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## N.Y. Gov. Spitzer Resigns, Will Leave Office Monday

*Former State Attorney General Cites 'Personal Failings'*

By Riley McDermid

NEW YORK -- New York Gov. Eliot Spitzer, whose crusades against corruption on Wall Street catapulted him to the top of Empire State politics, resigned Wednesday after it was revealed that he was involved in a high-priced prostitution ring.

In a brief public announcement, Spitzer apologized to the citizens of New York and his family, and said that he would not let his private failings get in the way of governing.

"Over the course of my public life, I have insisted -- I believe correctly -- that people regardless of their position or power take responsibility for their conduct. I can and will ask no less of myself. For this reason I am resigning from the office of governor," Spitzer told reporters.

"I am deeply sorry that I did not live up to what was expected of me. To every New Yorker, and to all those who believed in what I tried to stand for, I sincerely apologize."

The resignation, which will take effect March 17 to give Lt. Gov. David Paterson time to organize a transition, almost certainly marked the destruction of a political career that some had once predicted could lead to the White House.

Spitzer, whose time as state attorney general was marked by high-profile clashes with New York's financial industry, said that he hoped at some future time to contribute to the public good, but acknowledged that any contributions would be outside the realm of politics.

Talk of a deal

Securities and arbitration lawyer Jacob Zamansky said that if Spitzer is prosecuted, he could be facing up to five years in jail on multiple charges, the most likely of which would be the illegal structuring of payments to avoid detection.

The threats of significant jail time and possible disbarment were likely serious factors in Spitzer's decision to resign.

"Spitzer essentially traded in his office seeking leniency," according to Zamansky, who worked on Wall Street cases with Spitzer's office during his term as attorney general.

He said he was not surprised to hear the statement from the U.S. attorney general's office, adding that Spitzer was almost certainly in the process of negotiating a deal behind the scenes.

"These are active negotiations, and there are sure to be working parameters still on the table," Zamansky said. "This is just the first step in a deal that he probably hopes will resolve all his legal issues at once."

The Southern District of the U.S. Attorney General's office, which is handling the case, said that it had not cut a deal with Spitzer prior to his resignation, as some media reports had suggested.

"There is no agreement between this office and Gov. Eliot Spitzer, relating to his resignation or any other matter," U.S. Attorney for the Southern District of New York Michael J. Garcia said in a statement.

If he were to be convicted of a crime, Spitzer would lose his license to practice law, his primary occupation before embarking on his political career in 1994, when he ran for attorney general of New York.

Paterson will succeed Spitzer, becoming New York's first black governor. Paterson is positioned to serve out the remaining three years left in Spitzer's term in office, with no special election held.

"Like all New Yorkers, I am saddened by what we have learned over the past several days," Paterson said in a statement Wednesday. "I ask all New Yorkers to join [wife] Michelle and me in prayer for them."

A first-term Democrat known for his aggressive style and fight against corruption, Spitzer faced calls within and without his party to leave office since news of the scandal broke Monday.

Published reports revealed that a federal investigation into a prostitution service showed Spitzer paid thousands of dollars to meet with women, including an expensive rendezvous in Washington, D.C.'s Mayflower Hotel the day before Valentine's Day.

A fuller picture is now beginning to emerge of how exactly federal investigators built a case against Spitzer, who is married with three daughters. Sources close to the investigation also have told news organizations such as the New York Times and the Washington Post that Spitzer may have seen as many as eight prostitutes from the Emperors Club escort service over several years, spending as much as \$80,000.

#### Suspicious money trail

Garcia, the U.S. attorney for Manhattan, is leading the investigation, with the prosecutorial team captained by Boyd Johnson, an assistant U.S. attorney.

Spitzer has retained the tony Manhattan law firm Paul, Weiss, Rifkind, Wharton & Garrison, his spokesman Errol Cockfield said. Spitzer worked very briefly as an attorney at the firm in 1985.

The probe into Spitzer's involvement in the prostitution ring reportedly began when North Fort Bank flagged several suspicious wire transfers made from the governor's account, in his name, to QAT Consulting Group -- a shell company for the escort service.

The bank reportedly filed a Suspicious Activity Report with the Internal Revenue Service after noticing multiple transfers of money, worried that Spitzer was the target of blackmailers or political corruption, media reports said, citing sources.

Newsday reported Wednesday that Spitzer had originally tried to wire more than \$10,000 from his account to company, but then decided to break that amount into transactions of less than \$10,000, perhaps in an attempt to avoid the attention of regulators, who are said to examine transfers larger than that amount.

The paper cited a source who said that the governor then had a change of heart and asked the bank to remove his name from the transfers, but was rebuffed because the transactions had already been completed.

Because the wire transfers had originated in Manhattan, the IRS coordinated with the Southern District of the U.S. Attorney General's office to widen the probe into the bank complaint. The case was eventually passed off to the FBI for investigators to acquire wiretaps and greater investigative leeway. The FBI then obtained permission to wiretap the Emperors Club phones in October 2007, according to reports.

Zamansky said movements of this type are a common financial shell game played by drug dealers and terrorists when attempting to manage large amounts of money.

He added that if these reports are true, Spitzer should have known better than to

structure the transfers in a way that could raise red flags with regulators.

"Eliot Spitzer is a bright guy, and it was pretty clear what his intent was from the size of these transactions," according to Zamansky.

"Most Wall Street firms and banks watch things of this size very carefully no matter who you are, and it's obvious to anyone watching that this was suspicious and that he'd be reported.

"It is a lesson to others that structuring money like this is obvious and you will get caught."

Public support waned

Spitzer's hand may have been forced in resigning, new data showed Tuesday.

Support for the governor appears to be universally lacking, with a poll released Tuesday

showing that 70% of New Yorkers surveyed said that he should resign. A further 66% said Spitzer should be impeached if he does not voluntarily resign, and 49% said that he should face criminal charges.

The poll was conducted by the Marist College Institute for Public Opinion via telephone calls to 624 registered New York voters. It had a margin of error of plus or minus 4 percentage points.

New York Gov. Eliot Spitzer announces that he'll resign from office effective March 17 in the wake of revelations that federal investigators have linked him to a prostitution ring.