

consultants to aid in the collection of an estimated \$14.5 million in outstanding loans from the bank to Mamarella.

The "special arrangement" with Mamarella was sanctioned by no less an official of the bank than Chairman Robert Ferguson, according to the July 19, 1983 issue of *American Banker*.

In a statement issued to the shareholders of the bank, Ferguson stated:

"In February of 1982, one of our banks began purchasing a third party paper from a corporation licensed by the Department of Banking of the State of New Jersey, engaged in the business of insurance premium financing. . . . In early June of this year [over a month after Mamarella's extortion arrest in Chinatown—ed.], we began to question and investigate the authenticity of that paper. . . . At the present time, outstanding obligations total approximately \$15.5 million. . . . We are continuing to receive payments and, in the opinion of our counsel, unpaid balances, if any, after comprehensive collection efforts, will be covered by our blanket and fidelity bonds."

And what were those "comprehensive collection efforts" referred to by Ferguson?

According to Kwitny and other sources, from the very outset of the scam, Mamarella regularly reached out to his mob sponsor Joseph Paterno (a New Jersey syndicate captain who had fled to Fort Lauderdale, Florida to avoid a state court subpoena) and to other criminal elements, to help recover First Fidelity's missing funds.

For Mario Stacchini, a New Jersey restaurateur, and Anthony Turano, a New York shoe manufacturer who used his business as a distribution point for Sicilian-refined heroin, these "comprehensive efforts" cost them their lives. Both Stacchini and Turano were forced by Mamarella's mob high-erups to take out personal life insurance policies as "collateral" on their First Fidelity loans once they had fallen behind on their payments.

In Turano's case, he was arrested by U.S. Drug Enforcement Administration agents in late 1982 in New York City as he was about to take possession of 15 kilos of Golden Triangle heroin, purchased with \$290,000 provided by Mamarella. He was clearly in no position to keep up with his payments. However, when his body appeared in the trunk of an abandoned car in Queens, New York, the mob, Mamarella, and First Fidelity all collected on a \$1 million insurance policy.

Organized crime watchers are waiting to see whether the Kwitny series will force the Newark, New Jersey office of the U.S. Attorney to reopen the Mamarella affair—with a focus this time on the role of First Fidelity Bancorp. in the scheme. Meanwhile, reports from federal investigators suggest that a totally separate probe, involving another insurance scammer, Leo Israel Bloom of Pennsylvania and the Virgin Islands, will soon implicate officials of First Fidelity in a criminal conspiracy remarkably similar to the Mamarella operation.

Robert Ferguson: banker to the mob

Is casino gambling in New Jersey linked to organized crime? As one New Jersey law-enforcement official put it, the allegation is ridiculous. Casino gambling *is* organized crime. In New Jersey, its leading spokesman has been Robert Ferguson of First Fidelity Bancorp.

A few of the "links" between organized crime and casino gambling have lately been coming out. In June 1985, investigators for the New Jersey state police testified to the President's Commission on Organized Crime that four Atlantic City casinos were giving kickbacks to junket operators associated with organized crime families who bring patrons to the casinos. In a separate case, a New York indictment named four Atlantic City casinos, including two under investigation in New Jersey, as receiving deposits of more than \$3 million in small bills from heroin and cocaine sales as part of an international money-laundering scheme.

Caesar's, Claridge, Sands, and Tropicana were identified as using junket enterprises with connections to a network operated by the Bonanno crime family.

Sgt. William Kisby of the New Jersey State Police testified that kickbacks of \$200 per bus and \$2,500 per plane were being paid to illegitimate operators and that a "massive network" coordinated by the Bonanno family was operating the system. He said that five other families were involved, the Buffalino family of northwest Pennsylvania, the La Rocca family of Pittsburgh, the Bruno family of Philadelphia, and the Patriarca family of New England.

Drug Enforcement Administration investigations brought before the President's Commission revealed that Maurice "Peanuts" King, a Baltimore heroin trafficker, used the Resorts International Casino in Atlantic City in effect as a bank to invest over \$400,000 in heroin street money in businesses and real estate, also exchanging small bills from street sales for \$100 bills. At first, Resorts classified King as a "Class 5" or off-the-street gambler, but later, as his heroin business grew, and more money flowed into the casino, his status changed to that of a "Class 1" gambler or "high roller." This entitled King to as many as 12 rooms at Resorts with complimentary food and drink.

The Golden Nugget, Tropicana, Caesar's World, and Bally's Park Place were also used to launder at least \$3 million in proceeds of "Pizza Connection" heroin and cocaine

sales, involving Anthony Turano and Gaetano Giuffrida. The former was murdered after taking out an insurance policy at the insistence of First Fidelity client/employee Richard Marmarella; the latter was arrested on heroin trafficking charges in Italy.

How it all began

Before casino gambling was legalized in New Jersey in 1976, when the casinos were looking for someone to speak on their behalf and open doors to the business and legislative community of New Jersey, First Fidelity Bank's Robert Ferguson stepped forward to take the point. It proved to be a lucrative move on his part. Within eight years, the bank grew into the state's largest banking organization with \$10 billion in assets and 286 branch offices in every county of the state.

Early on, at the request of Resorts International lawyer Joel Sterns, Bob Ferguson hosted business luncheons to introduce casino executives to the community. Sterns had been a top fundraiser for then-Gov. Brendan Byrne, who was trying to assure the state that gambling would be a good healthy business. "Let me warn you," Byrne said in 1977 to a convention of state bankers, "against thinking that shady money will be coming in for the purpose of financing [casinos]. . . . It could be a self-fulfilling prophecy if banks, insurance companies, and other legitimate resources do shy away from the necessary financing."

David Probinsky, an alleged Vesco confidant, came to New Jersey on behalf of Resorts International, and with the help of Marvin Perski, and his nephew, state legislator Steven Perski, drafted the enabling legislation.

Ferguson's bank became the first to offer loans to Resorts. Before any other bank dared do so, First Fidelity led a syndicate of banks with a \$12 million loan. As a result, Ferguson met on several occasions with Resorts chief Jim Crosby and executives Jack Davis and Steve Norton. Resorts, Bally's, and Caesar's casinos were subsequent beneficiaries of First Fidelity's help.

Bally's president, Richard Gettlin, is another business associate of Ferguson, for whom the bank organized an \$80 million loan. Gettlin had previously arranged loans for Resorts International's predecessor, the Mary Carter Paint Company, when it was establishing operations in the Bahamas. According to Resorts' own security agency, Intertel, Gettlin was a close friend of international mobster Meyer Lansky.

On four different occasions, Bob Ferguson testified on behalf of Resorts International. In 1981, he spoke as a personal reference for the Perlman brothers, chief owners of Caesar's casinos, before the Casino Control Commission. The commission ruled that the Perlman brothers, who had connections to organized crime figures, would have to sell their shares in Caesar's Atlantic City hotel in order for a gambling license to be issued. Clifford Perlman, in testimony before the commission, acknowledged and defended his ties with one Alvin Malik, described by commission investiga-

tors as a close associate of Meyer Lansky. The attorney-general's office offered more than 50 memos, transcripts, and newspaper clippings to support that contention. A state appeals court upheld the commission's decision.

Undaunted by the controversy, Robert Ferguson continued to defend the casinos. Ferguson, speaking at an Atlantic City meeting of the Gaming Industry Conference in May of 1981, warned against "overzealousness" among state regulators and overconfidence concerning casino revenues among the public. Support to bring in private dollars for casino development was needed, he said.

"There is a growing and legitimate concern today among business people in New Jersey that the manner in which our state is carrying out its regulatory functions with respect to casino gaming in some instances goes beyond what is necessary to insure the integrity of the casino industry and the people in it," Ferguson said.

Earlier, in 1979, Ferguson had led the opposition to a proposed increase in taxes on casino revenues, saying it would inhibit the state's ability to attract new business.

As with Caesar's, when indictments in Nevada cast doubt on the Del Webb Corp., owners of the Claridge Hotel which had applied for a gambling license in New Jersey, it was Ferguson who testified on their behalf. The indictment charged the Webb Corp. and vice-president James Comer of conspiring with the Aladdin Hotel Corp. to defraud \$1 million from the Teamster Central States Pension Fund through a series of kickbacks on a construction project. Webb was the general contractor for the project. To the defense: Robert Ferguson. In 1982, he said that the corporation had undergone radical management changes:

"If the Claridge needed additional financing, we would find a way to get it for them. We are confident and comfortable with the people in control. The new philosophy and direction of management are indicators of financial stability."

The payoff

Probably the most scandalous operation that First Fidelity ran for the casinos was the Governor's Management Improvement Plan, Inc. Although prohibited by the Casino Control Act from making political contributions, the gambling-casino industry made substantial donations of time and money to the Thomas Kean administration through this program, and, except for some irate legislators, might have gotten away with it.

In 1982, Governor Kean and Alfred J. Fasola, Jr., director of the state's Office of Management Services, solicited the aid of "private industry" to improve efficiency in the state government; 180 companies contributed \$2.6 million and the time of some 200 executives to form the Governors Management Improvement Plan, Inc. (GMPI), a nonprofit corporation that intended to develop recommendations for more efficient operations of the state's 20 cabinet-level departments and their subdivisions.

It was a thin disguise, indeed. The largest contributors

were the casinos, with Harrah's at \$75,000; Hilton Hotels at \$30,000; Caesar's World \$25,000 and the services of four top executives including the president and chief executive officer; Claridge (Del Webb) and Resorts International donated the services of top executives.

Heading the GMIP was, of course, Robert Ferguson.

"It is a clear case of influence peddling and influence buying," said Assembly Speaker Alan Karcher. "These corporations are not laying down tens of thousands of dollars without expecting the governor to remember. The political connection is obvious to them because the governor's campaign coordinator, Al Fasola, is the coordinator and fund raiser for the efficiency program. He is a political operative of the governor."

Before casino gambling was legalized in New Jersey in 1976, when the casinos were looking for someone to speak on their behalf to the business and legislative community, First Fidelity Bank's Robert Ferguson stepped forward to assume the role. It proved to be a lucrative move on his part. Within eight years, his bank grew into the state's largest banking organization with \$10 billion in assets and 286 branch offices.

Included in the recommendation of the GMIP was the streamlining of the Department of Law and Public Safety—which oversees the Division of Gaming Enforcement—by eliminating 13 management positions in the Division. This meant that nine division supervisors at the Atlantic City casinos, one for each casino, would be reduced to *one* supervisor for all nine!

The solicited companies were promised that their contributions and roles would remain secret. It was only after both houses of the legislature approved subpoena powers for the joint appropriations committee that Ferguson was forced to comply with the committee's request for the list of members and contributions. "Every effort was made to keep absolute secrecy until we threatened subpoenas. The motivation for giving was solely to curry political favor," Karcher said. In a letter to the chairman of the joint appropriations committee, Robert Ferguson defended the GMIP, saying, "I personally

consider it a shining example of corporate citizenship."

Not surprisingly, in both the Byrne and Kean administrations, Ferguson served on salary review boards that had recommended increased pay for the governor.

The tradition

Bob Ferguson's activities and associates are actually not out of keeping with the traditions of his bank. Jonathan Kwitny's book, *Vicious Circles, The Mafia in the Marketplace* (1979), documents how the predecessor to First Fidelity financed shady land deals, including those of mafia captain Anthony Russo, gunned down in 1979. Russo, with the help of the Democratic Party's top law firm, Wilentz, Goldman & Spitzer, was able to finance land scams. A number of banks went under for such practices, including the Bank of Bloomfield, which was bought up by First Fidelity.

First Fidelity's chairman, until the position went to Ferguson, was Elwood Kirkman. Kwitny reports that in 1977, the state attorney-general brought a suit against Kirkman and some associates for fraud in acquiring title to large parcels of land in the Pine Barrens wilderness area of New Jersey. After lengthy litigation, Kirkman's titles were voided, and he was ordered to repay \$315,000 in proceeds from the land.

According to the proceedings, an employee of a land title company that Kirkman controlled had signed deeds conveying title to land that the employee never owned. The deeds were turned over to companies Kirkman controlled. The companies then traded the deeds and tax-payment certificates to enhance the validity of the titles. The judge in the case characterized Kirkman's practices as "fraudulent" and "egregious misconduct directed at the court itself."

In 1980, an Atlantic County Superior Court Judge ordered Kirkman to pay over \$870,000 to the Buzby family for violating his fiduciary duties in selling their hotel, the Dennis Hotel on the Atlantic City boardwalk. The hotel is now the Bally's Casino. As a result of a series of transactions made by the Buzby family while Kirkman was acting as their creditor, the family defaulted on a \$1.5 million loan from the bank. The bank subsequently foreclosed on the Dennis Hotel and, as sole bidder at a 1975 sheriff's sale, bought it for \$100. In 1977, the bank later sold it to the Bally Corp. for \$4 million. The judge also ordered the Central Ethics Committee of the State Supreme Court to investigate Kirkman for conflict of interest.

The law firm of Hannoeh Weisman, which has a representative on the board of First Fidelity and serves as counsel to the bank, represented Robert Vesco himself in a series of appeals in New Jersey federal court in the late 1970s, after Vesco had absented himself from the United States. Albert Besser, who represents Ferguson in other cases, represented Vesco in litigation stemming from the looting by Vesco of International Control Corporation. How the firm communicated with its client is at this time unknown.