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HEADLINE: CRIMINAL FRAUD TRIAL BEGINS FOR FINANCIER;
ARNOLD STROM JR. IS CHARGED WITH RACKETEERING AND GRAND THEFT.

BYLINE: Patricia Walsh STAFF WRITER

BODY:

Punta Gorda financier Arnold Strom Jr. posed as a financial savior to people who needed homes, selling them debt-ridden properties through a group of companies he controlled, a state prosecutor told a judge Monday.

Statewide prosecutor Brian Pugh summarized the state's case for retired appellate Judge Jack R. Schoonover on Monday, the first day of Strom's criminal nonjury trial in Punta Gorda.

Pugh accuses Strom of being a "fraud" who engaged in numerous schemes to defraud investors, home buyers and financial institutions.

But Strom's attorneys, Charles Murray and Michael McDonnell of Naples, contend that Strom was simply trying to keep his business running and that Strom himself was a victim of fraud.

Strom's \$ 3 million business in Punta Gorda collapsed under the weight of dozens of foreclosures. He is charged with one count of racketeering and four counts of grand theft.

Strom declined to comment after the court proceedings concluded Monday.

Pugh described Strom's activities as a classic "Ponzi" scheme. He said Strom sold properties saddled with debt to home buyers, many of them elderly, with each victim losing a few thousand dollars.

"Obviously, our case is that he was the fraud, that he was part of the whole scam," Pugh said. "His defense is that the home buyers were unsophisticated and that they could have protected themselves. That it was not his obligations and make payments to the bank, that he had an obligation to keep his business running."

Strom also bilked three individual investors of money in the five-figure range, Pugh said, and another man of his \$ 600,000 investment.

Pugh also contends that Strom tried unsuccessfully to defraud banks and mortgage companies of about \$ 1.5 million. The prosecutor said he would present evidence that contradicts the defense's contention that Strom was

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unaware "the financial certificates he'd been trained to use were worthless."

The nonjury trial before Schoonover, a retired appellate judge, resumes at 9 a.m. today at the Charlotte County Courthouse with the first state's witness. The trial is expected to last three weeks or more.

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