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SATURDAY, JANUARY 03, 2009

Cespedes Pharmed: Some History to Miami's tangled ethics and pervasive corruption ... by gimleteye

In Miami, Florida Jorge and Carlos de Cespedes are going to prison for using their company Pharmed, once one of the largest Hispanic businesses in America, to bilk millions from the Kendall Regional Medical Center. The Miami Herald reports that more than 180 letters of support from community leaders, friends and relatives have sought to take the sting from the sentence. A hearing is scheduled Monday for "tax evasion and fraud". There is more to the story.

Back in 1998-- it was the year Jeb Bush became governor of Florida-- the Herald notes that Carlos de Cespedes was one of "25 community leaders who signed a public letter decrying corruption in South Florida." The connection between de Cespedes and Jeb Bush is not incidental. (Both de Cespedes were big Republican campaign donors.)

The Bush "laissez faire" doctrine is in tatters today; a direct result of the misplaced faith that business could do better than government in protecting free markets. The undergirding politics that formed the foundation for Florida's future were detailed by Bush in his second inaugural speech in January 2003: "'There will be no greater tribute to our maturity as a society than if we can make these buildings around us empty of workers; as silent monuments to the time when government played a larger role than it deserved or could adequately fill.'" His audience did not mistaken his meaning: the role that government could not adequately fill was regulation.

In its outstanding 2008 eight month investigation, "[Borrowers Betrayed](#)", The Miami Herald revealed in painful detail the lack of regulatory supervision of mortgage brokers by the state of Florida in the housing boom that propelled Bush's governorship. Herald editors focused the series on poor homeowners exploited by greedy and criminal loan originators. The newspaper pointedly did not trace that corruption up the food chain to those responsible for supervision and law enforcement and, especially, the anti-regulatory glee that still prevails in the state legislature. Bush gave them their cue cards, printed by powerful campaign contributors like the de Cespedes brothers.

All were banking on a permanent Republican majority in Congress, the White House, and feeder states like Florida.

It is a critically important time-- perhaps more than at any time in modern American history. In the first months of the Obama administration, one trillion dollars of fiscal stimulus will pour from taxpayer obligations to the states. This tsunami will trigger tens of thousands of purchase orders, contracts, and political IOU's; redistributing the wealth of the nation to stave off another Depression.

There is a chance we will get this right and all will be well in a couple of years. But there is equally a chance we will get this wrong and that a whirlwind of corruption will use up all our ammunition.

The history of political malfeasance in places like Miami rarely rises to volumes of criminal prosecutions; but the bits and pieces should be scrutinized for what it says about the capacity of wealthy, well-heeled lawyers, lobbyists, and speculators to game the system by making the de facto standard of political behavior to reside within a centimeter of the edge of the law.

The point to consider: how misdirection by state leaders like Jeb Bush in furtherance of a failed political ideology and unfounded confidence in the paternalistic capacity of industry to self-regulate blurred the edge, made it larger and instead of bright lines-- lines like the Urban Development Boundary-- allowed corruption to flourish in cities like Miami; among campaign contributors and a powerful economic elite that are in many

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respects still intact and vibrant, if idling: holding out until the help arrives to bail them out before the banks put the hammer down on their capital calls.

"We believe there is much we can do as a community to clean up our act, said Hispanic business leaders including the de Cespedes in June 1998 who were expressing outrage over rampant corruption in Miami-Dade County. "We have had it!" begins their letter sent to business leaders by Mesa Rodonda, warranting the Herald report. "Once regarded as the crime capital of America, we are now perceived as its corruption capital." ("Hispanic business leaders call summit to fight corruption", Miami Herald, June 2, 1998)

A week later the Miami Dade State Attorney's Office announced: "Dade State Attorney Katherine Fernandez Rundle today announces the arrest of Antonio J. Reyes, Director and Chief Operating Officer of Thermoplastic & Signs, Inc., in connection with a joint investigation by the State Attorney's Office and the Miami-Dade Police Department Public Corruption Unit. ... (investigators) uncovered numerous circumstances wherein Reyes and his company submitted bills, under the County's paving contract, with Church & Tower, for roadway striping work that was never done. Reyes' company was hired as a sub-contractor under the County contract to do this work and submitted invoices for payment to the Contractor, and ultimately the County. These instances of over billing resulted in an overpayment by the County in excess of \$1,000,000." (June 10, 1998)

Church and Tower was a division of the corporate interests of the family of the late Jorge Mas Canosa, founder of the Cuban American National Foundation. One of the signers of the Mesa Rodonda letter was Mas Canosa's son, Jorge Mas Santos. Another signer was Sergio Pino, then listed as president of Century Plumbing.

Slightly more than a year later, The Miami Herald would amplify on Pino's business interests:

"Miami International Airport, rated among America's worst for passengers, is being used by Miami-Dade politicians as a billion-dollar piggy bank to enrich their friends and campaign contributors. They manipulate rules so favored firms get airport deals. ... Key findings: Virtually all major deals at MIA go to companies that give political contributions and employ lobbyists who are key fund-raisers and advisors for county politicians. ("The airport mess: Miami's tourism industry is threatened by politicians", Miami Herald, October 17, 1999)

The Herald continues, "If passengers aren't winning at MIA, who is? Often, it's a small group of political insiders who reap millions in airport spoils without ever showing up for work, investing significant cash or bringing industry experience to the table. Developer Sergio Pino is one of the main fund-raisers for Miami-Dade Mayor Alex Penelas and has contributed to at least 11 of the 13 commissioners. Last year, at Penelas' request, he hosted a \$238,000 fund-raiser for Commissioner Miriam Alonso."

"In 1998, Miami-Dade Commissioner Miriam Alonso penned an editorial bemoaning the plague of corruption scandals then afflicting the county, and lashing out at "the venality of certain corrupt officials." On Thursday, some eight years later, Alonso's own venality was finally laid bare: She pleaded guilty to 20 felonies for looting campaign accounts in 1998 and 1999 and trying to cover up the crimes. ("Alonso pleads guilty, says she is sorry", Miami Herald, Oct. 27, 2006)

In "Airport Mess", the Herald noted, "One of South Florida's biggest builders, Pino owns a waterfront home and a 54-foot yacht and has a net worth of at least \$19 million. Yet in 1995, he was cut into the airport's duty-free shops as a "disadvantaged businessman" to meet airport rules requiring minority partners. With his business interests now pulling in more than \$32 million a year, Pino no longer qualifies as a minority entrepreneur, but he has kept his place in the duty-free deal: The county decided he could stay in under a grandfather clause. Pino readily acknowledges his political ties, but said his team won because it offered the best return. His inclusion as a disadvantaged businessman? "I didn't make the rules," he said. "I played by the law. . . . To me, it was a business opportunity."

Back in 1998, Pino's key business colleagues were in the midst of a pitched battle to close on the no-bid 99 year lease they had secured for the former Homestead Air Force Base: Greenberg Traurig attorney Miguel De Grandy was the principal lawyer representing the deal at the county. Ramon Rasco, chairman of US Century bank that Pino founded in 2002, was a principal organizer of the HABDI fiasco. Caesar Alvarez, managing partner of Greenberg Traurig-- was a signatory of the Mesa Roduna letter. Today, Alvarez is also chairman of the charitable John S. and James L. Knight Foundation. Another signatory of the Mesa Rodonda letter, US Century board member Jose Cancela, a lobbyist working for Pino and other US Century board members including Rodney Barreto, Armando Guerra and Augustin Herran, to monetize speculative investments purchased at the height of the housing bubble outside Miami-Dade's Urban Development Boundary.

In 1998, other cases of political corruption were brewing in Miami: former Miami City Commissioner Humberto Hernandez who did time in the Big House. There was also Al Gutman, who had been a powerful

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state senator, reelected despite swirling controversies and allegations that did not fully materialize until 1999 when he was indicted, along with his wife and 23 others, on charges of Medicaid fraud and conspiracy. Gutman pleaded guilty to felony conspiracy charges that he helped set up home health care companies that never did any legitimate business, got names of purported patients from voter lists, and received over \$800,000 in Medicare payments. He resigned from the Florida Senate as part of the plea bargain and was sentenced in 2000 to five years in prison.

Pino, in 2006, turned up in a federal probe of Miami Dade County Commissioner Jose "Pepe" Diaz. The investigation centered on a fishing trip that Diaz took to Cancun aboard Pino's private jet. Carlos de Cespedes was the other passenger on the trip. A few months after the trip, Diaz and the rest of the commission voted for a Pino development project called Grand Bay. The Herald political blog noted, "Miami-Dade Commissioner Jose "Pepe" Diaz received \$20,000 in 2004 from what federal prosecutors describe as a shell company used to conceal fraudulent proceeds from a hospital kickback scheme -- a payment the commissioner says was a legitimate bonus. The company, Kaufman Medical Products, was cited in a document filed in federal court Tuesday about healthcare fraud charges against Carlos and Jorge de Céspedes, owners of the bankrupt Doral medical-supply firm Pharmed. Diaz listed on his 2004 public disclosure form that he had received \$19,795 from Kaufman. Diaz said Wednesday the money was a bonus for work performed for the de Céspedes brothers' venture capital firm, Astri Group." ('Naked Politics', Miami Herald, July 24, 2008)

"In a separate matter, the Miami Daily Business Review reported last week that it had obtained corporate bank records showing that Pino's companies may have reimbursed \$29,500 to 59 contributors to Governor Jeb Bush's 2002 re-election campaign. It is a violation of Florida election law for a person to make a donation in another person's name." ('Crist ally cuts ties amid grand jury investigation', St. Pete Times, July 27, 2006) Pino was a Bush-Cheney "Ranger" for having raised at least \$200,000 for the president's 2004 re-election campaign and, according to the St. Pete Times, "is a major donor to Gov. Bush's non-profit educational foundation."

The historical context is important to understanding how Cespedes believed he could "hide" among business leaders shocked, about the climate of corruption in 1998.

"All we are looking to do is find a balance between residential needs and environmental needs," Commissioner Pepe Diaz told Time Magazine in reference to moving the Urban Development Boundary. ('Lowe's eyes the Everglades', Time Magazine, April 28, 2008) After all, if reasonable people can't agree on how to protect wetlands, why should anyone care about fleecing the nation's financial institutions and getting a Grade A report card for doing it?

Think about what happened in Florida the decade AFTER Cespedes put his name to the letter against corruption in Miami. Between 1999 and 2003 in Florida, the US Army Corps of Engineers approved more than 12,000 wetlands permits and rejected one. During the same period, 84,000 acres of wetlands vanished. ("They won't say no", St. Pete Times, May 22, 2005)

1998 was a key year in the building and housing asset bubble: the politics of laissez faire "libertarianism" in service of the free market were angling to meet up with the lowest interest rates in US history (at that time); the response to the crashing dot.com bubble and the 9/11 event.

The business leaders who put their name to a letter in 1998 against corruption were about to be propelled into the boom in housing and construction that turned many single digit millionaires into centi-millionaires. Pull the threads from platted subdivisions, to infrastructure like Miami International Airport or Miami road paving contracts and the fabric of the US economy unravels straight up to the executive suites of Citigroup, Merrill Lynch, AIG, Bear Stearns, Lehman Brothers, Indymac, Fannie Mae and Freddie Mac for example.

Few in public office cared while so much money was flowing outside and inside the edges of the law and into political campaigns. Balance? In key respects, this behavior was and is still reinforced by a permanent incumbency and a fading media. It is possible, then, that the fiscal stimulus plan being discussed by the incoming Obama administration will simply pave over -- again-- the horrendous ethics that materialize as obligations by American taxpayers to white collar bankers or thieves.

Not a single red cent should be appropriated by Congress for a fiscal stimulus until audit controls, checks, and balances are in place to flush fraud and systematic corruption from government, especially at the local level. New federal laws will be needed to put teeth to public corruption and keep democracy safe.

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4 COMMENTS:

Anonymous said...

Does anyone know all the names on that 1998 letter?

We should look them all up. I am ashamed that my mayor, Slesnick wrote a letter for these men.

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Anonymous said...

MESA REDONDA MEMBERS WHO SIGNED THE LETTER CALLING FOR A CORRUPTION SUMMIT:

- Carlos A. Saladrigas, chairman and CEO of The Vincam Group
- Cesar Alvarez, CEO of Greenberg, Traurig
- Luis Botifoll, chairman emeritus of Republic National Bank
- Roger Cuevas, superintendent of Miami-Dade Schools
- Remedios Diaz-Oliver, president of All American Container
- Modesto Maidique, president of Florida International University
- Rene Murai, lawyer at Murai, Wald, Biondo & Moreno
- Jorge Perez, president of The Related Companies
- Diego Suarez, president of Inter-American Transport
- Carlos Arbolea, retired vice chairman of Barnett Bank
- Jose Cancela, president of Telemundo television network
- Carlos de Cespedes, CEO of the Pharmed Group
- Adolfo Henriquez, executive vice president of Union Planters Bank
- Jorge Mas Santos, chairman & CEO of Mas Tec
- Ramiro Ortiz, president of SunTrust Bank
- Sergio Pino, president of Century Plumbing
- Rosa Sugranes, president of Iberia Tiles
- Jose Arriola, CEO of Avanti/Case-Hoyt
- Armando Codina, chairman of the Codina Group
- Carlos de la Cruz, Sr., chairman of Eagle Brands
- Maria Camila Leiva, executive vice president of Miami Free Zone
- Carlos Migoya, president of First Union National Bank
- Rafael Penalver, lawyer at Penalver & Penalver
- Amancio Suarez, chairman and partner of Cosmo

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[geniusofdespair](#) said...

Thank you reader. Very helpful.

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shocked said...

Can you say d-e-v-e-l-o-p-e-r-s and m-o-r-t-g-a-g-e-s? (with a few others for the sake of variety)

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