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## Convicted executives forced to sell homes

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By Greg Farrell, USA TODAY

When CEOs sell their multimillion-dollar homes, it's usually because they're relocating to a different market, or trading up to an even bigger house.

In the case of Walter Forbes, the former Cendant chairman whose baronial 8-acre estate in New Canaan, Conn., is on the market for \$12.5 million, the reasons are a little different.

Forbes, 63, was convicted two weeks ago of conspiracy and making false statements in connection with a massive fraud that cost Cendant investors \$14 billion when it was exposed in 1998. Unless his conviction is overturned on appeal, he'll be relocating, all right, but most likely to a property surrounded by thick walls and concertina wire.

As such, Forbes is poised to join the pantheon of convicted former executives who've had to sell their trophy properties or luxury toys to pay off legal bills, settle civil lawsuits or meet criminal forfeiture requirements mandated by judges. Among them:

### Dennis Kozlowski, former CEO of Tyco International

Kozlowski was convicted last year of stealing approximately \$500 million in cash and stock. Prior to his trial, Kozlowski became the poster child of corporate excess when it was revealed that he spent millions of dollars of Tyco funds on a luxury apartment in Manhattan, filled with exotic details such as a \$6,000 shower curtain, and treated his wife to a \$2 million party for her 40th birthday on the island of Sardinia. Tyco shareholders picked up half the tab for the party.

Kozlowski, who's currently serving an 8½-to-25-year sentence in a New York state prison about an hour outside Manhattan, has been selling assets in an attempt to pay \$167 million in fines and restitution imposed on him by the judge who presided over his trial.

Last week, Kozlowski's luxury ski home in Beaver Creek, Colo., featuring three wine cellars, sold for \$10 million. The house's furniture is being sold separately for \$750,000. Another property, an oceanfront mansion on Nantucket called Sea Rose Farm, has been on the market for \$23 million but has not yet found a buyer.

Two months ago, Kozlowski sold his luxury yacht, the Endeavour, for \$13 million.

### Bernie Ebbers, former CEO of WorldCom

Ebbers was convicted last year of ordering his subordinates to cook the books in what turned out to be an \$11 billion fraud. Ebbers began serving a 25-year prison term in September, but prior to sentencing, he turned over almost all his assets to a trust fund established to pay damages to WorldCom investors.

Ebbers, whose fortune at one time topped \$1.3 billion, once owned the largest cattle ranch in Canada, as well as thousands of acres of timberland in the southeast USA. But when WorldCom's stock floundered, he had to borrow \$400 million from his board of directors to meet margin calls from his bank.

His Mississippi mansion was sold in June for \$7.5 million, and in May, sports mogul Stanley Kroenke purchased the cattle ranch for \$68.5 million. The proceeds of these and other asset sales went to funds to pay investors and creditors.

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**Scott Sullivan, former CFO of WorldCom**

Sullivan pleaded guilty to manipulating the company's earnings in 2004 and cooperated with the government's prosecution of Ebbers. As a reward for that cooperation, he received only a five-year jail sentence, but he still lost his assets to the same class-action lawyers who reached a settlement with Ebbers.

Sullivan's 30,000-square-foot mansion in Boca Raton, Fla., was sold last year for \$9 million.

John Coffey, the class-action lawyer at Bernstein Litowitz Berger & Grossmann who got Ebbers and Sullivan to hand over most of their assets to the investor fund, said that the trend of convicted executives turning over their property to settle civil actions is a new development.

"For years and years, it wasn't usual that white-collar criminals had to sell their homes," he said. "One of the things we wanted to do at WorldCom is change that. We picked both Scott Sullivan and Bernie Ebbers clean."

One of the high points of his negotiations with the two men, Coffey said, was when he got Sullivan to come into his office and sign over the remainder of his 401(k) plan, a sum between \$200,000 and \$300,000, to the class-action fund.

Coffey says he succeeded with Sullivan and Ebbers because both men wanted to make a good impression on U.S. District Judge Barbara Jones prior to their sentencing.

**Jeff Skilling, former CEO of Enron**

Skilling was convicted in May of lying to investors about the company's financial condition and sentenced last month to 24 years and 4 months in prison. Prior to sentencing, he settled criminal forfeiture proceedings with the government by agreeing to sell his home and transfer all his assets, as much as \$45 million, to a fund for injured shareholders.

In the case of Cendant's Forbes, the fines and penalties he'd have to pay if his conviction stands up could be staggering. After his top lieutenant, E. Kirk Shelton, was convicted last year of securities fraud in the same case, a judge ordered him to pay \$3.2 billion in restitution. Forbes could get similar treatment.

On top of that, Cendant says it will try to recover a \$47 million severance package it paid Forbes to oust him in 1998, as well as \$15 million in legal fees advanced to him. Cendant lawyers say they will argue that Forbes' conviction nullifies both contracts.

Technically, Forbes' home in New Canaan, as well as two other homes he owns in Florida and Colorado, are not in his name, but his wife's. But since he transferred the titles of the properties after the investigation into the Cendant fraud began, forfeiture experts think lawyers won't have much difficulty winning rights to those assets.

"That's easier," says Steven Kessler, who specializes in forfeiture cases.

In high-profile white-collar criminal cases in general, Kessler adds, "I have noticed that the houses are worth so much money that the government, either through criminal forfeiture or money judgments or restitution agreements, are getting defendants to sell their homes."

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