



STATE OF NEW YORK  
OFFICE OF THE STATE INSPECTOR GENERAL  
**Final Report**  
**November 19, 2008**

**Joint Investigation Leads to \$1 Million Payment**  
**In Armory Case**

SUMMARY OF FINDINGS/RECOMMENDATIONS

The New York State Inspector General found that James Jackson, the superintendent of the 69<sup>th</sup> Regiment Armory located on Lexington Avenue in Manhattan, extorted money and received bribes from organizations seeking to lease the armory for private use as permitted by the Division of Military and Naval Affairs (DMNA), in a joint investigation with the New York State Attorney General. On February 1, 2008, Jackson was indicted on 31 counts of extortion, bribery, grand larceny, and other charges. As a result of the Inspector General's investigation, Jackson resigned from state service. On November 7, 2008, Jackson pleaded guilty to Grand Larceny in the Second Degree, a class "C" felony. The court indicated that Jackson would be sentenced to five years probation, 500 hours community service, \$30,000 restitution to the state, and a \$5,000 fine. Jackson is scheduled to be sentenced on December 15, 2008. In addition, fashion company Marc Jacobs International LLC has paid New York State \$1,000,000 for its conduct related to payments made to James Jackson for use of the armory's drill hall to host fashion shows.

ALLEGATION

On October 11, 2006, an anonymous caller complained to the Inspector General that James Jackson regularly extorted money, in excess of the standard fees, from organizations seeking to lease the Lexington Avenue armory. Absent these extra payments, Jackson allegedly would not guarantee the lessee that armory space had been reserved.

SUMMARY OF INVESTIGATION

**Background**

Since the nineteenth century, the State of New York has constructed armories to house, train, and deploy its military units throughout the state. The primary purpose of these large buildings is military: State National Guard units train at the armories and report to the facilities when called to active duty. The armories each contain a drill floor large enough for battalion-sized unit of approximately 1,000 personnel to conduct training exercises. Each armory houses one or more military units that report to the armory for their monthly drill weekends and when they are called to active duty. When not in use by the military, individuals or organizations may lease the drill floor, as well as other rooms in the armory, for purposes such as shows, conferences, and exhibitions. The armories are owned by the state and operated by DMNA.

An Officer in Charge and Control, usually a senior military official, commands each armory and the regiments assigned to it in accordance with military law. Each armory is maintained by a superintendent, who

oversees the daily maintenance of the armory, communicates with outside groups seeking to lease the space, and supervises the facility's non-military staff. The superintendent is a DMNA civilian state employee.

Armory superintendents are responsible for scheduling non-military events and maintaining primary contact with vendors seeking to lease space in the armories they supervise. The relatively low cost of leasing the armories from DNMA and the large amount of open space in the facilities make the armories an attractive option for events, particularly in Manhattan. Manhattan's armories are the state's busiest, with non-military vendors often leasing the space several times per month. DMNA requires that all lease payments be made by certified check or other guaranteed funds. The "Armory Rental Guidelines," a copy of which is provided to each lessee, specifically state, "No cash will be accepted."

### **James Jackson and the Lexington Avenue Armory**

On October 18, 2006, following the anonymous complaint received by the Inspector General, the Inspector General initiated a joint investigation with the New York State Office of the Attorney General. After reviewing copies of the armory's lease agreements dating from January 2005 to May 2007, the Inspector General interviewed lessees that were based in the New York City area. Using information obtained in these interviews, the Inspector General was able to record a payoff to Jackson by one of the lessees.

James Jackson was hired as a maintenance worker by the DMNA on November 13, 1975. In September 1979, Jackson was promoted to the position of Maintenance Supervisor II, SG-18, also known as armory superintendent. On July 8, 1999, Jackson was placed in charge of the Lexington Avenue and Jamaica Armories. As a result of this investigation Jackson submitted his letter of resignation on October 26, 2007.

The Inspector General interviewed representatives of companies or organizations that had leased the Lexington Avenue armory during the 27-month period reviewed. Of those interviewed, three confirmed that Jackson had demanded payments in exchange for securing dates for use of the armories and/or allowing lessees access to armory beyond the scope set by their lease.

In the longest-running of the improper financial relationships reviewed in this investigation, Jackson repeatedly demanded and received cash payments in order to secure dates from the company producing fashion shows for Marc Jacobs International, a high-end clothing designer. Through its producer, Marc Jacobs International began making payments to Jackson in 1998 of at least \$600 after Jackson insinuated that the dates requested could not be confirmed and the show would not run smoothly unless Jackson was compensated. The production company informed the Inspector General that it had tried to report Jackson's conduct to the then-Officer in Charge, a colonel. According to the production company, the colonel responded by prohibiting the employee who made the complaint from entering the armory for the remainder of the colonel's tenure. According to the employee, the colonel also demanded computer equipment.

As the fashion show production company continued to lease space at least annually in the Lexington Avenue armory for Marc Jacobs International, Jackson increased his demands. Since approximately September 2003, Jackson demanded \$1500 per show. Between 1998 and 2007, Jackson personally received more than \$14,000 from the production company on behalf of Marc Jacobs International's twice-yearly fashion shows. The production company recorded the cash payments in its billing statements to Marc Jacobs International under the heading "cash for incentive fund."

In addition to the cash payments, Jackson required the production company to purchase computer equipment worth approximately \$8,000 and exercise equipment worth more than \$9,000. Investigators identified the work-out equipment at the armory. Two high-end treadmills, which had been purchased by a lessee based in California, also were discovered. When contacted by the Inspector General, the California-based vendor stated that he provided the equipment to the Armory as a "gift." Although all of the exercise

equipment was located in a gym that could only be used by certain military personnel, Jackson maintained that no military personnel were involved in his extortion scheme.

In total, Jackson received more than \$30,000 in cash and equipment on behalf of Marc Jacobs International between 1998 and 2007. In addition, on one occasion the production company paid Jackson \$1,500 when leasing the armory on behalf of another company. The production company also informed the Inspector General that, over the nine-year period, it paid approximately \$5,000 in “tips” to various armory employees, although these payments were not demanded.

The Inspector General equipped an employee of the production company with audio and video recording equipment for a transaction in which the employee provided a \$1,500 cash payment to Jackson for a future event. During the transaction, the employee informed Jackson that the production company intended to lease the armory for an upcoming charity event and asked whether Jackson will require his regular “fee” to book the dates for the charity. Jackson responded that yes, he would require \$1,500 in cash for the charity event.

The Inspector General also found that an art show producer paid Jackson \$10,000 to \$20,000 in cash in excess of the legitimate lease fees. In exchange for the cash payments, Jackson permitted the art show to occupy the armory for dates and times that were not covered by the official lease. For example, for an art show scheduled for September 2006, the art show producer requested to modify its lease to ensure that it had enough time to set up. Rather than extend the official lease with DMNA, Jackson proposed that the art show producer make a cash payment to Jackson. After discussing the costs of extending the lease legitimately versus making the payment to Jackson, the art show producer chose to make the cash payment.

The Inspector General also spoke with a show organizer who initially stated that Jackson had not demanded any cash payments. However, soon after speaking to investigators, the organizer contacted the Inspector General, stating that he had informed Jackson that he wished to extend the lease to ensure he had sufficient time to prepare. Jackson told the organizer that he could enter the armory earlier than scheduled but since the lease was already sent to Albany, the additional \$1,500 payment would have to be in cash. The Inspector General arranged for an investigator, posing as a representative of the show organizer to provide the payment to Jackson. The investigator was outfitted with both video and audio recording devices and captured the transaction. During the meeting, Jackson agreed to allow entry into the armory a day before the lease began in exchange for \$1,500. The investigator counted the money in full-view of the camera and then handed it to Jackson. Subsequently, Jackson permitted the show organizer to enter the armory a day earlier than the lease officially began. The Inspector General confirmed with the DMNA that Jackson did not forward the additional \$1,500 payment to Albany nor was the lease legitimately extended to permit the show organizer to enter the armory a day early.

After his arrest, Jackson admitted to investigators that, during his tenure at the Lexington Avenue armory, he accepted cash payments from lessees in exchange for allowing them access to the armory beyond the terms of their leases.

## FINDINGS/RECOMMENDATIONS

The Inspector General found that Superintendent James Jackson extorted cash and goods from organizations seeking to lease the armory for non-military use, in a joint investigation with the Attorney General. Jackson demanded payments from multiple vendors for use of the Lexington Avenue armory. In addition, Jackson accepted a cash payment from an undercover Inspector General investigator posing as a representative of a show organizer.

Jackson was arrested on October 24, 2007. In February 2008, Jackson was indicted on 31 counts of extortion, bribery, grand larceny, and other charges. As a result of this investigation, Jackson submitted his letter of resignation on October 26, 2007. On November 7, 2008, Jackson pleaded guilty to Grand Larceny in the Second Degree, a class "C" felony, and the court indicated Jackson would be sentenced to five years probation, 500 hours community service, \$30,000 restitution to the state, and a \$5,000 fine. Jackson is scheduled to be sentenced on December 15, 2008. In addition, fashion company Marc Jacobs International LLC has paid New York State \$1,000,000 for its conduct related to payments made to James Jackson for use of the armory's drill hall to host fashion shows.

The Inspector General conducted integrity training for DMNA superintendents on three separate occasions in 2008. In addition, the Inspector General provided the agency with outreach materials, including pamphlets and posters. Since Jackson's arrest in 2007, DMNA has enhanced training regarding standards of conduct for new armory superintendents. A representative from the Inspector General's office is invited to speak regarding the Public Officer's Law at the agency's annual training for armory military officers-in-charge and civilian armory superintendents. The Inspector General further recommends that DMNA instruct other armory staff that the Public Officers Law prohibits state employees from accepting gratuities in exchange for performance of their state duties.

Because of information received during this investigation regarding the now-retired colonel and regarding equipment provided for exclusive use by the military, the Inspector General refers this matter to the DMNA Inspector General to determine whether military officials were involved in any wrongdoing.