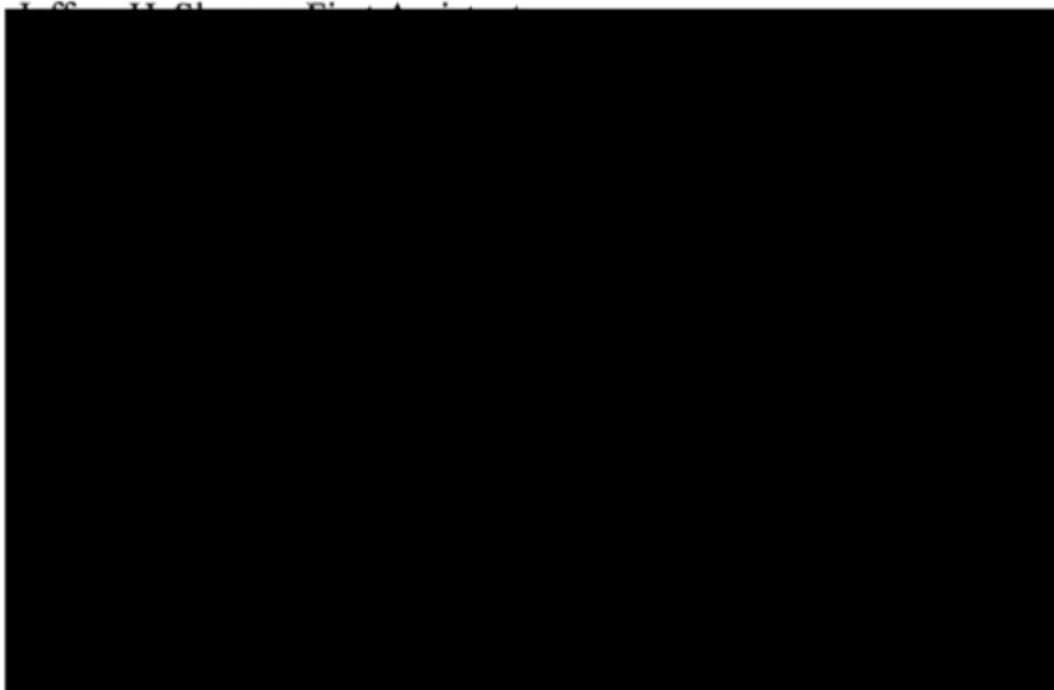


**United States Attorney's Office
Southern District of Florida**



NEWS BRIEFING

To: R. Alexander Acosta, United States Attorney



From:



July 1, 2008

July 1, 2008

Financier Starts Sentence in Prostitution Case

By LONDON THOMAS Jr.

The bad news arrived by phone last week on Little St. James Island, the palm-fringed Xanadu in the Caribbean where Jeffrey E. Epstein, adviser to billionaires, lives in secluded splendor.

Report to the Palm Beach County jail, the caller, Mr. Epstein's lawyer, said.

So over the weekend Mr. Epstein quit his pleasure dome, with its staff of 70 and its flamingo-stocked lagoon, and flew to Florida. On Monday morning, he turned himself in and began serving 18 months for soliciting prostitution.

"I respect the legal process," Mr. Epstein, 55, said by phone as he prepared to leave his 78-acre island, which he calls Little St. Jeff's. "I will abide by this."

It is a stunning downfall for Mr. Epstein, who grew up in Coney Island and went on to live the life of a billionaire, only to become a tabloid monument to an age of hyperwealth. Mr. Epstein owns a Boeing 727 and the largest town house in Manhattan. He has paid for college educations for personal employees and students from Rwanda, and spent millions on a project to develop a thinking and feeling computer and on music intended to alleviate depression.

But Mr. Epstein also paid women, some of them under age, to give him massages that ended with a sexual favor, the authorities say.

Federal prosecutors initially threatened to bring him to trial on a variety of charges and seek the maximum penalty, 10 years in prison. After years of legal wrangling, Mr. Epstein pleaded guilty to lesser state charges.

Upon his release from jail, he must register as a sex offender wherever he goes in the United States.

People from all walks of life break the law, of course. But for the rich, wrapped in a cocoon of immense comfort, it can be easy to yield to temptation, experts say.

"A sense of entitlement sets in," said Dennis Pearne, a psychologist who counsels people on matters related to extreme wealth. The attitude, he said, becomes, "I deserve anything I want, I can have anything I want — and I can afford it."

To prosecutors, Mr. Epstein is just another sex offender. He did what he did because he could, and because he never dreamed he would get caught, they say. Mr. Epstein's defenders counter that he has been unjustly persecuted because of his wealth and lofty connections.

Sitting on his patio on "Little St. Jeff's" in the Virgin Islands several months ago, as his legal troubles deepened, Mr. Epstein gazed at the azure sea and the lush hills of St. Thomas in the distance, poked at a lunch of crab and rare steak prepared by his personal chef, and tried explain how his life had taken such a turn. He likened himself to Gulliver shipwrecked among the diminutive denizens of Lilliput.

"Gulliver's playfulness had unintended consequences," Mr. Epstein said. "That is what happens with wealth. There are unexpected burdens as well as benefits."

Those benefits are on full display on his island where, despite his time in jail, Mr. Epstein has commissioned a new estate. The villa will occupy the island's promontory, which offers views of the Atlantic on one side and the Caribbean on the other. It will have a separate library to house Mr. Epstein's 90,000 volumes, a Japanese bathhouse and what he calls a "Ziegfeld" movie theater.

For now, however, those visions of a private paradise have been replaced by the cold reality of a jail cell.

The legal drama began in 2005, when a young woman who gave Mr. Epstein massages at his Palm Beach mansion told the local police about the encounter. She was 14 at the time, and was paid \$200.

The police submitted the results of their investigation to the state attorney, asking that Mr. Epstein be charged with sexual relations with minors. His lawyers say Mr. Epstein never knew the young women were under age, and point to depositions in which the masseuses — several of whom have filed civil suits — admitted to lying about their age.

In July 2005, a Florida grand jury charged Mr. Epstein with a lesser offense, soliciting prostitution. Mr. Epstein's legal team, which would eventually include the former prosecutor Kenneth W. Starr and the Harvard law professor Alan M. Dershowitz, was elated: Mr. Epstein would avoid prison.

But then the United States attorney's office in Miami became involved. Last summer, Mr. Epstein got an ultimatum: plead guilty to a charge that would require him to register as a sex offender, or the government would charge him with sexual tourism, according to people who were briefed on the discussions.

David Weinstein, an attorney in the government's Miami office, declined to discuss the specifics of the case. But he did address the subject of Mr. Epstein's means and prominent legal team, and dismissed a proposal by Mr. Epstein's lawyers — who opposed the application of federal statutes in the case — that he be confined to his house in Palm Beach for a probationary period.

"In their mind that would be an adequate resolution," Mr. Weinstein said. "Our view is that is not enough of a punishment to fit the crime that occurred."

The lurid details of the case have captivated wealthy circles in Palm Beach and New York and transformed Mr. Epstein, who shuns publicity and whose business depends on discretion, into a figure of public ridicule.

He said he has been trailed by stalkers and has become the target of lawsuits. In recent months, he said, he received over 100 letters a week asking for money or jobs as a masseuse. He recently received a package of gold-tinted condoms.

It has been a long, strange journey from Coney Island, where Mr. Epstein grew up in middle-class surroundings. He taught briefly at Dalton, the Manhattan private school, and then joined Bear Stearns, becoming a derivatives specialist. He struck out on his own in the 1980s.

His business is something of a mystery. He says he manages money for billionaires, but the only client he is willing to disclose is Leslie H. Wexner, the founder of Limited Brands.

As Mr. Epstein explains it, he provides a specialized form of superelite financial advice. He counsels people on everything from taxes and trusts to prenuptial agreements and paternity suits, and even provides interior decorating tips for private jets. Industry sources say he charges flat annual fees ranging from \$25 million to more than \$100 million.

As it became clear that he was headed for jail, Mr. Epstein has tried to put on a brave face.

"Your body can be confined, but not your mind," he said in a recent interview by phone.

But the strains were showing. "I am anxious," he said in another recent interview, referring to how inmates would treat him. "I make a great effort to treat people equally, but I recognize that

I might be perceived as one of the New York arrogant rich.”

Jail will certainly be a big change. Mr. Epstein is a man of precise, at times unconventional, habits. He starts his mornings with a secret-ingredient bran muffin prepared by his chef. He seems to have a germ phobia. He never wears a suit, preferring monogrammed sweatsuits and jeans. And he rarely attends meetings — “I never have to be anywhere,” he tells his pilots, when he cautions them to avoid flying through chancy weather.

Looking back, Mr. Epstein admits that his behavior was inappropriate. “I am not blameless,” he said. He said he has taken steps to make sure the same thing never happens again.

For starters, Mr. Epstein has hired a full-time male masseur (the man happens to be a former Ultimate Fighting champion). He also has organized what he calls a board of directors of friends to counsel him on his behavior.

And Mr. Epstein has changed his e-mail address to alert people that he will be unavailable for the next 18 months. The new address indicates he is “on vacation.”

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June 30, 2008

Billionaire pleads to Fla. prostitution charge

By THE ASSOCIATED PRESS

Filed at 3:02 p.m. ET

WEST PALM BEACH, Fla. (AP) -- New York billionaire Jeffrey Epstein has pleaded guilty to soliciting prostitution from underage girls in South Florida.

Circuit Judge Deborah Dale Pucillo sentenced the 55-year-old money manager Monday to 18 months in the Palm Beach County jail, followed by a year of house arrest. He will also be designated a sex offender.

Epstein was arrested two years ago. Authorities allege he paid several girls under the age of 18 \$200 to \$300 each in return for naked massages at his Palm Beach home that sometimes became sexual.

He also faces state and federal lawsuits filed by several women over similar allegations.

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UMA SANGHVI/Staff Photographer

Investment banker Jeffrey Epstein waits in court Monday before his guilty plea.

Palm Beacher pleads in sex case

Jeffrey Epstein will serve 1½ years on teen solicitation charges.

By LARRY KELLER
Palm Beach Post Staff Writer

WEST PALM BEACH — He lives in a Palm Beach waterfront mansion and has kept company with the likes of President Clinton, Prince Andrew and Donald Trump, but investment banker Jeffrey Epstein will call the Palm Beach County Jail home for the next 18 months.

Epstein, 55, pleaded guilty Monday to felony solicitation of prostitution and procuring a person under the age of 18 for prostitution. After serving 18 months in jail, he will be under house arrest for a year. And he will have a lifelong obligation to register as a sex offender. He must submit to an HIV test within 48 hours, with the results being provided to his victims or their parents.

As part of the plea deal, federal investigators agreed to drop their investigation of Epstein, which they had taken to a grand jury, two law enforcement sources said.

Epstein was indicted two years ago after an 11-month investigation by Palm Beach police. They received a complaint from a relative of a 14-year-old girl who had given Epstein a naked massage at his five-bedroom, 7,234-square-foot, \$8.5 million Intracoastal home.

Police concluded that there
See EPSTEIN, 8A ▶

- **Crime coverage**
 - Read past stories on the Epstein case.
 - See photos of fugitives, unsolved cases, police blotters, a blog, special reports and more.
- ♦ PalmBeachPost.com

Epstein faces civil lawsuits; more clients may be added

► EPSTEIN *from LA*

were several other girls brought in 2004 and 2005 to an upstairs room at the home for similar massages and sexual touching.

The indictment charged Epstein only with felony solicitation of prostitution. The state attorney's office later added the charge of procuring underage girls for that purpose.

Prosecutor Lanna Belohlavek said of the plea: "I took into consideration the length the trial would have been and witnesses having to testify" about sometimes embarrassing incidents.

Epstein may have made a serious mistake soon after he was charged. He rejected an offer to plead guilty to one count of aggravated assault with intent to commit a felony, according to police documents. He would have gotten five years' probation, had no criminal record and not been a registered sex offender, the documents indicate.

Epstein arrived in court Monday with at least three attorneys. He wore a blue blazer, blue shirt, blue jeans and white and gray sneakers. After Circuit Judge Deborah Dale Pucillo accepted the plea, he was fingerprinted. Epstein then removed his blazer and was handcuffed for the trip to jail while his attorneys tried to shield him from photographers' lenses.

When he eventually is released to house arrest, Epstein will have to observe a 10 p.m. to 6 a.m. curfew, have no unsupervised contact with anyone younger than 18 and neither own nor possess pornographic or sexual materials "that are relevant to your deviant behavior," the judge said.

Epstein will be allowed to leave home for work. The New York-based money manager told the judge he has formed the not-for-profit Florida Science Foundation to finance scientific research. "I'm there every day," Epstein said.

The foundation was incorporated in November. Epstein said he already has awarded money to Harvard and MIT.

When he is released from jail, there is a chance that Epstein will be forced to move. Sex offenders are not allowed to live within 1,000 feet of a school, park or other areas where children may gather. No determination has been made as to whether Epstein's home complies, but attorneys said it likely does.

Sex offenders also typically must attend counseling sessions. Belohlavek said that was waived for Epstein because his private psychiatrist is working with him.

'It's validation of what we're saying in the civil cases.'

JEFFREY HERMAN

Attorney who represents alleged victims, commenting on the plea

The judge was skeptical but agreed to it.

Epstein's legal woes don't end with Monday's plea. There are four pending federal civil lawsuits and one in state court related to his behavior. At least one woman has sued him in New York, where he owns a 51,000-square-foot Manhattan mansion.

"It's validation of what we're saying in the civil cases," said Miami attorney Jeffrey Herman, who represents the alleged victims in the federal lawsuits. West Palm Beach attorney Ted Leopold represents one alleged victim in a civil suit in state court. He said he anticipates amending that lawsuit to add "a few other clients" as well.

In the criminal case, police went so far as to scour Epstein's trash and conduct surveillance at Palm Beach International Airport, where they watched for his private jet so they would know when he was in town. They concluded that Epstein paid girls \$200 to \$300 each after the massage sessions.

"I'm like a Heidi Fleiss," Haley ██████, now 22, told police about her efforts in recruiting girls for Epstein.

There was probable cause to charge Epstein with unlawful sex acts with a minor

and lewd and lascivious molestation, police concluded.

The state attorney's office said questions about the girls' credibility led it to take the unprecedented step of presenting the evidence against Epstein to a grand jury, rather than directly charging him.

Palm Beach Police Chief Michael Reiter was furious with State Attorney Barry Krischer, saying in a May 2006 letter that the prosecutor should disqualify himself. "I continue to find your office's treatment of these cases highly unusual," he wrote. He then asked for and got a federal investigation.

Epstein hired a phalanx of high-priced lawyers—including Harvard law professor and author Alan Dershowitz—and public relations people who questioned Reiter's competence and the victims' truthfulness.

In addition to mansions in Palm Beach and Manhattan, Epstein owns homes in New Mexico and the Virgin Islands. He's a frequent contributor to Democratic Party candidates. He also donated \$30 million to Harvard in 2003.

Former New York Gov. Eliot Spitzer returned a \$50,000 campaign contribution from Epstein after his indictment, then resigned this year during his own sex scandal. And the same Palm Beach Police Department that vigorously investigated Epstein returned his \$90,000 donation for the purchase of a firearms simulator.

Staff writer Eliot Kleinberg and staff researcher Michelle Quigley contributed to this story.
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UMA SANGHVI/Staff Photographer

Jeffrey Epstein (left) appears in court Monday. Soon after he was charged two years ago, Epstein rejected a deal that would have given him five years' probation and no criminal record, documents show.

sun-sentinel.com/news/local/palmbeach/sfl-flpepstein0701sbjul01,0,1047755.story

South Florida Sun-Sentinel.com

Billionaire heads to jail on teen prostitution charges

By Missy Diaz

South Florida Sun-Sentinel

11:28 PM EDT, June 30, 2008

WEST PALM BEACH

Billionaire Palm Beach- New York-Virgin Islands money manager Jeffrey Epstein traded his navy sport coat for a jail uniform Monday after pleading guilty to hiring underage Palm Beach County girls for erotic massages and sex. The 55-year-old will be designated a sex offender, requiring him to register annually with the Florida Department of Law Enforcement.

Epstein, who lives in a 13,000-square-foot mansion on El Brillo Way in Palm Beach, will spend 18 months in the Palm Beach County Jail followed by a year of house arrest.

Judge Deborah Pucillo, who grilled Epstein and his attorneys throughout the hearing, read off a litany of other conditions of Epstein's house arrest, including a 10 p.m.-to-6 a.m. curfew, an hourly daily activity log and a stern warning that he not possess, watch or view any "obscene, pornographic or sexually stimulating material relative to your deviant behavior."

The judge admonished Epstein not to have any contact — direct or indirect — with his victims, something Pucillo clarified explicitly, saying it includes things like Facebook, MySpace, e-mail and text messages.

"That means no messages through carrier pigeons, no messages through third parties. ... Is that clear?" she asked.

Epstein told the judge he's an investment banker. He manages money for the very rich and counts among his friends former President Bill Clinton. His real estate holdings include a private island in the U.S. Virgin Islands and a 50,000-square-foot townhouse on Manhattan's tony Upper East Side.

According to police reports, in 2004 and 2005 Epstein paid [REDACTED], then 20, to find girls — "the younger the better"— to "work" for him. Epstein rejected a 23-year-old who [REDACTED] brought to Epstein's home.

[REDACTED] once referred to herself as Heidi Fleiss, the Hollywood madam whose client list included celebrities. "The more you do, the more you get paid," [REDACTED] reportedly told the girls. The going rate was \$200 to \$300 per massage. All of the girls knew what to expect, according to [REDACTED]: "provide a massage, possibly naked, and allow some touching."

Following lengthy negotiations dating to Epstein's July 2006 arrest, he pleaded guilty Monday to two counts: procuring a person under 18 for prostitution and felony offer to commit prostitution. The

<http://www.sun-sentinel.com/news/local/palmbeach/sfl-flpepstein0701sbjul01,0,697175,pri...> 7/1/2008

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maximum penalty was 15 years in prison.

Epstein still faces civil lawsuits in federal court filed by four girls seeking in excess of \$50 million each.

"We think the guilty plea today is a very positive development for the civil cases and validates the claims the girls were making," said Jeffrey Herman, the Miami attorney representing the girls.

Missy Diaz can be reached at mdiaz@sun-sentinel.com or 561-228-5505.

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sun-sentinel.com/news/local/palmbeach/sfl-630epstein,0,6913787.story

South Florida Sun-Sentinel.com

Palm Beach money manager pleads guilty to hiring underage girls for sex

By Missy Diaz

Sun-Sentinel.com

12:25 PM EDT, June 30, 2008

WEST PALM BEACH

Mega-rich Palm Beach-New York-Virgin Islands money manager Jeffrey Epstein traded his navy sport coat for a jail uniform today after pleading guilty to hiring underage Palm Beach County girls for erotic massages and sex.

As a result, Epstein will be designated a sex offender, a moniker that will require he register annually with the Florida Department of Law Enforcement and any other jurisdiction that so requires.

Epstein, 55, will spend 18 months in the Palm Beach County Jail followed by a year of house arrest.

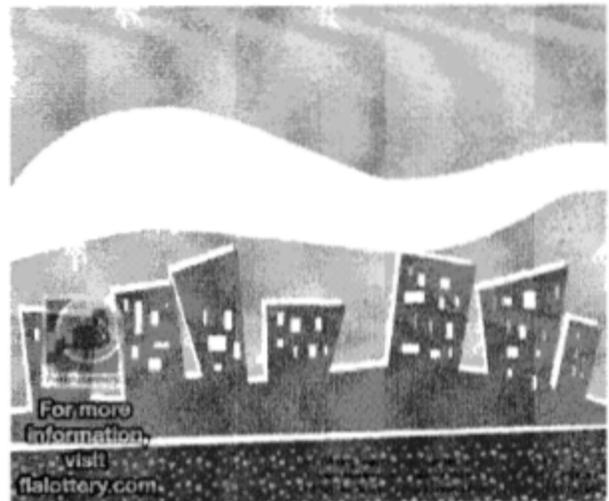
Judge Deborah Pucillo, who grilled Epstein and his attorneys throughout today's hearing, read off a litany of other conditions of Epstein's house arrest, including a 10 p.m. to 6 a.m. curfew, an hourly daily activity log and a stern warning that he not possess, watch or view any "obscene, pornographic or sexually stimulating material relative to your deviant behavior."

The judge admonished Epstein not to have any contact -- direct or indirect -- with his victims, something Pucillo explained includes things like Facebook, MySpace, e-mail and text messages.

"That means no messages through carrier pigeons, no messages through third parties ... is that clear?" she asked.

Epstein, a billionaire who lives in a five bedroom, 7 ½ bath, 13,000-square-foot mansion on El BrilloWay in Palm Beach, told the judge he's an investment banker. He manages money for the super wealthy and counts among his friends former President Bill Clinton.

According to police reports, in 2004 and 2005, Epstein used a then 20-year-old girl to find 14- to 16-year-old girls from her school to "work" for him.



In return, according to police, Epstein paid her \$200 for each girl she found.

Epstein's assistant kept the recruiter apprised of when Epstein would be in Palm Beach and the recruiter would take the girls to the mansion.

Once there, Epstein's assistant escorted the girl to a bedroom furnished with a massage table and oils.

Epstein would enter in only a towel and would touch himself during some sessions and try fondling the girls with sex toys in others, according to police.

Following lengthy negotiations dating to Epstein's July 2006 arrest, he pleaded guilty today to two counts: procuring a person under 18 for prostitution, and felony offer to commit prostitution.

The maximum penalty was 15 years in prison.

Epstein told the judge he takes no prescription medication other than for his cholesterol. He works in the Virgin Islands, he said, but while on house arrest he plans to do charitable work at a non-profit he formed charity called The Florida Science Foundation.

State records show the foundation was formed in November for the purpose of providing grants to organizations in science and research.

"My background is in physics," Epstein told Pucillo.

Harvard and MIT have been recipients of grants from the organization, he said.

While the criminal case may have been disposed today, Epstein still faces civil lawsuits in federal court filed by four of the girls who are each seeking in excess of \$50 million.

"We think the guilty plea today is a very positive development for the civil cases and validates the claims the girls were making," said Jeffrey Herman, the Miami attorney representing the girls. "An important measure of justice is that he'll be a registered sex offender."

As deputies fingerprinted Epstein, who was dressed in a navy sport coat, jeans and sneakers, a phalanx of his handlers congregated outside the courtroom.

His attorney, Jack Goldberger, along with two other men, one in a seersucker suit, the other typing furiously on a laptop computer, stayed with Epstein until lawmen escorted him from the courtroom.

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Posted on Mon, Jun. 30, 2008

Billionaire pleads to Fla. prostitution charge

New York billionaire Jeffrey Epstein has pleaded guilty to soliciting prostitution from underage girls in South Florida.

Circuit Judge Deborah Dale Pucillo sentenced the 55-year-old money manager Monday to 18 months in the Palm Beach County jail, followed by a year of house arrest. He will also be designated a sex offender.

Epstein was arrested two years ago. Authorities allege he paid several girls under the age of 18 \$200 to \$300 each in return for naked massages at his Palm Beach home that sometimes became sexual.

He also faces state and federal lawsuits filed by several women over similar allegations.

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Subject: FW: NEWS RELEASE: MIAMI-DADE HUSBAND AND WIFE SENTENCED FOR MONEY LAUNDERING

June 30, 2008

NEWS RELEASE:

**MIAMI-DADE HUSBAND AND WIFE
SENTENCED FOR MONEY LAUNDERING**

R. Alexander Acosta, United States Attorney for the Southern District of Florida, Michael E. Yasofsky, Special Agent in Charge, Internal Revenue Service, Criminal Investigation Division, and Mark R. Trouville, Special Agent in Charge, Drug Enforcement Administration, Miami Field Office, announced that defendants, **Irven Pressley** and his ex-wife, **Cynthia Pressley**, were sentenced in federal court in Fort Lauderdale. The defendants, who were charged in an 88-count indictment, had previously pled guilty to money laundering, in violation of Title 18 United States Code, Section 1956(h). On June 26, 2008, United States District Court Judge William J. Zloch sentenced Irven Pressley to 114 months in prison. On June 27, 2008, he sentenced Cynthia Pressley to 54 months in prison.

According to the court documents, Irven Pressley distributed cocaine in the Southern District of Florida. In addition, from late 1989 until December 2004, Irven and Cynthia Pressley conspired to launder funds obtained from Irven Pressley's cocaine sales. In total, the conspiracy laundered more than \$1.5 million.

Mr. Acosta commended the investigative efforts of the Internal Revenue Service, Criminal Investigation and of the Drug Enforcement Administration. This case was prosecuted by Assistant United States Attorneys Marcus A. Christian and Michael Davis.

A copy of this press release may be found on the website of the United States Attorney's Office for the Southern District of Florida at www.usdoj.gov/usao/fls. Related court documents and information may be found on the website of the District Court for the Southern District of Florida at <http://www.flsd.uscourts.gov/> or on <http://pacer.flsd.uscourts.gov/>.

TCPalm.Com

Smuggling trial heads to jury

1. By [Megan V. Winslow](#) ([Contact](#))

Originally published 09:58 p.m., June 30, 2008

Updated 09:58 p.m., June 30, 2008

WEST PALM BEACH — Among stacks of photographs and bags of narcotics the Rickey Thompson jury mulls over today during deliberations are two exhibits attorneys said should settle the case: a picture of a dead man and a secretly recorded telephone conversation.

The picture shows the body of Nigel Warren, one of three illegal immigrants whose 2006 drowning death could mean a life sentence for Thompson, a 43-year-old fisherman and part-time smuggler from the Bahamas. But that's if jurors reject the defense that Warren's choice of dress caused his death in the dark Jupiter Island surf.

"That man put on four shirts," said defense attorney David Patrick Rowe during his closing statements Monday. "He put on four pants. He put on construction boots, and he put on a jacket ... and then he went into the water, not because someone pointed a gun at him — as they want you to believe — but because he wanted to come to America."

Federal prosecutors said the telephone conversation proves Thompson captained yet another boat of illegal immigrants from the Bahamas to Jupiter Island four months earlier in August 2006, when two Haitians drowned and 12 kilos of cocaine washed ashore.

During the conversation, a drug mule-turned-informant tells Thompson a passenger from the August trip drowned, prosecutors said, and Thompson replies by warning the informant not to talk about the trip on the phone.

The conversation connects two extremely similar smuggling trips, prosecutors said, and supports witness testimony that Thompson used a gun to usher his passengers quickly from his 36-foot power boat and make them swim to shore — whether they knew how to swim or not.

"They did not drown because of what they were wearing," said Adrienne Rabinowitz, assistant U.S. attorney. "They did not drown because of what they drank. They drowned because this defendant forced them off the boat."

Thompson's shipmate in the smugglings, U.S. citizen Leon Brice Johnson, pleaded guilty in March to six charges, including alien smuggling resulting in death, and is scheduled to be sentenced July 11. He also faces a maximum penalty of life in prison.

In addition to three counts of second-degree murder for the deaths of Warren, of Jamaica, and Haitian citizens Roselyne Lubin and Alnert Charles, Thompson faces 27 other criminal counts, including alien smuggling resulting in death and importing drugs . such as marijuana, cocaine and heroin into the U.S.

MiamiHerald.com 

Posted on Tue, Jul. 01, 2008

Justice to seek more information from Swiss bank

By CHRISTOPHER S. RUGABER

The Justice Department said it is seeking information from Swiss bank UBS AG about U.S. taxpayers who may have used offshore accounts to avoid paying federal income taxes.

The broadening investigation centers on UBS clients in the United States who may have hidden up to \$20 billion in assets from the Internal Revenue Service.

The Justice Department said Monday it asked a federal court in Miami to authorize the IRS to serve UBS with a "John Doe" summons. The IRS uses a "John Doe" summons to obtain information about potential tax fraud by unknown individuals.

If approved, the summons will direct the bank to identify U.S. taxpayers with accounts at UBS who did not fill out required tax forms.

The Justice Department's move comes after Bradley Birkenfeld, a former UBS employee, pleaded guilty June 19 to conspiring to defraud the IRS by helping the bank's clients avoid U.S. tax reporting requirements.

Birkenfeld said in a court statement that UBS has about \$20 billion in assets in "undeclared" accounts for U.S. taxpayers.

UBS employees created sham offshore entities and then filled out IRS forms that falsely claimed the entities owned the accounts, Birkenfeld said.

"Offshore accounts harbor billions of dollars, and people should take notice that the secrecy surrounding these deals is rapidly fading," IRS Commissioner Doug Shulman said.

"There is reason to suspect that ... many United States taxpayers used UBS's services to shelter their assets and, as a result, failed to file accurate tax returns," U.S. Attorney R. Alexander Acosta said in a statement filed with the court.

UBS has said it will cooperate with both Swiss and U.S. authorities and disclose any instances in which U.S. clients may have broken tax laws.

Prosecutors say that Birkenfeld and others helped California real estate magnate Igor Olenicoff hide \$200 million in assets overseas.

Olenicoff, whose fortune is estimated at \$1.6 billion by Forbes magazine, pleaded guilty last year to tax charges and agreed to pay the IRS more than \$52 million in back taxes, penalties and interest. A Liechtenstein banker charged along with Birkenfeld, 43-year-old Mario Staggi, has been declared a fugitive.

Campos, Cyndee (USAFLS)

Subject: FW: From NY Times

From: [REDACTED]
Sent: Monday, June 30, 2008 6:19 PM
To: [REDACTED]
(USAFLS)
Subject: From NY Times

U.S. Seeks Names of UBS Clients

Top of Form

Bottom of Form

By LYNNLEY BROWNING
Published: July 1, 2008

Federal authorities, turning up the pressure on UBS, the Swiss banking giant, asked a federal court on Monday to force the bank to turn over the names of wealthy American clients suspected of evading taxes through secret offshore accounts.

The request, from the Justice Department, comes amid a widening federal investigation into the private banking services offered by UBS to Americans. While that investigation has centered on a former top UBS private banker, Bradley Birkenfeld, an American, it is rapidly broadening to include clients of the bank.

The request was made in court papers filed in the United States District Court for the Southern District of Florida in Miami by R. Alexander Acosta, the top federal prosecutor in Florida. The papers are related to the separate criminal case against Mr. Birkenfeld, who pleaded guilty last month to a single fraud charge and is cooperating with investigators.

Amid the disclosure request, the investigation threatens to peel back layers of Swiss banking secrecy, whose tradition began in the Middle Ages. It also increasingly promises to put UBS, the world's largest private bank, on a collision course with American prosecutors and regulators, who argue that Swiss secrecy laws do not apply to American clients who were sold UBS services.

A federal judge could rule on the request as early as this week, according to people briefed on the matter.

The request could open the floodgates to a flow of information about offshore tax evasion.

Douglas Shulman, the commissioner of the Internal Revenue Service, said in a written statement: “We will be taking additional steps to ferret out offshore tax avoidance beyond today’s announcement involving UBS. If service of the John Doe summons is approved, the I.R.S. will pursue people and advisers identified through the summons process who use offshore bank and financial accounts to circumvent their tax responsibilities.”

UBS is considering whether to turn over to the United States authorities up to 20,000 American client names as part of the criminal investigation, but it is grappling with pressure from Swiss banking and legal circles not to betray Swiss confidences. Unlike in the United States, tax evasion is legal in Switzerland. Tax fraud, however is not. Prosecutors suspect that UBS helped American clients stash \$20 billion overseas in secret offshore accounts, evading \$300 million or more in taxes.

Specifically, the I.R.S. and federal prosecutors want to force UBS to turn over the names of all American clients who from December 2002 through 2007 had control over accounts at the Swiss-based offices of UBS, its subsidiaries or affiliates — and for which UBS did not have a special tax form known as a W-9.

Under United States tax laws, American clients of UBS with assets or investments in offshore undeclared accounts are supposed to sign that form, which discloses names, addresses and taxpayer identification numbers, and then file it with UBS. UBS is supposed to let clients know when they have to sign the form and also withhold any taxes that might be owed to the I.R.S., typically at 28 percent.

Clients who do not sign the W-9 are supposed to sell their United States investments held in undeclared offshore accounts. Many UBS clients did not sign the forms but continued to hold the investments — with UBS’s knowledge — all while not paying taxes on them, prosecutors said.

The request for American client and account names is broad and covers any clients for whom financial advice or solicitations at Swiss-based UBS entities were made. It also covers any United States taxpayers with the authority to receive account statements or trade confirmations or to withdraw money from the Swiss-based accounts. And it covers accounts that were not just managed by but also maintained and monitored by UBS.

Last but not least, the request for names, or summons, also covers clients for whom UBS did not accurately or timely file 1099 forms, which report income earned, or withhold taxes.

The UBS case is the first to turn the spotlight on the rarefied world of private banking, and any disclosure of client names would batter the bank's reputation.

Judges have been sympathetic to similar requests in the past from the government.

In 2000, the I.R.S. won a Florida federal judge's approval to force Mastercard International to turn over the names of American clients whom the agency suspected of using their credit cards to withdraw money from offshore tax havens, thereby evading payment of income taxes.

MasterCard turned over names tied to 230,000 accounts, and more later. The judge also issued similar orders for American Express. Also that year, a San Francisco federal judge backed an I.R.S. request to force Visa International to turn over names of clients with offshore accounts.

The case could also become an embarrassment for Marcel Rohner, the chief executive of UBS, as well as for Phil Gramm, the former Republican senator from Texas who is now the vice chairman of UBS Securities, the bank's investment banking arm.

[REDACTED]
Assistant United States Attorney
United States Attorney's Office
Southern District of Florida

[REDACTED]
Fort Lauderdale, Florida 33394
[REDACTED]

PalmBeachPost.Com

Justice to seek more information from Swiss bank

1. By CHRISTOPHER S. RUGABER
AP Business News

WASHINGTON — The Justice Department said it is seeking information from Swiss bank UBS AG about U.S. taxpayers who may have used offshore accounts to avoid paying federal income taxes.

The broadening investigation centers on UBS clients in the United States who may have hidden up to \$20 billion in assets from the Internal Revenue Service.

The Justice Department said Monday it asked a federal court in Miami to authorize the IRS to serve UBS with a "John Doe" summons. The IRS uses a "John Doe" summons to obtain information about potential tax fraud by unknown individuals.

If approved, the summons will direct the bank to identify U.S. taxpayers with accounts at UBS who did not fill out required tax forms.

The Justice Department's move comes after Bradley Birkenfeld, a former UBS employee, pleaded guilty June 19 to conspiring to defraud the IRS by helping the bank's clients avoid U.S. tax reporting requirements.

Birkenfeld said in a court statement that UBS has about \$20 billion in assets in "undeclared" accounts for U.S. taxpayers.

UBS employees created sham offshore entities and then filled out IRS forms that falsely claimed the entities owned the accounts, Birkenfeld said.

"Offshore accounts harbor billions of dollars, and people should take notice that the secrecy surrounding these deals is rapidly fading," IRS Commissioner Doug Shulman said.

"There is reason to suspect that ... many United States taxpayers used UBS's services to shelter their assets and, as a result, failed to file accurate tax returns," U.S. Attorney R. Alexander Acosta said in a statement filed with the court.

UBS has said it will cooperate with both Swiss and U.S. authorities and disclose any instances in which U.S. clients may have broken tax laws.

Prosecutors say that Birkenfeld and others helped California real estate magnate Igor Olenicoff hide \$200 million in assets overseas.

Olenicoff, whose fortune is estimated at \$1.6 billion by Forbes magazine, pleaded guilty last year to tax charges and agreed to pay the IRS more than \$52 million in back taxes, penalties and interest. A Liechtenstein banker charged along with Birkenfeld, 43-year-old Mario Staggl, has been declared a fugitive.

NEW YORK POST

A DAY OFF FOR GRIM UBS STAFF

By MARK DeCAMBRE

July 1, 2008 --

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Loan for
\$641/mo.

\$175,000
Loan for
\$749/mo.

\$200,000
Loan for
\$855/mo.

\$275,000
Loan for
\$1,175/mo.

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Loan for
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Employees of embattled UBS have seen better days in its 150-year history as a top Swiss investment bank, but at least some might be able to boast an extra day off soon.

Apparently all the negative news surrounding UBS has been a real morale killer internally. That has led its chairman, Marcel Rohner, to give a pep talk, via memo, to its staffers over the weekend granting an extra day off to most of their lower-level employees.

"The situation we find ourselves in today does not reflect UBS' success story over the last decade," Rohner writes in his memo. "Our business and reputation have been hit hard in the recent months. But we are taking significant actions to restore confidence and get back on track. We are a resilient firm," the note continues.

The bonus day is meant to commemorate the firm's merger of Union Bank of Switzerland with Swiss Bank Corp. a decade ago. Somewhat ironically, UBS' shares fell 4.3 percent to 21.44 Swiss francs yesterday - its lowest level since its merger back on June 29, 1998 - on a string of fresh bad news.

Yesterday, prosecutors asked a federal judge in Florida to issue a summons that would require UBS to turn over its US taxpayer account information. The news - certain to spook its secrecy-loving clients - comes as the Department of Justice steps up its probe of allegations that UBS has helped wealthy individuals evade taxes.

A UBS spokeswoman declined to comment.

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MiamiHerald.com 

Posted on Tue, Jul. 01, 2008

Medicare program hopes to block fraud

BY JOHN DORSCHNER

After battles in the courts and Congress failed to halt the move, a new Medicare program intended to stop fraud and lower equipment prices is scheduled to start Tuesday.

The program will launch in 10 areas nationwide, including South Florida.

The federal program is designed so that only 325 suppliers throughout the nation -- winners of competitive bidding -- will be allowed to provide 10 key pieces of durable medical equipment, also known as DME, to Medicare recipients.

In South Florida, beneficiaries should see an average savings of 30 percent in oxygen equipment and power wheelchairs, the federal agency announced in a press release.

Thousands of providers have been cut out of the program, and they filed lawsuits and lobbied hard in Congress to delay the action.

The House of Representatives voted for an 18-month delay, but in the Senate the measure failed by a single vote, said Rob Brant, a Miami DME provider who is president of the Accredited Medical Equipment Providers of America.

The group represents companies that lost the bidding process or didn't seek to compete.

"Unless there's a miracle delay in the next hour and 20 minutes, this is going to take effect," Brant said Monday.

There was no miracle.

Equipment companies had filed several lawsuits, but had not been able to get any judge to order a stay.

"It's going to be chaos" on Tuesday, Brand predicted.

Some of the winners for oxygen equipment in Florida, for example, were not even licensed by the state of Florida.

However, a member of the organization representing the successful bidders said he was ready to go.

Jeff Holman of First Priority Medical Services in Hollywood, said: "We've increased stock, we've added phone lines, as have all the members" of the group, which calls itself Contracted Medical Equipment Suppliers.

For several years, Medicare has been trying to squeeze durable medical equipment providers in South

Florida, where Medicare fraud runs about \$1 billion a year, according to an estimate by the FBI.

Last year, Medicare reported about 2,700 DME firms were licensed in South Florida.

Fraud investigators found that 491 suppliers did not even maintain physical facilities or were not open when agents visited.

The federal agency decided that reducing the number of DME suppliers was the best way to combat fraud.

Paula Massey, a senior living in South Miami-Dade, applauded the move.

"We've had a lot of supplies billed in my name -- supplies for colonoscopies. A mystery cabinet for \$5,000. Three times some company billed for a power wheelchair for me," Massey said.

"Medicare turned them down twice. The third time it paid. It's time they stopped all this fraud," he said.

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Posted on Mon, Jun. 30, 2008

FBI chief: Gun ruling makes campuses less secure

FBI Director Robert Mueller on Monday criticized the U.S. Supreme Court's recent ruling that Americans have a right to own guns for self-defense and hunting, saying it may harm efforts to deter violent crime.

Speaking at a convention of the International Association of Campus Law Enforcement Administrators in Hartford, Mueller said the ruling "does throw a lot of things up in the air."

By a 5-4 vote last week, the nation's highest court struck down the District of Columbia's 32-year-old ban on handguns, the first major pronouncement on gun rights in history. It upheld the right for communities to license guns.

Mueller said communities will have to determine their own license programs. As a former Marine who served in Vietnam, he said "I tend to believe weapons harm people and more often than not they harm the people carrying them."

With his grandchildren going to college, Mueller said he hopes "those campuses will be weapons free."

Mueller said the FBI's top priority remains counterterrorism, counter-intelligence and protecting the secrets of the United States.

He said college campuses and small communities could be "potential incubators of terrorism" even while major cities such as New York and Los Angeles remain primary targets for terrorists.

"The fact is we can't rule out any community in the United States as a potential incubator of terrorism," Mueller said.

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Federal courthouse in Fort Pierce seeks more bidders to begin work

By Derek Simonsen

Tuesday, July 1, 2008

FORT PIERCE — In an effort to encourage more businesses to bid on building the new federal courthouse, three "industry days" are taking place this week to provide information to companies interested in the project.

The General Services Administration, which oversees the \$40-million to \$42-million construction project, has said it hopes to award a bid in September. Construction originally was slated to begin last November, but was put on hold after the only bid for the project came about \$12 million over budget.

Gary Mote, a GSA spokesman, said the number of bids received cannot be released until after the winning bid has been awarded.

"The industry day is to promote the project and give local small businesses the opportunity to meet and partner with large construction firms in the marketplace and understand how large businesses must comply with sub-contracting procedures as part of a government contract," said Mote said in a statement.

More than 50 people came to the first day at commission chambers in Fort Pierce on Monday, and the remaining days are scheduled for Tuesday in Orlando and Wednesday in Miami. During the information sessions, GSA officials give interested businesses an overview of the federal subcontracting process and then allow them to network with large construction firms during an open forum.

"I would hope that there is more activity from contractors, including local contractors," said County Administrator Doug Anderson. "It's a good project and with the economy the way it is, it could put local people to work."

After the initial high bid came in last year, there were fears GSA might have to go back to Congress for more funding if they couldn't find a way to make the project more cost-effective. GSA officials are continue to find ways to trim costs to keep the total project within the \$58.8 million Congress has budgeted it for, which includes the cost of the land, design and construction costs.

Following the high bid last year, U.S. Rep. Tim Mahoney, D-Palm Beach Gardens, looked into the bidding process and said government bureaucracy and the bidding

system worked to either shut out or leave businesses uninterested in government work. Mahoney has said he hopes to expand the number of potential contractors for the job, reaching businesses that might not have known about the project but are qualified to do the work.

The project has been in the works for years, but costs increased beyond initial estimates because of the rising cost of construction materials and new security measures put into place after the Sept. 11 terrorist attacks. Fort Pierce officials have said the courthouse has already helped entice new businesses to the area and expect property values to increase once the project breaks ground.

The courthouse, to be built on 3.9 acres at Orange Avenue and U.S. 1 not far from the site of the current federal courthouse, is estimated to bring an initial \$228 million into the local economy once it's built.

- Qualified small businesses interested in doing work for the new federal courthouse construction project can attend one of the remaining two industry days, from 1 to 4 p.m. Bring business cards and copies of the businesses' capability statement, if available. There is no charge to attend.

Tuesday: George C. Young Federal Building, fifth floor, 80 N. Hughey Ave., Orlando

Wednesday: James Lawrence King Federal Building, second floor assembly room, 99 N. E. Fourth Street, Miami.



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Justice Watch

Court seems to be easing stance on qualified immunity

June 30, 2008

By: John Pacenti

Civil rights attorneys say the 11th U.S. Circuit Court of Appeals appears to be growing less hostile toward plaintiffs suing police and other public officials.

Historically the court has dismissed most civil rights suits, especially against cops, saying the officials have qualified immunity.

There was a trend that favored law enforcement, and now the pendulum is kind of swinging back more toward the middle, swinging back to where it should be," said Fort Lauderdale attorney Barbara Heyer.

She said cases used to be "dead in the water" if the trial court granted qualified immunity.

"It's not as strict as it was, but for those of us who have practiced in the 11th Circuit for a long time, the 1990s were just a very difficult time," said Jim Green, a West Palm Beach litigator and the Palm Beach County legal chair for the American Civil Liberties Union.

Qualified immunity shields officials — be they police officers, the U.S. attorney general or elected officials — from liability for civil damages when acting in their official capacity. Their conduct, though, must not violate established law or constitutional rights. Courts must apply a reasonableness standard rather than assess proof of malice.

Several recent cases show the appellate court is no longer an automatic bunker for officials looking for safe haven from civil actions alleging constitutional violations.

An 11th Circuit panel ruled May 16 that police officers in Dade County, Ga., were not entitled to qualified immunity in a case of an apartment complex owner, who claimed excessive force was used against him in an arrest. Edward Reese was taken into custody after complaining about a heavy police presence at the Atlanta complex during a routine domestic dispute call.

He claims an officer arrested him when Reese walked away to complain to a police supervisor, placed him a chokehold and struck him. The officer then threw Reese to the ground while other officers piled on him. Reese said they kicked and punched him while yelling "stop resisting" to the immobilized man.

In another case closer to home, the 11th Circuit rejected qualified immunity last year in an ACLU lawsuit on behalf of Theodore Dukes, who was shot in the chest after a Miami-Dade police traffic stop for an expired license plate.

The unsigned opinion affirming a decision by U.S. District Judge Paul Huck in Miami said the issue of justifiable force was a "disputed material fact" for a jury to decide and not appropriate for resolution on a dismissal motion.

"The standard now is strict but not insurmountable," Green said.

Edward B. Davis, a litigation shareholder with Akerman Senterfitt and a former federal judge in Miami, said the issue of qualified immunity used to make his head hurt when he was on the bench. He said his rulings often were tailored to the defendant because the appellate court appeared to have different rules for officials from different government bodies.

Davis said the only good thing about ruling on the issue was the automatic appeal.

"You never knew what the 11th Circuit was going to do," said Davis, who retired from the bench in 2000. "I felt they would find it (qualified immunity) most of the time, and they did when most of the cases went up from me, especially if I had found it initially. I don't remember getting a reversal."

Web Extra:
[Reese filing](#)

Davis pointed out U.S. District Judge Shelby Highsmith's ruling denying qualified immunity to U.S. Attorney General Janet Reno for her role in the raid to seize Elian Gonzalez in 2000. The 11th Circuit reversed the decision in 2003, absolving Reno as a supervisory official.

[Reno filing](#)

Green said more favorable rulings for plaintiffs started earlier when the U.S. Supreme Court overturned an 11th Circuit ruling that barred an Alabama prisoner from suing correction officials in 2002.

Larry Hope sued alleging a device called the "hitching post" that kept inmates immobile for long periods of time constituted cruel and unusual punishment.

The 11th Circuit found prison officials were entitled to qualified immunity, but the Supreme Court overturned the decision, saying in the 2002 opinion that the standard was whether the law gave the defendants fair warning that their actions were



Barbara Heyer

unconstitutional.

The decision prompted the 11th Circuit to review an earlier case and reverse itself.

"It's now almost on a case-by-case basis," Heyer said. "Qualified immunity is one of the most difficult areas of law ... for it is forever changing."

In the Georgia case, Justice Gerald Bard Tjoflat wrote for the three-judge panel ruled "the law was 'clearly established' so as to give the defendants fair warning that their actions in such circumstances violated Reese's Fourth Amendment rights."

The same test was applied in the case of Kim Lee, who was arrested in 1997 after honking her horn in traffic at a car stopped in front of her. She said Miami police officer Louis Ferraro pulled her out of her car by the wrist, handcuffed her and slammed her head against the car.

Charges were later dismissed against Lee, who filed an excessive force lawsuit.

The 11th Circuit refused to grant Ferraro qualified immunity, and the case settled for \$225,000.

"The 11th Circuit makes it very difficult for us, but in this case, the actions were just so outrageous," said Lee's attorney, Lance R. Stelzer of Miami.

He maintains the 11th Circuit's strict standard on immunity made it hard to clean up a band of rogue officers on the Miami police force in the 1990s.

"When you have a bad police department, you really have to worry about an appellate court's ruling on police immunity," he said.

He said civil rights cases against officials are still a gamble because of the determination of whether they acted in a reasonable way under the law.

"You only take on a civil rights case if it's a downright winner," he said. "Basically, you are taking a case for five years."

Green agreed the plaintiff attorney carries a heavy burden.

"You better research clearly established law on the front end before you file suit," he said.

Barbara Heyer photo by Melanie Bell

John Pacenti can be reached at jpacenti@alm.com or at (305) 347-6638.

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