

Kickbacks and Cocaine? Kaolin Industry Scandal

The state's largest mining company is accusing two former employees of conspiring with vendors of the firm in a kickback scheme related to the export of kaolin, Georgia's most valuable mineral.

In a lawsuit filed in U.S. district court here, Atlanta-based ECC International contends that its former director of export distribution, Robert Gilbertti, and its customer service manager for exports, Gary Gore, secretly formed a company with the owner of ECC's freight forwarding company and another man to receive kickbacks. The scheme allegedly involved the purchase of large, 1-ton-capacity bags used to ship the kaolin on oceangoing vessels. ECC has paid millions of dollars for the bags in recent years.

"ECC is deeply concerned that it has lost and continues to lose money and that there are ongoing schemes threatening its business operations," according to a brief filed by its attorneys.

ECC fired Gilbertti and Gore on July 17, a week before filing its suit.

Kaolin, which generates \$900 million of the \$1.4 billion in Georgia mining revenues annually, is a white clay primarily used in coating paper. Some of the world's purest and most extensive reserves of the mineral are found along the Fall Line in middle Georgia. ECC stands for English China Clays, a British firm that became the state's largest kaolin mining company after buying Georgia Kaolin for \$352 million in 1990.

The lawsuit follows an internal inquiry by ECC launched in June after the company's president, Jeremy Croggon, received a letter from a convicted Savannah cocaine dealer, Robert Hearn. Hearn accused Gilbertti and Gore of being "involved in illegal payoffs" with John Fitzgerald Jr., who owns the freight forwarding concern in Savannah used by ECC, Fitzgerald Forwarding Co. Hearn wrote that he had sold cocaine to Fitzgerald, who also bought the drug for Gilbertti and Gore, according to a copy of the letter filed in the suit.

In court papers, ECC says it has bought more than \$10 million worth of so-called Big Bags for kaolin exports since the mid-1980s from Coastal Trading Co., whose owner, Glenn Wood, is a friend and business associate of Fitzgerald.

Korean bags or wool sweaters?

ECC alleges that Coastal Trading, in concert with Gore and Gilbertti, overcharged it for the Korean-made bags, funneling the proceeds into a company called Trading Management Group, which was formed in 1985 with Wood as CEO, Gore as chief financial officer and Fitzgerald as its secretary, according to incorporation records filed in ECC's suit.

Fitzgerald denies the charges, saying in court papers that Trading Management Group was set up in an unsuccessful effort to import wool sweaters from Argentina.

According to a transcript filed by ECC in the suit, when asked by ECC's attorney, **Richard Robbins**, in a July 8 interview why Trading Management was still an active company, Fitzgerald replied: "I don't have any idea. I don't know. You know, my accountant hands me these things and we sign them. But to my knowledge, it doesn't do any business. It never did."

Nonetheless, Fitzgerald says Trading Management's assets include a retirement plan, real estate and stock in a brick company.

Fitzgerald also rejects Hearn's charges that he was a cocaine customer. "These allegations of drug involvement are based only on the embittered words of Robert Hearn, who makes no pretense that since he must go to jail, he will do everything in his power to drag John Fitzgerald down as well," Fitzgerald's lawyer wrote in an Aug. 21 motion to strike the allegations from ECC's suit.

According to court papers, Hearn's bitterness toward Fitzgerald stems from a \$5,000 debt Hearn owed Fitzgerald's wife after buying a part interest in her courier business, which dispatched freight forwarding documents to steamship agents. Hearn's debt prevented him from later trying to sell his stake.

"You know, this guy is not some black kid standing on Martin Luther King Jr. Boulevard selling dope into the windows of passing cars," Fitzgerald said of Hearn, according to a transcript ECC filed with its suit. "This guy was a businessman on the waterfront in Savannah, and I mean ran in social circles which we're involved in."

Gilbertti and Gore deny they were involved in any kickback scheme or used drugs, says their lawyer, Sherman Fraser. "My clients had business relationships with other people and the company didn't like it," he says.

In court papers, Wood of Coastal Trading similarly denies ECC's charges.

ECC has lost "several hundred thousand dollars and possibly more" to the alleged scheme, Robbins says. The company asks the court to triple compensatory damages of at least \$250,000 under state and federal racketeering laws. ECC further asks for punitive damages of \$1 million from each defendant.