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Five days in Rio on Newark's credit card

On trips, James used little-known account

By [IAN T. SHEARN](#) AND JEFFERY C. MAYS STAR-LEDGER STAFF

In the final week of his 20-year tenure as mayor of Newark, Sharpe James took a five-day trip to Rio de Janeiro, staying in a luxury hotel and dining at some of the city's finest restaurants.

Newark taxpayers paid the tab, which exceeded \$6,500, according to credit card records obtained by The Star-Ledger.

The mayor, traveling with an aide and two police bodyguards, stayed at Caesar Park Ipanema Hotel, a four-star resort, and enjoyed meals at Marius Crustaceos and Don Camillo, upscale eateries on the Copacabana beachfront. Rio, at the time, was in the grip of World Cup soccer fever, as the Brazilian team neared the end of its unsuccessful run in the tournament.

James said yesterday the June 23-27 trip was purely business, following up on a 2004 visit there when he lectured on "affirmative action, sanitation, housing and poor people" — as a guest of the U.S. State Department.

Of his more recent trip, James said: "I went to the consul general and met with him to discuss these issues. I wanted to see if my (earlier) visit paid off, and I found out it did pay off."

Asked why he needed to travel with two bodyguards, James said that "Brazil is a hot spot for crime — everybody knows that."

The expenses were the final charges on an \$80,000 tab James and his security detail accumulated over a 2 1/2-year period using a Platinum Plus Visa card issued to "Sharpe James Newark Mayor Sec Pol Bus" and paid for with Newark Police Department funds, records show. The use of this card for the former mayor's expenses has not been

previously disclosed.

When The Star-Ledger requested records of all the former mayor's expenses last year, citing the state's Open Public Records Act, the James administration provided only charges made to another Visa card billed to City Hall. Those charges totaled more than \$70,000 from 2002 through 2004.

Newark Mayor Cory Booker said on Friday he recently became aware of the police department account and has directed his staff to conduct a review.

"Our investigation thus far appears to reveal an egregious and unacceptable use of public funds, especially in light of our urgent community needs, current fiscal crisis and common values," he said. "I am and will continue to ensure that this matter is fully investigated."

Former Business Administrator Richard Monteilh said he knew the mayor was out of town in late June, but didn't know where he went. Monteilh preapproved all city employee travel, with one exception: the mayor.

"What the mayor does is exclusively up to him," Monteilh said. "This is the way it was set up when I got here. Whatever precedent is in place is what we follow."

THE EXPLANATION

The reason for using two credit cards to cover his expenses is easily explained, James said.

"Sometimes the city doesn't pay properly," he explained. "If one account gets rejected, they use the other card."

James also said he never, in his long tenure as mayor, exceeded his travel budget — but he said he couldn't recall what his limit was.

Former Police Director Anthony Ambrose, who retired last month after two years in charge of the department, said he never saw any bills or paperwork for the credit card.

The bills, he said, were submitted to the police department's business office, which forwarded them straight to the city's finance department for payment. In the end, the bills were paid out of the police department's budget.

No other police employees had a city credit card; they paid for business trips themselves and submitted vouchers for reimbursement, which the director approved and sent to the city finance department, Ambrose said.

"The main purpose of the credit card, which pre-existed me, was for use by police security to accompany the mayor on city-related trips and functions to pay for travel, lodging and meals," Ambrose said.

Most of the vouchers submitted to the city's finance department in connection with the credit card were unsigned, but checks were cut and sent to Wachovia Bank to pay the bills.

According to records for the Visa card, James used it for eight years. But the credit card statements obtained by The Star-Ledger cover only the period from November 2003 through June 2006.

Among the charges during this period were multiple trips to Puerto Rico, the Dominican Republic, Florida, Martha's Vineyard, North Carolina and Atlantic City.

James said every taxpayer-paid trip he took was city business, and also said he reimbursed the city on occasion when his expenses weren't city-related. He was unable to recall any specific examples yesterday, though, and said he would try to find his records and call back with details. He did not.

Leah Rush, director of state projects at the Center for Public Integrity in Washington, D.C, called James' expenses "audacious."

"It probably doesn't get any more clear-cut than using a public credit card . . . and taking yourself to nice events — not even fancy dinners in town, but resorts in exotic locales," Rush said.

Newark taxpayers bought the mayor and his bodyguards meals as meager as those dished up at a White Castle hamburger stand in Newark (\$6.55 on July 8, 2005) and as extravagant as those served at the Old Homestead Steakhouse in Atlantic City (\$421.80 on Nov. 16, 2005).

CAR RENTALS AND BROADWAY

The card was used for matters as practical as gasoline, car rentals and overnight mailings. But it also bought tickets for performances at the New Jersey Performing Arts Center, Broadway theaters, Giants Stadium and Cirque du Soleil in California.

James used his City Hall Visa card for many of the same purposes, traveling to the Bahamas, Virgin Islands, South Beach in Miami and a boat show in Chicago.

In May 2003, he spent \$968 for tickets at NJPAC. On two occasions, he made purchases at Toys "R" Us.

At the height of his 2002 election campaign against Cory Booker, just two days before voters went to the polls, James used the City Hall card to charge airline tickets for Illinois Congressman Jesse Jackson Jr., his aide Frank Watkins and pollster Ron Lester, at a cost of \$730.50 to taxpayers. The election was the closest in James' political career and he pulled out all the stops to win, showcasing Jackson at churches around the city.

Rush said this charge is particularly troubling and may have violated campaign finance laws.

"If it was out of his campaign fund that's one thing," she said. "But to put it on the taxpayer dime is really out of line."

'INADVERTENT ERROR'

James, in a faxed message yesterday, said he had no knowledge of the credit card being used to pay for Jackson's visit. "I never heard of said transaction," he wrote. "My campaign treasurer would not allow this."

After he was faxed the credit card statement reflecting the travel expenses, James said it was an "inadvertent error" by his secretary.

"I will write a campaign check for it on Monday," he said. "That's just stupid."

James occasionally used both cards to split the costs on his trips, according to credit card bills. For example, during a 2003 trip to Nashville, Tenn., James used his mayoral credit card to pay \$598 for lodging at the Gaylord Opryland Resort. He used his police card to pay the balance, which was \$2,287. He also used the police card for his rental car, and for an evening at BB King's Blues Club and other food and entertainment, totaling \$601.

He also used both cards to dine at numerous Newark restaurants — most frequently at Don Pepe's, owned by José Lopez, one of the mayor's staunchest supporters.

Most of the mayor's travels were arranged by Gateway Travel, a Newark firm owned by Christina Malanga, wife of former Deputy Police Chief Rocco Malanga, who retired in June. The Malangas were out of the country and could not be reached for comment.

Accompanying James on the Rio trip were his aide Alturrick Kenney; Robert Moore, assigned to the ex-mayor's security detail; and Jerome Ramsey, a former member of his detail. Repeated calls last week to reach Moore and Ramsey were unsuccessful, and Capt. Derek Glenn of the police department referred all questions about the officers to the mayor's office. Kenney, reached yesterday, referred all questions to James.

"Any time you travel for Newark, it's good," James said. "As the last of the civil rights mayors in America, I had to travel and sell this city and tell the world about the Newark

success story."

Staff writers Jonathan Schuppe and Jonathan Casiano contributed to this report.

PHOTO CAPTION: 1. Sharpe James leaves his house on his last day as Newark mayor in June. **CREDIT:** 1. MITSU YASUKAWA/THE STAR-LEDGER **GRAPHIC CAPTION:** CHART: **A mayor's itinerary** Former Newark Mayor Sharpe James traveled frequently, using two city-issued credit cards to pay his way. One was billed to City Hall, the other to the police department. Here are some of his travel destinations over the past four years.

DATE	TRAVELS	CHARGES
Jun-06	Rio de Janeiro, Brazil*	\$6,528.00
May-06	Carolina, Puerto Rico*	\$6,704.00
Apr-06	San Juan, Puerto Rico*	\$2,238.00
Aug-05	Daytona Beach, Fla.*	\$4,937.00
Jun-05	Lake Buena Vista, Fla.*	\$5,552.00
Mar-05	Punta Cana, Dominican Republic*	\$1,363.00
Jan-05	Scottsdale, Ariz.*	\$2,356.00
Dec-04	Hamaca Coral Bay, Dominican Republic*	\$1,553.00
Jul-04	Boston	\$4,625.00
Mar-04	Martha's Vineyard, Mass.**	\$1,469.00
Feb-04	Key West, Fla.**	\$5,263.00
Dec-04	Nashville, Tenn.**	\$8,384.00

Jul-03	San Francisco	\$2,804.00
Jun-03	Miami Beach, Fla.	\$2,012.00
Dec-02	St. Thomas, Virgin Islands	\$4,457.00
Nov-02	Nassau, Bahamas	\$1,091.00

*Using police department credit card

**Using both police and mayoral credit card

CREDIT: THE STAR-LEDGER

SOURCE: Wachovia Bank Visa credit card statements for James

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Series: THE SHARPE JAMES INDICTMENT

JAMES INDICTED ON 25 COUNTS

HE ALLEGEDLY LIVED IN HIGH STYLE ON CITY'S TAB Ex-Newark mayor faces 7 years for conspiracy, fraud

By JOHN P. MARTIN AND [IAN T. SHEARN](#) STAR-LEDGER STAFF

Sharpe James, who for two decades reigned as the mayor and indelible face of Newark, was charged yesterday with fraudulently billing the city for lavish vacations he took with female companions and arranging for one to buy valuable municipal land at a steep discount.

In an 86-page indictment, prosecutors and the FBI portrayed James as an elected official who considered no personal expense too great or too small for his city-issued credit cards, charging everything from movie tickets and meals at McDonald's to airfare and luxury hotels in five countries.

In one instance, James billed the city for a \$9,000 penthouse suite on a cruise that sailed six weeks after he left office last year, they alleged.

A federal grand jury named James, 71, who remains a state senator, in 25 counts of conspiracy, mail and wire fraud — crimes that, if proven, could send the former mayor to prison for more than seven years. One of his travel companions, a 38-year-old businesswoman named Tamika Riley, also was charged with fraud, conspiracy and tax violations.

Returned on the 40th anniversary of the deadly riots that scarred the city, the accusations represented a potentially staggering blow to the legacy left behind by James, the onetime athletic director who became the city's singularly indisputable power broker.

Along the way, James, a Democrat, had sidestepped more than one probe of city corruption, at times growing in power and popularity even as his allies and subordinates headed to prison.

"Sharpe James' long history in this city is forever scarred by the allegations contained within this indictment today," said U.S. Attorney Christopher Christie, flanked by New Jersey Attorney General Anne Milgram and officials from the FBI and IRS. "They are shameful for someone who has put so much of his life into public service."

The indictment ended a three-year FBI investigation, dubbed Operation Cornered Lot, that began with a phone call from a resident complaining that James was steering lucrative city land contracts to his friends, said Weysan Dun, special agent in charge of the FBI in Newark.

In recent weeks, James himself had privately told friends and relatives he expected to be indicted, and was so sure of it that he arrived with his lawyers at the federal courthouse in Newark early yesterday — hours before the grand jury vote — to begin making bail arrangements.

By midday, dozens of prosecutors, federal agents and reporters sat hushed in a packed courtroom two blocks from City Hall, witnesses to a scene that some had once considered unthinkable: James standing before a judge in handcuffs and leg irons. He was released on \$250,000 bail and, as he walked from the courthouse, vowed to be vindicated.

"I'm innocent of all these charges and look forward to my day in court when the truth will come out," he repeated several times.

News of the indictment rippled through the political establishment and the streets of Newark, where some questioned the timing of the charges.

"To have the indictment come down on the 40th anniversary of the disturbance just seems distasteful to a lot of people," said Richard Cammarieri, a lifelong resident and a community organizer. "It seems to be more than a coincidence."

Christie was quick to defend the decision, insisting that his office brings cases "when they are ready" and can't manipulate the process. "We honor today a better future for the people of Newark by bringing action against someone who stole from its citizens," he said.

The crimes allegedly occurred as the city struggled to overcome the blight left after the riots and experience the renaissance that other once-downtrodden urban centers have enjoyed. James presided as Newark offered up thousands of vacant or neglected properties for cheap sale to redevelopers, and was the champion of a plan to host a gleaming new downtown arena that he claimed would anchor the rebirth.

At the same time, prosecutors contend, he was ripping off Newark taxpayers. The indictment cited roughly 150 credit-card purchases by James between 2001 and 2006, alleging he billed the city for more than \$58,000 worth of meals, trips, entertainment and other personal expenses unrelated to his official duties. Prosecutors say the charges came on top of the \$25,000 he collected each year to cover such expenses.

James allegedly carried both cards — one issued by the police department and the other by the administration — in his wallet and used them liberally, including 37 times at area movie theaters.

"Sharpe James was not even willing to pay \$10 out of his own pocket to go to the movies," said Milgram, whose office assisted in the probe.

First elected in 1986, James served five successive mayoral terms, choosing to step aside last year and avoid a bruising re-election battle with Cory Booker. When James first obtained the credit cards is unclear, but the fraud charges carry a five-year statute of limitations.

James also allegedly took 32 personal vacations during that span, giving the appearance that he spent the bulk of some seasons in places other than his own city. In the summer of 2003, for instance, James took jaunts to Miami Beach, Barbados and Martha's Vineyard. He later allegedly charged the city for a trip to Pompano Beach, Fla., to test-drive a Rolls-Royce and another trip to Maryland to inspect a yacht he considered buying.

Other destinations included Brazil, Puerto Rico, the Dominican Republic and events such as a film festival and national tennis and basketball tournaments.

Riley was one of eight women described as "companions" to the mayor during his personal vacations. The indictment did not name any of them, but noted that one was a legislative aide to James, another served on the Newark Planning Board, and at least two others had city jobs.

Others also accompanied the mayor. James typically traveled with police bodyguards,

aides and other city officials.

Christie declined to elaborate on the women's relationships with the mayor, but acknowledged that the indictment said James, who is married, shared a room with one of the women during at least one trip.

His ties to Riley, however, ran deeper, according to the indictment. A Jersey City resident, she once ran an upscale women's fashion store in downtown Newark and later opened a public relations firm, TRI, that leased a Mulberry Street office from the city.

In 1999, James allegedly arranged for Riley to begin purchasing Newark land, even though she had no development experience. The property included parcels that the city had agreed to sell at a discount to buyers who promised to redevelop them.

In the next six years, prosecutors said, the city sold Riley nine properties for approximately \$46,000, which she then resold for nearly \$700,000. During that same period, she allegedly donated several thousand dollars to the mayor's political campaigns.

Seeking to show James' influence on the transactions, the indictment described how the mayor, apparently upset with Riley, allegedly ordered subordinates in November 2002 to freeze one of her applications to buy land.

But their feud apparently thawed. Within months, she had more land proposals pending and arranged for a hip-hop group to donate \$10,000 to James' re-election campaign fund.

Riley also was charged with fraud for allegedly claiming she had no income so she could qualify for a federal housing subsidy. Prosecutors also said she filed false tax returns that understated her income. She was freed on \$100,000 bail.

Her attorney, Gerald Krovin, said Riley "looks forward to her day in court and to her ultimate vindication on these scurrilous charges."

James' attorney, Raymond M. Brown, declined comment.

Last week, James withdrew \$500,000 of the \$1.1 million he had amassed in a state retirement account he built up during 17 years as a teacher and administrator at Essex County College. With his indictment, James lost access to the \$629,000 balance, state Treasury Department spokesman Tom Vincz said.

Christie praised the investigators, particularly Assistant U.S. Attorney Judith Germano, Special Assistant U.S. Attorney Perry Primavera, and agents of the FBI and IRS.

Dozens of New Jersey elected and appointed officials have been charged with or

convicted of corruption in the past four years, but James remains among the most prominent. Dun, the FBI leader, noted that many mayors give away ceremonial city keys. "The activities alleged in the indictment today reflect not giving away keys to the city, but they are tantamount to giving away the city itself," he said, "and that indeed makes it a very sad day."

Staff writers Guy Sterling, Brad Parks, Katie Wang and Dunstan McNichol contributed to this report. John P. Martin may be reached at jmartin@starledger.com or (609) 989-0379; Ian T. Shearn may be reached at ishearn@starledger.com or (973) 392-1671.

NOTES: For full coverage go to www.nj.com/news/index.ssf/sharpe_james/

PHOTO CAPTION: 1. Former Newark Mayor Sharpe James, at right, walks to court before being indicted yesterday while, above, onetime traveling companion Tamika Riley is taken into custody after being indicted. 2. Former Newark Mayor Sharpe James is surrounded by news crews as he leaves the federal courthouse in the city yesterday. 3. Attorney General Ann Milgram listens yesterday as U.S. Attorney Christopher Christie discusses the charges. 4. After the indictment, James enters the FBI building in Newark yesterday with his attorney, Raymond Brown. **CREDIT:** 1. AMANDA BROWN/THE STAR-LEDGER JENNIFER BROWN/THE STAR-LEDGER 2. NOAH K. MURRAY/THE STAR-LEDGER 3. NOAH K. MURRAY/THE STAR-LEDGER 4. MATT RAINEY/THE STAR-LEDGER **GRAPHIC CAPTION:** 1. CHART: [Lucrative property deals](#) 2. LIST: **KEY PLAYERS** The federal indictment yesterday identifies only Sharpe James and Tamika Riley by name, but refers to others anonymously, describing them by their relationships. Here are some of the key players, none of whom has been charged with a crime, many of whom have been identified in earlier Star-Ledger stories and others are obvious based on the indictment.

Companion 1: She is believed to be Anthonyette Hunter. Appointed by James to the Newark Central Planning Board, she bought a condominium at a city-run auction seven years ago. Hunter, 38, recently became James' backyard neighbor and has bought and sold land in a South Carolina development at the same time as James. The indictment says James traveled with her to Myrtle Beach, S.C., and to Daytona Beach, Fla.

Companion 2: She is believed to be Jacqueline Shanks, 44. A former aide to James, she also worked for the city of Newark, but was fired in September 2006. The indictment says she traveled with James to Miami in 2003 and to Martha's Vineyard and Miami in 2004.

Companion 3: She is believed to be Veronica Awkard. A Maryland lawyer, she gained James' assistance two years ago in her fight to raze a landmark Newark building.

The indictment says she traveled from Maryland to San Juan, P.R., to meet James there.

Companion 4: The indictment says she lived in Trenton and traveled with James to Martha's Vineyard in 2003. Her identity could not be determined last night.

Companion 5: She is believed to be Diana N. Jarrell. The indictment says James met Jarrell, now 29, in the lobby of City Hall in early 2002 and told her to go to the city's employment office. She got a job — which she still has — on the city's Alcoholic Beverage Control Board in March 2002, according to the indictment.

Companion 6: She is believed to be Sedequa Scott. A 30-year-old Newark resident, she worked on James' Senate re-election campaign in 2002 and 2003, the indictment says. "I was nobody's companion," Scott said yesterday. "I have no comment."

Companion 7: A Linden resident, the indictment says she has worked for Essex County government from June 1994 to the present. The indictment says she traveled with James to Charlotte, N.C., in 2006. Her identity could not be determined last night.

The Close Associate: This is believed to be Johnny Jones. An Essex County freeholder, Jones is the former assistant director of Newark's Housing and Economic Development Department. The indictment says he traveled to Myrtle Beach, S.C., with James in 2003.

The family member/former chief-of staff: This is believed to be Jackie Mattison. A former Assemblyman and the cousin of James' wife, Mary, he was once James' chief of staff and closest confidant. In 1997, Mattison, who is now 57, was convicted of taking kickbacks and served 41 months at a federal prison camp. The indictment indicates he traveled with James to a college basketball tournament in 2004.

The deputy mayor: This is believed to be Al Faiella, a former deputy mayor and head of Newark's housing and economic development department for 25 years before he resigned in 2001. The indictment indicates Faiella began setting aside city-owned properties for her to buy after Riley asked James to intervene.

CREDIT:

1. THE STAR-LEDGER
2. JOE MALINCONICO AND IAN SHEARN/THE STAR-LEDGER

In city's housing boom, a select few cash in

Newark's no-bid contracts, discounts and tax breaks mean fast, fat profits for some unlikely home developers

By [IAN T. SHEARN](#) STAR-LEDGER STAFF

Over the past five years, thousands of multifamily homes have popped up on weed-strewn lots in Newark, transforming neighborhoods and creating legions of new homeowners.

The housing boom has been fed by favorable economic conditions and an aggressive redevelopment program city officials devised in 2000. Under the program, more than 3,000 surplus city lots have been sold to developers at cut-rate prices, helping fuel construction of more than 5,000 multifamily homes.

But even with real estate values soaring, the city is still discounting land, translating into big profits for the dozen or so developers who won most of the no-bid contracts.

And among the developers are a roster of people with close ties to Mayor Sharpe James and City Hall, including some with little or no development experience.

They include:

Jackie Mattison, the mayor's former chief of staff, who went to prison eight years ago on federal corruption charges. According to documents filed with the city, Mattison co-owns the development company that has bought 116 lots at a steep discount.

Manuel Rosa, a longtime James supporter and campaign contributor whose real estate firm employs the mayor's son, Elliott. Through a separate company, Rosa has bought and developed at least five dozen city parcels, netting millions of dollars in profits. Rosa also has acted as liaison between City Hall and other developers, and is the exclusive sales agent for many new houses.

Jacinto Rodrigues, a James campaign contributor who built 50 homes on five acres of city-owned land he bought for \$1. Rodrigues, one of the city's biggest developers, also is president of the bank financing a private real estate deal for the mayor.

Emilio Farina, a convicted cocaine trafficker and former aide to Councilwoman Bessie Walker. Farina is in the process of building 11 two- and three-family houses on

discounted city land. He also is one of three partners involved in a deal to build 2,000 condominiums on land the city said it will take through eminent domain.

By designating surplus lots as property in need of redevelopment - as it has done since 2000 - the city can sell the land without competitive bids. As recently as this year, the city offered developers vacant land for as little as \$4 a square foot.

By comparison, the average sales price of privately owned vacant lots in Newark this year is more than \$29.50 a square foot, according to a Star-Ledger analysis of all fair market transactions. The average since 1999 is \$16 a square foot.

Critics questioned why the land continues to be so heavily discounted.

"The real estate market in Newark is white-hot. The demand is here and there's competition," said Ray Codey, director of development for the New Community Corp., a nonprofit organization that has built thousands of housing units in Newark. "You don't need to induce people the way you used to."

UNSEEN PUBLIC RECORDS

Newark is not the only city to use discounted land to revive blighted neighborhoods.

Urban areas from Detroit to Indianapolis to Los Angeles have sold government-owned land cheaply. Those cities, however, offered subsidies to nonprofit developers or directly to prospective homeowners, who then hired their own builders.

In Newark, applicants ranging from small nonprofit organizations and church groups to established builders, such as Summit Real Estate Development Corp. of Westfield, have received discounted land.

Making redevelopment even more attractive, builders are routinely given variances that allow them to squeeze in more houses than zoning laws allow, while buyers are offered small down payments and five-year tax abatements to help them make their monthly mortgage payments.

Nathan Allen, who as director of the city's office of Housing and Economic Development reports to the mayor, chooses developers for projects. They then must be ratified by the city council, which routinely approves the recommendations.

City officials, including James, Allen and Council President Donald Bradley, did not respond to repeated requests for interviews. The city also has not complied with The Star-Ledger's request under the state Open Public Records Act for redevelopment proposals submitted by developers, as well as contracts and correspondence related to the land

sales.

Alfred Faiella, Newark's deputy mayor for economic development until 2002, has staunchly defended the housing strategy he developed. Auctioning land, he said, would be "shortsighted."

"We weren't there to make money on the land," Faiella said in an interview late last year. "We're in a race with time. We're 40 years late."

Several land-use experts disagree, saying other cities don't need such generous discount programs.

"Many urban communities are looking for ratables for abandoned and contaminated land," said Ra heemah Jabbar-Bey, chairman of the National Congress for Community Development and a professor at the University of Delaware's School of Urban Affairs and Public Policy. "But I've never heard of this approach."

It's an approach that has spelled big bucks to a clique of developers who are wired at City Hall.

QUICK MILLIONS

In a rundown section of the city's Central Ward, 18 multifamily houses currently under construction were each sold for \$495,000 before the foundations were poured.

The project, known as Blue Jay Homes, is being built by a company called ATS Development Group. ATS signed its first contract with Newark in 2001, just two months after the city ratified its East Ward Redevelopment Plan.

The owner of ATS, Antonio Pereira, ran an East Ward auto body shop until he got into the housing development business.

While state corporate filings list Pereira as the sole owner of ATS, documents obtained by The Star-Ledger show Mattison, the mayor's former chief of staff, has an interest in the business. According to a signed affidavit filed with the city in an unrelated zoning case, Mattison declared himself an owner of ATS.

A former assemblyman and a cousin of the mayor's wife, Mary, Mattison was convicted in 1997 of extorting bribes from an insurance vendor looking to land a city contract.

Mattison and Pereira also declined requests for interviews. Phone calls and registered letters to the two men seeking comment also went unanswered.

ATS has landed three redevelopment projects with the city - all involving cut-rate land

purchases from City Hall - that have generated millions of dollars in profits.

Blue Jay Homes, where units sold out before construction was finished, recorded \$8.9 million in sales. ATS' estimated cost for land acquisition, construction and overhead on the project was \$4.8 million, according to documents the company filed with the city.

ATS paid \$1 a square foot, or \$69,727, for the 28 Blue Jay Homes lots, according to city records. Two months before ATS closed on the property, property records show, another developer paid almost \$17 a square foot for a privately owned lot less than a block away on Hudson Street.

'THE OPPORTUNITY WAS THERE'

A common figure in ATS deals and other Newark redevelopment projects is Manuel Rosa, whom other developers hired as a liaison to guide their proposals through City Hall. He is also the sales agent for Blue Jay Homes, according to his real estate agency and signs at the construction site.

Rosa has long been an ardent supporter of James, vocally and financially - just as he was for Mattison when Mattison held public office. After his release from prison in 2000, Mattison worked out of Rosa's Belleville office, according to employees. Also working there was James' son, Elliott.

In addition to his real estate business, Rosa oversees his own construction deals in Newark using a company named Lilac Development, according to city documents.

Rosa did not return phone messages, and previously said he has no interest in speaking with The Star-Ledger.

Over the past five years, Rosa development companies have purchased 71 city-owned lots in six redevelopment projects, according to city records.

In the summer of 2003, for example, he teamed up with a longtime friend, John Lister, to purchase 13 city-owned lots for Brick City Homes. They paid \$129,624 - or \$4 per square foot - for the land assessed by the city at more than four times that price.

That same year, Rosa's company paid \$60,000 - or more than \$26 a square foot - for a single, privately owned lot on South 10th Street, according to property records.

The 11 two-family homes being built for the Brick City project are all under contract and will generate in excess of \$4.5 million in sales, Lister said. The estimated total development cost was \$2.2 million, according to an application Rosa and Lister filed with the city in 2003.

Rosa's attorney for the project is Betty Grayson, who has long been James' real estate lawyer, as well as Mattison and Pereira's.

Lister, a former substance-abuse counselor for Newark public schools, pleaded guilty in 1997 for submitting \$115,000 in bogus insurance claims. He avoided prison time by cooperating with authorities.

"I believe everybody stands a second chance," said Lister, who got into the housing development business four years ago. "The opportunity was there, and I took advantage of it."

THE BANK CONNECTION

The \$2 million construction loan for Rosa's Brick City Homes project came from Crown Bank, whose chairman is Jacinto Rodrigues, another developer with close ties to City Hall.

In 2000, Rodrigues paid \$1 for 4.7 acres of city-owned land in the Ironbound, the city's hottest real estate market. The land was assessed at \$390,000.

Using a construction loan from his bank, Rodrigues then built 50 identical two-family houses. The project, known as Sumo Village, generated more than \$17 million in sales, according to state property records.

To illustrate the escalating demand in the Newark, one of the Sumo Village homes that sold for \$290,000 in 2001 is now on the market for \$529,000.

Rodrigues also did not return phone calls requesting comment. There was no response to questions faxed to his office.

Last year, the city sold Rodrigues an additional 1 1/2 acres for Sumo Village X, a development of 10 two-family homes just north of Route 78. This time Rodrigues paid \$4 per square foot, or \$266,700, for land assessed at nearly three times that amount. Crown Bank supplied a \$6.5 million construction loan for the project, according to county real estate records.

Last year, Crown Bank gave James and his wife a \$1.95 million mortgage - using their South Ward home as collateral - that the mayor used toward the purchase of a downtown Newark office building, according to deed and mortgage records. The bank also gave the mayor's other son, John, a mortgage for a home in Toms River.

POSITIVE THINKING

Fifteen years ago, Emilio Farina was convicted of selling cocaine in the city's East Ward. Today he has established himself as one of Newark's more successful developers.

Farina also refused to comment for this story, referring questions to his publicist, Pat Smith of Rubenstein Associates. Smith confirmed Farina has built 20 homes on land he purchased from the city. He declined to discuss Farina's criminal past.

In 1991, Farina was arrested in a State Police investigation called Operation Hacksaw. He was convicted of distribution and conspiracy in what authorities said was a multimillion-dollar drug operation. He was sentenced to six years in prison, serving six months.

Over the next decade, he worked as an aide for City Councilwoman Walker and, according to several acquaintances, found the power of positive thinking through self-help guru Tony Robbins. He now holds a real estate license and is a licensed mortgage banker, according to an application he filed with the city.

In 1999, he established the first of 18 limited liability corporations to handle his real estate ventures. Last year, one of those companies - the Newark Redevelopment Corp. - bought 12 lots in the East, North and Central wards for \$178,731, or one third of the assessed price. The company is in the process of building 11 multifamily homes there, which brings to 20 the number of houses Farina's firm has built on former city land.

Last month, the city council approved a \$550 million development project on Mulberry Street that would construct 2,000 condominiums near where the new arena for the New Jersey Devils is being built. The city has said it will use its powers of eminent domain to seize up to eight more acres of land to accommodate the project, in which Farina is a principal.

Last year, Farina teamed with Randy Faiella - wife of Alfred Faiella, the former deputy mayor for redevelopment - for a 49-townhouse project near the train station in Union. Alfred Faiella is the developers' attorney in the deal. Farina's company is also slated to build more condominiums and a hotel next to the train station.

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PHOTO CAPTION: 1. A view of Sumo Village homes in the Ironbound. The developer, bank chairman Jacinto Rodrigues, paid \$1 for the land in 2000. 2. These Jay Street homes were built by ATS Development Group, partly owned by former mayoral chief of staff Jackie Mattison. ATS paid \$1 a square foot for land; buyers snatched up homes before they were built. **CREDIT:** 1. JERRY McCREA / THE STAR-LEDGER 2.

Date: 2005/12/04 Sunday Page: 028 Section: NEW JERSEY Edition: FINAL Size: 667
words

How Newark became a hotbed of cookie-cutter, multifamily housing

By [IAN T. SHEARN](#) STAR-LEDGER STAFF

In the summer of 1972, Alfred Faiella took a summer job in the Newark tax collector's office.

In a city that had been ravaged by riots five years earlier, his responsibility was to help with the onslaught of 1,110 foreclosure notices before he returned to Seton Hall Law School to get his degree.

Twenty-six years later, Mayor Sharpe James asked him to come back and do something about all those foreclosed properties, which had grown to more than 4,000. As director of Housing and Economic Development, Faiella devised a plan to offer developers land for \$1 square foot, as opposed to auctioning it.

"Make it attractive enough," he said, "and developers are the greatest people in the world."

Soon, cookie-cutter houses were shooting up all over Newark, most designed by the same architect, carrying two floors of living space atop a garage and rear apartment. Between 2000 and 2004, the city issued 6,346 residential building permits - almost triple the amount issued the previous five years. Most were for multifamily houses.

"It's a formula from the turn of the century," said Dennis Gale, an urban planning expert at Rutgers University, recalling the triple-decker row houses of New England, where immigrants used one floor for their parents and rented out the third floor.

Taking advantage of government-backed mortgages, banks working with the developers came up with financing arrangements that allowed purchasers to put little or no money down. Buyers were given five-year tax abatements, with rental income from the property intended to cover mortgage payments.

The real success of the program, Faiella said, can be seen in the new homes in less-desirable neighborhoods, particularly the South and Central wards.

That's no accident, Faiella claims. He said he told developers, "If you don't develop in the South and Central wards, you don't get the North or East wards."

But the program has critics.

The nearly identical multifamily "snout homes" are going up without any semblance of planning, they say.

"What's going on in Newark is troublesome compared to other cities," said Ronald Anglin, director of the New Jersey Public Policy Research Institute. "The houses are going up very quickly. There seems to be shoddy work. Ten years from now, these buildings are going to be ugly."

In addition, Anglin said some nonprofit organizations in Newark are upset because they "are not part of the deal." New York City, he said, works predominantly with nonprofit organizations, which give the city better returns on the sale of its properties.

The liberal use of tax abatements for market-rate housing is "characteristic of Newark and very few other places," said Anne Babineau, a land-use attorney for Wilentz, Goldman & Spitzer in Woodbridge. "Usually five years is not enough to make a difference," she said. The sole purpose of the tax abatement, she said, is to induce people to buy.

This no longer seems to be a problem. New homes are fetching \$500,000 and \$600,000 in questionable neighborhoods. And many are being sold pre-construction.

Even with the prospect of rental income, the affordability of the homes may be an illusion, some critics say.

"I see people buying houses on very thin ice," said Raymond Ocasio, executive director of La Casa de Don Pedro, a Newark-based community development group that builds affordable housing. "They are using every trick in the book to make housing affordable."

Ocasio said new owners are charging upwards of \$1,000 a month in rent, then often illegally converting the space behind the garage for an additional apartment to gain income to cover their mortgage.

Add it all up, Ocasio said, and the city's lack of planning is headed for disaster.

"The train is running crazy out there," he said, "and we're trying to figure what kind of

tracks there should be."

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Ex-con regains a VIP air in Newark

Former James aide hits pay dirt as businessman

By [IAN T. SHEARN](#) STAR-LEDGER STAFF

Five years ago, Jackie Mattison was in exile, finishing a three-year federal prison term for extorting bribes while he was chief of staff for Newark Mayor Sharpe James.

Today, Mattison has regained his VIP status in City Hall, bypassing the metal detectors and strolling into offices and corridors off-limits to the public. Still soft-spoken and dapper, Mattison now is an entrepreneur, prospering in Newark's exploding real estate market and capitalizing on contacts made before his fall from power.

During a seven-week period this year, the 55-year-old Mattison made at least \$1 million in three transactions, each time buying land, obtaining the necessary city approvals and permits, and then selling for big profits without building anything, according to public records and interviews with business partners.

Mattison recently opened an office across the street from City Hall and moved into a house seven doors down the block from the mayor's South Ward home. He has partnered with successful Newark developers — including some who have profited by buying city-owned land at low prices and building the multi-family houses popping up like mushrooms in recent years.

The use of limited liability corporations, or LLCs, to buy and sell these properties makes it difficult to decipher Mattison's real estate dealings. Under state law, such corporations are not required to divulge information about their owners, assets or transactions. Only by piecing together state corporation records, county mortgages and deeds, and city planning board records is it possible to track some of Mattison's activities.

Leaving his new Franklin Street office recently, Mattison declined to be interviewed. Asked why, Mattison replied politely, "Because I don't have to."

James, whose wife Mary is Mattison's cousin, also declined a request for an interview.

In the 1990s, Mattison was among several Newark officials swept up in a federal investigation. Two council members, as well as the police director, were also convicted on corruption charges as a result of that probe.

When FBI officials raided Mattison's home two months before he was indicted, they found \$156,000 in cash stashed under the floorboards in his attic. He was charged with extorting payments from an insurance broker seeking a large city contract. After a lengthy trial, he was convicted in October 1997 and left prison in October 2000.

Upon his release, Mattison started working in an office supplied by Realtor Manuel Rosa, a James supporter and one of the city's leading developers of cityowned property. He also joined forces with Antonio Pereira, an auto body shop owner who also has become a prolific builder of multifamily homes in Newark. Pereira also is a longtime supporter and campaign contributor to James and Mattison, who was an Assemblyman in the 1990s.

In December 2000, one of Pereira's companies, ATS Development, bought a foreclosed property at 100 Rose Terrace in the city's West Ward for \$26,500. On March 9, 2005, Pereira sold the property for the same amount to Liberty Realty Consultants, a company registered to Mattison, which used Pereira's auto body shop as its official address, according to real estate and state corporation records.

Hours later, Mattison sold the house to a New York couple for \$299,000.

A footnote on the deed explains Pereira sold the property for the same price four and a half years later because Mattison's Liberty Realty Consultants was "the actual original purchaser."

However, public records show Mattison's company wasn't formed until three months after ATS originally bought the property.

Bette Grayson, whose law firm represented both Mattison and Perira at closing, said the language in the deed was based on what the two men told her.

Asked about the discrepancy in dates, Grayson said, "Sometimes there's confusion."

Asked why Liberty would pay ATS for property it already owned, she replied, "I don't know. You'll have to ask them."

Pereira refused to discuss his real estate dealings.

"I don't have no time to talk to you. Why should I?" he said in a telephone interview. "Let me ask you this: What do I make out of that? What are you guys going to pay me?"

A DEAL IN THE EAST WARD

Pereira teamed with Mattison in another real estate deal two years ago.

In July 2003, a company called Jomato LLC bought a vacant acre of land on Camp Street in the city's East Ward from PSE&G for \$392,000. The company, records show, consisted of four partners: Mattison, Pereira, and two former PSE &G managers — José Torres and Arthur Coughlin. Torres' energy consulting company still has a contract with the utility that pays about \$10 million a year, according to PSE&G.

Paul Rosengren, a PSE&G spokesman, said the group received no special considerations. He said a private appraiser hired by PSE &G valued the property at \$350,000, and Jomato's was the higher of two bids.

According to public records, the company's appraisal was significantly lower than the city's assessment of \$1.1 million at the time of the sale.

In an interview, Torres said he brought Mattison and Pereira into the deal because he lacked experience developing property.

"They know the right people," Torres said. "They were supposed to get all the approvals."

In November 2004, the Central Planning Board approved Jomato's application to subdivide the property for 13 three-family dwellings. This February, it gave final approval for the development plan. Mattison's signature appears on the official site map filed in City Hall, signifying he submitted the map and vouched for it.

After the approval, Mattison and his partners sold Jomato — and along with it, the deed to the Camp Street property — to local developer José Rei, March 23 this year. While there is no public record of the transaction price, Torres and Coughlin confirmed they received a total of \$3.2 million. The proceeds were divided equally among the four partners, they said.

Mattison and Pereira also bought and sold land in the city's North Ward in the same manner. On July 25, 2003, a company called AMD purchased a fire-damaged house on Beaumont Place for \$160,000.

KEY APPROVALS

AMD partners included Mattison and Pereira, according to state records. The plan was to

raze the damaged house and build three two-family dwellings, according to documents filed with the city.

Before they could proceed, Mattison had to petition the Newark Landmarks & Historic Commission because the property is in a historic district. Despite some public opposition, the commission approved the project on April 6, 2004. Also speaking in support of the project, according to people at the hearing, was Rosa, who supplied Mattison office space after he was released from prison.

Approval to demolish the home was granted two weeks later.

With those key approvals in place, partners Mattison, Pereira and John DePinho then sold AMD — along with the title to the Beaumont Place property — to a group of five investors sometime during the next nine months.

Neither the date of the sale nor the price is listed in any public records, but on Feb. 10, the new group obtained a mortgage on the property for \$1.1 million. It was not the first time a City Hall insider has been involved in lucrative property deals with developers.

In 2002, Johnny Jones, the city's assistant director of development and president of the Essex County freeholders, made thousands of dollars on a weed-choked lot and garage in Newark's North Ward.

Jones and his partner, former Essex County Counsel Francis J. Giantomasi, who at the time was freeholder counsel, secured an option to buy the surplus property from Waste Management Corp. for \$240,000, then sold it to a developer months later for twice that amount.

The complicated deal, described in a 2004 story in The Star-Ledger, left no public record of the transaction. Jones declined to discuss the deal, while Giantomasi, who since resigned as county counsel, defended the transaction as legal and above board.

Rosa, also a James supporter, said Mattison's business dealings were "not your concern or business."

"Leave the man alone," said Rosa. "He's paid his dues."

PHOTO CAPTION: 1. Back from prison, Jackie Mattison has opened an office across from City Hall, where he again enjoys access unavailable to most of the public. 2. MATTISON 3. ROSA 4. PEREIRA **CREDIT:** 1. TONY KURDZUK/THE STAR-LEDGER **GRAPHIC CAPTION: LIST: \$1 million in seven weeks** During a seven-week period this year, Jackie Mattison, a convicted felon and former chief of staff for Newark Mayor Sharpe James, has made more than \$1 million from three real estate

deals. **March 23, 2005:** Mattison and partners sell a real estate company they own to a local developer for \$3.2 million. With the company comes a deed for an acre of land in Newark's East Ward, which they purchased earlier for \$392,000. They obtained planning board approvals to subdivide the property, but made no other improvements. **March 9, 2005:** A company controlled by Mattison buys a West Ward property for \$26,500. On the same day, he sells it for \$299,000. **February 2005:** Mattison and partners sell a company called AMD LLC, which holds title to a lot in the North Ward, to a developer. Their initial investment was \$160,000. Amount of sale is unknown, but the new development group obtained a \$1.1 million mortgage on the property. **CREDIT: THE STAR-LEDGER**

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Company targeted by EPA hires Whitman

Ex-cleanup czar joins other side in arsenic talks

By [IAN T. SHEARN](#) STAR-LEDGER STAFF

Christie Todd Whitman can't seem to get away from arsenic.

As head of the Environmental Protection Agency, she sparked a national furor four years ago when she balked at toughening standards for arsenic levels in drinking water. Now, the former New Jersey governor has opened a consulting firm whose first client is a chemical company negotiating with the EPA over the cleanup of arsenic-contaminated soil at a factory near Buffalo, N.Y.

Whitman said last week she has not had any personal involvement with her client, FMC Corp., though she said she probably would get involved in the future helping them with "how to improve their image" and with "access to the people they need to speak to."

She also insisted she will never represent any company looking to dodge environmental responsibilities. But her transition to a private lobbying/consulting business after leaving the EPA in June 2003 is viewed with concern and skepticism by some.

"It's a little offsetting when government officials start working for the companies they were regulating," said Bill Allison, spokesman for the Center for Public Integrity, a watchdog group that recently finished an analysis of the effect of lobbyists in Washington, D.C. "It does raise the question of how troubled she was about environmental policies at EPA."

Based in Philadelphia, FMC makes chemicals and pesticides around the world, generating revenues of about \$2 billion a year. It is responsible for 136 Superfund sites across the country - including one in Franklin Township, Somerset County - and has been subject to 47 EPA enforcement actions, according to the EPA.

During the past seven years, it has spent more than \$16.5 million on lobbying, mostly for environmental and Superfund issues, according to the Center for Public Integrity. It has employed 118 lobbyists during that period, many of whom formerly worked for Congress or the federal government, they said.

So why does FMC need Christie Whitman?

"Because they don't have a former EPA administrator yet," said Eric Schaeffer, who worked under Whitman as director of EPA's office of regulatory enforcement. He resigned in March 2002, he said, because "there was too much inside corporate access to the EPA."

Now the director of the Environmental Integrity Project, Schaeffer said he is aware people need to make a living, but is concerned with Whitman's move: "It's discouraging to see top officials move so quickly to the corporate side . . . to nip at the heels of rules they just wrote."

Whitman's firm will work with FMC on its Middleport, N.Y., plant, where more than 50 years of manufacturing pesticides have left about 12,000 tons of toxic chemicals and 450 tons of arsenic in the ground, environmental officials said.

FMC entered into a consent order with the EPA in 1990 to determine the scope of the pollution and devise a cleanup plan. That mission remains incomplete, though the company has undertaken testing and some intermediary actions to reduce health hazards. A lawsuit filed by local residents is pending in federal court there, alleging environmental and health damages as a result of FMC's reluctance to properly clean the site.

Thus far, the only partner at Whitman's firm who has worked with FMC is Eileen McGinnis, Whitman's chief of staff at the EPA.

McGinnis said she retained FMC as a client shortly after she resigned from the EPA in February 2003. At the time she was a principal at T-CAP Partners, a New Jersey lobbying and consulting firm, whose other partners included Mike Torpey, former

Whitman gubernatorial chief of staff, and Pete McDonough, Whitman's director of communications in Trenton.

McGinnis brought FMC as a client when she joined Whitman's new firm, Whitman Strategies Group, in December.

After getting approval from the EPA ethics office, she began lobbying on FMC's behalf with high-level staffers in the EPA's regional and Washington offices, she said. She lobbied EPA while her longtime colleague and personal friend, Jane Kenny, was EPA Region 2 administrator. Kenny left the agency in November 2004 and also became a founding partner in Whitman's firm.

Both McGinnis and Kenny said they never discussed FMC while Kenny was at the EPA. "I never even knew when she was in the building," said Kenny, who is also registered to lobby on FMC's behalf.

The other two partners in the firm - Jessica Furey and Susan Spencer, both of whom worked for Whitman at the EPA - are also registered as lobbyists.

Kenny said she had no involvement with the FMC when she was with EPA, though she was probably briefed from time to time by her staffers. She also said she has had no involvement with the FMC account since joining Whitman Strategy Group, but didn't rule out working with them in the future. She said she will comply with the EPA ethics officer's recommendation that she not lobby the executive branch of the federal government for two years.

McGinnis, who called FMC "a good corporate citizen," said her role is to help the company understand the way EPA works and assist them in defining the parameters of the cleanup. "If I thought they were trying to hire us to avoid compliance, I would never have accepted," she said.

Brian Vain, the plant manager in Middleport, said FMC's dispute with the EPA is over what level of arsenic in the soil should trigger a cleanup. At stake is millions of dollars of additional cost for FMC. They are not close to agreement, he said.

That's why they hired McGinnis, he said: "To help us navigate the regulatory process."

In the meantime, FMC has voluntarily cleaned up 14 homes and some adjacent property.

Walter Mugdan, the EPA official overseeing the cleanup, said FMC has been generally cooperative in working with regulators. He said the testing process has taken too long, but otherwise "they (FMC) have done what we've asked."

Some Middleport residents disagree. Diane Hemmingway, who has been fighting FMC since an accidental chemical release in 1984 forced the evacuation of her children's school, said the company's problems go back decades.

Asked how she would characterize FMC as a corporate citizen, Hemmingway said, "On a scale of one to 10? Minus 100, in responsibility and responsiveness."

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PHOTO CAPTION: 1. The Royaltan Hartland softball team runs laps at the school field and in the shadow of chemical producer FMC Corp. of Middleport, N.Y. 2. WHITMAN 3. KENNY

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U.S. attorney's brother pumps cash into GOP

Younger Christie now a big-time donor

By [IAN T. SHEARN](#) STAR-LEDGER STAFF

Chris Christie had to change some old habits when he was sworn in as U.S. attorney 2 1/2 years ago. No more political functions. No more raising hundreds of thousands of dollars for George W. Bush. And no trip to the Republican National Convention last week in New York.

For "Big Boy" - as Bush likes to call him - it was Christie's fund-raising muscle that gave him the edge for the presidential appointment. Strict guidelines governing U.S. attorneys, however, brought those activities to an abrupt halt.

But as Christie entered a life of political abstinence, his younger brother Todd, a multimillionaire living in Mendham, emerged as a major GOP donor and fund-raiser.

Since the summer of 2001, when Chris Christie was lobbying to become U.S. attorney, Todd Christie and his wife have donated more than \$400,000 to various GOP coffers, an examination of campaign finance documents shows. By comparison, the couple had donated less than \$12,000 in total to various Republican causes in the three years before Chris began seeking the U.S. attorney's post.

Todd Christie, 39, also has been raising funds for Bush and showing up where his 41-year-old brother no longer can. Last week, he attended several exclusive parties at the Republican National Convention.

A member of the Republican National Committee's "Team 100" (donors who crack the \$100,000 mark) Todd Christie was afforded VIP treatment at the convention. He also was often seen in the company of William Palatucci, Chris Christie's good friend and former law partner.

This upturn in political activity by the U.S. attorney's brother energizes speculation in political circles that Todd Christie, with a guiding hand from Palatucci, is acting as a stalking horse for his brother - feathering the right nests and rubbing the right elbows to set the stage for a Chris Christie run for governor in 2005.

While Chris Christie says "these conspiracy theories do not comport with reality," Todd Christie is unapologetic about his newfound political life.

You want to do everything you can to stay active at a time when he can't," Todd said. "I'm not shy in saying I'm one of the people who chirps in his ear that I think he would make a great governor."

Asked how his brother responds, Todd Christie says: "Does he want it? Who wouldn't want to be the most powerful governor in the country?"

Todd Christie offers this simple explanation for his emergent political activity: He came into a large sum of money - \$100 million - in the fall of 2000 when Goldman Sachs purchased his Wall Street firm, Spear, Leeds & Kellogg. That gave him plenty of extra cash to spend for a president and Republican Party he admired.

As for his sizable donations to state Republicans, he says much of that was because family friend Sen. Joseph Kyrillos (R-Monmouth) became the party chairman in the spring of 2001.

There is nothing illegal or even improper about Todd's activity, unless Chris Christie is a collaborative participant. But critics say it's precariously close to the line of propriety. The discussion carries even more weight in New Jersey because Christie has made political corruption prosecutions a priority, and many of them target people surrounding Gov. James E. McGreevey.

"A U.S. attorney should be circumspect about his family members' role in the political process while you have the power of grand juries, subpoenas and search warrants at your disposal," said Michael Murphy, the former Morris County prosecutor and once Democratic gubernatorial candidate. "It has the potential to harm the process and at the very least, cast a shadow over the impartiality of the process."

Todd Christie's political activity has not been limited to his own checkbook.

He has teamed up with Palatucci and longtime GOP fund-raiser Jon Hanson to raise money for the Bush campaign. The three are approaching Bush's "Super-Ranger" status, Palatucci said, closing in on \$300,000.

Nor has that activity been limited to money.

During a state-level conference call in July, Todd listened as top Republicans strategized fund-raising and ways to discredit McGreevey. The call came a month before the governor resigned with the admission he had an affair with a male aide.

Four days earlier, on July 13, Todd attended the annual state GOP fund-raising gala in Edison. He was a member of the event's Host Committee and sponsored a booth at the boardwalk-themed event, selling "Christie's Popcorn."

The event began just hours after McGreevey's top fund-raiser, Charles Kushner, appeared in federal court, charged by Chris Christie's office with obstructing a federal probe into his campaign finance practices. A week earlier, Christie's office indicted another McGreevey fund-raiser, charging him with extorting political donations for political favors.

Palatucci, 46, of Westfield, couldn't resist the timing when he addressed the crowd.

"What a great crowd we have here," Palatucci said. "It's amazing what a few indictments will do."

Palatucci's remark infuriated Democrats, renewing charges from as high as the governor himself, that Chris Christie was running a smear campaign against McGreevey.

Palatucci remains politically active in New Jersey and is viewed as a candidate to succeed Kyrillos this year as head of the state party. That raises eyebrows in the expanding world of Christie watchers.

He and his brother are "extraordinarily close," Chris Christie said. "Other than my wife, Todd is my best friend."

Todd has supported his brother's political campaigns going back to the days when they both attended the University of Delaware and Chris ran for a seat on the student government there. He also helped him, financially and otherwise, in his campaigns for Morris County freeholder in the mid-'90s.

Todd Christie, who lives in a \$3 million home in Mendham, three miles from his brother, believes his brother will make a gubernatorial decision no later than Thanksgiving. Chris Christie refuses to be pinned down to a deadline, other than that it will be sometime after the presidential election. The filing deadline is in April.

"I want to talk with the White House and see if they want to keep me," Chris Christie said. "Maybe the president would want me to do something else. . . . I'm not going to put the cart before the horse."

Still, the gubernatorial rumors persists in large part because Chris Christie refuses to put them to rest. He insists he will do his job and the future will take care of itself.

"It is of no moment to me," Christie said. In New Jersey, "things can change quickly."

PHOTO CAPTION: Todd Christie, center, leaves his hotel during the Republican National Convention. "I'm not shy in saying I'm one of the people who chirps in (Chris') ear that I think he would make a great governor," he said. **CREDIT:** JENNIFER BROWN/THE STAR-LEDGER **GRAPHIC CAPTION:** LIST:

The Christie brothers' largesse

Todd Christie's campaign donations took an abrupt upturn in the summer of 2001, right at the time his brother Chris emerged as a candidate for U.S. attorney. Chris Christie had to stop political donations and fund-raising when he was sworn in on Jan. 17, 2002, but his brother's money kept flowing. Some highlights:

* In June of 2001, Todd and Theresa Christie each gave \$32,000 to the N.J. Republican State Committee, and spread around another \$11,400 to various Republican war chests.

* On Nov. 2, 2001, Todd Christie sent a \$17,000 check to the Burlington County Republican Committee. The month after his brother was sworn in, Todd Christie gave \$25,000 to the N.J. Republican State Committee.

* On April 22, 2002, Todd Christie gave \$225,000 to the obscure Republican National State Elections Committee. That donation earned him a barbecue with President Bush at his Crawford, Texas, ranch. (Two months later he cashed in on 3,199 shares of Goldman Sachs stock for \$228,568. A month after that, he sold 10,000 shares for \$729,500.)

* In January 2003, he gave another \$25,000 to the Republican State Committee; in May he gave \$25,000 to the RNC. In October, he gave \$10,000 to the Assembly Republican Majority committee. This year, he has given \$25,000 donations to both the Republican State Committee and the RNC.

CHART: [Christie brothers' contributions](#) **CREDIT:** THE STAR-LEDGER/SOURCE: Federal Election Commission, N.J. Election Law Enforcement Commission.

U.S. attorney's brother faces charges of fraud

SEC says trader [Christie](#) bilked customers

By [IAN T. SHEARN](#) STAR-LEDGER STAFF

[Todd Christie](#), younger brother of New Jersey U.S. Attorney Christopher [Christie](#), was among 20 former Wall Street specialists accused yesterday of fraudulent trading practices.

Fifteen of the 20 specialists also were indicted on criminal charges by the U.S. Attorney's Office in Manhattan for the same practices. Four of the five who were not indicted worked for Spear Leeds & Kellogg Specialists, including [Christie](#), who was the firm's co-chief executive officer.

"The conduct here was quite egregious," said David Rosenthal, an associate regional director for the Securities and Exchange Commission. "[Christie](#) was one of the worst."

According to the SEC, [Christie](#) committed more than 1,000 improper trades between January 1999 and March 2003, generating "riskless profits" of more than \$1.59 million for Spear Leeds at the expense of his customers.

In addition, [Christie](#) was involved in 600 trades that resulted in losses of more than \$1.4 million to his customers, the SEC charged.

Among the 15 indicted was Robert Johnson, a Spear Leeds specialist who allegedly generated profits for the firm in excess of \$350,000 and generated more than \$380,000 in "customer harm."

Johnson engaged in trading practices similar to those [Christie](#) is accused of committing, the SEC said.

A spokesman for the U.S. Attorney's Office in Manhattan declined to say what the criteria for indictment were, or whether [Christie](#) cooperated with the investigation. "We

cannot answer those questions," said David Esseks of the U.S. Attorney's Office securities and commodities fraud unit.

Telephone messages left at [Christie's](#) Mendham home, his attorney's office and Johnson's attorney's office went unanswered yesterday evening. Johnson and nine of the other specialists named in the SEC order reside in New Jersey.

[Christie](#), who abruptly resigned from Spear Leeds & Kellogg in 2003 as the SEC investigation became public, attracted attention in political circles shortly after his departure by donating more than \$400,000 to various Republican organizations when his brother was contemplating a New Jersey gubernatorial bid. [Christie](#) said he received \$100 million when his company was purchased by Goldman Sachs in the fall of 2000. That windfall, he told The Star-Ledger last year, was what allowed him to make sizable donations to the Republican National Committee and various NJ GOP causes.

U.S. Attorney Christopher [Christie's](#) spokesman declined comment on yesterday's development.

On the SEC charges, each trader faces the prospect of returning any ill-gotten gains for which they personally benefited, stiff fines and a lifetime prohibition from trading on Wall Street. On the criminal charges, each defendant face up to 20 years in prison and fines up to \$5 million.

"These defendants broke the rules repeatedly, they cheated the markets and they cheated the investors who relied upon them," said David N. Kelly, U.S. attorney for the Southern District of New York.

Yesterday's criminal charges were the byproduct of a civil case against seven Wall Street firms that employed the traders in question, known as specialists. Those specialist firms paid a total of nearly \$250 million to settle charges of improper trading. In that civil case, the SEC accused Spear Leeds of causing nearly \$29 million of harm to its customers. The company was ordered to pay penalties of \$16.5 million to the SEC.

Specialists run the open-outcry auctions on the floor of the New York Stock Exchange and are charged with maintaining an orderly market. With expertise in specific stocks, they match buyers and use their firm's funds to buy shares when nobody else wants to buy and to sell shares from their own inventory when nobody else wants to sell. The purpose is to keep prices from fluctuating too dramatically.

In both the criminal and civil charges presented yesterday, the traders were accused of, among other things, filling customer orders from their firm's own account when they could have matched them through other customer orders. In the process, they were making guaranteed profits for their company, and thus themselves, officials said.

"Over time, these small thefts accumulate into large profits that translate into higher compensation and bonuses for specialists who execute the trades," U.S. Attorney Kelley said.

[Christie](#) was a specialist in IBM, AOL and AIG stocks. One example cited in the SEC order details how [Christie](#) was able to make a \$575 profit for his company in just six seconds. Rather than match willing sellers and buyers, [Christie](#) sold more than 10,000 shares of AOL the company owned, then replenished them at a lower price. His customers lost money, and his company received a guaranteed profit, the SEC contends.

The NYSE's regulatory enforcement arm also announced charges against 17 former specialists, including those indicted, in connection with the case.

Responding to the SEC charges and settlement, NYSE Chief Regulatory Officer Richard Ketchum noted that the exchange revamped its enforcement arm starting in late 2003.

"The New York Stock Exchange accepts and acknowledges the SEC's criticisms," Ketchum said. "Our board and entire organization are committed to take whatever additional steps are necessary . . . to meet our surveillance and enforcement obligations.

Specialist firms have changed, as have we."

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PHOTO CAPTION: 1. Wall Street specialist [Todd Christie](#), center, on the floor of the New York Stock Exchange, is accused of committing more than 1,000 improper trades between January 1999 and March 2003. **CREDIT:** 1. ASSOCIATED PRESS FILE

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With ID swipe, Big Brother bellies up to the bar

By [IAN T. SHEARN](#) STAR-LEDGER STAFF

It's College Night at KatManDu, a popular Trenton nightclub, and the late-arriving crowd is predictably young.

Bouncers pat down male patrons and politely ask for IDs. They swipe everyone's driver's license through a small, yellow electronic box that reads a bar code and instantly displays the customer's age.

Club managers love the gadget, and it's rapidly becoming standard issue at the bigger clubs in Manhattan, New Jersey and elsewhere.

But the box does more than just check birth dates. It also retains the customer's name, address, license number - even height, weight and eye color. All that information then can easily be downloaded into a computer system.

Most patrons have no idea their information is being electronically stored - nor are they asked if they mind.

"Why do they need it?" asked Tara Fort, a 22-year-old customer from Hamilton Township, who became agitated when told the scanning device was storing personal information.

"They probably want to send you a bunch of crap you don't want. . . . At least tell me you're taking my information."

While federal law prohibits sharing or selling data from driver's licenses, there is nothing on the books in New Jersey preventing bars from collecting and storing it.

A handful of states - including New Hampshire, Texas and Nebraska - have outlawed the practice, but a spokesman for the New Jersey Attorney General's Office said the issue has never come up.

Joseph Surdo, a manager at KatManDu, said his club has built a database of more than 15,000 names in a year, but he stressed the information is used only for in-house promotional purposes. "I don't sell the list," said Surdo, the club's director of marketing and entertainment, adding that only two other employees had access to the information.

Such assurances don't mollify some privacy advocates, who see the potential for identity theft or the illicit sales of such lists.

"If the information is gathered, someone somewhere will use it for reasons it wasn't intended," said Melissa Ngo, staff counsel at the Electronic Privacy Information Center, a

nonprofit group in Washington, D.C. "This is about taking your information without your consent. It can be misused and abused."

That is exactly why New Hampshire passed a law preventing the scanning of driver's licenses, Rep. Neal Kurk said.

"That bill was part of a decade-long effort to ensure the driver's licenses are used only for the purpose for which they were intended, which is to operate a motor vehicle," said Kurk, a Republican and 20-year member of the state's House of Representatives. "Privacy is very fragile and very easily lost."

Privacy was not a big concern for most of the two dozen or so patrons recently interviewed at KatManDu; few expressed reservations about having their licenses swiped.

"I don't see no problem," said Dan Slaiciunas, 22. "That happens every day on the Internet. Any hacker can get the information anyway."

Joe Tripician, a New York filmmaker and Web media executive, said such reactions aren't surprising from a generation accustomed to sharing personal information on Web sites such as Facebook.com and MySpace.com.

"The kids don't care," Tripician said, "because only old people like you and me suffer from the illusion of privacy these days."

Mark Baughman of TriCom Card Technologies, the California company that makes the \$1,500 scanners used by KatManDu and other clubs, said most customers want the devices for age-verification purposes. But they become more interested when they see marketing possibilities, he said.

"With two clicks, I can have the list they want and mailing labels ready to print in four minutes," Baughman said.

Club owners and manufacturers also contend the computer's ability to tag problem customers helps keep an establishment safe.

A scanning system sold by Barlink, a Canadian company, allows clubs to tap into a central database and identify unruly patrons who may have been banned elsewhere, said Brad Hartford, the company's owner.

The technology's public safety benefits outweigh the risks, Hartford said, and are a compelling reason to retain the data.

Ngo, of the privacy-information center, disagreed.

"There are ways to ensure security without violating the privacy rights of every customer," Ngo said. "But if that's what they want to do, then tell their customers, . . . 'If you want to come into this club, we are going to swipe your license, and we're going to keep it in our computer for X years.'"

Brooke Singer, a professor of new media studies at the State University of New York/Purchase, said she first became aware of such devices four years ago, when her license was swiped at a state-run liquor store in Pittsburgh. She said she later learned the Pennsylvania Liquor Control Board kept a database of everyone who buys alcohol from state-run outlets.

Her interest piqued, she decided to investigate the practice. Backed by grant money and donations, Singer and partners created a traveling faux-bar where they served drinks and educated their customers about the power of the swipe. All the people who came in had their licenses scanned and, with the assistance of a little "pre-data mining," soon viewed more information about themselves than they could have imagined was out there.

Tapping into Census data and other free databases, Singer was able to show her swiped patrons their profiles on a flat-screen TV behind the bar. A map showing the location of their home. Their likely income range. Their consumer behavior.

"This," Singer said, "is just the tip of the iceberg."

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PHOTO CAPTION: 1. A security person at the nightclub KatManDu in Trenton inserts a New Jersey driver's license into the ID reader at the front door. 2. Tara Fort, 22, of Hamilton, at KatManDu bar in Trenton asks, "Why do they need it?" of her personal information retained by the tavern after her ID is swiped. **CREDIT:** CIE STROUD/FOR

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License scanning is illegal, state says

Bar must delete data on 15,000 patrons

By [IAN T. SHEARN](#) STAR-LEDGER STAFF

The head of the state Motor Vehicle Commission said yesterday the growing practice of scanning and retaining driver's license data from customers at nightclubs is illegal, potentially criminal, and she is ordering that it be stopped.

Reacting to a story that appeared in The Star-Ledger Tuesday, MVC Chief Administrator Sharon Harrington had a letter hand-delivered last night to KatManDu, a Trenton nightclub mentioned in the story, demanding an immediate halt to its license-scanning operation.

KatManDu, like many nightclubs in New Jersey and across the country, uses a small, hand-held computer at the door to ensure patrons are of drinking age. But club managers and bouncers are not informing their clientele that they are downloading all of the data found on the licenses into a computer, which the bar uses for in-house promotions.

Harrington further ordered the club to delete its database of 15,000-plus customers within 15 days. Otherwise, Harrington said, the matter will be referred to the state Division of Criminal Justice for investigation and possible prosecution. The practice violates the state Digital Driver License Act, as well as the state and federal Drivers Privacy Protection Acts, she said. Violation can be a fourth-degree felony and also leaves club owners vulnerable to civil action from scanned customers, she added.

The law, she said, "is clearly prohibitive."

Joe Surdo, a manager at KatManDu, confirmed he had received the letter, but declined further comment

"I'm going to call my attorney and proceed from there," Surdo said.

Harrington said her agency will also be contacting various bar, restaurant and retail organizations to make sure the word gets out that storing personal driver's license data without written consent is prohibited. There are about a dozen permissible uses for scanning and storing license information, said MVC Legal Director Steve Robertson, but building up a client list for promotional purposes is not one of them.

The issue is also gaining bipartisan interest from the state Legislature.

On Tuesday, two Republican Assemblyman announced they are drafting legislation to ban the capture and storage of data from drivers licenses. And yesterday, Assemblywoman Linda Greenstein (D-Middlesex), who chairs the Judiciary Committee, said she intends to hold a special hearing next month on personal privacy issues, focusing on "the disturbing, emerging trend of bars and nightclubs collecting patrons' personal

information encoded on driver's licenses.

"From video surveillance, to credit card and Social Security numbers, to the information encoded on a driver's license, our law should protect the basic privacy rights of New Jersey residents," she said.

Three states - New Hampshire, Texas and Nebraska - have passed laws specifically prohibiting the practice.

MVC's Robertson said additional legislation can't hurt, but he believes current law already outlaws the practice.

Informed of the New Jersey developments, Mark Baughman, owner of the California company that sold two of the \$1,500 scanning devices to KatManDu said, "I think it's a little silly. The bar owners can pick up the phone book and do the same thing."

He will, he added, "add it to my list of states that don't allow it."

Robertson also noted that his own data - name, address, license number, height, eye color - is most likely residing on KatManDu's hard drive. He visited the club in the summer, he said, and was asked for ID. The bouncer then "swiped" it into a small yellow box.

"I believe that's a violation of the state Drivers Privacy Protection Act," the 43-year-old lawyer recalled telling the bouncer.

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