

## Investigation of former Senate leader nears end

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SACRAMENTO—After an investigation that has spanned 4 1/2 years, federal prosecutors are racing the clock as they consider whether to bring corruption charges against a former lawmaker who was one of the state's most powerful political leaders.

Former Senate President Pro Tem Don Perata, a Democrat who has expressed interest in running for Oakland mayor, has been the target of a wide-ranging investigation into his political and business dealings since 2004. Term limits forced him from office last year.

The former high school civics teacher from Alameda, an eastern San Francisco Bay area city best known as the headquarters of the Oakland Raiders,

built a reputation as a political kingpin as he rose to one of the three most powerful political positions in California.

He also became one of the Capitol's most prolific fundraisers.

The intersection of power, political fundraising and business connections is what attracted an FBI inquiry into the dealings of the 63-year-old Perata, his family, political allies and campaign contributors.

Among the questions being pursued is whether Perata helped steer millions of dollars' worth of political consulting work to his family and friends, and whether they kicked some of the money back to him.

Shortly after the investigation began, federal agents raided Perata's home and that of his son, Nick, a political consultant whose firm has been paid tens of thousands of dollars from his father's campaign accounts.

In 2005, a federal grand jury in San Francisco subpoenaed e-mails from Perata and eight staff members dating

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back six years. It also has subpoenaed records of payments to Perata, his son, daughter, son-in-law, one of his close college friends and Lily Hu, a former Perata aide who became a lobbyist at Oakland City Hall.

Perata's attorney, former federal prosecutor George L. O'Connell said the investigation is off base. He said his client "never tied anything he did to the receipt of money."

"I really don't see what they see in the case here," O'Connell said. "They don't have the facts. They don't have the evidence to warrant it."

Federal prosecutors in San Francisco eventually decided against seeking an indictment, prompting the FBI to search for another venue. U.S. attorneys in Sacramento now are examining the voluminous FBI file, sparking new controversy over the case.

They have only weeks before a statute of limitations expires. A decision to indict would affect next year's mayoral race in Oakland, which Perata has said he would like to enter.

The acting U.S. attorney in Sacramento, Lawrence Brown, declined to say how quickly he must decide on any possible charges.

Perata's lawyers signed agreements with federal prosecutors in San Francisco agreeing to allow more time to investigate the case. Now that the file has been transferred to federal prosecutors in Sacramento, they have asked the U.S. Justice Department's inspector general to examine whether Sacramento prosecutors improperly resurrected the corruption probe.

Attorneys for Perata and his son also are lobbying Congress.

O'Connell called the switch an "unexplained hijacking" of the case and has asked several U.S. House committee chairmen to investigate.

"At best, this action represents inappropriate forum-shopping by disgruntled law enforcement agents," O'Connell wrote in a letter to House Judiciary Committee Chairman John Conyers, D-Mich., and other leaders. "At worst, it smacks of a last-gasp act of

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political revenge against a leading Democrat who stood up to the Republican governor of this state in bitter budget battles."

The administration of Gov. Arnold Schwarzenegger has no connection to the corruption probe.

In an interview, O'Connell said defense attorneys would like the Justice Department to intervene before Sacramento prosecutors decide whether to indict Perata. Even if there is an indictment, he said, "We think it's important that the Justice Department be aware of what we think are rogue investigators and out-of-control prosecutors."

Nick Perata's attorney, former federal prosecutor Elliot Peters, also protested the move in a letter to U.S. Attorney General Eric Holder.

Brown said his office acted properly and without political influence after FBI agents asked him to review the case.

"This office well understands its ethical and professional responsibilities, and has

undertaken its review of this matter accordingly," Brown said. "There is no prohibition on a second prosecutor's office agreeing to an investigating agency's request to review a case after a first prosecutor's office has taken a pass."

Perata has spent hundreds of thousands of dollars fighting the investigation and claims he did nothing illegal.

He has said the investigation is merely a political witchhunt against a top Democrat begun by the Justice Department under a Republican administration. Perata declined an interview through his spokesman, Jason Kinney.

"This is wildly unfair and unconscionable," Kinney said of the transfer of the case to Sacramento. "For someone else to hijack the case and attempt to unwind the clock is obviously a miscarriage of justice."

While in office, Perata played up his role as a political rainmaker. He wore expensive pinstripe power suits and frequently made lighthearted references to himself as a Mafia don.

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He drove a candy-apple red Dodge Charger with chrome rims until he was carjacked at gunpoint in Oakland in December 2007, switching afterward to a Ford Crown Victoria. Perata also acknowledged having a concealed weapons permit and was among the first to turn in one of his own handguns at a gun buyback he sponsored in Oakland.

In his influential role as Senate leader, Perata sparred regularly with Schwarzenegger, a Republican.

He is considered responsible for defeating the governor's proposal to overhaul California's health care system. He also played a key role in an opposition campaign against Schwarzenegger's redistricting initiative, Proposition 11, which voters narrowly approved in November.

After that election, Perata transferred \$1.9 million from his initiative committee to his legal defense fund, a sign of the financial toll the probe has taken. The California Democratic Party also has given more than \$450,000 to help him fight the case.

Among those believed to have been questioned in the matter is Perata's longtime political consultant, Sandi Polka. O'Connell said Polka was granted immunity from prosecution in exchange for her testimony.

Her firm, Polka Consulting, has reaped hundreds of thousands of dollars from Perata-led campaigns. That work included an unsuccessful effort to recall Republican state Sen. Jeff Denham of Merced following the 2007 budget impasse, a 2006 bond infrastructure ballot package and last year's failed effort to defeat Schwarzenegger's redistricting initiative.

Other Democrats and the state party also have paid Polka hundreds of thousands of dollars in consulting fees.

Prosecutors also requested e-mails sent from a Senate account to Oakland lobbyist Hu, a former member of Perata's legislative staff, and Timothy Staples, a political consultant who is a college friend of Perata's. Prosecutors also were looking into firms owned by Nick Perata and Rebecca Perata-Rosati, the former lawmaker's daughter.

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Calls made to Polka, Staples and Hu or their representatives were not returned.

Before he was elected to the top Senate leadership position, Perata reported receiving regular income from Staples' firm, describing his work as consulting services. In 2000 and 2001, Perata reported making between \$10,000 and \$100,000 from Staples and more than \$100,000 a year in 2002 and 2003, according to a 2005 story in the San Francisco Chronicle.

That was on top of his salary as a state lawmaker. Perata ended his business relationship with Staples when he sought the leadership post.

With so much money changing hands in California politics, there often is an appearance of questionable activity. Proving a crime, however, is extremely difficult, said Tracy Westen, chief executive of the Center for Governmental Studies in Los Angeles.

"It may be there's smoke all over the place, but that doesn't mean there's fire," Westen said.

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