitt, when asked, what he can do for them.



Stockler maintains there are conversations that would have helped Anderson that weren't allowed to be played in court. (KTUU-TV)

He listed several ways he could help, which in the eyes of Stockler, were a list of job qualifications. But the first item Anderson pointed out in the taped conversation was his status and credibility as an elected official.

Stockler thinks that didn't sit well with the jury.

"The jury took his comment about being a legislator as exactly as how the government saw it -- that he was a legislator trying to sell his votes. So, we both saw that conversation in two different ways," Stockler said.

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In the same recorded conversation, Anderson tells Prewitt that if he were to ever vote in ways favorable to Prewitt's interests, it would be because of a shared philosophy and not because of any consulting arrangement.

Jurors obviously felt more was going on.

The jurors did not see all of the evidence in the sense they didn't see all of the materials it appears both sides had access to. There were more recordings and more meetings. But the jury certainly did get to see everything the judge felt was necessary.

Stockler maintains there are conversations that would have helped Anderson that weren't allowed to be played in court, although Stockler was able to allude to those conversations during some of the proceedings.

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### Poll Respondents think Anderson verdicts were fair

ANCHORAGE, Alaska - On Tuesday, July 10, Channel 2 News conducted an online poll asking if viewers thought former state Rep. Tom Anderson's guilty verdicts were fair.

83 percent of the respondents said the judgment was fair. Here are the official question and results.

|  |            |
|--|------------|
| Do you think Tom Anderson's guilty-on-all-counts verdict was fair? |            |
| Yes  | 83 percent |
| No   | 12 percent |
| Undecided  | 5 percent  |

All polls conducted by Channel 2 News and KTUU.com are unscientific.



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### Lawmakers express support for McGuire



by Bill McAllister  
Tuesday, July 10, 2007

ANCHORAGE, Alaska -- They were the only husband-wife team in the recent history of the Legislature. So, now that former East Anchorage Rep. Tom Anderson has been found guilty of seven felony charges, how might that affect the legislative career of his wife, Sen. Lesil McGuire?

Sen. Lesil McGuire is the wife of convicted former state Rep. Tom Anderson. (Jason Kohler/KTUU-TV)

The consensus from legislators appears to be that there should be no change at all.



McGuire, a senator representing South Anchorage, has not been charged or even accused of any wrongdoing in the ongoing public corruption probe by the FBI and the U.S. Department of Justice; therefore, her colleagues say there will be no guilt by association.

Sen. Bill Wielechowski said he has no problem with Anderson's conviction yesterday on seven felony counts including bribery and extortion. (Kris Riley/KTUU-TV)

Sen. Bill Wielechowski said he has no problem with Anderson's conviction yesterday on seven felony counts including bribery and extortion.

"It certainly is a tragedy, and it's a tragedy that it took the FBI to come in and clean house here in Alaska. But, I think it's a good thing. I think it's like a hurricane blowing through and it clears out the dead and diseased wood," said Wielechowski, D-Anchorage.



But, Wielechowski said he stands behind McGuire, as a fellow member of the bipartisan majority working group in the Senate.

Rep. Berta Gardner, an Anchorage Democrat, acknowledged that there were no allegations made directly against McGuire during the trial. (Kris Riley/KTUU-TV)

"I just don't think that it's fair to hold that against her: the actions of one family member who did something very wrong. To hold that against another family member that knows nothing about it -- I think most people would agree that's not a fair thing to do," Wielechowski said.

Other lawmakers agree.



Rep. Berta Gardner, an Anchorage Democrat, acknowledged that there were no allegations made directly against McGuire during the trial.

"And as I understand it, in the trial there was testimony that her husband hid the source of money that he was getting. So I don't know that there should be any change for her, legislatively, in the immediate future," she said.

McGuire said her constituents and other Alaskans can expect to see the same performance from her that they've come to expect. (Jason Kohler/KTUU-TV)

Sen. Gary Stevens said McGuire is valuable to the Legislature.

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McGuire said she has the support of family and friends, which is helping her deal with the recent events. (Jason Kohler/KTUU-TV)

"It's very sad to see what has happened with Tom's case and everyone is concerned and shocked about it. But, as far as Lesil McGuire is concerned in her leadership in the Senate, she's well-respected. She plays an important role in the Senate organization," said Stevens, R-Kodiak.

McGuire herself said her constituents and other Alaskans can rely on the same performance from her that they've come to expect.

"Your constituents get a rare opportunity, sometimes, to watch you in times of adversity and how you conduct yourself. I feel like it has been with strength and my nose to the grindstone and continuing to work hard, if anything, maybe some days more

impassioned and more strengthened on issues," she said.

Anderson could be headed to prison, but McGuire is still Juneau-bound.

Sen. Johnny Ellis said that while McGuire will no doubt be mindful the public eye is on her, he hopes all legislators will have a heightened awareness of their responsibilities.

McGuire said she has the support of family and friends, which is helping her deal with the recent events. Sen. Bettye Davis recalled being urged not to run for re-election in 2004, just after her husband died. Davis said she's glad she did and she thinks McGuire can persevere in this situation.

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### Witnesses say FBI was too pushy

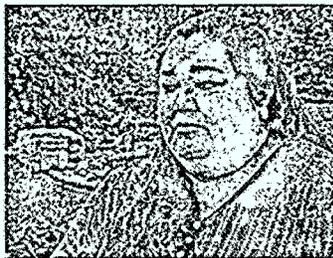


by Bill McAllister  
Wednesday, July 11, 2007

ANCHORAGE, Alaska -- When former legislator Tom Anderson was found guilty of public corruption charges Monday, the news was that the FBI had got their man.

Several people said they feel they were mistreated by the FBI during and after the trial of former Rep. Tom Anderson. (KTUU-TV)

But now it's coming to light that other people feel they were put on the spot by the federal agency during and after Anderson's trial.



No one's saying any legal boundaries were crossed, but the witnesses have questions, and in some cases complaints, about the relentlessness of agents who reportedly would not take no for an answer.

Bernadette Bradley, owner of the Bradley House Restaurant and Bar in South Anchorage, testified Thursday morning for the defense in the Anderson trial. (Rich Jordan/KTUU-TV)

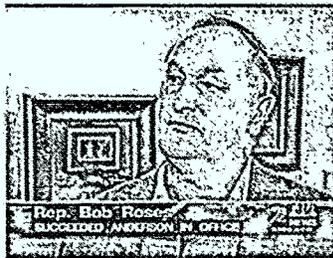
Bernadette Bradley, owner of the Bradley House Restaurant and Bar in South Anchorage, testified Thursday morning for the defense in the Anderson trial.



As the president of the hospitality trade association known as Anchorage CHARR, Bradley said in 2005 then-state Rep. Anderson, despite having been paid consulting fees by the organization, nevertheless voted against CHARR's position on several major issues before the Legislature.

Bradley House Day Manager Amy Dewitt said FBI agents flashed their badges in the restaurant. (Rich Jordan/KTUU-TV)

That testimony was intended to counter the charges that Anderson accepted bribes to take certain positions on corrections industry-related issues.



Within a couple of hours after her testimony, the FBI was desperate to find her. Bradley said she mistakenly left her cell phone at the U.S. district courthouse, and did not get four messages from the FBI until mid-afternoon.

Rep. Bob Roses said he was repeatedly questioned by the FBI. (Rich Jordan/KTUU-TV)

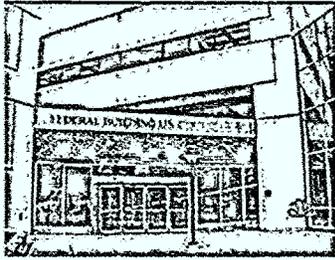
Unbeknownst to her, in the meantime agents first called the Bradley House, talked to day manager Amy Dewitt and then showed up at the height of the lunch hour.

"Urgency. They wanted to speak to her immediately, and so I just did what I could to take care of that," Dewitt said. "They pulled me away from the customers during business hours and come to find out it wasn't even having anything to do with this business at all."

Dewitt said the agents flashed their badges in the restaurant, attracting the attention of all the customers.

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Bradley said the disruption upset her.



No one from the FBI would comment on-camera for this story, and FBI Spokesperson Eric Gonzalez said there's really not much to respond to. (Rich Jordan/KTUU-TV)

"I guess what angered me is: I just testified as a witness, should have been done at that. With them coming in here to my place of business, flashing their badges, questioning my employees -- they have no idea what's going with me. It's tarnishing my reputation. I have to explain to everybody why they were here and I just thought it was wrong," Bradley said.

Rep. Bob Roses succeeded Anderson in the state House as the representative from Muldoon. He said he thought it was strange when an FBI agent called him in the late evening on July 4 to ask him how he planned to testify the following morning.

Federal agents called him down to FBI headquarters Monday, just a couple of hours after the verdict, to ask him follow-up questions about his testimony that many conflicts of interest exist in the Legislature.

Roses said he's not easily intimidated.

"I think any time you're asked to come to a building and you've got a couple of police officers or agents or whatever in the room ... presents some kind of intimidation to people," Roses said. "You don't know what they're going to talk about, or whether they're out on some fishing expedition for you or somebody else."

Roses said after he answered "yes" or "no" questions, they would be asked again.

Bradley said she doubts the FBI has any misgivings about the actions of its agents.

"I don't think they would feel that they need to apologize. They probably feel that's their job ... to get what they want," Bradley said.

The FBI got what it wanted in the Anderson case, but some witnesses got more than they bargained for.

No one from the FBI would comment on-camera for this story, and FBI Spokesperson Eric Gonzalez said there's really not much to respond to.

He said the FBI tried to serve a subpoena on Anchorage CHARR Thursday, but discovered the office was closed. They then tried to find board members, starting with Bradley, the president.

They were looking for documents concerning consulting fees paid to Anderson. As it turns out, the defense rested, making the issue moot.

Dewitt said every time she said anything, the agents rephrased it and asked her if that's what she said, which she says it never was.

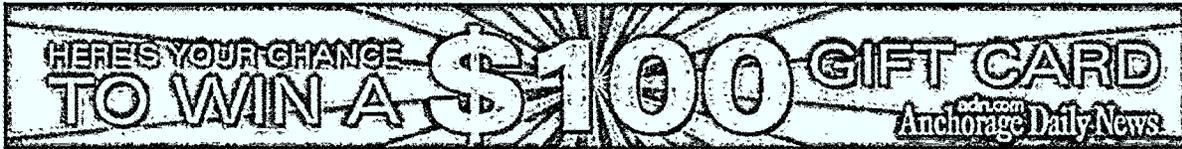
Gonzalez said asking questions in different ways is a technique for spurring memories, one that he said reporters often use.

Contact Bill McAllister at [bmcallister@ktuu.com](mailto:bmcallister@ktuu.com)



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FBI - Stevens-758



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Thanks!

Posted: July 6, 2007 ~ 5:26 pm



From Mat-Su editor Joe Ditzler, in Wasilla:

Southbound Glenn Highway commuters out of the Valley were treated Thursday and Friday to a hand wave and a big old "thank you" from Vic Kohring, federal defendant and soon-to-be former state legislator.

Kohring stood for several hours during the morning commute in about the same spot near the Eklutna exit that he occupies during his legislative election campaigns. With him is the familiar campaign sign, "Vic Kohring, Hardworking, Conservative" but appended now with: "Thank You, Wasilla." This morning he said he'd be standing roadside once more on Saturday.

The occasional horn sounded as passing traffic thinned in the waning hour of the morning commute. Kohring said he's heard plenty of supportive messages from friends and constituents and just wanted to show his appreciation.

Kohring admitted the prospect of a 55-year prison term is scary. For his own sake he doesn't fear prison, if convicted of federal extortion and bribery charges. But, he said, he must fight those charges for his family's sake. Kohring said he handles finances for his father, for one, who has Alzheimer's disease. He's not working for the time being, rather focusing on his upcoming trial, scheduled for October.

On June 19, Kohring announced he would step down in 30 days.

He said, as he has repeatedly, that he's innocent and expects to be acquitted.

A federal grand jury indicted Kohring based on evidence he accepted thousands of dollars from Veco executives, sometimes even pocket money, in return for looking out for the company's interests in the Legislature. His indictment has soured Kohring's on some facets of

Alaska Politics

State, local and beyond

Alaska has a new governor, a new legislature and a powerful congressional delegation. Come here for the latest news and tidbits from the transition, from Juneau and elsewhere by Daily News political reporters. We want to hear from you, too. So sound off and interact with other readers and the reporters in the "comments" section.

Kyle Hopkins covered the 2006 campaign for governor and is covering the Palin administration's transition. Before joining the Daily News in 2005, he was a writer for the Anchorage Press and the Fairbanks Daily News-Miner. E-mail him at khopkins@adn.com.



The Trail 2006 campaign blog

Sabra Ayres covers Alaska state politics and the legislature from our capital bureau in Juneau. Before joining the Daily News in December 2006, Sabra covered the former Soviet Union as a Moscow correspondent for the Cox Newspapers. Email her at sayres@adn.com.



ARCHIVE

- Stevens' office responds to Roll Call story - 7/10/2007 5:12 pm
Fields of green - 7/10/2007 4:59 pm
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Roll Call on Stevens - 7/10/2007 1:44 pm

FBI - Stevens-759

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government. Some in the justice system, he said, target politicians for prosecution as a means of scoring political points and popular support. The 12-year legislator from Wasilla will run again once he's exonerated, he said.

[add new comment](#)

**Where is that**  
water-throwing guy from Soldotna when you need him?

(and what was his name again?)

new siddynch | July 10, 2007 - 11:50pm

[reply »](#)

**Jeff Webster?**  
Webster guilty on 3 charges, jurors decide

new AK\_Lady | July 11, 2007 - 1:19pm

[reply »](#)

**Going, going...not yet gone**  
I think they got the captions mixed up

new BravoSierra | July 10, 2007 - 4:49pm

[reply »](#)

**Wow, why did you let this happen Victor?**  
...Tom is guilty and you are next... then Pete and then Bruce... You know your best bet is to go make a deal with the federalis..they caught you with your hand in the cookie jar this time... All that mumbo-jumbo about you being innocent and other such nonsense...well... POPPYCOCKI... sorry Vic.. I agree with some on here now... you gotta fry...

haroldb\_99501 | July 9, 2007 - 3:41pm

[reply »](#)

**Already seems to be running for re-election**  
Just remember...If Marlon Berry; the Mayor of D.C in 1990 can get arrested for smoking crack cocaine on camera, go to jail, return and get re-elected...anybody can get re-elected. Isn't that sad.

moistorm | July 9, 2007 - 10:24am

[reply »](#)

**Sad but not surprising.**

When the majority of the electorate participates regularly in the vice for which the mayor got nabbed is it any wonder that he gets the majority of the votes?

rfa | July 9, 2007 - 11:30am

[reply »](#)

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Thanks! - 7/6/2007 5:26 pm

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~~"Inconsistencies" - 7/2/2007 4:14 pm~~

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Backbone II: Electric Boogaloo - 7/2/2007 1:41 pm

~~Universal health care - 7/2/2007 12:24 pm~~

Whose job was it ... - 7/2/2007 10:13 am

Third soldier - 7/2/2007 6:26 am

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FBI - Stevens-760

Review Republican Party Platform

»

Application Submittal Options  
 District 14 Chair, Steve Colligan by email to [stevecolligan@gmail.com](mailto:stevecolligan@gmail.com)  
 By Fax to the Alaska Republican Party Headquarters: 907.276.0425  
 In Person to the Alaska Republican Party Headquarters, 1001 W. Fireweed  
 Lane, Anchorage, AK 99503

twentythreeskidoo | July 8, 2007 - 10:37pm

reply »

Frontiersman article

Hopefuls stepping up to fill House vacancy

July 8, 2007

By Will Elliott

AK\_Lady | July 8, 2007 - 10:42pm

reply »

Here's A Conversation Worth Pursuing....

...what is a "Conservative"--especially in Alaska. There are Democrats who are fiscally responsible, with strong traditional family values, and who believe in the Golden Rule. Berta Gardner comes to mind immediately and there are many others. Yet, talk to the average Vic Kohring constituent and they would reject an ethical progressive in favor of someone like Vic.

I mean, after Scott Ogan and Vic, I have to wonder how often are the "Fishers of Men" going to settle for carp?

What is a conservative?

metanola2k | July 8, 2007 - 4:15pm

reply »

sorry Vick

but you need to fry, if not for this, then at least for Alding and abetting the Alaska Court System, Agents of the State, and the Ag's Office in hiding one of the most unconstitutional acts ever forced upon man. Yes Vick, I am talking about your little Private contracts of law, that have not been disclosed to the public for which, all of you are getting fringes for shoving down our throats, of course this wont happen, YET, but there will be a lot of agencies and entities running when it does break open to where the public finally learns what you all have been hiding so well.

nickolas | July 8, 2007 - 2:10pm

reply »

Joe Ditzler is a Ditz

In the first two paragraphs he spells Vic's last name wrong. It is NOT KORHING. I oughta know, it's my last name too. And I thought only the fake Billy Muldoon made that stupid mistake.

Sorry for the interruption of your witty repartees, polite banter and good old-fashioned snark-festing.

This has been a polliwog's pond pet peeve moment.

polliwogspond | July 8, 2007 - 1:19pm

reply »

FBI - Stevens-761

Kohring, and the video evidence

After reading some of the inane comments posted here- maybe by Vic himself, I gathered up some of the information that came from the video recordings that were part of the information received by the grand jury that indicted Kohring.

Note that "COMPANY CEO", and "COMPANY.VP", are VECO's Allen and Smith- who have pleaded guilty in this case.

One blogger, Realist, hit the nail on the head when he posted: "But. . . Is he claiming per diem for the time spent on this stunt?"

And anyway, didn't he say he needed to devote himself full-time to his defense? Just weird."

The evidence presented thus far, under oath, makes it clear that Kohring is a crook, and that he sold out Alaskans with the PPT legislation- legislation that has already cost each Alaskan thousands of dollars.

But do not take my word for it, read the following excerpts form the transcripts:

23. On or about February 23, 2006, during a dinner meeting attended by COMPANY CEO, COMPANY VP, and KOHRING, KOHRING received approximately \$1,000 in cash from COMPANY CEO.

24. On or about March 1, 2006, in a telephone conversation a week after having accepted \$1,000 in cash from COMPANY CEO, KOHRING asked COMPANY VP to contact KOHRING if he could provide assistance on any legislative matter or implement any strategy on behalf of COMPANY A.

25. On or about March 4, 2006, while discussing in Suite 604 the importance of the proposed gas pipeline legislation, COMPANY CEO told COMPANY VP that he had just given "a thousand" to KOHRING and that, as a result of the payment, KOHRING "would kiss our ass."

35. On or about March 30, 2006- during the same conversation in Suite 604 and shortly after KOHRING had asked COMPANY CEO and COMPANY VP for the \$17,000 loan- KOHRING began to discuss his family and his financial condition. COMPANY CEO then asked COMPANY VP if he had any "hundreds." COMPANY VP retrieved his wallet from a pants pocket, pulled out multiple bills of currency, and then handed at least \$100 in cash to COMPANY CEO who, in turn, passed the money to KOHRING.

36. On or about March 30, 2006, during the same conversation in Suite 604, KOHRING took the cash the COMPANY CEO handed him, thanked CEO, and shook CEO's hand.

37. On or about March 30, 2006, during the same conversation in Suite 604 and after receiving the prior cash payment described above, KOHRING again mentioned his family and his financial condition. Immediately thereafter, KOHRING accepted a second handful of cash, totalling approximately \$500 to \$1,000, from COMPANY CEO, who had handed the cash to KOHRING.

38. On or about March 30, 2006, during the same conversation in Suite 604, KOHRING took the second handful of cash from COMPANY CEO, thanked COMPANY CEO again, and shook his hand.

39. On or about March 30, 2006, during the same conversation in Suite 604, KOHRING, immediately after receiving the cash payments from COMPANY CEO and COMPANY VP, made the following statements to COMPANY CEO:

KOHRING: What can I do at this point to help you guys? Anything?

COMPANY CEO: Whatever you, you know, uh, uh-

KOHRING: Just keep lobbying my colleagues for (Murkowski's) plan, right?

40. On or about March 30, 2006, during the same conversation in Suite 604 after receiving the two cash payments described above, KOHRING discussed with COMPANY CEO AND COMPANY VP his relationship with a number of legislators and told COMPANY CEO that "my first effort will be to figure out where they are at and then, secondly, I'll politely and gently as carefully as I can influence them in a positive way to see that (Murkowski's) bill is the vehicle they consider."

Stumpy1 | July 8, 2007 - 1:18pm

reply »

---

Vic, Vic, Vic...

we've been through all this before: you're guilty, remember? Stumpy1 has nicely summarized the evidence against you (see above). Might be a little tough to clear your name after all this, don't'cha think? Vic, do you honestly believe they're making this stuff up? Huh, do you? Here's what you need to do, Vic: give Tom Anderson a call, ask him how he's feeling right now. Go on: I know, it's a long distance call from Oregon, but it'll probably be worth the expense. FBI - Stevens-762

Once you talk to Tommie, fly back up here to Alaska, get yourself an appointment with the prosecutors, and lobby as hard as you possibly can (even harder than the lobbying you did for VECO) for a deal that will shorten the jail time. Go on, Vic, just do it; you can then tell the public (and especially all those "supporters" you have there in District 14) that you're copping a plea "for your family." There you go; good job, Vic, you can do it. No, really, there's no need to thank me.

new g8ld | July 9, 2007 - 8:33pm

reply »

**Vic**

I wonder what he knows about that no-bid contract for Pac-West -a company based in Oregon.

Stags\_Leap | July 8, 2007 - 7:38am

reply »

**Hahaha! I must need new glasses!**

I swear the last line in the column read "The 12 year old legislator from Wasilla will run again. . ." Of course, it could be a Freudian slip.

alaskadiva | July 7, 2007 - 4:24pm

reply »

**Something Stinks and I think its the F.B.I.**

....the way the Anderson trial went... this is setting up as a "Alaska tars and feathers the F.B.I." Show... It didn't read or sound very good for the federal boys in the Anderson Trial... Something stinks with the Vic's Charges... and I think its not Vic...

Good Luck Vic K... Fight hard and hand these Federal Boys their lunch on their way back to Washington DC!

haroldb\_99501 | July 7, 2007 - 7:26am

reply »

**I'm not sure what the**

I'm not sure what the Federalis will have in store for Vic, but they seem to have a prosecutor who is on his toes.

Luck is only going to help him with avoiding the upper end of the sentencing range.

It seems the entrapment will be missing from Vic's deal. They were looking at VEEO and PPT from get-go not staging sting op's.

DOJ will likely get their convictions, and Vic will have to go somewhere for a while.

Who will the Anderson tapes incriminate is my question.

edgefinder | July 7, 2007 - 9:12pm

reply »

**If Anderson is Acquitted ...**

well.. you are going to tell me that you are supporting a conviction based on a CEO handing over a one hundred bucks to a friend?

...pretty tall order... the fact of the matter is Vic's position on the PPT was well known before hand.. He has ALWAYS been a Small government Pro Business Legislator...

...becasue he had a conversation with a crooked CEO doesn't make a person a felon...

--we'll see... I predict.. Aquittal... I also see Vic running again and WINNING in the future... you'll see..Personally I don't like the guy... BUT... if he was running for something... well ... Mother Teresa would have to be running against him to lose my support... then only on a Sunday,,, Vic will walk...

haroldb\_99501 | July 7, 2007 - 10:32pm

reply »

**But then maybe you're**

But then maybe you're absolutely right, It's all just some Internet rumour- urban legend that the DOJ decided to send 8 & 70 Agents.

They had to. DOJ had to go to Alaska.

FBI - Stevens-763

I think Vic's main concern is to *not* get 55 years. 150 months is what he needs to be thinking. If he behaves himself, well...it's a slap on the wrist.

edgefinder | July 7, 2007 - 10:49pm

reply »

I wish I had "friends" dropping by  
I wish I had "friends" dropping by giving me \$100 or \$10,000 every once in a while.

But that might not be good if you were a legislator, and being watched by the FBI.

edgefinder | July 7, 2007 - 10:40pm

reply »

**"Beyond a Reasonable Doubt"**

...pretty tough to get for a hundred bucks... It isn't going to happen...

haroldb\_99501 | July 8, 2007 - 12:17am

reply »

**Those DOJ guys don't mess**

Those DOJ guys don't mess around for the most part.

I would guess you are some long standing acquaintance of the guy, and hate to see him in the pokey for 55 years. It probably won't be that bad.

I'm not sure how "reasonably doubtful" the video tape will be. The VECOnvicts testimony will not help him.

Funny how they call it "Frank's" plan. I bet he gets a break to roll over and gets slightly over minimum sentence for doing so.

edgefinder | July 8, 2007 - 11:32pm

reply »

**Who Painted the sign for**

Who Painted the sign for him?

It's kind of quaint.

edgefinder | July 6, 2007 - 9:00pm

reply »

**Maybe**

He stole that anti-Vic sign and repainted it.

TheSdog | July 6, 2007 - 9:01pm

reply »

**Whoosh 55 years..I try your**

Whoosh 55 years..

FBI - Stevens-764

I try your link instructions and I still can't get the link to appear on the words

href="http://www.ca9.uscourts.gov/ca9/Documents.nsf/174376a6245fda788OpenDocument"NINTH CIRCUIT JUDGES.

edgefinder | July 6, 2007 - 10:02pm

reply »

**Here ya go...**

NINTH CIRCUIT JUDGES

Here's a link to a page that shows the HTML code typed out. Just

copy it, delete their example (in red) and insert yours.

AK\_Lady | July 6, 2007 - 11:18pm

reply »

**Vic's legal strategy?**

Hmmm, so is Vic really standing out there waving and smiling to try and influence the pool of jurors in his upcoming trial?

See- I am not a crook- look- I am waving and smiling- see what a nice guy I am?

Stumpy1 | July 6, 2007 - 8:43pm

reply »

**Billboard Queen**

Needs to get the billboard initiative back up for the upcoming "We Aren't Corrupt" ad campaign.

edgefinder | July 6, 2007 - 10:29pm

reply »

**Stumps**

You always whine about how I don't "know" Sarah.

Do you know Vic?

I met him a couple of times. He seemed like a good guy to me. I would never let that be my guide on what I think of his actions. --

I met Bruce Babbit once for breakfast 6 months after he ran for President. Great guy. Smart Guy. But I'd never vote for him.

So do you know Vic?

Get my point?

TheSdog | July 6, 2007 - 8:51pm

reply »

**Babbit and Vic**

I've talked with both Bruce and Vic.

If the FBI video recordings of Vic getting cash in a hotel room from the convicted Bill Allen are any indication, it looks like you've misjudged him.

Stumpy1 | July 6, 2007 - 9:51pm

reply »

**Not necessarily**

Good people can make bad decisions. Ever make some bad decisions stumps?

That is why it is irrelevant to me if you think Palin is a "good person." Good people can make the wrong decisions as well as the bad ones.

They can also be misguided although the most intelligent thing Babbit said to me was, "The Reagan revolution was a myth." Chew on that a while. I gotta get up to go slaughter fish tomorrow.

TheSdog | July 6, 2007 - 10:08pm

reply »

**He should get an iPod and dance -**

Like that other guy who gets so much attention....the essential truth here is that corruption isn't really a negative in the oil and Baptist culture of the deep south. It's just the way things get done. That culture was transported to the Valley with the oil boom. Big hair, big trucks, big Jesus. Once again, us Yankees are imposing our moralistic values on simple rural people who just want to get on with their lives.

FBI - Stevens-765

zidar | July 8, 2007 - 8:00pm

reply »

**Dance? Too hard to hit with a tranq dart that way . . .**

Heck, you don't want me to miss and hit him in the vitals do ya? I'm outta practice. And quit dissing us Dixie Chix. Some of us moved up here to escape Cracker Crumbs. The little weasles followed me up here back in the '70's. Most Yankees are just Crackers in disguise anyway. Scratch 'em and most are just covering up their bigotry with stage make-up.

Hey, I may sound simple, but, I was born and raised in a city the size of Los Angeles. Paid for 2 college degrees. Some of us live in rural areas because we're trying to get away from folks who want to choose the colors we can paint our homes with, make us leash the dogs when we're out in the middle of bloody nowhere, and . . .well. . .you get the idea: I hope.

alaskadiva | July 7, 2007 - 4:37pm

reply »

**just keep that dog on a leash**  
And don't forget the sandwich bags.

zidar | July 7, 2007 - 6:56pm

reply »

**Please!!!**

Please, oh please, oh pretty please!

Don't tell me you confused Anchorage, Wasilla, or Palmer with Alaska!

r/n | July 7, 2007 - 4:57pm

reply »

**Wrong title on this BLOG**

It should have been the one with: 'Going, Going,....not yet Gone',

palmerbuyer | July 6, 2007 - 5:07pm

reply »

**Well..**

At least he's not off hiding somewhere.

AK\_Lady | July 6, 2007 - 5:25pm

reply »

**But. . .**

Is he claiming per diem for the time spent on this stunt?  
And anyway, didn't he say he needed to devote himself full-time to his defense?  
Just weird.

realist | July 7, 2007 - 5:48pm

reply »

**I could have sworn**  
It was surgery on his neck.

He needs a prop, like a cane or a neck brace.

twentythreeskidoo | July 8, 2007 - 6:29am

reply »

FBI - Stevens-766

**I don't know, but...**

... the article said he'd be out there again today. Did you go ask him?

AK\_Lady | July 7, 2007 - 6:17pm

reply »

---

**Like the guy**  
who kept bees in an airtight jar on his desk....  
It's just a hobby.....  
rn | July 7, 2007 - 6:08pm  
reply »

---

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FBI - Stevens-767

## After 2-month delay, Stevens releases report on personal finances

Associated Press  
KTVA

Article Last Updated:07/17/2007 06:40:21 PM AKDT

Senator Ted Stevens has filed the annual report on his personal finances with the Senate Ethics Committee. He filed Tuesday after receiving a two-month extension to fix what he called a few simple technical errors. The delay was not unusual for members of Congress, but with his son under investigation by the FBI for corruption, Stevens says he wants to make sure his report, is unassailable.

The mandatory reports, filed by members of Congress each year, detail income, assets and gifts from the previous year. The 83-year-old senator says nothing in the mandatory disclosure report has anything to do with the investigation.

A copy of the report provided by Stevens' office to The Associated Press shows his assets are worth between one million and two million dollars with about half in a blind trust.

Individual assets include oil well interests in Oklahoma and rental housing in Wickenburg, Arizona. Local holdings include commercial property and a share in Sack's Restaurant, a downtown eatery.

The senator's disclosure report also included a retroactive list of gifts he received from the Kenai River Sportfishing Association. The group works to protect salmon runs on the Kenai River and was founded by Stevens' friend and business partner Bob Penney.

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FBI - Stevens-768

<<Back



## Palin nominates Keller for Valley seat

by Bill McAllister  
Monday, July 17, 2007

ANCHORAGE, Alaska -- The Wasilla area could have a new representative soon.

Gov. Sarah Palin has made her selection of a replacement for Vic Kohring, whose resignation is effective Thursday. House Republicans will soon have the choice of confirming someone well known to them.

From the short list of three candidates forwarded to her by Wasilla-area Republicans Friday night, Palin selected Wes Keller, a legislative aide for the past nine years.

Initial reaction from House Republicans was favorable, and the leadership hopes to hold a confirmation vote on Keller no later than next week.

Keller was one of seven candidates for the soon-to-be vacant House seat in Wasilla who made a pitch to local Republicans Friday night.

"There's a lot of pressure in Juneau to do business as usual. And that business as usual has translated historically into more spending, bigger government, less personal freedom and that's why I'm passionate about this and I want to get in. It's an important thing," Keller said in his speech Friday night.

A selection committee picked Keller as one of three finalists, and today Palin appointed him to the District 14 seat, subject to confirmation by House Republicans.

"The candidate's vast experience throughout the state bodes well for our shared vision of all regions working together for Alaska's good," Palin said. "From experience as a former school teacher, business owner, building contractor, oil field hand, United States' Air Force training put to good use as a pilot in our beloved Alaska National Guard and as chief of staff for a respected legislator, this Alaskan is ready to hit the ground running."

Keller, chief of staff to Sen. Fred Dyson of Eagle River, is well-known to House Republicans such as Nancy Dahlstrom.

"He's been fantastic to work with, very easy person. He's a listener and I know him to be a man of reason," said Dahlstrom, R-Eagle River.

Bill Stoltze said he thought Keller would make a positive impact in the body.

"He's intelligent, unquestionable integrity. I think he'll exercise good judgment. I'm glad he's part of the new Valley delegation," said Stoltze, R-Chugiak.

House Majority Leader Ralph Samuels said Keller's experience gives him an advantage.

"He knows the process. Coming in mid-term, it would be difficult if you weren't familiar with the legislative process at all," said Samuels, R-Anchorage.

Keller signaled Friday that he would get to work even before the confirmation vote.

FBI - Stevens-769

"As soon as Gov. Palin says, 'You're appointed,' I'll go to work. It doesn't mean I'll get paid, but I can go to work and so I'm ready to go," Keller said.

There's one formality to go, but Wasilla-area constituents can start saying Rep. Keller right away. Keller was traveling today and was not available for comment on his appointment.

Samuels said he's hopeful the caucus can meet with Keller and take its vote within a week. House Speaker John Harris said if necessary, the vote could be done by phone.

Last week we reported that Rep. Les Gara, D-Anchorage, wrote to Palin asking that she get a commitment from her appointee not to reflexively follow a party line in Juneau.

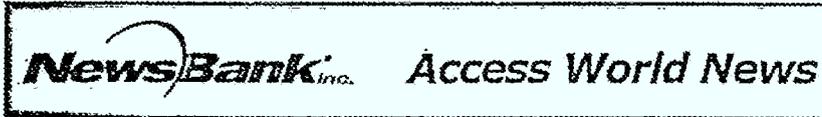
Palin said she discussed the concern and Gara's letter specifically with Keller. She said they're agreed on the need for him to be an independent voice at the capitol.

Contact Bill McAllister at [bmcallister@ktuu.com](mailto:bmcallister@ktuu.com)



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FBI - Stevens-770



Paper: Anchorage Daily News (AK)  
Title: Stevens: My money, not Veco's -  
REMODEL: Senator is emphatic that filing extensions are unrelated.  
Date: July 18, 2007

The money spent on renovations that doubled the size of U.S. Sen. Ted Stevens' Girdwood home and led to a federal grand jury investigation came out of his own pocket, the Alaska Republican told reporters Tuesday.

"As a practical matter, I will tell you. We paid every bill that was given to us," Stevens said, referring to himself and his wife, Catherine. "Every bill that was sent to us has been paid, personally, with our own money, and that's all there is to it. It's our own money."

A federal grand jury is investigating the renovations in 2000, including work that might have been performed by oil services company Veco and contractors who were hired or supervised by the company. The company's former executive, Bill Allen, has pleaded guilty to bribing state legislators.

In May, a family friend who oversaw the addition, Bob Persons, was asked by a Washington grand jury to produce blueprints and other plans, photos and purchase and installation documents for all phases of the project, including the heating system, generators, ice-melt systems and decorative lights. His summons also told him to bring invoices, payments and other documents related to several Veco employees and to the main contractor.

Stevens said Tuesday that he has been told not to talk about the grand jury investigation. But he couldn't stop himself during a press conference he called to explain why he had been granted two extensions to clear up irregularities in his annual financial disclosure form.

Stevens said he wanted to be clear that the delays in filing his financial information to the Senate Ethics Committee had nothing to do with the ongoing grand jury investigation. He was so emphatic about separating the two issues that he interrupted a reporter who asked him why he hadn't explained it the first time he filed for an extension.

"There is nothing in this disclosure that is in any way connected with the investigation," Stevens said. "Nothing that I know of."

Stevens said that he requested the first extension to clear up confusion about how to disclose his wife's 401(k) retirement investments. The Senate Ethics Committee has had questions about her finances in past disclosures, Stevens said, and he wanted to make sure the form was filled out properly this time. He described it as "putting certain X's in the right box."

"We took some extra time to make sure that it complied with the ethics rules of the Senate," Stevens said. "There were a few technical clarifications that the ethics committee wanted to make."

Stevens said he did not specifically ask for the second extension but that the ethics committee wasn't able to review everything in his report until 5:30 p.m. Friday, so they gave him another extension. He filed a final version on Tuesday.

"I asked them to review it to make sure we had done the thing right this time," Stevens said. "We asked them to review it, and they did review it."

Stevens and other members of Congress had until May 15 to turn in the form, which covers information about their 2006 personal finances, including investments, property ownership and gifts.

Stevens' report details the senator's wide financial interests, including an oil well in Oklahoma that he has owned since the 1970s, an investment in Sacks Restaurant in downtown Anchorage and shares in two racehorse partnerships.

The disclosure form lists that his wife has invested in a rental house in Arizona as well as commercial property in Anchorage. He reported giving his daughter his interest in half a herd of cattle in Arizona.

Interest in Stevens' finances has grown since the FBI raided the office of his son, former Alaska Senate President Ben Stevens, as part of a wider corruption and bribery probe. The younger Stevens has not been charged with a crime and has denied any wrongdoing.

The older Stevens, the longest serving U.S. Senate Republican, has hired lawyers and has been asked by the FBI to preserve documents. Some of his friends and associates have been questioned before the grand jury, specifically about the remodeling project.

Contact Erika Bolstad at the Washington, D.C., office at 1-202-383-6104.

FBI - Stevens-771

DOCUMENT: Sen. Stevens' financial disclosure.

adn.com/politics

Photo 1: BurnedCar\_071807.jpg

Photo 2: BurnedCarCouple\_071807.jpg

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Author: ERIKA BOLSTAD ebolstad@adn.com Staff

Section: Main

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Dateline: WASHINGTON

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FBI - Stevens-772


**Access World News**

Paper: Anchorage Daily News (AK)

Title: Weyhrauch wants trial relocated to Juneau -

**CORRUPTION SCANDAL: Defendant's family, business and many witnesses are there.**

Date: July 18, 2007

Citing convenience and a chance to avoid delay and expense, former state Rep. Bruce Weyhrauch wants a federal judge to move his trial from Anchorage to Juneau, where he and co-defendant Pete Kott live.

Prosecutors haven't yet said if they object to a move. The trial is set to begin Sept. 5.

Both Weyhrauch and Kott are Republicans accused of selling their votes and influence to oil field services contractor Veco Corp. and its chief executive during last year's debate on oil taxes.

Weyhrauch is charged with bribery, attempted extortion, conspiracy and mail fraud. Kott faces bribery, extortion, conspiracy and wire fraud charges.

Weyhrauch, a Juneau attorney with a wife and three young children, served in the House from 2003 until his term ended this year. He didn't run in 2006.

Kott, a former House speaker, represented Eagle River in the Legislature from 1993 until this year. He was defeated in last year's primary election. He now lives full time in the capital city.

One of Weyhrauch's attorneys, Doug Pope, argued in court filings that since both defendants live in Juneau, and most of the alleged crimes happened in Juneau, the trial should take place there too.

Some of the conversations at issue took place in Suite 604 of Juneau's Baranof Hotel, Pope noted.

Most of the evidence is contained on computer disks and hard drives and is easily moved, the lawyer noted.

Many of the witnesses also live in Juneau, Pope wrote, offering to provide the judge a detailed list. Exceptions include FBI agents and former Veco executives Bill Allen and Rick Smith, whom Pope described as convicted criminals. Allen and Smith have pleaded guilty to conspiracy, bribery and tax fraud and are cooperating with prosecutors.

It would be disruptive for Weyhrauch to leave his family and law practice for the trial, Pope wrote.

"It does not take a social scientist to acknowledge that Weyhrauch will have weighty family obligations during trial, and it is no answer to suggest that the family can move to Anchorage," the lawyer wrote.

Another factor is pretrial publicity.

While Pope wrote that he's not now trying to move the trial on grounds of prejudicial pretrial publicity, he contends there's less chance it would have to be delayed later because of additional publicity if it were moved.

The FBI's corruption investigation has received more coverage in the Anchorage Daily News than the Juneau Empire, which has mentioned Weyhrauch only once recently, Pope wrote.

A July 2 Daily News opinion piece headlined "For sale, cheap" was "particularly poisonous," he wrote. In it, Kott was called "Veco's boy" and Weyhrauch's performance was compared to that of a "rank amateur."

Find Lisa Demer online at [adn.com/contact/lidemer](http://adn.com/contact/lidemer) or call 257-4390.

Caption:

Former state Rep. Bruce Weyhrauch is charged with bribery, attempted extortion, conspiracy and mail fraud.

Caption:

Photo 1: Bruce Weyhrauch CMYK\_071807.jpg

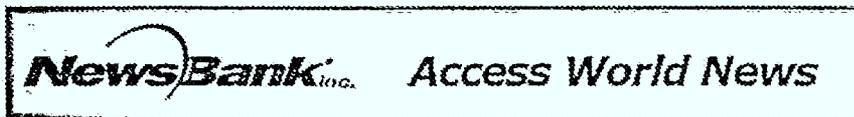
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FBI - Stevens-773

Author: LISA DEMER [lidemer@adn.com](mailto:lidemer@adn.com) Staff  
Section: Alaska

Page: B1  
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FBI - Stevens-774



Paper: Anchorage Daily News (AK)
Title: Kohring's replacement named -
WES KELLER: Gov. Palin chooses legislative staffer for indicted lawmaker's seat.
Mat-Su focus
Date: July 18, 2007

Wes Keller, appointed Tuesday by Gov. Sarah Palin to replace Wasilla's outgoing Rep. Vic Kohring, spent eight years working for state Sen. Fred Dyson.

Keller left Wasilla for Juneau every one of those years with a senator representing Eagle River and Chugiak.

But Palin dismissed any contention that Keller doesn't know Wasilla.

Keller has lived in the community for 20 years, his three children graduated from Palmer and Colony high schools, and he has "strong, deep roots here in the Valley," Palin said in an interview Tuesday.

The governor said she picked him only to finish out Kohring's term representing District 14, with the understanding that the position will again be a "free-for-all" to candidates vying for the seat next year.

"We talked about the need for experience and integrity, and helping to clean up the Legislature. We need some wisdom there," Palin said. "We didn't even talk about what happens a year and a half from now."

Keller's appointment still awaits the approval of a majority of House Republicans the next time the Legislature meets, at the earliest in an as-yet unscheduled special session on oil taxes this fall.

Kohring leaves the Legislature in his seventh term Thursday. He resigned following federal indictments on charges of bribery and extortion, but says he is innocent. His trial is slated for this fall.

As Palin announced her pick in Anchorage on Tuesday, Keller was out of reach, driving home from Haines in a car he left in Juneau last session.

He favors local control and "smarter state spending" and has worked as a teacher, building contractor, oil-field hand and pilot in the Alaska National Guard, according to information the governor's office supplied.

Keller most recently served as Dyson's chief of staff. His wife, Gayle, works as Dyson's office manager. She said Keller has a thing for working on cars and has five grandchildren who call him "Bumpa." He for years has lived with chronic lymphocytic leukemia. The family worships at Wasilla Bible Church.

Dyson called Keller his best friend and said he'll miss him.

Rep. Les Gara, D-Anchorage, last week asked Palin to make sure her choice could stand up to party-line pressure, particularly on oil-tax and gas-pipeline issues.

Palin said she told Keller she agreed with Gara when they spoke Monday.

"He agreed that we can't let obsessive partisanship get in the way of what's right for Alaska," she said.

Gara on Tuesday said he didn't know Keller well enough to judge his resistance to party politics, but that he is looking forward to working with him.

"Wes has always been a gentleman to me, and I think that bodes well," he said.

Keller beat out two other finalists forwarded by the Alaska Republican Party's district leadership from a total of seven candidates: former school superintendent and lobbyist Darroll Hargraves and Colleen Sullivan-Leonard, a Wasilla planning commission member who ran unsuccessfully against Kohring in 2004 and now works for Palin in her Mat-Su office.

Find Zaz Hollander online at adn.com/contact/zhollander or call 1-907-352-6711.

Caption:
Photo courtesy Gayle Keller

FBI - Stevens-775

Wes Keller has worked as a teacher, building contractor, oil-field hand and pilot in the Alaska National Guard.

Caption:

Photo 1: KenaiMatSu\_Focus.1\_071807.jpg

Photo 2: WesKeller2\_071807.jpg

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Author: ZAZ HOLLANDER [zhollander@adn.com](mailto:zhollander@adn.com) Staff

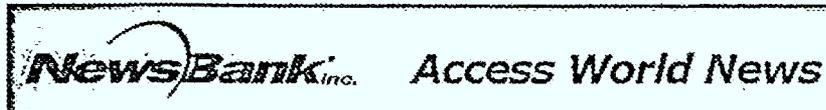
Section: Alaska

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Dateline: WASILLA

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FBI - Stevens-776



Paper: Anchorage Daily News (AK)

Title: Senator's land deal scrutinized -

MURKOWSKI: Purchase of tract along Kenai River for \$179,400 draws questions and criticism.

Date: July 19, 2007

U.S. Sen. Lisa Murkowski is drawing criticism this week over Kenai River property she bought late last year from real estate developer and political supporter Bob Penney.

The national political Web log TPMuckraker.com raised the issue Monday when it quoted government watchdogs questioning whether the senator should do business with Penney, who has also been a business partner with Sen. Ted Stevens, R-Alaska.

It also questioned whether the sale price -- initially unreported -- was below the market value.

After two days of criticism online and on talk radio, both Penney and a spokesman for Murkowski described the deal as a fair trade between people who chose to become neighbors on the river.

They said Murkowski, R-Alaska, and husband Verne Martell paid Penney the amount of the Kenai Peninsula Borough's most recent assessment on the 1.27 acres: \$179,400. Murkowski's spokesman said there was nothing improper about the sale.

This year's borough assessment, completed after the sale, is for \$214,900.

The assessed value was a fair selling price, Penney said, adding he sold the land next to his own place because he enjoys fishing with Murkowski's family and wanted them near.

"I decided, 'What the heck? I'd love to have them for neighbors,'" Penney said Wednesday at the riverside log home where he lives seven months of the year.

He pointed out Murkowski's vacant, forested lot sloping to the river's north bank just downstream on the walkway from his home. He said a winter ice jam tore up a riverbank walkway and dock, the property's only improvements.

The transaction raised suspicions at a time when four current and former Alaska state lawmakers have been charged with corruption, two businessmen pleaded guilty to bribery and other charges, and the FBI and Justice Department continue their investigation of corruption in state politics. The TPMuckraker blog quoted anonymous Soldotna-area real estate agents saying the property is worth at least \$300,000 and said both Penney and Murkowski refused to discuss the price.

Conservative KFOD 750 AM host Dan Fagan told listeners the senator appeared to be hiding a favor she received from Penney, because she was unwilling to disclose the purchase price. His show's Web site posted a photo of Penney with the caption, "Sold the property to Murkowski for far less than market value."

"Primo real estate right on the Kenai River," Fagan said on air. "There is ample evidence that she got a sweetheart deal on the thing."

Penney and members of his family contributed several thousand dollars to Murkowski's 2004 election campaign, though they also donated to her opponent, former Democratic Gov. Tony Knowles.

Efforts to reach Murkowski on Wednesday were unsuccessful, but her press secretary, Kevin Sweeney, said the land sale was fair. He said the senator's office did not immediately respond to questions about the purchase because they were posed by an unfamiliar media outlet.

Murkowski and Martell have sold their Anchorage home and are looking for another Alaska residence, Sweeney said. Last summer they began talking to Penney about finding land for a home, he said. Their official Alaska residence is a small house in Girdwood.

"They were looking for property on the Kenai. He had property on the Kenai," Sweeney said. He stressed that it wasn't an investment property, and that Murkowski and Martell intend to build a home there.

Murkowski disclosed in her annual Senate financial statement that she borrowed 80 percent of the purchase price, and Martell reported the price to the borough, Sweeney said. They did not attempt to hide the numbers, he said.

"She purchased the property in November for what she thought it was worth, and what the seller thought it was worth, and what the borough thought it was worth," Sweeney said.

FBI - Stevens-777

A Soldotna real-estate broker, Linda McLane of the Ron Moore Co., said riverfront properties typically sell for more than the borough's assessed value. She said she had not heard about Murkowski's purchase or looked at the land in question, though generally \$179,000 would be low for a Kenai River lot of that size.

McLane added that the hottest sellers tend to be below the Sterling Highway in Soldotna. Murkowski's land is above that crossing.

Martin Radvansky of Soldotna Realty told Anchorage KTUU Channel 2 that similar lots on the river have sold for between \$250,000 and \$350,000 since early last year.

Penney said he was surprised that the assessed value was as high as it was -- and that the family agreed to the price. The assessed value the year before the sale was \$120,300, and Penney said he didn't know it had changed in 2006.

"Word of honor, I did not know what the assessed value was," he said. "I thought it was still \$120,000."

The 2005 assessment was up only about \$11,000 from 2004, compared to the \$59,000 increase last year and \$36,000 this year.

"Who the hell would ever think it would jump like that?" Penney said.

Asked whether it is normal to sell real estate for its assessed value rather than using a market appraisal, Penney said, "Sometimes yes, sometimes no." Government assessments can be too high for the market, he said.

Penney that he does not understand why anyone would suggest there's an appearance of impropriety in selling land to a friend he has known since she was a child.

"I really can't understand why a U.S. senator can't buy something they want just like anybody else can," he said.

Penney is a friend and former business partner with Stevens. In 1998, Stevens invested \$15,000 with Penney and other partners to develop a subdivision outside Salt Lake City. Stevens later sold his interest in the property for \$150,000, according to press accounts at the time. In 2004, Penney told a Daily News reporter that he and his business partners invited Stevens to join them in "appreciation for all he's done for Alaska and the country. We respect him very, very much."

Last month, Penney told the Daily News that he appeared earlier this year before a federal grand jury investigating corruption charges. He wouldn't describe his testimony.

Find reporter Brandon Loomis online at [adn.com/contact/bloomis](http://adn.com/contact/bloomis) or call him at 907-260-5215.

Caption:

Murkowski

Caption:

Graphic 1: Lisa Murkowski CMYK\_071907.eps

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Author: BRANDON LOOMIS [bloomis@adn.com](mailto:bloomis@adn.com) Staff

Section: Main

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Dateline: SOLDOTNA

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FBI - Stevens-778


**Access World News**

Paper: Anchorage Daily News (AK)  
 Title: Murkowski defends price paid for parcel -  
 ETHICS: Watchdog groups say purchase constitutes an illegal gift to a politician.  
 Date: July 20, 2007

U.S. Sen. Lisa Murkowski said Thursday she believes she followed the rules when she bought Kenai River property from a friend and political supporter, but national watchdog groups said disclosure of the price raises new questions.

A former Pennsylvania prosecutor now chairing the anti-corruption National Legal and Policy Center said Murkowski's purchase from real estate developer Bob Penney for the borough's assessed value of the property constitutes an illegal gift to the senator. Ken Boehm said he is considering filing a complaint with the Senate Select Committee on Ethics and the U.S. Justice Department.

"You have two grown-ups who know what this piece of property is worth, and they picked a sales price that's not what it's worth," Boehm said.

Murkowski, a Republican and Alaska's junior senator, said Thursday that she believed she paid a fair price, \$179,400, for 1.27 acres next to Penney's riverfront home. That was the assessed value in January 2006. The sale went through on Dec. 29, and in the new year the Kenai Peninsula Borough reassessed the property at \$214,900.

"By law in the state of Alaska, the municipalities are required to base their assessment on the fair market price," Murkowski said. "That's what our statute says. What we went off of, what we utilized as our transaction price, was the price that had been set by the municipality."

The borough sets an assessed value to determine property taxes, and state law requires it to reflect the "full and true value" as of Jan. 1 each year. That value is defined as "the estimated price that the property would bring in an open market" when the buyer and seller are familiar with local price trends.

Real estate professionals on the Peninsula and beyond say sellers sometimes base property price on the assessed value, though they are not an accurate reflection of values in areas where prices are escalating rapidly. Kenai River lots have steadily increased in value, and the assessed value on the lot in question has more than quadrupled since 2001.

Little property on the world-class salmon river is available, and what has gone on the market rapidly rises in value, said Judy Cloud, a Kenai agent and president of the Alaska Association of Realtors. "If you are able to get it at assessed value, that's a wonderful thing," she said.

Cloud said such transactions happen at times, especially between friends, and if she had been in Murkowski's place she would have bought the land. She said it's unfortunate for Murkowski that she has a high profile and the deal is under scrutiny.

"If I had been offered that deal I probably would have taken it too," she said. "A person would be pretty silly not to if they were offered something like that."

#### PRICES UP TO THE OWNER

Art Clark, a broker and president of the Anchorage Board of Realtors, said he advises clients not to base prices on assessed values. Assessments don't generally reflect actual values, especially where prices are either rising or declining, he said.

"Assessed value in my estimation here in Anchorage is given marginal consideration. The actual value of the property is going to be above or below that, sometimes 10 to 20 percent," Clark said.

"I try to discourage people from looking too closely at assessed value when they're making a decision about what to ask or what to offer."

But a Peninsula land developer, Buzz Kyllonen in Anchor Point, said he sometimes sells at or below assessed value, because the borough's estimates can be high.

"I've been selling a lot of property in Anchor Point," Kyllonen said. "At one time I said, 'Hey, if the borough would give me what the assessed value was I'd be thrilled to sell it.'"

Kenai Peninsula Borough Assessor Shane Horan was away from his office this week and did not return phone calls.

FBI - Stevens-779

Prices should be up to the property owner, Kyllonen said, and it seems unfair to him that Murkowski and husband Verne Martell face criticism for the deal.

"They've been friends with Penney for years and years and years, and he probably said, 'I'll sell for a whole lot less than I would somebody walking down the street.'"

Penney said Wednesday that the land had not been for sale but he offered it because he wanted Murkowski and her family as neighbors. On Thursday Murkowski reiterated that they were old friends.

"I bought the property from a friend that I think I have known since I was probably 5," she said. "It was before elementary school, let's put it that way. My husband knew him before he knew me. So we go back a long way."

She said the family sold its house in Anchorage because her sons will be leaving for school and she and her husband wanted to be on the Kenai, a river whose salmon first drew Martell to Alaska. When she mentioned that to Penney, she said, he offered the lot.

"And I remember saying, 'Oh yeah, but I can't buy a lot from you. I know you,'" she said. "And he said, 'Lisa, you know everybody in the state.'"

#### ETHICS QUESTIONED

Boehm said Senate ethics rules ban giving senators anything of value, and in this case there appears to be a gift of equity in the property. "Presumably she could turn around and sell it for \$250,000 or \$350,000," he said.

He also said the Ethics of Government Act requires disclosing transactions on annual senators' annual financial reports, and Murkowski didn't. She reported a mortgage as one of her financial liabilities, but did not report the transaction price.

Murkowski said she erred in not checking a box to note the value of transactions but has since corrected the oversight.

The sale was first reported Monday on a national political Web site. Murkowski and Penney initially declined to talk about it, but on Wednesday -- with the sale getting attention on local talk radio, with hosts and callers alternately hammering Murkowski and defending her -- the senator and Penney disclosed the details.

Keith Ashdown of Taxpayers for Common Sense has investigated the sale, even sending a staffer from Washington to Alaska to attempt to learn the price last month. His interest is in how gifts from influential donors affect government spending. Until now he and others concerned about corruption had not focused on Murkowski, he said.

"You have to give them the benefit of the doubt, but you have to make sure there's a robust review of the facts," Ashdown said. "Right now it doesn't look good for the senator."

Brandon Loomis reported from Soldotna and can be reached at bloomis@adn.com. Erika Bolstad reported from Washington and can be reached at ebolstad@adn.com.

ONLINE: View Sen. Murkowski's 2006 financial disclosure.

adn.com/politics

Caption:

Illustrated by Ron Engstrom

ILLUSTRATION SHOWS MAP OF PROPERTY LOCATION.

Caption:

Photo 1: 20SenMurkowski\_KenaiPro.2\_072007.jpg

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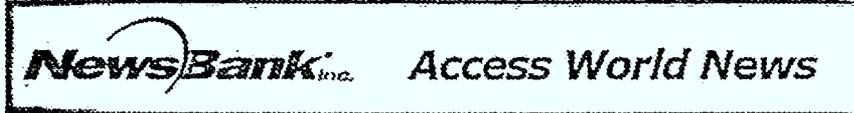
FBI - Stevens-780

Author: BRANDON LOOMIS and ERIKA BOLSTAD Daily News reporters Staff

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Paper: Anchorage Daily News (AK)  
 Title: Power plant idea counts on big break -  
 PROPERTY TAX: Marlow wants to avoid and defer city payments to revive Ship Creek project.  
 Date: July 24, 2007

Developer Marc Marlow wants to restart a mothballed downtown power plant and says he needs a property tax break that could be worth \$6 million to make it happen.

The Anchorage Assembly expects to hear Marlow make his pitch tonight. The developer, who rebuilt the Mac-Kay building a few years ago and talks of building a power plant in the Palmer fairgrounds too, said he could have the Knik Arm Power Plant near Ship Creek generating power and heat for local buildings by 2010.

But that's only if the city will let him avoid paying taxes on the property for the next 10 years and lets him defer tax payments for the five years after that.

How much would he save? Marlow said Monday it depends on what kind of contract he could get with a power utility -- he plans to negotiate with Chugach Electric Association -- to buy the electricity.

The city's chief financial officer, Jeff Sinz, said Monday that according to Marlow's own estimates, the tax exemption could save him \$3.8 million over 10 years. Sinz said the tax deferral could save Marlow up to another \$2.2 million, according to the developers' numbers.

Typically, when one person doesn't have to pay property taxes, it means other people cover the bill. It's up to the Assembly to decide if a tax exemption for Marlow make sense for the city.

"The special tax treatment being requested could be viewed as an investment being made by the taxpayers of the municipality," Sinz said.

Marlow says his project will only save people money over time because it would boost development and property values in Ship Creek.

"For the average taxpayer, this exemption will actually lower their tax bill, lower their electric energy rates," he said.

**'I WROTE THE LAW'**

The power plant was built more than 50 years ago as a coal-fired plant, and it last produced electricity in the mid-1980s. Marlow bought it in 1999, and he's been trying to fire it back up ever since.

It is considered a "deteriorated property" by the city. That means it's eligible for a special tax break for someone who plans to spruce it up.

Marlow's tax request first went to Sinz. But Sinz said the financial plans and paperwork Marlow gave him are incomplete and don't give enough information to tell if the project would be a good deal for the city.

As a result, he declined to recommend to the Assembly or mayor whether Marlow should get the exemption.

Now, Marlow -- who says Sinz is asking too much -- is taking his case directly to the Assembly. He says he knows how the tax exemption is supposed to work because he's the one who lobbied for the laws that make it possible.

"I wrote the law. I walked it to Juneau, I got it passed," he told Assembly members at a meeting last week.

In Anchorage, the Assembly can label a property as "deteriorated" -- and eligible for tax breaks -- if it has been condemned, if there are old buildings on it that have been demolished or if it is "in a deteriorating or deteriorated area," according to city code.

Only two properties have ever received such a tax break.

The first was another Marlow project: Redevelopment of the old MacKay building downtown. Once infamous for being ugly and empty, the building is now an apartment house called McKinley Tower.

The Assembly approved the second tax break, requested by Cook Inlet Housing Authority, in May. It exempts property taxes on a new 80-unit housing development in Muldoon for 10 years.

FBI - Stevens-781

The exemption is worth an estimated \$506,000 in taxes, according to the city. Assembly members who voted for it said it would help offer more low-income housing in Anchorage and redevelop a former trailer park.

Only Assembly vice chair Debbie Ossiander, who represents Chugiak and Eagle River, voted against the break. She said that by the time the exemption passed, the property was no longer a trailer court and that she didn't think it was "deteriorated" anymore. She said she's hesitant to cut taxes for Marlow's project too.

"If you reduce somebody's property tax, everybody else has to pay for it, at some point."

#### HEAT AND POWER

The power plant project is in downtown Assemblyman Allan Tesche's district. Tesche said Monday that he wants to hear more from Marlow and from Sinz, but said: "I want to see that building used productively, in some fashion, and I want to see it on the tax rolls worth a lot more."

"I want to see it rebuilt for some useful purpose," Tesche said.

The power plant has been dormant since 1985, Marlow said. He plans to restart it as a 130-megawatt, gas-fired power plant. Heat generated by the plant could be piped to other buildings and used, for example, to heat the McKinley Tower, he said.

As for who might buy all the electricity, a state regulatory commission recently told Chugach Electric that it has to start negotiations with Marlow whether it wants to or not.

"What we're interested in is providing low cost power to customers, so we're certainly willing to listen," said Chugach spokesman Phil Steyer.

Find Kyle Hopkins' political blog online at [adn.com/alaskapolitics](http://adn.com/alaskapolitics) or call him at 257-4334.

Caption:

Developer Marc Marlow says his project will save people money over time because it would boost development and property values in Ship Creek.

Caption:

Graphic 1: marc\_marlow\_072407.eps

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FBI - Stevens-782

# National Legal and Policy Center

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David Wilkinson

Founded 1991

July 24, 2007

The Honorable Barbara Boxer, Chairman  
The Honorable John Cornyn, Vice Chairman  
Select Committee on Ethics  
U.S. Senate  
Room 220, Senate Hart Office Building  
Washington, D.C. 20510

VIA FAX (202) 224-7416 & Certified Mail #7005 1160 0004 8557 8744

Re: Request for an Investigation of Senator Lisa Murkowski's Land Deal

Dear Chairman Boxer and Vice Chairman Cornyn:

The National Legal and Policy Center (NLPC), a non-profit, non-partisan organization which promotes ethics and accountability in government and public life, requests that you begin an investigation into the facts and circumstances of a December 2006 land transaction undertaken by Sen. Lisa Murkowski as well as her subsequent failure to properly disclose the transaction in her 2006 Financial Disclosure Report. NLPC brings this complaint pursuant to the provisions of the Senate Ethics Manual, Appendix C, Part II, Rule 2, "Procedures for Complaints, Allegations, or Information."

The facts of the case are available from the public record, chiefly media accounts and publicly available records. All such sources are cited and some are attached as exhibits.

During December 2006, Sen. Lisa Murkowski and her husband purchased a 1.27-acre vacant parcel of land from real estate developer Bob Penney.<sup>1</sup> Mr. Penney is a longtime family friend of and political contributor to Sen. Murkowski. The property is situated on the banks of the Kenai River, an area with rapidly appreciating real estate values.

<sup>1</sup> "Sen. Murkowski involved in questionable land deal," Associated Press, July 19, 2007; information from KTUU-TV, <http://www.ktuu.com>

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On May 14, 2007, Sen. Murkowski filed her Financial Disclosure Report covering the year 2006, as required by the Ethics in Government Act of 1978.<sup>2</sup> (2006 Financial Disclosure Report attached as Exhibit A) The Report failed to disclose the real estate transaction under Part IV, "Transactions." The Transaction page instructs filers to

**"Report any purchase, sale, or exchange by you, your spouse, or dependent child during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the amount of the transaction exceeded \$1,000." (Exhibit A at page 8)**

Under Schedule Part VII, "Liabilities," Sen. Murkowski disclosed that First Bank was a creditor with respect to a "mortgage on undeveloped land." The "Date Incurred" column was filled in with "11/0" (sic). The "Term if Applicable" column was filled in "15-year." The "Category of Amount of Value" columns, which require those using the Report to pick a range of dollar values within which the proper response fits was left blank. (Exhibit A at page 9)

On July 16, 2007, Laura McGann of TPM Muckraker.com, a popular Internet site specializing in coverage of political corruption issues, ran an article about the land deal.<sup>3</sup> The article stated that real estate developer Bob Penney, who had testified before a grand jury regarding his relationship with Sen. Ted Stevens (R-AK), was now in a financial relationship with Alaska's other senator, Lisa Murkowski. The article disclosed the land deal involving the prime piece of riverfront property between Penney and Murkowski but stated that the purchase price was not disclosed in the senator's 2006 Financial Disclosure Report.

Both Penney and Sen. Murkowski's office refused to disclose the sale price to reporter Laura McGann. In a phone interview, Penney was quite blunt:

**"Why should I tell you?" Penney said. I have sold millions of dollars worth of property. I consider that a private transaction."**

Adding context to the transaction, the story cited the fact that Penney was a business partner of Sen. Stevens in a Utah land deal that "turned a \$15,000 investment into \$100,000 for the senator."<sup>4</sup> Other news articles state that the \$15,000 Utah land deal Stevens made with Penney was even more profitable with Stevens ultimately selling his share for \$150,000. Equally notable was the reason Penney allowed Stevens in on such an especially lucrative deal:

<sup>2</sup> Pub. L. No. 95-521, 92 Stat. 1824 (Oct. 26, 1978).

<sup>3</sup> "Murkowski Land Deal with Stevens Biz Associate Raises Questions," by Laura McGann, July 16, 2007, <http://www.tpmuckraker.com/archives/003649.php>.

<sup>4</sup> Id.; See also "Stevens-Penney venture pays well, at least on paper; Development: Utah project cost senator \$15,000; now it's worth at least \$100,000," by Liz Ruskin, Anchorage Daily News, June 21, 2004, page A1.

In 2004, Stevens told a *Daily News* reporter that he and his business partners invited Stevens to join them in "appreciation for all he's done for Alaska and the country."<sup>5</sup>

The July 16, 2007 TPM Muckraker article also cited the fact that Stevens and Penney

"...own stakes in a racehorse with former Veco executive Bill Allen, who recently pleaded guilty to federal bribery and conspiracy charges in a cash-for-votes scheme involving state lawmakers."<sup>6</sup>

Despite the refusal of both Penney and Murkowski to disclose the sale price for the land, the local media quickly learned that the sale price was the same as the previous year's assessment from the Kenai Peninsula Borough, \$179,400.<sup>7</sup> The media also reported that the most recent assessment for the land was \$214,900.<sup>8</sup> Indeed, the assessment of \$214,900 came just three days after the sale of the property.<sup>9</sup>

Notably, the media quickly learned that the actual value of the property appeared to be significantly higher:

- Jason Moore of KTUU-TV reported on a July 18, 2007 broadcast that Martin Radvansky, owner of Soldatna Realty, said that an examination of the Multiple Listing Service since January 2006 found similar lots selling for between \$250,000 and \$350,000.<sup>10</sup>
- Another Soldatna real-estate broker, Linda Lane of the Ron Moore Co., told Brandon Loomis of the *Anchorage Daily News* that riverfront properties typically sell for more than the borough's assessed value and that a sale price of \$179,000 would generally be low for a parcel on the Kenai River of the size of Penney's lot.<sup>11</sup>
- Laura McGann of TPM Muckraker also found real estate agents in the area

<sup>5</sup> "Senator's land deal scrutinized; Murkowski: Purchase of tract along Kenai River for \$179,400 draws questions and criticism," by Brandon Loomis, *Anchorage Daily News*, July 19, 2007.

<sup>6</sup> "Murkowski Land Deal with Stevens Biz Associate Raises Questions," by Laura McGann, July 16, 2007, <http://www.tpmuckraker.com/archives/003649.php>

<sup>7</sup> "Senator's land deal scrutinized; Murkowski: Purchase of tract along Kenai River for \$179,400 draws questions and criticism," by Brandon Loomis, *Anchorage Daily News*, July 19, 2007.

<sup>8</sup> *Id.*

<sup>9</sup> "Sen. Murkowski defends price paid for Kenai land," by Brandon Loomis and Erika Bolstad, *Anchorage Daily News*, July 20, 2007.

<sup>10</sup> "Murkowski land deal questioned," by Jason Moore, July 18, 2007, <http://www.ktuu.com/Global/story.asp?S=6810012>

<sup>11</sup> "Senator's land deal scrutinized; Murkowski: Purchase of tract along Kenai River for \$179,400 draws questions and criticism," by Brandon Loomis, *Anchorage Daily News*, July 19, 2007.

telling her that the assessed value of \$214,000 was well below what Penney could have gotten had he sold the property on the open market.<sup>12</sup>

- An *Anchorage Daily News* article on July 20, 2007 interviewed Judy Cloud, a Kenai realtor and president of the Alaska Association of Realtors, and quoted her as saying little property on the world-class salmon river is available and when property does go on the market, it increases rapidly in value. "If you are able to get it at assessed value, that's a wonderful thing," she said.<sup>13</sup>
- Only one Kenai riverfront parcel is currently for sale. The asking price is \$399,000 and it's only an acre which makes it smaller than the Murkowski property.

In an editorial, "Lisa's Deal," the *Anchorage Daily News* weighed in with this commentary:

Three days after the borough recorded the Murkowskis' purchase, the assessed value went up to \$214,900. So right off the bat, it looks like she got a discount of 20 percent.

In fact, her friendly political discount was probably far bigger. The online real estate listing service for Alaska has one Kenai riverfront lot. The parcel is only an acre – a quarter of an acre less than Sen. Murkowski's – but the asking price is \$399,000. Per acre, that is almost three times what the senator paid for hers.<sup>14</sup>

Bob Penney appeared ignorant at reports of the value of the land deal as contrasted with the sale price:

"Word of honor, I did not know what the assessed value was," he said. "I thought it was still \$120,000."<sup>15</sup>

Penney's professed surprise at the value was underscored by his exclamation:

"Who the hell would ever think it would jump like that?," Penney said.<sup>16</sup>

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<sup>12</sup> "Murkowski Land Deal with Stevens Biz Associate Raises Questions," by Laura McGann, July 16, 2007, <http://www.tpmuckraker.com/archives/003649.php>

<sup>13</sup> "Sen. Murkowski defends price paid for Kenai land," by Brandon Loomis and Erika Bolstad, *Anchorage Daily News*, July 20, 2007.

<sup>14</sup> "Lisa's Deal," *Anchorage Daily News*, July 19, 2007.

<sup>15</sup> "Senator's land deal scrutinized; Murkowski: Purchase of tract along Kenai River for \$179,400 draws questions and criticism," by Brandon Loomis, *Anchorage Daily News*, July 19, 2007.

<sup>16</sup> *Id.*

This claim by a multimillionaire real estate developer that he did not know the value of land that he owned right next to his own home on the Kenai River was not considered as very credible by those in the media following the story. Laura McGann, the TPMuckraker reporter who broke the story, located an audio tape of Bob Penney testifying at a hearing on the economic impact of sport fishing. McGann wrote that Penney "seemed much more familiar with assessments in the area." The audio tape statement by Penney appears to show a real estate developer who is extremely well-informed about land values on the Kenai River:

The economic value of the land along the Kenai River privately held from Skilak to Ames bridge; three years ago the assessed value to the borough of only the privately owned land was three hundred and thirty-five million dollars. As Mr. Busey just said to you, it's increased since then. Now, I know it's well over five-hundred, but we haven't seen what the borough's assessed it. But gentlemen and ma'm, all that assessment in value came from one reason; cause there's fish in the river. And you put the fish in the river, and you put the fish in the inlet, and you give the opportunity for the public you'll see the economic engine run hard.<sup>17</sup>

The McGann article also undercut Penney's "word of honor" statement that he thought the assessment was just \$120,000 by reporting that, "...Penney would have received notice of the new \$179,400 assessment in March 2006, some nine months before he sold the property to Murkowski."<sup>18</sup>

The questionable land deal appears to have even made Sen. Murkowski nervous as it was being done. In an interview with local radio talk show host Rick Rydell, Sen. Murkowski's husband, Verne Martell, referred to his wife's reservations as to the deal as follows:

"But, yeah, when we signed the loan, Lisa signed on it and said, you know, 'This might come back and bite us. Well, you know, we'll deal with that when it comes,'" Martell said.<sup>19</sup>

The ethical questions regarding the controversial land deal between the real estate developer and the senator do not end with the issues as to whether the sale price constituted a sweetheart deal between an elected official and a developer known to have made another senator richer with a land deal. Also raising ethical issues is the financing Sen. Murkowski obtained for the land deal.

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<sup>17</sup> "Penney told a different story at sport fishing hearing," by Laura McGann, <http://www.tpmuckraker.com/archives/003740.php>, July 20, 2007

<sup>18</sup> *Id.*

<sup>19</sup> "Murkowski's Husband Fears Ethics Investigation," by Laura McGann, July 23, 2007, <http://www.tpmuckraker.com/archives/003647.php>

Jason Moore of KTUU-TV reported on July 20, 2007 about an unusual feature of the loan: it has a January 1, 2046 maturity date making it a 39-year loan. When KTUU-TV questioned First Bank about its policies for undeveloped land loans, the bank told them that the standard loan for undeveloped property had a maximum seven-year maturity.

Sen. Murkowski's 2006 Financial Disclosure Report (under Part VII, "Liabilities") stated that the term of the loan was "15-yr."<sup>20</sup>

It appears that Sen. Murkowski received a loan with terms and conditions not available generally to the public and then misrepresented the term on her Financial Disclosure Report as being fifteen years instead of thirty-nine years.

One possible reason that Sen. Murkowski obtained financing from First Bank in Ketchikan as opposed to a bank closer to the property appears to be that she once served on First Bank's board of directors, her sister currently does, her father (former governor Frank Murkowski) once sat on the board, and her grandfather had been bank president many years ago.<sup>21</sup>

When I was questioned about the apparently favorable conditions of the bank loan by Mr. Moore for the story, my response was:

**"There's one legal issue here and the legal issue is: did the senator get terms and conditions on her financial transaction that are not available generally to the public? If she did, then it could be a violation of the gift rule the Senate has," said Ken Boehm, National Legal and Policy Center.**"<sup>22</sup>

#### **Apparent Omissions and Misrepresentations on Sen. Murkowski's 2006 Financial Disclosure Report**

Financial Disclosure Reports are required to be filed by all Members of Congress pursuant to the Ethics in Government Act of 1978, Pub. L. No. 95-521, 92 Stat. 1824 (Oct. 26, 1978). The Statute provides that the Attorney General may seek a civil penalty of up to \$11,000 against any individual who knowingly and willfully falsifies or fails to file or report any information required by the Act (5 U.S.C. app. 4, §104).

The first Financial Disclosure Report issue is whether Sen. Murkowski was required to disclose her purchase of land from Bob Penney on her 2006 Financial Disclosure Report.

<sup>20</sup> Exhibit A, at page 9.

<sup>21</sup> "Senator defends land purchase," by Jason Moore, July 20, 2007, <http://www.ktuu.com/Global/story.asp?S=6820560>

<sup>22</sup> *Id.*

Sen. Murkowski appears to take the position that the land deal was somehow exempt from disclosure because it was to be maintained for recreational or personal reasons. The following is from the initial article on this story:

**Murkowski's office called the purchase exempt from Senate financial disclosure, citing a clause in the ethics manual which says "property which is held or maintained solely for recreational or personal reasons does not have to be reported."<sup>23</sup>**

The problem with that citation to the Senate Ethics Manual is that it is taken from the section on the reporting of assets.<sup>24</sup>

Sen. Murkowski failed to disclose the purchase of the land under Part IV, "Transactions" of her 2006 Financial Disclosure Report.<sup>25</sup> The definition of transactions to be disclosed has no exemption for real property to be used for recreational or personal reasons. The requirement for the disclosure of transactions is taken directly from federal law.<sup>26</sup> The Senate Ethics Manual states the rule succinctly:

**Senate Members, officers and employees must include in the Report a brief description, the date, and the category of value of any purchase, sale, or exchange of real property, stocks, Bonds, excepted investment fund (e.g., mutual fund) shares, commodities futures, or other forms of securities (including trust assets) that exceeds \$1,000. The category of value to be reported is the total purchase or sale price (or the fair market value in the case of an exchange), regardless of any capital gain or loss on the transaction.<sup>27</sup>**

There are no exceptions to the reporting requirements for transactions for land held for recreational or personal purposes in either the Senate Ethics Manual or the instructional manual for filing the Financial Disclosure Reports.<sup>28</sup>

The second Financial Disclosure Report issue is whether Sen. Murkowski correctly and fully disclosed all necessary information regarding her financing of the land deal under Part VII, "liabilities" of her 2006 Financial Disclosure Report.

There are three distinct issues regarding the liability information disclosed:

<sup>23</sup> "Murkowski Land Deal with Stevens Biz Associate Raises Questions," by Laura McGann, July 16, 2007, <http://www.tpmuckraker.com/archives/003649.php>.

<sup>24</sup> "Types of Assets and Unearned Income Sources," Senate Ethics Manual, 108<sup>th</sup> Congress, 1<sup>st</sup> Session, 2003 Edition, pages 130-131

<sup>25</sup> Exhibit A, at page 8.

<sup>26</sup> 5 U.S.C., app. § 102(a)(5)

<sup>27</sup> "Part IV: Transactions," Senate Ethics Manual, 108<sup>th</sup> Congress, 1<sup>st</sup> Session, 2003 Edition, page 133.

<sup>28</sup> Instructions: Public Financial Disclosure Report for the United States Senate, at page 14

- **Date Incurred** - the filing was "11/0" which maybe a typo but certainly is not a date
- **Term if Applicable** – the filing was "15-yr" despite the fact that the maturity date on the financing records indicate a maturity date of January 1, 2046 which would indicate a 39-year term, not a 15-year term.<sup>29</sup> As KYUU-TV reported that First Bank had a maximum seven-year maturity date for loans for undeveloped land and senators are precluded under Senate Rule 35 (supra) from obtaining loans on conditions not available to the general public, misrepresenting the actual term of the loan may appear to be an attempt to hide the questionable special financing obtained by a senator on an otherwise questionable land deal.<sup>30</sup>
- **Category of Amount of Value** – Sen. Murkowski was required to disclose the purchase price for the land within a series of categories of amount of value as part of her Part VII "Liabilities" disclosure. She failed to check any category.<sup>31</sup> If the purpose of this omission was to hide the purchase price, it is certainly consistent with her failure to disclose sale price information under "Transactions" and her refusal (along with Mr. Penney's) to disclose the sale price when first asked by reporter Laura McGann. It appears that Sen. Murkowski was sensitive to the fact that she had purchased a valuable property for significantly below its true market value from a controversial real estate developer whose previous real estate venture with Alaska's other senator had brought a very critical reaction from the media and the public. Such sensitivity is consistent with Verne Martell's candid remark that his wife was concerned the land deal might "come back and bite us."<sup>32</sup>

#### Apparent Violations Of the Senate's Gift Rule

The gravamen of this complaint is that a U.S. Senator purchased a valuable riverfront property for significantly less than its market value.

Senate Rule 35, paragraph 1(a)(1) of the Senate Code of Official Conduct provides that:

**No Member, officer or employee of the Senate shall knowingly accept a gift except as provided in this rule.<sup>33</sup>**

<sup>29</sup> "Senator defends land purchase," by Jason Moore, July 20, 2007, <http://www.ktuu.com/Global/story.asp?S=6820560>

<sup>30</sup> *Id.*

<sup>31</sup> Exhibit A, at page 9.

<sup>32</sup> "Murkowski's Husband Fears Ethics Investigation," by Laura McGann, July 23, 2007, <http://www.tpinmuckraker.com/archives/003647.php>

<sup>33</sup> Senate Ethics Manual, Select Committee on Ethics, U.S. Senate, p. 314 (2003 ed.), p. 22.

Under Senate Rule 35, paragraph 2(b)(1) the word "gift" is construed very broadly and includes any "item having monetary value."<sup>34</sup> There is no doubt that equity in property has "monetary value" nor is there any doubt that special loan terms not available to the public also has "monetary value" within the meaning of Senate Rule 35.

The facts in this case are clear. Sen. Murkowski purchased a very desirable riverfront property from Bob Penney at a price that appears significantly below the fair market value for the property. From the statements of realtors cited earlier who are very familiar with the Kenai River area we know that comparable properties of a similar size in the area sold since early 2006 sold for between \$250,000 and \$350,000. Those prices represent a range of value of \$70,600 to \$170,600 over the \$179,400 paid to Bob Penney from Sen. Murkowski. In effect, there is a gift of equity worth \$70,600 to \$170,600 to a United States Senator.

In any factual situation, the context often helps clarify the meaning of the facts. The context here is especially helpful. Consider the following questions:

*Did Mr. Penney offer Sen. Murkowski a sweetheart land deal because of her position as a U.S. Senator?*

The Senate Ethics Manual addresses this type of situation in a straightforward way by stating:

**One should always be wary of accepting any gift, favor, or benefit that may not be offered "but for" one's position in the Senate.<sup>35</sup>**

In this case, Mr. Penney did not offer the property to sale to the general public but rather to Sen. Murkowski exclusively at a price well below what most knowledgeable realtors in the area felt such a parcel might fetch.

We don't have to wonder whether Mr. Penney is the type of person to offer an incredibly lucrative land deal to a senator because this is not the first time he has done so. In an Associated Press story, "Stevens investment grows at least 566 percent," the lead sentence sums up how a land deal offered by Penney to Sen. Stevens turned out;

**Sen. Ted Stevens has turned a \$15,000 investment into at least \$100,000, and perhaps as much as \$250,000.<sup>36</sup>**

Penney left little doubt that the sweetheart land deal he offered Sen. Stevens was linked to the senator's position when he told a reporter that he invited Stevens into the deal in "appreciation for all he's done for Alaska and the country."<sup>37</sup>

<sup>34</sup> Senate Ethics Manual, Select Committee on Ethics, U.S. Senate, p. 314 (2003 ed.), p. 25.

<sup>35</sup> Senate Ethics Manual, Select Committee on Ethics, U.S. Senate, p. 314 (2003 ed.), p. 22.

<sup>36</sup> "Stevens investment grows at least 566%," Associated Press, June 21, 2004

<sup>37</sup> "Senator's land deal scrutinized; Murkowski: Purchase of tract along Kenai River for \$179,400

Mr. Penney's generosity to U.S. Senators does not end there. An *Anchorage Daily News* story from February 2007 recounts how Sen. Stevens was a repeated guest at The Golden Horn Lodge, an expensive Bristol Bay resort. Bob Penney was one of the four owners of the lodge when Sen. Stevens was staying there free of charge. When it was disclosed that Stevens had not paid, he quickly sent checks to cover his visits there in 2001 and 2003.<sup>38</sup>

As previously noted, Stevens was also a business partner with Sen. Stevens in a racehorse along with former Veco executive Bill Allen, "who recently pleaded guilty to Federal bribery and conspiracy charges in a cash-for-votes scheme involving state lawmakers."<sup>39</sup>

Additionally, Bob Penney was subpoenaed to testify recently before the grand jury which is part of an expanding federal investigation in political corruption in Alaska.<sup>40</sup>

There appears to be very little doubt that Mr. Penney offered the valuable riverfront property to Sen. Murkowski at a price significantly below its market price precisely because of her position as a U.S. Senator.

*Did Mr. Penney and Sen. Murkowski seek to hide their knowledge of the true value of the land?*

Sen. Murkowski's failure to disclose the land transaction on her Financial Disclosure Report has already been reviewed.

Add to that, the fact that both she and Mr. Penney initially refused to tell reporters the sale price with Penney, going so far as to say "Why should I tell you?"<sup>41</sup>

The denial of knowledge of the value of a prime piece of real estate by a multi-millionaire developer who lived next to the property and an attorney/real estate investor turned U.S. Senator took on comic opera overtones when Penney told the press:

**"Word of honor, I did not know what the assessed value was," he said. "I thought it was still \$120,000."**

As noted, Penney had testified before a state hearing just months before about the surging property values along the Kenai River and had specifically noted that the value of

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draws questions and criticism," by Brandon Loomis, *Anchorage Daily News*, July 19, 2007.

<sup>38</sup> "An invited guest, Stevens pays costs; Fishing Lodge: Senator pays bills from '01 and '03 to resolve any questions," by Lisa Demer, *Anchorage Daily News*, Feb. 11, 2007, page B1.

<sup>39</sup> "Murkowski Land Deal with Stevens Biz Associate Raises Questions," by Laura McGann, July 16, 2007, <http://www.tpmuckraker.com/archives/003649.php>

<sup>40</sup> "Justice Expands Stevens Investigation," by Matt Apuzzo, Associated Press, June 18, 2007.

<sup>41</sup> "Murkowski Land Deal with Stevens Biz Associate Raises Questions," by Laura McGann, July 16, 2007, <http://www.tpmuckraker.com/archives/003649.php>

privately owned land had escalated from three hundred and thirty-five million dollars to "well over five hundred" in just three years.<sup>42</sup> And the Kenai borough assessment showing the assessed value to be well over the \$120,000 assessed value which Penney was citing was sent out to him in March 2006.<sup>43</sup>

For her part, Sen. Murkowski claims – without any specific evidence – that she paid fair market value for the property.<sup>44</sup>

Again, the local media has done an excellent job of digging out and analyzing the facts. Here's the *Anchorage Daily News* assessment of Murkowski's claims:

**In the Kenai River land sale, Sen. Murkowski "paid what she thought was a fair price for it at the time, based on what the borough said it was worth," according to Murkowski spokesman Sweeney.**

**That defense just doesn't wash. It's well known at the Kenai borough that its assessments lag behind market prices. Anyone who sells Kenai River real estate at the assessed value is either a fool or doing somebody a favor. Anyone who buys it at assessed value knows – or should know – she is getting a sweet deal.**

**When discussions about the price of this deal began, Sen. Murkowski should have offered to pay the going rate. Instead, she accepted a personal favor worth tens of thousands of dollars.<sup>45</sup>**

*Were the terms of Sen. Murkowski's First Bank loan available to the general public?*

On its face, a senator purchasing a prime piece of property for substantially less than its market value – especially when the sales offer was made exclusively to her and not the general public – constitutes a violation of the Senate Gift Rule. But it is not the only apparent violation of the rule in this case.

Just as Sen. Murkowski failed to properly disclose the sale price of the land, she also failed to properly disclose the terms of her loan from First Bank for the financing of the land deal.

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<sup>42</sup> "Penney told a different story at sport fishing hearing," by Laura McGann, <http://www.tpmuckraker.com/archives/003740.php>, July 20, 2007

<sup>43</sup> *Id.*

<sup>44</sup> "Murkowski knew land deal was questionable," by Jason Moore, July 24, 2007, <http://www.ktuu.com/global/category.asp?c=81466>

<sup>45</sup> "Lisa's Deal," *Anchorage Daily News*, July 19, 2007.

The definition of "gift" in the Senate Ethics Manual defines gift broadly as "anything of value" and it specifically lists loans as a possible gift.<sup>46</sup>

Since loans have historically been used to facilitate corrupt relationships between elected officials and those seeking special favors,<sup>47</sup> loans are subject to scrutiny as possible violations of Senate Rule 35, the Gift Rule, when they appear to single elected officials out for special terms and conditions not available to the general public.

In this case, Sen. Murkowski received a loan from First Bank for undeveloped property with a stated maturity date of January 1, 2046, indicating a 39-year term.<sup>48</sup>

First Bank's makes loans for undeveloped property available only with a maximum seven-year maturity.<sup>49</sup>

It appears that Sen. Murkowski received loan terms not available to the general public.

Rule 35, paragraph 1(c)(19)(E) permits Members, officers and employees to accept opportunities and benefits that are available to a wide group, specifically stating that they may accept "loans from banks and other financial institutions on terms general available to the public."<sup>50</sup>

As a former director of First Bank, Sen. Murkowski must be presumed to be familiar with the bank's policies for loans and must have known that a 39-year term was 32 years longer than the maximum term length available to the general public.

Perhaps even more telling is the fact that Sen. Murkowski then falsely reported on her 2006 Financial Disclosure Report that the term of the loan was 15 years.

It is also telling that her husband reported the following statement from his wife *when she signed the loan*:

"But, yeah, when we signed the loan, Lisa signed on it and said, you know, 'This might come back and bite us. Well, you know, we'll deal with that when it comes,'" Martell said.<sup>51</sup>

<sup>46</sup> Senate Rule 35, paragraph 2(b)(1)

<sup>47</sup> "Justice Dept. rebuts Rep. Hansen of Idaho," *The New York Times*, Nov. 9, 1984; Rep. Hansen was convicted in April 1984 of failing to report \$333,978 in loans on his annual financial disclosure report.

<sup>48</sup> "Senator defends land purchase," by Jason Moore, July 20, 2007, <http://www.ktuu.com/Global/story.asp?S=6820560>

<sup>49</sup> *Id.*

<sup>50</sup> Senate Ethics Manual at 40.

<sup>51</sup> "Murkowski's Husband Fears Ethics Investigation," by Laura McGann, July 23, 2007, <http://www.tpmuckraker.com/archives/003647.php>

These facts all combine to present a picture of a Senator with a background as a bank director knowingly obtaining a loan with a term far beyond the maximum term available to the public and then misrepresenting the term on her financial disclosure report by falsely stating the term as 15 years instead of 39 years.

While there is no indication that Sen. Murkowski used her position as a U.S. Senator to improperly favor the bank, the acceptance of a loan on terms not available to the general public certainly creates just the type of appearance of impropriety that the Senate Gift Rule was enacted to prevent.

The facts in this case are so strong that it is hard to imagine a more compelling case for violation of the Senate Gift Rule.

- A multi-millionaire real estate developer with a penchant for helping elected officials financially has sold a property to a senator at a price far below its market value.
- The property is next to his home and there is an audiotape of the same developer just months before the transaction stating how quickly the land in the very area of the transaction is appreciating.
- The developer denies knowing what the assessed value of the property was.
- Both the developer and the senator initially refuse to divulge the sale price.
- The senator fails to disclose the real estate transaction on her financial disclosure.
- The senator misrepresents the term of her financing while failing to disclose the financing amount, as required by the Ethics in Government Act.
- The senator tells her husband at the time of the deal, "This might come back and bite us."

Finally, the senator's husband is quoted as telling the media that they have started clearing the land to build on the property but the clearing has stalled because the couple expects a Senate ethics investigation.<sup>52</sup>

As Sen. Sam Ervin used to say, "Sometimes things are what they look like." This case looks like improper gifts being covered up with explanations so weak as to be

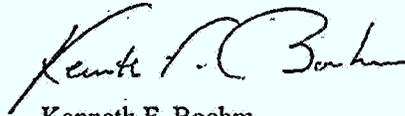
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<sup>52</sup> "Murkowski knew land deal was questionable," by Jason Moore, July 24, 2007, <http://www.ktuu.com/global/category.asp?c=81466>

laughable and misrepresentations and omissions on a Financial Disclosure Report to hide the transaction from the public.

The National Legal and Policy Center requests that the Senate Select Committee on Ethics conduct a thorough investigation into the matters set forth herein and take all appropriate disciplinary action.

Sincerely,



Kenneth F. Boehm  
Chairman

Attachment: 2006 Financial Disclosure Report for Sen. Lisa Murkowski

FBI - Stevens-796

EXHIBIT A  
2006 Financial Disclosure Report  
of  
Sen. Lisa Murkowski

FBI - Stevens-797

## UNITED STATES SENATE FINANCIAL DISCLOSURE REPORT FOR ANNUAL AND TERMINATION REPORTS

|  |   |  |   |
|--|---|--|---|
| Personal Name<br><b>BURKOWSKI</b>  | First Name and Middle Initial<br><b>LISA</b>                              | Annual Report<br>Calendar Year Covered by Report:<br><b>2006</b> | Senate Office / Agency in Which Employed<br><b>UNITED STATES SENATE</b> |
| Senate Office Address (Number, Street, City, State, and ZIP Code)<br><b>SH-709, WASHINGTON, DC 20510</b> | Senate Office Telephone Number (include Area Code)<br><b>202-224-6665</b> | Termination Report<br>Termination Date (mm/dd/yyyy):             | Four Office / Agency in Which Employed                                  |

**AFTER READING THE INSTRUCTIONS, ANSWER EACH OF THESE QUESTIONS AND ATTACH THE RELEVANT PART.**

|  | YES                                 | NO                                  |   | YES                                 | NO                                  |
|--|-------------------------------------|-------------------------------------|---|-------------------------------------|-------------------------------------|
| Did any individual or organization make a donation to charity in lieu of paying you for a speech, appearance, or article in the reporting period? Yes, Complete and Attach PART I.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | Did you, your spouse, or dependent child receive any reportable travel or reimbursements for travel in the reporting period (i.e., worth more than \$305 from one source)? If Yes, Complete and Attach PART VI. | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Did you or your spouse have earned income (e.g., salaries or fees) or non-investment income of more than \$200 from any reportable source in the reporting period? If Yes, Complete and Attach PART II.  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | Did you, your spouse, or dependent child have any reportable liability (more than \$10,000) during the reporting period? If Yes, Complete and Attach PART VII.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Did you, your spouse, or dependent child hold any reportable asset worth more than \$1,000 at the end of the period, or receive unearned or investment income of more than \$200 in the reporting period? If Yes, Complete & Attach PART IIIA and/or IIIB. | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | Did you hold any reportable positions on or before the date of filing in the current calendar year? If Yes, Complete and Attach PART VIII.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Did you, your spouse, or dependent child purchase, sell, or exchange any reportable asset worth more than \$1,000 in the reporting period? If Yes, Complete and Attach PART IV.  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | Do you have any reportable agreement or arrangement with an outside entity? If Yes, Complete and Attach PART IX.  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Did you, your spouse, or dependent child receive any reportable gift in the reporting period (i.e., aggregating more than \$305 and not otherwise exempt)? If Yes, Complete and Attach PART V.   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | If this is your <b>FIRST</b> Report: Did you receive compensation of more than \$5,000 from a single source in the two prior years? If Yes, Complete and Attach PART X.   | <input type="checkbox"/>            | <input type="checkbox"/>            |

**Each question must be answered and the appropriate PART attached for each YES response.**

**File this report and any amendments with the Secretary of the Senate, Office of Public Records, Room 232, Hart Senate Office Building, U.S. Senate, Washington, DC 20510. \$200 Penalty for filing more than 30 days after due date.**

This Financial Disclosure Statement is required by the Ethics in Government Act of 1978, as amended. The statement will be made available by the Office of the Secretary of the Senate to any requesting person upon written application and will be reviewed by the Select Committee on Ethics. Any individual who knowingly and willfully falsifies, or who knowingly and willfully fails to file this report may be subject to civil and criminal sanctions. (See 5 U.S.C. app. 6, 104, and 18 U.S.C. 1001.)

|   |                                       |                                    |
|---|---------------------------------------|------------------------------------|
| Certification<br>I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief. | Signature of Reporting Individual<br> | Date (Month, Day, Year)<br>5/14/07 |
| For Official Use Only - Do Not Write Below This Line  |                                       |                                    |
| It is the Opinion of the reviewer that the statements made in this form are in compliance with Title I of the Ethics in Government Act.                                   | Signature of Reviewing Official       | Date (Month, Day, Year)            |

FOR OFFICIAL USE ONLY  
Do Not Write Below this Line

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Reporting Individual's Name  
**BAURKOWSKI, LISA**

**PART IIIA. PUBLICLY TRADED ASSETS AND UNEARNED INCOME SOURCES**

Page Number  
**2**

| BLOCK A<br>Identity of Publicly Traded Assets<br>And Unearned Income Sources |   | BLOCK B<br>Valuation of Assets<br>At the close of reporting period.<br>If None, or less than \$1,001,<br>Check the first column. |  |   |  |  |  |   | BLOCK C<br>Type and Amount of Income |                 |                   |                   |                  |      |          |   |               |                          |                |                      |                           |                 |                   |
|--|---|--|--|---|--|--|--|---|--------------------------------------|-----------------|-------------------|-------------------|------------------|------|----------|---|---------------|--------------------------|----------------|----------------------|---------------------------|-----------------|-------------------|
|  |   |  |  |   |  |  |  |   | Type of Income                       |                 |                   |                   | Amount of Income |      |          | Actual Amount<br>Required<br>if<br>"Other"<br>Specified |               |                          |                |                      |                           |                 |                   |
|  |   |  |  |   |  |  |  |   | None (or less than \$201)            | \$201 - \$1,000 | \$1,001 - \$2,500 | \$2,501 - \$5,000 | Dividends        | Rent | Interest |   | Capital Gains | Excepted Investment Fund | Excepted Trust | Other (Specify Type) | None (or less than \$201) | \$201 - \$1,000 | \$1,001 - \$2,500 |
| S, Example: DC, or J   | IBM Corp. (stock)                         |  |  | X |  |  |  | X |                                      |                 |                   | Example           | X                |      |          |   |               |                          |                |                      |                           |                 | Example           |
|  | (S) Keystone Fund                         |  |  | X |  |  |  | X |                                      |                 |                   | Example           |                  |      |          |   |               |                          |                |                      |                           |                 | Example           |
| 1  | TD Waterhouse Cash                        | X  |  |   |  |  |  | X |                                      |                 |                   |                   |                  |      |          |   |               |                          |                |                      |                           |                 |                   |
| 2  | General Electric                          | X  |  |   |  |  |  |   |                                      |                 |                   |                   |                  |      |          |   |               |                          |                |                      |                           |                 |                   |
| 3  | State of AK Annuity Plan                  |  |  |   |  |  |  |   |                                      |                 |                   |                   | X                |      |          |   |               |                          |                |                      |                           |                 |                   |
| 4  | American Century Small Cap Value Investor | X  |  |   |  |  |  |   | X                                    |                 |                   |                   | X                |      |          |   |               |                          |                |                      |                           |                 |                   |
| 5  | Resources Trust Cash                      | X  |  |   |  |  |  |   |                                      |                 |                   |                   |                  |      |          |   |               |                          |                |                      |                           |                 |                   |
| 6  | Masters Select Equity                     |  |  |   |  |  |  |   | X                                    |                 |                   |                   | X                |      |          |   |               |                          |                |                      |                           |                 |                   |
| 7  | Allianz-RCM Global Healthcare Fund        |  |  |   |  |  |  |   |                                      |                 |                   |                   |                  |      |          |   |               |                          |                |                      |                           |                 |                   |
| 8  | American Century Intl. Discovery Fund     | X  |  |   |  |  |  |   | X                                    |                 |                   |                   |                  |      |          |   |               |                          |                |                      |                           |                 |                   |
| 9  | Weitz Hickory Fund                        | X  |  |   |  |  |  |   |                                      |                 |                   |                   |                  |      |          |   |               |                          |                |                      |                           |                 |                   |
| 10   | MS Fund Op B                              | X  |  |   |  |  |  | X |                                      |                 |                   |                   |                  |      |          |   |               |                          |                |                      |                           |                 |                   |

**EXEMPTION TEST** (see instructions before marking box): If you omitted any asset because it meets the three-part test for exemption described in the instructions, please check box to the right.  
 \*\*\* This category applies only if the asset was held independently by the spouse or dependent child. If the asset was either held by the filer or jointly held, use the other categories of value, as appropriate.



Individual's Name

# PART IIIA. PUBLICLY TRADED ASSETS AND UNEARNED INCOME SOURCES

Page Number

3

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**BLOCK A**  
**Identity of Publicly Traded Assets and Unearned Income Sources**

Report the complete name of each publicly traded asset held by you, your spouse, or your dependent child, (See p.3, CONTENTS OF REPORTS Part B of Instructions) for production of income or investment which:

(1) had a value exceeding \$1,000 at the close of the reporting period; and/or

(2) generated over \$200 in "unearned" income during the reporting period.

Include on this PART IIIA a complete identification of each public bond, mutual fund, publicly traded partnership interest, excepted investment funds, bank accounts, excepted and qualified blind trusts, and publicly traded assets of a retirement plan.

**BLOCK B**  
**Valuation of Assets**

At the close of reporting period. If None, or less than \$1,001, Check the first column.

**BLOCK C**  
**Type and Amount of Income**

If "None (or less than \$201)" is Checked, no other entry is needed in Block C for that item. This includes income received or accrued to the benefit of the individual.

| Type of Income            |      | Amount of Income |                   |                          |                    |                     |               | Actual Amount Required if "Other" Specified |
|---------------------------|------|------------------|-------------------|--------------------------|--------------------|---------------------|---------------|---|
| Dividends                 | Rent | Interest         | Capital Gains     | Excepted Investment Fund | Excepted Trust     | Other               |               |   |
| None (or less than \$201) |      | \$201 - \$1,000  | \$1,001 - \$2,500 | \$2,501 - \$5,000        | \$5,001 - \$10,000 | \$10,001 - \$50,000 | Over \$50,000 |   |

| Line     | Code | Asset Name                        | Valuation of Assets         |                    |                     |                      |                       |                       |                         | Type and Amount of Income |           |      |          |               |                          |                | Actual Amount Required if "Other" Specified |         |
|----------|------|-----------------------------------|-----------------------------|--------------------|---------------------|----------------------|-----------------------|-----------------------|-------------------------|---------------------------|-----------|------|----------|---------------|--------------------------|----------------|---|---------|
|          |      |                                   | None (or less than \$1,001) | \$1,001 - \$15,000 | \$15,001 - \$50,000 | \$50,001 - \$100,000 | \$100,001 - \$250,000 | \$250,001 - \$500,000 | \$500,001 - \$1,000,000 | Over \$1,000,000***       | Dividends | Rent | Interest | Capital Gains | Excepted Investment Fund | Excepted Trust |   | Other   |
| Example: | DC   | (S) IBM Corp. (stock)             |                             |                    | X                   |                      |                       |                       |                         |                           |           |      |          |               |                          |                |   | Example |
|          |      | (S) Keystone Fund                 |                             |                    | X                   |                      |                       |                       |                         |                           |           |      |          |               |                          |                |   | Example |
| 1        | DC   | MS S&P 500 Index Fund             |                             |                    | X                   |                      |                       |                       |                         | X                         |           |      |          |               |                          |                |   |         |
| 2        | DC   | MS American Fund Op B             | X                           |                    |                     |                      |                       |                       |                         | X                         |           |      |          |               |                          |                |   |         |
| 3        | DC   | MS S&P 500 Index Fund             |                             |                    | X                   |                      |                       |                       |                         | X                         |           |      |          |               |                          |                |   |         |
| 4        | DC   | MS American Fund Op B             | X                           |                    |                     |                      |                       |                       |                         | X                         |           |      |          |               |                          |                |   |         |
| 5        | DC   | T Rowe Price College Savings Plan | X                           |                    |                     |                      |                       |                       |                         | X                         |           |      |          |               |                          |                |   |         |
| 6        | DC   | Wells Fargo (shares)              | X                           |                    |                     |                      |                       |                       |                         | X                         |           |      |          |               |                          |                |   |         |
| 7        | DC   | Wells Fargo (shares)              | X                           |                    |                     |                      |                       |                       |                         | X                         |           |      |          |               |                          |                |   |         |
| 8        | J    | MS S&P 500 Index                  |                             |                    | X                   |                      |                       |                       |                         |                           |           |      |          |               |                          |                |   |         |
| 9        |      | T Rowe Price Equity Income Fund   | X                           |                    |                     |                      |                       |                       |                         |                           | X         |      |          |               |                          |                |   |         |
| 10       |      | Masters Select Intl. Fund         | X                           |                    |                     |                      |                       |                       |                         |                           | X         |      |          |               |                          |                |   |         |

**EXEMPTION TEST** (see instructions before marking box): If you omitted any asset because it meets the three-part test for exemption described in the instructions, please check box to the right.

\*\*\* This category applies only if the asset is/was held independently by the spouse or dependent child. If the asset is/was either held by the filer or jointly held, use the other categories of value, as appropriate.



Reporting Individual's Name  
**BURKOWSKI, LISA**

**PART IIIA. PUBLICLY TRADED ASSETS AND UNEARNED INCOME SOURCES**

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**4**

| BLOCK A<br>Identity of Publicly Traded Assets<br>And Unearned Income Sources   |                                      | BLOCK B<br>Valuation of Assets<br>At the close of reporting period.<br>If None, or less than \$1,001,<br>Check the first column. |                    |                     |                      |                       |                       |                         |                    |                           |                            | BLOCK C<br>Type and Amount of Income |                   |           |      |          |                  |                          |                |                       |                      |   |                           |                 |                   |                   |                    |                     |                      |                         |                     |                           |
|--|--------------------------------------|--|--------------------|---------------------|----------------------|-----------------------|-----------------------|-------------------------|--------------------|---------------------------|----------------------------|--------------------------------------|-------------------|-----------|------|----------|------------------|--------------------------|----------------|-----------------------|----------------------|---|---------------------------|-----------------|-------------------|-------------------|--------------------|---------------------|----------------------|-------------------------|---------------------|---------------------------|
|  |                                      |  |                    |                     |                      |                       |                       |                         |                    |                           |                            | Type of Income                       |                   |           |      |          | Amount of Income |                          |                |                       |                      | Actual Amount<br>Required<br>If<br>"Other"<br>Specified |                           |                 |                   |                   |                    |                     |                      |                         |                     |                           |
| Report the complete name of each publicly traded asset held by you, your spouse, or your dependent child, (See p.3, CONTENTS OF REPORTS Part B of Instructions) for production of income or investment which:<br>(1) had a value exceeding \$1,000 at the close of the reporting period; and/or<br>(2) generated over \$200 in "unearned" income during the reporting period.<br>Include on this PART IIIA a complete identification of each public bond, mutual fund, publicly traded partnership interest, excepted investment funds, bank accounts, excepted and qualified blind trusts, and publicly traded assets of a retirement plan. |                                      | None (or less than \$1,001)  | \$1,001 - \$15,000 | \$15,001 - \$50,000 | \$50,001 - \$100,000 | \$100,001 - \$250,000 | \$250,001 - \$500,000 | \$500,001 - \$1,000,000 | Over \$1,000,000** | \$1,000,001 - \$5,000,000 | \$5,000,001 - \$25,000,000 | \$25,000,001 - \$50,000,000          | Over \$50,000,000 | Dividends | Rent | Interest | Capital Gains    | Excepted Investment Fund | Excepted Trust | Qualified Blind Trust | Other (Specify Type) |   | None (or less than \$201) | \$201 - \$1,000 | \$1,001 - \$2,500 | \$2,501 - \$5,000 | \$5,001 - \$15,000 | \$15,001 - \$50,000 | \$50,001 - \$100,000 | \$100,001 - \$1,000,000 | Over \$1,000,000*** | \$1,000,001 - \$5,000,000 |
| Example: DC, or J  | S, IBM Corp. (stock)                 |  |                    | X                   |                      |                       |                       |                         |                    |                           |                            |                                      | X                 |           |      |          |                  |                          |                |                       | Example              | X   |                           |                 |                   |                   |                    |                     |                      |                         |                     | Example                   |
|  | (S) Keystone Fund                    |  |                    |                     | X                    |                       |                       |                         |                    |                           |                            |                                      |                   |           | X    | X        |                  |                          |                |                       | Example              |   |                           |                 |                   |                   |                    |                     |                      |                         |                     | Example                   |
| 1  | DC T Rowe Price College Savings Plan |  |                    |                     |                      |                       |                       |                         |                    |                           |                            |                                      |                   |           |      |          | X                |                          |                |                       |                      |   |                           |                 |                   |                   |                    |                     |                      |                         |                     |                           |
| 2  | DC AK Permanent Fund Dividend        | X  |                    |                     |                      |                       |                       |                         |                    |                           |                            |                                      |                   |           |      |          |                  |                          |                |                       |                      |   |                           |                 |                   |                   |                    |                     |                      |                         |                     |                           |
| 3  | DC AK Permanent Fund Dividend        | X  |                    |                     |                      |                       |                       |                         |                    |                           |                            |                                      |                   |           |      |          |                  |                          |                |                       |                      |   |                           |                 |                   |                   |                    |                     |                      |                         |                     |                           |
| 4  | S AK Permanent Fund Dividend         | X  |                    |                     |                      |                       |                       |                         |                    |                           |                            |                                      |                   |           |      |          |                  |                          |                |                       |                      |   |                           |                 |                   |                   |                    |                     |                      |                         |                     |                           |
| 5  | AK Permanent Fund Dividend           | X  |                    |                     |                      |                       |                       |                         |                    |                           |                            |                                      |                   |           |      |          |                  |                          |                |                       |                      |   |                           |                 |                   |                   |                    |                     |                      |                         |                     |                           |
| 6  | DC Wells Fargo (acct.)               | X  |                    |                     |                      |                       |                       |                         |                    |                           |                            |                                      |                   |           |      |          |                  |                          |                |                       |                      |   |                           |                 |                   |                   |                    |                     |                      |                         |                     |                           |
| 7  | DC Northrim Bank (acct.)             | X  |                    |                     |                      |                       |                       |                         |                    |                           |                            |                                      |                   |           |      |          |                  |                          |                |                       |                      |   |                           |                 |                   |                   |                    |                     |                      |                         |                     |                           |
| 8  | S Northrim Bank (acct.)              | X  |                    |                     |                      |                       |                       |                         |                    |                           |                            |                                      |                   |           |      |          |                  |                          |                |                       |                      |   |                           |                 |                   |                   |                    |                     |                      |                         |                     |                           |
| 9  | Wells Fargo (acct.)                  |  | X                  |                     |                      |                       |                       |                         |                    |                           |                            |                                      |                   |           |      |          |                  |                          |                |                       |                      |   | X                         |                 |                   |                   |                    |                     |                      |                         |                     |                           |
| 10   | Wells Fargo (shares)                 |  | X                  |                     |                      |                       |                       |                         |                    |                           |                            |                                      |                   |           |      |          |                  |                          |                |                       |                      |   |                           |                 |                   |                   |                    |                     |                      |                         |                     |                           |

**EXEMPTION TEST** (see instructions before marking box): If you omitted any asset because it meets the three-part test for exemption described in the instructions, please check box to the right.  
 \*\*\* This category applies only if the asset is held independently by the spouse or dependent child. If the asset is held either jointly by the filer or jointly held, use the other categories of value, as appropriate.









Brought to you by...

Individual's Name  
MURKOWSKI, LISA

### PART IV. TRANSACTIONS

Page Number  
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Report any purchase, sale, or exchange by you, your spouse, or dependent child (See p.3 CONTENTS OF REPORTS Part B of Instructions) during the reporting period of any real property, stocks, bonds, commodity futures, and other securities when the amount of the transaction exceeded \$1,000. Exclude transactions that resulted in a loss. Do not report a transaction involving property used solely as your personal residence, or a transaction between you, your spouse, or dependent child. Please clarify which two properties are involved in any reportable exchange.

| Identification of Assets                       | Transaction Type (x) |      |          | Transaction Date (Mo., Day, Yr.) | Amount of Transaction (x) |                     |                      |                       |                       |                         |                           |                            |                             |
|--|----------------------|------|----------|----------------------------------|---------------------------|---------------------|----------------------|-----------------------|-----------------------|-------------------------|---------------------------|----------------------------|-----------------------------|
|  | Purchase             | Sale | Exchange |                                  | \$1,001 - \$15,000        | \$15,001 - \$50,000 | \$50,001 - \$100,000 | \$100,001 - \$250,000 | \$250,001 - \$500,000 | \$500,001 - \$1,000,000 | \$1,000,001 - \$5,000,000 | \$5,000,001 - \$25,000,000 | \$25,000,001 - \$50,000,000 |
| Example: S, IBM Corp. (stock) NYSE             | X                    |      |          | 2/1/0X                           |                           | X                   |                      |                       |                       |                         |                           |                            |                             |
| Example: DC, (DC) Microsoft (stock) NASDAQ/OTC |                      | X    |          | 1/27/0X                          |                           |                     | X                    |                       | X                     |                         | M                         | L                          |                             |
| 1 Allianz-Rem Global Healthcare Fund           |                      | X    |          | 11/08/06                         | X                         |                     |                      |                       |                       |                         |                           |                            |                             |
| 2 American Century Intl. Discovery Fund        |                      | X    |          | 11/08/06                         | X                         |                     |                      |                       |                       |                         |                           |                            |                             |
| 3 American Century Small Cap Value Investor    |                      | X    |          | 11/08/06                         | X                         |                     |                      |                       |                       |                         |                           |                            |                             |
| 4 TWC Galileo Value Op                         |                      | X    |          | 11/08/06                         | X                         |                     |                      |                       |                       |                         |                           |                            |                             |
| 5 TCW Dividend Focus Fund                      | X                    |      |          | 11/09/06                         | X                         |                     |                      |                       |                       |                         |                           |                            |                             |
| 6 Resources Trust Cash                         | X                    |      |          | 11/08/06                         | X                         |                     |                      |                       |                       |                         |                           |                            |                             |
| 7 Resources Trust Cash                         | X                    |      |          | 11/10/06                         | X                         |                     |                      |                       |                       |                         |                           |                            |                             |
| 8 Resources Trust Cash                         | X                    |      |          | 11/08/06                         | X                         |                     |                      |                       |                       |                         |                           |                            |                             |
| 9 Resources Trust Cash                         | X                    |      |          | 11/08/06                         | X                         |                     |                      |                       |                       |                         |                           |                            |                             |
| 10   |                      |      |          |                                  |                           |                     |                      |                       |                       |                         |                           |                            |                             |
| 11   |                      |      |          |                                  |                           |                     |                      |                       |                       |                         |                           |                            |                             |
| 12   |                      |      |          |                                  |                           |                     |                      |                       |                       |                         |                           |                            |                             |

EXEMPTION TEST (see instructions before marking box): If you omitted any asset because it meets the three-part test for exemption described in the instructions, please check box to the right. This category applies only if the asset(s) was held independently by the spouse or dependent child. If the asset(s) was either held by the filer or jointly held, use the other categories of value, as appropriate.





Reporting Individual's Name  
MURKOWSKI, LISA

### PART VIII. POSITIONS HELD OUTSIDE U.S. GOVERNMENT

Page Number  
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Report any positions held by you during the applicable reporting period whether compensated or not. Positions include, but are not limited to those of an officer, director, trustee, general partner, proprietor, representative, employee, or consultant of any corporation, firm, partnership, or other business enterprise or any non-profit organization or educational institution. Both the year and month must be reported for the period of time that the position was held.

Exclude: Positions with federal government, religious, social, fraternal, or political entities, and those solely of an honorary nature.

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| Name of Organization                              | Address (City, State) | Type of Organization | Position Held | From (Mo/Yr) | To (Mo/Yr) |
|---|-----------------------|----------------------|---------------|--------------|------------|
| <i>Example:</i> National Assn. of Rock Collectors | NY, NY EXAMPLE        | Non-profit education | President     | 6/90         | Present    |
| <i>Example:</i> Jones & Smith                     | Hometown, USA EXAMPLE | Law Firm             | Partner       | 7/85         | 11/8X      |
| 1 U. S. Japan Friendship Commission               | Washington, DC        | Ind. Federal Agency  | Member        | 2005         | present    |
| 2 New Frontiers Ventures LLC                      | Anchorage, AK         | Real Estate          | Member        | 1999         | present    |
| 3   |                       |                      |               |              |            |
| 4   |                       |                      |               |              |            |
| 5   |                       |                      |               |              |            |
| 6   |                       |                      |               |              |            |
| 7   |                       |                      |               |              |            |
| 8   |                       |                      |               |              |            |
| 9   |                       |                      |               |              |            |
| 10  |                       |                      |               |              |            |
| 11  |                       |                      |               |              |            |
| 12  |                       |                      |               |              |            |
| 13  |                       |                      |               |              |            |

Compensation in excess of \$200 from any position must be reported in Part II.

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### AP story on Young

Posted by Alaska\_Politics  
Posted: July 24, 2007 - 6:21 pm

The Associated Press has moved this story ...

Wall Street Journal: Rep. Young under criminal investigation  
The Associated Press

U.S. Rep. Don Young is under criminal investigation, the second member of Alaska's congressional delegation to be part of a federal corruption probe, a newspaper reported.

Young is being investigated for his alleged ties to VECO Corp., the Anchorage-based company whose former top two executives -- including former CEO Bill Allen -- have pleaded guilty to bribing Alaska state lawmakers, the Wall Street Journal, citing anonymous sources, reported on its Web site late Tuesday.

Investigators are trying to determine whether Young or U.S. Sen. Ted Stevens took bribes, illegal gratuities or unreported gifts from VECO, the newspaper reported, citing only "people close to the case."

A message left by The Associated Press late Tuesday at Young's Washington, D.C., office was not immediately returned.

The Daily News could not independently verify the story.

Stevens has continually declined to comment on the corruption investigation, which involves the FBI and the U.S. Justice Department.

The Wall Street Journal said Allen held fundraisers called "the Pig Roast" for Young every August for 10 years. Public records show Young received \$157,000 from VECO employees and its political action committee between 1996 and 2006.

Young, a Republican, amended campaign-finance filings earlier this year to reflect \$38,000 in payments to Allen, the Journal reported. The refunds were labeled "fundraising costs" in documents filed with the Federal Election Commission.

Young has spent more than \$250,000 of his campaign contributions on legal services since he put a Washington, D.C., law firm on retainer this year, according to recent regulatory filings.

As part of a widening corruption probe, the FBI is looking closely at a 2000 construction project that more than doubled the size of Stevens' home in the ski resort community of Girdwood, about 40 miles south of Anchorage.

A contractor who did work on the house has said he was directed to send bills to VECO. The contractor said someone at the company would examine them for accuracy before sending them to Stevens, the longest serving Republican in Senate history.

"Federal agencies have conducted a broad ranging investigation in Alaska for almost a year. I believe this investigation should proceed to its conclusion without any appearance that I have attempted to influence its outcome," Stevens said in a written statement issued last week. "I will continue this policy of not commenting on this investigation until it has concluded."

"I urge Alaskans not to form conclusions based upon incomplete and sometimes incorrect reports in the media," Stevens said. "The legal process should be allowed to proceed so that all the facts can be established and the truth determined."

Allen and another former VECO executive, Rick Smith, have pleaded guilty to extortion and bribery related to their dealings with state legislators. They are said to be cooperating with investigators. No sentencing date has been set.

### Alaska Politics

Kyle Hopkins covered the 2006 campaign for governor and is covering the Palin administration's transition. Before joining the Daily News in 2005, he was a writer for the Anchorage Press and the Fairbanks Daily News-Miner. E-mail him at [khopkins@adn.com](mailto:khopkins@adn.com).



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FBI - Stevens-808

Three former Alaska lawmakers charged with bribery will face trial later this year.

Meanwhile, the state's junior senator, Republican Lisa Murkowski, has come under scrutiny by watchdog groups for allegedly benefiting from a questionable land deal. She and her husband purchased a prime piece of property on the banks of the Kenai River at about \$100,000 below market price. The land was purchased from the lot's adjacent neighbor and longtime Murkowski friend, Bob Penney, who also is a friend and a longtime business associate of Stevens.

Penney, who recently testified before a federal grand jury in the Stevens' investigation, said he was satisfied with the sale to Murkowski and her husband and received three times more than he paid for the property.

[add new comment](#)

11 July 25, 2007 - 2:05pm | Stags\_Leap

more Lisa Murkowski problems

has anyone looked into the "finanong" of the Penney-gate land deal? She reportedly got a sweetheart 39 year mortgage from a bank. Just so happens Lisa is a former board member of this bank. A 39 year mortgage is extremely extremely rare. Banks just don't do them. So why did she get one? She is a U.S. Senator and a former board member of that bank. And this is another GIFT she should have disclosed to the FEC -which she did not.

[reply »](#)

July 25, 2007 - 4:00pm | tomtom

Stags,

It has been common practice for the past few years for financial institutions to offer terms up to 40 years here in Alaska. In other countries, they are issuing multi-generational mortgages and in other states they are issuing mortgages up to 50 years.

Please check with Alaska USA, they talk about the 40 year mortgage on their website.

[reply »](#)

10 July 25, 2007 - 12:53pm | bobbys\_place

Alaska Newspapers ducking political hot potatoes

What happened to good old investigative reporting by Alaska Newspapers? What happened is that LM, DY and TS have the ability to call people who run large amounts of advertising in the Daily News and Fairbanks News Miner (and TV and radio stations) and get them to call the media and say, "hey I didn't like that story about my favorite crooked politician, how about I pull my ads from your newspaper/radio/TV" and instead of putting integrity and journalist ethics above dollars, the media gets gun shy and will only run stories that have already been reported by the lower 48 media, so they have an excuse when their customer calls complaining about the "attack" on the crooks we have elected. The Daily News is as crooked as LM, DY and TS, because they ignore what is going on in, because reporting it is not in their own self interest.

[reply »](#)

July 25, 2007 - 1:45pm | chilcoot

Garbage

The post above by "bobbys\_place" is pure garbage. The Daily News has the Pulitzers to prove it. The Daily News has been all over the corruption of prominent Alaska politicians, and has been for years. Ask John Lindauer, George Jacko, Ben Stevens, Ralph Seekins, Scott Ogan, Jerry Ward, Jim Zawacki, Lin Garrison, Vic Kohring, Al Veazy, Pete Kott, Bruce Weyrauch, Ramona Barnes, and Dave Donley. That the Daily News is not presently leading in investigating Don Young's problems is hardly evidence that the Daily News is not trying. Good grief, what an uninformed post.

[reply »](#)

July 25, 2007 - 1:28pm | heyworth

correct

you nailed it.

[reply »](#)

9 July 25, 2007 - 11:50am | fishwrapper

Big Don

If Don goes to trial, I hope he takes the stand! We'd be in for a 10@#\$%&\*Fest! Can't wait to see the judges face.

[reply »](#)

8 July 25, 2007 - 11:34am | Stags\_Leap

Campaign funds for Legal Defense

USA Today has a good article in the 5/17/07 edition, called: "Campaign funds going to legal fees." That gives some good background on the issue. Someone kindly put up an html link to it...please.

[reply »](#)

7 July 25, 2007 - 9:29am | leowassilie

November 2006

If I remember right, didn't Diane Benson receive 40% of the vote last time? You see, our state is progressive.

[reply »](#)

July 25, 2007 - 1:30pm | heyworth

Being used

The Dems used Diane last time by luring her in to run against Young to "soften" him up for "their guy" in '08.

They won't support her at all in this coming Primary.

Just watch which big name D files.

Need I even give the first 4 names?

She won't have a chance.

No support at all.

Sorry DB. It's what they do to folks like you.

Don't waste your time.

I know.

[reply »](#)

July 25, 2007 - 3:29pm | leowassilie

FBI - Stevens-809

I gotcha

Not really trying to point out her as a potential candidate more than to point out that Alaskan's are actually progressing away from electing Don Young.  
reply »

6 July 25, 2007 - 9:12am | leowassdile

#### Kenal's Murky River

It doesn't matter how much money Penney earned. The COST of the property is a historical figure that means little to the prospective buyer, and is the measure from which to pay capital gains tax from the owner. The ONLY thing that matters here is the Fair Market Value, since LM was the buyer. The FACT he did receive three times more than he paid for the property is a great indicator the property is undervalued from borough assessments.  
reply »

5 July 25, 2007 - 8:51am | chilcoot

#### This Can't Be True

No way is Don Young corrupt. He's pure as the driven snow. Why, just last week, I saw him walk by an old woman and not shove her to the ground. I've heard he can go weeks without tacking an environmentalist, binding him in duct tape, and setting him alight in whale oil. Don Young reeks of integrity. Because that's what integrity does. It reeks. No way is he corrupt.  
reply »

4 July 25, 2007 - 7:47am | nickolas

#### a joyous day

or it would be, if this was of any real consequence, shameful on one side, but well needed to be done, on the other however the buck doesn't stop there, and nothing will come of any of this, personally to I it looks more like an illusion of pretend adjudication of justice to give the public a hope of trust in some agency that has no office or Officers. One could always hope though this will continue, of course to do so would litigate the Alaska Court system as well, which doesn't seem to be the intent, since knowone ever wants to eliminate all players.  
reply »

3 July 25, 2007 - 7:41am | Stags\_Leap

#### question on Lisa Murkowski land deal

Duke Cunningham's original criminal problems started with defense contractor Mitchell Wade paying Cunningham \$1.675 million for the congressman's Del Mar Heights home in late 2003. Wade then sold it 11 months later for \$975,000 ---- resulting in a \$700,000 loss. So why is it ethical for Lisa to underpay for a prime piece of property owned by Penney, which gives her an immediate \$150K-\$200K in equity, which she didn't disclose to the FEC?  
reply »

July 25, 2007 - 9:26am | llovefucy

#### Question that hasn't been asked

Did Lisa sell her Anchorage home for the assessed value or market price? From what I could tell from the city property site, she sold it for \$405,270 and it was assessed at \$25,400 in 2005 and \$344,400 in 2006 (when the sale was recorded - however, the 2005 assessment might have been current when she actually sold the piece). Why would she know enough to ask more than the assessed value and yet seem so clueless when it comes to property purchases on the Kenal? Even if it's a rhetorical question, the ADN should've asked it. They should actually report the news sometimes, not just respond to it after national groups do it.  
reply »

July 25, 2007 - 7:57am | TheSdog

#### Stags

If LM turned around and sold it now for 400K or something along those lines you might have a point. Then again, this transaction is going the other way. You also need the smoking gun of what exactly LM did for Penny in exchange for money. That was clearly demarcated in the Cunningham case.  
reply »

2 July 24, 2007 - 11:25pm | alaternakja

#### Where is the ADN?

Here is yet another example of the outside media reporting stories that more appropriately should be done by the ADN. What is the matter with our local paper? Why are so many significant news stories about the questionable conduct of our Congressional delegation being originally reported by others? The Lisa Murkowski story came from talkingpointsmemo. This story came from the Wall Street Journal. The story about Don Young returning campaign contributions came from Roll Call (and by the way only was posted on this blog and has never been the subject of a story in the ADN). The ADN's failure to adequately cover our Congressional delegation is as embarrassing as Don Young's speech about Alaska's biting and fighting minks.  
reply »

July 25, 2007 - 1:03am | shasta2

#### RETURNING CAMPAIGN CONTRIBUTIONS

The congressman Young received campaign contributions and for some reason and for what reason did he say he was not needing them? Really, Did he just return \$35,000.00 or whatever amount? Why did Bubba just turn around and give a refund? The house of cards etc. I am afraid is coming down. Perhaps the jets won't be flying as the money was already spent by the old man but a lot of legislatures I bet will be packing up ready to drive south.  
reply »

1 July 24, 2007 - 10:51pm | adnak

#### Who Isn't under Investigation?

How sweet it is, the Trifecta! Stevens, Boss Young, Murky Jr., I'm so proud of our state. And let's not forget Ben, half of the Juneau legislature, and lots of fishing industry leaders all waiting for jailtime too! And after the Bridge to Mars ridicule, we can kiss the federal buck\$\$\$ away. No more easy money for Alaska for years. All these folks are going down, was all the power we gave them all these years worth it? We are the laughing stock of America-those bozos in Alaska. We and Sarah better drive some real world deals on our part of the oil and gas. If we continue to give our fair share away, and lose our accustomed chunk of the federal purse, I can see lots of families having to leave the state. No federal largesse, a reduction in big ticket infrastructure funding, this state is going to be hurting for a long time. I hope all these folks end up in prison for awhile, because their not welcome in Alaska anymore. Thanks, all you selfish, scurvy, politicians.

FBI - Stevens-810

You've done a great job ruining the future of a lot of hard working Alaskans.  
reply »

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Today's Wall Street Journal story

Posted by editorsblog
Posted: July 25, 2007 - 10:55 am

Interesting news broke yesterday afternoon. The Wall Street Journal posted a story on its web site reporting that Rep. Don Young was the subject of a criminal investigation involving possible political favors from Veco, the corrupt oil field services company.

The story was based on anonymous sources described only as "people close to the case."

Although other recent stories have hinted at the likelihood that Young was the subject of at least one criminal inquiry, this was the first story to state as fact that Young was under investigation for one or more crimes.

Various news organizations have reported that Young received substantial financial contributions from the criminal lobbyist Jack Abramoff, and that a former top aide to Young pleaded guilty to corruption on behalf of Abramoff. It has also been reported that Young was connected to a corruption investigation involving trucking regulations and a Wisconsin businessman and campaign contributor. And questions were raised by a Florida newspaper about Young's earmarking of federal funds for a road in Florida that benefitted another of his campaign contributors.

All of this information was reported in the Daily News based on named sources and/or documents.

Most recently, we and other news organizations have reported that Young reported spending more than \$262,000 in campaign funds for legal services since the beginning of the year, according to public records.

As an editor, when I read the Journal story, I saw three pieces of information that were significant and new:

First, the definitive statement that Young was the target of a criminal investigation. Second, that the investigators were specifically trying to determine whether Young or Sen. Ted Stevens had received "bribes, illegal gratuities or unreported gifts" from Veco. And third, that Young had amended his campaign finance reports in January to report a \$38,000 "refund" to Bill Allen, Veco's former chief.

The rest of the story was background information and recaps of information from previous news reports.

The story also reported that Young "has hired a criminal defense team," although it offered no details and no source for that information, but did say Young's spokesman had declined to comment about legal spending.

The first two of those three new facts - criminal investigation of bribes, gratuities, gifts -- were based solely on information from the anonymous "people close to the case." The third fact came from public records.

The question for me was how much credibility to attach to the Journal's anonymous sources, and what story or information belonged in the next day's Daily News. The Daily News has historically taken a very conservative approach to anonymous sources. We rarely base our own stories on them, and we are reflexively skeptical of them in stories by other publications.

In general, that approach has served us well, although it certainly puts us at a competitive

The Editor's Blog

Do you wonder why the newspaper did what it did, or didn't do what it didn't do? This is the spot where I or one of our other editors will try to answer your questions, respond to your complaints and generally explain the behavior of the newspaper as best as we can. Do you think we misplayed a photo, put the wrong headline on a story or missed important news? Did you like something you found in the paper? Post your questions, or share your thoughts about the paper. I only ask that you be clear, concise and civil.



Contact: editorsblog@adn.com

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FBI - Stevens-812

disadvantage on stories involving secrecy, such as, for example, federal corruption investigations.

The Wall Street Journal is one of the best newspapers in the world, and I respect its news coverage. But I also know better than to trust it or any other news organization blindly. The New York Times is also one of the world's great journalistic institutions, but its willingness to let Judith Miller and Jayson Blair publish stories based on anonymous sources did huge damage to itself and the business of journalism, not to mention readers.

So, back to our newroom last night . . .

I did not see sufficient reason to override our policy against running stories based on anonymous sources. On the other hand, I also knew that regardless of what we chose to do, the apparent revelations in the Journal's story would become part of the public dialog about corruption in Alaska. If we carried no story, our readers would not necessarily know what the Journal had reported or understand why there was no mention of it in the Daily News.

Still, I was not prepared to attach the credibility of the Daily News to the Journal's unnamed and barely described sources by running their story straight. Our solution, which we've used before in similar circumstances, was to find a middle ground by running a story about the Journal story.

There is a distinction here that many readers may find hard to follow, but which I consider journalistically significant.

To run the Journal story straight is to run a story saying that Don Young under investigation, according to anonymous sources. In that case, we have effectively attached our credibility to those sources.

By running a story reporting that the WSJ has published a story, based on anonymous sources, that says Don Young is under investigation, we provide readers with a story that we know is accurate and credible -- the fact of the Journal story -- but we avoid attaching our reputation to the accuracy of the Journal's sources.

And we would only go this far because of the reputation of the WSJ. We wouldn't do even this much if a publication or blog without a strong track record of good journalism had done the story.

Because I was not completely confident in the quality of the information on which the Journal story was based, and because there was not much new information in the story, I decided against putting it on the front page of the paper, opting instead to run it as the lead story on the Alaska cover.

Someone asked on one of our blogs this morning why the "criminal investigation" is being reported first in the Journal and not in the local paper. The answer is that no news organization, including the Wall Street Journal, has been able to get that information confirmed on the record. The difference between us and the Journal is that we aren't willing to report it if we can't get it on the record. We take a conservative approach because we think it's essential to our credibility over the long term, and we're willing to pay the price of not being the first to report something.

Lots of other newspaper editors would decide a question like this differently. And my position on anonymous sources in the Daily News is not absolute. If the information was important enough, and if the source had very good reasons for needing anonymity, if there was no possibility of finding other named sources, and if the information were not going to see the light of day on any other terms, we would likely publish a story based on anonymous sources. But we wouldn't do it merely to scoop the competition.

I expect this corruption investigation to go on for quite some time, and I expect we'll see this issue come up, in one form or another, many more times.

Thanks for reading.

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# POLITICS & ECONOMICS

## Alaska's Young, Stevens Face Inquiry

### U.S. Prosecutors Look at Ties Of Republican Lawmakers To Engineering Firm VECO

By JOHN R. WILKE

WASHINGTON—A senior House Republican has come under criminal investigation in the Justice Department's widening inquiry into alleged influence-peddling and self-dealing in Congress.

Rep. Don Young of Alaska, the former chairman of the House Transportation Committee, now is the subject of a continuing criminal inquiry involving possible political favors for a company in Alaska, people close to the case said. Sen. Ted Stevens of Alaska, the powerful former chairman of the Appropriations Committee and the longest-serving Senate Republican, is also now under criminal investigation, these people said.



Don Young

Federal investigators are examining whether Rep. Young or Sen. Stevens accepted bribes, illegal gratuities or unreported gifts from VECO Corp., Alaska's largest oil-field engineering firm, people close to the case said.

It isn't known what VECO allegedly may have received in return. The company has been awarded a series of federal contracts since 2000, including contracts to provide logistics support for arctic research, among other projects.

The two lawmakers are among the highest-ranking members of either party to come under scrutiny in the wave of public-corruption probes that has swept Washington in the past three years. In the past year, two congressmen have been sent to prison, a third has been indicted for bribery, and at least a half-dozen others are under investigation in separate cases.

For a decade, former VECO Chief Executive Bill Allen has held fund-raisers for Mr. Young in Anchorage every August, known as "The Pig Roast," participants said. Public records show contributions to Mr. Young of at least \$157,000 from VECO employees and its political-action committee between 1996 and 2006, the last year the event was held.

Mr. Young amended his campaign-finance filings in January to reflect \$38,000 in payments to Mr. Allen, who is now cooperating with federal investigators in the case. The re-

◆ **The News:** Rep. Don Young and Sen. Ted Stevens are under investigation in a continuing criminal probe of alleged political favors for an Alaskan company.

◆ **The Details:** Federal investigators are examining whether Rep. Young or Sen. Stevens accepted bribes or unreported gifts from Alaska's largest oil-field engineering firm, people close to the case said.

◆ **The Significance:** The lawmakers are among the highest-ranking members of either party to come under scrutiny in the wave of public-corruption probes that has swept Washington.

funds, which haven't previously been reported, were labeled "fund-raising costs" in documents filed with the Federal Election Commission.

Mr. Young has hired a criminal-defense team and has said his campaign committee has paid \$262,000 in legal fees in the past three months. A spokesman for Mr. Young declined to comment on any possible investigation and wouldn't say why his legal fees have risen sharply. Mr. Young has also faced questions about campaign donations received from convicted lobbyist Jack Abramoff. The congressman wasn't previously reported to be under criminal investigation.

The burly, bearded congressman has been Alaska's sole House member for 18 terms. He is perhaps best known as the architect of the "bridge to nowhere," a project in a massive 2005

gations against Mr. Stevens, haven't previously been known.

VECO was acquired in June by CH2M HILL, a closely held Colorado engineering firm, after Mr. Allen, VECO's former CEO, agreed in May to plead guilty to charges of bribery, conspiracy and extortion.

Mr. Stevens has publicly said that he was asked to retain documents related to the federal investigation of his son, Ben Stevens, and other members of the state legislature, and related to VECO's role in the remodeling of a family home in Alaska in 2000. Sen. Stevens recently hired a criminal-defense lawyer. He has said he isn't a target of the Alaska probe and hasn't violated any law.

VECO executives, including Mr. Allen, have been big supporters of Mr. Stevens as well. And while VECO has won a string of federal contracts in recent years, it isn't known which contracts are the focus of the investigation.

Mr. Stevens was directly involved in funding contracts with the National Science Foundation, for example, which went to support arctic research. But there is no evidence he sought to influence the award of contracts to VECO, officials at the NSF said. Congressional records show that Mr. Stevens on several occasions added extra funding to the budget for arctic research above what the agency sought.

Sen. Stevens's spokesman, Aaron Saunders, declined to comment on the broader public-corruption investigation. The senator, in a statement, said: "This investigation should proceed to its conclusion without any appearance that I have attempted to influence its outcome." He added that the process should proceed "so that all the facts can be established."

The government's wide-ranging investigation of corruption in Alaska has already snared three current or former state legislators, who were arrested earlier this year, as well as Mr. Allen and a second VECO executive. Ben Stevens, Mr. Stevens's son, hasn't been charged in the case. His office was raided by agents of the Federal Bureau of Investigation last fall. The investigation is being led by the Justice Department's public-integrity section, which is presenting evidence to grand juries in Washington and Anchorage.

In the raid of Ben Stevens's office, documents related to VECO's gas-pipeline work were seized, along with records of his work for an Alaska fish-marketing board, an entity that was created and funded by Congress with support from his father.



Ted Stevens

### Oil's Spoils

Employees of VECO Corp., an Alaska oil-services company, have been among the top donors to Rep. Don Young and Sen. Ted Stevens, both Alaska Republicans. Campaign contributions since 1999:

| Rep. Don Young                    | Sen. Ted Stevens       |
|-----------------------------------|------------------------|
| VECO \$212,380                    | Boeing \$104,600       |
| BP 116,758                        | VECO 85,000            |
| Carnival Corp. 101,700            | BP 61,800              |
| American Maritime Officers 99,300 | AT&T 51,500            |
| Seafarers 76,514                  | Lockheed Martin 48,000 |
| International Union               |                        |

Note: Figures are through 2006

Source: Center for Responsive Politics

transportation bill that he named after his wife, Lu, and "stuffed like a turkey," as he put it when the \$286 billion bill was done. The proposed bridge to a sparsely populated island off Ketchikan, Alaska, came to symbolize out-of-control congressional spending to fund pet projects by lawmakers in both parties.

It has been widely reported that VECO is at the center of a federal investigation of corruption in the Alaska state legislature. But the inquiry into Mr. Young, as well as details of the alle-


**Access World News**

Paper: Anchorage Daily News (AK)

Title: Young under criminal investigation -

ANONYMOUS SOURCES: His alleged Veco ties being scrutinized, according to Wall Street Journal.

Date: July 25, 2007

U.S. Rep. Don Young is under criminal investigation, the second member of Alaska's congressional delegation to be part of a federal corruption probe, a newspaper reported.

Young is being investigated for his alleged ties to Veco, the Anchorage-based company whose former top two executives -- including former CEO Bill Allen -- have pleaded guilty to bribing Alaska state lawmakers, the Wall Street Journal, citing anonymous sources, reported on its Web site late Tuesday.

Investigators are trying to determine whether Young or U.S. Sen. Ted Stevens took bribes, illegal gratuities or unreported gifts from Veco, the newspaper reported, citing only "people close to the case."

A message left by The Associated Press late Tuesday at Young's Washington, D.C., office was not immediately returned.

The Daily News could not independently verify facts in the Wall Street Journal story.

Stevens has continually declined to comment on the corruption investigation, which involves the FBI and the U.S. Justice Department.

The Journal said Allen held fundraisers called "the Pig Roast" for Young every August for 10 years. Public records show Young received \$157,000 from Veco employees and its political action committee between 1996 and 2006.

Young, a Republican, amended campaign-finance filings earlier this year to reflect \$38,000 in payments to Allen, the Journal reported. The refunds were labeled "fundraising costs" in documents filed with the Federal Election Commission.

Young has spent more than \$250,000 of his campaign contributions on legal services since he put a Washington, D.C., law firm on retainer this year, according to recent regulatory filings.

As part of a widening corruption probe, the FBI is looking closely at a 2000 construction project that more than doubled the size of Stevens' home in the ski resort community of Girdwood, about 40 miles south of Anchorage.

A contractor who did work on the house has said he was directed to send bills to Veco. The contractor said someone at the company would examine them for accuracy before sending them to Stevens, the longest serving Republican in Senate history.

"Federal agencies have conducted a broad ranging investigation in Alaska for almost a year. I believe this investigation should proceed to its conclusion without any appearance that I have attempted to influence its outcome," Stevens said in a written statement issued last week. "I will continue this policy of not commenting on this investigation until it has concluded."

"I urge Alaskans not to form conclusions based upon incomplete and sometimes incorrect reports in the media," Stevens said. "The legal process should be allowed to proceed so that all the facts can be established and the truth determined."

Allen and another former VECO executive, Rick Smith, have pleaded guilty to extortion and bribery related to their dealings with state legislators. They are said to be cooperating with investigators. No sentencing date has been set.

Three former Alaska lawmakers charged with bribery will face trial later this year.

Caption:

FBI - Stevens-815

Young

Caption:

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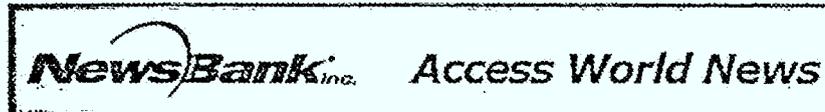
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Section: Alaska

Page: B1

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Paper: Anchorage Daily News (AK)  
 Title: Conflict of Interest makes Ramras pull bill on cruise ships -  
 HOTEL OWNER: GOP legislator may seek a follow-up opinion.  
 Date: July 25, 2007

A state legislator who owns a Fairbanks hotel said he will withdraw a bill on cruise ships that he sponsored and pushed.

The decision Tuesday by Rep. Jay Ramras, R-Fairbanks, came after the Select Committee on Legislative Ethics advised him that his ownership of Pike's Waterfront Lodge in Fairbanks posed a conflict of interest.

Ramras requested the committee's opinion, which recommended that Ramras withdraw the bill, HB 222.

The bill addresses the likelihood that a town will opt out of getting a share of the new \$50-a-passenger tax on cruise ships and impose its own tax instead. His bill would require the state to grant a tax credit equal to the amount levied in passenger taxes by Alaska port cities -- effectively capping passenger taxes. The new tax, which started this year, levies \$50 from each of the roughly 1 million cruise passengers who tour Alaska each summer.

Ramras is chairman of the House Judiciary Committee, which also considered other bills related to cruise ships.

Ramras said another committee member chaired meetings when cruise-ship legislation was heard in the Judiciary Committee. "I was equally careful in disclosing my close economic association with the industry" in the committee and on the House floor, he said.

But he said he might ask for a follow-up advisory opinion.

The ethics committee opinion could hurt his and other legislators' "ability to draft, advocate for or speak against legislation in fields of expertise which we each bring with us to Juneau," he said.

The ethics committee, in its opinion presented to Ramras, laid out the conflict, identifying a cruise-tour business as Company A:

"For a number of years your corporations have earned the majority of their annual income from service contracts with Company A. During a recent legislative session you were in negotiation with Company A to extend or renew these contracts, which were about to expire. During the time period in which these negotiations took place, you introduced and sponsored a bill that, if it becomes law, could indirectly confer a substantial financial benefit upon Company A. The bill is still pending, and you are still a sponsor. During the same time period, you took or withheld official action on other bills, introduced by others, that also might indirectly confer a substantial financial benefit upon Company A."

The committee said Ramras' pushing of HB 222 while negotiating substantial business contracts with Company A "is of special concern."

"A determination by this committee that a legislator should not introduce or sponsor a bill in a matter in which the legislator has a conflict of interest under the act would not prohibit legislators from earning outside income or impair legislators' income-earning abilities or opportunities," the ethics committee said.

Joe Geldhof was co-sponsor of the cruise-ship tax that voters approved last August.

"This opinion comes as a surprise to no one who was paying attention to his (Ramras) focus on areas where he had a strong personal and commercial interest. The question is why it took so long," Geldhof said.

"What is the Legislature going to do to keep it from happening in the future? This is hardly surprising; the conduct was shameful," he said.

Contact Bill White at 257-4311. Find Elizabeth Bluemink online at [adn.com/contact/ebluemink](http://adn.com/contact/ebluemink) or call 257-4317.

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FBI - Stevens-816

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## Murkowski to sell back Kenai property

By ERIKA BOLSTAD and RICHARD MAUER  
Daily News reporters

*(Published: July 26, 2007)*

U.S. Sen. Lisa Murkowski said this morning that she and her husband intend to sell back their Kenai riverfront property to Anchorage businessman Bob Penney.

Murkowski announced the give back a day after a Washington watchdog group filed a 15-page Senate ethics complaint against her, alleging that Penney sold the property well below market value. The transaction amounted to an illegal gift worth between \$70,000 and \$170,000, depending on how the property was valued, according to the complaint by the National Legal and Policy Center.

Murkowski told reporters in her Capitol office this morning that Penney, a real estate developer who does business in Alaska and Outside, has agreed to buy back the property for the \$179,400 purchase price she and husband Verne Martell paid Dec. 22, 2006.

"While Verne and I intended to make this our family home and we paid a fair price for this land, no property is worth compromising the trust of the Alaska people," Murkowski said in a written statement. "I cannot allow this to become a distraction from the major challenges faced in representing Alaska. So we have decided to sell this property back to Bob Penney at the same price for which it was purchased."

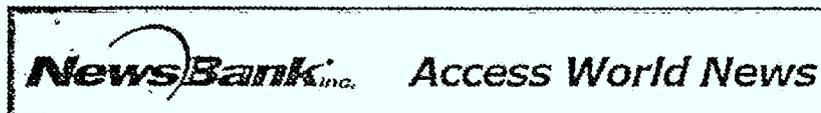
Ken Boehm, chairman of the National Legal and Policy Center, said Thursday that Murkowski did the right thing by announcing she would return the property. But, he added, his complaint should still be heard because Murkowski's 2006 disclosure remains inaccurate. Among his charges was that she failed to disclose the transaction as required by Senate rules.

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FBI - Stevens-817



Paper: Anchorage Daily News (AK)  
 Title: Murkowski returns disputed land -  
 SELL-BACK: She and husband must cover bank closing costs.  
 Date: July 27, 2007

U.S. Sen. Lisa Murkowski said Thursday that she and her husband have decided to sell back their Kenai riverfront property to Anchorage real estate developer Bob Penney.

Murkowski announced the sell-back a day after a Washington watchdog group filed an ethics complaint against her, alleging that Penney sold the property at well below market value. The transaction amounted to an illegal gift worth between \$70,000 and \$170,000, depending on how the property was valued, according to the complaint by the National Legal and Policy Center.

Murkowski, who has said repeatedly that the deal was aboveboard, told reporters in her Washington office that Penney agreed to buy back the property for the \$179,400 purchase price she and husband, Verne Martell, paid last December.

"While Verne and I intended to make this our family home and we paid a fair price for this land, no property is worth compromising the trust of the Alaska people," Murkowski said in a written statement. "I cannot allow this to become a distraction from the major challenges faced in representing Alaska."

Murkowski said it was a heart-wrenching decision because she, her husband and their two sons -- all avid fishermen -- have long sought a place on the Kenai River.

"My family is amazing, and they make incredible sacrifices for me," Murkowski said. "For them to be living in Washington, D.C., for nine months out of the year, working here, going to school here, and giving up Alaska, is a huge sacrifice. We want to be able to have our place back home, in Alaska. And that's what this was all about -- it was nothing nefarious or underhanded or improper."

#### GOOD-NEIGHBOR SALE

Ken Boehm, chairman of the National Legal and Policy Center, said Thursday that Murkowski did the right thing by announcing she would return the property. But, he added, his ethics complaint should still be heard because Murkowski's 2006 disclosure remains inaccurate. Among his charges was that she failed to disclose the transaction as required by Senate rules.

Penney said in a telephone interview from his riverside home outside Soldotna that Murkowski did nothing wrong.

"It was totally unfair to the Martells that they end up not being able to build where they wanted to, on their new homesite they were so excited about," Penney said. "They got pushed away."

Penney said he sold them the land because they were among a select group of people he would like for next-door neighbors.

The issue erupted in the blogosphere July 16 when the Web site TPMuckraker.com reported the land deal. At first Murkowski and Penney refused to disclose the purchase price or other details.

What with increasing media attention on the Alaska political corruption scandal and links of U.S. Sen. Ted Stevens and U.S. Rep. Don Young to ongoing federal investigations, reports of a possible sweetheart deal between Penney and Murkowski quickly caught fire. Penney has already testified before a federal grand jury looking into Stevens' activities.

The deal became the talk of talk radio in Anchorage, with hosts and callers lining up both with Murkowski and against her, and details emerged in a string of newspaper and television news stories, followed by Boehm's ethics complaint this week.

"It's just absolutely media madness," Penney said.

Murkowski said she has always known that her actions draw more scrutiny because of her position, but said she was not quite prepared for the ferocity of the backlash on talk radio and political Web sites. For now, though, she and her family will be looking for another home with access to good salmon fishing.

"I guess I've always known that I live in a glass house as a public figure, but I guess I'm not going to be living in a glass house on the Kenai River," Murkowski said.

PERSONAL-USE EXEMPTION

FBI - Stevens-818

Murkowski has always maintained that although there were errors in her ethics report, she never violated Senate disclosure rules.

"Senate ethics says that if the properties are used for personal use, you don't disclose it," she said. She said she disclosed the mortgage for the property but not the transfer, based on advice from Ethics Committee staff.

Murkowski said she told Stevens, the senior Alaskan senator, that she was going to be selling the property. She did not seek his advice and he did not counsel her on it -- but he did tell her in their conversation Wednesday night that he was sorry about what had happened, Murkowski said.

She wouldn't address the effect that the Stevens or Young investigations -- or her own ethics complaint -- have had on the state's image or the ability for the delegation to get things done.

"There are those who will do anything to bring down the strength of the Alaska delegation. I think that is a reality. I think what I do is to get up every morning and do the best job I can representing Alaskans. That's what I was elected to do."

Murkowski said that she and her husband will lose some money on the return sale because they must pay bank closing costs to end the mortgage. The final paperwork should be completed today, she said.

Murkowski dismissed criticism that she used a Ketchikan bank with close family ties -- she once sat on the board, and her sister is a current shareholder and director. She and her husband received a two-year balloon mortgage known as an "equity lot loan" that can be rolled into a construction loan to build on raw property.

"When you go to a bank, or you go to a lawyer, most of us don't just go pick up the Yellow pages. You go to where you have had an established relationship. My husband and I have had an established relationship with First Bank for years."

Penney said that restrictions he placed on the deal lowered the value of the property and reduced the chance that Murkowski would quickly sell it for a profit. For five years after the sale, he said, Murkowski and Martell would have to split with him 50-50 any proceeds they received over the initial sales price. He'd get his share before any deductions for improvements, taxes and interest, which would leave Murkowski little, if any, real profit.

Erika Bolstad reported from Washington and can be reached at [ebolstad@adn.com](mailto:ebolstad@adn.com) or 202-383-6104. Richard Mauer reported from Anchorage and can be reached at [rmauer@adn.com](mailto:rmauer@adn.com) or 257-4345.

#### Transaction timeline

12/22/06: Deed signed transferring property from businessman Bob Penney to Sen. Lisa Murkowski and husband Verne Martell

7/16/07: Word of the land sale is first published on the Web site [TPMMuckraker.com](http://TPMMuckraker.com). Story quickly gains currency on talk radio in Alaska and in newspaper and television reports.

Wednesday: National Legal and Policy Center of Falls Church, Va., files a 14-page complaint with the Senate Ethics Committee, alleging Murkowski received a "sweetheart deal" from Penney of substantially undervalued real estate.

Thursday: Denying she did anything wrong, Murkowski tells reporters at a press briefing for Alaska media in Washington, D.C., that she and Martell will resell the property back to Penney for the price they paid.

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Author: ERIKA BOLSTAD and RICHARD MAUER Anchorage Daily News Staff

Section: Main

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FBI - Stevens-819

**NewsBank** *inc.* Access World News

Paper: Anchorage Daily News (AK)  
Title: Young recovers from surgery -  
'HE'S FINE': No prostate cancer, but political news isn't so good.  
Date: July 27, 2007

U.S. Rep. Don Young had some minor surgery this week on his prostate and stayed home from work for a few days, his spokeswoman said Thursday.

Young was not in the office Tuesday or Wednesday, said spokeswoman Meredith Kenny. He came into the office Thursday, Kenney said, but left a little earlier than usual. The surgery, performed at a Washington hospital, was minor and "non life-threatening," Kenney said.

"He's fine," she said, adding that he does not have prostate cancer.

It has not been a particularly good week for Alaska's sole congressman. The Wall Street Journal reported Tuesday that he's now the target of a federal criminal investigation for his ties to Veco Corp. The company's top executives, including chief executive Bill Allen, have pleaded guilty to bribing Alaska state lawmakers.

Meanwhile, the investigation has led to speculation in Washington that Young may lose some of his committee assignments; other Republican lawmakers who have caught the eye of federal investigators were asked earlier this year to give up their committee posts.

Young, now in his 18th term, sits on the Transportation and Infrastructure committee and is the highest-ranking Republican member of the House Natural Resources Committee. Thursday, a Republican spokesperson for the committee sent out a statement outlining Young's position on a mining bill the committee heard Thursday - a sign that Young is not about to lose his seat on it.

Kenny called the speculation about Young losing his committee assignments "nothing but buzz." The buzz may even have been fueled by fellow Republicans in the fiscally conservative wing of the party, she said. They were angered last week when Young warned a New Jersey Republican who was trying to cut money for an Alaska Native education program that "those who bite me will be bitten back."

But Democrats, who are actively recruiting candidates to run against Young in 2008, leapt at the chance to attack him.

"Don Young is being investigated for bribery -- one of the most 'serious transgressions' a member of Congress faces -- but he still sits on the committees overseeing issues important to the company that allegedly bribed him," said Jennifer Crider, communications director for the Democratic Congressional Campaign Committee. "Clearly, Republicans haven't learned their lesson about holding their members accountable for their wrongdoing."

The House minority leader's office, which decides Republican committee assignments, did not return phone calls Thursday.

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Page: B1  
Dateline: WASHINGTON  
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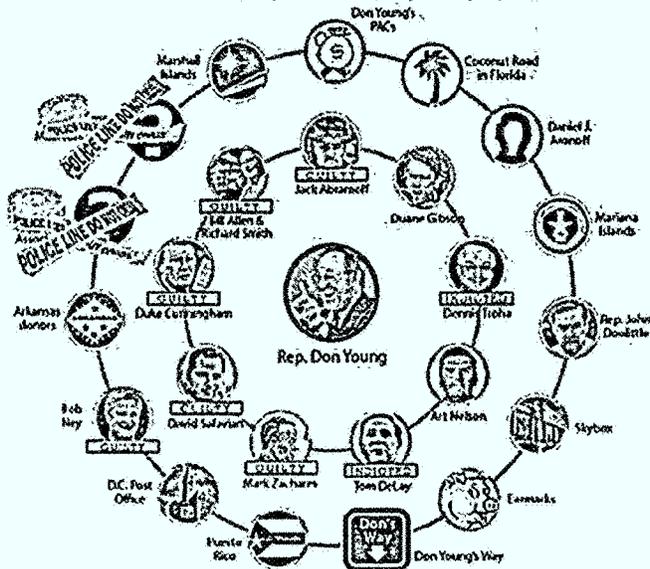
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### The Don Young Web of Corruption

Move your mouse over the images below to reveal the Don Young web of corruption.



#### Don on YouTube

#### Quotes

- Young calls environmentalists socialist un-Americans
- Young named one of the 10 worst Congressmen in 2006
- Young stuffed it like a turkey

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[http://seattlepi.nwsourc.com/connelly/325567\\_joel30.html](http://seattlepi.nwsourc.com/connelly/325567_joel30.html)

**Political scandals thick as trees in Alaska**

*Last updated July 29, 2007 11:25 p.m. PT*

By **JOEL CONNELLY**  
P-I COLUMNIST

Threats and bluster are standard operating procedures for Alaska's seniority-laden Washington, D.C., delegation, and Rep. Don Young, R-Alaska, was in full cry earlier this month.

"There is always another day when those who bite will be killed, too, and I am very good at that," Young said. No kiddin'. He once waved an 18-inch-long oosik, the penis bone of a walrus, at the first woman to direct the U.S. Fish and Wildlife Service.

Young, the political architect of Alaska's "bridges to nowhere," was mad at a bid by Republican New Jersey Rep. Scott Garrett to cut one of his pet programs.

Not only did he go after Garrett, but Alaska's congressman went on to note that his opponent comes "from a state that doesn't have the greatest reputation in the world."

A few days later, The Wall Street Journal revealed that Young is under FBI investigation for his ties to VECO, the oil-field-services supplier whose president has pleaded guilty to paying off Alaska state legislators.

"Is two-thirds of the New Jersey congressional delegation currently being investigated by the FBI? Did New Jersey pols and lobbyists organize a Corrupt Bastards Club in the state capital? And get hats made?" the Alaska Ear column of the Anchorage Daily News asked.

Alaska has lately moved out in front of the Garden State when it comes to politicians for sale, for rent and ready to exchange favors.

The past year has seen a curtain pulled back on the crony capitalist insiders' network that has long run the 49th State, treating the "Great Land" as a grand treasure trove.

As usual, there's a key insider: In the 1970s, it was Jess Carr, the Teamsters Union leader whose local ran Alaska Pipeline construction with fists and featherbedding.

The go-to guy of recent times was VECO boss Bill Allen. VECO was the prime contractor in cleaning up Prince William Sound after the Exxon Valdez spill. VECO took in about \$800 million of \$2.5 billion spent by Exxon.

Allen got around, and got around the law.

By bugging VECO's suite at Juneau's Baranof Hotel, the FBI recorded vote-buying that resulted in Allen and deputy Rick Smith pleading guilty to extortion and bribery, plus corruption charges against one legislator and two former colleagues.

FBI - Stevens-822

Between 2002 and 2006, VECO paid \$243,000 in consulting fees to the firm of state Senate President Ben Stevens, son of Alaska's U.S. Sen. Ted Stevens. What work the Stevens dauphin actually did is unclear. He has not -- yet -- been indicted.

Allen threw an annual fundraiser called "The Pig Roast" for Young each August. Young chaired the House Transportation Committee until Democrats won control of Congress.

Young received \$157,000 from VECO employees and its political committee over the past decade. He amended campaign-finance filings this year to report \$38,000 in payments to Allen for "fundraising costs."

And there is 83-year-old Ted Stevens, Alaska's senator for life. The FBI is investigating a 2000 project that more than doubled the size of his home in Girdwood, a ski town near Anchorage.

One contractor who worked on the house said he was told to send bills to VECO. He has said that someone in Allen's office examined the billing, then sent them to Stevens.

The Los Angeles Times did a 2004 study of "Uncle Ted's" personal finances. Stevens has become a millionaire by investing in partnerships with influential contractors. The same partners profited handsomely from spending items that Stevens put into the federal budget.

The Anchorage Daily News has regularly disclosed lucrative lobbying by former aides to Young and Stevens. An ex-Young staffer owns land near the terminus of a controversial proposed bridge. The family of former Gov. Frank Murkowski owns land on Gravina Island, destination of a planned bridge from Ketchikan.

Stevens, too, is given to threats. He vowed revenge on Sen. Maria Cantwell, D-Wash., after she blocked his backdoor bid to open the Arctic National Wildlife Refuge to oil and gas drilling.

In a final "predators' ball" of Alaska's elite, Stevens, Young and Allen headlined a fundraiser for Cantwell's GOP challenger Mike McGavick. McGavick ended up refunding \$14,700 from VECO executives when news of the FBI inquiry became public.

FBI - Stevens-823

A new north wind is blowing.

It blew away Murkowski in last year's Republican primary. The winner -- now governor -- was Sarah Palin, who blew the whistle on ethical misconduct while chairing the Alaska Oil and Gas Conservation Commission.

Anchorage Mayor Mark Begich is being recruited by Democrats to run against Young. Young is also under scrutiny for favors done for Florida businessmen who were big campaign donors.

The state's junior Sen. Lisa Murkowski -- appointed by her father when he was governor -- dodged a bullet last week. Murkowski and her husband announced they were selling back a choice Kenai River lot to a friend and real estate developer.

The resale came after a D.C. watchdog group filed a complaint against Sen. Murkowski, charging she paid far below market value and that the land deal amounted to an illegal gift.

"While Verne and I intended to make this our family home, and we paid a fair price for this land, no

property is worth compromising the trust of the Alaska people," she said.

It's enough to bring tears to your eyes -- if you happen to be a crocodile.

---

*P-I columnist Joel Connelly can be reached at 206-448-8160 or [joelconnelly@seattlepi.com](mailto:joelconnelly@seattlepi.com). Follow his political blog at [blog.seattlepi.com/seattlepolitics](http://blog.seattlepi.com/seattlepolitics).*

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**FBI, IRS searching Stevens' Girdwood house**

FBI - Stevens-825

Anchorage Daily News

*(Published: July 30, 2007)*

Federal law enforcement agents are currently searching the Girdwood home of Alaska U.S. Sen. Ted Stevens.

"All I can say is that agents from the FBI and IRS are currently conducting a search at that residence," said Dave Heller, the assistant special agent in charge of the FBI's Anchorage office. The search began earlier this afternoon, he said. It's the only such search warrant currently being served, he said.

Shortly before 3 p.m., a number of federal agents could be seen outside the house, along with a half-dozen government SUVs. Others were inside. It couldn't immediately be determined what, if anything, was being taken from the house. Agents at the house wouldn't answer questions.

Heller, the FBI spokesman in Anchorage, directed other questions to the U.S. Justice Department's Public Integrity Section in Washington. A spokesman there had no comment.

In Washington, FBI spokesman Richard Kolko confirmed to the Associated Press that FBI and IRS agents "are conducting a court authorized search warrant in Girdwood, Alaska."

Federal investigators and a grand jury looking into public corruption in Alaska have been asking questions about a 2000 remodeling project that more than doubled the size of Stevens' home -- particularly the involvement of the oil field services firm Veco. Three contractors who worked on the project told the Daily News that their records had been subpoenaed by a federal grand jury, and others connected with the work and with Stevens had been interviewed.

One of the contractors who worked on the job said he was hired by Veco CEO Bill Allen for the job, and while his bills were paid by Stevens and his wife, Catherine, invoices were reviewed first by Veco.

Allen and a Veco vice president pleaded guilty in May to bribery, extortion and other charges connected with paying off state legislators.

Two weeks ago, Stevens told reporters that money for the remodeling came out of his own pocket.

"As a practical matter, I will tell you. We paid every bill that was given to us," Stevens told reporters. "Every bill that was sent to us has been paid, personally, with our own money, and that's all there is to it. It's our own money."

Beyond that, Stevens has issued a written statement repeatedly in recent months saying he would have no comment on the ongoing corruption probe.

A total of four former state lawmakers have been charged with bribery, along with a prison-industry lobbyist. One, former Anchorage Rep. Tom Anderson was convicted earlier this summer of

bribery and other crimes for taking money from the lobbyist for a private prison company.

Last August, federal agents served more than 20 search warrants across the state, including at the offices of six state legislators, including Ted Stevens' son, Ben Stevens, who at the time was the president of the state Senate.

Ted Stevens, 83, is the longest-serving Republican senator.

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FBI - Stevens-826

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## FBI, IRS search home of U.S. Sen. Stevens

by The Associated Press  
Channel 2 News staff  
Monday, July 30, 2007

ANCHORAGE, Alaska -- Agents from the FBI and the Internal Revenue Service are searching the Girdwood home of U.S. Sen. Ted Stevens.

Execution of a search warrant was confirmed this afternoon by Dave Heller, FBI assistant special agent in charge of the Alaska office, who said agents arrived shortly before 2:30 p.m.

Heller says he can't comment on the nature of the investigation and referred inquiries to the Public Integrity Section of the Department of Justice in Washington, D.C.

Calls placed to spokesmen for Stevens in the Capitol were not immediately returned.

In the past, Stevens has said it is his long-standing policy not to comment on the federal investigation to avoid the appearance that he might influence the investigation.

Stevens, who is 83, is the longest-serving Republican senator in the U.S. Congress.

Federal investigators previously confirmed they were reviewing a renovation project at his home that more than doubled its size.

The remodeling of Stevens' home in 2000 was overseen by Bill Allen, a contractor who has pleaded guilty to bribing Alaska state legislators.

Allen founded VECO Corp., an Alaska-based oil field services and engineering company that has reaped tens of millions of dollars in federal contracts.

A Washington, D.C., law enforcement official familiar with the case confirms the raid is focused on records related to the ongoing VECO investigation.

In response to the search warrants, Stevens released the following statements:

"My attorneys were advised this morning that federal agents wished to search my home in Girdwood in connection with an ongoing investigation.

"I continue to believe this investigation should proceed to its conclusion without any appearance that I have attempted to influence its outcome. I will continue my policy of not commenting on this investigation until it has concluded.

"I know Alaskans are interested in my views on the investigation. While I understand this interest and would like to discuss these issues in great detail, the interests of justice and our state are best served if I make my comments after federal officials complete their work.

"I urge Alaskans not to form conclusions based upon incomplete and sometimes incorrect reports in the media. The legal process should be allowed to proceed so that all the facts can be established and the truth determined.

FBI - Stevens-827

"For over 50 years I have worked hard for Alaskans as part of our territorial, state and federal governments. And I will continue to do all I can to assure that government meets our people's unique needs."

Watch the "5:00 Report with John Tracy" and the "NewsHour" for the complete report.



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FBI - Stevens-828

July 30, 2007

## F.B.I. and I.R.S. Search Home of Senator Stevens

By THE ASSOCIATED PRESS

Filed at 8:13 p.m. ET

ANCHORAGE, Alaska (AP) -- Federal agents searched the home of U.S. Sen. Ted Stevens on Monday, focusing on records related to his relationship with an oil field services contractor jailed in a public corruption investigation, a law enforcement official said.

Stevens, 83, has been under a federal investigation for a 2000 renovation project more than doubling the size of his home in Girdwood that was overseen by Bill Allen, a contractor who has pleaded guilty to bribing Alaska state legislators.

Allen is founder of VECO Corp., an Alaska-based oil field services and engineering company that has reaped tens of millions of dollars in federal contracts.

Agents from the FBI and Internal Revenue Service arrived at the senator's home Monday afternoon, said Dave Heller, FBI assistant special agent. He said he could not comment on the nature of the investigation.

A law enforcement official familiar with the case confirmed the raid on Stevens' home was focused on records related to the ongoing VECO investigation. The official was not authorized to discuss the matter publicly and spoke only on condition of anonymity.

An e-mail statement issued by Stevens through his Washington, D.C., spokesman said federal agents had alerted his attorneys that they wanted to search his home.

Stevens, who has been in office since 1968 and is the longest-serving Republican in Senate history, said the interests of justice would be best served if he commented after the investigation.

"I continue to believe this investigation should proceed to its conclusion without any appearance that I have attempted to influence its outcome," Stevens said. "The legal process should be allowed to proceed so that all the facts can be established and the truth determined."

The Justice Department's probe into Allen's relationships has led to charges against state lawmakers and contractors. Last year, FBI raids on the offices of several Alaska lawmakers included Stevens' son, former Alaska Senate President Ben Stevens.

Neither the U.S. senator nor his son has been charged.

FBI - Stevens-829

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washingtonpost.com

## FBI, IRS Raid Sen. Stevens's Home

By Dan Eggen and Paul Kane  
 Washington Post Staff Writer and Washingtonpost.com Staff  
 Writer  
 Monday, July 30, 2007; 8:20 PM

Agents from the FBI and the Internal Revenue Service yesterday raided the Alaska home of Sen. Ted Stevens (R), as part of a broad federal investigation of political corruption in the state that has also swept up his son and one of his closest financial backers, officials said.

Stevens, a 39-year veteran who is the longest-serving Republican senator in U.S. history, is under scrutiny from the Justice Department for his ties to an Alaska energy services company, VECO, whose CEO pleaded guilty in early May to a bribery scheme involving state lawmakers.

Contractors have told a federal grand jury that in 2000, VECO executives oversaw a lavish remodeling of Stevens' home in Girdwood, an area on the outskirts of Anchorage, according to statements by the contractors.

Stevens said in a statement that his attorneys were advised of the impending search yesterday morning. He said he would not comment on details of the probe to avoid "any appearance that I have attempted to influence its outcome."

"I urge Alaskans not to form conclusions based upon incomplete and sometimes incorrect reports in the media," Stevens said. "The legal process should be allowed to proceed so that all the facts can be established and the truth determined." Brendan Sullivan, a prominent white-collar defense attorney representing Stevens, declined to comment.

The afternoon raid was conducted by FBI and IRS agents as part of a "court-authorized search warrant," according to FBI spokesman Richard Kolko in Washington, who declined to provide further details.

Stevens, 83, has been considered one of the most powerful members of Congress for more than a decade, including six years in which he held wide sway over nearly \$1 trillion in federal spending as chairman of the Senate Appropriations Committee. He is now the top Republican on the Commerce committee, which has oversight of fisheries and other industries critical to his home state.

Earlier this spring, both Republicans and Democrats celebrated on the Senate floor when Stevens, who joined the chamber in 1968, became the longest serving Republican in chamber history. He has said he planned to run in 2008 for another six-year term.

A few weeks after that celebration, one of Stevens's closest political allies--Bill Allen, formerly the CEO of VECO--pleaded guilty to bribing several members of the state legislature, including an unidentified former state senator whose consulting payments cited in the plea agreement specifically matched payments reported by Ben Stevens, a state lawmaker who is the senator's son. He left the state Senate

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## FBI, IRS searches continue at Sen. Stevens' Girdwood home

by Rebecca Palsha  
Monday, July 30, 2007

GIRDWOOD, Alaska - He's the country's longest serving Republican senator and today, the Girdwood home of Sen. Ted Stevens was searched by the FBI and the Internal Revenue Service.

The FBI said agents arrived at the house around 1:30 p.m. but, neighbors said they were there much earlier. Officials won't say what the agents are looking for, but they are taking plenty of photos.

Stevens has been linked to the VECO Corp. scandal, and the question of whether VECO paid to build a first floor addition to the senator's Girdwood home has been raised.

Stevens insists he paid the bills and released a statement this afternoon.

"I urge Alaskans not to form conclusions based upon incomplete and sometimes incorrect reports in the media. The legal process should be allowed to proceed so that all the facts can be established and the truth determined."

It was back in May when Channel 2 News interviewed contractor Augie Paone, who said the bills went to VECO first and then were forwarded on to Stevens.

"I would give the invoices to VECO, they would review it and make sure the billings were correct and they'd give it back to me and say sure go ahead just fax it over or sometimes they'd fax it over to him," Paone said in May.

As officials continue to search, more photos are being taken and light fixtures are being tested, but so far nothing has been taken out of the home.

Diversified Maintenance contractor Jim Helms said he was interviewed by the FBI last Thursday after he was hired to remove the Christmas lights from Stevens' home.

"I found it interesting that they were so interested in Christmas lights at Ted Stevens' house. We are all familiar with what's going on, but I was surprised they were out there and saw this and through the logo on my truck, they were able to track me down rather quickly," Helms said.

Another indication that no matter what the feds are looking for, they've had their eyes on Stevens' home for some time.

More than 24 agents were on scene today and were still on scene late into the night. Neighbors said they don't know what's going on, but that they've been watching the FBI.

The nonpartisan group Taxpayers for Common Sense plans to call on Senate Minority Leader Mitch McConnell to follow the lead of House Republican leaders and ask Sen. Stevens to step down temporarily from his positions on the Commerce, Science and Transportation and Appropriations Committees until the federal investigation is completed.

Washington D.C. based newspaper Roll Call is reporting that the organization is expected to make its arguments in a letter to McConnell.

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Contact Rebecca Palsha at [rpalsha@ktuu.com](mailto:rpalsha@ktuu.com)



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FBI - Stevens-832


**Access World News**

Paper: Anchorage Daily News (AK)  
 Title: Metcalfe says he'll take on Don Young -  
 HOUSE SEAT: Ethics issues seen as making incumbent vulnerable.  
 Date: July 30, 2007

Jake Metcalfe, former Anchorage School Board president and former head of the state Democratic Party, announced late Sunday that he plans to run against Don Young in the 2008 congressional election.

"All this stuff has been coming out, there's been a barrage of new information about the corruption and the ethics violations, and I thought, 'You know, somebody's got to run against him,'" he said.

"I just figured I'd do it."

Metcalfe, an attorney for IBEW, grew up in Southeast Alaska in a large, well-known Juneau family. He worked previously as a prosecutor in Bethel. He said by cell phone from Washington, D.C., Sunday night that he plans to file the paperwork today.

Young's campaign manger, Steve Dougherty, didn't immediately return a call for reaction.

The Wall Street Journal reported Tuesday that Young is being investigated for his ties to Veco, whose former top executives pleaded guilty earlier this year to bribing state legislators. The Democratic Congressional Campaign Committee has been searching for a strong candidate to run against him, and on Thursday called on Republican House leadership to pull his committee assignments.

Young's only official challenger is Diane Benson, who ran against him last year, garnering 40 percent of the vote with a fraction of the campaign funds. Benson has officially filed to run for the seat again in 2008. Her campaign manager was also unreachable Sunday evening.

In a recent interview, Young said of the Democratic Congressional Campaign Committee efforts against him: "They are welcome to try. ... I know that I'm the one they would like to eliminate. It doesn't bother me as long as I run a good campaign and do what's right for this state."

Metcalfe said that former state Rep. Ethan Berkowitz and Mayor Mark Begich have also been considering a run against Young. Neither could be reached.

Young has a large campaign war chest and any candidate who runs against him needs to start early raising money and making connections across the state, Metcalfe said.

"People have to quit waiting for other people to make up their minds," he said.

"The Democrats are in the majority, and we've got a back-bencher for an incumbent," he said. "He's no longer powerful. ... We need someone that's in the majority."

Find Julia O'Malley online at [adn.com/contact/jomalley](http://adn.com/contact/jomalley) or call 257-4591.

Caption:

Metcalfe

Caption:

Photo 1: JakeMetcalfe\_073007.jpg

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FBI - Stevens-833

Author: JULIA O'MALLEY [jomalley@adn.com](mailto:jomalley@adn.com) Staff

Section: Alaska

Page: B1

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## Senate clerk called before grand jury in Stevens probe

by The Associated Press  
Tuesday, July 31, 2007

WASHINGTON, D.C. -- A Senate clerk who helped maintain Sen. Ted Stevens' personal financial records was recently called before a federal grand jury in a public corruption investigation that has been joined by the IRS and the Interior Department.

Barbara Flanders, who serves as a financial clerk for Stevens on the Senate Commerce Committee, testified in the past several weeks and provided documents regarding the senator's bills, according to an attorney in the case who spoke on condition of anonymity because grand jury matters are secret by law.

Investigators are scrutinizing Stevens' relationship with oil field services contractor Bill Allen, who helped oversee a complicated renovation project that more than doubled the size of Stevens' home in 2000. Allen's company, VECO Inc., won tens of millions of dollars in federal contracts. Allen has pleaded guilty to bribing Alaska lawmakers.

Federal agents raided Stevens' home Monday, photographing and videotaping its contents and leaving with a garbage bag full of unidentified items.

Stevens, 83, is the longest-serving Republican in Senate history. He has denied any wrongdoing and said he paid for all the improvements himself but he says he worries the looming investigation could have political consequences.

Flanders is a longtime aide who helps ensure that Stevens' bills are paid and his personal affairs are in order, the attorney said. She was questioned about the improvement project and how the bills were paid.

Reached by telephone Tuesday, Flanders would not discuss her testimony or describe her duties involving Stevens' personal accounts.

"I work for the Commerce Committee," she said. "I don't have any comment on any other issues."

Jenilee Keefe, a spokeswoman for Committee Chairman Daniel Inouye, D-Hawaii, said there was no evidence the subpoena involved committee business.

"It is a personal thing. She worked for him in another capacity," Keefe said. "Right now we're just not getting involved."

FBI - Stevens-834

Spokesmen for Stevens had no comment on the subpoena or Flanders' role in the senator's personal finances.

The investigation grew out of a lengthy corruption probe that has ensnared several Alaska lawmakers and resulted in Allen's guilty plea for bribery. Only recently, however, have authorities turned their focus on Stevens and that focus appears to be narrowing.

The Interior Department's inspector general and the Commerce Department have also joined the case to investigate Stevens' connections with a Seward, Alaska, marine science organization that

operates the Alaska SeaLife Center, a person familiar with the probe said on condition of anonymity because it is ongoing.

Among many items photographed in Monday's search were cases of wine stored in Stevens' house. Investigators photographed each case and the individual bottles, the attorney said.

About 15 agents took photos and video of various angles of the structure, climbing onto the roof at one point, and eventually entered. They later carried out a garbage bag full of unidentifiable materials and loaded it into an unmarked white van. The curtains were drawn during most of the search.

Investigators did not raid Stevens' home in Washington, where he spends most of his time.

An e-mail statement issued by Stevens through his Washington, D.C., spokesman said federal agents had alerted his attorneys that they wanted to search his home. Stevens, who has been in office since 1968, said the interests of justice would be best served if he commented after the investigation.

"I continue to believe this investigation should proceed to its conclusion without any appearance that I have attempted to influence its outcome," Stevens said. "The legal process should be allowed to proceed so that all the facts can be established and the truth determined."

Located 40 miles south of Anchorage, Girdwood is nestled in a valley next to Mount Alyeska and has evolved from a gold mining town into Alaska's only year-round resort community.

Congressional watchdog groups called for Stevens to step down - at least temporarily - from his posts on the Senate's Commerce and Appropriations committees.

"There is growing evidence that Sen. Stevens may have used his powerful perch on the Appropriations Committee to direct tens of millions of dollars of earmarks to benefit family, friends, business partners and former staff," said Ryan Alexander, president of Taxpayers for Common Sense. She commented in a letter to the Senate's Republican leader, Mitch McConnell of Kentucky.

McConnell has not said whether he would ask Stevens to temporarily relinquish his committee assignments.

Citizens for Responsibility and Ethics in Washington, a liberal watchdog group, called it "imperative that no member under federal investigation be involved in the oversight or appropriations of any agency involved in investigating that member."

The group referred to Stevens' membership on the Appropriations subcommittee that funds the Justice Department.

The Justice Department's probe into Allen's relationships has led to charges against state lawmakers and contractors. Last year, FBI raids on the offices of several Alaska lawmakers included Stevens' son, former Alaska Senate President Ben Stevens.

Neither the U.S. senator nor his son has been charged.

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### Poll respondents say Stevens should step down from committees

ANCHORAGE, Alaska - On Tuesday July 31, Channel 2 News conducted an online poll asking if viewers thought Sen. Ted Stevens should step down from his Senate committee appointments while under investigation.

Sixty Five percent of the respondents said he should step down. Here are the official question and results.

|   |            |
|---|------------|
| Should Sen. Ted Stevens step down from his Senate committee appointments while under federal investigation? |            |
| Yes   | 65 percent |
| No  | 33 percent |
| Undecided   | 2 percent  |

All polls conducted by Channel 2 News and KTUU.com are unscientific.



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Sen. Ted Stevens (R-AK) (WDCPIX.com)

## Stevens Investigation Broader Than Veco Home Makeover

By Laura McGann - July 31, 2007, 12:15 PM

It's official: the FBI is looking into more than Sen. Ted Stevens' Veco-overseen remodeling project. Roll Call reports that the FBI and the Department of Interior are also looking into a series of earmarks for one of Stevens' pet projects.

The project, the Alaska SeaLife Center in Seaward, Alaska, has received some \$50 million in federal

money since 1998. One of Stevens' former aides, Trevor McCabe, was paid \$558,000 of that money for an adjacent piece of land. Federal investigators want to know more about the arrangement.

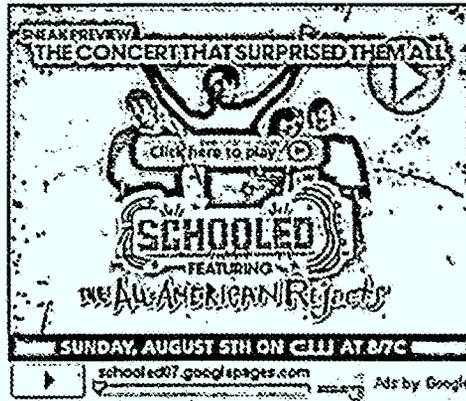
It wasn't the only time that federal money found its way to McCabe's pocket. McCabe is also tied to the federal investigation of Stevens' son, former state Senate President Ben Stevens. The FBI raided the younger Stevens' offices last year, gathering documents related to his time on an Alaska board that handed out millions in federal grants to the seafood industry. While Stevens was on the board, he partnered with McCabe in a consulting company that took fees from the companies that received the federal money. The older Stevens saw to it that the board was stocked with federal funds.

FBI - Stevens-837

If the three-pronged federal investigation into Stevens run by the IRS, FBI and Interior Department doesn't impress you, *Roll Call* mentions that the raid of a US senator's home is a historical moment in Congressional corruption: "Stevens appears to be the only member of the Senate to have ever had his residence raided by the FBI."

Permalink | TOPICS: Ted Stevens

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Comments:

For AK US Attorney information, refer back Robin Boemer's comments in February:  
<http://www.tpmuckraker.com/archives/002511.php>

Posted by: mo2  
 Date: July 31, 2007 1:16 PM

USA for AK, Nelson Cohen, was appointed on August 22, 2006. This is four months before the Dec 7, 2007 attorney purge. I do not know anything about Cohen, but just find this interesting.

Posted by: mo2  
 Date: July 31, 2007 1:36 PM

The 990s for the Alaska Sealife Center are filed as the Seward Association for the Advancement of Marine Science - EIN# 520132479. They are online at the Foundation Center's 990 Finder - link below.

Government grants skyrocketed from \$3.5 million in 2002 to \$11.4 million in 2004 (the last year that the 990 is available). FBI - Stevens-838

In 2004, the Seward Association paid \$429k to Marical in Portland Maine for "staffing and research."

Posted by: Nelly Bly  
 Date: July 31, 2007 1:47 PM

Addendum: The Seward Association did not account for \$1.1 million in grants

in its 2004 990.

Posted by: Nelly Bly  
Date: July 31, 2007 1:52 PM

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Addendum: The Seward Associaton has spent \$55 million on land, buildings and equipment since its inception.

The big money appears to have rolled in in 2001 - \$23 million.

Posted by: Nelly Bly  
Date: July 31, 2007 1:58 PM

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By the way: When Stevens finally resigns for "health reasons", Alaska's Republican Governor, Sarah Palin, won't be able to appoint anyone to replace him -- there's going to be a special election instead.

Why? Because the Republicans screwed the pooch in December of 2002 when Frank Murkowski appointed his darling daughter Lisa to replace himself in the U.S. Senate after he decided he'd rather be governor; the Alaska Lege passed a bill that prevented governors from ever doing anything like that again.

Posted by: Phoenix Woman  
Date: July 31, 2007 2:25 PM

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Wow. So they were photographing his wine cellar, bottle by bottle? And an aide assigned to the Commerce Committee was handling his personal affairs and finances?  
Even if all of his financial dealings were honest - and we already know they weren't - using a committee staffer to handle them would break the law. Looks like the Senator is headed to the slammer.

Posted by: FlyOnTheWall  
Date: July 31, 2007 3:02 PM

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Name: \_\_\_\_\_

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Email Address: \_\_\_\_\_

FBI - Stevens-839

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## Stevens asked to step down from committees

By ERIKA BOLSTAD  
ebolstad@adn.com

(Published: July 31, 2007)

WASHINGTON - A day following the federal raid on his Girdwood home, watchdog groups called on U.S. Sen. Ted Stevens to step down from any Senate committees where he oversees appropriations.

Both Taxpayers for Common and Sense and Citizens for Responsibility and Ethics today asked Republican leaders to request that Stevens at least temporarily step down until the investigation was resolved.

"It is imperative that no member under federal investigation be involved in the oversight or appropriations of any agency involved in investigating that member," said Melanie Sloan, executive director of Citizens for Responsibility and Ethics in Washington. "Sen. Stevens should immediately step down from his position on the Appropriations subcommittee on Commerce, Justice, Science and Related Agencies."

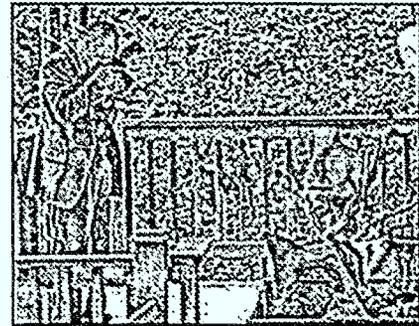
It wasn't clear Tuesday how Senate Republican leaders would handle the matter. Stevens is the only sitting U.S. senator known to be under active federal investigation.

Stevens reportedly received dozens of phone calls Tuesday morning from friends and colleagues offering their support. Two fellow senators stepped out publicly: Fellow Alaskan Republican Lisa Murkowski and Sen Trent Lott, R-Miss.

"Sen. Stevens has served his country and the state of Alaska with distinction for over 60 years," Murkowski said. "With the current investigation under way, it is not appropriate to jump to conclusions until the process is complete. Sen. Stevens has the right to have the facts established in this matter."

Lott was equally admiring of his longtime colleague. Lott is one of the Senate minority leaders as Republican whip.

"We all know Ted Stevens as a good man, a tireless advocate for improving the quality of life in Alaska, a decorated veteran and a true patriot of our country. He's asked us to await all information during this investigation, and I will while I'm standing by our longest-serving colleague."



A federal agent takes photos at the home of Sen. Ted Stevens on Monday in Girdwood. (AL GRILLO / The Associated Press)



Sen. Ted Stevens ( )

FBI - Stevens-840

Dozens of reporters staked out Stevens' Senate office in the hopes of catching him. They also waited for Stevens outside a Commerce subcommittee meeting where former Vice Adm. Thomas Barrett awaited a confirmation vote for a key spot in the Department of Transportation overseeing pipelines.

Stevens, a committee member, did not attend the meeting, and Barrett was introduced by Murkowski.

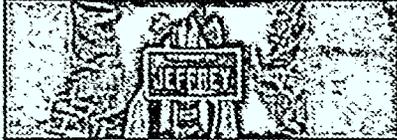
Contact Erika Bolstad in Washington, D.C., at [ebolstad@adn.com](mailto:ebolstad@adn.com), or 1-202-383-6104.

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Sen. Ted Stevens (R-AK) (WDCPOL.com)

## Stevens' Financial Clerk Testifies Before Grand Jury

By Laura McGann - July 31, 2007, 3:05 PM

A Senate clerk for Sen. Ted Stevens (R-AK) has testified before a grand jury about the remodeling of the senator's home overseen by Veco, the AP reports.

The Commerce Committee clerk, Barbara Flanders, who assisted Stevens with his personal financial records, also handed over documents related to the senator's finances and testified to what she knew about how the murky home remodeling project

bills were paid.

Flanders is not the first Capital Hill staffer to be brought in to the investigation. Some of Stevens' former aides have already been questioned by the FBI.

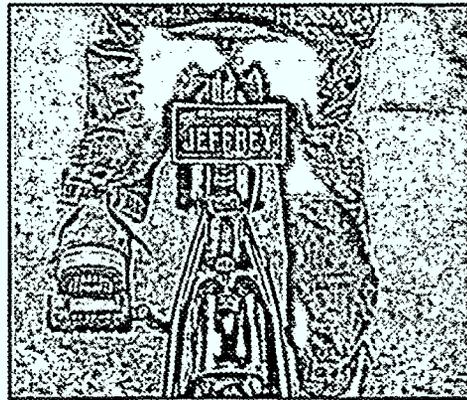
Stevens has artfully claimed he paid every bill he received for the work done on his house. But the contractor on the job has described a suspicious payment process. The contractor, Augie Paone, said he would submit invoices to Veco (the major oil services company up in Alaska) and then would receive payment from Stevens. Paone also said the checks were all coming from a special account set up for the job.

FBI - Stevens-842

The AP also confirms that Interior Department investigators have joined in the investigation, probing a series of earmarks Stevens obtained: "The Interior Department's inspector general and the Commerce Department have also joined the case to investigate Stevens' connections with a Seward, Alaska, marine science organization that operates the Alaska SeaLife Center."

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Comments:

It ain't rocket science. Yeco got the invoice, gave Ted \$ for said invoice; Ted wrote the check to the contractor, but none of it came out of his pocket.

Posted by: Largo  
Date: July 31, 2007 4:00 PM

Anyone aware of just WHO Allen admitted to bribing? Were the bribes supposedly restricted to local lawmakers? Also, have other lawmakers been indicted yet from the Allen admission? Just curious to see if and how his name might come up in those financial records..

Posted by: johnnydoughey  
Date: July 31, 2007 4:21 PM

The AP has a curious angle on the story:

"The focus seems to be on the wine"

"Federal agents searching the home of a Republican senator from Alaska seemed especially interested in cases of wine stored in the house. ..."

FBI - Stevens-843

"... investigators photographed individual wine bottles as well as cases of wine, as they carried out the search as part of a public corruption probe. ..."  
[kvoa.com/Global/story.asp?S=6864993&nav=HMO6HMaW](http://kvoa.com/Global/story.asp?S=6864993&nav=HMO6HMaW)

Posted by:  
Date: July 31, 2007 4:28 PM

The AP has a curious angle on the story:

"The focus seems to be on the wine"

"Federal agents searching the home of a Republican senator from Alaska seemed especially interested in cases of wine stored in the house. ..."

"... investigators photographed individual wine bottles as well as cases of wine, as they carried out the search as part of a public corruption probe. ..."  
kvoa.com/Global/story.asp?S=6864993&nav=HMO6HMaW

Posted by: Bill W  
Date: July 31, 2007 4:29 PM

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oops, sorry for the double post. :(

Posted by: Bill W  
Date: July 31, 2007 4:30 PM

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AP style has VECO in all caps.

Posted by: Tom  
Date: July 31, 2007 4:32 PM

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Is this Stevens' perp-walk photo?

I think Delay's was much better.

Posted by: Slippery Slope  
Date: July 31, 2007 5:11 PM

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RE: Senator (Convicted) for Life Stevens Legal Defense Fund.

Among many considerations to augment his legal defense fund-- Sen. Stevens may need to resort to auctioning the 'naming rights' to Ted Stevens Anchorage International Airport.

jw1

Posted by: jw1  
Date: July 31, 2007 5:15 PM

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## Stevens' ties

*(Published: August 1, 2007)*

These three projects tied to Sen. Ted Stevens have come under question:

### Alaska SeaLife Center

Trevor McCabe, a former aide to Sen. Ted Stevens and a business partner of Stevens' son Ben, was able to sell the derelict Arcade building to the federally funded SeaLife Center when Ted Stevens earmarked a special appropriation to the science center and aquarium in 2005. The matter is now under investigation by the Interior Department's inspector general.

### Stevens' Girdwood home

In 2000, Stevens more than doubled the size of his official residence. The main contractor said the oil field service company Veco reviewed more than \$100,000 in invoices prior to Stevens paying them. On Monday, the FBI and IRS spent 12 hours inside the home under a search warrant, as part of an investigation into whether Stevens paid for the entire project.

### National Archives site

A Senate subcommittee is asking questions about the National Archives' purchase in 2004 of an Anchorage lot for \$3.5 million, according to Capitol Hill publication Roll Call. The sellers, Leonard Hyde and Jonathan Rubini, two former business partners of Sen. Ted Stevens, more than doubled their investment in a year. Stevens earmarked the appropriation to purchase the site, though there was no indication he personally benefited.

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FBI - Stevens-845



## Sen. Craig: Stevens Suspicious of FBI M.O. Behind House Search

Wednesday, August 01, 2007

FOX NEWS

WASHINGTON —

Sen. Ted Stevens, currently the subject of an FBI corruption probe, is questioning the modus operandi of the FBI in the daylong search of his home in Girdwood, Alaska, fellow western state colleague Sen. Larry Craig said Wednesday.

Craig said Stevens, who has avoided the press as much as possible working in his secluded Capitol hideaway office, told him that he had been informed by the FBI that he was under investigation and agents were going to search his home.

Stevens apparently recounted to Craig that he said okay and offered to send the agency a key to his house, but the FBI official who contacted Stevens refused the offer and instead said agents had ways of getting in on their own.

That's just what they proceeded to do on Monday when FBI and IRS officials showed up with a locksmith in tow. They were able to enter the home on their own, though an array of media were there to capture the scene for posterity.

"The story then became the FBI break-in into the home, the raid, when instead, if Ted had been able to give them the key, because he intended to cooperate, the story would be much different," Craig said, calling it appropriate to question the FBI's motive.

"Was the media told of ... William Jefferson's freezer raid?" Craig asked, referring to a raid on the Louisiana congressman's home in New Orleans that turned up \$90,000 in cash wrapped in aluminum and stuffed into frozen food boxes.

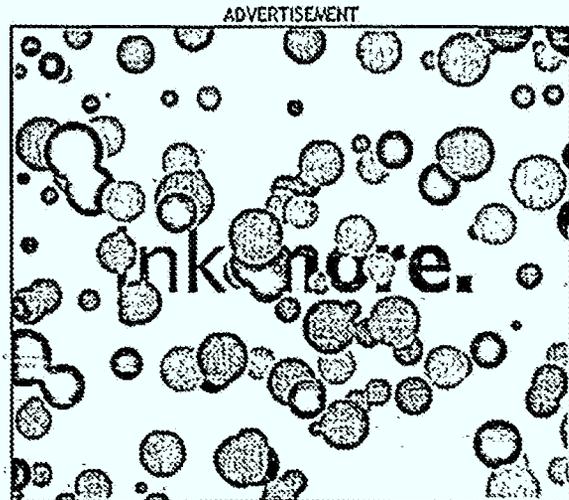
"They appeared to stage an event for the sake of publicity. ... It would be very intimidating to me," Craig added.

Stevens originally had been under investigation over possible assistance he may have received for home remodeling from a business partner and owner of Alaska's largest oil engineering firm. VECO Inc. former CEO Bill Allen pleaded guilty in May to bribing state officials.

Stevens has not been charged, but the investigation has now spread to the Commerce and Interior departments, which are looking into questions about whether federal funds Stevens steered to an Alaska wildlife research center may have enriched a former aide. Stevens formerly headed the Senate Appropriations Committee, making him one of the most powerful lawmakers on Capitol Hill. He is currently the ranking Republican on the Commerce Committee.

After the Monday raid, Stevens issued a statement insisting he did nothing wrong and saying he didn't want to comment while the investigation is ongoing.

FBI - Stevens-846



On Capitol Hill this week, Stevens, 83, moved quickly while dodging questions from reporters. He appeared on the Senate floor on Wednesday looking tired after also attending a Commerce Committee hearing. Some interest groups had suggested he be stripped from his committee assignments while the probe is underway.

In his first speech since the raid, he briefly explained that he was absent from a morning vote because he was at Arlington National Cemetery for the internment services for Gen. Alan Brightwiser, a good friend of his whose top aide was with Stevens when the two survived an airplane crash in 1978 that killed Stevens' wife.

Afterward, when asked about the Craig account of his suspicions regarding the FBI, Stevens defiantly told FOX News, "You got my statement from my office." Pressed further, he quietly said, "I'm having a good day. How about you?"

*FOX News' Trish Turner contributed to this report.*

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All market data delayed 20 minutes.

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