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More brazen than Madoff?

Of all the frauds that have come to light in this season of financial pain, none can match the brazen theatricality of the scam allegedly pulled off by superlawyer Marc Dreier.

By Roger Parloff, senior editor
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(Fortune Magazine) -- In a year of fabulous frauds, the one that glitzy Manhattan attorney Marc Dreier has been charged with is in some ways the most fabulous of all.

Not the biggest, of course. The biggest fraud of 2008 was metaphorical: the nation's economy itself, which had been built upon house-of-cards financial products. The most tragic fraud of the year was Bernie Madoff's decades-long Ponzi scheme, which gulled charities, widows, and orphans out of tens of billions of dollars while whistleblowers blew themselves hoarse before deaf and dumb regulators.

Yet Dreier's comparatively modest, alleged $700 million fraud, which left victims with $400 million in losses, was sui generis. What differentiated it from the pack was that it was just so much more - well, we don't want to use the precise word that comes to mind, but "brazen," "cheeky," and "cocky" begin to capture it.

While Madoff did his dirty work in seclusion behind locked doors, Dreier allegedly duped his victims with the theatrical, improvisational daring of a high-wire aerialist. Despite the pain his crimes have wrought, a dark side in each of us cannot but admire the sheer nerve of the man. (Think of Leonardo DiCaprio's heroic impostor in the film "Catch Me If You Can.")

According to prosecutors, for more than four years Dreier sold hundreds of millions of dollars' worth of bogus debt obligations to nearly 40 investment funds run by 13 of the nation's most sophisticated asset managers, including the likes of Fortress Investment Group, Elliott Associates, and hedge funds later acquired by Perella Weinberg Partners and Blackstone Group. Throughout its existence the scheme could have collapsed at any instant, if just one of dozens of duped hedge fund officials had ever run into real estate developer Sheldon Solow - the head of the duped company supposedly issuing most of the notes - at a cocktail party.

As Dreier dug himself ever deeper into criminality and debt, he resorted to ever more desperate measures to postpone the day of reckoning. He and his accomplices talked their way past receptionists of companies they weren't affiliated with; plopped themselves down in empty conference rooms; and then hosted meetings at which they pretended to be people they weren't. The scam succeeded for as long as it did because none of his victims could conceive that anyone of Dreier's stature would act with such monumental recklessness, selfishness, and self-destructiveness.

Almost as an afterthought, Dreier is alleged to have filched about $40 million from his clients' escrow accounts - including $10 million that he stole after his arrest before authorities could get a receiver appointed to seize control of his law firm and ambulance it into bankruptcy. To the 260 innocent attorneys who toiled for him at Dreier LLP's tony offices in Manhattan, Albany, N.Y., Los Angeles, Pittsburgh, Santa Monica, and Stamford, Conn., Dreier bequeathed unpaid salary checks, unreimbursed expenses, lapsed malpractice and health insurance policies, potential civil liability, and untold damage to reputations. An attorney's stock in trade is sound judgment and wise counsel. "To have hitched one's star to a thief," as a lawyer for one of Dreier's former partners puts it, is a stain that won't easily wash out. Most of Dreier's betrayed former colleagues did not return calls or e-mails, and all but one of those who did asked not to be identified.

Dreier is now under house arrest at his terraced condominium in Midtown Manhattan while awaiting disposition of federal wire fraud, securities fraud, and money-laundering charges that, according to federal prosecutors, merit a prison term of 30 years to life under sentencing guidelines. Though Dreier has pleaded not guilty, he has filed affidavits in court that admit major portions of the accusations against him. His heavy-duty criminal-defense attorney, Gerald Shargel - whose previous clients include bosses of four of New York's five Mafia families - has acknowledged in court that he expects Dreier's case to be "resolved" without trial within a month or two. Dreier's $40 million art collection; his sleek, 121-foot Heesen motor yacht; his waterfront Hamptons mansion; his Aston Martin, BMW, two Mercedes, four Yamaha WaveRunners, and every other gilded trophy he once flaunted are now frozen by court order, awaiting either forfeiture to the government or distribution among creditors.

Dreier appears to have only two remaining possessions of value, and it's unclear whether New York's Son of Sam laws let him exploit them: They are the book and movie rights to the unbelievable yarn that was his life until his arrest on Dec. 2.

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In March 2007 a Dreier LLP partner wanted to recruit matrimonial attorney Heidi Opinsky to join the firm. So he took her to meet Marc Dreier at the firm's New York City headquarters.

"You came into a very opulent, private entrance," Opinsky recalls. "Separate elevator bank, separate concierge. It was like walking into a museum of modern art. I've never been in a law office that was like this. It made you feel wonderful."

Then things went downhill. "All his little helpers escorted" her into Dreier's office, she says, but Dreier himself she found to be outlandishly distracted and self-absorbed. "He showed that kind of lack of interest where you can tell they're in another world. They're not really hearing what you're saying." When Opinsky got home, she says, she told her husband it had been like "going in to see the Wizard of Oz. I got a feeling of smoke and mirrors. I couldn't put a handle on it." Opinsky did not join the firm.

Though others reacted to Dreier more positively, their accounts set the same harmonic overtones vibrating.

"I liked him," says Joe Pastore, who headed Dreier's Stamford office. "He was kind and warm. A very affable, capable, intelligent, charming guy. Impeccably dressed." But Pastore adds sadly, "There was a distance I could never pierce through. He'd invite you to his house, but he would not come to your house and sit with your kids at a barbecue. He had little interest in my life."

The recollections of another Dreier attorney are more intense, yet consistent. "I've never met anyone more charming than him," this lawyer says. "He will probably be the most charming person I'll have ever known." But he was also an "egomaniac," this colleague continues, who used to tell people that he didn't have any friends and make other bleak comments while drinking. "He wasn't really open, but he'd say stuff," the source says. "Like 'I don't care about this person or that person. I'm going to do what I want.'"

Dreier's lawyer, Shargel, declined to respond individually to the recollections of his client reported in this article, but did say, generally, "It is unfortunate that because Mr. Dreier has in large part forfeited his credibility, people now apparently feel licensed to revise history and furnish distorted accounts of his personality."

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Marc Stuart Dreier, 58, grew up in a middle-class family on New York's Long Island, where his father, a Polish refugee, built a chain of movie theaters. Brilliant on his feet and able to write beautifully, Marc breezed through Yale College and Harvard Law School before landing a position with Rosenman & Colin, then one of New York's premier corporate-litigation firms. He made partner in 1984 and married an associate in 1987. In 1989 he jumped to another top-drawer firm, Houston-based Fulbright & Jaworski, to co-head its New York litigation outpost.

At Fulbright, Dreier was a "lone wolf" who "didn't quite fit in with the other partners," according to someone who worked with him then. "Marc wasn't the kind of guy to stop and say, 'Let's run this past a committee.'"

Dreier abruptly quit in March 1995, briefly joined another firm, and then set up his own shop in 1996, originally called Dreier & Baritz. There Dreier blazed a professional trail of acrimony and judicial sanction that, even in the intrinsically brutal arena of litigation, can have had few equals.

"He is a thoroughly vile human being," says Kevin L. Smith, an attorney at Manhattan's Stroock & Stroock & Lavan, who litigated against Dreier for many years. "This is really a bad guy."

One of Dreier's earliest clients at his new firm was Ken Laub, a wealthy, bare-knuckled real estate broker who ended up suing Dreier for malpractice. Though Laub's complaint was thrown out, the bizarre facts that prompted it underscore Dreier's hypertrophied entrepreneurial zeal and addiction to risk.

In 1997, Laub hired Dreier to sue an investment adviser whom Laub blamed for $40 million in stock losses. In the midst of the assignment, Dreier himself became Laub's investment adviser, persuading Laub to invest $5 million in a tech stock called IATV, and signing a contract whereby Dreier would take 10% of Laub's profits or cover 10% of his losses. In an interview with Fortune, Laub claims that Dreier told him he had a "special understanding" with an IATV insider, and that Laub would make back all the money he had lost with the first broker. The IATV stock immediately plummeted, and the company was soon in bankruptcy. "Then he made up stories," Laub recalls. "'Hang on, it's going to a hundred.' All sorts of bullshit."

Dreier not only stopped working on Laub's original suit, Laub alleged in his 2001 malpractice case against Dreier, but also refused to turn over the case file unless Laub would waive his right to come after Dreier for 10% of his IATV losses. (Eventually Dreier did surrender the file without condition.)

In 2002 a judge rejected Laub's malpractice suit. While noting that "the court does not approve of [Dreier's] behavior in this matter," state supreme court justice Shirley Kornreich found that since Dreier's stock touting hadn't constituted the practice of law, it couldn't constitute malpractice. (Laub's goodbye kiss to Dreier: "I hope they take the key and throw it away.")

The Laub fiasco was just an opening teaser for the main events in Dreier's litigation career, which were his many jaw-dropping assignments for eccentric New York City real estate developer Sheldon Solow. As we'll see, Solow appears to have come to haunt the recesses of Dreier's outsize id. Solow was many of the things Dreier aspired to be: a keen and successful businessman, an art collector, and a connoisseur of the finer things in life.

"It was rumored," says one Dreier attorney, "that Mr. Solow gave Dreier money to start the firm." (A Solow spokesperson declines to comment.) Nevertheless, this attorney continues, "I think Marc resented the fact he had to deal with Mr. Solow and his crap."

Although Solow has won some important court battles, he is famously litigious and had been criticized by judges for bringing abusive legal claims even before his relationship with Dreier began. Solow was a client who badly needed lawyers who would rein him in. In Dreier he found just the opposite: an attorney who'd indulge his worst instincts.

In 1998, because of an ambiguous sales contract, Solow became embroiled in a dispute with Peter Morton, founder of the Hard Rock Cafe, with each man staking a claim to the same multimillion-dollar East Hampton beach house. Solow lost the main battle in state court, lost the appeal, and lost at least three peripheral suits that Dreier had brought for him, including two in federal courts, seemingly ending the case. Nevertheless, Dreier filed a third federal action for Solow. (Meanwhile, outside court, Solow was harassing Morton by other means, Morton alleged. Solow sent a helicopter to hover over his house and frogmen to land on his beach and take photographs, Morton testified. Solow admitted sending the helicopter, but testified that he feared Morton hadn't adequately fenced in the swimming pool, endangering the village's children.)

In August 2002, U.S. District Judge Loretta Preska dismissed Solow's latest suit and enjoined him from bringing any more federal cases over the beach house without getting her prior permission, noting that he had already "had so many bites at the apple, [he] has swallowed the core." When Solow and Dreier appealed Preska's ruling, a unanimous federal appeals panel not only affirmed it but also fined both Solow and Dreier for having taken a frivolous appeal. (Despite Judge Preska's injunction, litigation over the beach house continued, but only in state court.)

With respect to this Hundred Years' War over the beach house, one can at least understand the nature of Solow's gripe. The same cannot be said for the next assignment Solow gave Dreier, which related to rival builder Peter Kalikow, a former owner of the *New York Post*. In 1991, Kalikow and his real estate company sought Chapter 11 bankruptcy protection. Solow then loaned him $7 million. Solow apparently became incensed when Kalikow paid him back earlier than Solow had expected. (You read that correctly; don't ask.) Anyway, in February 2004 - nine years after Kalikow had emerged from bankruptcy with his earlier debts having been paid off or extinguished by order of the bankruptcy court - Solow came to Dreier with a legal project.

Though Solow's exact goals remain foggy, the assignment unquestionably had the effect of publicly humiliating Kalikow. At Solow's behest, Dreier took out full-page ads in both the *New York Times* and *New York Post* that looked like legal notices - i.e., public announcements published by order of a court - listing the 400 original creditors of the Kalikow bankruptcy and advising them that they "may have additional rights of recovery based upon a failure by [Kalikow] to make truthful disclosure." Creditors were invited to call or fax a company called Evergence Capital Advisors at certain phone numbers. More than 50 creditors did so - many hired prominent law firms to pursue the matter - though none of their inquiries were returned.

As it turned out, the phone numbers listed in the ad led to lines in Dreier's offices, while Evergence Capital was the name of a dissolved Florida corporation that had been set up by an old acquaintance of Dreier's named Kosta Kovachev. (Remember that name.) A former securities broker who had fallen on hard times, Kovachev then had no known residence and was being sued by the Securities and Exchange Commission for his role in an alleged Ponzi scheme that had bilked 600 investors in 30 states out of $28 million.

Kalikow's lawyers brought the phony legal-notice stunt to the attention of U.S. bankruptcy judge Burton Lifland, who had presided over the original Kalikow bankruptcy. At a hearing in June 2004, Lifland suggested that Solow's and Dreier's conduct had been "sleazy," and then read aloud a series of synonyms from a thesaurus: "tacky, shabby, base, low, malicious, petty, nasty, unsavory." In October 2004 he ordered Solow and Dreier to pay $335,000 in sanctions for having violated Kalikow's rights. But today - more than four years later - the fine has still not been paid, since, tellingly, Solow and Dreier are still appealing it.

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While Dreier was pursuing these singular litigations, he was also building his firm - at first slowly, then steadily, then frantically. Despite the name, Dreier & Baritz was not a true partnership; Dreier ran the New York office and securities lawyer Neil Baritz ran the one in Boca Raton, Fla. Early on, Dreier began a business practice that he would repeat frequently over the next decade, in which he cut deals with independent lawyers and law firms. He promised to handle the collection of their gross revenue and payment of their office expenses in exchange for paying guaranteed salaries and incentive bonuses. One such early Dreier "affiliate" was Oklahoma City lawyer William Federman. But in October 2001, Federman sued Dreier, alleging not only that he was owed money but also, more troublingly, that Dreier had failed to return or provide an accurate accounting of Federman's clients' escrow funds. Attorneys must scrupulously keep client escrow funds separate from their own accounts, on pain of disbarment.

Dreier settled with Federman in July 2002. Two months later Dreier's titular partner, Baritz, terminated his relationship with Dreier. In an e-mail Baritz says he did so "for personal reasons and because our businesses were no longer compatible," declining to elaborate. In February 2003, Dreier officially changed his office's name to Dreier LLP.

By then his part of the firm comprised about 25 lawyers and filled three floors of pricey space in an I.M. Pei - designed building at 499 Park Ave., a few blocks from Solow's headquarters.

From this point forward, Dreier propounded a unique management philosophy. No matter how large his firm grew, he would remain its sole equity partner. Though senior lawyers could attain the title of "partner," they were all really just Dreier's employees. Dreier struck individual one- or two-year employment contracts with each partner. As with the outside affiliates, Dreier paid "partners" a guaranteed salary, and if the amount of business a partner brought in exceeded a certain benchmark, the partner would keep a percentage of the excess as a bonus.

In contrast to the opaque, subjective compensation policies at many big law firms, Dreier's compensation was alluringly objective. At the end of the year, one partner observes, "you could calculate to the penny what you'd be paid." Productive partners weren't dragged down by unproductive ones either.

The potential fly in the ointment was that partners' salaries weren't tied to the firm's profitability. If the firm had a bad year, and Dreier couldn't pay the salaries he'd promised, he was in trouble.

In fact, though Dreier LLP's office space was always impressive, it's unclear whether the firm was ever profitable. Whatever that reality was, Dreier's personal financial situation cannot have been helped by his marital woes; in January 2002 his wife had sued for divorce, launching litigation that would grind on for the next six years.

In any case, in November 2004, prosecutors allege, Dreier embarked upon a lucrative but stressful new practice specialty at his young firm: stealing. That month Dreier began selling promissory notes to hedge funds. The notes were supposedly issued by Sheldon Solow's realty company, but in truth, the government says, Solow knew nothing about what Dreier was doing. Dreier forged the notes along with financial statements purportedly audited by one of Solow's accounting firms. By December 2006 one hedge fund had invested $60 million in Dreier's phony Solow notes, according to the indictment. That means Dreier's debt to that one fund alone exceeded his firm's entire gross revenues for that year ($58 million), according to bankruptcy court records.

Though Dreier's pitches to the hedge funds varied, according to the indictment, he generally told them that Solow was trying to raise $500 million and that his notes paid about 11% interest and came due in a year.

"The story was that he was using these funds as a liquidity vehicle to acquire properties," says the president of one hedge fund that bought some. Why not just borrow from a bank at 6%? "The answer was that Solow was very secretive," the fund officer explains. "He didn't want any mortgages on his properties, and he didn't want to answer to anybody."

Didn't the portfolio managers ever ask to speak directly to someone at Solow? Yes, they did, the indictment explains. So Dreier would furnish them with phone numbers where they could purportedly reach Solow's CEO or controller. The numbers actually rang up accomplices of Dreier's, however, whom Dreier paid to impersonate the Solow agents. In some instances, the government alleges, that accomplice was Kosta Kovachev, the alleged Ponzi scheme defendant who had acted as Dreier's accomplice in the phony legal-notice caper. (In April 2005, Kovachev, represented by Dreier, signed a consent decree in the Ponzi scheme case, agreeing to pay $350,000 in fines and disgorgement but admitting no wrongdoing. But Kovachev never coughed up the money, and a court-appointed receiver who tried to collect it could never locate him.)

After Dreier is alleged to have become a criminal, his firm began expanding exponentially, possibly driven by a desperate need for cash. To keep from being caught, Dreier now had to come up with money to make fat quarterly interest payments on the phony Solow notes, while also conjuring a way to pay the principal when it came due. Between 2005 and 2008 Dreier's firm more than quadrupled in size, climbing from 60 lawyers to 260. (With staff, it employed about 560 at its peak.) It eventually leased 11 floors at 499 Park - Dreier also leased the right to hoist a Dreier LLP flag on a flagpole out front - while annexing practice groups in four other cities and forging "affiliate" relationships with seven law firms and two consulting firms.

In order to lure new attorneys, Dreier was often offering far more than he was paying to longtime Dreier partners. While most who'd joined in the early days were making $300,000 to $600,000 annually, according to bankruptcy court records, several newer recruits were guaranteed more than $1 million before bonuses, while at least one was pulling down $1.9 million. Two attorneys from a practice group Dreier unsuccessfully wooed during this period tell Fortune they were offered money that was "way over market."

Outwardly, Dreier's lifestyle betrayed no scintilla of financial distress. On the contrary, its lavishness prompted attorneys at his firm to speculate that maybe Dreier came from money. His dazzling art collection, rotating through his law offices and homes, came to include 12 Warhols, seven Hirsts, six Hockneys, three Matisses, a Picasso, and 235 others. One of his seven Ellsworth Kellys - "Purple/Red/Gray/Orange," an 18-foot-long lithograph - was displayed in the firm's lobby entrance and became its de facto emblem. It inspired the firm's elegant but annoying website, where the painting's four color fields incessantly floated across the screen, obscuring text. (At Dreier LLP's New York office, the stark, modernist aesthetic was enforced by the banishment of all room numbers and nameplates from the walls; attorneys needed floor plans to find one another.)

Dreier LLP attorneys and spouses were invited each year to a summer outing at Dreier's splendid country estate in Quogue, N.Y., and the firm's 2007 Christmas party was held at the Waldorf Astoria. Dreier's inner circle got to go to additional events too. "If you were charming, brought in money, were attractive, whatever," explains one attorney, he'd invite you onto his yacht to celebrate his birthday or to exclusive parties. Dreier now sported a perpetual deep tan and was often accompanied by beautiful young women - sometimes more than one at a time.

He was also spending more time with celebrities. "He was a groupie," one lawyer explains, shrugging. In 2006 he started co-hosting, with New York Giants defensive end Michael Strahan, an annual celebrity golf tournament to benefit charity. On the weekend of the tournament he'd rent out a trendy, 12,000-square-foot Midtown restaurant called Tao, dominated by a 16-foot Buddha suspended above a reflecting pool stocked with carp. There, about 400 invitees were treated to private performances by Bon Jovi, Diana Ross, or Alicia Keys.

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How exactly did Dreier juggle all these commitments - the huge debts falling due, the art acquisitions, the frenetic attorney hirings, the manic partying, the accelerating pace of the larcenies? Relying upon court filings by the bankruptcy trustee, prosecutors, and the SEC, it is possible to reconstruct a partial answer. The chronicle reads like a cross between Crime and Punishment and a door-slamming Feydeau farce.

In 2008, according to prosecutors, Dreier faced the prospect of somehow paying back more than $115 million in phony Solow notes he had sold to one hedge fund, which, judging from bankruptcy records, must have been GSO Capital Partners, acquired that March by Blackstone Group. (A spokesperson for Blackstone declined to comment.) In addition, he had outstanding obligations to an assortment of other hedge fund families, including Fortress, conservatively totaling more than $65 million, and bringing his minimum total debt on the notes to at least $180 million, plus debt service of another $20 million annually. That total was close to twice the firm's gross revenue for the year, before paying salaries, rent, or overhead.

Despite the looming catastrophe, Dreier's expenditures do not evince much belt-tightening. During the first five months of 2008, for instance, he spent more than $16 million on new art purchases.

In May, Dreier hosted a birthday party on his yacht. One guest was Marc Kasowitz, leader of another young Manhattan law firm, Kasowitz Benson Torres & Friedman.

"I don't want to use the word 'obsessed,'" says one Dreier lawyer, "but Marc [Dreier] was definitely competitive with Kasowitz ... Many people's position was that he was very envious of Kasowitz because Kasowitz's firm was kind of what Dreier wanted his to be." The 230-lawyer Kasowitz Benson, formed in 1993, was a true Manhattan powerhouse, with average profits per partner of nearly $2 million in 2007, according to The American Lawyer magazine. (Kasowitz declined to comment.)

Kasowitz had been Dreier's younger colleague when they were both hotshot young litigators at Rosenman, and the two had tomcatted around together before either was married. According to one source, in 1994 when Dreier was becoming unhappy at Fulbright, he approached Kasowitz Benson about the possibility of joining the young firm but was rebuffed.

Two months after his birthday party, prosecutors allege, Dreier started selling a new flavor of forged note. These were supposedly issued by the Ontario Teachers Pension Plan (OTPP) and backed by BCE, the parent company of Bell Canada. In July he allegedly sold $52 million of these and apparently used the proceeds to pay back $28 million in Solow notes to two other funds, according to bankruptcy records.

In September - the month when Fannie Mae and Freddie Mac were seized, Lehman Brothers went bankrupt, AIG got its first bailout, and Merrill Lynch and Wachovia both agreed to be sold - Dreier gave big raises to six partners, hired a seventh, and gave salary reductions to none. He also threw a party to celebrate the completion of a $1.5 million renovation of the firm's Stamford offices; each guest got a high-end, rabbit-shaped, DREIER LLP - emblazoned corkscrew as a gift.

That same month Dreier fell behind on his obligations to one fund (probably GSO), according to prosecutors. The fund demanded to meet with Solow representatives at Solow's offices. His back against the wall, Dreier set up the meeting while, of course, saying nothing to Solow. (By this time, Dreier's relationship with Solow had soured, and his work for him had dried up.)

On Oct. 15, Dreier, Kovachev, and the unhappy fund representatives all showed up unannounced at Solow's offices on the 45th floor of the building Solow owns at 9 W. 57th St. Dreier told the receptionist that Solow CEO Steven Cherniak was expecting them and persuaded her to let them in. They sat down in a conference room, where Kovachev pretended to be Solow's controller, according to the indictment. While the meeting was under way the real Steve Cherniak happened to walk down the corridor. He recognized Dreier through the glass wall of the conference room but didn't interrupt.

Later that month Dreier sold close to $100 million in new Solow notes to two new hedge fund buyers, enabling him to pay back the last $60 million owed to GSO. A few days after the sales, though, an officer with a third prospective buyer placed a cold call to the outside auditor whose name had been forged on the fake Solow financial statements. That was all it took - all it ever would have taken - for the scheme to come apart like a slipknot. Prosecutors were tipped off by both Solow and the prospective buyer.

Solow's outside auditing firm soon had Dreier on the phone. At the request of prosecutors, the conversations were secretly recorded. Dreier admitted that the Solow notes were fabricated, that he was "ashamed" of his role, and that it was "very serious, what's happened here," according to government filings. Still, Dreier tried to persuade the firm to work out a "settlement" rather than notify authorities.

In November, while prosecutors continued investigating, Dreier offered Fortress $33 million worth of phony notes purportedly issued by Canada's BCE and backed by the Ontario Teachers Pension Plan. The Fortress agent insisted on meeting with pension-plan representatives in person. Gamely, Dreier devised a pretense for meeting the plan's general counsel, Michael Padfield, at its Toronto headquarters on Dec. 2, according to accounts in the Toronto-based Globe and Mail and National Post newspapers. There the two men exchanged business cards. Afterward Dreier waited near the reception area until the Fortress representative arrived. Dreier quickly ushered him into a back conference room, introduced himself as Padfield, and handed him Padfield's card - the same one Padfield had just handed Dreier minutes earlier. Dreier's conduct was sufficiently suspicious that, after the meeting, the Fortress representative asked the receptionist if that had really been Padfield. He was told no, the man was a visitor. The police were called, and they arrested Dreier that day.

Dreier made bail, but on returning to New York he was taken into custody at the airport and booked for securities and wire fraud.

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There is an unfortunate optical illusion - a variant on the Doppler effect **-** that besets all frauds. It's unfortunate, because it has the effect of exacerbating the pecuniary losses that fraud victims endure, by unfairly leaving them, like many rape victims, irrationally ashamed of themselves.

The Doppler principle we posit holds that as a victim approaches a swindler, he sees nothing but green lights. But as soon as he realizes that his money is gone, he spins around and beholds, as if by magic, bright red flags as far as the eye can see. ■

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