

SPITZER SPRINGS A LEAK

As you all undoubtedly know by now, the huge breaking news is about New York Governor Elliot Spitzer's apparent ties to a prostitution ring. The New York Times reports:

Gov. Eliot Spitzer has informed his most senior administration officials that he had been involved in a prostitution ring, an administration official said this morning.

Mr. Spitzer, who was huddled with his top aides inside his Fifth Avenue apartment early this afternoon, had hours earlier abruptly canceled his scheduled public events for the day. He scheduled an announcement for 2:15 after inquiries from the Times.

Mr. Spitzer, a first-term Democrat who pledged to bring ethics reform and end the often seamy ways of Albany, is married with three children.

Just last week, federal prosecutors arrested four people in connection with an expensive prostitution operation. Administration officials would not say that this was the ring with which the governor had become involved.

But a person with knowledge of the governor's role said that the person believes the governor is one of the men identified as clients in court papers.

Spitzer has now held a brief press conference where he admitted that he had betrayed the trust of his family and the public and is going to take "some time" to work out his path forward.

It appears that this emanates out of the arrest and charging last Thursday, March 6, 2008, of four people said to be involved in an

international prostitution ring. The investigation and charges were announced by the office of Michael J. Garcia, the United States Attorney for the Southern District of New York (SDNY).

Federal authorities arrested four people Thursday on charges of running an online prostitution ring that serviced clients in New York, Paris and other cities and took in more than \$1 million in profits over four years.

The ring, known as the Emperor's Club V.I.P., had 50 prostitutes available for appointments in New York, Washington, Miami, London and Paris, according to a complaint unsealed on Thursday in Federal District Court in Manhattan. The appointments, made by telephone or through an online booking service, cost \$1,000 to \$5,500 an hour and could be paid for with cash, credit card, wire transfers or money orders, the complaint said.

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As part of the investigation, federal agents worked with a woman who claimed to have worked for the Emperor's Club as a prostitute in 2006, according to court papers. An undercover agent posed as a potential client and arranged appointments by phone and online.

After obtaining authorization to tap the club's phones, federal agents recorded more than 5,000 calls and text messages and had access to 6,000 e-mail messages, court papers said. Many of these were somewhat mundane requests for appointments. The authorities – the case was investigated by the Internal Revenue Service and the F.B.I. – did not identify any of the clients.

Now, already questions have been raised about whether there is any tie in to all of the

wiretapping/snooping/driftnetting we have been discussing, the possibility of payback by prior Spitzer targets such as former NYSE chief Dick Grasso, Maurice Greenberg and others. These are all valid topics for discussion, so trash talk it up folks.

Clearly from the Times article, the investigation, and Spitzer's portion in particular, emanate out of a wiretapping investigation. So, we know that much, but are there any tie ins to our usual subjects of interest? The other subject I am interested in is what effect this revelation has for Democratic politics, both national and in New York, and what implications it has for the upcoming elections. There are a ton of facets to unpack here, jump in and start unpacking.

UPDATE ONE: Here is a link to a PDF of the criminal complaint in the prostitution case. Spitzer is apparently "Client 9". I do not know much about Michael Garcia, the USA for SDNY. He appears to have been a career prosecutor with the USA office in SDNY for about ten years between 1992 and 2001 and then acting head of the INS for the Bush Administration before being named USA for SDNY. If anybody (paging LHP) knows any more helpful information on Garcia, please post in comments.

Also, the Republican Governor's Conference has already come out with a statement deploring Spitzer's tawdry conduct and demanding his resignation. Good to hear that come from a squeaky clean outfit like the GOP eh? There are signs emerging that Spitzer will, indeed, resign quickly. That would promote the Lieutenant Governor of New York, David Paterson, to the top spot in Albany. Paterson is a lawyer, long time New York activist and politician and is apparently well thought of. Interestingly, he is legally blind. Sounds at first blush like a pretty admirable guy.

UPDATE TWO: Jane reminds us that Spitzer's campaign theme was to "Bring The Passion Back To Albany". This part is starting to porm some

credible basis for the suspicions we have been discussing about DOJ and snooping irregularities being involved in the mix. From Jane's article at FDL:

A source familiar with the investigation into the Emperor's Club prostitution ring says that the defendants in the case are the head of the club, the day-to-day business manager and two booking agents. Further, the case has apparently been done for quite a while, and the US Attorney in charge – Michael Garcia – "has been tearing his hair out" trying to get someone higher up at the DoJ in Washington to look at the prosecution memo and sign off, because of the need to get their authorization before indicting a public figure.

Garcia continued to pursue the case pending the authorization for indictment (a common prosecutorial practice), which is how the February 13 encounter (below) was included in the complaint. There are also evidently surveillance reports of Spitzer entering the hooker's hotel room, in addition to audio tapes from the wiretaps.

I wonder if the delay from DOJ Main was in order to make sure to roll up a high flying Democrat before rendering an indictment?

UPDATE THREE: Well, the gig may be up. Is looking like it was Spitzer they were after all along. From ABC News via TPM:

The federal investigation of a New York prostitution ring was triggered by Gov. Eliot Spitzer's suspicious money transfers, initially leading agents to believe Spitzer was hiding bribes, according to federal officials. It was only months later that the IRS and the FBI determined that Spitzer wasn't hiding bribes but payments to a

company called QAT, what prosecutors say is a prostitution operation operating under the name of the Emperors Club. ...

The suspicious financial activity was initially reported by a bank to the IRS which, under direction from the Justice Department, brought in the FBI's Public Corruption Squad.

"We had no interest at all in the prostitution ring until the thing with Spitzer led us to learn about it," said one Justice Department official

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Okay, game on. This is starting to reek.