

Trial of Dewey & LeBouef Executives Continues

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Top executives at law firm await the decision of the jury

Currently, Dewey & LeBouef LLP executives are undergoing trial, all faced with numerous charges. The trial has been ongoing since May of 2015, and now, former top executives Steven Davis, Stephen DiCarmine, and Joel Sanders await the jury's decision to conclude the trial. This article discusses the trial, the charges, and details of evidence carelessly left behind by the three individuals.

Dewey & LeBouef LLP, once a thriving international law firm, declared bankruptcy in May of 2012, owing a total of \$245 million dollars, while documents showed the firm only possessing \$193 million in assets. Now, its top executives are currently undergoing trials, faced with numerous charges, including grand larceny and scheme to defraud. In addition, the three defendants are accused of knowingly providing inaccurate financial data in order to cover the fact the firm was not acting in accordance with multiple loan requirements (Kessenides, 2014).

The New York City headquartered law firm was established in 2007, merging Dewey Ballantine LLP and LeBouef, Lamb, Green, & Macrae LLP. Throughout the life of the company, Steven Davis acted as chairman, the executive director was Stephen DiCarmine, and the chief financial officer was Joel Sanders (Federal Bureau of Investigation, 2015). Manhattan District Attorney Cyrus R. Vance, accuses Davis, DiCarmine, and Sanders of disguising Dewey's true financial situation, a massive debt, in order to be granted additional loans and investments over the course of the five years the firm was in business. Currently, the trial, which began in late May of 2015, is going through its final deliberations of the jury (Goldstein, 2015).

According to evidence presented during the trial, although the debt of the company was exponentially growing, Davis, DiCarmine, and Sanders continued to be paid salaries close to \$900,000 per year, in addition to million dollar bonuses. The trio worked off of a document entitled “The Master Plan” which outlined exactly how they would cook the books of Dewey & LeBouef LLP to appear significantly more financially healthy than the firm actually was (Bloomberg, 2015).

The evidence consists of correspondence between the three men involved, in addition to numerous witness testimonies that have been heard throughout the course of the trial over the summer. The emails and documents between Davis, DiCarmine, and Sanders expose that the firm was bringing in considerably less than it owed and uncover plans hatched to deceive investors and lenders in order to be lent larger sums of money (Gluckman, 2015).

Over recent days, the jury, composed of seven women and five men, have been deliberating over the case. According to an article written for CNN, the U.S. Justice Department has made the proclamation that it will begin to hold firms, specifically individual executives, more responsible for corporate and white collar crimes (Perez, 2015). This case is the perfect opportunity to begin acting on this statement. In this situation, there are three men who can be pin pointed as ringleaders of this wrongdoing. There is evidence that helps demonstrate that the leaders both directed and ordered employees of Dewey & LeBouef LLP to alter accounting methods in order to show the firm to be more profitable and financially stable than it ever was.

This case is somewhat comparable to the Enron scandal of the early 2000s. Very similar accounting practices have been described throughout the Dewey & LeBouef LLP trial. It will be surprising if the three defendants, all of whom have pleaded not guilty to all charges, are truly found by the jury to be not guilty. Their actions were dishonest and wrong. DiCarmine, Sanders, and Davis were well aware of what was happening within the firm, and continued the wrongdoing, while still taking home hefty salaries and bonuses for themselves.

The partners of the firm who brought this issue to the attention of District Attorney Vance should be commended. Clearly, there were many employees of the firm who knew what was going on and had had enough. Those whistleblowers acted appropriately in a time where there is often disappointment related to corporate crime, because far too frequently it is swept under the rug or paid off in settlements, without ever going to trial. This case is different. There was enough evidence gathered, in addition to individuals named, who could be blamed for this case in order to actually go through the justice system and allow a jury to determine the outcome.

Before the jury went to deliberate, the judge informed the jury that simply making “accounting adjustments” is not illegal, and that there must be evidence to prove that there was “intent to cheat” (Borenstein, 2015). Based on the evidence presented, it appears as though the executives were certainly aware of what was going on within the firm. Their negligence to the firm's debts, proved through their own greedy salaries and bonuses, does not aid the executives in demonstrating their innocence. Sanders, DiCarmine, and Davis all ensured, through deceit, that their own personal bank accounts would not be affected by the serious debts of the law firm.

It is particularly astonishing that the three men, all top attorneys at one of the largest law firms, were so careless with their email correspondence. It will be shocking if the jury is able to look beyond the essentially self-incriminating emails sent between DiCarmine, Davis, and Sanders over the course of the five years the firm was in business, as asked by the defendants. Additionally, Ernst & Young, the auditor used by the law firm has issued a statement which explained the auditing firm was “lied to by the defendants, who withheld information and affirmatively concealed their scheme” (Bloomberg Business, 2014).

It appears that this may be the first major case to be decided upon after the Justice Department's announcement that firms and individuals will be held accountable for corporate crimes. This case is particularly important for the integrity of the judicial system.

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