

# ABEL HOLTZ ADMITS LYING TO GRAND JURY

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Capital Bank founder **Abel Holtz**, a civic icon whose career faded amid sexual harassment complaints and accusations that he misused bank funds, pleaded guilty Tuesday to lying to a grand jury that investigated former Miami Beach Mayor Alex Daoud. On the same day that another grand jury was poised to vote on an indictment against him, **Holtz**, 59, stepped before a federal judge and admitted he had lied about payments he made to Daoud, now in prison on public corruption charges. **Holtz** admitted that he paid Daoud for legal services that were not provided but did not say what he got for his money.

The plea ends the latest chapter in a four-year federal attack on influence peddling in Miami Beach. Chief among the targets: Daoud, **Holtz** and former CenTrust Chairman David Paul, now awaiting sentencing on almost 100 bank fraud charges. **Holtz** could go to prison for six months to a year. Just two weeks ago, he resigned his \$1-million-a-year post as chairman of Miami-based Capital and its holding company.

"Mr. **Holtz's** misconduct corrupted the grand jury's fact-finding process," Assistant U.S. Attorney Bruce Udolf said in a statement. "The message should go out that lying to a grand jury will not be tolerated."

Although the defense and prosecution tried to make the plea contingent on a light prison sentence, U.S. District Judge Donald Graham refused, saying that only the court could determine how much time, if any, **Holtz** might spend behind bars. Later in the day, the lawyers and **Holtz** returned, acknowledging that the sentence is up to the court. Graham accepted the plea and set a sentencing date for Jan. 20. Besides the prison term, **Holtz** could be fined between \$2,000 and \$20,000.

Prosecutors would not say what charges they were seeking against **Holtz** in the indictment, but he almost certainly would have faced a lengthy and expensive trial. For two years FBI and IRS agents interviewed friends and associates around Dade about his business practices. A grand jury took testimony. The bank itself was never implicated.

Daoud, once an attorney, was a key witness. During Paul's 1993 bank fraud trial, Daoud testified that he was also cooperating in the investigation against **Holtz**. From the witness stand Daoud said he had taken bribes from Paul for political favors. Daoud added that he also took between \$1,000 to \$1,500 a month in legal fees from **Holtz** but did no legitimate legal work.

The payments began in December 1983, when **Holtz's** son, Daniel, then 24, was appointed to the powerful Miami Beach Zoning Board of Adjustment. At the time, Daoud was a city commissioner, and Daniel **Holtz** lived in Coral Gables. In a 1991 appearance before the Daoud grand jury, **Holtz** said the money was for legal work, the government said Tuesday.

"He knew the payments were not for legal work but for other services," Udolf told Judge Graham. He did not elaborate.

The white-haired former banker briefly countered that "some legal work was done." Then **Holtz** acquiesced. "I agree that it was wrong," he said as he pleaded guilty. "I tried to help someone who I thought was a good man. I believe I was wrong, and I shouldn't have done that."

After court, **Holtz**, his Washington attorney, Gregory Craig, and his two Miami attorneys, Mark Schnapp and Jane Moscovitz, did not comment. It is unclear what will happen to **Holtz's** five-year, \$2 million consulting agreement with the bank, which Capital's board of directors approved upon the banker's resignation. Under the law, regulators have the right to remove any bank officer who has been convicted of a felony.

**Holtz's** son, Daniel, now chairman and chief executive at Capital, said, "I don't think this will affect the bank at all."

But **Abel Holtz's** plea culminates a tumultuous two years for the bank, which saw an attempted coup by angry directors, the collapse of a family-owned bank in California and the departure of several longtime Capital executives. The storm had roots in the departure of the company's corporate counsel who left in 1992 after she and another woman filed sexual harassment complaints against **Abel Holtz**. The parties reached a \$355,000 out-of-court settlement. The settlement with attorney Becky Fisher and secretary Patricia Alfonso was paid by the bank -- not **Holtz**. After learning of it, directors revolted, and state and federal authorities started investigating the alleged misuse of bank funds. The state found no wrongdoing. After **Holtz** forced four directors out of the bank, a reorganized board cleared him. But the federal investigation, which started in the fall of 1992, continued. With that investigation apparently concluded, the bank company, one of Florida's biggest home-grown financial institutions, moved to distance itself from its founder's problems.

"As everyone knows, **Abel Holtz** recently resigned all positions with the bank and holding company," the bank said in a statement released by Bruce Rubin, the bank's Miami publicist. "However, all of us are confident that the former chairman will meet this challenge with the dignity and grace he has exhibited his entire life. "We wish him well."

## TWO YEARS OF TURMOIL

- \* Oct. 19, 1992: Capital Bank Chairman **Abel Holtz** forces four directors off board. Directors objected to \$355,000 bank payment to two women who accused **Holtz** of sexual harassment. Later, three directors sue **Holtz** in federal court, alleging misuse of bank funds. They seek his ouster. **Holtz** denies wrongdoing. State regulators investigate.
- \* Nov. 12, 1992: Federal grand jury investigates allegations that **Holtz** misused position and bank funds to settle harassment complaints.
- \* Jan. 29, 1993: Reorganized Capital board clears **Holtz** of charges that he misused bank funds.
- \* April 25, 1993: State regulators say they're investigating whether Capital broke federal law by making loans that helped two ailing banks controlled by **Holtz** family, including Capital Bank of California.
- \* June 18, 1993: Capital of California is seized by state regulators when it runs short of money to cover customer withdrawals.
- \* July 30, 1993: Florida regulators end investigation of **Holtz** without taking action.
- \* Oct. 29, 1993: Former Miami Beach Mayor Alex Daoud, convicted on corruption charges, testifies he's cooperating in federal investigation of **Holtz**. During federal trial of former CenTrust Chairman David Paul, Daoud testifies he was on **Holtz** payroll seven years.
- \* March 9, 1994: Daniel **Holtz**, son of **Abel Holtz**, takes over as president of Capital Bancorp, the bank holding company. **Abel Holtz** remains as Bancorp chairman.
- \* Oct. 7, 1994: **Abel Holtz** retires, saying Capital has become overly identified with him. Bank denies retirement is linked to investigation.
- \* Oct. 25, 1994: **Abel Holtz** pleads guilty to misleading grand jury in Daoud corruption case.

