

NEWS

United States Department of Justice
U.S. Attorney, District of New Jersey
970 Broad Street, Seventh Floor
Newark, New Jersey 07102



Christopher J. Christie, U.S. Attorney

More Information? Call the Assistant U.S. Attorney or other contact listed below to see if more information is available.

News on the Internet. News Releases and related documents are posted at our website.
Go to: <http://www.usdoj.gov/usao/nj/press/index.html>

Contact:
Michael Drewniak
973-645-2888

james0712.rel
FOR IMMEDIATE RELEASE
July 12, 2007

Former Newark Mayor Sharpe James Indicted;
Allegedly Traveled, Spent Lavishly on Newark Credit Cards,
and Engaged in Fraudulent Land “Flipping” with Companion

(More)

Public Affairs Office
Michael Drewniak, PAO

973-645-2888

<http://www.usdoj.gov/usao/nj/press/index.html>

NEWARK – Former Newark Mayor Sharpe James was charged in an Indictment today with using city-issued credit cards to spend lavishly on himself, eight female companions and others during personal trips and vacations to such places as Martha’s Vineyard, Rio de Janeiro, the Dominican Republic and Puerto Rico, U.S. Attorney Christopher J. Christie and State Attorney General Anne Milgram announced.

The Indictment also charges James in a second fraud against the citizens of Newark in which he allegedly facilitated and approved the drastically cut-rate sale of city-owned land to Tamika Riley, one of his companions, who fraudulently reaped hundreds of thousands of dollars from the sales. She too is charged with this fraud in the Indictment.

Following the Indictment’s return, James, 71, surrendered voluntarily to Special Agents of the FBI and was scheduled to make an initial appearance in federal court. Riley, 38, was arrested by the FBI and was to appear in federal court as well.

The credit card charges – hundreds of them between 2001 and 2006 totaling more than \$58,000 – covered hotel rooms and luxury suites, meals and fine dining, airfare, car rentals (including a Jaguar convertible), attendance at major sporting events – as well as a trip to Florida to test drive a Rolls Royce that James was considering purchasing, according to the 33-count Indictment.

In one instance, James used a city credit card to make advance payments of nearly \$9,000 to Norwegian Cruise Lines to allegedly secure a penthouse suite on an annual getaway of the James’s Civic Association. The cruise was scheduled for six weeks after James left office in 2006.

The Indictment alleges that the more than \$58,000 in expenditures made on two city-issued credit cards were for purely personal expenses, and not legitimate, city-related business. The Indictment alleges that James used the credit cards for personal expenses, despite having separately received \$25,000 a year to cover such expenses. James’ annual mayoral compensation between 1999 and 2006 ranged from more than \$171,000 to \$203,000. James also earned a \$49,000 annual Senate salary.

Riley of Jersey City is alleged to have made more than \$500,000 from the purchase and sale of Newark properties in transactions facilitated by James’ official intervention as both Mayor and State Senator. The Indictment charges that James improperly steered properties to Riley under a program designed to enable experienced, financially sound and qualified developers to buy blighted municipally owned properties at substantially less than market rates on the condition that they rehabilitate the properties before re-selling them at market prices. With James’s help, Riley acquired the properties at cut-rate prices and then quickly sold – or “flipped” – at least seven properties at much higher prices without any rehabilitation.

According to the charges, Riley had no real estate or construction experience; nor did she possess the financial wherewithal or backing required to participate in the program. She was, in fact, the owner of a failed Newark clothing store and had operated an entertainment and public relations firm that reported no income or assets on tax returns in 1999 or 2000, the years before she started flipping Newark properties, according to the Indictment.

Riley also allegedly defrauded the New Jersey Department of Community Affairs out of housing rental assistance for her home in Jersey City as she reaped the windfall of property flipping, according to the charges against her.

At the same time, Riley raised and donated campaign funds for James and traveled internationally with him, enjoying vacations and meals funded in part with the City-issued credit cards, according to the Indictment. James also intervened officially on Riley's behalf in other ways, including attempting to help her secure a lease from Newark for office space; a \$25,000 state grant for her corporation, TRI, and the sale of the basement level of 111 Mulberry Street, a City property. The latter two efforts did not succeed.

James and Riley are both charged with counts of mail and/or wire fraud and other charges (described near the end of this news release). Both face charges that, in some instances, carry statutory maximum prison sentences of 20 years.

“The allegations in this Indictment are stark examples of the greed and arrogance of unchecked power,” Christie said. “When Sharpe James had a choice between enriching himself or helping the people of Newark, he chose self-enrichment. When he had the choice between impartially serving the citizens of Newark and the State of New Jersey or rewarding companions, supporters and himself with taxpayer money, he chose to cheat the people of Newark and the citizens of New Jersey.”

“The incidents of theft and abuse detailed in today's Indictment allege a shameless and outrageous misuse of government funds that are stunning in their scope,” New Jersey Attorney General Anne Milgram said. “While a city struggles to balance its budget and provide vital services to its residents, its mayor spared no expense to entertain himself lavishly with public funds. Public officials are elected to serve the public, not exploit their positions for private gain.”

“This Indictment of Senator and former Newark Mayor Sharpe James is powerful proof that the FBI will not allow corruption to exist in New Jersey government,” said FBI Special Agent in Charge Weysan Dun. “The citizens of this state place a tremendous amount of trust in elected officials when they vote them into office. When elected

officials violate that trust the FBI will be there with its investigative resources and an unswerving resolve to fight corruption and greed.”

During many of his trips and entertainment outings, James was with one or more of his eight female companions or other individuals whom he treated to the same luxury accommodations that he afforded himself, according to the Indictment. James also offered false justifications and pretexts to City of Newark financial authorities for vacation trips that he claimed were for city business. For the five-day trip to Rio de Janeiro in June 2006, during which he, a mayoral aide and two Newark detectives stayed in a luxury hotel, James claimed the purpose of the trip was to meet with the region’s Consulate General to follow up on a trip James made there in 2004. The total charged to the city credit cards on that trip was approximately \$10,590, according to the Indictment.

James also claimed that a February 2006 weekend getaway to a beachfront resort in Punta Cana, Dominican Republic with two other individuals was to assess the tropical gardens on a resort property there to determine if those gardens could be replicated near Penn Station in Newark. The total charged to the city credit cards on that trip was approximately \$1,440, according to the Indictment.

James took another trip to the Dominican Republic a month later, this time with Riley and others, in Boca Chica. James charged over \$2,000 for airfare and luxury accommodations to the city credit cards for his entourage on that trip, according to the Indictment. He also took a city-paid trip to Santo Domingo in 2003.

The 89-page Indictment includes over 20 pages of tables listing more than 150 instances of credit card purchases for personal travel, meals and entertainment. Following are just a few other examples alleged in the Indictment:

- More than \$1,600 for James to treat himself and others to movies and meals dozens of times, always at theaters and restaurants outside of Newark.
- More than \$3,500 for a 2003 Labor Day weekend getaway to Martha’s Vineyard for James, Companion 4 (as identified in the Indictment) and others. It included hotel room costs and frequent restaurant charges. (Separately, James made an advance ferry-crossing reservation – \$207 – for his Rolls Royce and city vehicles to get to Martha’s Vineyard for Labor Day 2004.)
- \$664 for airfare for James and Companion 1 to fly to Myrtle Beach on May 5, 2003, to inspect neighboring properties that they each bought there.

- Approximately \$2,976 for the one-year rental of a public storage unit in Hillside in June 2006. He was charged an additional \$39 for exceeding the credit limit on that city card.
- \$485 for airfare on an October 2003 trip to Pompano Beach, Fla., to test drive a Rolls Royce James was considering buying (plus \$87.72 for a car rental in Florida).
- \$297 for Amtrak and meal expenses in November 2004 for James, a companion and others to inspect a yacht that James was interested in buying in Graysonville, Md.
- \$741 for airfare for the same companion to travel to Puerto Rico in April 2006 to join James on a personal trip.
- \$600 in fees for changing airline departure dates on the 2006 trip to Rio de Janeiro.
- \$167.22 for nightclub expenses for two consecutive days in Rio’s “Red Light District.”
- \$1,099 in hotel charges at the Plaza Resort & Spa in Daytona, Fla. to attend a tennis tournament in August 2005. The hotel charges included meals with a companion, Jacuzzi and alcohol purchases.

With respect to the Newark property fraud, the Indictment charges that James misused his positions as Mayor of Newark and State Senator to improperly favor Riley and obtain more than \$500,000 in money and property for her by steering sales of city-owned property at steeply discounted prices to Riley, through her company, TRI. The charges further state that Riley, in turn, almost always shortly thereafter sold, or “flipped,” these properties for lucrative profits, without redeveloping them, as required by her contracts with Newark.

The Indictment alleges that Riley bought and resold the following Newark Properties:

Property Address	Date of Sale to TRI	Amount of Sale to TRI	Date of Resale by TRI	Amount of Resale by TRI
51-53 St. James Place (Phase I)	08-03-01	\$4,000	09-04-01	\$25,000
47 Parkview Terrace (Phase I)	08-03-01	\$4,000	09-04-01	\$25,000
47 St. James Place (Phase I)	08-03-01	\$6,000	11-29-01	\$155,000
829-831 South 12 th St. (Phase I)	08-03-01	\$2,000	11-29-01	\$130,000

592 Bergen St. (Phase II)	04-09-02	\$6,000	05-08-02	\$50,000
740 S. 15 th St (Phase II).	04-09-02	\$6,000	05-08-02	\$15,000
380-82 Avon Ave (Phase II)	04-09-02	\$6,000	05-08-02	\$15,000
590 Bergen St. (Amended Phase III)	02-17-05	\$4,000	03-08-05	\$100,000
86-88 W. Alpine St. (Amended Phase III)	02-17-05	\$8,000	10-31-05	\$150,000

During the fall of 2002, the City Council had approved and James had signed a contract for Riley to obtain another nine City of Newark properties. However, those sales were not consummated after James informed city employees, through an intermediary, that they should not conduct business with Riley at that time.

In 2004, as the issue of the power to engage in Newark property transfers remained a point of contention between James and the City Council, James introduced and shepherded to passage a state law that specifically expanded his powers over the land sales in the City of Newark. In support of the law, James accused City Council members of improperly arranging sales to benefit a “boyfriend, girlfriend, momma, poppa” and others.

The Indictment charges that in statements in support of his legislation before the state Senate’s Community and Urban Affairs Committee, on March 1, 2004, James said:

“What we have is that [City] Council people are giving themselves municipal land so that at the end of their term of office they will have acquired wealth based on the acquisition of municipal property which is contrary to law and very wrong This law is needed to ensure that we protect the public trust. That we do not allow thievery with municipal property....”

After this legislation was passed, and after a summer vacation and outings with James, according to the charges, Riley again began acquiring property from the City of Newark, including the purchase of two Newark parcels for \$12,000 in February 2005, one of which she sold for \$100,000 a month later and the other which she sold in October 2005 for \$150,000, as described in the chart. She did not rehabilitate either of these properties as required.

The Indictment further charges that right after a stay with James at a resort in the Dominican Republic, Riley and James, as the City's representative, executed another contract for the purchase of two more properties in May 2006, shortly before the end of James' tenure as Mayor. These sales were never consummated based on court orders freezing those sales in late May/early June 2006.

The Indictment also charges Riley defrauding the New Jersey Department of Community Affairs (NJDCA) by obtaining significant housing subsidies ranging from approximately \$666 per month in December 2001 to approximately \$788 per month in or about 2005 to defray her personal rental expenses through false representations to the NJDCA, including failing to report the business income that she was obtaining through the Newark property sales.

The Indictment also charges Riley with corporate tax fraud for making false statements on her 2001, 2002 and 2005 corporate tax returns for TRI by intentionally not disclosing income from the property sales and by inflating certain items on her 2005 corporate return that under reported her business's true gain for that year.

Last, the Indictment charges Riley with tax evasion for not filing a 2005 federal personal tax return and falsely telling her accountant that (1) TRI paid \$12,000 for each property (86-88 Alpine St. and 590 Bergen St.) purchased in 2005, when, in fact, TRI paid \$12,000 in total for the properties; (B) TRI spent \$45,000 on renovations to the Alpine St. property, when, in fact, no renovations were done prior to its resale; and © TRI sold 590 Bergen St. for \$92,700 when, in fact, the price was \$100,000. Per the charges, despite the fact that her accountant prepared a personal tax return for 2005, Riley did not file it with the Internal Revenue Service.

In connection with the credit card abuses, James is charged with 17 counts of mail and wire fraud, each of which carry a maximum statutory penalty of 20 years in federal prison; and 3 counts of fraud involving a local government which receives federal funding, each of which carry a maximum penalty of 10 years in federal prison.

In connection with the land purchases and sales to Riley, James and Riley are charged with three counts of mail fraud and a count of fraud involving a local government which receives federal funding.

James and Riley also are charged with conspiring to use the mails to deprive the governments that James served of his honest services as a Mayor and Senator, an offense that carries a maximum penalty of five years in prison, under Section 371.

Riley alone faces 20 years in prison per count in connection with the NJDCA mail fraud charges (Counts 26 to 29), 3 years in prison on each corporate tax fraud charge (Counts

30 to 32) and 5 years in prison on the tax evasion charge in connection with her personal tax return for 2005 (Count 33).

All counts in the Indictment carry a \$250,000 fine, per count.

An Indictment is merely an accusation. Despite Indictment, every defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt.

Christie wished to credit Special Agents of the FBI, under the direction of Special Agent in Charge Weysan Dun; Special Agents of the IRS Criminal Investigation Division, under the direction of Special Agent in Charge William P. Offord, and investigators from the New Jersey Division of Criminal Justice, under the direction of Attorney General Anne Milgram, for their combined expertise and exhaustive investigation of the case.

The case is being prosecuted by Assistant U.S. Attorney Judith H. Germano of the U.S. Attorney's Office Special Prosecutions Division, and Special Assistant U.S. Attorney Perry Primavera, a Deputy State Attorney General on assignment from the New Jersey Attorney General's Office.

-end-

Defense Counsel:

James: Raymond Brown, Jr., Esq., Newark

Riley: not clarified