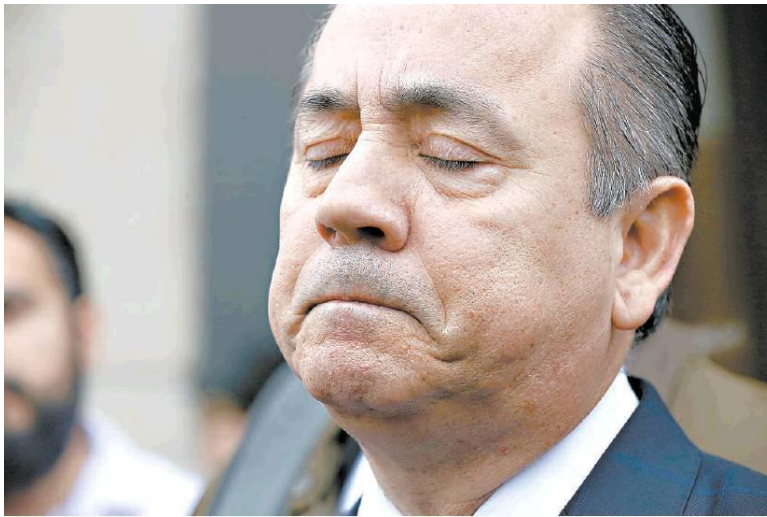


## URESTI, CAIN GUILTY

State senator says he has no plans to step down

*BY PATRICK DANNER AND GUILLERMO CONTRERAS STAFF WRITERS*



Photos by Jerry Lara / San Antonio Express-News

State Sen. Carlos Uresti told the media outside the federal courthouse, “This is not the verdict we were expecting.”



**Uresti and his wife, Lleanna, leave the courthouse after his conviction on all 11 counts in his criminal fraud trial.**



**Photos by Jerry Lara / San Antonio Express-News**

**Lead prosecutor Joe Blackwell addresses the media outside the federal courthouse. To the left is John Bash, U.S. attorney for the Western District of Texas.**



**Gary Cain leaves the federal courthouse after he and state Sen. Carlos Uresti were convicted on all counts.**

State Sen. Carlos Uresti and co-defendant Gary Cain were found guilty Thursday on 20 combined felony charges in a criminal fraud trial over the past month that has stunned San Antonio and the state Capitol.

Hours later, Lt. Gov. Dan Patrick took steps to remove Uresti from his committee assignments in the Senate, “effective immediately,” and there were calls for his resignation.

Uresti and Cain were convicted in federal court of defrauding investors in the now-defunct company FourWinds Logistics, which bought and sold sand used in fracking for oil production before it collapsed in 2015. Uresti, 54, was convicted on 11 criminal charges while Cain, 61, was convicted on nine charges.

“Today, justice was done,” U.S. Attorney for the Western District of Texas John Bash said in a statement. “It’s a somber day for the state, for the city, because whenever someone who’s in a position of public trust defrauds other people and causes harm to other people, that’s very sad.”

He said he hoped the verdict sends a message to others: “It doesn’t matter your status in government or in the community. If you commit fraud, you’re going to be held accountable.”

Uresti and Cain face the possibility of years in federal prison and up to millions in fines when they’re sentenced by Senior U.S. District Judge David Ezra on June 25.

Amid a throng of media outside the courthouse, Uresti said he was disappointed with the verdict, apologized to his wife and resolved to keep his Senate seat — despite a call from state Democrats to reconsider his role in politics.

“This is a shock to all of us,” Uresti said when asked about how this would affect him politically. “This is not the verdict we were expecting; so I’m going to meet with my family and my wife and my attorneys and we’ll make those decisions down the road.”

Uresti said he has no plans to step down from office and will appeal the ruling.

Cain hasn’t decided whether he’ll appeal yet, according to his lead lawyer, Charles “Chad” Muller.

“We’ll review the verdict and we’ll review the case, the transcripts, and decide what further action we’ll take,” Muller said.

Uresti already is facing pressure to step down in the Senate.

“Though I recognize that Sen. Uresti is entitled to exercise his right to appeal, my first priority is to the people of Texas,” Patrick said in a statement, adding that he doesn’t have the authority to remove him from office.

Uresti is vice chairman of the Health & Human Services Committee and has posts on the Education, Finance and Veterans Affairs, and Border Security panels.

Texas Senate Democratic Caucus Chairman José Rodríguez called for Uresti's resignation while the Texas Democratic Party issued a statement pressuring the lawmaker to reconsider his position in the Senate, saying that "no one is ever above the law."

"After being found guilty of such serious crimes, Sen. Uresti must seriously consider whether he can serve his constituents," Democratic Party spokesman Tariq Thowfeek said.

Calls for Uresti's resignation also came from across the political aisle. Republican Party of Texas Chairman James Dickey said in a statement: "Uresti must resign from the Texas Senate. Texas needs people of integrity in every elected position."

The verdict came after 11 hours of jury deliberations over three days following a month of sometimes salacious testimony involving prostitutes, sex, drugs and deceit at FourWinds.

Former CEO Stan Bates pleaded guilty to criminal fraud charges last month, admitting that he misused investor money for his own pleasure.

The ex-Marine fostered a bacchanalian atmosphere at the company, former employees testified. Some employees said Bates appeared to have a cocaine habit and used company cash on hookers, expensive cars and to pay for his son's fraternity dues. Prosecutors called FourWinds a Ponzi scheme.

Bash said FourWinds lured investors with "false pretenses, false promises, misrepresentations, including altered bank statements. ... A lot of that money went to pay prior investors, a lot of that money went to personal expenses by the co-conspirators — everything from gifts and travel and luxury vehicles to controlled substances, even prostitutes."

Although the defense team acknowledged that FourWinds was a scam, they tried to convince the jury that Uresti didn't know until it was too late and shouldn't be convicted as a result.

"Carelessness, negligence, foolishness," Uresti lawyer Tab Turner told jurors in closing arguments Tuesday. "The law says you have to have criminal intent."

The courtroom was opened shortly after 10 a.m. as defense lawyers and prosecutors were informed by court staff to return for the verdict.

Uresti stared emotionless at the courtroom deputy as she read the verdict to the packed room — turning to face the jury for the last two charges. Cain also showed no reaction in the courtroom, but he was wiping away tears as he left.

Uresti's wife Lleana, who missed the verdict, held her husband in a long embrace outside the courtroom.

Bash changed his travel plans to witness the verdict. The FBI's special agent in charge for San Antonio, Christopher Combs, and other federal agents were also in the courtroom. None of the eight men and four women on the jury would comment to reporters as they left the courthouse.

The San Antonio Democrat, who didn't testify in his own defense during the monthlong trial, isn't required to give up his seat even though he's now a convicted felon.

Texas ethics rules allow him to remain in office until he exhausts the appeals process. However, there could be renewed calls for him to end his nearly 21-year political career now that he's been found guilty and facing jail time.

The State Bar of Texas likely soon will seek compulsory discipline against Uresti, who has been a licensed attorney for more than 25 years.

Uresti's license would be suspended during any appeal; otherwise he faces disbarment and the loss of his livelihood as a convicted criminal.

It was Uresti's legal dealings that landed him in federal prosecutors' cross hairs in the first place.

The lawmaker was part of the team of attorneys that secured a \$2.5 million out-of-court settlement for Denise Cantu of Harlingen in 2012 following the deaths of two of her children in a vehicle rollover two years earlier.

Uresti recommended Cantu, 38, invest some of her settlement in FourWinds, which prosecutors say squandered investors' money. Cantu invested \$900,000 and lost \$800,000. She has sued him for fraud and the case is pending.

Uresti told Cantu the Four-Winds investment was "guaranteed," "good as gold" and she could get her money back if she wasn't satisfied, she testified during the trial.

Besides recruiting investors, Uresti also was FourWinds' outside legal counsel and a 1 percent owner of the company.

Prosecutors said Uresti had financial difficulties that led him to "groom" Cantu, becoming her friend, confidant and financial adviser before drawing her into a sexual relationship.

Cantu, the government's star witness, revealed details of their relationship — testifying how Uresti first told her she looked "sexy" while they were attending a deposition in her wrongful-death case and how they exchanged sexually explicit texts. She also testified they had sex in the bathroom shower at his law office.

He has denied being sexually involved with her.

During the trial, an Internal Revenue Service investigator told jurors how none of Cantu's money ever went to buy sand. Instead, the money was used to pay an earlier FourWinds investor.

Cantu wired \$800,000 to a FourWinds entity to buy sand in June 2014.

A week later, \$700,000 of that money went to FourWinds' operating account at Chase. The company then cut a \$40,000 check to the Uresti Law Firm that was deposited in its trust account.

Uresti told the San Antonio Express-News in a 2016 recorded interview that was played for the jury by prosecutors that the loan was "kind of like an advance on future commissions (and) future legal work."

Trust accounts generally are set up for holding client funds that are meant to be kept separate from a lawyer's own money.

Cantu and a group of Mexican nationals that invested in the company testified they were not aware Uresti stood to get a cut of their profits.

The Mexicans, in particular, said they never would have agreed to that since Uresti was holding their money as an escrow agent and that would have been a conflict of interest.

Outside of the jury's presence last week, Ezra said FourWinds was a "scam from the get-go" because Bates misrepresented the company to investors.

Investors' money was used to fund FourWinds' launch, according to evidence presented during the trial.

None of FourWinds' principals put in any of their own money to start the company, though Bates told investors he put in \$2 million of his own money and passed around a fraudulent bank statement claiming it had almost \$19 million in the bank.

Friends warned Uresti about Bates, calling him a "complete con man" and a "shady individual," testimony during the trial revealed. Yet the lawmaker seemed to have blinders on in his dealings with Bates.

The men are ex-Marines, and government witnesses said Uresti told potential investors that a Marine is an "honorable person" you can trust.

A FourWinds office manager testified the company had a reputation as a "brothel" that employed "surgically enhanced women" and let workers booze it up.

Bates pleaded guilty to eight felony charges last month rather than stand trial. He was the fourth company official to plead guilty in the case.



Bates brought on Uresti co-defendant Cain as a company consultant to find financing for the business on the recommendation of Uresti and Bexar County District Attorney Nico LaHood.

Cain and LaHood were business partners in Trinity Global Funding & Consulting for a time when Cain became involved with FourWinds.

Prosecutors say Cain knew about the fraud at FourWinds a month after joining the company in September 2014.

Two months earlier, a Bexar County jury acquitted Cain of swindling Rackspace Hosting Inc. in a 2007 land deal. LaHood was part of Cain's defense team.

Cain, who took the stand in his own defense, said it wasn't until early 2016 — several months after he parted ways with FourWinds — that he learned the full scope of how officials there mishandled investor money.

In a November 2015 sworn statement made in Bates' personal bankruptcy case, however, Cain said he noticed irregularities with FourWinds' financial records in late 2014 or early 2015.

"I ... saw evidence of misuse of investor funds including commingling (and) failure to return funds to investor accounts," Cain said in the affidavit.

Despite this knowledge, Cain continued to be paid a \$15,000 consulting fee every two weeks until he parted ways with Four-Winds in May 2015.

Uresti has other legal matters hanging over his head.

The legislator is accused in another criminal case of using his consulting business — Turning Point Solutions — to split \$850,000 in bribes with Jimmy Galindo, a former county court judge in Reeves County in West Texas.

Galindo has pleaded guilty to conspiracy to commit bribery and failure to file a 2013 tax return. The case against Uresti is scheduled for trial in May in the same San Antonio courthouse that he has spent almost the past five weeks in.

The Securities and Exchange Commission has an ongoing civil investigation into the Four-Winds case. An SEC official from Fort Worth was present for Cantu's testimony.

Staff Writer Peggy Fikac contributed to this report.