

From wine bars to iron bars

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AT HIS PEAK, says Eric Stein, he took home \$ 1m a month. Living in Las Vegas in the 1990s, he had beautiful girlfriends, a luxurious lifestyle and a chauffeured Bentley. At one point he did away with carrying a wallet, opting instead for a large man with a briefcase of cash.

"I'd snap my fingers and he'd pay for things," Mr Stein says.

Then, on February 12 1999, he was arrested and charged with orchestrating the largest investment scam in Nevada history, amounting to \$ 34m (£ 20m). He had been given away by an investor—one of the people who never get paid in a pyramid scheme, propping it up so those at the top get high returns.

"I was a greedy guy dealing with other greedy guys," says Mr Stein, now 47. "Once you're in that deep you can't walk away from it."

Unlike the corporate titans who have recently run foul of the law—Bernie Ebbers of WorldCom, Adelphia's John Rigas and Andrew Fastow of Enron—there was never a hint of propriety in Mr Stein's business. He started out to fleece people, enticing them to invest in non-existent companies marketing non-existent products that promised quick weight loss or increased sex drive. He hired top telemarketers, whom he paid handsomely, to reel in investors at \$ 35,000 to \$ 50,000 a go.

However, what he does share with Mr Ebbers, Mr Rigas and Mr Fastow is a federal conviction for fraud. And his trip through the prison system serves as a cautionary tale for executives who find themselves on the wrong side of the law.

Far from spending their time catching up on reading and conversing with like-minded prisoners in "Club Fed", white-collar criminals can find themselves experiencing the very worst the US prison system has to offer.

Following a conviction, the choice of prison is determined by the severity of the offence, a person's previous history and the length of the sentence, says a spokesperson for the US Bureau of Prisons. This means a con man could find himself sharing a cell with a murderer.

Mr Stein was considered a flight risk because of the size of his fraud and he was denied bail. Held in a Nevada jail with far tougher criminals until his trial, when he received an eight-year sentence in 2001, he was sent to Fort Devens, an "administrative facility"—outside Boston housing prisoners of varying security levels.

Prison was scarier than he had imagined. "It was gladiator camp," he says. "I saw a lot of death."

Tyco's Dennis Kozlowski, convicted in state court and sent to a maximum security prison in Fishkill, New York, may be having an even worse experience. Although appealing against his sentence of eight to 25 years, he was sent straight to jail with murderers, rapists and other violent offenders.

In time, Mr Stein, who holds a doctorate in marketing from New York University, began teaching inmates, earning him a 13-month reduction in his sentence as well as their respect and protection. The subjects ranged from an introduction to marketing to the great

ideas of philosophy.

Throughout his jail term, he says, he sustained himself with dreams of stepping out of prison and back into his former life. Yet convicted criminals—whether violent offenders or white-collar fraudsters—often face a rough re-entry to the outside world.

Last August, Mr Stein was released into a halfway house in the Bronx district of New York. It was a four-story tenement in a blighted part of the city. “I got out of the cab and thought, ‘Should I go back to the prison?’” he says. “The whole building looked as if it needed a bath.”

He lived with five other released prisoners; they had three bunk beds and six chairs—but not enough room for them all to sit down at once. He found his roommates—all drug dealers—to be “cordial”.

Like all recently released inmates, Mr Stein had two weeks to find a job or he would be sent back to jail. He says he had to turn down one offer because it called for less than the minimum requirement of 35 hours a week.

Another offer, as an advertising salesman, had to be rejected because it involved moving around the city, which was not permitted. All his movements had to be logged and approved in advance by the halfway house; if he did not call in from scheduled destinations he faced arrest.

Mr Stein says he had to ask for an extension to the deadline. Three days later, Paragon Sports, a sporting goods shop, offered him a job selling winter coats. By several accounts, he has done well there. He earns between \$ 360 and \$ 600 a week, depending on commissions. About 25 per cent of that goes to the halfway house.

The store manager declined to

comment but Todd Fairbairn, eastern sales manager for Canada Goose, a maker of parka jackets, says Mr Stein is a great salesman. When Mr Fairbairn offered a free parka to the person who sold the most Canada Goose coats in a month, Mr Stein won with 56 sales, 17 more than the second-place finisher. “He was laser-like in his focus on my contest,” Mr Fairbairn says.

But with a fraction of his previous income, Mr Stein realised he was going to have to adjust his career expectations.

Like Michael Milken, the pioneer of junk bonds in the 1980s who was convicted of fraud and after jail worked on philanthropic projects, Mr Stein wanted to do something to rebuild his reputation when he was released from the halfway house. Since January, he has spent his day off teaching sociology at Metropolitan College, a small school with mainly adult students in lower Manhattan.

“It’s the first time we’ve hired anyone with this particular background,” says Robert Gilmore, dean of the business faculty.

“Part of our mission is to give students a second chance. If we’re doing this for the students, we should be doing it for the teachers.”

Resuming a normal social life has been difficult, too. Mr Stein lives with his father, 80, and mother, 78, in the house where he grew up in Yonkers. He has no friends in New York and one friend he phones in California. He is not allowed to contact any of his former cronies but even if he wanted to it would be tough because he believes they all used fake names.

This month, he goes into three years of supervised release and will be expected to start paying back the \$ 34m he defrauded. “They say they deliver coupon books (for payments),” he says. “I’m

expecting a freight car.”

Chris Stanton, chief US probation officer for the southern district of New York, the area charged with overseeing Mr Stein’s supervised release, says felons are responsible for paying back what a judge determines they owe, however long it takes.

In spite of these impediments, Mr Stein is ready to launch his most ambitious project yet: marketing his rehabilitation. He wants to create a series of videos based on the seminars he taught in jail, in the hope of reaching youngsters before they make mistakes.

“I met some of the most brilliant managers when I was in jail,” he says. “I want to reach these people before they become crack dealers. Maybe, then, some good could come out of this.”

CRIME AND PUNISHMENT: FAMOUS FELONS.

- Michael Milken, a Wall Street financier, was sentenced in 1990 to 10 years after the collapse of Drexel Burnham, a firm he helped build. He served 22 months. To the chagrin of his foundation, which points to his philanthropic work, notably in cancer research, he has never shaken off the label “junk bond king”.

- Charles Keating was convicted for his role in the collapse of the Lincoln Savings and Loan association. Accused of stealing more than \$ 200m (£ 115m), he donated \$ 1.25m to Mother Theresa, but her letter to the court—saying he was a friend of the poor—did little to gain clemency. He was sentenced to more than 12 years in jail and served four and a half.

- The Adelphia father and son team

of John and Timothy Rigas were sentenced last year to 15 and 20 years respectively in the wake of the cable company’s bankruptcy. At 80, the elder Rigas is said to be in failing health and is likely to die in jail. But both received far less than the 215 years prosecutors had requested.

- Dennis Kozlowski may forever be associated with a \$ 15,000 umbrella stand, \$ 6,000 “gold-laced” shower curtain and generally bad taste in home decor. But the man who led Tyco through a mass of acquisitions was laid low by unpaid tax on some art he bought. Sentenced to eight to 25 years in New York state court, he is in the maximum security prison in Fishkill, New York.

- If Bernie Ebbers’ conviction stands, he will be 88 when he gets out of prison for his role in WorldCom’s \$ 11bn collapse. He is reportedly broke, with only his home in Mississippi left for his wife. Although the judge sent him to a low-security facility near his home, he admitted that the 25-year sentence is tantamount to life in jail.

- Martha Stewart’s offence was comparatively minor. Convicted of obstruction of justice and false statements related to her sale of ImClone stock, she served five months in the Alderson Federal Prison Camp in West Virginia and five months of home confinement on her Connecticut estate.