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Neal St. Anthony: Buca went wrong when ethics were off the table

The former executives who ripped off the company will be remembered by the stakeholders they hurt with their fraud.

By Neal St. Anthony, Star Tribune

Anybody who thinks white-collar crime is "victimless" -- or who has thought about ripping off their own company -- should have been sitting in federal court last week when three former Buca Inc. bigshots apologized in front of prosecutors, their families and some angry former colleagues.

"People want genuine leadership and [not] 'Do as I say, not as I do,' " said Chief Financial Officer Kay O'Leary, who joined Buca in 2005 amid civil and criminal investigations of former executives who diverted huge amounts of time and money from the 7,000-employee restaurant chain that operates in 22 states.

"There was not a feeling of authenticity," O'Leary said of the company's former leadership. "A lot of the employees saw through that. There was one set of rules for most employees and another for senior management.

"Employees want to do the right thing and are relieved to [now] be in an environment where they can do the right thing."

O'Leary was recruited by new CEO Wally Doolin to help clean up the mess left by the former, discredited senior management that was ousted in 2004.

Why do guys who already can afford golf clubs, nice houses and vacations dip into the cookie jar for more than their share? Greed -- and a sense of entitlement inside the boardroom that embraces the worst kind of corporate welfare.

Top executives at Buca demonstrated both vices between 2000 and 2004.

First there was former CEO Joe Micatrotto, a driven, charismatic executive charged by the board with raising critical capital in a public stock offering in 1999 and adding dozens of Buca restaurants to the chain. His compensation topped \$1 million by 2003, the year before he resigned from the company amid an internal investigation. But it wasn't enough.

Micatrotto, who prosecutors said is worth \$7 million, was sentenced last week by a federal judge to 13 months in jail and a \$250,000 fine and restitution for defrauding Buca of \$65,000 to repay a personal debt.

Moreover, Micatrotto was charged by the Securities and Exchange Commission

with stealing \$850,000, including double-billing the company for airline tickets; buying and renovating a small villa in Italy that Micatrotto contended he eventually was going to deed to the company as a training facility; fraudulently obtaining \$131,000 in walking-around money; and putting a groom's dinner for his son on the company tab.

Micatrotto, who has since paid \$500,000 to the SEC to settle those charges, said in court last week that he'd been caught up in a fast-track, entrepreneurial culture.

What? How about creating a cheating culture. Under questioning, he subsequently conceded guilt and sorrow and the stigma of being known as a felon.

"I feel a great loss in my life," said Micatrotto, now of Las Vegas and getting \$20,000 a month in insurance disability payments related to a back injury. "People look and whisper. Those whispers are killing me."

Greg Gadel, the former chief financial officer, was sentenced to a year in prison and ordered to pay \$126,180 in criminal fines and restitution for having Buca and a vendor essentially reimburse him through various schemes for \$54,000 he spent in strip clubs while on Buca business between 2001 and 2004.

"I was drunk when I went to those strip clubs, but I was sober when I stole that money from the company," a trembling Gadel told U.S. District Judge Donovan Frank, pausing to slowly turn and apologize to his family, friends, Buca employees and shareholders.

Both Gadel, 48, and Micatrotto, 54, now walk with canes. There was a several-hour courtroom debate over Micatrotto's back problems, with prosecutors essentially charging that he was faking it for sympathy.

But Assistant U.S. Attorney Hank Shea didn't dispute Gadel's medical records. He collided with a tree while skiing in 2004 and, last winter, nearly died from exposure after a fall.

But Gadel can still feed his family. The owners of Parisole, also the founders of Buca, have hired him as a top executive of that private restaurant holding company at \$250,000 a year.

Gadel's lawyer, citing Gadel's physical condition and his atonement, asked Frank to reduce Gadel's sentence to home confinement. But Frank said he was required by the crime to sentence Gadel to some time in a minimum-security facility.

Shea said Gadel "was not as culpable" as Micatrotto but deserved time. He could have gotten two-plus years.

A third executive, John Motschenbacher, 43, was sentenced to six months in a halfway house and ordered to pay fines of \$25,000 for his role in preparation of

false financial statements. The former Buca controller, who worked for Gadel, has repaid \$145,000 to the company.

He solicited cash and gifts from a vendor and billed Buca for the use of a new SUV to which he was not entitled.

"I began to separate my personal beliefs from those of good business," Motschenbacher told Frank, after the father of three profusely apologized to his sobbing wife and others in the courtroom. "The black and white became gray. At Buca, we rationalized that we could do this."

Shea, who now spends most of his time teaching business and legal ethics at the University of St. Thomas, said the lesson from Buca is "that a good business model is not enough. The current management of Buca and the best business organizations show that you need an ethical culture to build a reputation and help foster success. You have to stand for something."

Capitalism is something of a pyramid, and the guys at the top can get rich, thanks in no small part to the capital, smarts and labor supplied by others. That's a special trust. Violate it and you deserve the scorn of the working stiffs who never had a shot at your payday.

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