

Espada denies stealing millions, attacks Cuomo 'steamroller'

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ALBANY -- Attorney General Andrew Cuomo sued Senate Majority Leader Pedro Espada Jr. on Tuesday for allegedly stealing millions of dollars from his publicly supported not-for-profit health care organization in the Bronx.

Cuomo said he expects criminal charges will follow against the controversial lawmaker stemming from ongoing investigations into Espada's heavy-handed control of the community organization, which he formed to provide health care to poor people. Cuomo alleged that the 56-year-old Democrat used the business to enrich himself as well as family members and friends while siphoning funds and resources for his political campaign.

Espada responded pugnaciously in a late-afternoon news conference, calling Cuomo a political opportunist more interested in advancing his gubernatorial ambitions than protecting New Yorkers. He denied all the accusations, calling Cuomo's charges "lies and falsehoods" that won't hold up in court.

"His actions are politics as usual: the steamroller approach," Espada said in a reference to Eliot Spitzer, who launched his rise to governor from the same office. "We have seen this movie before from this office of attorney general, and we all know how it ends."

Cuomo's suit against an elected state official, unprecedented during his three-year career as the state's top lawyer, charges Espada pilfered from the community care group he created in 1978 to serve some of the state's poorest neighborhoods.

Filed in Manhattan, the case represents one of several probes against the Bronx entrepreneur, who actually lives in Westchester County. Accusations swirling for months involve allegations ranging from elections fraud to public officer's violations.

Espada gained statewide notoriety last June when he joined Queens Democrat Hiram Monserrate to help Republicans briefly take control of the Senate. Monserrate has since been ousted from his Senate seat as a result of a domestic violence incident. Espada gained the title of majority leader when Democrats brought him back to the fold.

The suit names Espada and 18 current and former officers and directors of the Comprehensive Community Development Corp., and its related Soundview Healthcare Network, seeking to knock out Espada and Chief Financial Officer Kenneth Brennan from the organization as well as replacing the board of directors.

Cuomo alleges Espada took advantage of his powerful position to plunder millions of dollars in charitable assets for himself, his family, his friends, and his political operation. In the past five years, Espada has siphoned more than \$14 million out of Soundview, including an unconditionally guaranteed severance package worth an estimated \$9 million which was put into a contract signed in 2005, the suit alleges.

The package was approved by a "rubber stamp" board that included family, friends and Senate employees, such as Espada's former chief of staff Andrew Yong. He had no comment.

Espada would have to pay back the money if the suit is successful.

The suit points out that four senior officers of Soundview in 2005 were convicted of grand larceny for diverting the organization's resources to Espada's political campaign.

Espada used discretionary cash from Soundview to pay their legal expenses of \$156,000, said John Milgrim, a Cuomo spokesman, and kept the convicts on the payroll. Two were installed on the Soundview compliance committee.

Espada's annual compensation, which reached \$460,000 in 2007, and his hundreds of thousands of dollars in personal spending for meals, travel and vacations from Soundview funds, came about while the organization still owed hundreds of thousands of dollars in payroll taxes, the lawsuit claims.

The failure to disclose the tax delinquencies and the continued employment of four women convicted of grand larceny helped kill a \$3 million grant from the Department of Health last year. Previously, because of the 2005 convictions, the state stopped entitling the health care organization funds from the Women, Infants and Children Program.

The funds misused by Espada, Cuomo said, included at least \$50,000 to set up a Bronx apartment for himself in his Senate district, because he lives outside the district in Mamaroneck.

The suit said the not-for-profit paid Espada \$2.6 million in wages and benefits since 2005, plus a Mercedes-Benz vehicle. The board agreed to provide him \$9 million in deferred compensation. Twelve family members received \$2 million in the past five years from Soundview and Espada Management Co. Pedro G. Espada, the senator's son, who was briefly employed by the Senate, received \$776,000 since 2005 from Soundview.

"There's a lot of erroneous allegations here," said attorney Susan Necheles, who is representing Espada.

In his news conference, Espada said he and his family have been harassed by Cuomo. He asserted that Cuomo's chief of staff, Steve Cohen, intercepted the family

housekeeper to improperly question her about Espada's residency, threatening deportation.

Espada also claimed Cuomo supported the Senate coup, apparently as a way to hinder Gov. David Paterson's campaign for a full term. Espada provided no evidence or backup to this claim.

"This is one more case that highlights the need for ethics reform in this state, an example of why New York voters in this current fiscal crisis, should be outraged," said Barbara Bartoletti, legislative director for the League of Women Voters.