Rowland Used Elusive $35,000 For Land Deal - Backed Out Of Venture; Location Of Money Uncertain
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A year before John G. Rowland won the 1994 gubernatorial election, he put down a $35,000 deposit to buy into a land deal in North Stonington near the Mashantucket Pequots' casino - using money from his wealthy developer friend Robert V. Matthews.

Within months, Rowland backed out of the transaction and was refunded the $35,000, say others involved in the deal. It is unclear what Rowland did with the refunded money, although sources say a copy of the refund check wound up in Matthews' business records.

Lawyers for both men declined to comment on that question Friday.

The 1993 episode has drawn the attention of federal criminal investigators who are probing the relationship between the governor and the real estate tycoon, who has received millions of dollars under state contracts during Rowland's administration.

Several people familiar with the land deal say the FBI has contacted them, including John Ragsdale, a Stonington businessman and onetime congressional candidate whose wife is still part of the corporation that owns the 180 acres off Route 201 that Rowland was interested in.

"I've had conversations with [FBI Special Agent] Charlie Urso that there were a couple of checks that [the FBI] is looking at, that Rowland had," Ragsdale said.

One of those checks, dated July 30, 1993, was sent by RVM Associates, a Matthews business, to Rowland Associates - the one-man consulting business Rowland ran in the four years after he lost his first attempt at becoming governor in 1990 and gave up his seat as 5th District congressman.

When The Courant first reported on that check a week ago, there was no indication of its purpose, only a statement by Matthews' attorney, Hubert J. Santos, that it represented "a business transaction involving Mr. Matthews and Gov. Rowland during the time period that Gov. Rowland was in the private sector."

Now it appears Matthews' check allowed Rowland to dabble, however, briefly, in a surge of real estate activity that swept southeastern Connecticut during the early '90s, when the Mashantucket Pequots were just launching the gambling venture that would become what is now the world's largest casino.

Several people have told The Courant in the last week that they recall Rowland's entry and quick exit from the North Stonington deal. In addition, sources say an internal business record of the $35,000 Matthews check to Rowland contains a handwritten notation: "North Stonington joint venture."

There was a second check, this one also for $35,000 and dated Sept. 22, 1993, but made out to Rowland as an individual, sources said. The second check, from an investment account, had a memo attached with the name of the law firm Ragsdale was using at the time. Ragsdale said he believes it is the check he instructed his law firm to send Rowland as a refund when Rowland pulled out of the deal.

Ragsdale said that, in general terms, FBI agent Urso has been asking him "what the relationship was between Rowland and Matthews at the time when Rowland may have been doing an investment in some property up here."

The Rowland-Matthews relationship has become a hot issue in both the pending legislative inquiry into Rowland's possible impeachment and a federal criminal grand jury investigation of corruption in the Rowland administration.

Investigators already have established, for example, that Matthews paid Rowland $1,750 a month, triple the market rent, for the year his niece rented the governor's Washington, D.C., condo in the late 1990s. Also, a Matthews business associate pleaded guilty in federal court earlier this year to a tax charge after admitting he acted as a straw man for Matthews in later buying Rowland's condo for thousands more than experts say it was worth.

Matthews also let Rowland stay for free for several days in 2001 at his mansion in Palm Beach, Fla., for which Rowland paid a State Ethics Commission fine.

In still another episode under federal investigation, Rowland in 2000 placed a cellphone call from a country club - where he was golfing with Matthews - to an executive of Pinnacle Foods Inc., a Pennsylvania meat-packing company that Matthews was trying to lure to Connecticut to occupy a building he owned in New Haven.

Despite that expression of support by Rowland, Pinnacle ultimately decided against the move and later was sued by Matthews. In a deposition in that suit, Matthews was asked under oath if he ever had any business dealings with Rowland. Matthews said yes, adding that he thought Rowland had "maybe talked to some people" in the early 1990s, while he was a consultant, about the possibility of Matthews buying secretarial schools.

Matthews never mentioned a $35,000 payment or the North Stonington deal. Nor did Rowland mention any dealings with Matthews during his 2002 re-election campaign, when he released a list of Rowland Associates clients.

In past months, both Matthews and Rowland have received grand jury subpoenas to turn over documents to federal investigators.

As Ragsdale recalls it, Rowland's $35,000 was a deposit toward buying out an interest that Ragsdale's wife held in the 180-acre parcel in North Stonington, which remains wooded and undeveloped.

Ragsdale said he knew Rowland at the time because the two had campaigned together in 1990 - Rowland for governor, Ragsdale as the GOP nominee for Congress in the 2nd District. Both lost.

But Ragsdale said the reason Rowland came onto the business scene in southeastern Connecticut in 1993 - far from his home area of Waterbury - was Rowland's personal friendship with J.D. DeMatteo, a Branford businessman and Rowland campaign contributor.

DeMatteo bought the 180 acres from the Ragsdales in 1991, although Ann Ragsdale retained an interest in the property. Within two years, DeMatteo formed a corporation called Case Acquisition Inc. to hold the parcel for possible future development. Ragsdale said his wife held an interest as well, which Rowland briefly considered buying.

Jon Crane, a spokesman for DeMatteo, said DeMatteo purchased the parcel for $248,000 on Nov. 18, 1991, viewing it as an investment opportunity for long term growth. DeMatteo obtained a town permit to operate a sand and gravel business, but dropped it after neighborhood opposition, Crane said.

After dropping the gravel pit idea, DeMatteo invited a number of associates - including Rowland - to assume positions on a board of directors of Case and help "to determine the highest and best use for the property."

So far, nothing has been done with the real estate, and Crane said DeMatteo is continuing to hold it on the expectation that it will continue to increase in value.

A source familiar with Case Acquisition said DeMatteo gave each of the directors a 5 percent interest in the holding company that they could only cash in if they remained members until the completion of whatever development plan was chosen for the property.

Crane said any funds deposited by Rowland did not involve DeMatteo. "Mr. Rowland never contributed any funds to this company nor has this company ever provided monetary compensation to Mr. Rowland," Crane said.

"Case accepted Rowland on the board because he was out of office," Crane said. "He was a bright young man. He understood organizations. He understood Connecticut. He understood business in Connecticut. He understood trends in Connecticut. Everybody knew him. Why wouldn't they put him on the board?"

But within months, by early 1994, Crane said, "Rowland came to DeMatteo and told him he was going to be running for governor so he needed to resign."

Crane said there were no financial transactions between Rowland and DeMatteo, or between the state and DeMatteo - before, during or after Rowland's brief involvement in the deal.

DeMatteo also was unaware of any financial arrangement concerning the deal between Rowland and Matthews.

Public records show that DeMatteo's brother started a business in 1992 called DiaSys that occupied space in a Waterbury building owned by Matthews at the same address as Matthews' RVM Associates. However, Crane said, "Bob Matthews owned much of downtown Waterbury at that time so there would be a high probability that companies leasing space in downtown Waterbury would be in a Matthews building."
