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Bert Fingerhut served 18 years as a SUWA director

Ex-board member of Utah wilderness group faces prison in stock scheme

By Paul Beebe
The Salt Lake Tribune

Article Last Updated: 08/01/2007 06:42:42 AM MDT

A former board member of the Southern Utah Wilderness Alliance and Wall Street executive will be sentenced Friday for spearheading what federal officials say was a decade-long securities scheme they deemed one of the worst of its kind.

Millionaire Bert Fingerhut, who resigned from SUWA's board earlier this year, faces up to five years in a federal prison. He pleaded guilty in May to one count of conspiracy in connection with a plot to reap more than \$12 million in illegal profits by circumventing rules controlling how private banks are converted to public ownership.

He will be sentenced by a U.S. District judge in Newark, N.J.

Fingerhut also pleaded guilty to a parallel civil charge by the Securities and Exchange Commission that accused the former New York investment banker and three other men with cheating investors by illegally acquiring stock in mutual banks that were about to become publicly held companies.

"It's fair to say this is the largest and most sophisticated bank-conversion scheme ever uncovered, and it involved over 60 banks and 65 conversions," said Daniel Zelenko, a branch chief of the SEC's Enforcement Division.

Fingerhut served on SUWA's board of directors for about 18 years before resigning suddenly in late February or early March, said the group's executive director, Scott Groene.

"He just gave personal reasons," said Groene, whose organization advocates for wilderness preservation, primarily in southern Utah. "All I know about what's happened is what I've heard in the media."

Fingerhut is a prominent environmentalist and wilderness enthusiast with homes in Aspen, Colo., and Palo Alto, Calif. He is said to have spent more than 200 nights in southern Utah backpacking, rafting and canyoneering.

He is a former chairman of the governing council of the Wilderness Society and served on the board of trustees of the National Outdoor Leadership School until February.

"We feel very badly for him and his family. His wisdom and knowledge are a real loss to NOLS," said Bruce Palmer, acting executive director of the Lander, Wyo.-based outdoor school.

Fingerhut's lawyer, Larry Mackey, said Fingerhut would have no comment before the sentencing.

In May, after admitting he broke federal and state securities regulations, Fingerhut released a statement apologizing to his friends and family. "I am terribly ashamed by my misconduct. I fully accept that what I did was wrong," he said.

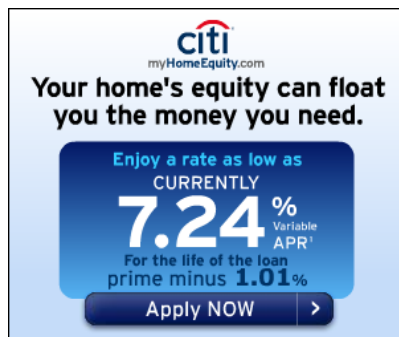
Also accused of taking part in the scheme were Bruce Fingerhut, a nephew; Robert Danetz, a childhood friend and retired New York City school teacher; and Danetz's brother, Stephen, a New York real estate attorney.

Mutual banks are owned by depositors. When mutual banks convert to stock ownership by shareholders, depositors are supposed to get a chance to buy stock before other investors do. Because demand for the shares often exceeds the number of shares the bank is selling, regulations restrict the number of pre-IPO shares that depositors can acquire. Depositors are also barred from transferring their shares to anyone else.

Fingerhut went after banks he thought were likely to go public. By opening accounts at those banks, he and the other defendants jumped to the head of the line, according to federal authorities.

Fingerhut bankrolled most of the accounts, even though many were not in his name. When a bank began the process of going public, he secretly funded the stock purchases made by the other defendants, controlled the sale of their shares and pocketed most of the profits, according to the government.

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Robert Danetz, who also pleaded guilty to a single count of conspiracy, will be sentenced Sept. 11. His brother and Fingerhut's nephew were not charged with criminal wrongdoing. The trio also settled with the SEC but were not charged with crimes.

Under terms of his plea agreement, Fingerhut agreed to forfeit more than \$11 million. Although he may receive a prison term of up to 60 months, Fingerhut's sentence could be reduced to two or three years because he has cooperated with the government, said Karl Buch, an assistant U.S. attorney in Newark.

pbeebe@sltrib.com

Utah ties

* He served on the board of directors of the Southern Utah Wilderness Alliance, which pushes for wilderness preservation, for 18 years.

* **The environmentalist and wilderness enthusiast** is said to have spent more than 200 nights in southern Utah backpacking, rafting and canyoneering.

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