



# THE MIRAGE

Story of a Chicago newspaper's bar & grill

By PAUL GALLOWAY

The guy grunted, ordered a shot, and ignored the regular. The conversation about the "front" never got off the ground.

Norty Smith, who was tending bar, was relieved, because the regular was right. The Mirage was a mirage, a front owned and operated by the Chicago Sun-Times and the Better Government Association. And Norty Smith, bartender, was really Zay Smith, Sun-Times reporter.

The Sun-Times and the BGA, a nonpartisan, privately supported investigative agency, ran the Mirage for four months last year to demonstrate and document how Chicago, which has been described as the city that works, works.

They were looking for corruption, and they found it. Or rather it found them.

To put it as delicately as possible, Chicago is a city in which the shake-down, the payoff and the kickback are not unknown. Graft is so much a way of life that Chicago Daily News columnist Mike Royko makes a

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Mirage's bartenders (from left): Pam Recktenwald, Pam Zekman, Zay Smith and Jeff Allen.

One afternoon in late summer of last year, a regular tippler at the Mirage tavern reached a conclusion as he reached for his beer. There was something suspicious about the new owners — something he couldn't quite put his finger on.

"You know something?" the regular said to the guy on the next barstool. "This place is some kind of a front. I dunno who's behind it. Maybe the syndicate. But something's funny about this place. It's gotta be some kind of a front."

strong case in his campaign to change the city motto from Urbs in Horto (City in a Garden) to Ubi Est Mea (Where's Mine?).

The Sun-Times broke its story in January, and such a rich vein of dishonesty was mined that the revelations ran for four weeks. The Mirage became the best known bar in Chicago. Tour buses stopped. Some people came in just to look around. Others stayed for a drink so they could say they'd lifted a glass there.

Its fame went beyond the city limits. Newspapers, magazines and radio networks from Great Britain, Canada, West Germany, France, Ireland, Sweden, the Netherlands and Luxembourg did stories and interviews. CBS's "60 Minutes" featured the Mirage, and so did the "Today" show on NBC. Time and Newsweek wrote about it in their Jan. 23 issues. The wire services and scores of U.S. newspapers ran articles.

Readers were fascinated and outraged. "I've never been involved with a story that's had the kind of reaction this one has had," said Stuart Loory, managing editor of the Sun-Times. "Not only in the immediate results but in the way it held up a mirror to the city and made people look at the way the system operates here. We've heard some people say, 'Well, it's always been this way, and it always will be.' But we're also hearing those who say, 'It doesn't have to be this way.'"

Chicago journalism has a proud muckraking tradition established by talented, tenacious investigative reporters. But Chicago itself deserves some perverse credit. To rake muck, you need muck. Through the years, Chicago's government and its politicians, its businessmen and industrial titans, its police, its crime syndicate and even one of its professional baseball teams have provided enormous quantities of really outstanding, top-quality muck.

And, again, in the story of the Mirage, the muck was there, represented by Chicago's current generation of the worst and the lowest, who trooped through doors with their heads held high and their hands held out.

City inspectors studiously overlooked serious health and safety violations in return for . . . money. State liquor inspectors got theirs. Contractors acted as middlemen for

payoffs. Accountants instructed the Mirage on the art of tax fraud (a dodge so widespread that it reportedly costs the state an estimated \$16 million a year in sales tax alone). Jukebox and pinball operators offered kickbacks and shared their knowledge on tax skimming. And there was more.

Halfway through the series, the scorecard totaled six city and state inspectors suspended, a special investigative office and other reforms announced by a defensive mayor, pledges of cleanups by the housing and fire departments, investigations by the state's attorney, the U.S. attorney, the Illinois Department of Revenue and the Internal Revenue Service. Prosecutions loomed.

The Sun-Times set up a Shake-down Hot Line for citizens fleeced by crooked inspectors, and did a brisk business.

The Mirage series grabbed Chicago by the shirt collar and shook it, and much of the impact and success could be attributed to the newspaper's departure from conventional investigative techniques. A newspaper generally conducts an investigation through cooperation with law enforcement agencies or victims, through tips or sources, by combing official records or possessing secret reports or papers, by infiltrating a company, organization or government agency, posing as a customer or client of a targeted enterprise or working with a secretary who can't type.

This time, the newspaper created and controlled its investigative snare, an extraordinary approach which promised both high returns and high risks. The Mirage had elements of "The Sting," as Time and Newsweek mentioned; and playing the Newman/Redford roles were Pam Zekman and William Recktenwald.

Investigative reporter Pam Zekman joined the Sun-Times two years ago. And Editor-in-Chief James Hoge asked her what stories she was interested in doing.

She said she'd like for the Sun-Times to buy her a bar.

Hoge said it sounded like a terrific idea.

To some reporters, Hoge's reply might sound too good to be true. Editors rarely spring for even an occasional drink, and here was a boss



agreeing to buy a reporter a saloon.

But Zekman is one of a very few who could sell an editor on such an idea. She is something of a dynamo and among the best investigative reporters in the country. Her stories get results, and they get awards, too. She shared in two Pulitzer Prizes when she was with the Chicago Tribune.

William Recktenwald is chief investigator for the BGA and, like Zekman, is in the first rank of investigators. The BGA generally teams with newspapers and radio or television stations on investigations, and Recktenwald and Zekman had worked together on several projects.

They had heard the continuing chorus of complaints from small businessmen about shakedowns and payoffs, and they had checked out many of them. Setting up their own place would be the ideal way to get a comprehensive view of the kind of corruption that occurs daily in Chicago. For years, they kicked around the idea of buying a bar. It could be the perfect stage for a Chicago morality play, a classroom for a lesson in Chicago civics.

A year passed from the time Zekman proposed the tavern project until she found the time to begin. First, she had to complete for the paper investigations into a baby-selling racket and a currency-exchange scandal.

In January 1977, Zekman and Recktenwald turned to the classified ads under Business Properties and started looking for a saloon. And they began work on the complicated, delicate preparations.

The city and the police investigate persons applying for tavern licenses. Zekman and Recktenwald had to find someone above suspicion, someone who wasn't a journalist or investigator, to be the nominal owner. Recktenwald checked the BGA's investigator applications. A bell rang when he read Jeff Allen's resume. Allen was 26 years old, a native of Chicago and had once operated a bar in a Colorado ski resort. Just right. The parent company of the Mirage would become the JeffAl Lounge, Inc.

Next, they devised a way to funnel the money from the Sun-Times and the BGA. An investor who speculated in small businesses was located. He agreed to serve as the tavern's money man. The initial stake was \$17,500, which he put in his bank account to lend to the Mirage.

"Then we went shopping," Zekman says. "We first had to find out what was the going price of taverns." They discovered they were seeking a fancy Rush Street bar with a Skid Row budget. But they learned a lot from talking with tavern owners, who opened up to "fellow business people" in a way they never did with reporters.

There were some setbacks. The original money man dropped out, and another had to be found.

The search for a bar was discouraging. The prices were too high or the layouts weren't right for surveillance.

In May, Zekman answered an ad for a bar called the Firehouse. It was love at first sight. The Firehouse was sleazy, crumbling and off the fashionably beaten track in a run-down,

North Side neighborhood.

"We liked it immediately," Zekman says. "The physical layout was perfect. It was the right size, not too small, and there was already a loft where the photographers could hide."

"The area is not sure what it is," says reporter Smith. "There are some printing businesses, some antique stores and some light industry. And there was an escort service that was really an old-fashioned whorehouse a block away, and a B-girl joint nearby."

But what really sold Zekman, Smith, Allen and Recktenwald on the Firehouse was its horrible condition. The bar was loaded with health and safety-code violations. Wiring was frayed and exposed. There was trash and garbage piled in the basement. It was a playpen for rats, a breeding ground for maggots and a headquarters for sewer backups, which deposited foul combinations of animal and human feces. The plumbing was in terrible shape; one sink drained directly into the basement, which already had enough problems. There was rotting wood that would burn like kindling, and a burlap covering behind the bar that was pure fire hazard.

The purchase negotiations took more than a month. Zekman et al closed the deal on June 27, paying \$5,000 down and agreeing to make the final payment on Oct. 31.

One unexpected stumbling block was the name. The Tender Trap was rejected, as were The Sunny Times and Le Tap Lloyd (for the Falloid, get it?). On deadline day for the li-

cense application, it was going to be Jeffrey's, until Recktenwald suggested the Mirage. Done.

Now they were ready, and well aware of the potential pitfalls.

"We saw three main risks," says Ralph Otwell, editor of the Sun-Times. "One was that the cover could be blown. One of our people could be recognized. Second, we were concerned about possible Mafia involvement which could put lives in jeopardy. And third, there was the matter of keeping the competition in the dark, which is a big consideration in Chicago."

"This was not a fun-and-games project," says Managing Editor Loory. "This was a serious journalistic investigation, and we gave everybody a stern lecture on the need not to talk to anyone about what they were doing. The security was totally successful. On the closing night, when we threw a party for the Mirage customers, Jim Frost [one of the two photographers assigned to the project] brought his wife, but he never told her where they were going when they left their home and he never explained why until later."

"There was a lot to go wrong," Zekman says. "What if we were being set up ourselves? What if we were arrested when we made a payoff? What was our responsibility in notifying law enforcement? There were questions of strategy. How many should be there when the payoffs were made? And what if someone were injured or killed there?"

That last question was almost answered. On the Labor Day weekend, a bloody bar brawl broke out. "The worst I've ever seen," says Recktenwald. Miraculously no one was seriously hurt. It was a close call, however. The police were called, and the investigation was almost cut short.

The team was also concerned about staying within the law with regard to entrapment. In short, entrapment is initiating or planting the idea of a payoff or other unlawful acts. And it is illegal. The investigators were carefully instructed. They could not suggest a bribe; they could only react to a suggestion from a person seeking it.

Getting around to a payoff can be an intricate dance, and the Mirage people had to learn the steps. "It was

usually very subtle," Zekman says. "No one usually comes right out and asks directly for money." It was decided that at least two persons had to witness the payoff solicitations and payments and every other kind of illegality. Photographers Frost and Gene Pesek, dressed as repairmen, were often in the bar. They hid in the upstairs loft and took their pictures through an opening disguised as a ventilation duct. Whenever a law was broken, the Illinois Department of Law Enforcement was immediately notified.

The investigators often hurried into a room behind the bar after meetings and payoffs to write down their accounts of what had happened. It was this kind of behavior that stirred the suspicion of the regular customer who became convinced the Mirage was a front.

Also as part of the preparation, Smith enrolled in bartenders school for a five-day crash course. He came out knowing how to mix 85 drinks.

"I also learned how to skim from the cash register and to short pour," Smith says. "And all those drinks weren't necessary at the Mirage. A shot and a beer was the No. 1 order. Rum and Coke was a staple. I made five martinis the whole time we were open. The most popular exotic drink, for some reason, was the Singapore Sling, and I didn't usually have whatever was supposed to go into it. I just dumped something red and sweet in it. Nobody complained."

Smith, who wrote the series, became Norty Smith, bartender, and the crooked inspectors must have wondered why he was always hovering around, taking inordinate amounts of time to rinse beer mugs while payoffs were being arranged. Recktenwald became Ray Patterson, and Zekman was Mrs. Ray Patterson, known simply as Pam. She worked days and made the sandwiches at lunch. Allen, as the main owner, dealt with the inspectors, contractors, accountants, pi. ball and jukebox people, along with Pam, "Ray," and "Norty."

When the necessary preliminaries had been arranged, it was time to let in the clowns.

The Mirage team hired six accountants. They all told Allen how to cheat the state out of sales tax by keeping two sets of books, underreporting the bar's income from 25 to

65 percent. (The bar kept the phony books but also had an accurate set on which it paid taxes.)

And one of those accountants was particularly helpful. He was Philip J. Barasch. "I know all the angles, all the shortcuts. You stick with me and you'll save lots of money," said Barasch, who drives a Rolls Royce and has a multi-million-dollar business.

"Are you from Chicago? Ever been in business yourselves? Well, I'm telling you this is how it works. Everybody knocks it down. Everybody chisels it down. I have 700 businesses and all but maybe four don't do it. They slice it off so they won't have to pay their sales tax and the federal tax. That's what they all do," Barasch said.

Barasch told the Mirage to put his business card and the money in the envelopes for the fire and building inspectors. "I don't want you paying off cops," he said. "The inspectors come around once and you're rid of them. If you pay off a cop they keep coming around every month, like flies, looking for a payoff."

He was asked if any inspectors were honest. "I never met one in 50 years," he said. "You see, they all do it to supplement their incomes. They're all political jobs and the salaries are low. They all do it."

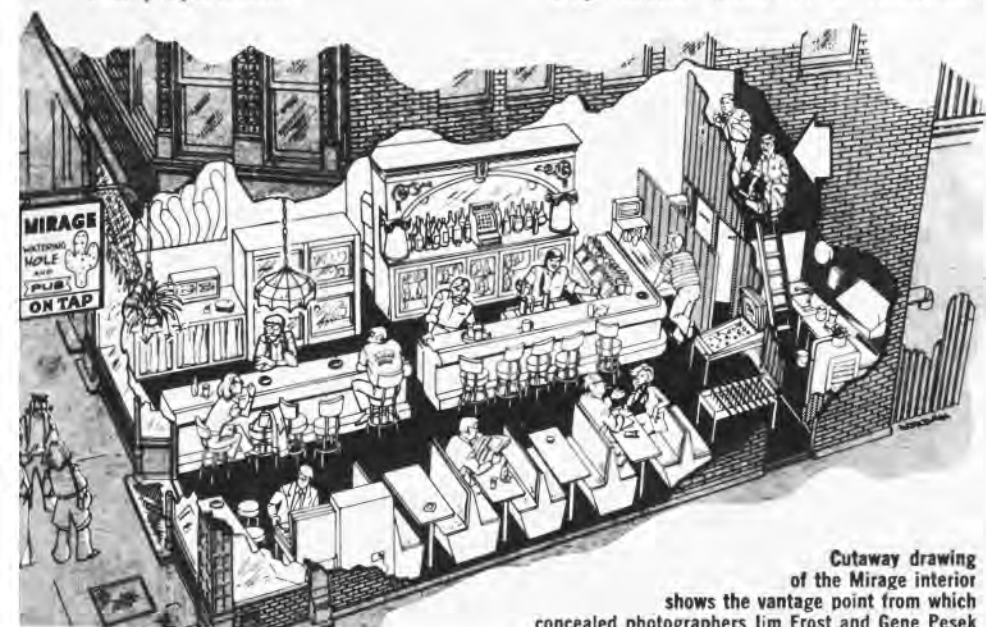
(Zekman said on the "Today" show that city inspectors receive salaries in the \$20,000 range.)

Among Barasch's contacts was the fire inspector, a lieutenant, who spent eight minutes in the Mirage, ignored the fire hazards, picked up an envelope with \$10 in it and left. "Beautiful day," he said as he walked out. Then there was the building inspector who waltzed through before departing with his envelope containing \$15.

The small payments — \$10 and \$15 seemed like bargain-basement rates — can mount up. A couple of them a day can reach \$5,000 or more a year, income that is not claimed on tax forms, you can bet.

"Are you from Chicago?" Barasch repeated. "Anyone from Chicago knows that's the way it is. You do it to avoid complications. You people are really getting a college education, aren't you?"

A plumbing contractor added \$50 to his bill for installing a urinal, the



Cutaway drawing of the Mirage interior shows the vantage point from which concealed photographers Jim Frost and Gene Pesek





extra money to go to the plumbing inspector who had recommended the contractor and who allowed the work to be done without the required city permit. And the plumbing code violations were also overlooked. "I was really surprised he gave you a pass on this place, it's got so many violations," the contractor said.

The next time Jeff Allen saw the inspector, he said, "Say, did you get that \$50 from [the contractor]?"

"We're all squared away," the inspector said.

"I just didn't want him putting it in his pocket," Allen said.

"We're all squared away."

The ventilation inspector got \$100 to skirt regulations; again, the payoff being passed along by a contractor.

"But how much are we talking about?" Allen asked the inspector.

"Not too much," the inspector said. "Look at it this way. You're getting it done without a permit and it's costing less." The inspector would allow the Mirage to avoid \$500 in required architect's plans for installation of a ventilation duct for a cooking grill. And he would overlook the regulation for the duct to go to the roof, which would cost about \$2,000.

"I know," Allen said, "if I went to the roof with that vent, it would cost \$1,200."

"That's conservative," the inspector said. "I'd say twice that."

Allen persisted. "Are we talking \$100?"

"Around that," the inspector said. "But more."

"A hundred and fifty?"

The inspector smiled, then laughed as he got into his car. "Around \$100," he said.

The Illinois liquor inspectors marched in and out with a \$50 payoff they coaxed out of the Mirage.

Some inspectors didn't take money for cutting corners. Two city health inspectors let the Mirage off the hook without even checking the basement, which was so awful, Smith wrote, that the vermin seemed to be dying.

Before the grand opening on Sept. 8, the Mirage repaired the worst violations and had an architect inspect the structure to make sure it wasn't dangerous.

There were some close calls. Their cover was almost blown three times. One inspector insisted on looking into the loft when Frost was there with his camera. Allen had the presence of mind to shout, "Don't turn on the light; it might blow a fuse." Frost yelled that he would get a flashlight, and he hurriedly broke down the camera, hid it and passed the flashlight to the inspector, who shined the light on an empty loft.

A real estate man who stopped by the Mirage recognized Zekman. "Pam?" he said. Zekman hurriedly left the bar, but the man turned to Allen. "That's Pam Zekman," he said. "She's a reporter for the Sun-Times and I'll bet she's working undercover here." Allen thanked him for the information.

A fellow who had gone to school with Smith gave him some anxious moments. "Aren't you Zay Smith?" he asked. "Didn't we used to go to school together?"

Smith told him he was Norty Smith and didn't know a Zay Smith. "But I could swear you were Zay," the fellow said. "He's a writer with the Tribune."

Smith acted intrigued with the mistaken identity. He stuck to his story that he was a bartender. The fellow left.

Meanwhile, the Mirage was doing pretty well. "Jeff said if it weren't for all the money we were spending for undercover overhead like extra licenses we weren't using and extra kitchen equipment we weren't using, we could have been making a profit from week to week. We were taking in about \$6,000 a month on an average," Smith says.

And attracting an interesting clientele. "I had to bounce about three guys," Smith says. "They were

drunks or derelicts, and I made sure they were small enough for me to pick up and carry. Then there were the regulars. There was the Montana Cowboy, a truckdriver who delivered hardwood here and came in once a week. There was the Holy Ghost lady. She was a Pentecostal missionary who spoke in tongues and said the Lord directed her to taverns to save souls. She was ill at ease but effective. We gave her \$7 for her cause. I guess that was a case of checkbook journalism."

And there was the Pinball Wizard. "He prided himself on setting the record score on every machine he played," Smith says. "But we had an Evel Knievel game that was rigged tough." It took the Wizard almost a month. He hit 250,689, a new high, on the eve of his 22nd birthday. He was jubilant. "We brought him a pitcher of beer. But his briefcase was stolen while he was playing." After all, this was Chicago.

Just before the final payment on the bar was due, the Mirage decided to call it quits. It had been four months and the investigative files were full. The BGA had spent \$5,000 on the investigation and the Sun-Times \$20,500 (beyond regular salaries). The Sun-Times and BGA sold the Mirage and threw a farewell party on Halloween night without informing the regulars that the saloon was again changing hands.

It was a festive night, and editors Hoge, Otwell and Loory, wearing the blue Mirage windbreakers with a camel on the back, attended and hoisted glasses with the customers. Loory and Hoge even played a few games with the Pinball Wizard.

Two months later, the Mirage series started in the Sun-Times, spelling out in almost painful detail the violations, payoffs, derelictions of duty.

The Sun-Times has been careful to point out that the bar is in new hands now and the present owner was not involved in the investigation. And it has repeatedly stated that the code violations have all been remedied. In fact, the Mirage may be the safest and healthiest bar in town. The inspectors have been polite and thorough, and there hasn't been the slightest suggestion of a payoff.

The new owner, by the way, is a former newspaper reporter who makes a mean Singapore Sling. ©



A Chicago fire inspector, who ignored the Mirage's many code violations, is photographed concealing a payoff envelope in a pile of inspection papers.