Ohio Funding Scandal Leads to Bush-Cheney Election Theft

by Richard Freeman and Edward Spannaus

Investigators in Ohio are probing whether missing and lost funds from the Ohio Bureau of Workers' Compensation, were used to help the Bush-Cheney ticket steal the November Presidential elections in that state. Without Ohio's electoral votes, Bush would not be President.

Last Nov. 9, in his first post-election webcast, Lyndon LaRouche declared that the vote-suppression operations run by the Bush-Cheney campaign in Ohio and elsewhere should be treated as a criminal matter. "The kinds of fraud which were perpetrated by the Republicans alone in this election, were sufficient to send these guys to jail, if not to un-elect them," LaRouche said.

With recent developments in Ohio, we may be nearing that objective.

Since October of last year, the Justice Department and the FBI have been investigating whether Tom Noe, a top Ohio Republican fundraiser and a dealer in rare coins, violated Federal election campaign laws by illegally funnelling money into the Bush campaign around a fundraising event in Columbus in October 2003, which netted $1.4 million for the Bush campaign. This investigation came to public attention when it was disclosed this June that Noe, who had been entrusted with $50 million of Ohio Bureau of Workers' Compensation (Bureau) funds to invest in rare coins, could not account for $10-12 million of this $50 million in state assets.

A second element of the growing Ohio scandal involves the loss of at least $215 million of Bureau funds invested by a Bermuda-based hedge fund run by MDL Capital Management.

The one-time managing director of MDL was Rev. Joe Watkins—an associate of Ohio Secretary of State (and former State Treasurer) Kenneth Blackwell in the network of up-and-coming conservative African-American Republicans run by top Bush political advisor Karl Rove. Watkins is used by Rove as a public spokesman to promote the Administration's "Faith-Based Initiative," plus its right-wing judicial nominees and other "hot-button" religious-right issues.

In what's been called the "Pay to Play" scandal, Blackwell was also one of the largest recipients of campaign contributions, over $67,000, from the employees of firms in the Bureau's "emerging managers program," under which smaller fund-management firms are contracted to manage a portion of the Bureau's $14-16 billion in assets.

Blackwell, in his corrupt dual role as Secretary of State overseeing elections, and co-chairman of the Bush-Cheney campaign in Ohio, was directly on top of the vote-suppression operation which gave the Ohio election to the Bush-Cheney ticket. Tens, even hundreds, of thousands of voters were prevented from voting because of lack of voting machines and long lines in predominantly minority and Democratic areas; thousands of other votes were suppressed by GOP-run campaigns of misinformation and disinformation about the location of polling places. Outright intimidation tactics were used in some locations.

Thus, the scandal, dubbed by the Ohio press "Coingate," shows the merging of the conduiting of illegal funding for the Bush-Cheney election, and voter suppression.

The fact that the Bureau is the object of skimming and, in some cases, outright looting of funds, brings to the fore a cruel irony. The Bureau's duty is to provide compensation for workers who are injured on the job, and have to miss work. However, United Auto Workers Local 969 President Mark Sweazy made clear to *EIR,* that the Bureau resists making many such payments to workers who qualify, hoarding the money. This simply magnifies the funds that can be managed by outside money managers; from their enlarged fees, they channel more funds into slush-funds overseen by the Cheney crew.

Missing Funds

More than a quarter of a billion dollars of Bureau OWCF funds have been lost or are unaccounted for:

The **MDL Capital Management's hedge fund:** loss of $215 million of the $225 million in OWCF funds that it was entrusted to manage.

Lawyers for **Tom Noe's Vintage Coin and Collectibles** report that $10 to $12 million of the $50 million of OWCF funds Noe was entrusted to it to manage, are unaccounted for.

New York City-based money manager Alan Brian Bond: loss of $3.9 million out of the $80 million OWCF funds he was entrusted to manage. Bond is now serving a 12-year Federal prison sentence.

Baltimore-based financial manager Nathan Chapman: loss of $1.3 million out of the $20 million OWCF funds he was entrusted to manage. He was convicted in August 2004 on Federal fraud charges.

Between June 30, 2000 and Dec. 31, 2001, the **Arlington, Texas-based Rupay Barrington Group** lost $9.4 million of Bureau OWCF money.

American Express Asset Management's Boston Equity Group: loss of $8.5 million of OWCF funds it was entrusted to manage.

Ohio Secretary of State Kenneth Blackwell with Barbara Bush. Blackwell chaired the Bush-Cheney 2004 re-election campaign in the state, overseeing widespread voter suppression—and apparently, much more.

The lame-duck Bush-Cheney Administration has proven its impotence to handle the world financial-economic breakdown, marked by a wave of hedge-funds failures. The Rove-Cheney-George Shultz machine suffered a stunning set-back on May 23, when the Senate stopped the coup-plotters' attempt to rip up the U.S. Constitution through use of the "nuclear option" to prevent Senate filibustering of judicial nominees. The new investigative phase to the Ohio voter suppression fight has the potential to bring this machine down.

The 1996 Law Change

The starting ground for the present Ohio scandal can be located in a sweeping fundamental change in investment policies permitted to Ohio public authorities, Senate bill S. 82, which became law in late 1996. This made some bad changes in the Ohio Bureau of Workers' Compensation's investments.

Prior to the law's adoption, the Bureau managed the vast majority of its funds—called the Ohio Workers' Compensation Fund (OWCF) funds—by its own internal management team. It was required to invest the OWCF funds into bonds (U.S. government bonds, corporate bonds, etc.). Most years, this strategy worked: it produced sound and dependable, if unspectacular, results.

However, the 1996 law, supported by "free enterprise" Republicans and several Democrats as well, proposed to "expand the investment authority" of the Bureau (and of five state pension systems which were also covered by the law), in two ways. The law authorized the Bureau to invest in equity, real estate, and even rare coins. Second, it said that the Bureau would no longer be allowed to manage its funds in-house, but would have to parcel out OWCF funds to external investment managers.

The Bureau's OWCF funds were one of the three largest exclusive state workers' compensation funds in the country in terms of assets. Investment managers deluged the state of Ohio in order to be cut in on a piece of the action. It appears that the Republican Party, which controlled most top statewide offices, openly encouraged and expected that managers who got contracts with the Bureau—and who earned fees for managing these contracts—would skim off some of the fees for managing OWCF funds, and make them as contributions into the Republican Party treasuries. This became unofficially institutionalized as policy, to help create a one-party state.

A *Toledo Blade* review of campaign finances found that after the 1996 change in the law, owners and employees of firms that managed funds for the OWCF gave $73,000 per year in political contributions for Ohio state office, whereas before the law change, they gave only $12,200 per year. Moreover, since 1996, of the cumulative $482,000 in contributions made by these owners and employees of firms that manage funds for the OWCF, a stunning $425,000—88% of the total—went to Republicans. The person who received the most funds was Secretary of State Ken Blackwell, who, as Treasurer from 1994 to 1998, had direct responsibility for the Bureau's funds, and who supervised the voter suppression in the 2004 Presidential election.

The $425,000 in contributions given by the personnel of

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Tom Noe: a dealer in rare coins and top Ohio Republican fundraiser, now under Federal investigation.

firms that manage OFCW funds is only the *publicly reported* amount that was given to the Republicans statewide. There was also more given to candidates on a national level. However, we will now turn to showing that once these skimming channels had been established and opened wide, many millions of dollars more may have been ripped off from Workers' Compensation, and channelled *illegally* into the Bush-Cheney 2004 election campaign.

Rove's Man in Ohio

The man at the center of the Bureau investment scandal is Tom Noe and his "Vintage Coin and Collectibles" business operation. Noe is facing multiple Federal and state investigations, including a probe into whether he laundered money for the Bush-Cheney 2004 re-election campaign.

Noe, who had built a power base in Lucas County, Ohio (where the major city is Toledo), and was a national fundraiser for the 2004 Bush-Cheney campaign, became Karl Rove's man in Ohio. Noe chaired the Bush-Cheney campaign in northwest Ohio. The April 28 *Toledo Blade* reported, "As a regional chairman of the campaign, Mr. Noe had frequent contact with Karl Rove, the architect of the President's re-election. And Ohio, it turned out, was the pivotal state in the election, narrowly pushing President Bush to victory."

At one point, Noe was chairman of the Lucas County Republican Party, and during the 2004 elections, his wife was both the chairman of the Republican Party and chairman of the county Board of Elections. And Lucas County was the site of some very strange happenings around the November elections.

On Oct. 11, a few weeks before the election, the Lucas County Democratic Party headquarters was burglarized, and three computers, including the party's main system, were stolen. The Oct. 12 *Toledo Blade* reported, "The computers contained highly sensitive information, including the party's financial information, names and personal phone numbers of hundreds of party members, candidates, and volunteers. The computers also stored e-mails from candidates that included discussion about campaign strategy."

And before the election, it was discovered that the county's Diebold voting machines were malfunctioning. Still, these Diebold machines were set up to be used in the November election in Lucas County, and some malfunctioned on Election Day, depriving people of their votes.

There were also a large number of provisional votes that were disqualified in Lucas County, because the voter had allegedly "voted in the wrong precinct," and others were disqualified for other reasons. After the election, it was determined that at least a third of those disqualified on grounds of voting in the wrong precinct, had in fact voted correctly.

Three of the four Lucas County Board of Election members were forced to resign after the election.

Playing With State Assets

In 1998, Noe's Vintage Coin and Collectibles got a contract with the Bureau to manage $50 million of OWCF funds. In late May-early June 2005, Noe's attorneys told authorities

Voter Suppression in Ohio

On Jan. 5, 2005, Rep. John Conyers (Mich.), the ranking Democrat on the House Judiciary Committee, issued a 102-page report detailing the status of his investigations into vote suppression and fraud in the 2004 Ohio Presidential elections. The report, entitled "Preserving Democracy: What Went Wrong in Ohio," found intentional misconduct and illegal behavior, and numerous violations of the Voting Rights Act.

"We have found numerous, serious election irregularities in the Ohio presidential election, which resulted in a significant disenfranchisement of voters," the report states. "Cumulatively, these irregularities, which affected hundreds of thousands of votes and voters in Ohio, raise grave doubts regarding whether it can be said that the Ohio electors selected on December 13, 2004, were chosen in a manner that conforms to Ohio law, let alone federal requirements and constitutional standards."

"In many cases these irregularities were caused by intentional misconduct and illegal behavior, much of it involving Secretary of State J. Kenneth Blackwell, the co-chair of the Bush-Cheney campaign in Ohio," the report charged.

Documented instances in which votes were suppressed and voters disenfranchised, include:

• The misallocation of voting machines "that disenfranchised scores, if not hundreds of thousands, of predominately minority and Democratic voters."

that $10-12 million of the $50 million in state assets were missing. Recall that the 1996 law contained an unusual provision specifically authorizing the Bureau to invest in rare coins. In fact, the *Toledo Blade* reported that it had not found an instance in any other state in which state investment in rare coins is allowable. Possibly the 1996 law's provision had been written with Noe in mind.

Once Noe received the contract to manage $50 million of the Bureau funds, his level of campaign contributions increased, and his profile in the state increased. Noe was appointed chairman of the Ohio Turnpike Commission, and a member of Ohio's Board of Regents. One source reported to *EIR* that it is quite rare to be appointed a member to both prestigious state institutions at the same time. In the 2003-04 period, Noe became a "Pioneer" for Bush-Cheney, having packaged between $100,000 and $200,000 in contributions to the Bush-Cheney 2004 election campaign. He also contributed $10,000 to Arnold Schwarzenegger's bid to become Governor of California in 2003.

However, questions were surfacing about Noe's contributions. The May 27, 2005 *Toledo Blade* reported that on April 27: "Federal authorities confirm[ed] that the FBI is investigating Noe for possible violations of campaign contribution laws. Federal agents are probing whether Mr. Noe gave people money in order for them to give to the Bush re-election campaign, allowing him to exceed Federal spending limits." An individual may give a maximum of $2,000 to any Presidential candidate's campaign. Trying to skirt that limit by giving money to someone else in order for them to contribute to a candidate, is illegal, a practice called "conduiting." Subsequent *Toledo Blade* editions reported that the Federal probe focussed on one way Noe may have skirted campaign limits: giving money to individuals for them to purchase seats at a table at the Oct. 30, 2003 fundraiser in Columbus which generated $1.4 million for the Bush-Cheney campaign.

Ohio press reports that a Federal grand jury has been convened on the above probe.

Simultaneously, the state undertook action. On May 26, the state Prosecutors of Franklin and Lucas counties, Ron O'Brien and Julia Bates, respectively, executed a search war-

- Blackwell's restrictions on provisional ballots, which also "resulted in the disenfranchisement of tens, if not hundreds of thousands of voters."
- The Ohio Republican Party's "selectively targetting 35,000 predominantly minority voters for intimidation."
- The Ohio Republican Party's use of thousands of partisan challengers, concentrated in minority areas.
- Blackwell's refusing to allow voters who requested, but did not get, absentee ballots, from receiving provisional ballots.
- Widespread instances of intimidation and misinformation on election day.
- Lack of uniformity in the standards for the recount.
- The Triad computer company providing "cheat sheets" to numerous counties, which "informed election officials how many votes they should find for each candidate," and how they could manipulate the sample recount to match the machines, thus avoiding conducting a full hand recount as mandated by state law.

DNC Report

On June 22, 2005 the Democratic National Committee (DNC) released a report, "Democracy at Risk: The 2004 Election in Ohio," based on a comprehensive study of the November 2004 general election in Ohio, undertaken in December.

The summary findings are that 28% of Ohio voters reported problems in voting, including ballot problems, locating proper polling place, and/or intimidation. But the portion of African-American voters reporting problems was much higher, at 52%, compared to 25% of white voters. Voters in counties using DRE/touch-screen machines experienced far more problems than voters in other counties—56% vs. 28%. This was particularly acute in Franklin County (Columbus area), where 70% of voters reported problems.

Because of the shortage of voting machines in minority areas, Blacks waited an average of 52 minutes before voting; whites waited an average of 18 minutes. Sixteen percent of black voters reported experiencing intimidation, as compared to 5% of white voters.

Seventy-one percent of whites are confident their vote was counted correctly, vs. 10% of blacks. Overall, nearly one quarter of Ohio voters reported that their experience in 2004 has made them less confident about the reliability of elections in Ohio.

DNC Chairman Howard Dean was asked about the report on the PBS News Hour on June 22. "We did not find widespread fraud," Dean said. "What we did find was widespread voter suppression. That means essentially reducing or tactics aimed at reducing the number of voters. African-Americans were the biggest victims of this, but it also was young voters. Young voters and African-Americans were disproportionately asked for IDs, which is illegal in Ohio. The waiting lines for African-Americans were three times as long as they were for white voters. So we don't know that this would change the outcome of the election, but we do know there was a concentrated effort, or at least that was the outcome to reduce African-American votes and to a lesser extent young votes—the two groups which voted in the highest percentage for John Kerry."

rant which resulted in Ohio law enforcement officers raiding Noe's Vintage Coin and Collectibles premises near Toledo, and seizing hundreds of boxes of assets, as well as records and computer discs. Afterwards, Prosecutor O'Brien spoke of Noe's "misappropriation of state funds." Because the case is still in the investigative phase, charges have not been brought, but are anticipated.

As the investigations intensified, the question that arose is what has happened to the $10-12 million that Noe's lawyers told state authorities that Noe cannot account for? Was a portion of those monies illegally diverted into the Bush-Cheney campaign, including through giving money to individuals to conduit into the campaign, as the above Federal probe is investigating?

On June 16, Ohio State Sen. Marc Dann (D-Youngstown) told *EIR,* "I think the hypothesis that some of the principal [$50 million] that Noe was given by Ohio, may have been diverted into the Bush-Cheney campaign in 2004, will likely prove to be true." Dann said that the Democrats in the Ohio Senate and House are united in calling for the formation of a bipartisan Senate-House investigative committee, which would have lawyers and the power to subpoena, in order to investigate the case of Noe, and the MDL hedge-fund loss of $215 million of OWCF funds.

One wonders if Tom Noe, Karl Rove's man in Ohio, or others with knowledge about this affair, are asked to testify under oath about the missing $12 million, what they may say about Rove's role.

MDL Capital Hedge Fund's Big Collapse

Another major element of the Ohio scandal is the MDL Capital Management hedge fund, which lost $215 million in

Rev. Joseph Watkins is one of Karl Rove's coterie of African-American neo-con Republicans, and one-time managing director of the MDL hedge fund.

2004. These losses became known to Bureau and Ohio state officials—all Republicans—five weeks before the November 2004 election, but were covered up. This is an example of monumentally dangerous risk-taking.

In 1992, MDL Capital Management was founded in Pittsburgh by Mark Lay (he still runs the company today). By the first decade of the 21st Century, MDL was ranked as one of the ten largest African-American-owned financial investment companies in the nation.

In 1998, MDL Capital Management contracted to manage some of the Bureau's OWCF funds. By the late Summer of 2003, the Bureau had entrusted MDL to manage $355 million of OWCF funds. It invested the monies in a "traditional long-

Privatization: A Model For Corruption

The privatization of the Ohio Workman's Compensation Fund appears to follow a standard modus operandi for the Bush crowd. Exemplary was an operation pulled by George W. Bush when he was Governor of Texas: the privatization of the University of Texas Investment Management Company (UTIMCO).

One of the first bills signed by Governor Bush, following his election in 1994, was the privatization of the endowment, a fund of at least $1.7 billion, for the University of Texas. Bush had already appointed his friend and business partner in the Texas Rangers, Tom Hicks, to the Board of Regents for the university. Hicks now worked with Bush to turn the fund over to the firm UTIMCO, which was not under public scrutiny, and could be used as a piggybank for Hicks's and Bush's family cronies.

For example, in 1995, UTIMCO, under Tom Hicks's guidance, decided to place $10 million with The Carlyle Group merchant bank in Washington, D.C. The Carlyle Group included some of President George H.W. Bush's foremost associates, including James Baker, III, who served as Secretary of State and White House Chief of Staff in the senior Bush Administration, and headed the vote "recount" team which helped get Bush junior into office.

UTIMCO also placed millions with firms such as Kohlberg Kravis Roberts, whose founding partner, Henry Kravis, was a leading Republican donor, and with Bass Brothers Enterprises of Fort Worth, Texas.

Not surprisingly, many of those who had received money "to invest" from UTIMCO, became part of George W. Bush's "Pioneers," those who raised at least $100,000 each for Bush's election campaign war chest. What looks like a kickback often is.

term bond fund" (a fund that invested in bonds with ten years or greater maturity). During much of the period through 2002, the Rev. Joe Watkins was MDL's managing director; Watkins was also an associate of Ken Blackwell.

But in August 2003, MDL's Lay proposed, and the Bureau approved, for MDL to set up a hedge-fund subsidiary, which was incorporated in the hot-money haven of Bermuda, largely outside the reach of U.S. law. With apparent Bureau approval, MDL Capital transferred $100 million of the $355 million in OWCF funds that MDL Capital managed in its "traditional" fund, into the MDL hedge-fund/Active Duration Fund. MDL used leverage to make bets that long-term U.S. interest rates would rise. When the bet went bad, MDL's Bermuda-registered hedge fund resorted to increasing its leverage, up to 1,900% of the value of its underlying assets, according to a June 10 lawsuit brought against MDL by Ohio's Attorney General James Petro.

It should be noted, that up through 2004, the MDL Capital Management's senior officers contributed $9,000 in campaign funds to the Ohio Republican Party directly and to some of its foremost candidates.

In 2004, MDL hedge fund's losses exploded. Between February and April 2004, the hedge fund reported losing $41 million out of the $100 million in OWCF funds that the Bureau had entrusted to it to manage. At this point, for sound precautionary reasons, the Bureau likely should have closed the hedge fund. Instead, in April, even as the losses swelled, it permitted MDL to transfer an additional $100 million of the OWCF monies it had under its "traditional fund," into the MDL hedge fund. Later, another $25 million was transferred, so that cumulatively, $225 million had been shipped into the hedge fund. By September 2004, functioning under reverse leverage, MDL's hedge-fund losses were so extraordinary, that it had lost all but $9 million of its original monies. (It is possible that a portion of these funds may have been illegally conduited as campaign contributions.)

The full losses were known by late September 2004, and should have been reported. Instead, leading Bureau administrators and the top-ranking Ohio state officers, who were Republican, like Gov. Robert Taft, apparently covered the MDL story up for eight more months. One extremely well-placed Ohio source told *EIR* on June 20, "If the MDL scandal had been made public many weeks before the election, it would have been very damaging to the Republicans in Ohio." It could have badly hurt the Bush-Cheney election bid.

While Tom Noe and MDL Capital are the most notorious, several other losses or unaccounted-for funds were realized by the Ohio Bureau (see box, p. 35).

Subverting Workers Comp

A prime casualty of the scandal is the Ohio Bureau of Workers' Compensation itself. During the past decade, Ohio Workers' Comp, which is supposed to supply compensation to workers injured on the job, had reneged on that mission, and denied claims, in order to build up a hoard of money. Mark Sweazy, president of UAW Local 969 in Columbus, called the Coingate scandal "outrageous." He told *EIR* on June 17: "Ohio is one of the worst states for a worker to collect from the Ohio Bureau of Workers' Compensation. When a worker has an injury on the job, it's several months before you get a hearing with the Ohio Bureau of Workers' Compensation, and then after the hearing, he has to wait months to get compensation. They drag their feet. And the Bureau is denying compensation; it's really hard if you have a back injury. There is case after case where workers are denied."

Sweazy told of the sad case of a worker with an injury, who snapped after months of being denied compensation, taking with him gasoline and a gun down to the Bureau's office. He is now serving time in prison.

Sweazy said: "The Bureau has $15-16 billion of funds. They are making money off that, but not giving it to workers. The head of the Bureau tried to organize a rebate, to give some of the money back to the companies, and those companies, of course, would probably turn around and give the money as contributions to the Republicans. The UAW in Ohio sued to block the rebates, and we won the case. So now the money is being stolen."

This nasty pattern, which is part of an over-arching pattern of thievery of funds and voter suppression, under the aegis of the Rove-Cheney-Shultz machine, may now be broken. Some of the participants may go to jail.