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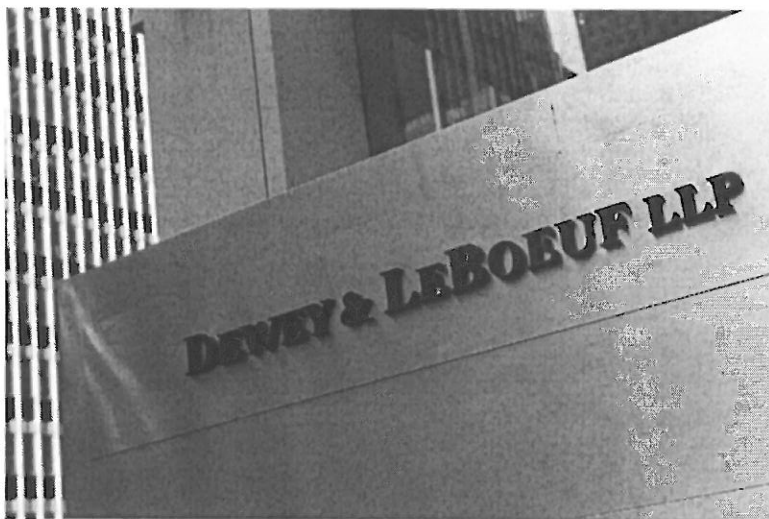
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Dewey Mistrial Extends White-Collar Setbacks for Manhattan District Attorney

Cyrus Vance Jr. failed to secure a conviction against former law firm leaders



A sign marking the Dewey & LeBoeuf LLP headquarters in 2012. PHOTO: REUTERS

By **SARA RANDAZZO**

Oct. 20, 2015 11:07 a.m. ET

A mistrial in the fraud case against former executives of failed law firm Dewey & LeBoeuf LLP extends a string of white-collar setbacks for Manhattan District Attorney Cyrus Vance Jr.

In July, a judge tossed the jury conviction of former Goldman Sachs programmer Sergey Aleynikov, who had been accused of stealing sophisticated trading software from the bank. Mr. Vance pushed the state case even after a similar case against Mr. Aleynikov was thrown out at the federal level three years ago. In June, a jury acquitted community bank Abacus Federal Savings Bank and two executives of 80 charges alleging they sold fraudulent mortgages to Fannie Mae.

Now, Mr. Vance has failed to secure a conviction against former Dewey leaders in a case his office began pursuing before the firm went under in 2012. His office said it still believes in the strength of the evidence and that a retrial may be necessary. Judge Robert Stolz could also dismiss the case.

Since becoming D.A. in 2010, Mr. Vance has sought to maintain his office's reputation as one that goes beyond the murders, drug possession, bribery and organized crime that often occupy local prosecutors. Early on in his tenure, Mr. Vance pointed specifically to financial crimes—more often taken on by federal agencies—and said publicly that he planned to increase the number of white-collar prosecutors in his office.

Joan Vollero, a spokeswoman for Mr. Vance, said the office has a long history of investigating complex white-collar crime and will continue to prosecute such cases, “no matter how challenging or novel the crime may be.”

Mr. Vance's office has had some big successes, especially in the international realm. Both he and his predecessor, Robert Morgenthau, played key roles in the yearslong probe of foreign banks over allegations they failed to abide by U.S. economic sanctions. One of the biggest settlements came last year when BNP Paribas SA, the French lender, agreed to pay nearly \$8.9 billion in criminal penalties and forfeiture to U.S. authorities, including \$448.7 million to the Manhattan district attorney's office.

The Dewey case presented an opportunity to go after the largest law-firm failure in U.S. history and has been among the highest-profile white-collar cases in Mr. Vance's tenure. The sweeping 2014 indictment against Dewey's former chairman, Steven Davis, former executive director, Stephen DiCarmine, and ex-chief financial officer, Joel Sanders, included more than 100 counts,

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including grand larceny, conspiracy and securities fraud.

“Knowing these lawyers, they will not hesitate to get right back in the ring,” said Jonathan Lenzner, a former prosecutor in the Manhattan district attorney’s office.

Relying primarily on hundreds of internal Dewey emails and the cooperation of seven lower-level Dewey finance department employees, prosecutors sought to show that the three defendants sat atop a scheme to manipulate the firm’s financial records to keep money coming in the door from lenders. In total, they put 41 witnesses on the stand.

From the early days of what became a four-month trial, prosecutors seemed to struggle to lay out a clear narrative to jurors. Opening statements turned into an hourslong explanation of detailed accounting adjustments allegedly made to the books, including backing out of disbursement write-offs and reclassifying lease termination payments.

“Intent is key, but it’s very hard to show intent in these kinds of cases,” said Rebecca Roiphe, a professor at New York Law School who worked as a prosecutor under Mr. Morgenthau. “Especially with accounting.”

Leaving court after the mistrial Monday, juror Skylar Schur, a 38-year-old English teacher, said that it was “too overwhelming” for some of the jurors.

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