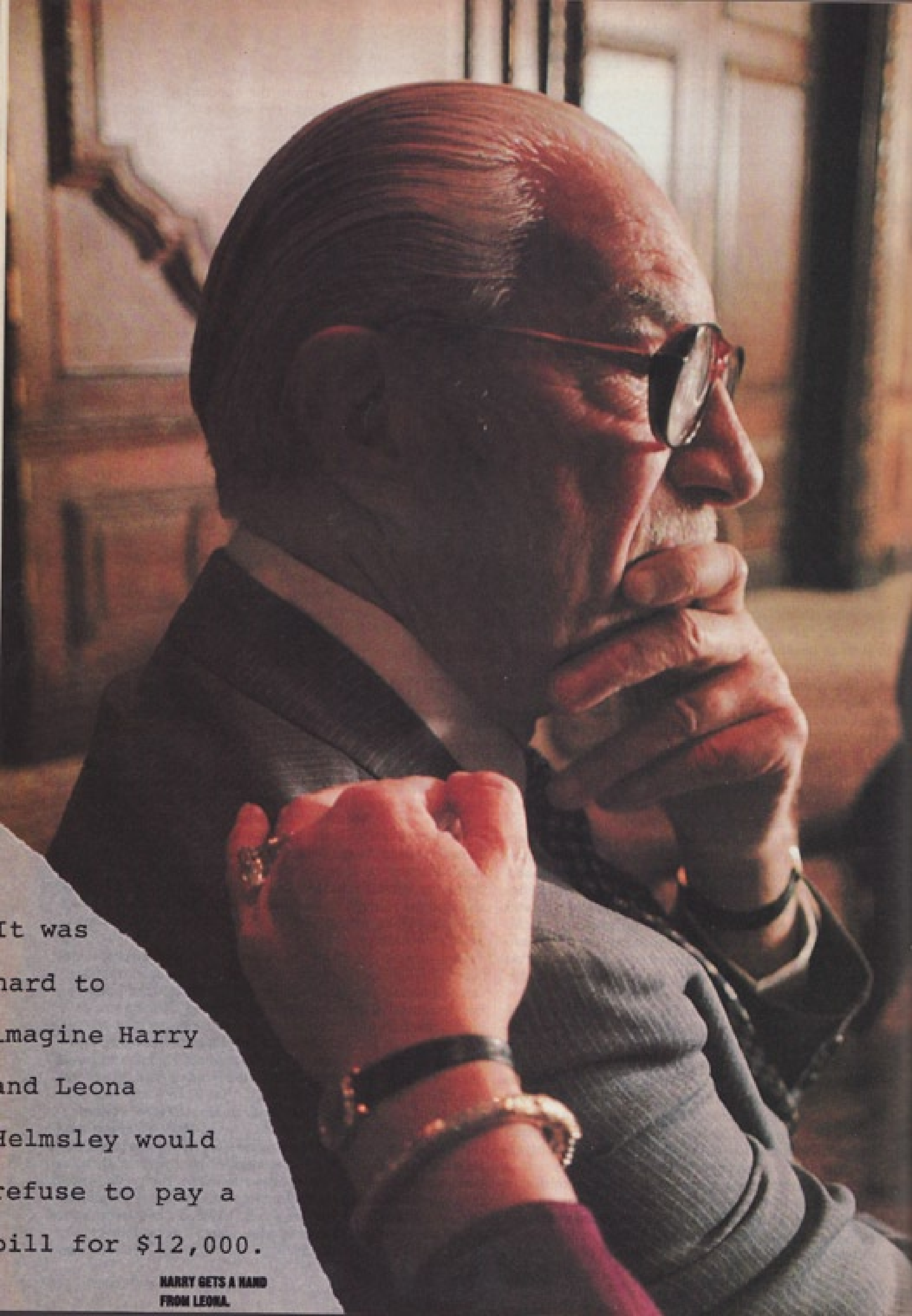
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HARRY GETS A HAND
FROM LEONA.

LEONA AND HARRY:

MONEY AND LOVE

BY JEANIE KASINDORF

The first hint of what was to come could be found in the State Supreme Court building in Manhattan, just across the street from the U.S. District Court where Harry and Leona Helmsley will go on trial. In December 1983, six months after the Helmsleys had bought Dunnellen Hall, a breathtaking $8-million, 28-room Jacobean mansion in Greenwich, Connecticut, a Bronx cabinetmaker filed a lawsuit against the couple. He charged them with refusing to pay him $12,050 for work at the estate.

Nobody paid much attention to the lawsuit back then. The *Daily News* mentioned it but didn't take it very seriously. "The Helmsleys couldn't defend themselves to answer the charge," the newspaper reported. "They're on a cruise in the Pacific."

It was hard to imagine that Harry and Leona Helmsley, who presided over a financial empire conservatively estimated at $5-billion, would refuse to pay a bill for $12,000. Harry Helmsley was, after all, a man who would give $33 million to New York Hospital and had received so many civic awards that he had a collection of crystal apples he called his "orchard." He ran one of the largest real-estate-management firms in the country. And he and Leona, as everyone who had ever read an upscale magazine knew, reigned over an empire of 26 Helmsley hotels.

They had everything money could buy: the Park Lane penthouse overlooking Central Park; the 23,000-square-foot mansion; the condominium in Palm Beach; the $5-million BAC-1-11 that could seat 100; the Van Cleef & Arpels diamonds that so handsomely adorned Leona's neck; the annual "I'm Just Wild About Harry" parties attended by Laurance Rockefeller, Bob Tisch, Walter Cronkite, and Frank Sinatra.

Then, in 1983, it all started to unravel. Leona Helmsley began a multi-million-dollar renovation of Dunnellen Hall. The bills came in, but, according to some contractors, she didn't pay all of them. In December 1985, Ransdell Pierson, a night rewrite man at the New York *Post*, heard that "something was going on at the Helmsley mansion." It took Pierson a year to piece together the story. But finally, on December 2, 1986, the big black headlines broke. Pierson reported that the king and queen of the Helmsley Palace had charged construction work at their mansion to Helmsley office buildings and hotels.

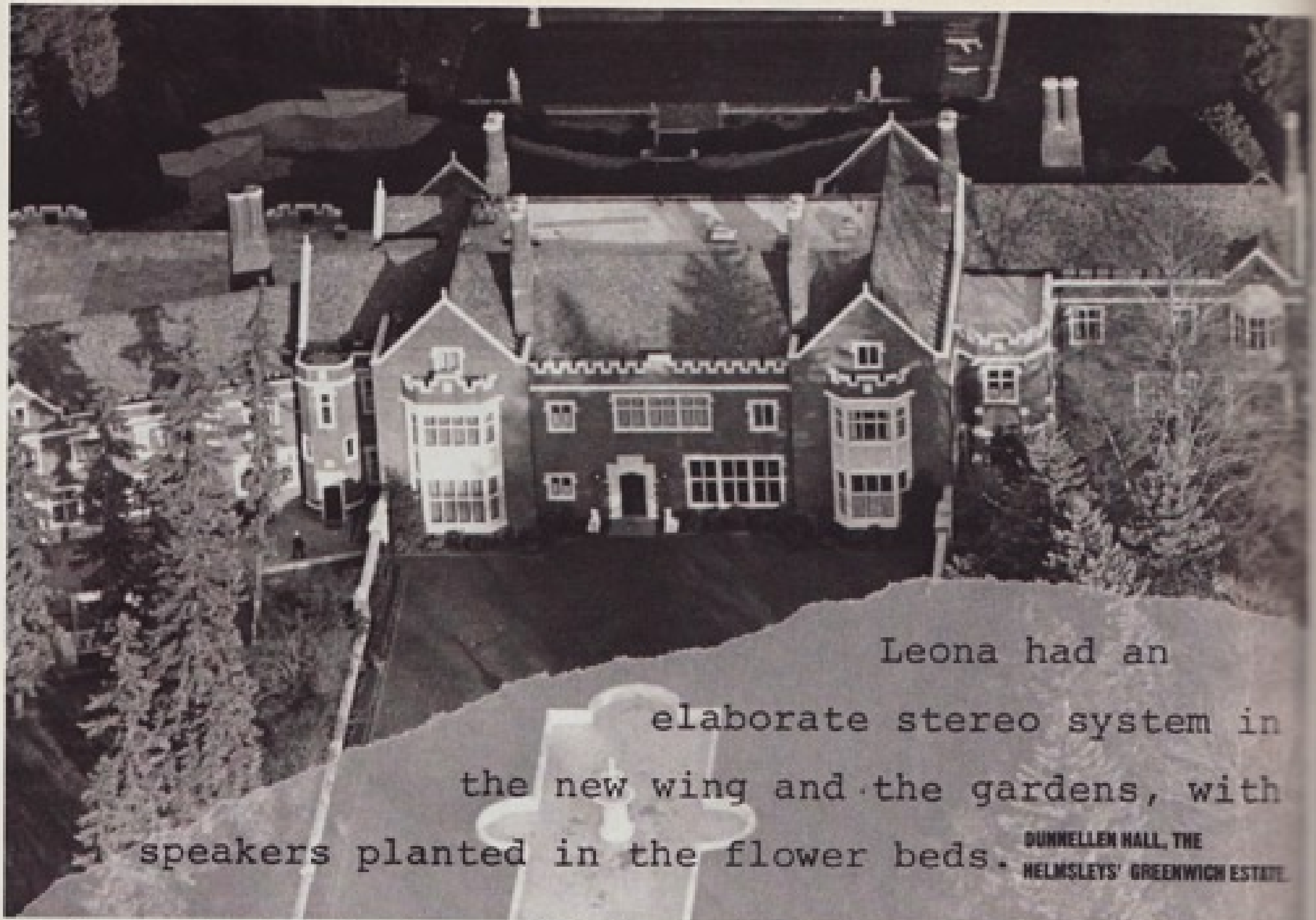
Over a year later, on April 14, 1988, Harry and Leona Helmsley were charged by U.S. Attorney Rudolph Giuliani and State Attorney General Robert Abrams with conspiring to evade more than $4 million in federal and state income taxes. That morning, the couple walked up the steps of a building that the 79-year-old Helmsley had once owned to surrender themselves to the attorney general. Then they were photographed and fingerprinted and released to await trial.

It was a story that the public and the press could not get enough of. In the Trianon Room of the Helmsley Palace, one of the few public places where the couple still appear, businessmen could be found loudly regaling their guests with the story of Harry and Leona. Many were quick to blame Leona, assuming that this was a case of a great old man destroyed by a greedy, domineering wife.

But those who had closely followed Harry Helmsley's 60-year career in New York knew that this was not the real story. They knew that Harry had dedicated his whole career to getting the last dollar. They knew that his only real interest in life was in making another million.

HARRY HELMSLEY ENTERED THE WORLD OF NEW YORK real estate at sixteen, when he walked into the office of a real-estate firm named Dwight, Voorhis & Perry and asked for a $12-a-week job as an office boy. He had just graduated from Evander Childs High School, in the Bronx, and needed the job to help his father, Henry, a notions buyer for a wholesale dry-goods firm, support his mother and younger brother, Walter. He soon began walking the blocks of Hell's Kitchen collecting rent from tenants. In a few years, he became a broker. He turned the 1929 stock-market crash to his advantage, buying up bankrupt buildings at bargain prices. When his father lost his job in the middle

PHOTOGRAPH BY HARRY BENSON



DUNNELLEN HALL, THE HELMSLEYS' GREENWICH ESTATE.

of the Depression, Harry became the sole support of his family.

By the late thirties, he had become a partner in the firm, which became Dwight, Voorhis & Helmsley. He had also bought his first piece of Manhattan real estate—a ten-story office building on East 23rd Street that was about to go into foreclosure. Helmsley persuaded the owner to let him buy the $100,000 mortgage for $1,000. He immediately made his father the superintendent. "I was supporting him anyhow," he would joke nearly 50 years later. "One of the reasons I wanted to buy the property was so he could get a job."

Throughout the thirties and forties, he bought a few more small properties. Helmsley, who, along with his wife, declined to be interviewed for this article, liked to brag that he ran them as cheaply as he could. He often told the story about the time he bought the New York Central Building and was required under the terms of the sale to rename it. He took the cheapest way out, chiseling only two new letters into the building's stone façade to make it the New York General Building.

It is a style, his competitors say, that still marks his buildings. "Helmsley buildings don't sparkle," one of them says. "A Rudin building sparkles. A Trump building sparkles. Helmsley buildings don't. Look at 230 Park Avenue. He put his own name on the building, and I drive through there every day, and the gold leaf is off some of the letters, the brass plaques are dull, the walls have graffiti on them. It doesn't shine."

IN 1949, THE YEAR HE TURNED 40, HARRY HELMSLEY ENTERED the big time. He met Lawrence Wien, a 44-year-old real-estate lawyer. Wien, who also declined to be interviewed for this article, was one of the pioneers in setting up real-estate syndicates. The syndicates allowed a group of small investors to buy a building that none of them could afford alone. At the same time, it gave them tremendous tax advantages not otherwise available to a small investor. Wien knew how to work out the legal and tax strategies; he needed someone who knew how to pick properties. He asked Harry Helmsley to help him.

Over the next 30 years, Helmsley and Wien created almost 100 real-estate syndicates in partnership with close to 15,000 investors. The buildings they bought (by obtaining long-term leases) include the Lincoln Building, the Graybar Building, the Equitable Building at 120 Broadway (where the Helmsleys had to surrender to the Attorney General), the St. Moritz, the Carlton House, and the most famous of all, the Empire State Building.

A typical Helmsley-Wien syndicate was composed of Wien and Helmsley as the general partners and a large number of small investors. Helmsley and Wien would often invest $10,000. (Helmsley didn't have to come up with cash; he acted as broker on the sale and used his commission as his front money.) The small investors would often invest $10,000 each in return for an offer, but not a promise, of a 9 percent annual return. The syndicate would buy a lease on a building and then sublet that lease to an operating group that was composed of Wien, Helmsley, and a number of friends and relatives.

For the small investor, the arrangement meant that for $10,000, he could get 9 percent annual return instead of the 4 percent being offered by banks and, at the same time, be able to say he owned a little bit of the New York skyline.

For Harry Helmsley and Lawrence Wien, it meant a great deal more. In a typical Wien and Helmsley syndication, any profit above 9 percent is divided equally: The syndicate gets 50 percent and Wien-Helmsley's operating group gets 50 percent. On top of that, Wien's law firm gets legal fees to arrange the deal, plus yearly legal fees to represent the syndicate. Helmsley gets his broker's fee *and* contracts for Helmsley-owned companies to service the buildings. Helmsley-Spear (as Dwight, Voorhis & Helmsley was renamed when real-estate man Leon Spear became a partner) manages the buildings and sells them insurance. The Helmsley-owned Office Mainte-

Photographs by the New York Post

Corporation cleans the buildings. And beginning in 1986, Deco Purchasing & Distributing Company, a Florida-based firm run by Leona Helmsley's son, Jay Panzirer, would supply the buildings with everything from soap to chandeliers.

The Empire State Building deal is a perfect example of how well Helmsley and Wien do on a syndication. The building was sold for $65 million. The only money Helmsley and Wien put up was a $4-million deposit repaid once the deal was closed. The $65 million was raised this way: $29 million came from Prudential Life Insurance, which bought the building; $33 million came from a Helmsley-Wien syndicate; the rest came from a mortgage. At the closing, Helmsley got a $500,000 broker's fee and a $90,000 annual management contract for Helmsley-Spear. Wien's law firm got $1.1 million in legal fees.

The syndicate leased the building from Prudential and then subleased it to an operating company owned by Wien and Helmsley. In 1987, the Helmsley-Wien operating company made a profit of $31.3 million; participants in the syndicate received $17.6 million out of the $31.3 million. Helmsley-Spear also got $2.4 million in management fees and $827,000 for insurance services. Helmsley's Office Maintenance Corporation got $4.75 million in cleaning fees. Wien's firm received $1 million in fees.

The huge profits provided for the general partners are a standard part of many syndication deals. They raise several ethical questions. Should Helmsley get a hefty broker's fee when he is one of the buyers? Is the syndicate getting the best deal it can by contracting with Helmsley companies without competitive bidding? (In Wall Street parlance, is Helmsley "taking the profits out the side door" in payments to his own companies?) Is it a conflict of interest for Wien's law firm to represent the investors when he has a fiduciary interest in the deal? Some law firms have strict policies against such practices, but they form the basis of much of Wien's law practice.

It took until 1979 for the limited partners to start asking those questions. It is typical of small investors to be happy with the profits they are making and never ask if they are fair in proportion to the profits the general partners are taking in. When *American Lawyer* asked Wien in 1984 about the possible conflict of interest, he said simply and confidently, "Our clients invested because they wanted our total involvement."

HARRY HELMSLEY LOOKED LIKE A MAN YOU WOULD want to do business with. He was tall and dour-looking in his forties, with dark hair combed back severely from his forehead, a pencil-thin mustache, and steel-frame glasses. He looked less like a Manhattan real-estate mogul than like one of the mogul's most trusted accountants. Those who knew him then say that he was the ultimate gentleman—calm, dignified, soft-spoken. "He could be very charming," says one man who worked for him for many years. "He had a great ability to remember names and a nice way of putting people at ease."

For years, he kept a simple corner office in the Flatiron Building. Even when he moved uptown to the Lincoln Building, he kept a small, Spartan office. He seemed to have few interests outside of making money. He swam, skied, played golf and tennis. But his friends would always say that his heart wasn't in it. "I work almost all the time," Helmsley once said. "What would I do, go out and play golf and shoot 110? I'd rather be thinking through problems so I'll make another million."

His personal life was as measured as his professional life. When he was 29, he married a young widow named Eve Sherpick Green. Eve is remembered by one of her former neighbors as a "tall, healthy-looking girl who was not as glamorous as Ingrid Bergman but had that same kind of handsome, scrubbed look." Eve was a Quaker, and soon after their wedding, Harry, who had been raised in the Lutheran church, began attending meetings with her.

In 1950, the couple, who had no children, bought several acres of land in Briarcliff Manor that had a spectacular view of the Hudson River. They built a small, one-story ranch house whose only real luxury was a swimming pool. Harry commuted into the city by train. After a Helmsley syndicate bought the St. Moritz in 1961, they also kept an apartment there.

They could not be found on the city's celebrity- or charity-party circuit but belonged to the Sleepy Hollow Country Club in Scarborough, where Eve played tennis and they went to the club dances. They rarely entertained, and when they did they were known for doing it on the cheap. "When they had you in to cocktails," one woman remembers, "they gave you one drink. It was one drink and here's your coat. It was not the kind of entertaining everyone else in the country-club crowd did."

"They were very modest about everything," another neighbor remembers. "You were never conscious that he was anybody until every once in a while you would talk to your friends in New York, who would say, 'Oh, Harry Helmsley has just bought another building.' "


DUNNELLEN'S EX-GUARD.

THE WORKERS CLAIMED THAT SERVICES FOR THE MANSIONS WERE CHARGED TO THE HELMSLEYS' HOTELS AND BUILDINGS.

IN THE SIXTIES, HELMSLEY moved into the residential-real-estate market, a move he would eventually call the one big mistake of his career. He bought the huge Parkchester complex in the Bronx, with 12,271 apartments set on 129 acres. He bought Park West Village, which runs from Central Park West to Amsterdam Avenue between 97th and 100th Streets. He bought Windsor Park in Queens, Fresh Meadows on Long Island, and, in 1970, Tudor City.

Tenants at those complexes say that he ran them the way he ran his commercial buildings—as cheaply as possible. Parkchester was the pride of the Bronx when it was built and managed by Metropolitan Life Insurance Company. "I can vividly remember when I was a kid, Metropolitan Life took care of the smallest kind of detail," says Assemblyman John Dearie, whose parents moved into the complex when he was four years old and who now has a district office there. "The brass rails in the elevator were polished every day, the mailboxes were polished, the elevator floors were mopped. The grounds were beautiful.

"When they sold to Helmsley, you knew immediately that the soul had gone out of the place. Services were cut back. There used to be one janitor to a building. Now there's one to three or four. Where there used to be lawns, there's now nothing but dirt. What it all comes down to is Harry Helmsley is a bottom-line businessman."

Helmsley quickly discovered that tenants were a lot harder to deal with than passive investors. When he announced that he was going to convert the Parkchester apartments into condominiums, the Parkchester Defense Fund succeeded in stopping him from forcing out everyone who didn't want to buy. When he started a conversion plan at Park West Village, a tenant group got a supreme-court judge to issue an injunction prohibiting Helmsley from harassing tenants.

When he announced that he was going to build two towers on two small parks in the middle of Tudor City, he ended up in a bitter fifteen-year-long fight. When he lost, he sold the properties to developers Philip Pilevsky and Francis Greenburger, who promised to donate the parks to a public trust. "We're fed up with the punishment the tenants are giving us, and the city too," Helmsley's longtime partner Alvin Schwartz said at the time. "The tenants have done everything to embarrass Mr. Helmsley and myself, including picketing. They are not parks. They are two lots we've been paying taxes on since year one."

THEY DECIDED TO SELL HOTELS BY SELLING LEONA AS THE QUEEN OF THE HOTELS, A WOMAN WHO'D SETTLE FOR ONLY THE BEST.

Harry Helmsley came to show a kind of "Let 'em eat cake" contempt for his middle-class tenants. "You gotta be crazy to own apartment buildings," he told one reporter. "I thought I could make 7 or 8 percent on them. Impossible now. My apartments are a disaster." To another reporter, he said, "I wouldn't think of building a new apartment for the middle-income family." "So what's middle-income America to do?" the reporter asked. "There's always trailers down South and used houses, though not in the best areas," Helmsley said. "This is what a lot of people are going to have to get used to."

By 1970, HARRY HELMSLEY WAS AT THE HEIGHT OF HIS career. Helmsley-Spear had become the largest real-estate-management company in the country. And Helmsley had become the thirteenth-largest landowner in New York City, ranking just below the Prudential Life Insurance Company and just above Rockefeller Center. He was about to open the Park Lane Hotel, the first luxury hotel built in the city in ten years.

That was the year he met a real-estate woman named Leona Roberts. After all the trouble began, a relative of Leon Spear's would tell *Crain's New York Business* that Leona had asked Leon to introduce her to Harry. Leona Helmsley tells another story. "Harry heard of my reputation," she has always said, "and he told one of his executives,'Whoever she is, get her.' "

Leona Roberts was a shrewd, tough woman who sprinkled her conversations with "sweetheart" and "baby" and always refused to talk about her age. She liked to say that she photographed like Jackie Kennedy but people were always comparing her to Anne Bancroft in *The Graduate*. Although she was 50 when she met Helmsley, she took to saying that he thought she looked like "Ava Gardner when she was young."

Leona began life as Leona Mindy Rosenthal, the daughter of a manufacturer of Army caps. She was born on July 4, 1919, and spent much of her childhood in Brooklyn. When she was eighteen, she married a New York lawyer named Leo Panzirer. They were married almost ten years and had a son, Jay, her only child.

Leona, whose friends have always called her Lee, says that after her divorce she became a Chesterfield cigarette girl to support herself. Soon after that, she met and married a garment-industry executive named Joe Lubin. The couple were married and divorced twice. In the early sixties, Leona went to work as a receptionist at Pease & Elliman, a residential-brokerage firm. She changed her name to Leona Roberts, and it wasn't long before she talked her boss into letting her sell real estate.

In the late sixties, she and a group of other brokers founded a new firm called Sutton & Towne. Then, in 1970, she went to work for Brown, Harris, Stevens, a residential-real-estate firm that Harry Helmsley had bought in 1965. She became the company's senior vice-president and would later brag that by the time she met Harry Helmsley, she was already a millionaire. She even owned two fur coats, she liked to say, that she had bought herself.

When Leona was at Brown, Harris, Stevens, she became the target of a state attorney general's investigation. Louis Lefkowitz filed suit against Leona Roberts and the owners of a twenty-story apartment house at 345 East 56th Street, charging them with engaging in "fraudulent practices" in order to persuade the building's tenants to buy their own apartments. The lawsuit called Leona Roberts the "major perpetrator of these fraudulent acts and practices," saying she had lied to the tenants when she told them that she had customers who had signed contracts to buy their apartments if they didn't buy them. The lawsuit asked the court to prohibit the owners from going ahead with the conversion. A State Supreme Court judge agreed to bar the conversion.

IN THE SUMMER OF 1971, A YEAR AFTER LEONA ROBERTS HAD gone to work for Harry Helmsley, Eve Helmsley invited the "tennis girls" from the Sleepy Hollow Country Club to have lunch at her husband's new Park Lane Hotel. She wanted to show them the penthouse apartment that Harry had built for them, complete with a solarium and 22-foot pool and wraparound terrace. When the tennis girls got home, the story of the lunch spread like wildfire through Briarcliff. They said that Eve told them, "This is the first and only time you'll see this place, girls. Harry and I are getting a divorce."

In April 1972, Harry Helmsley married Leona Roberts in the same penthouse where Eve Helmsley had made that announcement. Harry and Leona went on a honeymoon to Europe and came back to a life in New York that Harry Helmsley could once only have imagined.

There were the two or three charity balls a week. There were the red, white, and blue lights illuminating the Empire State Building on every Fourth of July to celebrate Leona's birthday. And there were the "I'm Just Wild About Harry" birthday parties that Leona threw every year for 200 of New York's rich and famous. The parties started in the penthouse apartment, where the pool was filled with gardenias and votive lights, and a "Harry's Bar" was piled high with mounds of caviar. All the guests wore I'M JUST WILD ABOUT HARRY buttons. Harry wore one that read I'M HARRY. Toward dinnertime, the party moved downstairs to the Park Lane ballroom, where one year the table centerpieces were Harry and Leona dolls dressed as Tarzan and Jane, Anthony and Cleopatra, Rhett Butler and Scarlett O'Hara, and Adam and Eve.

Those who attended the balls and the parties say that it was hard to tell which of Leona Helmsley's faces you were going to see from one minute to the next. One real-estate executive remembers standing with Leona at one of her "I'm Just Wild About Harry" parties when a friend began telling a joke. "It was a very innocent joke," he says. "Leona was smiling and nodding, and then, suddenly, when he was through, Leona just

Photograph by Anthony Savignano/Ron Galella.

[lo]oked at him and said, 'I don't find that funny at all,' and [th]rew a glass of red wine all over his tuxedo." He says he also [r]emembers an "I'm Just Wild About Harry" party where Leo[na] suddenly started screaming at him for "doing business" in [th]e middle of the party. Another man remembers a time when [he] had been fighting with Leona over a business deal. "I went [to a] charity ball one night, and all of a sudden the people I was [with] said to me, 'Look, there's a woman standing over in the [co]rner all by herself, giving you the finger.' It was Leona [Hel]msley."

ONE NIGHT IN 1974, AS LEONA LIKES TO TELL THE STORY, Harry Helmsley came home and said to her, "What do you think of the Villard Houses for a hotel?" She said, "You're crazy!" He said, "Come and look." So she did. And she said, "Harry, it's a palace!"

It was a time when inflation was rising into the double digits, and Helmsley had decided to expand his ho[tel] holdings. "In a period of inflation," he explained, "a hotel is [yo]ur best hedge." He could raise room rates without waiting [for] leases to expire or worrying about rent control.

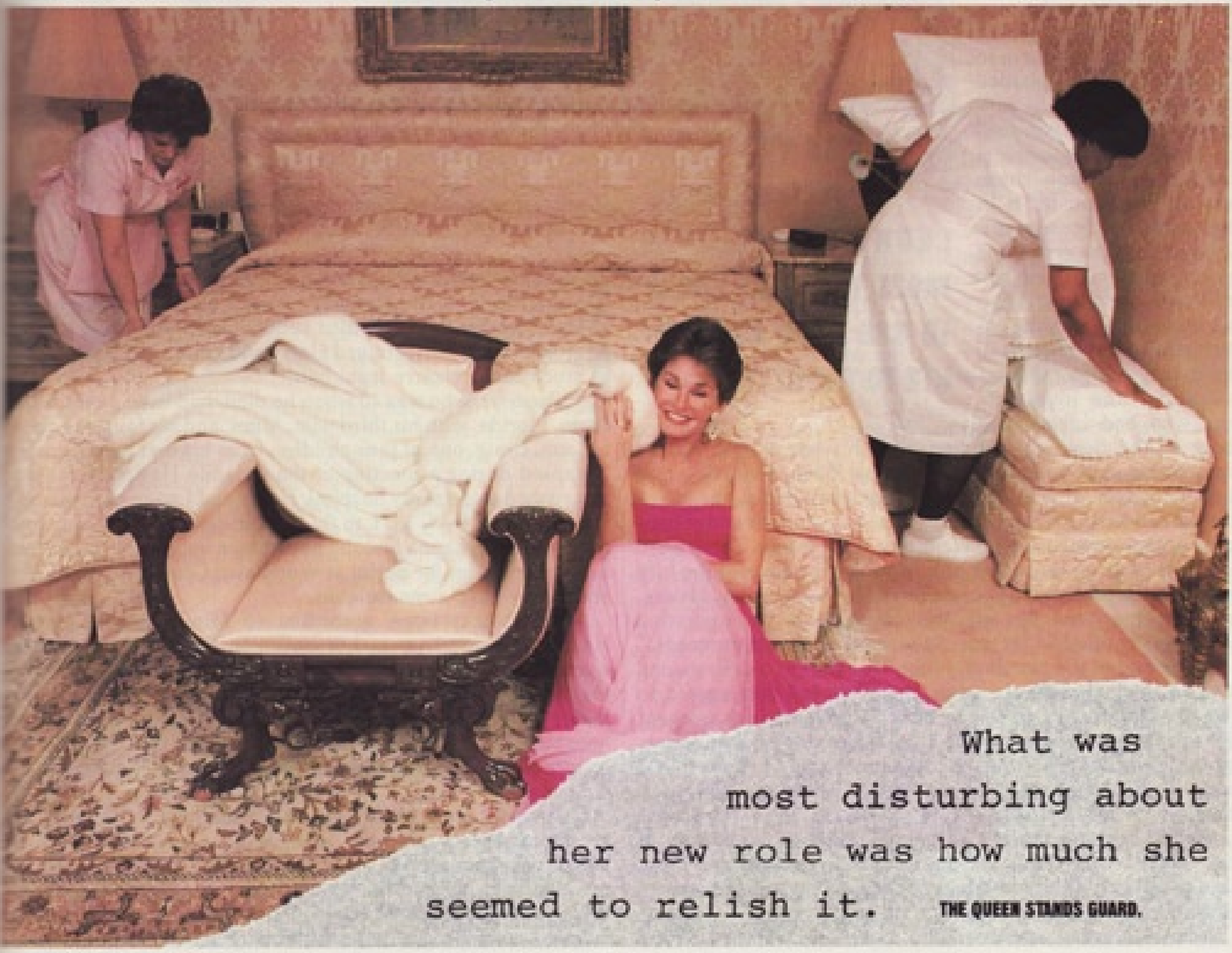
[Af]ter he showed Leona the "palace," Helmsley made a deal [wi]th the archdiocese of New York to pay a bargain $1 million [for] a 99-year lease to the site of the Villard Houses, the land[ma]rk 1880s McKim, Mead & White mansions at 50th Street [an]d Madison Avenue. He announced plans to build a luxury [ho]tel there called the Helmsley Palace. He also bought a site [on] 42nd Street, between Second and Third Avenues, and an[no]unced plans to build another hotel there. In 1979, he ac[qu]ired the Hospitality Motor Inns, a midwestern motel chain. Then, in 1980, he announced that he was naming Leona the president of the Helmsley Hotels. The couple immediately decided to launch a publicity campaign that would sell the hotels by selling Leona.

They hired Joyce Beber, the president of Beber Silverstein & Partners, to come up with an advertising campaign. One day, she watched Leona throw a fit about towels that were too thin. She knew she had her ad campaign. Leona Helmsley became the "Queen of the Helmsley Hotels," the woman who will settle for only the very best. The Helmsley Palace became "the only Palace in the world where the Queen stands guard."

Leona lived up to her billing. Harry Helmsley had always believed in giving someone a job and then letting him go off and do it. "Once a week you would come to the Lincoln Building," says Stephen Brener, a longtime Helmsley employee, "and meet with him and make decisions. It was simply 'Yes,' 'No,' or 'Get me more information.' He was always a gentleman."

But Leona changed that management style quickly. The Helmsley Palace went through four or five managers in three years. The Harley Hotel had three managers in its first year and a half. "Leona is more suspicious of people's intentions," says another former Helmsley executive. "She's always trying to look over everyone's shoulder."

What was most disturbing about her new role was how much she seemed to relish it. She was only too willing to launch kamikaze attacks on her terrified staff in front of any reporter who came to profile the Queen. When she was interviewed by a *Forbes* reporter over lunch, the waiter presented the check to the reporter without its requisite leather folder. "Find that," she barked at him, "or you'll be looking for another job." When she discovered a wrinkled bedspread and tilted lampshade as she was giving another reporter a tour of the



What was most disturbing about her new role was how much she seemed to relish it.

THE QUEEN STANDS GUARD.

Photograph by Harry Benson.

Palace, she started screaming, "The maid's a slob! Get her out of here. Out! Out!"

THE EIGHTIES SHOULD HAVE BEEN A GREAT TIME FOR Harry Helmsley, a time to sit back and enjoy the millions of dollars he had made over his 60-year career. They turned, instead, into a time spent fighting court battles over the way he had accumulated those millions.

It began with fights over his earliest deals: the syndicates that he and Lawrence Wien had put together in the fifties. In 1979 and 1981, Helmsley and Wien decided to sell three of the buildings those syndicates had bought. Helmsley and Wien tried to collect millions of dollars in fees and extra profits that they were not authorized to receive in the original partnership agreements. Wien was immediately hit with lawsuits from angry partners.

One case involved the Berkeley Building, an office building at 19 West 44th Street. When the building's lease was sold in 1981 for $19 million, the net profit on the sale came to $16-million. The original agreement made no provision for how profits would be divided. It did say that if a sale was forced by condemnation, the proceeds would be divided equally between the syndicate and the Helmsley-Wien operating group. Wien sent a letter to the limited partners in the syndicate laying out the way the $16 million would be divided and asking them to authorize it. He awarded the Wien law firm $4 million as a "syndication fee" for setting up the original deal, even though there was no provision for it in the original agreement. Then he split the rest of the profits equally: The Helmsley-Wien operating group got $6 million, and the investors who put up most of the money got $6 million.

IT WAS VERY HARD TO TELL WHICH OF LEONA HELMSLEY'S FACES YOU WERE LIKELY TO SEE FROM ONE MINUTE TO THE NEXT.

Finally, one investor's son, who had inherited a share of the Berkeley Building from his late father, filed a class-action suit in federal court against Wien, Helmsley, and their associates. Shortly before the case went to trial, the plaintiffs agreed to drop Harry Helmsley as a defendant and substitute another member of the Helmsley-Wien group. There were two days of testimony, most of it from Wien, who told the jury that when he took the idea of a sale to Harry Helmsley, Helmsley told him that he felt the Helmsley-Wien operating group was entitled to "at least 50 percent of the net proceeds."

At the end of the two days, Judge Thomas Griesa persuaded the two sides to settle the case. The Wien law firm agreed to give $2 million more to the investors. "They were very arrogant right to the end," says Harvey Greenfield, one of the lawyers for the investors. "Wien claimed he made these people rich. I said, 'It's the contrary. *They* made *you* rich by giving you all their money to invest.' "

At the same time that the Berkeley Building lawsuit was getting under way, trouble was brewing between Helmsley and his newest set of limited partners, the people who had invested in the Helmsley Palace.

When Helmsley was ready to build the Palace, he approached Lepercq, de Neuflize & Company, a French investment-banking firm. It agreed to help him raise the money. Helmsley and Lepercq agreed that Helmsley would build a $73-million hotel. Lepercq raised $16.5 million from a group of limited partners. Helmsley and a group of associates invested $6.5 million. A $50-million mortgage covered the rest. Any cost overruns in building the hotel were to be absorbed by Helmsley.

In May 1981, when the hotel was nearly finished, Helmsley wrote the partners a letter asking them to take out a second mortgage to cover $19.4 million in cost overruns. "This was a classic case of overreaching by a well-heeled general partner who thought a diverse group of limited partners wouldn't mount a defense," says lawyer Gerald Fields, a Battle Fowler partner who represented Lepercq. "But these investors were men of substance who weren't going to be had."

Fields refused the request for $19.4 million. Then he asked to inspect the hotel's books. Fields turned them over to Arthur Andersen & Company and told its accountants to go through the hotel invoices to see how Harry and Leona Helmsley had spent the partnership's money. They found a long list of expenses that had been charged to the partners and that they believed should have been charged to Harry and Leona.

That summer, Harry and Leona Helmsley invited the limited partners to a lunch at the Helmsley Palace. Before the lunch, Fields and the partners met at Lepercq's Park Avenue offices to discuss what legal action they should take. Then they all walked over to the Palace together.

"First Harry and Leona gave us a tour of the hotel," recalls Fields. "It was a real dog-and-pony show. Then we sat down to lunch at a horseshoe-shaped table, with Harry at the end. When we finished eating, Harry got up to speak. With a rising voice, he said that he had heard there were discussions of a lawsuit. Then he talked about the fact that he had built the finest hotel in the world and how everyone was ungrateful. He said, 'I'm a fair man, but I will not be had.' Then he had a couple of his cronies get up and say wonderful things about Harry. How he was a wonderful man to do business with and how this was all a squabble within the family that should stop."

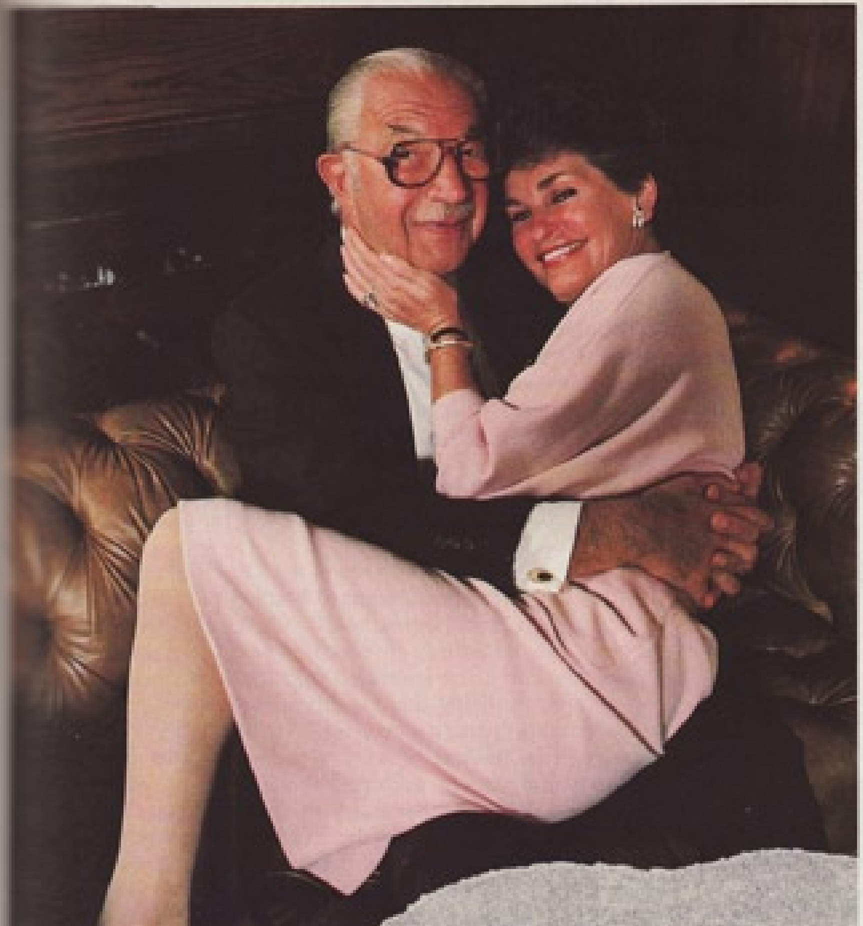
IN MARCH 1982, WHILE FIELDS'S ACCOUNTANTS WERE BUSY going through the Helmsley Palace books, Leona Helmsley's son, Jay Panzirer, died suddenly after suffering a heart attack. The death plunged Harry and Leona Helmsley into a much more bizarre legal battle.

Panzirer, who was 40 when he died, had lived near Orlando, Florida, with his third wife, Mimi, and his fourteen-year-old son, Craig, one of four children from his first marriage. He collapsed during a meeting at the Orlando Harley Hotel and was rushed to a nearby hospital. Harry and Leona immediately boarded their BAC-1-11 to fly to Florida, but Jay died before they got there. Leona had the body flown back to New York on a commercial jet for burial at Woodlawn Cemetery, where she and Harry have a mausoleum.

A few weeks later, according to Mimi Panzirer, Harry Helmsley showed up at her house in Florida. "He said he wanted me out," she says. "I asked him why he was doing this. He said he needed the money. He went into a detailed explanation of why he could no longer charge the expenses of the house to Deco. He was very businesslike, very calm." She begged him to let her stay until Craig finished the school year. He agreed.

Six months later, Harry Helmsley sued Jay Panzirer's estate for the money it had cost to have his body flown back to New York. Leona Helmsley sued the estate to recover money that she said Jay had borrowed from her—$100,000 that she said she had lent him to buy a share of stock in the Helmsley Palace. Leona also sued Mimi, claiming that she had lent Mimi

Photograph by Bill Aller/the New York Times.



Dodging a question at a hearing, Leona said, "Mr. Helmsley tells me I'm pretty." AT THE HELMSLEY PALACE.

an $18,000 ring from Buccellati and Mimi had never returned it. Mimi said that the ring, which was set with a 24-carat white topaz surrounded by 136 diamonds, was a present to celebrate Craig's bar mitzvah.

In the end, the court refused to reimburse Harry Helmsley for the cost of shipping his stepson's body home. Leona withdrew the claim to the ring after Mimi produced a newspaper story in which Leona had called it a gift. But the Helmsleys did get most of Jay Panzirer's $149,000 estate. Mimi got $2,171, and his four children got $432 each. At the time, a spokesman for Leona Helmsley said that she had set up trust funds for the grandchildren. "She loves them," he said, "and she is taking care of them."

When it was all over, Mimi Panzirer said, "I don't think it would have made any difference if it was $200,000 or $2 million. It was simply a matter of money that they wanted. It was almost as though there was nothing left in their lives except money."

On May 25, 1982, HARRY HELMSLEY, KNOWING THAT HIS partners in the Helmsley Palace were about to sue him, beat them to the punch by filing a demand for arbitration to force them to give him the $19.4 million in cost overruns. On May 26, 1982, the limited partners filed suit against Helmsley, charging him with "self-dealing" and breach of fiduciary duties.

The first claim in the lawsuit accused Helmsley of hiding $2-million of the cost overruns in a "repair and maintenance account" so that the partnership would have to pay for them. The overruns included $42,381 for chandeliers and wall sconces the Helmsleys ordered for the hotel's public rooms and bathrooms because they thought the rooms were not luxurious enough; and $112,714 for chandeliers and gold and silver detailing in the Trianon dining room and the Versailles ballroom because "the Helmsleys were very disappointed" with the way the rooms looked.

The second claim accused Helmsley of cheating his partners by leasing telephones, computers, room refrigerators, televisions, and TV stands from Deco Purchasing for $65,600 a month, instead of supplying the equipment as part of a finished hotel. Another claim accused him of leasing office space at the Palace for himself and Leona for $15 a square foot when the going rate was $40. Another claim accused Helmsley of "self-dealing" when he signed an agreement with Deco Purchasing. The agreement gave Deco a 20 percent commission; the standard commission is 5 percent.

The two sides agreed to try both sides' claims before a panel of arbitrators. The three arbitrators, who included Robert P. Patterson Jr. of Patterson, Belknap, Webb & Tyler, heard the Helmsley claim first. They ruled that Helmsley had no right to ask the partners for the cost overruns. "After that," Fields remembers, "they said to us, 'You won, you won big. You aren't really going to go any further, are you?' Then they said, 'What do you want?' I gave them my pretrial statement of claim. Then they did reduce the Deco commission from 20 percent to 10 percent. But beyond that there was no attempt to settle."

The twenty-day hearing was held in an American Arbitration Association room on West 51st Street. Harry and Leona Helmsley were both called to testify. Gerald Fields's recollection of Harry Helmsley is that he was "an arrogant, tough kind of guy on the witness stand. I remember that in my opening statement I had described what a great real-estate mogul he was. The thrust of my remarks was that he, more than anybody, knew exactly what he was doing. When he got on the witness stand, his lawyer said to him, 'What do you think of Mr. Fields's characterization?' And he said, 'That's a modest statement.' I remember saying to myself, 'This is going to be easier than I thought.'"

Fields says that Leona Helmsley "tried to ooze charm and was not successful. She thought she was being cute, but she misjudged the audience. I clearly remember one time when she didn't want to answer a question I put to her. Instead of answering, she turned and said, 'Mr. Helmsley tells me I'm pretty.'"

At the end of the trial, the arbitration panel ordered Harry Helmsley to return to the partnership $3.5 million, which included $757,000 of the $2 million they had said he fraudulently charged to "repair and maintenance" accounts. It also ordered him to take steps that further reduced the partnership's costs by a projected $6.2 million. It ordered Deco Purchasing to return all the fees it had received in commissions over 5 percent.

When the State Supreme Court confirmed the arbitration panel's decision, in December 1983, the jubilant partners at Lepercq, de Neuflize & Company treated Gerald Fields to a

Photograph by Harry Benson.

week-long trip to London and Paris and a six-course dinner at Jamin.

While that trial was taking place, Harry and Leona Helmsley started looking for a country house in Greenwich. In June 1983, they settled on Dunnellen Hall, which was set on 26 acres off Round Hill Road in back-country Greenwich. The 1918 mansion came complete with hand-carved English mantelpieces, a 640-cubic-foot silver vault, a fountain and formal gardens, a tennis court, and two swimming pools. The Helmsleys paid $8 million for the mansion and another $3 million for furnishings and antiques.

Leona Helmsley quickly set about remodeling the place. She had one of the two pools enclosed and built a new wing that included a breakfast room and a marble dance floor. She had an elaborate stereo system installed in the wing and the surrounding gardens, with speakers planted in the flower beds, patios, and gazebo.


LAWRENCE WIEN.

WIEN WAS ONE OF THE PIONEERS OF REAL-ESTATE SYNDICATION; HE NEEDED HELMSLEY TO PICK PROPERTIES.

When the bills arrived at Dunnellen Hall, some contractors say, Leona Helmsley paid them selectively. The general contractor on the project says she refused to pay him a final $384,474 for supervising the construction job. A marble-cleaning company and a stone contractor say she didn't pay them all she owes them. A painting contractor says that after having two of his men work at the mansion for a year, she refused to pay his $88,000 bill, telling him she considered the work "a commission for being able to work for the Helmsley organization." In December 1985, Ransdell Pierson, the New York *Post* reporter, got a tip about the story. While Pierson was trying to piece together the facts, Leona Helmsley made headlines in another tax-evasion case. The State Attorney General's Office charged the president and controller of Van Cleef & Arpels with scheming to help customers like Leona Helmsley and Imelda Marcos evade more than $4.6 million in sales tax on jewelry. The customers were not charged. The attorney general said that in 1980 and 1981, Leona Helmsley bought $485,000 worth of jewelry from the store and avoided paying $40,000 in sales tax by having empty boxes shipped to her Palm Beach condominium. Leona Helmsley told a grand jury that she had believed the price she paid included sales tax.

On December 2, 1986, one year after he first heard that "there was something going on at the Helmsley mansion," Pierson broke the story. He had copies of twelve invoices from the general contractor, La Strada Contracting Corporation, for work at the mansion that had been charged to a Helmsley building at 420 Park Avenue. Pierson reported that John Struck, the construction manager at the mansion, had been "ordered to concoct detailed descriptions of work that was never actually performed in the office buildings." Struck told the *Post*, "The cookup was not my cookup." He said that he had had orders from Joseph Licari, the former chief financial officer of Helmsley Enterprises, and Frank Turco, the former chief of financial services for Helmsley Hotels. Struck also said that Turco and Licari had told him the Helmsleys would reimburse the buildings "at the end of the year."

Turco could not be reached for comment by the *Post*. Licari said, "He is confusing me with someone else. . . . I never received any instructions from the Helmsleys to re-create a bill or falsify a bill." The Helmsleys' lawyer said that the Helmsleys had asked key employees to find a way to hide their expenditures only to protect their privacy and would pay the funds back at the end of the year.

The day the story broke, U.S. Attorney Rudolph Giuliani seized the moment and announced that his office would conduct an investigation. Two days later, State Attorney General Robert Abrams sent Assistant Attorney General John Ryan and four other agents to the Helmsley-Spear offices in the Lincoln Building after getting a tip that shredding was taking place there. Ryan did not have a court order but asked to inspect the room. When Helmsley lawyers refused, he sealed off the room.

The *Post* went crazy with the story. On December 3, it ran a photo of a former mansion guard holding paychecks drawn on the Park Lane and Harley hotels. On December 5, a photograph of the "Helmsley shredder" was spread across the tabloid. Larry Early, the shredder, told the *Post* that he had quit his job after realizing that by shredding documents, he might be participating in "a cover-up." He said, "Everybody went haywire. The amount of work went up at least four times." Helmsley Enterprises admitted that Early had worked there but denied there had been any shredding done.

On December 11, under the headline PARTY POOPERS!, the *Post* ran a photo of two men delivering champagne to a party at the Empire State Building and reported that Harry and Leona wouldn't be there because they had left the country. On December 15, the paper photographed them in Barbados, walking on a beach in bathing suits. When reporter Chris Oliver confronted them and asked them for a comment, Harry bellowed, "Forget it!"

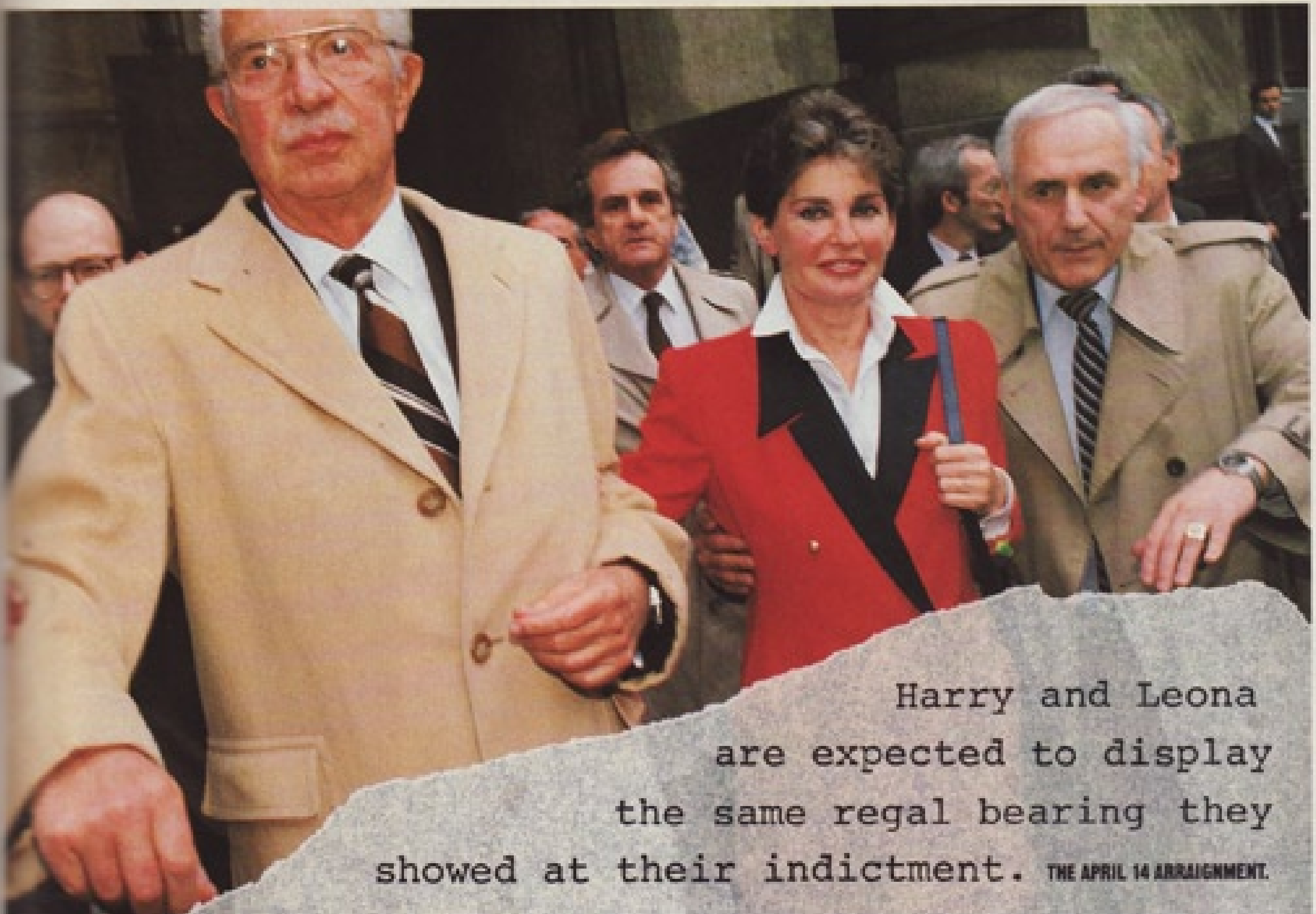
"How about you, Leona?" Oliver asked. Her only reply was an outraged "*Leona!?*"

The U.S. attorney general and the state attorney general spent more than a year putting their cases together. In March 1988, a month before the indictments were handed up, the Helmsleys flew to Phoenix to celebrate Harry's seventy-ninth birthday. Leona threw a birthday party at the Scottsdale Princess resort. While they were there, Harry and Leona bought a $6-million home in the hills of Paradise Valley, just outside of Phoenix—a 21,000-square-foot contemporary house set on ten acres, with a tennis court and swimming pool.

On April 14, Robert Abrams held a joint press conference with Giuliani to announce that federal and state grand juries had voted to indict Harry and Leona Helmsley for evading more than $4 million in income taxes from 1983 to 1985. Indictments were also issued against Frank Turco and Joseph Licari. The 47-count federal indictment charged the four with "conspiracy, income-tax evasion, filing false and fraudulent income-tax returns and mail fraud." The indictments alleged that the first "overt act" in the conspiracy took place a month after the Helmsleys bought Dunnellen Hall, when Harry Helmsley met with Frank Turco to discuss charging expenditures for the mansion to his hotels and office buildings.

The prosecutors accused the Helmsleys of charging more than $1 million spent on the new wing of the mansion to several Helmsley office buildings and $370,000 in landscaping costs to Harley Hotels of Cleveland, Ohio, and the Harley Hotel in Enfield, Connecticut. They accused them of calling Leona Helmsley's $130,000 indoor-outdoor stereo system an electronic

Photograph by Cori Wells Braun.



Harry and Leona are expected to display the same regal bearing they showed at their indictment. THE APRIL 14 ARRAIGNMENT.

curity system for the Helmsley Building. They also accused ona Helmsley of spending $45,000 for a silver clock in the ape of the Helmsley Building as a seventy-fourth-birthday pres- nt for Harry and charging it to the Park Lane Hotel.

The indictments also charged the couple with defrauding e minority investors in the Park Lane Hotel and the minority areholders of a Helmsley-run real-estate-investment group med Realesco. They said they had arranged for the Park ane to pay Leona Helmsley "consulting fees" of $83,333 a onth without disclosing them to the minority investors in the otel, and that they had charged more than $1 million in per- nal expenditures to subsidiaries of Realesco without disclos- g that fact to the minority shareholders. In addition, the in- ctments charged Leona Helmsley and Frank Turco with nspiring to extort kickbacks from contractors and suppliers y threatening that the Helmsley Organization would not use em unless the kickbacks were paid.

The federal trial, which is being held before the state trial, as scheduled to begin this week. On the eve of the trial, Harry elmsley's lawyer asked Judge John M. Walker Jr., who is pre- ding over the case, to hold a separate trial for Helmsley, cit- g his client's poor health. At the same time, he revealed that e will argue that Helmsley's co-defendants, Frank Turco and seph Licari, created the phony invoices "to steal from the elmsleys," not to commit tax fraud. Assistant U.S. Attorney ames DeVita said that that could not be the case, since the voices were sent to both Harry and Leona Helmsley.

Helmsley's lawyer said that Helmsley had been examined by ree neurologists and two neuropsychologists, and four of the e doctors said he was not fit to stand trial. Those close to the elmsley organization say that Harry Helmsley has slowed own since 1985. Two old friends who have seen him in the ast few months say that he did not appear to be ill. "I think e's very depressed about ending a career this way," one says. But his eyes were clear and he was quick."

When a trial begins, it is expected to be held on the fifth floor of the United States Courthouse, in a large courtroom that is usually reserved for the cases that draw the biggest crowds. Rudolph Giuliani's prosecution team will be headed by Assistant U.S. Attorney James DeVita, a 39-year-old former associate at Sullivan & Cromwell. He was one of the lawyers who prosecuted the Reverend Sun Myung Moon, who was convicted in 1982 of filing false personal-income-tax returns.

Harry Helmsley will be represented by John Wing, a partner at Weil, Gotshal & Manges who was a federal prosecutor in the Southern District for 22 years. Leona Helmsley will be represented by Gerald Feffer, a partner in Williams & Connolly, the Washington, D.C., law firm founded by the late Edward Bennett Williams. He was also a federal prosecutor in the Southern District and ran the Justice Department's tax division for three years during the Carter administration. The co-defendants are being represented by New York lawyer William Brodsky and Joseph Benfante, who represented one of the defendants in the Pizza-connection case.

Harry and Leona Helmsley are expected to display the same regal bearing during trial that they showed the day they were indicted. That day, they arrived at the Attorney General's Office in a black limousine at 7:45 in the morning and surrendered themselves. They were taken to police headquarters and booked. Then they were taken to the State Supreme Court building, where they were forced to stand in the back of the room for a half-hour as they listened to one man plead not guilty to theft charges and another plead not guilty to selling drugs. When they were finally asked to enter their pleas, they each simply said, "Not guilty." Leona was dressed in a red coatdress and white blouse with the collar turned crisply up around her neck. Harry was wearing a handsome cashmere coat over his brown business suit. They were emotionless throughout the hearing, except for one brief moment when tears could be seen in Leona Helmsley's eyes.

Photograph by Stephen Ferry/Gamma-Liaison.