

By this Plea Agreement, PATRICK J. FITZGERALD, United States Attorney for the Northern District of Illinois, and the defendant, STEVEN LOREN, and his attorney, MICHAEL L. SIEGEL, have agreed upon the following:

1. Defendant acknowledges that he has been charged in Count 14 of the indictment in this case with corruptly endeavoring to obstruct and impede the due administration of the internal revenue laws in violation of 26 U.S.C. § 7212(a).

2. Defendant has read the charge against him contained in the indictment in this case and the charge has been fully explained to him by his attorney.

3. Defendant fully understands the nature and elements of the crime with which he has been charged.

4. Defendant will enter a voluntary plea of guilty to Count 14 of the indictment in this case.

5. Defendant will plead guilty because he is in fact guilty of the charge contained in Count 14 of the indictment in this case. In pleading guilty, defendant admits the following facts and that those facts establish his guilt beyond a reasonable doubt. The following is not a complete statement of all the details known to the defendant regarding the defendant's criminal conduct. The following facts are set forth solely as a factual basis for this guilty plea:

Individual A - Investment Firm 1 (Count 14)

Defendant Steven Loren ("Loren" or "defendant") admits that he was an attorney; he and his law firm were outside counsel to the Teachers' Retirement System of the State of Illinois ("TRS"), which was a public pension plan for certain Illinois teachers. Stuart Levine ("Levine") was a member of the TRS Board of Trustees. Individual A acted as a placement agent for Investment Firm 1, an asset management company located in Chicago, Illinois, that solicited and received \$50 million in TRS funds to invest. Individual A also acted as a placement agent for Investment Firm 2 and Investment Firm 3 in connection with those firms' efforts to obtain funds from TRS.

Beginning in or about the fall of 2003 and continuing until in or about May 2004, Loren corruptly endeavored to obstruct and impede the due administration of the internal revenue laws.

In or about the fall of 2003, Levine told Loren that he had arranged for Individual A to find potential investments for TRS; entities receiving funds from TRS that were introduced to TRS by Individual A would pay a finder's fee to Individual A; and Individual A would split his placement fees with certain individuals at the direction of Levine and his associates. Based on his conversations with Levine, it was Loren's understanding that Levine's associates, who were close to a high ranking public official, would use those placement fees as an incentive or reward to those who made campaign contributions that would benefit the high ranking public official, and that Levine's associates would be able to steer money to the people that they selected, and those people would get money without providing any services.

At Levine's direction, Loren assisted Levine by advising Individual A as to the sorts of investments that TRS would consider, and reviewing investment proposals submitted by Individual A and others. Levine told Loren that, based on Levine's request, Individual A had agreed to split a finder's fee with a person identified by Levine.

Levine directed Loren to prepare a sham consulting contract that would appear to justify Individual A's splitting his finder's fee with a third party. Levine instructed Loren to draft a consulting agreement that would pass scrutiny if someone like the U.S. Attorney looked at it. Levine did not give Loren the names of the parties but, instead, told Loren to use "X" and "Y" in place of the parties' names. Loren agreed to draft the sham contract,

knowing that the contract would be used to make a fraudulent transaction appear legitimate.

In order to conceal the fraudulent nature of the transaction, Loren included certain terms and conditions in the contract that Loren believed would be typical in a legitimate consulting contract. Loren drafted an agreement that he thought would be plausible in the context of a third party working with Individual A.

Loren drafted the contract knowing that it falsely represented that services would be provided by the third party, when in fact Loren believed that no services would be provided by the third party. Loren drafted the sham contract in a manner that he believed would make it falsely appear that payments by Individual A to the third party constituted legitimate business expenses to Individual A, and legitimate income to the third party. Loren believed that the payments would be reported to the Internal Revenue Service as legitimate expenses of Individual A, and legitimate income to the third party, even though the payments did not constitute legitimate expenses or income. Loren expected Individual A to deduct the payment, although the payment could not be lawfully deducted.

Loren gave the draft consulting agreement to Levine. Loren instructed his secretary not to save the consulting agreement on the computer.

When Loren prepared the sham agreement for Individual A and an unknown third party, Loren knew that the sham agreement was wrong because it was concealing an illegal fee arrangement.

Loren understood that Levine had agreed to use his official position at TRS to help Individual A get additional TRS funding for investments that Individual A introduced to TRS, in exchange for Individual A's sharing his finder's fees at Levine's direction, with Levine getting his directions from another individual.

Loren, Levine, Individual A, and others, took steps to hide and conceal, and to attempt to hide and conceal, the purposes of the corrupt endeavor, and acts done as part of the corrupt endeavor.

Loren acknowledges that he abused his position as outside counsel to TRS, which was a position of trust, by aiding and abetting Levine and by failing to report Levine's conduct to TRS,

and that Loren used his skills as an attorney to prepare the contract.

Loren acknowledges that Individual A paid a portion of his fee to a third party, and that it was reasonably foreseeable to Loren that the fee would be approximately \$250,000. It was also reasonably foreseeable to Loren that Individual A would deduct that payment as being a legitimate expense, even though, Loren believed that the payment was an illegal payment. Loren further acknowledges that by preparing the sham contract at Levine's direction, Loren corruptly endeavored to obstruct and impede the due administration of the internal revenue laws, by impeding the Internal Revenue Service's ability to review the true facts concerning that transaction. Loren further acknowledges that it was reasonably foreseeable to Loren that Individual A's future deduction of that payment of \$250,000 as a legitimate business expense would cause a tax loss of approximately \$70,000.

All in violation of Title 26, United States Code, Section 7212(a).

Individual A - Investment Firms 2 and 3

In or about late 2003 and early 2004, based on Levine's direction, Loren met with Individual A and other individuals to review information concerning certain potential TRS investments, including information relating to Investment Firms 2 and 3. It was not a routine part of Loren's duties as TRS's outside counsel to meet with entities seeking TRS investment dollars. It was Loren's understanding that Levine wanted TRS to invest funds with Investment Firms 2 and 3 because each of those firms agreed to pay a finder's fee to Individual A, and Individual A agreed to split his finder's fees as directed by Levine.

Loren and Levine each concealed from and failed to disclose to the TRS Board material facts relating to Investment Firms 1, 2, and 3, including Levine's arrangement with Individual A that Individual A would split each of his finder's fees at Levine's direction in exchange for Levine's assistance in obtaining TRS funds.

As an attorney for TRS, Loren knew that he had a duty to be truthful with TRS, and to act honestly. Loren understood that withholding the information about Levine's arrangements concerning Individual A's placement fees was a breach of Loren's attorney/client responsibilities to TRS, and it meant that Loren was not being honest or truthful with TRS. Loren acknowledges that

he failed to provide TRS with material information which had come into his possession.

PROFFER PROTECTION

The parties agree that Loren has provided information to the government under Sentencing Guideline § 1B1.8, pursuant to the terms of a proffer letter dated November 23, 2004 ("Proffer Letter"), and pursuant to the terms of a Letter Agreement, dated July 5, 2005 ("Letter Agreement"), including, but not limited to information concerning the following: (1) The Illinois Teachers Retirement System pension fund (TRS) and events relating to TRS during 1991-2004; (2) Rosalind Franklin University of Medicine & Science, f/k/a Finch University of Health Sciences/the Chicago Medical School ("CMS") and events relating to the School in 2002-2004; (3) Mercy Alliance, Inc. ("Mercy Hospital") and events concerning Mercy Hospital in 2003-2004; (4) All information relating to Individual B; (5) Individual A and various entities that Individual A owned, operated, or controlled, or for which Individual A was an agent or representative (hereinafter collectively referred to as "Individual A") and events relating to Individual A in 2003-2004.

Individual A: Loren agrees that the information concerning Individual A provided by Loren pursuant to § 1B1.8, and the terms of the Proffer Letter, Letter Agreement, and this Plea Agreement, may be used in any manner, including in the factual foundation of a plea agreement, in calculating Loren's sentence, and before the grand jury or court. The information concerning Individual A includes any information concerning, relating to, or surrounding: (i) Individual A's statements, actions, and conduct; (ii) any statements, actions, conduct, events, and transactions, relating to Individual A; and (iii) any documents or materials that Individual A created, used, or reviewed or caused to be created, used or reviewed, or that relate to Individual A or to any event or transaction relating to Individual A.

Proffer Protected Statements: The parties agree that other statements made by Loren pursuant to § 1B1.8, and the terms of the Proffer Letter and Letter Agreement, cannot be used against Loren in the government's case-in-chief, or in aggravation of Loren's sentence, except as provided in the proffer letter, and the Letter Agreement. Those statements, however, may be used in any other manner, including being disclosed to the court, the grand jury, witnesses, and defendants. Those statements include the following:

Financial Benefits: Levine, with the assistance of Loren, and others, fraudulently used and sought to use Levine's position and influence as a member of the TRS Board of Trustees to obtain financial benefits for Levine's nominees and associates.

Splitting Fees: Levine advised Loren that Levine intended to use, and was using, his official position on the TRS Board, to assist other people, besides Individual A, in obtaining TRS funds for certain entities, and that in return, those people would split placement fees with persons identified by Levine. Levine advised Loren that he was acting in concert with others in connection with the splitting of placement fees.

Levine asked Loren to help in this scheme by providing advice concerning investments to certain potential applicants, and by reviewing materials concerning possible TRS investments, which Loren agreed to do. At Levine's direction, Loren assisted Levine by advising certain people as to the sorts of investments that TRS would consider, and by reviewing various investment proposals and various documents. At Levine's request, Loren described for certain individuals the types of private equity investments TRS might be interested in, and gave them an overview as to how TRS was planning on allocating its private equity investments.

Sham Contracts for Investment Firm 4: In the spring of 2004, after Investment Firm 4 had submitted an application to receive funds from TRS, Levine attempted to steer a consulting contract relating to the TRS transaction to a particular individual.

After Loren had started working on Firm 4's documents, Levine told Loren, in substance, to make sure the deal did not get killed. Levine told Loren to keep Levine apprised of what happened, and Loren did so.

In or about April 2004, Levine said there was going to be a split of a placement fee related to the TRS investment in Investment 4. Levine directed Loren to prepare a draft contract for Investment Firm 4, which Loren agreed to do. Levine directed Loren to include certain terms in the contract, including the amounts to be paid and the dates of payment. Levine did not give Loren the names of the parties, but instead, told Loren to use "X" and "Y" in place of the parties' names. On or about April 29, 2004, Loren prepared a draft compensation agreement using "X" and "Y" in place of the parties' names. Loren drafted the contract believing that it falsely represented that services would be provided by the consultant, when in fact Loren believed that no services would be provided. Loren drafted the sham contract in a

manner that he believed would make it falsely appear that payments by Investment Firm 4 constituted legitimate payments for services rendered, even though no such services were rendered.

Levine and Loren concealed from and failed to disclose to the TRS Board material facts relating to its consideration of the application for funds of Investment Firm 4, including Levine's attempt to steer placement fees to a consultant named by Levine.

In or about May 2004, Levine also directed Loren to prepare a sham contract relating to Investment Firm 4 and another state pension board. On or about May 15, 2004, Loren prepared the sham contract that Levine requested. Based on conversations with Levine, Loren understood that one of Levine's close associates was going to receive a part of the placement fee that Investment Firm 4 would have to pay in order to obtain funding from the other state pension board. Loren thought that Levine was facilitating a placement fee for his close associate, even though that individual was not going to provide any services in exchange for the money. Loren drafted the contract knowing that it falsely represented that services would be provided by the Levine's close associate. Loren drafted the sham contract in order to make it appear that the payments to Levine's close associate were legitimate payments in exchange for services.

Asset Managers for TRS: In or about April 2004, Levine met with Loren to find out how Levine's nominees or associates could do business with TRS, and to discuss the possibility of Levine doing business with TRS in the future, including the possibility of setting up a company to do business with TRS as an asset manager. Levine asked Loren to present ideas to Levine that would allow participation by Levine's nominees or associates, without such participation being disclosed to TRS. Loren subsequently explained to Levine that if a development company entered into a business relationship with an asset manager, there would be no requirement to disclose the ownership of the developer.

Information Concerning Levine: Over the course of time, Loren withheld information concerning various actions that Levine took that Loren believed breached Levine's fiduciary duty to TRS. Loren believed that he had a duty to disclose to TRS what Levine was doing, and did not do so. By failing to disclose information about Levine's on-going conduct, Loren was not being honest with TRS, and Loren breached his attorney/client responsibilities.

6. For purposes of calculating the Guidelines promulgated by the United States Sentencing Commission pursuant to Title 28, United States Code, Section 994, the parties stipulate and agree on the following points:

a. The parties agree that the Guideline calculations are based on information relating to Individual A and events concerning Individual A in 2003-2004.

b. The parties agree that the applicable Guidelines version is the 2003 Guidelines Manual.

c. The parties agree that the applicable Guidelines Section is § 2T1.1(1), which refers to the Tax Table in § 2T4.1.

d. The parties agree that pursuant to Guideline § 2T1.1, the base offense level is 14, because the intended tax loss ($\$250,000 \times 28\%$) was approximately \$70,000, in that defendant Loren knew that the payment to be made by Individual A to a third party was an illegal payment, and defendant Loren acknowledges that it was reasonably foreseeable to the defendant that Individual A's future deduction of that payment of \$250,000 as a legitimate business expense would cause a tax loss of approximately \$70,000.

e. The parties agree that the base offense level should be increased by 2 levels, pursuant to Guideline § 3B1.3, because the defendant abused a position of trust, and used a special skill, in carrying out the offense, in a manner that significantly facilitated the commission and concealment of the offense, namely,

the defendant abused his position as outside counsel to TRS by aiding and abetting Levine's scheme involving Individual A and by failing to report Levine's conduct relating to Individual A to TRS, and the defendant used his skills as an attorney to prepare the sham contract for Individual A.

f. The parties agree that the defendant has clearly demonstrated a recognition and affirmative acceptance of personal responsibility for his criminal conduct. If the government does not receive additional evidence in conflict with this provision, and if the defendant continues to accept responsibility for his actions, within the meaning of Guideline § 3E1.1, a 2 level reduction in the offense level is appropriate.

g. The parties agree that the defendant has provided timely notice of his intention to enter a plea of guilty, and has provided truthful information, within the meaning of Guideline § 3E1.1(b), so that an additional 1 point reduction in the offense level is appropriate, if the offense level is 16 or greater, and the Court finds that a reduction under Guideline § 3E1.1(a) is appropriate.

h. Based on the facts known to the government, the defendant's criminal history points equal 0 and the defendant's criminal history category is I.

i. Based on the above calculations, which are preliminary in nature, and assuming that the defendant's criminal history

category is I, the preliminary projected applicable offense level is a level 13, so that the preliminary projected applicable sentencing range is 12 to 18 months.

j. The defendant and his attorney, and the government, acknowledge that the above calculations are preliminary in nature and based on facts known to the government as of the time of this plea agreement. The defendant understands that the Probation Department will conduct its own investigation and that the Court ultimately determines the facts and law relevant to sentencing, and that the Court's determinations govern the final Sentencing Guidelines calculation. Accordingly, the validity of this plea agreement is not contingent upon the probation officer's or the Court's concurrence with the above calculations.

7. Errors in calculations or interpretation of any of the guidelines may be corrected by either party prior to sentencing. The parties may correct these errors or misinterpretations either by stipulation or by a statement to the probation office and/or court setting forth the disagreement as to the correct guidelines and their application. The validity of this Agreement will not be affected by such corrections, and the defendant shall not have a right to withdraw his plea on the basis of such corrections.

8. The defendant understands that, in imposing the sentence, the court will be guided by the United States Sentencing Guidelines. The defendant understands that the Guidelines are

advisory, not mandatory, but that the Court must consider the Guidelines in determining a reasonable sentence.

9. Defendant understands that Count 14 of the indictment to which he will plead guilty carries a maximum penalty of 3 years' imprisonment, a maximum fine of \$250,000, any costs of prosecution, and a term of supervised release of one year, as well as any restitution ordered by the Court.

10. The defendant understands that in accordance with federal law, Title 18, United States Code, Section 3013, upon entry of judgment of conviction, the defendant will be assessed \$100 on Count 14 of the Indictment to which he has pled guilty, in addition to any other penalty imposed. The defendant agrees to pay the special assessment of \$100 at the time of sentencing with a check or money order made payable to the Clerk of the U. S. District Court.

11. Defendant understands that by pleading guilty he surrenders certain rights, including the following:

(a) If defendant persisted in a plea of not guilty to the charge against him, he would have the right to a public and speedy trial. The trial could be either a jury trial or a trial by the judge sitting without a jury. The defendant has a right to a jury trial. However, in order that the trial be conducted by the judge sitting without a jury, the defendant, the government, and the

judge all must agree that the trial be conducted by the judge without a jury.

(b) If the trial is a jury trial, the jury would be composed of twelve layperson selected at random. Defendant and his attorney would have a say in who the jurors would be by removing prospective jurors for cause where actual bias or other disqualification is shown, or without cause by exercising so-called peremptory challenges. The jury would have to agree unanimously before it could return a verdict of either guilty or not guilty. The jury would be instructed that defendant is presumed innocent, and that it could not convict him unless, after hearing all the evidence, it was persuaded of defendant's guilt beyond a reasonable doubt.

(c) If the trial is held by the judge without a jury, the judge would find the facts and determine, after hearing all the evidence, whether or not the judge was persuaded of defendant's guilt beyond a reasonable doubt.

(d) At a trial, whether by a jury or a judge, the government would be required to present its witnesses and other evidence against defendant. Defendant would be able to confront those government witnesses and his attorney would be able to cross-examine them. In turn, defendant could present witnesses and other evidence in his own behalf. If the witnesses for defendant would

not appear voluntarily, he could require their attendance through the subpoena power of the court.

(e) At a trial, defendant would have a privilege against self-incrimination so that he could decline to testify, and no inference of guilt could be drawn from his refusal to testify. If defendant desired to do so, he could testify in his own behalf.

12. Defendant understands that by pleading guilty he is waiving all the rights set forth in the prior paragraph. Defendant's attorney has explained those rights to him, and the consequences of his waiver of those rights. Defendant further understands he is waiving all appellate issues that might have been available if he had exercised his right to trial.

13. The defendant is also aware that Title 18, United States Code, Section 3742 affords a defendant the right to appeal the sentence imposed. Acknowledging this, in exchange for the concessions made by the United States in this Plea Agreement, the defendant knowingly agrees to waive the right to appeal any sentence imposed that is within or below the guidelines range corresponding to offense level 13, Criminal History Category I, and waives the right to appeal any stipulated guideline calculation. The defendant also waives his right to challenge any sentence imposed that is within or below that guidelines range, and any stipulated guideline calculation, or the manner in which the sentence was determined, in any collateral attack, including but

not limited to a motion brought under Title 28, United States Code, Section 2255. The waiver in this paragraph does not apply to a claim of involuntariness, or ineffective assistance of counsel, which relates directly to this waiver or to its negotiation.

14. Defendant understands that the indictment and this Plea Agreement are matters of public record and may be disclosed to anyone.

15. Defendant agrees he will fully and truthfully cooperate with the government in any matter in which he is called upon to cooperate, including the following:

a. Defendant agrees to provide complete and truthful information and testimony, (i) in any criminal investigation and any pre-trial preparation if called upon to do so by the government; (ii) before any grand jury, and (iii) in any United States District Court proceeding, state court proceeding, and civil, administrative, or other court proceeding, if called upon to do so by the government;

b. The parties agree that the parties will jointly recommend that the defendant's sentencing be postponed until after the conclusion of any on-going investigation in which the defendant is cooperating, and the conclusion of any prosecution arising from that investigation, if the government deems such postponement appropriate;

c. Defendant agrees that in the event that he breaches the terms of this plea agreement, or the plea agreement is vacated for any reason - other than the government's breaching the terms of this plea agreement, when there has been no breach, withdrawal, or rejection by the defendant - then any grand jury testimony provided by the defendant, in part and/or in whole, can be used against him in any proceeding, including, but not limited to, before the grand jury and/or in any criminal prosecution against him, without restriction;

d. In the event that the defendant's grand jury testimony can be used against him, pursuant to subsection (d) of this paragraph, as stated above, the parties agree and stipulate that the admissibility and use of the defendant's grand jury testimony is not governed by Rule 11 of the Federal Rules of Criminal Procedure or Rule 410 of the Federal Rules of Evidence. The defendant agrees that he will not seek to use Rule 11 or Rule 410 to prevent the admission of his grand jury testimony into evidence.

16. The United States agrees not to seek additional criminal charges against the defendant, in the Northern District of Illinois, for the events between January 1, 2000 and November 23, 2004, which occurred in the Northern District of Illinois, relating to Individual A, TRS, CMS, and Mercy Hospital, which the defendant has described in the grand jury or in proffers provided to the United States, or which are described in this plea agreement.

However, nothing in this Agreement limits the United States in prosecution of the defendant in other districts, or for crimes which the defendant has not disclosed in the grand jury or in proffers provided to the United States, or which are not described in this plea agreement.

17. Defendant understands that the United States Attorney's Office will fully apprise the District Court and the United States Probation Office of the nature, scope and extent of defendant's conduct regarding the charges against him in this case, and related matters, including all matters in aggravation and mitigation relevant to the issue of sentencing.

18. At the time of sentencing, the government shall make known to the sentencing judge the extent of the defendant's cooperation, and, assuming the defendant's full and truthful cooperation, shall move the Court, pursuant to Sentencing Guideline § 5K1.1, to depart downward from the applicable sentencing guidelines range. The government shall make no recommendation concerning the imposition of a term of imprisonment, but remains free to make any other recommendations that it deems appropriate. The defendant is free to recommend whatever sentence he deems appropriate.

19. It is understood by the parties that the sentencing judge is neither a party to nor bound by this Agreement and may impose the maximum penalties as set forth in paragraph 9 above. However,

the sentencing court is obligated to consult and take into account the Sentencing Guidelines in imposing a reasonable sentence. The defendant further acknowledges that if the Court does not accept the sentencing recommendation of the parties, the defendant will have no right to withdraw his guilty plea.

20. Regarding restitution, the parties agree that the offense of conviction resulted in no loss and therefore restitution is inappropriate.

21. The defendant understands that Title 18, United States Code, Section 3664 and Section 5E1.2 of the Sentencing Guidelines set forth the factors to be weighed in setting a fine. The defendant agrees to provide full and truthful information to the court and United States Probation Officer regarding all details of his economic circumstances, and to provide such information to the United States Attorney's office. Defendant understands that providing false or incomplete information may be prosecuted as a violation of Title 18, United States Code, Section 1001, or as a contempt of the court, and would constitute a breach of this Plea Agreement.

22. Defendant understands that his compliance with each part of this Plea Agreement extends throughout and beyond the period of his sentence, and failure to abide by any term of the Plea Agreement is a violation of the Agreement. He further understands that in the event he violates this Agreement, the government, at

its option, may move to vacate the Plea Agreement, rendering it null and void, and thereafter prosecute the defendant not subject to any of the limits set forth in this Agreement, or to resentence the defendant. The defendant understands and agrees that in the event that the defendant's Plea is subsequently withdrawn, vacated or breached by the defendant, and the Government elects to void the Plea Agreement and prosecute the defendant, any prosecutions that are not time-barred by the applicable statute of limitations on the date of the signing of this Agreement may be commenced against the defendant in accordance with this paragraph, notwithstanding the expiration of the statute of limitations between the signing of this Agreement and the commencement of such prosecutions.

23. Defendant and his attorneys acknowledge that no threats, promises, or representations have been made, nor agreements reached, other than those set forth in this Agreement, to cause defendant to plead guilty.

24. Defendant agrees this Plea Agreement shall be filed and become a part of the record in this case.

25. Should the judge refuse to accept defendant's plea of guilty, this Plea Agreement shall become null and void and neither party will be bound thereto.

26. Defendant acknowledges that he has read this Agreement and carefully reviewed each provision with his attorneys. Defendant further acknowledges that he understands and voluntarily accepts each and every term and condition of this Agreement.

AGREED THIS DATE: _____

PATRICK J. FITZGERALD
UNITED STATES ATTORNEY

STEVEN LOREN
Defendant

JACQUELINE STERN
Assistant United States Attorney

MICHAEL L. SIEGEL
Attorney for Defendant