

Local

Paul Manafort trial Day 6: Gates admits affair, says he used Manafort's money for trusts

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Paul Manafort, President Trump's onetime campaign chairman, is on trial in federal court in Alexandria on bank and tax fraud charges. Prosecutors allege that he failed to pay taxes on millions he made from his work for a Russia-friendly Ukrainian political party, then lied to get loans when the cash stopped coming in.

The case is being prosecuted by the special counsel investigating Russian interference in the 2016 U.S. presidential election.

Here's what you need to know about Day 6 of this trial:

Manafort's longtime business partner Rick Gates took the stand for a second day. He admitted to having an extra-marital affair in London and to embezzling from Manafort. Gates testified about how he and Manafort set up offshore accounts in Cyprus to transfer money to the U.S.

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5:27 p.m.: Judge questions how closely Manafort watches money

Just before the jury left for the day, Rick Gates echoed other prosecution witnesses in saying Paul Manafort kept a close eye on his financial affairs.

"Mr. Manafort in my opinion kept fairly frequent updates," Gates said, after a discussion of movement between their consulting firm's offshore accounts. "Mr. Manafort was very good at knowing where the money was and where it was going."

Judge Ellis, as he has repeatedly, interjected.

"He didn't know about the money you were stealing," Ellis said, "so he didn't do it that closely."

The comment by the judge goes to a question at the heart of the trial — how much fraud could possibly have gone on under Manafort's nose without his knowledge.

Downing also challenged Gates on his acceptance of responsibility, pointing out that he has not repaid the money he stole from Manafort.

"I spent it over the years," Gates said.

5:17 p.m.: In tense cross-examination, Gates says Manafort has yet to face his crimes

In one of the most tense exchanges yet during his cross examination, Rick Gates compared his situation directly with that of his former business partner, suggesting that he had taken responsibility for his actions, while Manafort chose to fight at trial.

The comment came in the midst of a heated exchange with defense attorney Kevin Downing. Downing had just finished questioning Gates about what seemed to be foreign money that was not reported. Downing suggested that was because Manafort's accounting firm advised that it need not be reported, though Gates fired back that it was because the firm did not have complete information.

4:30 p.m.: A question about Trump, an objection and a delay

As soon as Kevin Downing tried to ask Rick Gates whether “other members of the special counsel’s office” had asked about his time on the Trump campaign, prosecutors objected.

A bench conference ensued, and Judge Ellis abruptly announced a half-hour break.

Before that, Gates agreed that if he had been indicted in the Eastern District of Virginia on bank and tax fraud charges, he would have faced a “quite significant” sentence, “in excess of 50 to 100 years.”

Downing said it would be up to 290 years; Gates did not recall that number.

Downing also accused Gates of falsely using money from Manafort’s firm to take trips to Las Vegas, buy sound equipment and shop at Whole Foods in Richmond. Gates said he did spend firm money on those things but that he did not believe it came from offshore accounts. The Vegas trips were for his movie production venture, he said, not for fun.

It was in connection to that venture that Gates said he wrote a false letter claiming his company would be investing a large sum of money in his friend Steve Brown’s movie project.

“I did it as a favor,” Gates said.

“You committed fraud as a favor?” Downing asked skeptically.

“I did, I admitted to that,” Gates responded.

But he said he did not recall saying or being confronted with any accusation that he took money from Brown as well.

He did acknowledge receiving a letter from the SEC about an investigation into insider trading as part of his position on the board of an identity-theft protection firm called ID Watchdog. But he said he did not retain a lawyer at that point, nor was he told by the special counsel that he might be prosecuted.

Downing jumped around with his accusations, and it was not always clear whether Gates was reluctant to admit wrongdoing or genuinely confused. But the broader point being made was clear: Gates has been involved in a lot of questionable business activity.

4:13 p.m.: Rick Gates won’t look at Manafort during testimony

As he did yesterday, Rick Gates has assiduously avoided looking at Manafort during today’s testimony. Manafort has occasionally stared up at Gates, but he has also frequently looked at monitors showing documents, or occasionally just off into the courtroom.

Manafort’s demeanor during the day seemed somewhat changed from when his business partner first took the stand and Manafort stared intently in that direction.

As cross examination of Gates began, though, Manafort resumed staring at Gates.

4:07 p.m.: Manafort’s attorney tries to paint Rick Gates as taking advantage of his client

Defense attorney Kevin Downing seemed intent early in his cross examination of Rick Gates to drive home a theme.

Rick Gates repeatedly took advantage of Manafort when it came to money, and he lied about it so frequently that it was now difficult to sort fact from fiction.

Downing, for example, pressed Gates on an investment he made in a high-frequency trading company Manafort had started with another partner in 2011. Gates told Downing that \$250,000 of the money was his, because it was a bonus from Manafort. Downing

asked, hadn't he already received a \$240,000 salary, plus a \$60,000 bonus from Manafort that year? And were there any emails to support that Manafort was still giving him another \$250,000?

Gates said the money was a bonus, though he said he didn't believe there were any emails to support his claim.

Downing then presented Gates with some sort of document showing money transfers from 2010 to 2014, some of them large dollar amounts out of Cypriot accounts. Gates acknowledged that the list included "unauthorized transfers." But as Downing pressed him on which transfers were unauthorized, and how much money he obtained inappropriately, Gates repeatedly said he could not say.

It was possible that the problem was the document Downing presented. Gates said at one point he could not provide an "exact breakdown" based on "the sheet you gave me." But the line of questioning also prompted him to say repeatedly that he did not "recall" the money transfers to which Downing was referring, and which Downing claimed the special counsel had previously asked Gates about.

Downing pointed out that Gates's memory was much clearer when a prosecutor was the one doing the questioning.

"Have they confronted you with so many lies you can't remember any of it?" Downing asked.

3:55 p.m.: Gates admits he may have improperly submitted personal expenses to Trump committee

As defense attorney Kevin Downing vigorously questioned Rick Gates about all the ways in which he had stolen money from Manafort and others, Gates made a notable confession, acknowledging that it was possible he had submitted personal expenses to President Trump's inaugural committee for reimbursement.

Gates said the process for seeking reimbursement was well overseen, but he conceded that he might have gotten paid for something he shouldn't have.

"Did you submit personal expenses to the inaugural committee for reimbursement?" Downing asked in the middle of a heated exchange on the topic.

"It's possible," Gates conceded.

3:47 p.m.: Gates admits embezzling and conducting transatlantic extramarital affair

In the middle of other queries, Manafort defense attorney Kevin Downing suddenly veered in a different direction: "There was another Richard Gates, isn't that right?" he asked. "A secret Richard Gates?" he asked.

Before even being asked the question directly, Gates, in a quiet, strained voice, told Downing that it was true — he said about 10 years ago, he had "another relationship." In other words, he had had an extramarital affair.

Downing asked Gates whether his secret life had taken place in London. Gates acknowledged that the relationship had taken him to London and other places.

"As part of your secret life, did you have a flat? Is that what they call an apartment in London?" Downing asked.

Gates acknowledged that, yes, for about two months he had kept a separate apartment in London. He agreed that he had also flown first-class and stayed in luxury hotels as part his relationship.

Gates testified that he had embezzled from Manafort and conducted the affair.

This post has been updated.

3:36 p.m.: Defense attorney comes out swinging, calls Gates a liar

21 01 2018 Paul Manafort trial Day 6: Gates admits affair couple he used Manafort's money for trips. The Washington Post
Gates said he had not purchased the tickets himself, though he has acknowledged previously that he occasionally used Manafort's seats. He said the purchase was causing Manafort a credit card debt of nearly \$225,000, and the letter was meant to alleviate that debt.

Prosecutors have finished their questioning of Gates. Defense attorneys will begin questioning him at 2:45 p.m.

2:22 p.m.: Gates testifies that Manafort falsified a financial statement himself

Having testified that he altered Davis Manafort Partners' 2015 Profit & Loss Statement at Paul Manafort's direction, Rick Gates went on to say his boss similarly doctored his 2016 statement to obtain a different loan.

In October 2016, Gates said he sent Manafort a bookkeeper's Profit & Loss Statement in PDF format from 2016 through June.

In an email shown in court, Manafort responded, "How do I convert into non-PDF Word document?"

Gates responded, "I can do it and will send to you."

Asked why Manafort would want a Word document version of the statement, Gates gave the obvious answer: "He is going to make some sort of change to it."

In the email, he told his boss, "Here you go, it's a Word document now."

In a subsequent email, in all capital letters, Manafort wrote: "I HAVE ATTACHED A REVISED P&L. PLEASE REVIEW IT AND CALL ME TO DISCUSS THIS AND OTHER MATTERS."

The original statement from bookkeeper Heather Washkuhn showed that the firm had lost more than \$600,000 that year. The statement Manafort sent back to Gates showed a profit of about \$3 million.

It's "about \$4.2 million" off from reality, Gates testified.

Manafort sent that doctored statement to Federal Savings Bank, another email shows.

2:10 p.m.: Gates testifies he made up \$6 million in income to help get loan

Rick Gates took the stand again after the lunch break, describing for jurors a 2016 effort he undertook to edit a profit-and-loss statement to help Paul Manafort get a loan.

In March 2016, Gates testified, Manafort was seeking a loan from the Banc of California, but needed to show that his business was making enough income so that he would qualify. The pair had a profit-and-loss statement that showed about \$400,000 in income, but that was far below what the business had made previously. Gates testified that he then set out to edit it, and made clear from whom that instruction came.

"Who directed you to alter it," prosecutor Greg Andres asked.

"Mr. Manafort," Gates responded.

The effort he undertook looked almost amateurish as it was exposed in its full detail by emails shown to jurors. Gates first asked Manafort's bookkeeper for a word document of the statement, and when she said she could not provide that, he asked her for an "original" PDF. The bookkeeper balked, saying her system only allowed her to print a statement and scan it.

Gates testified that he wanted to add income to the statement, and the scanned document "was in no position to be able to be edited."

Gates ultimately got the profits and loss statement from another person at the bookkeeper's firm, and he tried to get her to add \$2.6 million he said Manafort expected to receive later that year. When that apparently failed, he edited the document himself, adding what he testified was \$6 million in income.

11:50 a.m.: Gates: Manafort actively hid accounts

Rick Gates has resumed the stand after a midmorning break at the trial of Paul Manafort.

Gates told the jury that he helped coordinate with the accountants who prepared Paul Manafort's taxes on Manafort's annual filings. He said that he and Manafort would strategize how to reduce Manafort's overall tax liability by classifying some income as loans.

He said too that he and Manafort had discussions over the years about whether Manafort's overseas accounts needed to be disclosed. This is a key point to the prosecutors' case because it is illegal to knowingly fail to disclose such accounts to the IRS.

[Accountants testify Manafort inflated loans, didn't report offshore accounts]

Prosecutors wish to show that Manafort was not just confused but actively hid the accounts. Gates testified that Manafort would tell him that because a Cypriot lawyer they referred to as "Dr. K" has signatory authority of the accounts, he did not believe they needed to be disclosed to the professional accountants.

Prosecutor Greg Andres asked Gates who actually had control over those accounts.

"[Manafort] always had control," Gates replied.

"And whose money was in those accounts?" Andres continued.

"Mr. Manafort's money," Gates replied.

The defense has argued that Manafort largely left control of his financial matters to Gates, suggesting that any financial problems were the fault of Gates, not Manafort. But prosecutors have now introduced agendas that Manafort wrote to guide conversations between himself and Gates on the phone and in person.

They included conversations about Manafort's taxes and bills. The agendas appear to show that Manafort had active involvement in these matters.

One of the agendas included a stray reference to Trump, an indication that Yankees tickets bought by Manafort should go to Trump. The name appeared on an exhibit that was displayed in court, causing reporters' eyes to snap to screens displaying the document around the court.

It was unclear what, exactly, the reference meant, and prosecutors did not ask Gates. Manafort owns an apartment in Trump Tower, and the reference could merely have been a direction that tickets Manafort had purchased should be sent to his Trump Tower unit.

Gates has been testifying in a clear, matter-of-fact voice. Wearing a navy-blue suit, white shirt and a sky-blue tie, he appears calm and has shed any nerves he had when he first took the stand Monday.

He carefully addresses his answers directly to Andres, keeping his eyes away from where Manafort sits at the defense table. Manafort periodically leans over to whisper to his attorneys but spends long stretches staring directly at his former business partner.

11:25 a.m.: Gates explains mystery invoices

Rick Gates explained several apparently fake invoices from vendors who did work for Paul Manafort: He created those for banks in St. Vincent and the Grenadines.

When Manafort moved his banking from Cyprus to the Grenadines, Gates explained, they required more documentation. "They asked for invoices" that had the name of the companies Manafort was using on them, Gates said. So at Manafort's direction, he would make a "modified invoice."

"The payment was legitimate," he said. But "it had to have the name of the company itself" — and the vendors hadn't provided those.

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