



The Mirage takes shape

The *Sun-Times*'s tavern series exposed city-wide corruption—but raised questions about press ethics.

Here, the reporters who wrote the series describe how, and why, their newspaper started pouring shots in the Windy City

by ZAY N. SMITH and PAMELA ZEKMAN

It was no place for a story conference. Pamela Zekman knew that much. Reporters and their editors were supposed to work these things out in the city room or at a conference table—not in the middle of the Michigan Avenue Bridge.

But James Hoge, editor of the *Chicago Sun-Times*, saw no reason to waste the moment. It was the afternoon of February 25, 1976. A downtown luncheon seminar on law enforcement had just ended. Hoge walked alongside his new investiga-

Zay N. Smith and Pamela Zekman, who both joined the Sun-Times in 1976, are the authors of The Mirage, an account of their experience as reporters and bartenders which will be published by Random House. This article has been adapted from the book.

tive reporter, hired away from the *Chicago Tribune* only weeks before, and sought to get acquainted.

"Any projects in mind? Any investigations?"

Zekman had been expecting the question since her arrival at the *Sun-Times*. She still didn't know quite how to put the answer.

"There's a lot of things we could try," she said, finally. "I know about some lawyers who sell babies. And those new medical clinics popping up in the ghetto neighborhoods. But there's something else I'd rather talk about. I guess I should warn you right off, it's always been kind of a fantasy of mine."

"What is it?"

"A tavern."

"And you . . ."

"I'd like to open one."

Hoge looked straight ahead, his eyebrows slightly raised. Zekman instantly wished she had held off until she knew the man better. Maybe she should have hit him for a drink first—and then a whole tavern.

"I know it sounds a little ambitious," she said. "But we're always getting complaints about the shake-downs and payoffs in this city. The fire inspectors, the building inspectors, the police . . ."

"This is Chicago," Hoge said.

"And if we owned a tavern, we could be there when it happened. We could see how the system actually works. We could photograph it, get it down on paper once and for all . . ."

Zekman let her voice trail off. She

They set 'em up: (above, from the left) managing editor Loory, executive editor Hoge, reporters Zekman and Smith, BGA investigator Recktenwald, and editor Otwell

could see Hoge was thinking.

"As I say, it's kind of a fantasy of mine."

Hoge nodded slowly. "I can see where it'd be a hell of a story," he said. "We'd get a good look at the contractors and the jukebox companies, too. A good look at a lot of things. But there's something you have to realize . . ."

Now it was Hoge's turn to trail off. Zekman knew enough to finish the sentence for him.

"You mean it would cost a lot of money and newspapers aren't money trees."

"You have the general idea."

"I figured maybe thirty thousand."

"At least that. I'd say more like fifty or sixty."

Another silence. A long one this time. Zekman prepared for a lecture on the financial realities of the newspaper business. Every editor had his own way of saying: nice idea, but let's get serious. It was time she learned Hoge's way.

"We'd have to budget at least a year ahead for something like that," he said. "At least a year."

Zekman slowed the stroll. "Are you saying . . . ?"

"And there are a lot of questions. Entrapment for one. Security. We'd have to go at it very carefully."

"Are you saying we could actually do it?"

"Let me take a look at the budget. That's where we'd have to start."

The story conference continued across the Michigan Avenue Bridge and into the steel-and-glass river fortress that houses the *Sun-Times*. Hoge couldn't help smiling as he talked of all the things a newspaper tavern might discover. Zekman stayed silent. She had been waiting more than five years to hear an editor talk like this.

The one story she wanted most had always stayed out of reach: the story of the day-to-day corruption that Chicago's small-business owners endured. And nowhere was the corruption greater than at the street level, where city inspectors, policemen, and other public servants put the arm on thousands of small-busi-

ness owners. The shakedown traffic at this level ran into millions of dollars, in many small installments.

The shakedown victims were not much help. In fact, the city's small-business owners seemed intent on *protecting* the system. Some thought they had a good thing going. There was nothing like a hundred-dollar payoff to avoid a thousand dollars in repairs and renovations. The other victims—those who liked to do business on the straight—called often to complain, but almost always refused to go on record for the same reason they paid off: fear of City Hall.

As early as 1971, Zekman had campaigned for a tavern project at the *Tribune*. But the paper's editors and attorneys had worried about the expense and legal entanglements.

Nobody had seen the charm. Nobody until now.

Secrecy begins at home

It was December 23, but there was no Christmas tree for the *Sun-Times* city room. The only clue to the holiday was a less hectic pace among the editors and reporters. Yet Hoge seemed in a bright enough mood when he called Zekman into his office.

"Do I look like Santa Claus?" he asked.

Zekman studied him. "Just offhand . . ."

"I am."

"You are?"

"I am."

Zekman tried not to run as she headed back through the city room to her desk. She dialed the number of the Better Government Association and waited until William Recktenwald, the BGA's chief investigator, was on the line. With Hoge's approval, she had sounded out Recktenwald on having his organization join the *Sun-Times's* tavern project. She spoke in a low voice.

"Reck, we've got it."

"Got what?"

"The tavern. I just talked with Hoge."

"You've got the money?"

"We've got the money."

Project security—the keeping of the secret—would be Zekman's first worry from now on. Chicago was



On the house: with the bar in business,

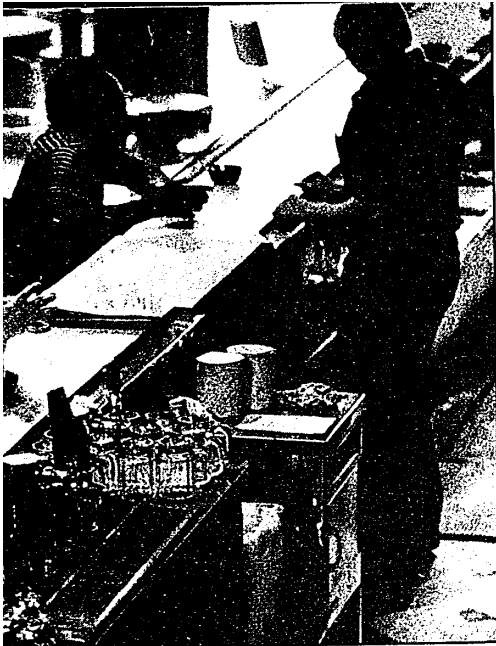
the city of the Front Page. Everybody was on the lookout for good stories to steal. And the smallest slip—a lost memorandum, an overheard conversation—could easily wreck months of effort. So Zekman would stay quiet. She would lay false trails. She would even withhold information on her expense vouchers, because she never knew who would see what and who would hear about it next.

The tavern would have to be kept secret, for openers, from the *Sun-Times's* own city room. And then there were the real trouble spots.

Zekman could just barely see into another city room from her desk. Publisher Marshall Field kept his two newspapers—the morning tabloid *Sun-Times*, the afternoon broadsheet *Chicago Daily News*—side by side. A wire-service room, with glass windows all around, was all that separated them. That and the sharpest sense of rivalry. The *Tribune*, only a block away in its Prairie Gothic tower, made it a three-way chase.

A lesson in law

In the last week of December, most of the tavern hierarchy was assembled in the *Sun-Times* conference room: Hoge, editor Ralph Otwell, managing editor Stuart H. Loory, metropolitan editor Joseph Reilly. Zekman and Recktenwald sat along



Loory joins Zekman for a working lunch

one side of the long walnut table.

A. Daniel Feldman, the *Sun-Times*'s attorney, was the last to enter. Zekman couldn't help staring at him as she explained the project. She remembered the unhappy effect the *Tribune*'s attorney had produced in years past.

"Sounds like a good idea," Feldman said. "In a way, I'm surprised you haven't tried something like this before now."

"Then you don't see any problems?" Zekman asked.

"Plenty of them. But that's to be expected."

It took about an hour to go through the initial list of problems—and the guidelines that would help solve them. The trick was to keep the project within ethical and legal boundaries even while it was covered over with Chicago corruption.

Entrapment. This was the foremost concern of the project. According to Illinois law:

A person is not guilty of an offense if his conduct is incited or induced by a public officer or employee, or agent of either, for the purpose of obtaining evidence for the prosecution of such a person. However, this Section is inapplicable if a public officer or employee, or agent of either, merely affords to such person the opportunity or facility for committing an offense in furtherance of a criminal purpose which such person has originated.

This meant that it was all right to

give somebody a chance to show off his normal talent for lawbreaking. It was not all right to nudge that person into committing a crime.

Illinois courts tended to give the doctrine a liberal interpretation. But the *Sun-Times* would be very conservative here. It wouldn't offer a single nudge toward the commission of a crime. The only act would be to open a tavern—then let the visitors take it from there. This was a matter of news judgment as well as ethics. The aim of the project was to catch Chicago in the act of being itself.

Invasion of Privacy. It would be an invasion of privacy if a reporter worked under cover, say, as a politician's valet or housemaid. But a tavern was a licensed public place. The *Sun-Times*, of course, would exercise special discretion about certain kinds of revelations. If a tippler told a story that was worth sharing but quite personal, his identity would be protected. As for criminal acts, the newspaper would reveal names, dates, places, and amounts.

Eavesdropping. Illinois law forbade the secret use of sound-recording equipment without a court order. The *Sun-Times* would therefore depend on hidden photographers, multiple witnesses, and detailed memorandums for its documentation.

General Liability. The *Sun-Times* would try to run a clean, safe tavern. It would buy all the right insurance. It would be in roughly the same position as the city's other 6,624 liquor licensees.

The meeting was adjourned. Zekman headed for another, less formal, meeting several blocks away. The Kinzie Steak House was in the midst of its regular lunchtime rush. Zekman leaned over her salad and kept her voice low. Tyrone P. Fahner, incoming director of the Illinois Department of Law Enforcement, listened intently.

"That's a terrific idea," he said. "If you don't do it, maybe we will."

"Then you think we can manage something?"

"I'm sure we can."

Any person who witnessed a crime was required, by law, to report it to the police. Zekman and her

colleagues would probably witness their share. But whom to call? The Chicago Police Department was one of the project's potential targets. The Justice Department and the FBI had pretty good security, but neither was inclined to go along with press investigations.

That left Fahner and the Illinois Department of Law Enforcement. Zekman knew Fahner from his past work as a federal prosecutor. He was nonpolitical. He could keep a secret. He would have adequate jurisdiction when he assumed his new post. And he respected the need of newspapers to remain free of government interference.

"I've got to make one thing clear for the record," Zekman said, choosing her words with care. "All we want is the chance to fulfill our obligation, as citizens, to report crimes to an appropriate law-enforcement agency. That has to be the extent of the involvement. We can't be your agents, in any sense."

"That's fine with us. We wouldn't want you to be."

Fahner said he would inform one of his top assistants of the project. The tavern would call him and report, in detail, any crimes that occurred. He would accept the information. He would protect the tavern's cover. And he would keep his hands off.

Meeting the fixer

It was not until late January that Zekman and Recktenwald moved out through the city to shop for a tavern. The expedition had been delayed a couple of weeks so that Recktenwald could alter his appearance. It took that long for his new mustache and mutton chops to look respectable. Zekman's problem was her conspicuous red hair. She considered wearing a blonde wig that the *Tribune* had bought for her during its 1972 investigation of interstate gunrunners. (The blonde Zekman had shopped for a small arsenal to test the market.) But the wig seemed a troublesome solution for a project that might last the better part of a year; she finally decided to make do with a scarf and dark glasses. continued

The cover story came easier. Recktenwald would become Ray Patterson; Zekman, his wife and helpmate Pam Patterson, for as long as the shopping might take.

From there on it was a matter of searching the newspaper classifieds under "Business Opportunities," marking the bargains, and climbing into Recktenwald's Chevrolet station wagon. The shopping would be taken slowly—a day or two a week over several months—with the rest of the time spent on planning and research.

Recktenwald started his car and got the heater going.

"Let's go over our story once more," Zekman suggested.

"We've been married five years," said Recktenwald. "We're looking to buy a tavern. We don't know much about the business, but we've got a friend who's going to be our partner, and he does. We're sort of scouting around until he gets in from Baltimore to join us."

"You think that sounds okay?"

"We'll find out."

"So you're going into business?" Philip J. Barasch said. "You've come to the right place." It was the morning of March 1. Zekman and Recktenwald had by now checked out more than seventy taverns and, as prospective owners, had heard endless shoptalk about payoffs, illegal kickbacks, and tax fraud. Now they had come to the office of Philip J. Barasch & Sons—real estate, tax accounting, insurance—on the city's northwest side. Barasch was handling the sale of several dozen taverns and restaurants at the moment. A few seemed worth a look.

There was little hint of Barasch's special skills as a fixer when Zekman and Recktenwald, still playing the Pattersons, first encountered him. Barasch, a squat man with a nervous squint, stood in the middle of a seemingly lawful hubbub: clients coming and going, telephones ringing all the time. It was not until Barasch led the way to his private office that Mr. Fixit took over.

The office was furnished in bright vinyls and wood veneers. The desk

was covered with heaps of file folders, one of which was stuffed with cash.

Zekman waited until everybody was comfortable before she asked about Skip's Friendly Tap, a tavern with an \$18,000 purchase price. Barasch got right down to business, Chicago style. So you want to buy a tavern? The first thing we should talk about is tax fraud. You can't judge a tavern until you know how much it takes off the top.

"They show a gross of forty-one thousand, eight hundred and three dollars," Barasch said. "But in reality they make sixty thousand. I handle their books."

Barasch saw that he had surprised the Pattersons with such sudden talk of tax fraud. This, in turn, surprised him.

"Are you from Chicago? Ever been in business yourselves? Well, I'm telling you this is how it works. Everybody chisels it down. I have seven hundred businesses and all but maybe four do it. They slice it off so they won't have to pay their sales tax and federal tax. That's what they all do."

So Barasch had settled that. But then he surprised his visitors once again. He didn't merely talk about tax fraud. He put it in writing. He handed out cards that described various taverns and restaurants for sale. The cards included brief remarks about the style of cheating at each:

Skip's Friendly Tap: gross business "\$41,803 with 20% adjustment; in reality 60,000."

Elston Lounge: gross business "\$5,000 (cuts ½ sales tax)."

Papa's III: "... cuts down figures strong . . . 5 bartenders, not all on books." [The three taverns have since been sold to new owners.]

Barasch looked through his files for more cards and offered a lecture on all the procedures that must be followed in opening a tavern: licenses, inspections, insurance bonds, incorporation fees. He hinted there were adventurous ways to handle most of these technicalities. He said he would explain further when the Pattersons became his clients at a hundred dollars a month.

Zekman studied Barasch, then interrupted. "Do you mind if I take notes?" she asked. "I'm losing track of these instructions."

"That's my little wife," said Recktenwald, suppressing a smile. "She's so damned efficient. She'd make a great secretary."

Barasch looked up from his files, thought a moment, then shrugged.

"Oh, sure, sure," he said. "Here's a pencil."

A secretary outside waved for his attention. There was somebody he had to see.

"Be right back," he said.

Zekman reached for the card that described the Elston Lounge. She put it in her purse.

"I think I want to take some of these with me," she said.

"Why do that?" Recktenwald asked. "Maybe he'll make copies for us."

"You think so?"

"He's letting you take notes, isn't he?"

Barasch came bustling back into the office.

"We were wondering if you could make copies of some of these cards for us," Recktenwald said. "We'd like to take them and look at these places."

"Oh, sure, sure. No problem."

Barasch gave the cards to a secretary and asked for a Xerox copy of each. He moved back to his desk, sat down, and smiled at his visitors. The Pattersons were obviously his kind of people. Yeah, he said, he worked hard and enjoyed the rewards. He employed eight lawyers and twenty bookkeepers. He owned more than forty buildings across the city, and a chain of newsstands, too. He claimed to be the "second largest tax accountant in the Midwest after H & R Block."

'It's seedy. I like it.'

By mid-April, Zekman and Recktenwald had narrowed their choice of taverns to five. In the *Sun-Times* conference room, editors Hoge, Otwell, Loory, and Reilly were looking at photographs of the possibilities.

"Now this tavern is our favorite," Zekman said. "It's called the Firehouse. It needs some work, but it's

got a loft in back the photographers”

“What’s all this stuff all over the outside?”

“Which stuff?”

“The white stuff.”

“Pigeon droppings.”

Stuart Loory volunteered to make a managing editor’s judgment. He visited the Firehouse several days later. He looked around him as he sipped a cold beer. It was small, but comfortably so, with twenty-two barstools and four booths. A loft behind the back wall would serve as a photographer’s hideout. A huge mirror-backed bar left over from the 1890s was decrepit but impressive. And the price was right: \$18,000 for the trade and fixtures, plus \$300 monthly rent to the building’s landlord. Loory went to the Firehouse’s pay telephone and called Zekman in the *Sun-Times* city room.

“It’s seedy,” he said. “But I like it.”

On Friday, June 24, the *Sun-Times* accounting department delivered a check for \$17,500—the tavern’s down payment (\$5,000) plus the initial stake—to James Hoge. The stub was marked only “For Investigative Project,” because that was all the accounting department knew. Four days later, the *Sun-Times*, under a careful cover, owned a tavern.

There was one last question: what should it be called? No one was quite sure even now, and the license applications were waiting. It was Recktenwald who did the necessary research.

“I’ve been looking in the dictionary,” he said. “I checked the definition of ‘mirage.’ And you know what? That’s exactly what this place is going to be.”

The Mirage. It was a good name. And it was fair warning.

Stories on tap

By mid-July the salesmen were arriving in bunches. They said their product was pinball machines and jukeboxes. Zekman and Recktenwald discovered they were really trading in illegal kickbacks, tax fraud, and political fixes.

“Hi, I’m Ted Tudor and I’ll give

you a thousand dollars if you take my jukebox,” said the man in the checkered sport coat as he walked into the Mirage.

Tudor, a salesman with J & J Jukebox, was the first of many to woo the Mirage with an illegal kickback. Merv Dukatt of Top’s Vending, Inc., one of the city’s largest, thought plain cash was a little vulgar. “I’ll buy your liquor license,” he said.

Other salesmen preferred to sweeten the deal with illegal loans. The salesmen all admitted that such favors were forbidden under Chicago ordinances. Zekman, just to make it official, later talked to the Chicago License and Liquor Control Commission. An official there explained that the city didn’t want its taverns to have any secret financial interests—especially crime syndicate interests.

The official pointed out, however, that he was talking only hypothetically. The fact was he had never run across such practices. “I find it difficult to believe that anybody would go around giving a thousand dollars for an account,” he said. “Where would they get the money?”

But eighteen of the Mirage’s twenty-two salesmen managed to offer illegal kickbacks totaling \$11,100. And six of them offered illegal loans totaling \$7,300.

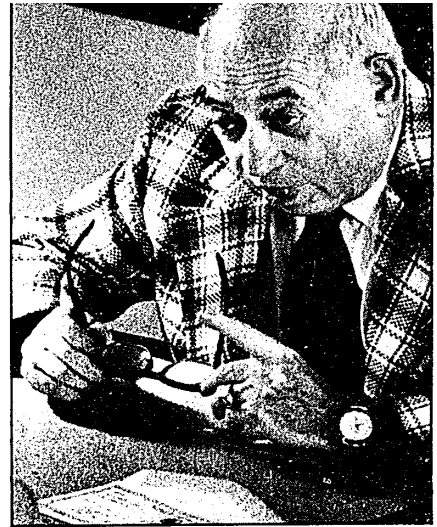
On July 25, Zekman and Recktenwald again visited Barasch at his office. The purpose was simply to hire him as the Mirage’s tax accountant. But Barasch saw no reason to leave it at that.

He started with a look at the Mirage’s state sales tax bond. The Mirage owed about \$1,200 here.

“With my connections, I’ll get it down to three hundred dollars,” Barasch said. “I know the head guy there. I’ll sit down and talk to him.”

Barasch then noticed that the Mirage had listed its true monthly rent of \$300.

“No, no, no,” he said. “If you show this, we’ll never be able to get a three-hundred dollar bond. We’ll make it a hundred and fifty. That way it will be all right.”



In flagrante delicto: Philip J. Barasch, the Mirage’s Mr. Fixit, on the job at the bar

He erased the \$300 and wrote in \$150. He then noticed that the Mirage had left blank the space for number of employees.

“I just want to put one employee in there—that’s all,” he said. “I don’t care if you have ten. I’m putting one in there.”

Zekman started taking notes. Barasch’s next question would make his visitors sit up and listen.

“Have your inspectors been in there yet?” There was a momentary silence. “Don’t worry about a thing,” Barasch went on. “I’ll walk you right through.”

“What do you mean?”

“I’ll give you detailed instructions on that,” Barasch said, leaning forward. “I want you to take two envelopes. You put ten dollars in each envelope. When the Building Department guy comes in, you give him an envelope with ten dollars and my card and you tell him I represent you. When the fire inspector comes in, you give him the other envelope and tell him I represent you. The inspectors come around once and you’re rid of them.”

Zekman wasn’t sure she had this straight. Was Barasch saying that none of the inspectors was honest?

“I never met one in fifty years,” Barasch said. “You see, they all do it to supplement their income.”

Zekman nodded slowly. The Mirage wasn’t yet open. But as a journalistic enterprise it was definitely in business. ■