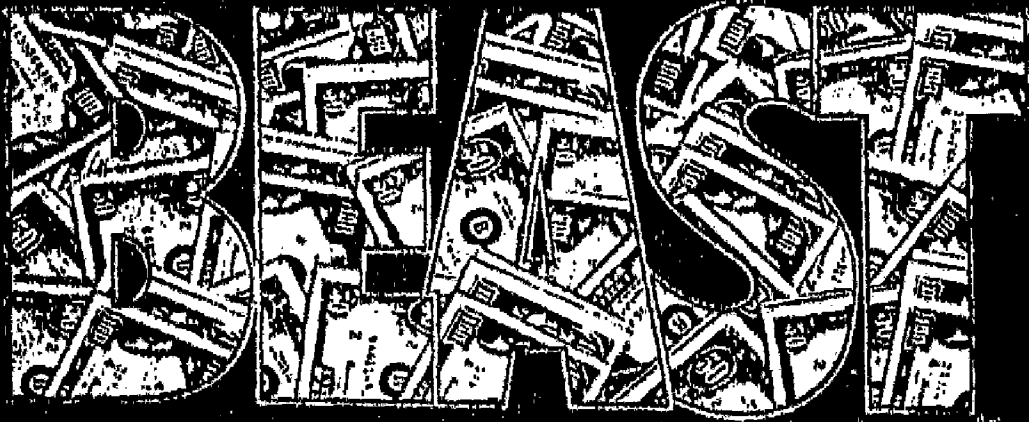


# FEEDING THE



HOW WEDTECH  
BECAME THE MOST  
CORRUPT LITTLE  
COMPANY IN  
AMERICA

# MARILYN W. THOMPSON

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## REPORTER'S NOTEBOOK

AT LUNCHTIME on a slow news day, I was cleaning off a desk cluttered with computer printouts and worn notebooks full of random scribbles. Breezing through them one by one, I noticed a note I had jotted to myself: "Henry Thomas, Freedom Industries." Weeks earlier, I had called Thomas, an outspoken minority Bronx businessman, after noticing his name on the list of Stanley Simon campaign contributors. The Thomas interview stuck in my mind—so much so that I had written a note to remind myself to call him again.

Thomas had detailed his contributions to Simon, explaining them as a cost of doing business in the borough. Then, in a rising fury, he had leveled a wild but alarmingly specific allegation. He said his business had been the victim of a shake-

down by Bronx politicians who, when he wouldn't cooperate, robbed him of his lease on a city-owned factory site.

"When I wouldn't play ball with the politicians, they kicked my butt out of there," he told me in his colorful street talk. He rambled on about stock and someone called "the General," Susan Frank and the Department of Ports and Terminals, Mayor Koch and Hebrew National. He would give no specific names, but alluded to Stanley Friedman and Simon and seemed particularly incensed by the law firm of Biaggi & Ehrlich. He offered no details of the extortion attempt. "If you ever want a real story," he urged before hanging up to attend to more pressing business, "call me back some other time."

The note jarred my memory. I had thought about Thomas frequently, but now, with a few minutes to spare, I placed a call to his company and waited for a befuddled receptionist to track him down in the pandemonium of his new food-processing plant. Thomas needed only the slightest provocation to pick up his shakedown saga. He told me about the battle for the building at One Loop Drive, about Mayor Koch's incredible intervention in his eviction case, and about the blatant conflict of interest by the Biaggi & Ehrlich firm. He told me that Ehrlich had solicited 10 percent of his company stock and how, much to his later regret, he had backed out of the deal. As proof, Thomas offered to show me the unsigned stock transfer documents that Ehrlich had drawn up.

The trip to Thomas's factory was well worth the effort. Thomas had left the stock documents and a stack of correspondence in the care of an officer who guided me through them. In one document, I noticed the name "Wedtech." "What's this company?" I asked.

The officer told me that Wedtech was traded on the New York Stock Exchange and that it was the general belief in the Bronx that Biaggi & Ehrlich were closely involved with it. Wedtech, it seemed, led a charmed life, seizing anything it wanted, including several hundred million dollars in defense contracts and a lease on part of Thomas's old factory site at One Loop Drive.

The contrast was striking. Henry Thomas had refused to give stock to Biaggi & Ehrlich and paid the penalty. This other

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others to the Tropicana, where they had booked a luxurious two-bedroom suite. That night, they dined and attended a Neil Sedaka concert, then went to the gambling tables. Like a jovial Santa Claus, Moreno handed out chips; he estimated he gave the Simons \$2,000 to \$3,000 that weekend. All told, the group spent about \$10,000 in Wedtech money—low losses by Moreno's standards. Well-known at the high-roller's tables, he had blown \$43,000 a few weeks earlier.

The junket sealed the friendship between Simon and his most dependable corporate benefactor. It was a cordial and mutually beneficial relationship. When Moreno needed zoning variances to excavate for an underground pool for his home, Simon's office interceded. When Simon threw a \$300-per-person fund-raiser, Wedtech could always be counted on to buy a table.

Then, in June 1984, when Wedtech faced its crisis with the Navy, Simon saw a golden opportunity. Wedtech needed a waterfront lease by July to satisfy the Navy's requirements; Simon needed a nest egg of cash. On June 20, Simon ran into Neuberger and his third wife, Eileen, at Yonkers Raceway. The borough president explained that he was facing a tough reelection campaign and needed Wedtech's help, suggesting a figure of \$75,000 to \$100,000.

The stingy Neuberger said the amount was ridiculous. "The best I can do is \$50,000."

They agreed the money would be placed in a ready-access account maintained by the tight-lipped Cecil Lewis, out of funds withdrawn from the FHJ slush fund. When Simon needed money, all he had to do was contact Lewis through Ralph Lawrence. He used the account almost like a twenty-four-hour cash machine. Once, in his largest single withdrawal, Lawrence showed up at Lewis's desk to collect \$10,000 in cash.

Simon made good on his part of the deal after Ehrlich learned it might be possible to lease part of a parcel of riverfront property at One Loop Drive in Hunts Point. It was already occupied, but the Department of Ports and Terminals was in the process of evicting the leaseholder for nonpayment of rent.

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Wedtech had begun making moves to take over the property. While at the Yonkers race track, Neuberger happened to see Susan Frank, the young, Koch-appointed commissioner of the ports agency who would be deciding on Wedtech's application. He took the opportunity to buttonhole her and ask for a status report on One Loop Drive. She urged him to relax; the matter was being taken care of.

Simon became upset when he saw Neuberger chatting with the city official. Pulling him aside, he scolded Neuberger: "Don't talk to her. That's being taken care of by me and Bernie Ehrlich."

Businessman Henry Thomas was in a delicate position. A black entrepreneur whose small food-processing business, Freedom Industries, had been plagued by problems, he had earned a reputation as a troublemaker by the city and federal agencies with whom he did business. He was a rabble-rouser who complained so much that no one wanted to take him seriously.

Thomas was in the midst of a long-running rent war with the city. He was trying to snare a potential \$20 million contract with the Department of Defense to make rations for the Army, a deal expected to create up to 400 new jobs in the Bronx. As with all defense contracts, Thomas had to prove he had the facilities to do the work, a matter he thought he had taken care of in 1982 when he leased a 200,000-square-foot building in the Hunts Point area from the Department of Ports and Terminals.

For more than a year, Thomas had withheld rent payments in a protest of conditions in the building. He claimed that the city had rendered the building virtually unusable by digging a trench through the property to separate the sanitary drain from the sewer line. The trenches, he said, had become foul-smelling pools of human waste, so gross a violation of U.S. Department of Agriculture standards that Freedom could no longer cook its specialty, beef stew, on the premises. The city said he owed \$171,000 plus \$27,000 in gas and electricity costs, and demanded that he pay.

In January 1984, the department took the first step in evic-

tion proceedings, serving Thomas with a notice to quit the premises. He had begun to panic when a white knight came to his rescue: Bernie Ehrlich, dressed in a National Guard uniform.

Thomas had hired Ehrlich in 1983 and paid the Biaggi law firm a \$5,000 retainer. But now, in Thomas's moment of crisis, Ehrlich offered him a proposition, which was drawn up on paper and left at his factory for a signature. Ehrlich's law firm would agree to bring its undeniable clout to bear on the Department of Ports and Terminals. It also would help Thomas win city contracts and represent the company before the Neglia-controlled Small Business Administration, where Freedom had had little success on its own.

In return, Biaggi & Ehrlich wanted 10 percent of Freedom's stock. It also expected an initial retainer of roughly \$2,000 a month. When the time was right, after Freedom had sealed its Department of Defense deal, Thomas was told that Biaggi & Ehrlich wanted to take the company public.

Thomas was considering the stock proposal when the city stepped up pressure, filing an eviction proceeding in the Bronx courts. In a funk, he agreed to hire Biaggi & Ehrlich to represent him in the eviction matter while details of the stock agreement were under negotiation. Thomas was vainly trying to barter for a reduced sum of stock and for more specific promises of government contracts before signing the papers that Ehrlich had left on his desk.

Meanwhile, the Department of Ports and Terminals, while trying to kick Freedom out, was negotiating with another company, Hebrew National Corporation, the kosher foods manufacturer, to take over the lease on the waterfront building. In early 1984 when the company launched plans to relocate its Queens offices, the city tried to accommodate the company, fearful it would flee elsewhere. Soon, the company was in line for a lease and a \$2 million loan from the city's Industrial Development Agency. Hebrew National also became part of the President's Club with contributions to the Simon campaign. Simon and Zamechansky had given Hebrew National assurances that it could obtain the prime lease on the so-called Vita Foods Building occupied by Thomas.

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At that point, in June, Wedtech got word from the Navy that it had to produce a prime lease on a waterfront parcel.

The officers first called Pat Simone, their helpful landlord and business partner, who referred the matter to Tartaglia. Then, they called Bernie Ehrlich. It just so happened that Ehrlich knew about a possible site—a spacious parking lot at One Loop Drive. The building's leaseholder, he explained to the Wedtech crew, was about to be evicted. Maybe Wedtech could take over part of the property if a deal could be worked out with Hebrew National.

Ehrlich seemed untroubled by the fact that he also served as a lawyer for Henry Thomas, who was fighting tooth and nail to keep the building. One day, he took Moreno, Mariotta, and Zamechansky on a tour of the Vita Building, sneaking about to avoid areas where Thomas might spot them. Ehrlich explained to Moreno that he had a secret agreement with Thomas to own part of his company, but had decided nonetheless to drop Freedom Industries as a client.

A few days later, Ehrlich lowered the boom on Henry Thomas, informing him that the firm was now representing Wedtech. Thomas left the meeting in a state of shock. He had thought he had the most powerful law firm in the Bronx working on his side, only to find out it was also representing a client trying to kick him out. Suddenly, he remembered the unsigned stock dual gathering dust on his desk. Ehrlich, he believed, was getting his vengeance.

Thomas called the office of Rep. Joe Addabbo and succeeded in getting a letter sent to Koch, confirming that Freedom was waiting for a major contract that would allow it to settle its debts. On June 26, Koch wrote back to assure Addabbo that, if Freedom sealed the contract, he would help Thomas find a suitable building.

In July, Thomas decided to appeal directly to Susan Frank. He wrote a letter alleging that he had been a victim of "extortion and shakedown" by certain unnamed political officials—"local politicians who have actually predicted we would lose our premises if we do not 'play ball.'" He cited a blatant conflict of interest by the Biaggi & Ehrlich firm and said Koch had been misled about Freedom's status.

Frank considered Thomas's charges for exactly one day before responding in writing that she considered them "to be without merit." The shakedown charge was never forwarded to the city's Department of Investigation, and Koch aides insisted that the mayor never saw Thomas's letter.

On June 5, Frank wrote a letter to Mariotta agreeing to rent the 100,000-square-foot parking lot to Wedtech at \$50,000 a year for three years, with a four-year renewal option. Wedtech used the "letter of intent" to convince the Navy it would soon hold a lease on the property.

The highly unusual circumstances under which the letter was written showed just how rapidly the juggernaut of city government could roll, once enough political grease was applied. Within a single working day, Wedtech officers, Hebrew National executives, and city officials toured the One Loop Drive site; an agreement to oust Freedom Industries and bring in Wedtech was negotiated; and Wedtech had in hand a written commitment from the city for the lease.

The process by which the lease was approved by the powerful Board of Estimate also was unusually speedy. Any contract involving more than \$10,000 required approval by the Board of Estimate, consisting of the five borough presidents, the controller, the city council president, and the mayor. The board met regularly on Wednesday and Thursday of every other week. Its practice was to "calendar" proposals on Wednesdays and vote on them the following day.

The first attempt to get the board to vote on the Wedtech lease was made on Wednesday, June 13, 1984, the first day it could possibly be on the calendar. But city Controller Harrison "Jay" Goldin had great reservations about calendaring and voting on the lease on the same day.

Carlos Cuevas, an associate in the Biaggi firm, called Richard Biaggi and told him of Goldin's concern, and Biaggi told Cuevas to call his father. Cuevas phoned Mario Biaggi at his Bronx office, and the two had a very succinct conversation. Cuevas described the problem in less than a minute and hung up.

The board took no action on the lease that day, because, in Ehrlich's words, Simon had failed to "move his ass." But

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Ehrlich told Moreno that the congressman had made known his displeasure, threatening to withdraw his support in the next election if Simon did not move quickly. By the time the July meeting of the Board of Estimate rolled around, Biaggi also had placed a call to Goldin, and the lease sailed through with hardly a ripple of discussion.

Thomas still was refusing to budge, while the city was pressing its case in eviction court. In August, in a highly unusual intrusion in the judicial process, Koch wrote a letter to Freedom's new attorney, state Sen. John Calandra, protesting Freedom's refusal to leave the building. He also sent a copy of his strongly worded protest to Israel Rubin, the administrative law judge handling the case.

Not long after Koch's letter prodded the city judge, Thomas showed up at work one day to find city marshals loading his belongings into trailers. He was even more astounded when he looked in the mailbox and found among his monthly bills a \$2,196 invoice for the August legal services of Biaggi & Ehrlich.

Thomas called a DOD fraud hotline, spilled out his story of Bronx corruption, and soon was visited by the FBI. But as usual, his charges, which seemed to amount to little more than hot air, were duly recorded and quickly forgotten. A few months later, his DOD contract down the drain, Thomas filed for bankruptcy.

Thomas had given up on telling his story by the time our paths crossed in the fall of 1986. He could hardly have known that his interview with me then would drive a nail into the coffin of the corrupt Bronx political machine.