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Press Statement

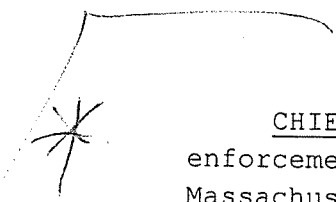
On the last working day before State Liquor chief operating officer, Dan St. Hilaire is scheduled for a judicial confirmation hearing, the NH DOJ issued a two-page letter clearing the Liquor Commission of any misconduct concerning the bootlegging of liquor and also concluding that the DOJ “has found no credible evidence that the cash received by SLC stores from [large volume cash sales] is derived from any sort of illegal trafficking.”

Executive Councilor Andru Volinsky remarked, “The timing and brevity of the letter issued by the DOJ after an investigation that began at my request in February 2018 should give us all pause. More troubling, however, is the failure of the DOJ to recognize the significance of evidence of money laundering and illegal bootlegging developed during the prosecution of New York City mobster, Hamlet Peralta. Peralta ran a \$12 million Ponzi scheme fronted by a \$700,000 liquor wholesale operation with at least one proven \$40,000 purchase from the NH State Liquor Commission. This evidence established a clear link between bootlegging in New Hampshire and bribery, extortion and financial frauds committed in New York. Mr. Peralta’s prosecution was widely chronicled by news outlets in New York and I pointed out the Peralta case to the Department of Justice. Further, the Peralta-related bootlegging was the subject of testimony by former Chief Liquor Enforcement Officer Eddie Edwards when he testified on October 16, 2012 before the Special House Committee to Evaluate the New Hampshire State Liquor Commission. The records of the State Liquor Commission also reflect that Mr. Peralta’s agent was reimbursed \$40,000 for the liquor seized from him by Massachusetts state authorities.”

Attached to this release are the following documents:

1. Mr. Edwards testimony of October 16, 2012,
2. Lowell Sun: “Police: Rte 3 driver carried 1,776 bottles of illegal cognac.” 8/3/11
3. NYT: “Trafficking Graft from Bootlegger to Mayor-The scandal began with a routine traffic stop and soon ensnared police officers, a union official, a hedge fund mogul, machers of Orthodox Brooklyn-even City Hall.” 4/27/18
4. NY Daily News: “Restaurateur and former NYPD ally Hamlet Peralta hopes plea deal in \$12M investment grift nets him little jail time.” 5/13/17
5. NH Liquor Commission Division of Enforcement and Licensing Note:
Bootlegging Investigation MA State Police
NH Liquor commission agrees to purchase approximately \$40,000 of Hennessy (criminal evidence released from MA state police) from man convicted of bootlegging in MA. Suspect purchased product from NH stores prior to being arrested in MA. Enforcement recommends not purchasing product from convict. Suspect has retained attorney and has pending litigation with state of NH.

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CHIEF EDWARDS: I can tell you there were several law enforcement meetings. Myself and my deputy, we went to Massachusetts for a meeting with the Massachusetts State Police, Canadian officials, Connecticut law enforcement officers to look at this issue, because they were concerned about illegal trafficking of liquor back into their states. So there was a general law enforcement issue with this transportation because, typically speaking, while we don't track who's coming in to buy liquor, for the law enforcement community this activity is usually associated with people who are committing crimes in other states. So those law enforcement officers from other states have a great interest in finding out how to disrupt this activity coming back in their state. And often -- just most recently we had a case with the Secret Service involving one of our stores where counterfeit money was being exchanged by one of these people engaged in a behavior. So we went back and forth around that case. This is at the time I also sent an e-mail to the Commissioners and senior staff members explaining that we needed to establish a pretty comprehensive policy to protect the Commission's interest and isolate the Commission from criticism from other states, as well as protect our store employees who are working in these stores. Most store employees feel very proud of their sales they make and their stores are doing very well. But like the case that was referred to over in Hinsdale, that gentleman had to defend himself and that becomes very stressful for employees who think they're carrying out the right responsibility on the behalf of the State of New Hampshire and then only to find that they have done something wrong or ran afoul of another state's law and then they have to defend themselves. They don't have the umbrella of the State. So my interest was trying to get the State to establish policy that reassured State Employees that they would be protected, have legal representation by the Attorney General's Office should they

**SPECIAL HOUSE COMMITTEE TO EVALUATE THE NEW HAMPSHIRE STATE LIQUOR
COMMISSION AND TO RECOMMEND STRUCTURAL AND OVERSIGHT REFORMS**

OCTOBER 16, 2012

be charged or should they have issues with other state law enforcement agencies.

But there are any number of reasons why that can't happen. When Commissioner Earl Sweeney was on the Liquor Commission, he asked me to contact an associate of mine who was from the IRS who I met through one of our associations. That person assigned an IRS investigator to come to the Commission to give the Commission training on how to comply with the 8300 form, and it was clear in their minds we had to comply with it. They felt that. And so Commissioner Sweeney wanted some training on it. And I contacted this person who works for the IRS as an investigator who came in, provided training for us how to comply with it. As you know --

CHAIRMAN OBER: Excuse me. When you say provide training for us, can you tell us which staff members were trained?

CHIEF EDWARDS: It was the senior staff. I believe at the time was Commissioner Sweeney was there. I want to say Commissioner Mollica was in the training. I know I was there, and I believe the other senior staff members.

CHAIRMAN OBER: But not the people in the stores who are actually selling the liquor?

CHIEF EDWARDS: No, ma'am. This was designed to train senior staff so we could develop a policy and train the employees how to comply with it. That was the intent behind it.

REP. COFFEY: Just to reiterate.

CHAIRMAN OBER: You have one more follow-up.

**SPECIAL HOUSE COMMITTEE TO EVALUATE THE NEW HAMPSHIRE STATE LIQUOR
COMMISSION AND TO RECOMMEND STRUCTURAL AND OVERSIGHT REFORMS**

OCTOBER 16, 2012

Police: Route 3 driver carried 1,776 bottles of illegal cognac

By Lisa Redmond, lredmond@lowellsun.com

Feb 17th

Bought for Hamlet Peralta

UPDATED: 08/03/2011 06:35:53 AM EDT

LOWELL -- A blown license-plate bulb on a friend's van has landed a 51-year-old Indiana man in trouble for allegedly illegally transporting on Route 3 nearly 2,000 bottles of illegal cognac. Luis A. Colon-Bacenet, of 1423 Aggie Lane, Indianapolis, appeared in Lowell District Court yesterday after being summonsed for his arraignment in connection with the case. Colon-Bacenet pleaded innocent to charges of buying, selling or possessing untaxed liquor and unlawfully transporting liquor. He could face a \$2,500 fine and/or six months in jail. He was released on personal recognizance. His next court date is Sept. 27 for a pretrial conference.

Colon-Bacenet could not be reached for comment. He did not appear in court with an attorney.

Under state law, the allowed limit of alcohol that can be transported within Massachusetts is 3 gallons, according to court documents. The van was carrying thousands of bottles of illegal cognac. According to court documents, at 5:55 p.m. on Feb. 17, a trooper stopped a van with New York license plates on Route 3 in Chelmsford after noticing a license-plate violation. Colon-Bacenet allegedly told the trooper he was doing a favor for the van's owner, Hamlet Peralta of Bronx, N.Y.

He told the trooper Peralta asked him to drive to Hudson, N.H., to pick up alcohol for a church party in Pembroke.

Colon-Bacenet said he bought \$1,500 worth of cognac at the New Hampshire State Liquor store in Manchester, but a receipt in Colon-Bacenet's black bag showed he had bought 320 bottles. A 75-milliliter bottle of Hennessy Cognac sells for about \$50.

A pat frisk of Colon-Bacenet revealed he had three cell phones. A review of the text messages he received showed Colon-Bacenet had been in contact with "Cody," who is a friend of his. There was also a receipt in the black bag for 320 bottles of Hennessy that were purchased two hours after the first pickup, according to court documents.

But the two receipts only totaled 720 bottles of Cognac, while 1,776 bottles were in 148 cases in the back of the van, court documents state.

In the black bag, troopers also found razor blades and \$2,000 in cash. The blades are used to cut off the labels that show where the cases came from, according to court documents.

The New York Times

Tracking Graft, From the Bootlegger to the Mayor

The scandal began with a routine traffic stop and soon ensnared police officers, a union official, a hedge fund mogul, machers of Orthodox Brooklyn — even City Hall.

By Alan Feuer

April 27, 2018

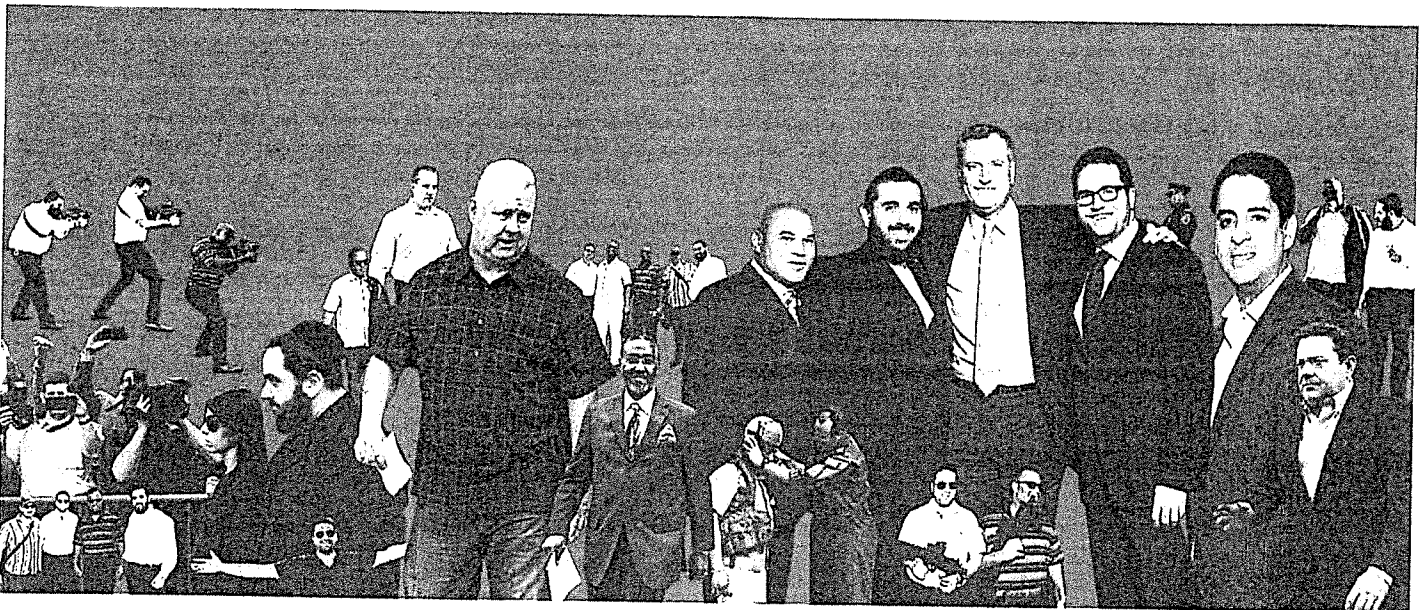


Illustration by Levi Mandel for The New York Times. Photos: Holly Pickett and Bryan R. Smith for The New York Times; Mark Von Holden/WireImage, via Getty Images; United States Attorney's Office

Hamlet Peralta

The Small-Time Bootlegging Run That Started It All

A few days after Valentine's Day in 2011, a State Police cruiser pulled over a van from New York City on a quiet highway outside Lowell, Mass. While it seemed at first like a routine stop — the light above its license plate was out — the troopers made a curious find.

When they searched the van, they found nearly 2,000 bottles of top-shelf cognac and a pack of razor blades, which they surmised had been used to remove the bottles' tax stamps. The driver claimed ignorance. He said that a friend from New York, a man named Hamlet Peralta, had asked him as a favor to drive the brandy from New Hampshire to a church party an hour south of Lowell. But the law was the law, and the driver was arrested for transporting untaxed liquor. His case was soon disposed of with six months of probation and a \$1,000 fine.

What no one knew at the time was that this two-bit bootlegging run was the tip of a criminal scheme that within three years would be used as evidence in an unimaginably larger case, a federal corruption investigation that would ultimately reach deep into New York City's highest offices of power. While the inquiry began with Mr. Peralta, it eventually engulfed a Dickensian cast of characters: two Orthodox Jewish businessmen, an influential union leader, a hedge fund mogul, a coterie of top police officials — even the city's mayor.

Because the case has involved so many people and has moved through the courts in separate pieces, its story, at least so far, has been told in serial increments. Some of the nearly 20 figures it has touched have pleaded guilty. Some have gone to trial. Others have escaped public censure — except, perhaps, in the headlines. But the sprawling paper trail the case has left behind — legal filings, trial transcripts and wiretap records — reveals a larger saga of favor-trading and back-room deals that connects its various players in an intersecting web of venality and vice.

In May, the last two targets of the probe — Jeremy Reichberg, an Orthodox Jewish community leader from Brooklyn, and James Grant, a former Police Department deputy inspector — will appear in Federal District Court in Manhattan at a bribery trial that will also feature a dozen other uncharged co-conspirators. As it nudges the case toward its conclusion, the trial will reprise the investigation's central theme: that a culture of graft — sometimes petty, sometimes serious — has existed in New York since the days of Tammany Hall.

The authorities have never said what tipped them off to Mr. Peralta, but in an affidavit that the Federal Bureau of Investigation used to tap his cellphone, investigators said that in February 2013 an anonymous letter was sent to the Police Department's anti-corruption nerve center, the Internal Affairs Bureau. The letter, which appears to be the first public mention of the inquiry, contained an explosive allegation: The man in charge of Harlem's 30th Precinct, Deputy Inspector Ruel Stephenson, was crooked. Specifically, it claimed that the deputy inspector was close with someone named Hamlet and often warned him when the police were planning to inspect his businesses.

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At that point, Hamlet Peralta owned two businesses in Harlem, a liquor store on West 125th Street and the Hudson River Cafe, a restaurant several blocks to the north. Perched near the water, Hudson River Cafe was known both for its views and its lively "club nights" that featured bands and D.J.'s. It was also known as a police hangout.

A gregarious man born in the Dominican Republic, Mr. Peralta, 39, was friends with several officers from nearby precincts, men who called him “bro” and regularly texted him with gossip. In April 2013, two months after getting the tipster’s letter, Internal Affairs sent undercover detectives to speak with him at his restaurant. According to court papers, the detectives pretended that they wanted Mr. Peralta’s help with “an outstanding ticket.” Mr. Peralta told them that he had “a very good relationship with Inspector Stephenson” and trying to be helpful, passed along his number.

Within a matter of months, investigators were digging deeper into Mr. Peralta’s business deals. They found two confidential sources who told them that for years Mr. Peralta had purchased spirits out of state — or sometimes stolen off trucks — and sold them wholesale to restaurants and nightclubs in violation of his liquor license. They also learned about the role he played in the brandy shipment discovered in the traffic stop in Massachusetts.

Mr. Peralta’s bank accounts were particularly suspect. Court filings say that money flowed into them from one person and then out to another in a manner suggesting a Ponzi scheme. The filings also said that hundreds of thousands of dollars had been transferred in recent years to two convicted drug dealers. The records further indicated that Mr. Peralta owed large sums to the state tax authority and was substantially in debt to a capo in the Genovese crime family.

But what pushed the case forward — and finally undid Mr. Peralta — was a series of seemingly innocuous transactions. In his accounts, court papers said, the authorities found numerous deposits from a company called JSR Capital — among them, a \$250,000 check with “liquor loan” written on its memo line.

Following the money, investigators learned that JSR was a real-estate firm with offices on Fifth Avenue, a few blocks south of St. Patrick’s Cathedral. It took its name from the initials of its owner: Jona S. Rechnitz.

Hamlet Peralta, owner of a cafe and a liquor store in Harlem, was charged with running a Ponzi scheme. Jona Rechnitz agreed to cooperate with state investigators soon after.

Mark Von Holden/WireImage, via Getty Images

“It Made Him Look Good, Made Me Look Good”

Mr. Rechnitz was an up-and-comer from California. He had arrived in New York in his late teens from Los Angeles, where he grew up as the scion of a wealthy family that was staunchly pro-Israel and active in Republican Party politics. His father, Robert Rechnitz, a successful real-estate developer, had served as a finance chairman on Senator Lindsey Graham’s 2016 presidential campaign and was a prominent donor to Benjamin Netanyahu, the prime minister of Israel. But the family’s real money belonged to Mr. Rechnitz’s cousin who owned a chain of California nursing homes that ultimately fell afoul of state and federal regulators.

After attending Yeshiva University in Upper Manhattan, Mr. Rechnitz followed in his father’s footsteps and tried to make a go of it in New York City real estate. For his first few years, those who knew him said, he worked in minor jobs at middling firms like Marcus & Millichap. But in 2007, he edged closer to success, taking a post at Africa Israel USA, the American subsidiary of the international development firm Africa Israel, which was owned by the billionaire diamond dealer Lev Leviev.

By his own account, Mr. Rechnitz started slowly at Africa Israel, fetching coffee and picking up dry cleaning for its New York chief executive. But as he later testified, he enjoyed the company’s ambience of “trophy properties” and “luxury developers.” Within a few years, as he progressed at the firm and eventually became its director of acquisitions, Mr. Rechnitz began to make connections to the machers and scoundrels who populated the world of New York real estate — something else he seemed to enjoy.

“I have never seen a young man so schooled in networking,” said someone who had dealings with him at the time and requested anonymity to avoid the investigation. “He made his life all about connective tissues. He doesn’t know how to do financial analysis. He doesn’t know how to put together a proposal. He doesn’t have normal business skills. But he knew everyone.”

Forever on the hunt for people who could help him advance his prestige or career, Mr. Rechnitz noticed one day that one of his Africa Israel clients had custom license plates marked “Sheriff” that gave him special parking privileges. “When he came to meet me, he would park wherever he wanted,” Mr. Rechnitz later said in court, “and that is something I thought was pretty cool.”

Mr. Rechnitz wanted his own set of the plates, and the client offered to introduce him to the man who had provided them. His name was Jeremy Reichberg, and he would soon be hosting a charity dinner for the N.Y.P.D.'s football team, the client said. When Mr. Rechnitz learned that "a lot of the higher-ups in the Police Department" would be at the event, he was even more convinced he had to go.

So, hustling as always, he bought a \$5,000 ticket. Mr. Reichberg, he recalled, was "very happy with the donation" and arranged for the football team to give him a memorial plaque. "It made him look good, made me look good," Mr. Rechnitz said, "and we started to become friends."

Aside from dabbling in real estate and diamonds, Mr. Reichberg, now 44, also worked as an official liaison between the Police Department and Borough Park's Orthodox Jewish community. The department uses liaisons throughout the city to keep abreast of the concerns of local residents, but prosecutors say that Mr. Reichberg considered the post as both a public-service job and a personal profit center. In their early meetings, Mr. Rechnitz said, Mr. Reichberg described himself as "a fix-it guy" who used his police connections to help his friends in Borough Park take care of things like parking tickets and moving violations. For rendering these courtesies, he charged a small fee.

Bryan R. Smith for The New York Times

As the men grew closer, Mr. Reichberg supposedly acknowledged performing other favors. Once, Mr. Rechnitz said, he confessed that he had sent the police to a colleague's diamond business to chase away a rival who was handing out fliers in front of his store. The police were later "rewarded with jewelry," Mr. Rechnitz said.

To fulfill these requests, the government says, Mr. Reichberg relied on a stable of pliant police officials. Among them, prosecutors claim, was Mr. Grant, who at that point ran the 72nd Precinct nearby in Sunset Park, and Michael Harrington, an inspector assigned to a larger unit, Patrol Borough Brooklyn South. Mr. Reichberg also had connections, the government says, to a former commander of Borough Park's 66th Precinct who had left the department to become the police commissioner in Floral Park, N.Y. Court papers say that he had similar relationships in the Westchester County Police Department and the New York courts.

"He had all these connections to police," Mr. Rechnitz testified. "I didn't know many people that had connections with police, growing up in Los Angeles, and I thought this would be an awesome tool for me personally and for my business."

Not long after the football dinner, Lev Leviev, the head of Africa Israel, came to New York on a business trip. Wanting to impress him, Mr. Rechnitz called Mr. Reichberg, who, he said, offered to have the police escort Mr. Leviev from his private plane at Teterboro Airport in New Jersey through the Lincoln Tunnel into the city. Prosecutors say that at Mr. Reichberg's behest, the police shut down one of the tunnel's lanes so that Mr. Leviev could sail through on his own. "This is good," Mr. Rechnitz remembered thinking at the time. "This will earn me a lot of points."

In the months that followed, Mr. Rechnitz said, he started joining Mr. Reichberg for expensive dinners at which they entertained police officials and were rewarded with little perks like getting invited behind security lines at the New York City Marathon and the New Year's Eve celebration in Times Square. The two men developed a dynamic based on their money and connections. "Jeremy would deal with more of the details, if something needed to be done," Mr. Rechnitz later said, "and I would be the guy to basically pay for it."

In 2011, at age 29, Mr. Rechnitz left Africa Israel and opened JSR Capital. In his later testimony, he claimed to have owned as much as \$100 million in holdings at one point. He bought the old Mount Hope Medical Center in the Bronx and, not long after, a building at 238 Madison Avenue in Manhattan. He also owned two townhouses in the East Village and a sprawling complex called Solomon's Plaza in Borough Park, Brooklyn.

But even if his properties were something less than glamorous, JSR gave Mr. Rechnitz a pool of capital to spend on his new friends, and his expenditures were eventually legion. On the witness stand, he testified that during this period he regularly racked up credit card bills of \$1 million a

year. As one lawyer involved in the case later claimed in court, Mr. Rechnitz often spent more on New York Knicks tickets — one of his favorite gifts — than he did on his taxes.

By early 2013, the government says, the two men's ties to the police had widened. They struck up friendships with four deputy chiefs in top commands across the city, including David Colon, who ran the department's Housing Bureau. In a bit of coincidence, Deputy Chief Colon was friends with Mr. Peralta and an occasional patron of the Hudson River Cafe. (Though none of these officials were ultimately charged, most of them either retired or were transferred from their posts.)

As they expanded their network, Mr. Rechnitz and Mr. Reichberg also became more brazen. In February 2013, the government said, they chartered a private jet — for nearly \$60,000 — and flew Mr. Grant and David Milici, a detective from the 72nd Precinct, to Las Vegas for an all-expense-paid weekend at the Super Bowl. There were tickets to the game, prosecutors said, and luxury suites at the MGM Grand.

There was something else, too: a high-priced escort — “a professional in her industry,” as Mr. Grant's lawyer later called her — joined the men on the flight in a special costume that Mr. Reichberg bought: a sexy stewardess's outfit.

Chief of Department Philip Banks III, center, was the highest-ranking black officer in the force. The day before he was due to be promoted to first deputy commissioner, he suddenly retired.
Michael Nagle for The New York Times

Moving Up in the Ranks

Philip Banks III was a legend in the Police Department. Capping a career of nearly 30 years, he was promoted in March 2013 to chief of the department, the highest uniformed position on the force. Rumor had it that there was even more was in store for Chief Banks, the top black official in the N.Y.P.D. As prosecutors noted in a legal filing, he was on a shortlist for deputy commissioner.

In one of his early moves, Chief Banks plucked his protégé, Michael Harrington, from Brooklyn South to work as his executive officer. While this was a coup for Mr. Harrington, it was also one for Mr. Rechnitz and Mr. Reichberg. After moving into 1 Police Plaza, Mr. Harrington introduced the men to Chief Banks. As Mr. Rechnitz later claimed in court, the fortuitous staffing change gave him “access to the highest levels at the N.Y.P.D.” — or what he called a “one-stop shop for assistance.”

Within weeks of Mr. Harrington taking his new job, Mr. Rechnitz and Mr. Reichberg lavished him with gifts, the government said. Mr. Rechnitz sent him Knicks and New York Rangers tickets, court papers say, while Mr. Reichberg helped arrange a contract for a security company his brother owned.

Mr. Grant was also still receiving the men’s largess. When he and his family went to Rome in August 2013, Mr. Rechnitz paid a portion of their hotel bill, prosecutors say. A few months later, according to court papers, they bought Mr. Grant a \$3,000 watch and spent another \$6,000 to install new railings on his house in Staten Island.

Then on Christmas Day, prosecutors say, the two religious Jews, who typically wore sober black and white, showed up at the Grant family home dressed as Santa’s elves. They were bearing gifts: a Nintendo set for Mr. Grant’s children and jewelry for his wife. After leaving the presents, the government claimed, they went on to do the same at Mr. Harrington’s house.

Within a few months, court papers say, Mr. Harrington had returned the favor by dispatching officers to help Mr. Reichberg with problems at his diamond business. Prosecutors claim that he also sent police cars to protect a synagogue that Mr. Reichberg attended — and a police boat and helicopter to some of Mr. Reichberg’s private gatherings. Mr. Grant, the government said, also ordered officers on missions to help the men. According to court papers, he later helped the men illegally get gun permits with the assistance of another fixer from Borough Park, a vodka-swilling businessman who, the papers say, was bribing him.

But the two men clearly saw Chief Banks as their most important contact. Court papers say that in late 2013, they started spending time with him at least twice a month, dining at what Mr. Rechnitz called “the finest kosher establishments in New York.” They bought Chief Banks a ring, Mr. Rechnitz testified, that had once belonged to Muhammad Ali. (Chief Banks was a fan.) The

chief, in turn, met with the men in his office, prosecutors said, letting them park in his reserved spot in the department's private garage. They went to cigar bars and started taking trips together — a fact that “carried weight,” Mr. Rechnitz said, when they sought help from other officers.

While these arrangements were cozy, they were not necessarily illegal. But one thing troubled the federal agents on the case. As they continued scrutinizing Hamlet Peralta's bank accounts, they found curious transactions involving Chief Banks.

At some point in 2013 — the record is unclear — prosecutors say that David Colon, the Police Department's housing bureau chief, introduced Mr. Peralta to Mr. Rechnitz. Mr. Peralta was, as always, strapped for cash — “in way over his head,” his own lawyer said — and at a meeting, he pitched Mr. Rechnitz on investing in his liquor deals. Charging a “cash fee” of 18 percent, Mr. Rechnitz started gathering money from a group of friends and relatives and ultimately invested more than \$3 million with Mr. Peralta. Some of that money, the authorities said, came from Chief Banks.

The chief was not the only official doing business with Mr. Rechnitz. As he and Mr. Reichberg grew closer to Chief Banks, they were introduced to one of the chief's old friends, Norman Seabrook, the longtime leader of the Correction Officers' Benevolent Association, the union for New York City's jail guards. Though he was a dandy with a taste for cigars and tailored suits, Mr. Seabrook was also a power broker who wielded control over Rikers Island and had numerous connections to local politicians. Immediately, Mr. Rechnitz saw him as a usable commodity.

“This was yet another chapter in my life,” he later said of meeting Mr. Seabrook, “and another thing that I felt no one else had access to.”

In December 2013, a few weeks before their elfin Christmas visits, Mr. Rechnitz and Mr. Reichberg chartered another private jet and took Chief Banks and Mr. Seabrook on a trip to Punta Cana in the Dominican Republic. Mr. Peralta also went along. As Mr. Rechnitz later said: “We played golf. We relaxed. We smoked cigars. We ate nice.”

One night, after a long bout of drinking, Mr. Rechnitz found himself in Mr. Seabrook's room at their luxury villa. Amid the palm trees — and under the influence of local booze — Mr. Seabrook became emotional. According to Mr. Rechnitz, he launched into a story about his troubles: how he had grown up with a single mother and reached the pinnacle of power in New York, but had little to show for it financially. Mr. Seabrook said his mortgage was crippling him and his beloved dog had just died. Drunk, he opened his shirt, Mr. Rechnitz said, and showed off a tattoo of the dog he had gotten on his chest.

When he broke down.

“He makes, everybody makes, but Norman Seabrook doesn't make,” Mr. Seabrook told him.

“Yeah,” Mr. Rechnitz answered, “you should be making money.”

Mr. Seabrook agreed. “It’s time,” he said, “Norman Seabrook got paid.”

Norman Seabrook, former president of the New York City union for jail guards, was accused of taking kickbacks from a hedge fund. His trial ended in a hung jury.

Holly Pickett for The New York Times

The Scheme to Pay the Union Boss

Mr. Rechnitz knew someone who might pay Mr. Seabrook.

Murray Huberfeld, a founder of the hedge fund Platinum Partners, was an old family friend. Mr. Huberfeld’s father and Mr. Rechnitz’s grandfather were from the same part of Poland and had both survived the Holocaust. The two men had vacationed together when Mr. Rechnitz was a child, and when he came to New York City, Mr. Rechnitz reconnected with Mr. Huberfeld and occasionally did business with him. While working in real estate, Mr. Rechnitz had sold Mr. Huberfeld a few apartments in the pricey Apthorp building on the Upper West Side.

Beyond his experience as a financier, Mr. Huberfeld was also a major donor to Chabad-Lubavitch synagogues and to various yeshivas in Borough Park. But despite his philanthropic tendencies, he had a checkered past. In 1993, Mr. Huberfeld had been convicted in a fraud case, accused of

having someone else take his broker's license test in his name.

Shortly after returning from Punta Cana, Mr. Rechnitz met with Mr. Huberfeld in his office near Carnegie Hall. He wanted to see if Platinum Partners might be interested in investing money from Mr. Seabrook's union. Platinum Partners was, in fact, looking for institutional investors. It was potentially lucrative for the firm, a small fund that stood out for its double-digit returns, but Mr. Rechnitz told Mr. Huberfeld that there would be a catch if the deal went through: Mr. Seabrook would have to get a kickback.

Mr. Huberfeld, prosecutors said, was amenable. Like many hedge funds, Platinum Partners worked on what was known as the "2 and 20" structure: The fund charged 2 percent of the total investment as a management fee and then kept 20 percent of the profits. From that 20 percent, court papers say, Mr. Huberfeld agreed to give a cut to Mr. Seabrook.

In March 2014, before the deal was sealed, Mr. Rechnitz and Mr. Reichberg took Mr. Seabrook and Chief Banks on another trip, this time to Israel. They prayed together at the Western Wall, ate at fancy restaurants in Jerusalem and went to the Arab marketplace, where Mr. Rechnitz bought Chief Banks a backgammon set, a game they liked to play together.

Within a month of their return, Mr. Seabrook had persuaded his union to invest \$10 million from its pension fund into Platinum Partners, the government said. Over the summer, he invested another \$10 million from the operating fund. According to court papers, the \$20 million play was the largest single-client deal that Platinum Partners had gotten that year. But the last two tranches of \$5 million, investigators say, were never approved by the union's board of directors. Even its treasurer didn't know.

Murray Huberfeld, right, of the hedge fund Platinum Partners. His trial with Mr. Seabrook ended in a hung jury. Bryan R. Smith for The New York Times

By the end of 2014, prosecutors say, Mr. Seabrook was getting antsy. Although he had invested heavily in Platinum, he had not yet been paid, and he started pressing Mr. Rechnitz for his money. Mr. Rechnitz said he went to Mr. Huberfeld, who complained his fund was having a bad year. In their initial conversations, Mr. Rechnitz had promised Mr. Seabrook that he would make at least \$100,000 in the deal. But feeling pinched, the government said, Mr. Huberfeld was now offering only \$60,000 — and even that was a stretch.

So Mr. Rechnitz devised a solution. Court papers say that he proposed paying Mr. Seabrook the \$60,000 from his own reserves and getting the money back from Mr. Huberfeld by invoicing Platinum Partners an equivalent amount in phony Knicks tickets. To carry off the scam, Mr. Rechnitz suggested routing the transaction through a Ponzi-scheming ticket broker he had been involved with — yet another of the shady businesses he dealt in.

The payoff was scheduled for Dec. 11, 2014, the government said. Aware that he was chintzing Mr. Seabrook, Mr. Rechnitz said he tried to sweeten deal by tossing in a gift: an \$800 Salvatore Ferragamo handbag. He knew that Mr. Seabrook loved the brand. The union leader had once proudly showed Mr. Rechnitz the burgundy suede Ferragamo loafers he was wearing. After Mr. Rechnitz bought the bag, he stuffed it full of cash from his office safe. Then, he said, he met Mr. Seabrook on West 57th Street in Manhattan, climbing into his Chevrolet Suburban, which had pulled up to the curb.

Mr. Seabrook was hardly thrilled, Mr. Rechnitz said, to be getting less than he was promised, but their friendship managed to survive. Later that night, the two men met Chief Banks and Mr. Reichberg for dinner on Lexington Avenue and then strolled over to a Torah dedication ceremony at a Chabad-Lubavitch office on Fifth Avenue, where all they danced with the scroll.

After that, Mr. Rechnitz said, they retired to the Grand Havana Club for cigars.

Access to Mayor Bill de Blasio was considered the prize by Mr. Rechnitz (right) and Mr. Reichberg (to the left of the mayor). The introduction was made by Fernando Mateo, far left, who worked for a taxi union. United States Attorney's Office

The Investigation Expands — and Immediately Falls Apart

As entertaining as the night had been, there was something the men didn't know at the time: All of them were under investigation.

The authorities had been on to them for weeks, secretly collecting their conversations through a court-ordered wiretap. The inquiry, which had started with Mr. Peralta, was by now an expansive operation jointly run by Internal Affairs and the New York office of the F.B.I. The initial working theory that tied these threads together was almost inconceivable: that Mr. Peralta was funneling money from Mr. Rechnitz, Mr. Reichberg and Chief Banks through his liquor business into the coffers of a drug dealer.

Though that theory proved untrue, there was already fallout from the probe. The agents had filed their application for the wiretap on Oct. 30, 2014. The next day — just before he was due to be promoted to first deputy commissioner — Chief Banks suddenly retired, citing a mix of personal and professional concerns.

The news set off a flurry of anxious calls and texts. Mr. Peralta immediately sent a message to one of his police friends, exclaiming, "Banks quit!" Not long after, court papers say, Mr. Banks reached out to Mr. Reichberg, saying he had recently seen Mr. Rechnitz, whom he described as "freaking nervous." Mr. Banks tried to downplay the tension, telling Mr. Reichberg, "Everything is fine." But the papers say he also told Mr. Reichberg to get his partner under control. "Just calm him down," Mr. Banks said.

Then, just as it seemed as if the inquiry was finally was taking shape, a bombshell exploded on the wire.

Despite their alarm at Mr. Banks retiring, Mr. Rechnitz and Mr. Reichberg never stopped hustling. Within three months, in fact, Mr. Reichberg was caught on the wiretap telling a deputy chief that with Mr. Banks out of the way, he was angling to get Michael Harrington, now a deputy chief himself, promoted to chief of the department.

In March, Deputy Chief Michael Harrington pleaded guilty after a long investigation — not to bribery or fraud, but to dispatching police resources without permission.

Bryan R. Smith for The New York Times

To accomplish the task, Mr. Reichberg told his friend that he would reach out “to the mayor.”

“Nobody will turn down the mayor,” he said.

The men had known Bill de Blasio since before he entered office. Though Mr. Rechnitz had at first supported one of his rivals, William C. Thompson Jr., in an early stage of the 2013 mayor’s race, after Mr. de Blasio won the Democratic primary, Mr. Rechnitz and Mr. Reichberg switched their allegiance and became major donors to the de Blasio campaign.

In deciding to back Mr. de Blasio, the men had followed the advice of Fernando Mateo, a local politico who was also an owner of La Marina restaurant in Inwood and worked for a city taxi union. Mr. Rechnitz said that he was introduced to Mr. Mateo by Deputy Chief Colon, Mr. Peralta’s

friend. Once Mr. de Blasio secured the nomination, Mr. Mateo boasted that he had “an in with Bill de Blasio,” Mr. Rechnitz said. And when Mr. Mateo promised to arrange a meeting with the campaign, Mr. Rechnitz sensed an opportunity.

“We had the police going for us,” he later said in court. “Now it was time to get into politics.”

Indeed, within days, prosecutors say, Mr. Rechnitz and Mr. Reichberg had an audience with Ross Offinger, Mr. de Blasio’s campaign fund-raiser. As Mr. Rechnitz later testified, they told Mr. Offinger: “We’re going to become significant contributors, but we want access. And when we call, we want answers. When we reach out for things, we want them to get done.”

True to his word, in early 2014, Mr. Rechnitz donated \$50,000 to the Campaign for One New York, Mr. de Blasio’s nonprofit fund-raising and advocacy group. Months later, Mr. Reichberg held a party for Mr. de Blasio at his home in Borough Park at which another \$35,000 was raised. That same year, one of Mr. Rechnitz’s companies, JSTD Madison LLC, gave more than \$100,000 to the mayor’s pet effort to flip the State Senate back to the control of the Democratic Party.

Mr. Rechnitz says that Mr. de Blasio gave him his personal cellphone number and email address and “told me to call if there’s anything I need — always be in touch.” Shortly after the election, both men were placed on the mayor’s inaugural committee with celebrities like Russell Simmons, Sarah Jessica Parker and Steve Buscemi.

But that was just the beginning, Mr. Rechnitz said, of their attempts to wrangle favors out of City Hall. As Mr. de Blasio got settled into office, Mr. Offinger was met with a barrage of calls from the two men. In one of those calls, Mr. Rechnitz said, he asked for help on behalf of a friend who owned a building on Ocean Parkway in Brooklyn and was worried that the local police precinct might buy it out from under him for use as a stationhouse. In another, Mr. Rechnitz requested assistance for a cousin of his wife who ran a school on Manhattan’s east side and was having trouble meeting the city’s building code.

One of Mr. Reichberg’s friends had problems with his water bill, and Mr. Rechnitz himself had legal issues with Airbnb at his Madison Avenue property. In a particularly brazen move, Mr. Rechnitz tried at one point to get himself appointed to Mr. de Blasio’s new committee on fighting police corruption.

While city officials called and emailed to follow up on some of these pleas, many were rebuffed. Mr. de Blasio has adamantly denied that he did anything wrong. “Jona Rechnitz is a liar and a felon,” he said this fall, after Mr. Rechnitz pleaded guilty to honest services fraud and turned state’s evidence. “It’s as simple as that.”

But at the time, Mr. Rechnitz dreamed of the good turns he hoped to get in exchange for his donations.

“My mind was limitless,” he testified in November. “Jeremy had told me in the days of Giuliani, people made a fortune. I was focused on making money, getting my name out there, becoming a big player in town.”

Jeremy Reichberg departing Federal Court in Manhattan in 2016. His trial is set to begin next month. Lucas Jackson/Reuters

The End Game

It all came crashing down within a few months in the spring of 2016.

On April 8 that year, Mr. Peralta was arrested in Georgia and charged with running what the government described as a \$12 million Ponzi scheme. A few weeks later, in a stunning move, Mr. Rechnitz decided to cooperate with the authorities, betraying everyone he worked with. He was facing 20 years in prison and said he signed the cooperation papers “in the hopes of leniency” at sentencing.

Once he started talking, the dominoes kept falling.

On May 20, federal agents served subpoenas on Mr. Huberfeld’s hedge fund and Mr. Seabrook’s union. Three weeks later, both men were arrested and charged with fraud.

On June 20, Mr. Grant and Mr. Harrington, both of whom had since retired, were also arrested, accused of overlapping bribery and corruption charges. When the authorities showed up on the same day to arrest Mr. Reichberg, they caught his brother trying to make off with what they called potential evidence: several smartphones, a flip phone, eight compact discs, six thumb drives and a windshield placard saying that Mr. Reichberg's wife was a friend of Mr. Banks.

Amid the arrests, Inspector Michael Ameri, another police official caught up in the inquiry, was found dead in his car of a self-inflicted gunshot to the head near a golf course in Long Island. Around the same time, Detective Milici, who had flown to Las Vegas with Mr. Grant and the prostitute, filed for retirement.

In spite of the roundup, though, the case so far has produced limited results. Mr. Peralta pleaded guilty in May 2017, and while he was imprisoned as his case moved through the courts, his restaurant was shuttered, his girlfriend left him and his father died of cancer. "I'm really broken," he said when he was sentenced to five years in prison this September.

After fighting his own case for almost two years, Mr. Harrington pleaded guilty in March to dispatching police resources without permission. The charge was considerably less severe than the initial fraud and bribery counts the government leveled against him. (He is scheduled to be sentenced on June 11.)

Mr. Banks was never charged in the case. And in March 2017, after months of investigation, the United States attorney's office in Manhattan suddenly announced that it would not seek an indictment of Mr. de Blasio either. But in a rare public statement, the Manhattan district attorney's office, which had investigated a narrower set of issues, criticized the mayor for violating the "intent and spirit of the law."

Mr. Seabrook and Mr. Huberfeld went on trial together in October, but the proceeding ended in a hung jury. The courtroom failure was partly blamed on Mr. Rechnitz's cataclysmic testimony as a prosecution witness. At the trial, the defendants' lawyers painted Mr. Rechnitz — successfully, it seemed — as "wheeler and dealer," "a wannabe big shot" and "a straight-up liar." As Mr. Seabrook's lawyer, Paul Shechtman, said one day in court, "Jona Rechnitz and the truth have never been in the same room."

Federal prosecutors have promised to retry the men in July, a few months after Mr. Grant and Mr. Reichberg go on trial. Mr. Rechnitz is scheduled to testify at both trials.

In the meantime, though, he has left New York. He now lives in Beverlywood, a neighborhood on the west side of Los Angeles, where he rents a house, he said, for \$17,000 a month.

Alan Feuer covers courts and criminal justice for the Metro desk. He has written about mobsters, jails, police misconduct, wrongful convictions, government corruption and El Chapo, the jailed chief of the Sinaloa drug cartel. He joined The Times in 1999. @alanfeuer

NY Daily News
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NYC CRIME MANHATTAN FRAUD

Restaurateur and former NYPD ally Hamlet Peralta hopes plea deal in \$12M investment grift nets him little jail time

By VICTORIA BEKIEMPIIS
NEW YORK DAILY NEWS | MAY 13, 2017





Hamlet Peralta (r.) at a 2014 arraignment for an assault charge. (Jefferson Siegel/New York Daily News)



Several years ago, Hamlet Peralta was riding high. He ran Hudson River Cafe, a booming restaurant-club frequented by NYPD brass.

The restaurateur had become so tight with department honchos that area cops were told not to worry about quality-of-life complaints involving the Harlem hotspot.



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But Peralta's luck changed.



Several Hudson River Cafe employees hit Peralta with an unpaid minimum wage lawsuit in January 2012.



Peralta, 37, who had been indicted by the Manhattan DA's office for allegedly failing to pay \$211,000 in sales tax, agreed in September 2015 to pay back \$356,500. In need of work, Peralta uprooted his life and moved to Macon, Ga., that fall for a construction manager gig.



Peralta's bad luck came to a head this past Thursday, when he copped to running a Ponzi scheme. His trial was scheduled to begin on Monday.

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masked as a wholesale liquor distribution business.

Peralta tricked investors into dumping money into the bogus business starting in July 2013. He then used the money to repay other investors and as his personal piggybank.



Peralta only used \$700,000 for liquor, the Manhattan U.S. Attorney's Office said.



Prosecutors also sought to undermine the idea Peralta was just a guileless, down-on-his-luck restaurant owner who moved away for work. When Peralta started to feel heat from the feds in August 2015, he "absconded from New York" to Macon, remaining there until his arrest, they said.

While there, Peralta kept up the financial hijinks, siphoning \$100,000 from his then-boss's business account, prosecutors said.

And Peralta's relationship with police bigs went beyond chummy restaurant rapport — possibly enabling his flight from prosecution, they contended.

Peralta went to the Dominican Republic with NYPD members two times, and one of these cops was a "very, very high ranking" official, prosecutor Russell Capone revealed during an April 26, 2016 hearing.

One department higher-up directed investors toward Peralta. Another cop dumped money into the scheme.

During his plea, Peralta apologized, saying, "I'm very sorry to everybody that I hurt and for my actions."

He said he largely used his ill-got money "for the renovation of my restaurant."

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In exchange for pleading guilty, prosecutors agreed to suggest a 51-63 month prison sentence. If Peralta's case had gone to trial, he could have faced up to 20 years in federal lockup.

Peralta's lawyer, Cesar de Castro, did not want to comment on the plea after the proceeding. But de Castro did say: "In the coming months, we hope to show (the judge) ... the reasons why we believe that Hamlet deserves a below-guidelines sentence."

Based on court papers, this strategy could still depend on undermining who would have been the government's key witness, Jona Rechnitz.

The supposed victim investor-turned-cooperating witness — who's embroiled in several bribery cases — could have taken the stand against Peralta.

De Castro had previously argued that any fraud related to Peralta was actually "perpetrated" by Rechnitz — who demanded "exorbitant and usurious" referral fees for recruiting investors.

Rechnitz, a major Mayor de Blasio donor who stands accused of bribing cops, had previously admitted to doling out "financial and personal benefits and political contributions to public officials including law enforcement officials in exchange for official action."

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11-79-OF - CASE IS STILL OPEN
COUNTERFEIT NOTE JOINT INVESTIGATION WITH SECRET SERVICE
COMMISSION EMPLOYEE AGREES TO ALLOW MALE WHO PURCHASED ALCOHOL
FOR TRANSPORTATION TO MA, WITH COUNTERFEIT NOTES TO REPAY NH
LIQUOR COMMISSION WITH LEGAL NOTE(S). THIS BEHAVIOR IS CONDONED BY
DIRECTOR OF STORE OPERATIONS VIA EMAIL.

11-125-OF
BOOTLEGGING INVESTIGATION MA STATE POLICE
NH LIQUOR COMMISSION AGREES TO PURCHASE APPROXIMATELY \$40,000 OF
HENNESSY (CRIMINAL EVIDENCE RELEASED FROM MA STATE POLICE) FROM MA
CONVICTED OF BOOTLEGGING IN MA. SUSPECT PURCHASED PRODUCT FROM NH
STORES PRIOR TO BEING ARRESTED IN MA. ENFORCEMENT RECOMMENDS NOT
PURCHASING PRODUCT FROM CONVICT. SUSPECT HAS RETAINED ATTORNEY
AND HAS PENDING LITIGATION WITH STATE OF NH.

11-203-OF
OFFENSE: FRAUDULENT RETURN OF MERCHANDISE

11-247-OF
OFFENSE: FRAUDULENT USE OF CREDIT CARD

11-340-OF
12-1-AR
OFFENSE: EMPLOYEE THEFT AND CRIMINAL LIABILITY FOR CONDUCT OF
ANOTHER
SUSPECT(S): KRISTI DAVIS OF SUNAPEE, NH (STORE MANAGER)
GUILTY; \$750.00 FINE

11-342-OF
OFFENSE: CUSTOMER VIOLATED NO TRESPASS ORDER

11-355-OF - CASE IS STILL OPEN
OFFENSE: EMPLOYEE THEFT; CASE IS STILL UNDER INVESTIGATION

11-339-OF - CASE IS STILL OPEN
OFFENSE: CRIMINAL THREATENING BY NON-EMPLOYEE

11-420-OF



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