



By NICHOLE BERNIER AHERN

Photograph by MARK OSTOW

# His Brother's KEEPER

**As Joe Kennedy retakes the helm of Citizens Energy on the first anniversary of his brother's death, he inherits a company known as much for its generous salaries as its charitable projects. Will Joe be able to reconcile doing good with doing well?**

On Tuesday, December 1, the day the commonwealth withdrew its welfare privileges from about 5,000 people on the Massachusetts rolls, Joe Kennedy climbed a dais at Northeastern University to accept an award from the Massachusetts Housing and Shelter Alliance. Kennedy's political appearances were beginning to wind down after 12 years in the House; at the end of the month, he would be leaving Congress to return to Citizens Energy Corporation (CEC), the nonprofit organization he founded 20 years ago. ¶ The alliance's executive director, Philip Mangano, introduced the congressman with kudos for his participation in a streetside sleep-out 12 years before in support of the McKinley Act, which passed in 1987 requiring that surplus government property be made available to help the homeless. ¶ Kennedy stepped up to the microphone, tanned and robust in an understated single-breasted suit and blue tie. The crowd was on its feet applauding before he even opened his mouth. >>>



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after his brother—especially as he marks the first anniversary of Michael’s death.

“For Joe, the next three years are going to be a delicate balance as he tries to demonstrate his success in reshaping Citizens in his image without in any way appearing to denigrate Michael’s tenure,” says a Kennedy confidant who did not want to be identified.

Adds a former Kennedy staffer and family friend: “Don’t underestimate how much he’s hurting. This is not an easy time for him.”

**Joe Kennedy got the idea for Citizens** in the late ’70s, during the brutal energy and heating-oil crisis, when he was watching the television news with Richard Goodwin, the longtime Kennedy family friend and speechwriter. One report depicted

New Englanders freezing in their homes that winter, unable to afford fuel; immediately afterward, another segment highlighted the profits made by oil companies. Goodwin suggested that Kennedy start a company to buy crude oil at wholesale prices and sell it back to the poor at a discount. Kennedy had been drifting from job to job—working for Ted Kennedy’s Senate campaigns, doing a stint at the Community Services Administration in Washington—but he had yet to find his niche. He did so with Citizens Energy Corporation, which he launched in 1979. Kennedy proved to be both a passionate advocate for the poor and a savvy energy broker, capitalizing on the cachet of the family name and negotiating prices for

crude oil with Venezuela at \$6 per barrel below OPEC’s price.

When OPEC collapsed in 1983, the oil industry was thrown into crisis. Citizens had two choices: It could turn its boutique operation into a bona fide for-profit business, or it could roll over and play dead. Kennedy chose the for-profit arena and created a holding company as the umbrella for three for-profit subsidiaries, one of which used for-profit oil sales to fuel much of Citizens’ charitable activities. Business was brisk, but tighter market conditions thinned CEC’s profit margins to a dribble. Still, resources poured in from other for-profit subsidiaries, including a gas distributor and a medical venture that sold low-cost pharmaceuticals by mail. Joe Kennedy was becoming an aggressive player in the new, modern world of nonprofits, one in which organizations form profitable ventures to further benefit their charitable activities. But he did so in the Kennedy tradition, paying himself an annual salary of \$60,000—a nominal amount for a father with two growing sons at home, albeit one with a vast private fortune at his disposal.

Then in 1985 Tip O’Neill announced his retirement, and the Eighth Congressional District seat, once held by Joe’s uncle, John F. Kennedy, was ripe for the picking. When Joe took office in 1987, his younger brother Michael, who was then 28, took the reins at Citizens.

The younger Kennedy took to business like a natural. A 1989 article in the now-defunct *Boston Business* magazine dubbed him “the one to watch” in the family—and he was. He’d started at Citizens in 1984 after he graduated from Harvard and the University of Virginia Law School, but now he was working alongside the company’s president, William “Wilbur” James, to generate foreign oil-drilling contracts. James was an industry heavyweight, a businessman with chutzpah who had long ago shared a Peace Corps tent with Joe in Africa. As always, the Kennedy name helped open doors in places like the Congo and Angola, and Citizens returned the favor with humanitarian aid, which included the development of a Catholic University in Angola and the donation of \$100,000 for an orphanage there.

After Michael became chairman, the company continued to enter new arenas, including the recycling of trash (and more recently, the establishment of a power-buying cooperative to tap into industry changes after the passage of last year’s energy deregulation bill). Citizens continued to grow and change aggressively. New for-profit subsidiaries were launched, spun off, and sold at a [Continued on page 72]

## His Brother's Keeper

"As I was walking down the hall to come here, an elderly woman stopped me and said, 'It's so nice to meet one of the young Kennedys,' and she gave me this big hug," he began, leaning forward casually over the podium. "I got about three steps past her, and I heard her say, 'Gosh, that John-John is better looking in his pictures.'" As the audience laughed on cue, he mock-groused, "It isn't that funny."

Kennedy then launched into his message about the impoverished and the needy, running through a litany of statistics—the kind of numbers that routinely crop up in fundraising press releases: one in six people in the world is malnourished . . . 26,000 children under age five die of hunger daily . . . a student drops out of school every five seconds in the United States . . . every 90 minutes a child dies of a gunshot wound . . .

He used his glasses like a prop, putting them on and taking them off, making a crack about his aging eyes, and building momentum as he reached the focus of his ire: reduced government and private-sector spending on the poor, and a shortage of generosity on the part of major corporations. "There's a lot of money in America, but it's not going to poor black women on welfare," he said, taking shots at a few liquor and lumber companies. "It's going to fat, happy white men heading up corporations."

" . . . And today, 5,000 people lose their welfare benefits. Now I don't believe—and I don't think you believe—that in this country you should get something for nothing," he continued, underscoring the need for job incentives, "but on the other hand, I also don't believe that we should be sitting back and blaming children for any sins of a parent."

Or, he might have added, for those of an uncle. Or a cousin. Or a brother.

**Joe Kennedy, of all people,** should know about suffering for the sins of others. He abandoned his campaign for the governor's office in 1997—a race many now say he could have won in his sleep—when public disapproval of his brother Michael's affair with his family's teenage babysitter reached a fevered pitch, threatening to turn Joe's candidacy into an indictment of his brother's outrageous behavior. This was perhaps the controversy that hit closest to home in a lifetime of family scandals, accidents, and allegations—from Uncle Ted's reckless late-night drive at Chappaquiddick and Cousin Willy's acquittal on rape charges in Palm Beach, to the death years ago of Joe's brother David from a heroin over-

dose. Even the mundane details of a Kennedy's life are lived in a fishbowl. When John Kennedy Jr. fails to pass the bar or bickers with his wife, it isn't a private event, it's a Kennedy Event. When you are a Kennedy, you are your brother's keeper—and you are often expected to answer for what he's done.

But now Joe Kennedy is leaving the political spotlight and heading back to the comparative shelter of the private sector, as he returns to Boston full-time this month to assume the top post at Citizens Energy. Camera crews and reporters don't come calling as much when you're the head of a company instead of, say, a congressman or a gubernatorial candidate, so he's likely to find some relief from the public glare. And after 12 years of vote-generating and consensus-building, he now has the opportunity to make decisions exactly as he pleases, exercising the demanding brand of perfectionism he's known for. He also has the chance to make Citizens one of those corporations that—unlike those he singled out at the homelessness conference—put their money where their morals are. An undeniable bonus is that Citizens is a comfortable perch from which to survey the political landscape and, if he uses it well, to keep his options open for public office.

But it's not all smooth sailing at Citizens, either. Joe Kennedy has inherited from his late brother a "lot of challenges" or a "lot of shit to clean up," depending upon whom you ask. The business has been very successful in its diverse charitable projects, and it has also done quite well financially—so well, in fact, that it raised eyebrows in the attorney general's office as to the propriety of its top executives' salaries and compensation. While

Scott Harshbarger's office concluded at first review that no legal action was necessary, it asked Citizens to share the results of an internal investigation currently under way—one that Joe Kennedy himself offered to undertake. The focus of the inquiry is the company's 1996 transactions under Michael Kennedy, including a sweetheart deal for its then-outgoing president, William E. James, which could be worth up to \$19 million when the stock ripens.

There's nothing wrong with doing well while you're doing good, or so everyone close to the company says. But nonprofits are given the shelter of tax-free status, and the lingering perception in many circles is that some of Citizens' past deals bear greater resemblance to those made at corporations of fat, happy white men than at a nonprofit that wants to give maximum benefits to the poor. Those close to Kennedy say he wants to change that—he replaced the board of directors even before coming back from Washington full time—and intends to bring Citizens back in line with his initial vision.

"It's interesting to watch him bring the company back to its social-service roots," says one associate who is working with Citizens on its new oil initiative. "It hit a different level under Michael."

While the transition is admittedly still in its early stages, Kennedy and his team have been acting with unusual silence and stealth, refusing, for instance, to cooperate with this story until the last minute, and even then only sparingly. Why the secrecy? One reason, Kennedy's confidants say, is that he faces the delicate proposition of cleaning up Citizens without appearing to be cleaning up

**FUELING THE FIRES:** Joe Kennedy founded Citizens Energy 20 years ago to negotiate low-cost crude oil for the poor, and handed the reins to Michael, opposite, when he left for Congress in 1987.



Besides the tulle window treatment at the glass-enclosed foyer, a vase of flowers, and some modern pictures of fruit on textured yellow walls, there isn't much to admire visually. So look to your plate for inspiration.

Baked goat cheese in a wine crêpe with roasted pears, greens, and walnut oil is a masterpiece of an appetizer, as is a root vegetable salad with house-cured salmon drizzled with mustard vinaigrette. Sautéed red trout is so thick and pink it must be salmon in disguise, and the accompanying shrimp and short-grain casserole with lemon and leeks is fabulous. Black-tea-and-rosemary-smoked lamb is poetic, squares of the rare meat arranged around a pumpkin-walnut salad and garlic *vareniki*—a dumpling stuffed with farmer's cheese and roasted garlic.

We defer to the waiter for dessert suggestions and he floors us with crêpes layered with baked chestnuts and covered with brandied prunes. The hot chocolate soup (cinnamon pound cake submerged in it) is downright dangerous. But served in a pristine yellow bowl on a doiled saucer, it leaves us with sweet memories of a morning café au lait and tartine in France.

**Trattoria Pulcinella**

147 Huron Avenue, Cambridge  
617-491-6336

Everybody needs their own trattoria. A place one can amble into night after night knowing the food will be first-rate, service caring and sincere, the atmosphere cozy and romantic, the pace unhurried.

This intimate storefront is like gold in a stream. One wall is brick, two others sponged creamy orange. Dried peppers hang from ornate iron lamps; bottles of Chianti dangle from the wooden rafters. Tablecloths are plastic and rust-colored. It's so simple, you'd think there would be restaurants like this all over Boston.

This is a place where you start with a mesclun salad because you know the balsamic vinegar will be properly aged (25 years). The rustic bread dipped in olive oil is sublime. Parma prosciutto, cured and chewy, is plated with buffalo mozzarella.

There is a leisurely progression to the courses here. Savor the handmade and delicate eggplant-stuffed ravioli with garlic, basil, and tomato sauce. A boneless chicken breast is expertly sautéed in porcini mushroom sauce.

Desserts are beautifully presented and prepared with precision. The tiramisù is the best I've ever had; the crème caramel exactly as it should be; the biscotti (served with vin santo) as rough-hewn as the rafters. We finish with cappuccino and a hot chocolate sent by the chef for our five-year-old dining companion. As we leave, we realize that Trattoria Pulcinella is becoming our own trattoria. **B**

dizzying rate; some of them were lucrative, others risky. Citizens also was paying its top executives extremely well. By the mid-1990s, Michael Kennedy's salary and compensation package was up to \$600,000 a year, the *Wall Street Journal* reported, from a combination of nonprofit and for-profit entities, not including stock options.

Michael Kennedy's philosophy had always been that there is no harm in making money while you're making a difference, and that you had to pay high salaries to attract talented executives to a nonprofit. Indeed, it is not unusual for a nonprofit to pay its top executives well. Harvard's investment nonprofit, Harvard Management, pays millions to its in-house asset-management team, while theatrical impresario Josiah Spaulding, president of the nonprofit Wang Center for the Performing Arts, pulls down almost \$425,000 a year.

Still, Michael's salary was a far cry from his brother Joe's, and it attracted criticism, then and now. "Those salaries are ridiculous. Give me a break. The whole idea was that it be a nonprofit," grumbles Lou DiNatale, a Democratic pundit and senior fellow at the University of Massachusetts McCormack Institute for Public Affairs. "To pay competitive wages is one thing, but it didn't appear appropriate given the origins of the company. Joe set it up for the appropriate reasons. The problem was, it wasn't run after that for the appropriate reasons."

The media soon spotlighted several Citizens' deals that earned millions for top executives. The *Wall Street Journal* analyzed documents and SEC filings and reported last March that in the past decade, the value of employee benefits—including salaries, stock options, and anticipated profits from the purchase and resale of Citizens' assets—exceeded the \$30 million Citizens devoted to philanthropy in that period. In fact, no matter how much cash was whipping through the company in the '90s, the amount given to the needy never topped the charitable payout of its first year, \$4 million. (Since its founding, the company's charitable donations have averaged a little more than \$2 million a year.)

What's more, Citizens and some of its executives—including Michael; William James; and John Doran, who ran the for-profit Citizens Medical Corporation, the pharmaceutical subsidiary—received stock options with the spinoff of Medco (now part of Merck & Co.), a subsidiary in the mail-order pharmaceutical business. The stock options were valued by the *Journal* at between \$19 million and \$75 million, depending on when they were exercised.

One transaction in particular involved a golden parachute for James, which included \$600,000 in severance pay and deferred compensation. He was also offered a 16 percent

stake in the spinoff of the for-profit energy subsidiary, Citizens Lehman, which dealt in the lucrative trading of electricity futures. Citizens even lent him \$400,000 of the \$500,000 purchase price for the stock. The sale of that subsidiary one year later to the The Energy Group PLC raised his stock's value to as much as \$19 million—38 times what he paid for it.

Most people who've analyzed the deal agree that Citizens didn't realize the subsidiary would amount to much: It was losing money when the board voted for the deal. But some nonprofit experts suggest that Citizens could have built in a bigger upside for the company in the event that the deal did do well, as it did.

Meanwhile, Michael was indeed fulfilling the prophecy as the Kennedy to watch. By 1996 the company had begun divesting its for-profit activities to refocus on its charitable functions. But by the middle of 1997 the media began asking questions about Citizens' financial activities. Around the same time, the babysitter scandal broke; it involved the underage daughter of one of Michael Kennedy's friends and neighbors, who was, ironically, also a Citizens board member.

As both stories began to make headlines, Joe began to take the heat. People who have studied the deals say there are no signs that Joe had profited from them, but that didn't stop a *Boston Globe* reporter from asking him in June 1997 what he thought about Citizens' finances. Joe responded that there was a part of him "right at this moment that thinks that I should have stuck around Citizens."

About the same time, his longtime aide, Chuck McDermott, offered a rare criticism of Michael, and one that he certainly would not have offered without Joe's knowledge. "The issue was very clear when Joe was there," McDermott told the *Globe*. "Given the nonprofit nature of the organization, he [Michael], as its leader, should draw a nonprofit salary. I have been witness on more than one occasion to Joe expressing disappointment and disagreement with the kind of compensation figures" Michael had been receiving.

Things quickly unraveled from there. In August, Joe withdrew from the governor's race, citing a reluctance to have his family life trampled. Meanwhile, the Norfolk County district attorney stopped his investigation into Michael's relationship with the babysitter. Then, on New Year's Eve 1997, Michael was killed in a skiing accident in Aspen. This past March, Joe announced that he would not seek reelection to Congress, and that he would return to Citizens full-time. The Kennedys, like Queen Elizabeth II, had suffered their *annus horribilus*.

THE \$64,000 QUESTION, NOT INCLUDING stock options, is this: What does Joe have in store for Citizens Energy?

For starters, the man is, by all accounts, the company's best asset. [Continued on page 157]

you create and interact with your own virtual fish. Open daily 10 A.M.—5 P.M. \$7; \$5 seniors, students, and kids ages 3 and up. Half-price Sun. 3—5 P.M. 300 Congress St., Boston, 423-6758 or 426-2800.

**Discovery Museums**—A great place to wear out the kids on a restless day, with permanent hands-on exhibits and special programs nearly every day. Tues., Thurs.—Fri. 1—4:30 P.M.; Wed. 9 A.M.—6 P.M.; Sat.—Sun. 9 A.M.—4:30 P.M. 177 Main St., Acton. Call 978-264-4200.

**Ecotarium**—The center for environmental exploration presents “On the Surface of Things: Images of the Extraordinary in Science,” featuring the photography of Felice Frankel, artist in residence at MIT. Also, visit the red fox in residence, and call about other special events. 222 Harrington Way, Worcester, 508-929-2700.

**Museum of Science**—THROUGH 1/3: “Ocean Planet” takes visitors to, and into, the fair blue sea, with a slant toward environmental awareness. Through 1/3: “To See the Sea,” meanwhile, shows the abyss through the eyes of a diver or marine researcher. Ongoing: “Science in the Park,” a new permanent exhibit, puts a twist on going to the local playground. “Living on the Edge,” showing where coastal zones meet. And don’t forget the trippy laser shows, the Charles Hayden Planetarium, featuring “Life and Death of the Sun”; and the wraparound Omnimax, showing through 1/10: *Amazon and Thrill Ride: The Science of Fun*, a nauseating look at roller coasters and other amusements. Fri. evening: “Friday Night Stargazing” at Gilliland Observatory. Call about classes, plays,



## CRAZY CARS

1/8–1/10: See this freaky Ford and other classics at the 25th Anniversary AutoZone World of Wheels, at Bayside Expo Center.

and other special events. Museum hours: Sat.—Thurs. 9 A.M.—5 P.M.; Fri. 9 A.M.—9 P.M. \$9, \$7 seniors over 65 and children ages 3–14. Combination tickets: Two venues with exhibit halls: \$14, \$11 seniors and children ages 3–11. Two venues without exhibit halls: \$12.50, \$9.50 seniors and children. Omnimax bargain nights Mon.—Wed., \$5, \$3 seniors and children. *Science Park*, Boston, 723-2500.

**New England Aquarium**—Ongoing aquarium exhibits include “Coastal Rhythms: Creatures on the Edge,” in the Aquarium’s new West Wing; exotic creatures (especially garden eels and sea horses) rule. Other featured exhibits include “Aquarium Medical Center” and “Georges Bank: The Fight for Survival.” Mon.—Fri. 9 A.M.—5 P.M.; Sat.—Sun. and holidays 9 A.M.—6 P.M. \$11, \$10 seniors, \$5.50 children ages 3–11, free under 3. Wed. and Thurs. 4–7:30 P.M., \$1 off regular prices. *Central Wharf*, Boston, 973-5200.

**Yo-Yo Demonstration**—Helping children learn the most important skills a person can have, Chris Ciosek, of the Omega Corporation in Fall River, shows why he holds the Guinness Record for most yo-yo tricks in one minute. Free with general admission. *Child’s Play*, 29 Hudson Rd., Rte. 27, Village Green, Sudbury. Call 978-443-3334. **B**

## His Brother’s Keeper [Continued from page 72]

“He is a man of extraordinary energy, deeply felt conscience, and he’s sort of bold, ready to wade into these issues and take them on,” says Evelyn Murphy, one of his new board members and a former lieutenant governor. “He started it, and continues to have a sense of what big, important issues are. The oil initiative issues are as important as they were when he started it.”

Friends and colleagues unanimously agree (albeit off the record) that Kennedy will almost certainly wind back the clock—to say nothing of the company’s bennies—and return the organization to its philanthropic core. The problem is, the last thing he wants to do is appear critical of Michael’s performance. Of course, even that is difficult to say definitively, since Kennedy would not be interviewed for this piece, and no Citizens executive would comment beyond a laborious, carefully worded mission statement left on a voicemail at press time.

“The timing isn’t great for us,” conceded Brian O’Connor, Kennedy’s congressional press liaison, in one of the initial conversations about this story. “We don’t really have anything to tell yet.” Adds Murphy: “I think he is not yet able to spend the time to really define where he’s going with it yet. It’s pretty premature.”

Still, Kennedy did move quickly to replace the board of directors—the board that had voted for deals such as the Medco stock options and James’s severance package—before leaving Washington full-time. While it is not unusual for a new chairman to bring in fresh executives, Joe’s personnel moves raised eyebrows among Kennedy watchers. The former board included one family member, Kennedy cousin Steven Smith, and several longtime Kennedy loyalists: Heather Pars Campion, an executive at Citizens Bank (no relation) and the wife of veteran political consultant Chuck Campion, whose lobbying partner Charles Baker is a close friend of Ted Kennedy; Deborah Prothrow-Stith, former assistant dean of the Harvard School of Public Health and wife of another Ted Kennedy ally, Reverend Charles Stith, U.S. ambassador to Tanzania; and Richard Allen, of National Geographic Ventures. They were replaced by Evelyn Murphy; Bay State businessman Rick Grogan; William Achtmeyer, chairman of Parthenon Group, a local consulting firm; and, of course, Joe himself.

But what the staff most needs, according to a source who examined the company ledgers closely, is someone with sharp, savvy business acumen. “Who is going to take the place of Wilbur James?” the source asks. “That’s what they need desperately.”

While company spokespeople declined to discuss plans for the future, they did offer information on Citizens’ latest public move,

which was announced at a press conference last month. The move was vintage Joe Kennedy: an initiative involving about 250 oil dealers and 21 fuel assistance agencies that would provide low-cost oil to 20,000 households statewide this year. Kennedy promised an “absolute minimum” of administrative costs—underscored by his low-priced deals with ad agencies and his TV public service announcements, 1-877-JOE-4-OIL.

In the next few months, Citizens is expected to wrap up its internal investigation of the Citizens Lehman transaction. The report, according to the attorney general’s office, will also outline some “revised corporate procedures.” When Kennedy’s law firm completes the review, the results of the investigation will likely be presented to incoming Attorney General Tom Reilly.

To date, no one has suggested that Citizens’ financial doings are illegal; its board approved all stock options and other deals, as did the company’s accounting firm, KPMG Peat Marwick, and board members who stood to profit from a transaction recused themselves from voting on it, as was proper procedure. But almost everyone contacted for this story hesitated when asked if the decisions reflect behavior that is common, or appropriate, for a nonprofit whose stated purpose is to provide low-cost energy and other assistance to the poor. At the very least, some said, Citizens should have funneled more money from lucrative sales to its charitable activities.

“They were kind of at the edge of entrepreneurial charity behavior,” says one authority on nonprofits who added, however, that such practices were not unprecedented. The New England Medical Center, for one, spun off a for-profit division that earned millions for both the institution and the executive that pulled it off.

Other observers, however, are less forgiving. “Probably the real story is that they got a little too aggressive and greedy, and forgot what they were doing and what their mission was,” says a person very familiar with the details of the financial dealings. “And Joe wants to bring it back on the moral straight and narrow.”

Meanwhile, Citizens’ new employees include enough of Joe Kennedy’s friends and aides that the firm could be called a government-in-waiting: McDermott, who is now with James’s for-profit venture; political strategist Ray Dooley; and congressional press officer O’Connor.

Political observers say these moves are not only natural—the men are Joe’s loyalists, after all—but strategic, since a future run for either Ted Kennedy’s Senate seat or the governor’s office is not only likely, but probable. Because two things are as inevitable for Kennedys as taxes and death are for the rest of us: They will always be expected to run, and they will always be watched. **B**