



Everything Jersey

The Star-Ledger

Faiella wins fight with top creditor

Judge rules allegations of collusion with ex-wife to hide assets not proven

Thursday, June 14, 2007

BY IAN T. SHEARN

Star-Ledger Staff

A federal bankruptcy judge ruled yesterday that claims that former Newark Deputy Mayor Alfred Faiella conspired with his ex-wife to conceal considerable assets were unsubstantiated.

The ruling thwarts efforts by Faiella's largest creditor, C. Stewart and Estelle Smith, to collect on a \$3.4 million judgment from a soured real estate deal between the two parties.

"The court is left with the impression that (the Smiths) are correct -- that Mr. Faiella has worked successfully with his ex-wife to see that his income goes to benefit her and their children before his other creditors," Judge Raymond T. Lyons wrote in his opinion.

But "the only issue," the judge continued, is whether the Smiths proved during the April trial that Faiella made false statements on his bankruptcy petition.

"They have not," Lyons concluded.

And while the judge's ruling represents a victory in Faiella's bankruptcy claim, he and his ex-wife, Randy Faiella, face at least two more legal challenges before his debts are discharged.

Faiella faces a second trial against his second-largest creditor, New Falls Corp., which also is claiming the Faiellas colluded to hide assets. The court-appointed trustee also has filed a claim against Randy Faiella, claiming that at least \$1 million was fraudulently diverted to her by her ex-husband and should be divided among Faiella's creditors.

Alfred Faiella declined comment, but his attorney George Hirsch called the judge's decision "well reasoned."

Neither the Smiths nor their lawyer could be reached for comment.

Faiella filed for Chapter 7 liquidation on Oct. 14, 2005, three days before more stringent federal bankruptcy laws took effect, claiming debts totaling nearly \$4.5 million. The previous year he had earned \$665,000, court records show, but much of

that went toward satisfying child support and alimony debts to his ex-wife, with whom he still lives. Faiella's creditors claim the payments were a ruse to prevent them from collecting their debt.

"Mr. Faiella, his ex-wife and children stayed one step ahead," the judge wrote.

In the same year, Randy Faiella made \$873,000, with more than 40 percent of that coming from her ex-husband and most of the balance coming from her burgeoning real estate business.

But the court-appointed trustee, Daniel Straffi, claims Randy Faiella's recent success in real estate ventures is really her ex-husband's.

For 25 years, Al Faiella oversaw all significant real estate deals as Newark's deputy mayor and director of housing and economic development, as well as executive director of the Newark Economic Development Corp.

"Several of the businesses owned by Randy Faiella ... all in one manner or another (are) related to (him) and his position in Newark government," Straffi wrote in the complaint.

Straffi also contends Al Faiella "exercised control over these businesses through his direct control of (her) bank accounts."

Ian T. Shearn may be reached at ishearn@starledger.com or (973) 392-1671.