



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
JULY 29, 2011**

**CONTACT: U.S. ATTORNEY'S OFFICE
ELLEN DAVIS
JERIKA RICHARDSON
CARLY SULLIVAN
PUBLIC INFORMATION OFFICE
(212) 637-2600**

**UNITED STATES CHARGES ENCAP PRESIDENT
AND BROTHER-IN-LAW FOR EXTORTION SCHEME**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced today that WILLIAM H. GAUGER III, the former President of Encap Golf Holdings LLC, was charged today by Complaint in Newark federal court for his participation in a scheme to extort approximately \$100,000 from a financial consultant. CRAIG GROCE, GAUGER's brother-in-law, was also charged in the scheme. GAUGER allegedly hired the financial consultant and GROCE to provide services on various redevelopment projects in New Jersey. are scheduled to appear in Newark Magistrate Court before U.S. Magistrate Judge JOSEPH A. DICKSON on Wednesday, August 3, at 11:00 a.m.

This investigation is being supervised by the U.S. Attorney's Office for the Southern District of New York due to the recusal of the U.S. Attorney's Office 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 Complaint 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 GROCE, 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 GROCE had not provided any services to the financial consultant or with respect to the Asbury Park loans.

Although GAUGER allegedly told the financial consultant that the \$100,000 payment was for GROCE, GAUGER was actually the beneficiary. After receiving the \$100,000, GROCE made a number of payments for GAUGER's benefit, including: a payment of \$5,506

for a personal computer and 37" 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 \$2,231 payment for a laptop computer. GROCE allegedly kept approximately \$35,000 to pay taxes on the money. The Complaint also alleges that GAUGER instructed both the financial consultant and GROCE to each pay a \$5,000 bonus to GAUGER's administrative assistant.

Encap Golf Holdings LLC won a contract in 2000 from the New Jersey Meadowlands Commission to cap and close four landfills in the Meadowlands and 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, and GROCE, 61, both reside in Morrisville, North Carolina. The Complaint against GAUGER and GROCE alleges a violation of the Hobbs Act, Title 18, United States Code, Section 1951. This charge carries a maximum term of 20 years in prison and a maximum fine of \$250,000.

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.

The case is being prosecuted by Special Attorney to the Attorney General BRADLEY A. HARSCH, who was appointed as a Special Attorney for purposes of the Encap investigation. HARSCH also serves as an Assistant U.S. Attorney in the Special Prosecutions Division of the U.S. Attorney's Office in Newark, New Jersey.

11-224

###