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Rudy: All Business

By Michael Weisskopf and Massimo Calabresi

Not long after he stepped down as mayor of New York City, Rudy Giuliani received an intriguing offer. A group of officials from a Florida company called Seisint Inc. asked him to promote a powerful new database technology capable of tracking potential terrorists and other criminals. Their timing was perfect. Giuliani had just opened Giuliani Partners (GP), a consulting shop that planned to specialize in helping companies like Seisint grow. "Nobody knew us; everybody knew him," says Michael Brauser, a major shareholder who negotiated the December 2002 contract between GP and the Boca Raton-based firm. "It was an unbelievable fit."

For Giuliani's new company, it was a remarkably profitable fit too. GP pulled in more than \$30 million for just one year's work on Seisint's behalf, company records show. Big paydays have not been unusual for GP, which in just five years has reaped tens of millions of dollars from clients at home and abroad, a business success story closely linked to Giuliani's fame as a hero of 9/11. That same legacy has propelled him to the top tier of Republican presidential candidates.

But now Giuliani the candidate is facing a growing number of questions about the clients, earnings and practices of Giuliani the businessman. Although much of his work has been for blue-chip American corporations, it has been widely reported that GP has also represented more controversial clients, including the maker of the prescription drug OxyContin and the government of Qatar. TIME has also learned that Bracewell & Giuliani, a Houston-based legal and lobbying firm he joined as a name partner in 2005, represents Saudi Aramco, the Saudi national oil company. Thus far, Giuliani has refused to divulge a client list or many details of his work for either GP or Bracewell & Giuliani, and he has maintained his ownership stake in both companies as he continues his run for the White House. Ed Rogers, White House political director under the first President Bush, says the Giuliani campaign has to do better at handling his business situation "to keep it from becoming a real issue and something that may drive votes."

The Seisint deal, details of which TIME pieced together from interviews and corporate documents, seemed like a good match for Giuliani's company. Seisint's founder, Hank Asher, was regarded as a database wizard who used supercomputers to store billions of pieces of information from public records, which, he claimed, were able to spit out the names of some of the 9/11 hijackers before they were publicly identified. The firm's potential seemed endless to GP, and it signed on for what Seisint saw as a heavily discounted fee of \$2 million a year, plus a percentage of revenue from company sales to government and corporate buyers.

In the first year, GP earned \$6.5 million, Seisint records show, in part for what Brauser and Seisint's in-house lobbyist, Dan Latham, say were commissions for state and federal contracts. Giuliani "came through," says Brauser. "The doors were wide open. It was almost a flood of business opportunities." Latham says GP set up meetings in 2003 at the Department of Homeland Security at which Seisint executives pushed a data-mining program called the Multistate Anti-Terrorism Information Exchange, or MATRIX. The program looked like a promising law-enforcement tool that states could use in partnership with Seisint. The Federal Government spent \$12 million to run the program, and eventually 13 states signed up to participate in it.

But the Seisint deal wasn't as perfect as it seemed. One problem: the payment of percentages or commissions to "solicit or secure" government contracts is prohibited by federal law and laws of some states. Tom Susman, ethics chairman of the American League of Lobbyists, says the bar on commissions is intended to eliminate incentives for middlemen to bend the rules to land a contract. A GP official who refused to be named insists that the firm never received "commissions" from Seisint — despite what Brauser and Latham remember and despite the fact that payments to GP are labeled "commissions" in both the minutes of a Seisint board meeting and a key financial statement. Instead, says the official, GP earned "special bonuses" based on the achievement of corporate "milestones." Another problem: Seisint CEO Asher had a shady past. After the statute of limitations made his crimes unprosecutable, he admitted to having been a cocaine smuggler in the 1980s. He stepped down from Seisint's board in August 2003. Giuliani told *Vanity Fair* in 2004 that Asher's "mistakes are way behind him."

Meanwhile, Seisint's premier product — MATRIX — had proved controversial. The databases it searched contained personal histories of millions of Americans, their relatives, past addresses, property records and credit ratings. Civil-liberties groups said MATRIX would create detailed data profiles of

innocent Americans. Georgia and Utah, which had signed up for MATRIX, launched investigations into the privacy concerns raised by the program's vast data files.

Seisint wasn't the only GP client to receive government scrutiny. In 2002, Giuliani's firm agreed to represent Purdue Pharma, the maker of the painkiller OxyContin, after the Drug Enforcement Administration began looking into thefts of the highly addictive drug from company plants. Purdue Pharma ended up agreeing to pay a \$2 million fine for lax security at some of its plants. Sunny Mindel, spokeswoman for GP, says the firm helped Purdue balance the need to produce a "lifesaving medicine ... with the need to make sure that this vital medicine did not get diverted by criminals for criminal use."

Giuliani's international clients have also attracted controversy. Last summer the firm dropped Citgo, the oil company that is majority-owned by a company nominally controlled by Venezuelan strongman Hugo Chávez, after news reports uncovered the relationship. (Maria Comella, a Giuliani campaign spokeswoman, says the candidate "continues to provide general guidance to the management of the firm," and adds, "But he doesn't participate in any client matters or in the day-to-day operation.") The security firm within GP has provided advice and training in counterterrorism to the government of Qatar, an emirate on the Persian Gulf, though Qatar's Interior Minister, Sheik Abdullah bin Khalid al-Thani, is a controversial figure whom several former U.S. officials have suspected of protecting major al-Qaeda suspects. The head of GP's security arm, Pat D'Amuro, says the firm is helping protect American service members and private citizens in Qatar. Of al-Thani, he says, "We've never met him; we've never dealt with him. Our contract is not with him. He's not involved at all."

In most cases, it's impossible to say how much a specific contract has been worth to GP or Bracewell & Giuliani. That's one reason the Seisint case is interesting. By December 2003, Seisint was positioning itself to go public or be bought out. GP, according to Seisint's financial statements, agreed to waive \$2.2 million of accrued commissions from its total bill of \$6.5 million. In return, the firm received \$5.5 million in cash and a much reduced exercise price on 1.7 million stock options that had been granted in the contract.

But however promising MATRIX's future appeared, it was unable to escape the concerns of privacy watchdogs. In early 2004, a commission appointed by Utah's Governor recommended dropping MATRIX over privacy concerns. One commission member, Elizabeth Dunning, said the program's accumulation of personal data on innocent Americans was "shocking" and "outrageous." Shortly thereafter, however, Seisint was sold to the British-Dutch firm Reed Elsevier. The sale netted GP \$24 million, records show, with half of that made possible by the lower stock-option price. "A lot of people made a lot of money on the sale of Seisint," said Latham. "[Giuliani] was one of them." Did law enforcement benefit too? Hard to say. By mid-2004, fewer than half the states that had originally signed up for MATRIX remained in the program, and by the end of the year the rest had quit. Less than two years after Giuliani signed on to market MATRIX, the program was dead.

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