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Witnesses say Yao gambled at Las Vegas casinos

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ASSOCIATED PRESS

11:10 a.m. March 13, 2007

WILMINGTON, Del. – Former Student Finance Corp. chief executive Andrew Yao lost \$33,000 in 15 minutes at a Las Vegas blackjack table, a witness in Yao's bankruptcy fraud trial testified Tuesday.

Yao, whose company was forced into bankruptcy by creditors in 2002, twice stated under oath in a 2003 deposition that he doesn't gamble.

Yao, 45, of Bryn Mawr, Pa., is charged with two counts of bankruptcy fraud. He is accused of lying in the deposition to an attorney for Royal Indemnity, a company that insured hundreds of millions of dollars in SFC student loans. Among other things, the attorney questioned Yao about three 2001 wire transfers totaling \$669,000 from SFC's bank account to an "A. Karlsen," and two others totaling \$150,000 to Las Vegas casinos.

In his deposition, Yao acknowledged authorizing a \$100,000 wire transfer from an SFC account to the Mandalay Bay casino in December 2001, and a \$50,000 transfer to the Bellagio eight weeks later. He twice stated that he does not gamble, adding that the money may have been used to pay for his lodging at the casinos, and for lodging and gambling by relatives and friends.

But Rose Frawert, controller at the Mandalay Bay casino, testified Tuesday that Yao set up a \$100,000 credit account at the casino in December 2001 and gambled on three separate occasions in one night.

After winning \$4,000 in a 70-minute blackjack session, Yao returned five minutes later for a brief session in which he averaged \$2,500 on each hand and wound up losing \$33,000, Frawert said. After a 10-minute break, he spent another two hours playing blackjack and won \$5,900, according to Mandalay Bay records.

In earlier testimony, a witness from the Bellagio casino testified that Yao, who is married, shared a suite there with a woman identified as Erica Diane Jiles in February 2002. According to prosecutors, Jiles cashed out about \$39,000 in gaming chips on Yao's behalf.

Jiles is one of four women who prosecutors allege were affiliated with Playboy and Penthouse magazines and who received more than \$10,000 each from Yao, who they claim lied about his relationships with the women.

A fifth woman, Alexandra "Lexie" Karlsen Wolfe, who appeared as a centerfold in both men's magazines and is Yao's former mistress, was scheduled to testify later Tuesday.

Defense attorney Brian McMonagle acknowledged in his opening statement Monday that Yao lied in his 2003 deposition, but that he was simply trying to cover up his extramarital affair with Karlsen and did not intend to deceive creditors or the bankruptcy court.

Prosecutors allege that Yao lied because he wanted to remain as debtor in possession of SFC during the bankruptcy proceedings and to avoid having the bankruptcy converted from a Chapter 11 reorganization to a Chapter 7 sell-off.

In civil lawsuits, Royal has alleged that Yao operated SFC, which specialized in loans to students at truck driving schools, as a Ponzi-type scheme in which he conspired with schools to generate as many loans as possible, then fraudulently obtained new loans from Wilmington Trust, Wells Fargo and other institutions to pay down older loans that had gone into default.

By the time SFC declared bankruptcy, claims against Royal for defaulted loans totaled at least \$380 million.

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