

## Allen says Veco paid for part of Stevens' remodel

**BOMBSHELL: Courtroom gasps could be heard during testimony.**

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Former Veco chairman Bill Allen might have been on the witness stand to present bribery evidence against a state legislator, but the biggest shock of the day -- perhaps the entire trial -- was his assertion Friday that he or his company financed a substantial portion of the remodeling of U.S. Sen. Ted Stevens' Girdwood home.

As he testified for the third day in the bribery, extortion and conspiracy trial of former House Speaker Pete Kott, R-Eagle River, gasps emerged around the crowded courtroom when Allen admitted he provided workers and some material for the 2000 building project that doubled the size of Stevens' official residence.

And that was only one of the revelations outside the scope of Kott's specific charges.

Another former Veco official, Rick Smith, followed Allen to the witness stand and was asked by one of the prosecutors, Nicholas Marsh, to name the legislators whom he bribed.

"That would be Vic Kohring, Pete Kott and Bruce Weyhrauch," Smith said, naming three former House Republicans who have already been indicted.

"And the state Senate -- did you plead guilty to bribing anyone in the state Senate?" Marsh asked.

"That would be Ben Stevens and John Cowdery," Smith responded, naming two Anchorage Republicans. One is Sen. Ted Stevens' son and the former Senate president, the other a current sitting senator.

Smith and Allen were testifying under plea deals they made with prosecutors in May that required them to work for the government.

Ben Stevens' name surfaced earlier in Kott's trial as an unindicted co-conspirator, but Cowdery, believed to be "Senator A" in Smith's and Allen's charging documents, hadn't been named in public proceeding.

In Smith's and Allen's charging documents, Senator A was accused of conspiracy but not bribery. It was unclear whether Smith was confused Friday or whether he was thinking of events not listed in his plea.

Neither Cowdery nor Ben Stevens have been charged with a crime. They deny wrongdoing.

Allen's role in the remodeling has been the subject of widespread speculation since May, when the Daily News reported that it had become part of the far-reaching FBI investigation into Alaska political corruption. Ted Stevens denied wrongdoing and the FBI refused to comment, though in July FBI and IRS agents spent nearly 12 hours searching the house and documenting the addition.

In response to cross examination by Jim Wendt, Kott's attorney, who was seeking to discredit Allen and minimize the role that Kott played in the scandal, Allen testified that one to four Veco employees worked for months on the project. He also acknowledged Veco paid some of the contractors and that it supplied some of the furniture.

Allen didn't testify about the value of the services and materials, though they appeared to represent a substantial portion of the more than \$400,000 in illegal payments he admitted making to public officials and their families.

"One of these allegations is that you helped Sen. Ted Stevens with remodeling his house in Girdwood, isn't that true?" Wendt asked.

"Uh, yes," Allen said.

"In helping Sen. Stevens remodel his residence, you or Veco paid a number of bills in remodeling that residence, isn't that true?"

"I, I, I give Ted some old furniture, I don't think it was a lot of material," Allen said, stammering at first. "There was some labor."

"There wasn't a lot of materials but you paid some labor bills that went into Sen. Stevens's house?" Wendt continued.

"Yes," said Allen. "It would be Veco employees."

Under rebuttal examination by Assistant U.S. Attorney James Goeke, Allen said that Veco might have paid the bills of contractors as well -- he didn't know all the details. Allen then muttered something about a plumber and "another guy, Augie's company," a reference to Augie Paone, the main contractor who sent Veco more than \$100,000 in bills for his work there. Paone told the Daily News in May that after he sent his invoices to Veco, he received checks from Stevens.

Stevens has said he paid all the invoices he was sent.

There was no evidence presented that Allen got anything in return for his help on the remodeling. At a minimum, Stevens could be facing trouble with the IRS if Allen provided him with free services and he didn't report the gift on his taxes, said Adam Winkler, an elections law expert at UCLA.

"There are a host of potentially criminal implications associated with this kind of behavior," Winkler said.

Before Allen concluded his testimony at 10:15 a.m., Wendt tore into his plea deal and his motivation for testifying. Allen, 70, said he was facing 10 to 11 years in prison.

"That jail term can be reduced significantly?" Wendt asked.

"Yeah, but, I don't expect that," Allen said. He said the government had already failed to deliver on one of his requests that it exonerate Veco's 4,000 employees in writing. Allen said he already got as much as he's going to get: promises that any of his relatives wouldn't be indicted, as long as he testifies truthfully.

"My family did get in the middle of this mess, so I'm gonna do what I told (the government) I'm gonna do," Allen said.

Wendt pressed the idea that Allen could still get his sentence reduced.

"You know, I really don't care," Allen said. "I've never asked them for a damn thing when it comes to my sentence. It'd be whatever happens. My life is about gone anyway."

"So do you expect this jury to believe you don't care whether you die in a jail cell somewhere or whether you die in a nice home surrounded by friends and family?" Wendt said.

"You know, I'm not going to beg them to do anything," Allen said.

Smith rose to be Veco's vice president for government and community affairs from a job working logistics during the Exxon Valdez oil spill.

In his testimony, Smith several times acknowledged that he knew he was breaking the law in his dealings with Kott. Most of the case involves the efforts of Veco to win passage of a state oil-tax change favored by oil producers in 2006. Smith and Allen said they hoped a low, stable tax would encourage producers to invest more in declining oil fields, extending their lives, and build a gas pipeline.

Prosecutor Marsh asked Smith about a March 4, 2006, conversation in Suite 604 of Juneau's Baranof Hotel in which Smith told Allen they were going to have "get dirty" and produce.

In explaining what was secretly recorded by the FBI, Smith said he meant he and Allen would do "whatever it would take" to get the new oil tax through the Legislature. That included giving financial favors and jobs to lawmakers, Smith testified. And that meant a job for Kott, he said.

In the FBI's video, Smith told Allen they needed to be careful.

"We didn't want to get caught doing anything that might be illegal," Smith told jurors.

Smith testified about meeting with Kott last July at the Rendezvous bar in downtown Juneau about how to get money to Kott's son.

In a secretly recorded phone call on July 31, 2006, Smith told Allen he needed to talk with Kott privately about the matter. Kott's son needed money because he was helping with Kott's political campaign instead of working in his flooring business, and his family needed money.

Smith testified that he didn't want Allen "tainted."

"If anyone would get hit with it, it should be me," Smith told jurors.

Wendt questioned him on why they went to a downtown bar if they wanted to meet in private.

It's a "working class" bar, not a place that lobbyists, oil executives, legislators and aides hang out, he said.

But if he wanted somewhere private, why not Suite 604, Wendt asked.

Maybe they wanted a cocktail, Smith answered.

It looked like from the FBI surveillance videos that there was plenty of drinking going in Suite 604, Wendt shot back. The implication was that maybe Smith wanted to talk about the deal outside the suite for another reason.

Another allegation concerns a political poll for Kott paid for by Veco.

Under questioning by Wendt, Smith said that Veco had paid for at least part of over 100 polls during his years there to help favored candidates. He arranged for most of them, when candidates or their aides asked, he said.

For most polls, the candidates paid at least part, he said. For some, Veco paid the whole thing. That's what it did for Kott, paying Dittman Research Corp. \$2,750, Smith testified.

Yet if Kott or a campaign consultant sought a poll from Veco, wouldn't the conversation likely have been captured during all the FBI recording? Wendt asked Smith. After all, an FBI agent estimated that the agency had intercepted as many as 9,500 calls in

a year's time from Smith's cell phone.

"Very good chance," Smith said. But he didn't remember any specific request, from the FBI transcripts he reviewed or otherwise.

At any rate, he said, he knows he talked with Kott's campaign consultant, Jerry Mackie, about Veco paying for poll.

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