



UNITED STATES ATTORNEY'S OFFICE
Southern District of New York

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**ENCAP PRESIDENT INDICTED IN CONNECTION WITH EXTORTION
AND FRAUDULENT INVOICING SCHEMES**

*Defendant Originally Charged with Extorting a Financial Consultant Now Also Charged with
Mail and Wire Fraud Offenses*

Preet Bharara, the United States Attorney for the Southern District of New York, announced that WILLIAM H. GAUGER III, the former President of Encap Golf Holdings LLC ("Encap"), was indicted today in Newark federal court for his participation in a scheme to extort approximately \$100,000 from a financial consultant and a fraudulent invoicing scheme relating to his work for a New Jersey-based management firm. GAUGER allegedly hired his brother-in-law Craig Groce, who was originally charged along with GAUGER by Complaint in July 2011, and the financial consultant, to provide services on various redevelopment projects in New Jersey.

This investigation is being supervised by the U.S. Attorney's Office for the Southern District of New York through the Office's Public Corruption Unit due to the recusal of the U.S. Attorney for the District of New Jersey. Preet Bharara was named Acting United States Attorney for the case under Title 28, United States Code, Section 515.

According to the Indictment filed in Newark federal court:

In August 2006, the financial consultant received "success fees" of approximately \$881,500 for his services in arranging two loans of \$69.4 million and \$26.3 million for a redevelopment project in Asbury Park, New Jersey. GAUGER allegedly demanded that the financial consultant pay a portion of those fees – \$100,000 – to his brother-in-law, threatening him with the future loss of business if he did not comply. The financial consultant made the payment to Groce in September 2006, even though he had not provided any services to the financial consultant.

Although GAUGER allegedly told the financial consultant that the \$100,000 payment was for his brother-in-law, GAUGER was actually the beneficiary. GAUGER had Groce make payments for GAUGER's benefit using the money allegedly extorted from the financial consultant. The payments included: \$5,506 for a personal computer and high-definition, liquid crystal display television; \$6,250 for season hockey tickets; \$6,000 for a donation to a private school attended by one of GAUGER's children; a \$10,000 donation to a soccer club in which

GAUGER's children were members; a \$10,000 payment to GAUGER's father; and a \$2,232 payment for a laptop computer.

The Indictment further charges GAUGER with submitting and approving fraudulent invoices and expense reports in connection with his management of redevelopment projects in New Jersey that were undertaken by a private equity investment firm located in Raleigh, North Carolina, (the "Raleigh Firm"). GAUGER, his brother-in-law, who also performed consulting services, and the financial consultant allegedly submitted false and fraudulent invoices and expense reports for reimbursement to the Raleigh Firm and its project specific limited liability companies, including Encap. Their alleged fraudulent vacation expenses, political donations, dinners with their spouses, and other non-business expenses were ultimately paid by Encap and the other companies.

Encap won a contract in 2000 from the New Jersey Meadowlands Commission to cap and close four landfills in the Meadowlands and to sell the land for residential, commercial and recreational development, including golf courses. In December 2005, Encap received more than \$300 million in publicly sponsored bond financing, including more than \$200 million in loans from the New Jersey Department of Environmental Protection and New Jersey Environmental Infrastructure Trust. Encap's project in the Meadowlands was the subject of a report by the New Jersey Office of Inspector General in February 2008. Encap filed for bankruptcy protection later in 2008 and did not complete the project.

* * *

GAUGER, 51, of Morrisville, North Carolina, is charged with three counts of mail fraud, five counts of wire fraud, two counts of conspiracy to commit mail and wire fraud, and one count of extortion obstructing commerce. These charges all carry a maximum term of 20 years in prison and a maximum fine of \$250,000 per count.

The extortion charge, filed by Complaint, against Groce remains pending.

Mr. Bharara praised the investigative efforts of the Special Prosecutions Division of the U.S. Attorney's Office in Newark, the FBI and the Internal Revenue Service Criminal Investigation Division.

Assistant U.S. Attorney Zahid N. Quraishi, who is assigned to the Special Prosecutions Division of the U.S. Attorney's Office in Newark, New Jersey, is in charge of the prosecution. He was appointed a Special Attorney to the U.S. Attorney General for purposes of this investigation.

The charges contained in the Indictment are merely accusations and the defendant is presumed innocent unless and until proven guilty.