



# Shades of GREY

*The investigation that brought down Color Wheel went far beyond print king Mitch Mosallem, revealing a trail of deceit across the New York ad world.*

**BY JIM EDWARDS**

*Illustration by Steve Munday*

**T**he corruption scandal at Grey Global Group's New York office between 1991 and 2001 reached its lowest point, perhaps, when at least two Grey creatives asked for—and received, with a Grey manager's blessing—two nights in a hotel with a pair of prostitutes.

The creatives were given money for the hookers by a salesman at Color Wheel, a print shop that did business with Grey. The Grey manager, print chief Mitchell Mosallem, approved the plan over the telephone, according to the salesman, with these words: "Whatever . . . do it."

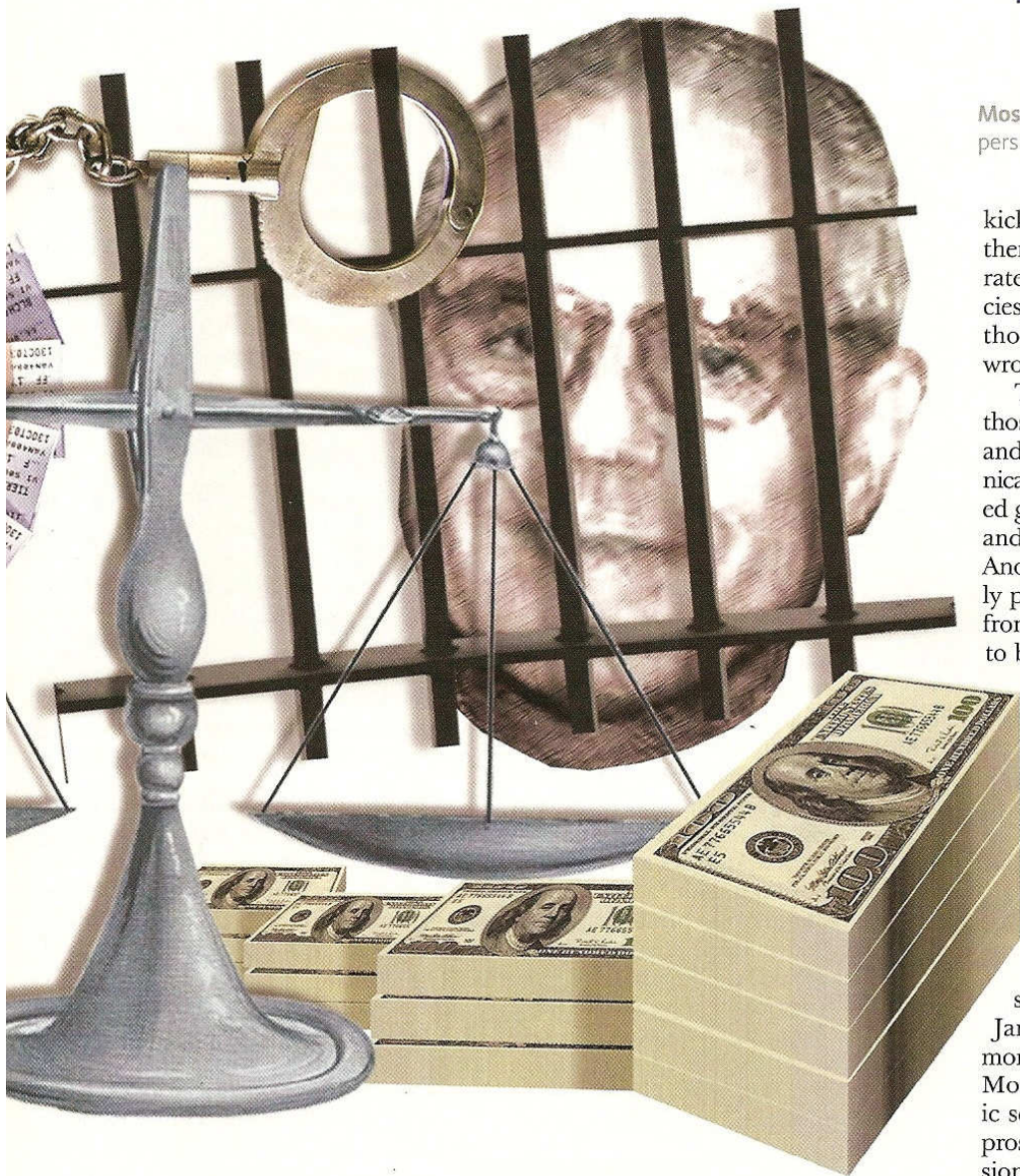
Prosecutors stated in federal court this year and last that such entertainment expenses were eventually built back into Grey's bills, and that

the agency's clients apparently picked up the tab. The expenses were part of a complicated kickback scheme in which Grey executives were showered with cash, personal gifts, tickets to sporting events, vacations and nights on the town by Color Wheel executives, who then recouped the charges by inflating printing bills for Grey's clients. The courts have ordered those convicted to pay \$2.5 million in restitution to Grey and its clients.

How Grey—a venerable Madison Avenue agency with a reputation for conservatism and sobriety—ended up approving its vendors' use







**Mosallem's mess:** Abuses ranged from strippers to cash kickbacks to Yankees tickets.

kickbacks—in the business world. From there, the investigation spread into separate probes of other New York ad agencies; 11 shops were named in court papers, though none have been accused of any wrongdoing.

Two executives who worked at three of those agencies—Impact Communications, and two WPP units, Brouillard Communications and Deltakos Advertising—pleaded guilty in 2003 and 2004 to bid-rigging and taking kickbacks for contracts. Another eight print executives individually pleaded guilty to a variety of charges, from nonpayment of taxes to mail fraud to bid-rigging during the late '90s. They got a range of sentences, from probation and a \$30,000 fine to restitution orders in the hundreds of thousands of dollars, months in prison and electronic home monitoring.

Altogether, the Justice Department regards the investigation as one of the Antitrust Division's most significant, "both in terms of the number of people involved in the crimes and the sentences handed down," said deputy assistant attorney general James Griffin in a statement. The 70-month prison sentence imposed on Mitch Mosallem, Grey's evp/director of graphic services, was "one of the longest in a prosecution brought by the Antitrust Division and, to my knowledge, in the advertising industry," he said.

of prostitutes is just one of dozens of dismal incidents that led to Grey's clients paying millions in inflated bills to finance the personal lives of Grey executives and their vendors.

With a remarkable level of unanimity, witnesses, defendants and prosecutors stated in court and in interviews with *Brandweek* that kickbacks, conspicuous gift-giving and the abuse of expense accounts are common in the marketing services industry and regarded as the normal cost of doing business. Those costs, all agree, are eventually built into the bills of their clients. The general level of graft throughout the industry may not be as great or as long-lived as that which occurred at Grey, but it exists.

The evidence—in court documents, interviews with key players and trial testimony of witnesses—also suggests that knowledge of the corruption at Color Wheel was much more widely spread within Grey than appeared to be the case when the indictments were first filed. In all,

22 people have been indicted since the scandal surfaced, and all but one have been convicted. Sixteen people were later named as "unindicted co-conspirators," and one witness testified that about 30 people within Grey knew what was going on.

It's been two years since indictments were first filed in the Grey/Color Wheel scandal, and only now is the curtain finally descending on the drama, as the last of those involved are sentenced. All summer and into this fall, former executives at Grey's New York office and the printers who supplied them have been walking into federal court in lower Manhattan, pleading guilty and, on occasion, going to prison.

The investigation began in December 2000 and led initially to the indictment of 12 people: three Grey executives and nine print salesmen from Color Wheel and elsewhere. The probe was conducted by the New York office of the Department of Justice's Antitrust Division, which monitors anti-competitive practices—such as

#### ECHOES OF ANOTHER SCANDAL

The scope of Grey/Color Wheel far eclipses advertising's most famous corruption scandal, the conviction of Harold Singer in 1996. Singer was the print chief at the now-defunct Wells Rich Green who was convicted of evading taxes on the kickbacks he took from his print shops, including Color Wheel. That case produced only two convictions.

At Wells, Singer enjoyed a lavish lifestyle: he drove a Bentley on loan from Color Wheel, had a home in Acapulco and his wife summered in Europe. Singer walked around wearing an \$8,000 Patek Philippe wristwatch, and could frequently be seen counting piles of hundred-dollar bills in his office.

Singer received probation and a \$10,000 fine—a slap on the wrist compared with the prison stretches handed Mosallem and Color Wheel owner Haluk Ergulec. In addition to his prison sentence, Mosallem was ordered to pay restitution of \$248,000.





Ergulec received 37 months and a \$1.5 million restitution order.

The latest federal probe revealed that Color Wheel's gift-giving also extended beyond the two Grey executives who were convicted of corruption. For instance, nearly \$18,000 worth of gifts were prepared between 1992 and 2001 for Grey vice chairman/general manager Bob Berenson in the form of Christmas cards, party invitations and personal photographs—all for free, according to witness testimony, interviews with former Grey executives and documents presented in court.

Berenson has not been accused of any wrongdoing. He did not respond to calls for comment.

"Grey cooperated fully with the government in their investigation of the print production industry," said Grey representative Jan Sneed earlier this month. "Grey has clearly been one of the victims in this matter and, in fact, several defendants, including Color Wheel and Mitch Mosallem, have been ordered to pay restitution to Grey."

That restitution has in turn been paid to Grey's clients, said prosecutors.

**T**here is no evidence that Grey senior management, including Berenson, knew about the incidents involving the prostitutes. Knowledge of that episode appears to have remained within a small group of people at Grey and Color Wheel until late last year, when it emerged in court.

According to witness testimony at the 2003 trial of two executives involved in the scandal, Grey was in the habit of stationing creative staffers inside the offices of Color Wheel to supervise the shop's prepress work, including the retouching of photographs before they appeared in magazine ads.

One day, former Color Wheel salesman Gabriel Casas testified, "two creative people from Grey had approached one of the retouchers at Color Wheel and requested that they were interested in going out and having a good time. I understood it to [mean] go out and get a prostitute."

Casas testified that he didn't initially know whether he should indulge the Grey creatives or turn them down, so he asked his boss—Color Wheel owner Ergulec—and his boss's client, Grey's Mosallem, what he should do.

"Haluk said absolutely, and Mitch said, 'Whatever—if they're going to be happy and it's going to keep them hap-

py, do it,'" Casas stated. He then got a wad of cash, gave some to the creatives and paid for the hotel room himself.

When asked how he accounted for the money, Casas testified he put it on his expenses: "For the cash, I put 'Cash,' and I included the ATM receipt. And for the hotel, I think I wrote it down, the name of the hotel with the name of the art director."

The cash receipt and the art directors' names never made it into the government's evidence file, the files show.

The hiring of prostitutes happened twice for the same pair of Grey creatives, exactly the same way, both times, and Mosallem and Ergulec personally approved the expenses on both occasions, Casas testified. (Casas eventually pleaded guilty to bid-rigging and conspiracy charges.)

More common were trips to Scores and the VIP Lounge, expensive Manhattan strip clubs. Casas said he treated a "creative, a senior creative, senior art directors and art directors and assistant art directors" along with "a head writer and also the head of the print production department [Mosallem]" on those jaunts. The parties would last three or four hours, involve 13 or 14 people, and cost between \$1,500 and \$11,000 each time. Casas said this occurred about half a dozen times, and that Color Wheel paid for it.

In fact, the \$11,000 bill was so excessive

**Grey execs held parties at strip clubs that lasted three or four hours, costing between \$1,500 and \$11,000 apiece, Casas testified.**

that it caused a problem, Casas said. Color Wheel boss Ergulec "basically lost his mind when I showed it to him the next day, but Mitch got on the phone and calmed him down." Mosallem later confirmed to *Brandweek* he went on a strip club visit, but declined to specify who else accompanied him, except that "prominent" figures at Grey were there.

The pricey lap dancing bill and Ergulec's reaction to it symbolized how Grey and Color Wheel first got into this mess: Grey's print department employees had run up expenses that Color Wheel's management felt were too high.



**Living large:** Upon his arrest, the FBI found \$30,000 in cash in Mosallem's East Side apartment.

The conspiracy started almost by accident, in 1991. That year was the beginning of a decade-long boom which would see billings at Grey's New York office balloon from \$1.3 billion to \$3.2 billion and its print budget with Color Wheel reach \$6 million a year.

As with many Grey clients, work for M&M/Mars' Dove chocolate bar was jobbed out to Color Wheel. That year, prepress work on one particular ad for Dove had gotten completely out of control. Its budget was \$30,000, but Grey had asked for—and received—about \$50,000 of work done on the ad. That was a disproportionately large sum on an account worth less than \$1 million at the time.

Nobody wanted to ask the client for the extra \$20,000. So five executives of the agency and the print shop gathered at Grey's offices on Third Avenue in Midtown—just three blocks away from Color Wheel on 49th Street—to figure out who was going to pay for it, according to prosecutors and Casas' testimony.

Mosallem himself was not at the meeting, court documents indicate, but he approved the solution: they added the \$20,000 onto Grey's bills for a larger client, Mexico Tourism, which spent more than \$10 million a year on ads. That way, M&M/Mars need never know how far over budget Grey had gone; Color Wheel would still get paid for all the work it did; and Grey need not eat its mistake.

In the agency business, when costs go over budget and the printer faces a loss on a job, it is common for agency executives to agree that the "overage" be made



up incrementally on the client's future jobs, according to current and former print sales executives. As long as the total for each job stays under budget—and as long as the print shop eventually gets its money—everyone gets paid. The client's bills creep up incrementally in the process. It is more rare for overages in bills to be switched from one client to another, where one marketer ends up paying for another's ads in a blatant fraud.

The Dove-Mexico switch became one of many in which Mosallem's print production department at Grey went over budget and then agreed to let Color Wheel add the excess costs to other jobs. It fell to Casas to keep track of what would become known as the "monies owed list," he testified. Onto the list went the cost of excess work done on Grey's ads and—more significantly, as the years rolled by—the cost of gifts and entertainment for executives in Grey's print buying and creative departments.

As the list grew, Color Wheel increased more and more of its bills. In turn, the increased revenue provided a powerful incentive for the folks at Color Wheel to keep Mosallem and his colleagues at Grey happy.

According to documents filed by federal prosecutors, dozens of clients were affected: "all of the business awarded by Grey Global Group . . . every [print] contract," prosecutors wrote. Twenty-nine of those clients are referred to in court papers, from Procter & Gamble and Brown & Williamson to Ray-Ban and Seagram.

All except one declined to comment for this story. A representative of Diageo, which now owns Seagram, said the company had started a procurement group whose job is to scrutinize agency billing. "The program will look at the entire picture, scale and volume," said the rep. "We're looking for efficiencies, obviously." The move was unrelated to Color Wheel, he said.

### THE 'GODFATHER' COULD GET ANYTHING

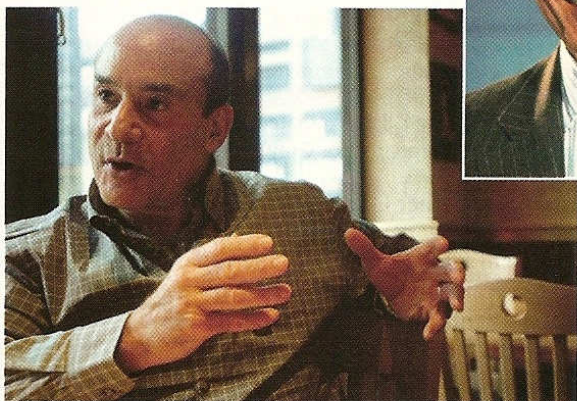
Mosallem arrived at Grey in 1989, and many remember his days there fondly. He was someone who could get you anything you needed, always there to help you out with a favor.

Into Mosallem's office came free tickets to virtually every significant event in town—Yankees games, Knicks games, pop concerts at the Continental Airlines Arena and shows at the Metropolitan

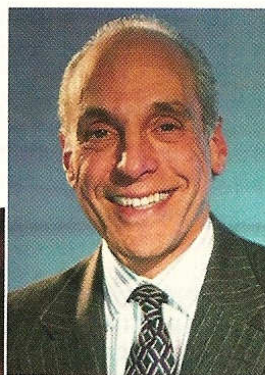
Opera—all bankrolled by his secret agreement with Color Wheel.

Mosallem shared these with other Grey staffers and gave them more substantive help too, such as references for jobs or special favors for family members. "He wasn't called 'The Godfather' for nothing," said one former exec, referring to Mosallem's office nickname.

"I just know how eager he was to please everyone, he was such a good guy, a good decent guy," said Patty Rockmore of New York creative boutique Patty & Toshi. Mosallem is godfather to Rockmore's daughter, and the two were once partners in a creative boutique that closed in the 1980s. After Mosallem was indicted, Rockmore lent him \$10,000 to help tie up his affairs before he went to prison, court papers show.



**Close friends:** Tankel (above, left) was the best man at (right) Berenson's wedding and recommended Mosallem's hiring.



Despite his efforts, he had his detractors. At the trial, he was described by his former secretary, Bridgett Rupp, as "very aggressive, neurotic, a bully . . . he could be very pleasant to you and 10 minutes later turn into an absolute screaming lunatic in the halls."

Al Greaves, a print buyer at Grey who worked under Mosallem, described Mosallem as "pretentious, pompous and he felt everything had to reflect personally on him," during his trial testimony.

Rockmore's \$10,000 was part of \$30,000 in cash recovered from Mosallem's Manhattan apartment when it was raided by the feds in November 2003. The government ordered the search because it suspected Mosallem might be planning to flee the country; his lawyer told the judge, however, that the money was being used to pay contractors who were renovating the place. The apartment had been trashed, said the lawyer, by the Moroccan

Ministry to the United Nations, which was Mosallem's former tenant.

That was small change for Mosallem—he eventually confessed to receiving between \$224,000 and \$318,000 a year in unreported income between 1996 and 2000. Mosallem even outdid Singer in the cost of his trinkets; a court memo indicated that Mosallem's wristwatch was a "diamond encrusted platinum Swiss watch" with a retail value of \$87,900.

Mosallem currently resides in Allentown, Pa., Federal Prison Camp. No longer sporting the expensive suits and golf duds that were once his signature,

today he dresses in government-issue khakis and keeps his graying hair closely trimmed. He's polite and friendly to guards and visitors alike, and projects the air of a man who wants to help you out, if only you'll help him. *Brandweek* interviewed him twice this summer, for about six hours in total—the first time he's ever talked in depth about his crimes. Mosallem

accepts his guilt, though he strongly denied paying for prostitutes. "Have I done bad things? No question," he said.

"Should I be in here for this length of time? I don't think so," Mosallem added, because, "if I'm guilty of everything the government is saying I'm guilty of, then there shoulda been 50 people going down on that boat with me."

### 'GO SEE BOB BERENSON'

Mosallem was hired by Grey general manager Bob Berenson on the recommendation of Zane Tankel, Berenson's best friend, according to Tankel. At the time, Tankel owned a print shop headquartered just outside Boston called Unigraphic Inc., one of about six print shops that got a lot of business from Grey.

Tankel, who later sold Unigraphic, and Berenson remain close; he was the best man at Berenson's wedding, Tankel said in an interview. Property tax records show they bought a \$574,000 ranch together in Sedona, Ariz., which Berenson now owns outright. Tankel was also good friends with Mosallem, who had been the print chief at another ad agency in the 1980s, the now defunct AC&R. Mosallem said he considered Tankel his mentor; aside from his own home, the first three numbers on Mosallem's speed dial at Grey were Tankel's two cell phones and his



office, according to a copy provided by federal prosecutors.

But with Mosallem's good connections came baggage. He had been forced out of AC&R in 1984 when he was convicted of putting his mother on the payroll in a no-show job. Mosallem said he now regards that move as "stupid."

Tankel denies knowing about the conviction. "I was shocked to learn about that," Tankel said. "I did no business with him at AC&R. He gave me no work. He was not somebody I had an intimate relationship with."

Still, with two buddies in management at Grey, Tankel profited from the relationship. Despite the fact that it was a plane ride and two states away, Unigraphic received at least \$1.2 million in print work from Grey every year in the 1990s, government exhibits in the case show.

The relationship was not a smooth one, however, Mosallem told *Brandweek*. "They were inconvenient. Why would I go to Boston unless there was an extra benefit?" he said. "They weren't cheaper. They weren't competitive. Whenever there was fog at Logan [Airport], it shut down everything."

Creative staff, sick of dealing with the delays of sending work to Massachusetts when Color Wheel was right down the street, would complain to him, Mosallem said. In response, Mosallem would tell them, "Go see Bob Berenson," as he believed that Unigraphic only stayed on the vendor list because of Berenson's relationship with Tankel.

It was Color Wheel, however, that was most closely entwined with Grey. The agency spent about triple with Color Wheel what it did with Unigraphic. And with Mosallem's agreement to shift bills from one job to the next whenever Grey went over budget, Color Wheel was happy to keep it that way.

Knowing that the increased bills were making Color Wheel executives rich via their commissions, Mosallem and his colleagues began to feel comfortable asking Color Wheel folks for "freebies," prosecutors said. In December 1992, according to the "monies owed" lists kept by Casas, the first freebie requests began to roll in.

That list became a long one. Seventeen

To J. Payne 5/24/99

Register Listing  
12/11/98 through 01/4/99

Date	Num	Transaction	Spend	Clr	Receive	Balance
12/11/98		REPORT TO J & MICH			0.00	-32,734.91
1/24/99		Ivory Soap 12446108 310-HC-423			2,500.00	-33,234.91
1/24/99		Kurt Herman Price 133816 81018-20N	812.16			-34,047.07
1/22/99		McHews Bros & Co. Dubois	1,053.00			-35,100.07
2/1/99		Bob Berensen Xmas card			1,600.00	-37,700.07
2/1/99		Bob Berensen Xmas card	1,600.00			-39,300.07
2/4/99		Mitch-Prime Sorrento 675597 20N off	240.00			-40,540.07
3/7/99		CS-3/Page Cover#1 310-70-412 133800 Overtime charges 77777...	2,350.00			-42,890.07
3/7/99		Mitch-Toranta Hires (Took Haines) 124211 20N off	800.00			-43,690.07
3/7/99		Grey Zebra party 675592 20N off was 1322.00	1,318.00			-45,008.07
4/10/99		Bob Skollar-Adam's Bar Mitzvah 679680 20N off was 2149	1,719.00			-46,727.07
4/10/99		Mitch - Toll Brothers 684700-1 20N Off was 653	544.00			-47,271.07
4/10/99		JF Lodges Invitations- Home 12th fl... 677634 20N Off was 774	645.00			-47,916.07
4/10/99		Maria Calender's 025-70-023 139403	450.00			-48,366.07
4/10/99		Maria Calender's 025-70-023 139401	450.00			-48,816.07

C01199

**Fine print:** The 'monies owed' list, as created by Color Wheel, showed the value of gifts prepared for Grey's top executives.

current or former Grey executives are on it. The gifts it paid for were tempting, Mosallem said. The type of wine you only treated yourself to on a wedding anniversary suddenly became available every day, Mosallem said. Somebody says, "Let's go fishing in Costa Rica," and you go. "Those were the things available," he said. "Your tastes change."

A total of \$17,481 in freebies, such as holiday greeting cards, personal photography processing and party invitations, were prepared for Grey general manager Bob Berenson, the list shows. Although small compared to the amounts Mosallem and others are accused of receiving, it was still the second-highest dollar value for any Grey executive not indicted, according to the lists.

Many of Berenson's alleged freebies also show Mosallem's name next to them. For instance: "Mitch-Berenson 30 Cprints \$570," read one notation. According to Mosallem, that freebie was probably a large rectangular display of a series of photographs depicting Berenson's Sedona ranch.

In June of this year, print broker John Chessa was sentenced to 15 months in prison for inflating Grey's bills to pay for gifts. His lawyer told the court, "An example would be Christmas cards. He would print them. Instead of [Grey] paying, [Chessa] inflated

certain other invoices at their direction to cover those costs."

The only person at Grey, according to the lists, who was to be sent "Christmas cards" was Berenson.

Additionally, \$495 worth of unspecified "cards" were prepared for Grey's chairman, president and CEO Ed Meyer, the document stated. In total, \$2,398 of photographic reprints and other printing work was prepared for Meyer, according to the lists.

The agency states that the items prepared for Meyer did not have any negative connotation. "This was not a 'gift' to Ed Meyer; these were holiday cards sent to clients of Grey," said agency rep Sneed.

Did Berenson—or anyone else at Grey—know why they were being showered with Color Wheel's largesse?

Mosallem's answer: "Of course." "He knew where it came from," Mosallem said of Berenson's freebies. "It came in Color Wheel envelopes and with Color Wheel stamps." But there is no evidence to believe that Grey execs knew that any of the gifts they received were being charged back to Grey and its clients.

Other executives on the list said that they had no clue the gifts they received were part of a kickback scheme. One of them, who spoke privately, said Mosallem offered to handle an expensive personal printing project, for free. The truth about how Mosallem could obtain such a useful gift was "unbeknownst to me [at the time] . . . I never paid for them," the executive said. The exec was later startled to learn that his or her name appeared on the list.

But as the years went by, the level of reciprocity between Color Wheel and Mosallem became more obvious, the executive said, and naivete about the source of the gifts became less plausible.

Another executive who worked under Mosallem, former art studio manager Peter Abbey, said that while he did not have any direct knowledge of the true basis of Mosallem's relationship with Color Wheel, "when somebody told me, it didn't surprise me either. He was in a position of power and responsibility that was fair game for that kind of thing."

Abbey—who received a small number of photographic prints of his children as gifts from Color Wheel—notes that it did not seem inappropriate for a vendor to make gifts of its own products. "It was in the nature of what they did anyway. This



is a company that makes photographs and does printing," he said.

#### **CARDINAL RULE: NOTHING IN WRITING**

Mosallem said that Berenson turned a blind eye to the gifts because he approved of Mosallem's handling of a discount scheme the agency had with the print shop—discounts that saved Grey a substantial amount of money.

The deal worked this way: because Grey did such a huge amount of business at Color Wheel, the print shop would hold as credit a certain percentage of the revenue for Grey. Sometimes it was referred to as "the reserve fund." One year, Mosallem used the discount to get Grey's annual report—an estimated \$300,000 job—printed for free, he said. "There were meetings regularly with Bob Berenson to discuss how to use them," Mosallem said, referring to the funds.

There was only one rule regarding the discount: Nothing must be written down, Mosallem said. "It was standard operating procedure."

Mosallem's claim is a serious one; there is nothing in the court records to indicate that Grey's clients received the benefit of the discount, nor was there any indication that the discount was a factor in calculating what Grey's clients were reimbursed.

But the claim should also be treated with caution. Mosallem is a convicted

to comment when reached by *Brandweek*. He later pleaded guilty to mail fraud and received three years' probation and \$366,675 in fines and restitution.

Abbey, who testified at the trial and has never been accused of any wrongdoing, also said he was given the impression that Color Wheel was returning a discount to Grey. "I believe that somewhere along the line there was probably some kind of agreement," he said. "Someone did tell me, 'Yes, Color Wheel—because we give them so much money—is going to return a percentage to Grey,' but I wouldn't know how much or how it would be engineered."

The FBI questioned Berenson, Tankel said, but never took it any further. If so many people in the agency seemed to know about Mosallem's practices, why didn't Berenson know? Tankel has an explanation: "I know, I know. It's hard to comprehend if you're not in this industry because the production guy with all this authority is so low down on the totem pole in terms of the organizational structure that they don't look at him."

He added, "There was a huge vacuum under Berenson, who was vice chairman of the board and nobody [in print production other than Mosallem] reported to Berenson. Do you think that Berenson went down and looked at purchasing decisions?"

amount witnesses said they added to Grey's bills. No one in the case has managed to settle on a final accounting of the damage.

The scheme soon became obvious to other Grey executives, who began to complain about Color Wheel's monopoly on print work, Casas testified. At one point, when Casas stepped into an elevator in Grey's building, an account executive on B&W's cigarette business made a snide comment about Color Wheel's good fortune: "Oh, there's the guy that owns the boat that Brown & Williamson paid for." The reference was to Color Wheel owner Ergulec's 52-foot "pleasure boat," Casas testified, on which Grey execs were occasionally invited to parties.

Sometime between 1997 and 1998, the list became so unwieldy that the conspirators themselves started to have difficulty managing it. Panaccione, Mosallem's deputy, testified he had a conversation at this time with Color Wheel's Casas: "The list just keeps getting bigger and bigger. Gabe [Casas] was having a hard time, as he explained to me, finding money on these projects."

Another factor was exacerbating the problem: The New York Yankees kept winning the World Series. As part of the deal, Color Wheel salesmen frequently provided Yankees' tickets to Grey executives. For a regular game, a ticket costs about \$50. But between 1996 and 2000 the Yankees won the World Series four times, and the cost of sending Grey execs to the games—\$2,000 a pop—rocketed to more than \$66,000, court records show.

That came in addition to a stream of gifts that were prepared for creatives and print buyers, court documents show.

For example, Kurt Haiman, founder and president of G2, Grey's design unit, received \$26,031 worth of photography, printing and art-related material from Color Wheel—more than Berenson—according to the lists. Much of it was for expensively produced portfolios that Haiman's photographer son Todd used to promote himself, Mosallem explained.

After the FBI called at the agency, Grey managers "were asking me questions left and right" about Kurt Haiman's freebies, Mosallem recalled. "I said, 'Kurt, we got a problem here. You gotta stop.'" Casas gave a similar account in testimony last year.

Kurt and Todd Haiman both vehemently deny that they ever accepted free gifts from Color Wheel. The elder Haiman is furious that his name is linked to the scandal and claims he paid for everything he received with his own money. "I have the cancelled checks . . . as far as I am concerned I am totally cleared," he said.

**"There was a huge vacuum under Berenson . . . do you think [he] went down and looked at purchasing decisions?"**

**Unigraphic's Zane Tankel**

criminal with a track record of deception, and by his own admission he feels that Grey's management threw him to the wolves when the FBI came calling.

There is, however, evidence to back Mosallem's allegations: The FBI said in 2003 that such a scheme existed. At the trial, FBI special agent Robert Silveri testified that one of Mosallem's deputies knew about a meeting where the discount scheme was presented to Berenson. "I did write that the idea was presented to Mr. Berenson," Silveri said, referring to his notes.

The deputy, vp/manager of graphic services Joe Panaccione, had a slightly different memory of the event. He said repeatedly at the trial that the discount scheme existed. But when asked about Berenson's knowledge of it, he faltered: "I was not certain of that," he said. Panaccione declined

#### **YANKEES TICKETS: \$66,000**

As the 1990s ground on, the lists of freebies and "monies owed" grew and grew. What had started off as a few thousand here and there was growing into hundreds of thousands of dollars a year.

The precise amount that Grey's clients lost is unknown. The figure is in the millions. Ergulec and Mosallem alone were required to pay a total of \$1.75 million in restitution. In addition to Mosallem's unreported kickback income—about \$1.3 million in total—Casas testified that he had put up to \$500,000 onto Grey's bills by 1996. Prosecutors believe Panaccione was responsible for more than \$800,000. And Chessa—who prepared the Christmas cards—paid back \$196,675. The court has ordered total restitution payments of \$2.4 million, or about \$1 million less than the



Haiman and his lawyer declined to produce copies of the checks.

The list indicates that bar mitzvah announcements, reprints and tickets to events such as *The Wizard of Oz* and the Dave Matthews Band worth a total of \$9,449 were bought for evp/executive creative director Bob Skollar. A computer was obtained for Homer Wright, the head creative on B&W.

Skollar did not return three calls for comment. Wright declined to comment, but testified that he took “Christmas gifts” and Yankees tickets from Color Wheel.

Whether Grey execs knew it or not, every gift on the list was eventually billed back to Grey and then in turn to Grey’s clients, according to prosecutors.

At trial, P&G’s Todd Robinson, associate director of corporate marketing finance, said that the company frowned upon excessive gift-giving. “Being quite a conservative company we don’t want our agencies to be giving P&G employees things like gifts or theater or sporting event tickets or vacations or something like that,” he said. Tokens of appreciation should extend only to “pens, pencils, T-shirts, things of nominal value.”

B&W’s marketing finance manager, Teresa Riggs, had complained to Grey in 1995 that Color Wheel was winning too much business and that its bidding requirements weren’t being followed. Mosallem wrote Riggs a letter reassuring her that the agency was trying to adhere to the rules, but arguing that it was threatening the creative quality of the work. “It would be very difficult, if not impossible, to maintain consistency with several different vendors,” he wrote. Thus, B&W’s suspicions were ostensibly averted.

Neither client knew what was happening to their money—a total of \$20 million in reimbursibles for P&G over the decade, according to Robinson; and \$13 million for B&W, according to prosecutors—until it was too late.

Among the conspirators, things came to a head in 1999 when a Color Wheel salesman complained to Mosallem about the escalating cost of the freebies. A furious Mosallem stormed over to Ergulec’s office, according to Casas, and told the printer

that he could pull between \$2 million and \$3 million out of his business with “a phone call right now to another vendor” if Ergulec wanted it that way. Ergulec smoothed Mosallem’s feathers and Color Wheel kept Grey’s business, Casas testified.

But with friction developing between Color Wheel and Grey, cracks in the conspiracy began to emerge. Exactly how the scheme unraveled is not clear, but by 2000 an informant had begun cooperating with the authorities. The FBI raided Color Wheel in December 2000, the same day as Grey’s office Christmas party. The identity of the informant has never been revealed.

Mosallem believes it was Donald LaPorte, Color Wheel’s CFO, who committed suicide in 2002.

## THAT’S THE WAY BUSINESS WAS DONE

The scandal also provided plenty of evidence that other agencies and print shops in the New York area had similar appearances of conflicts of interest.

Unigraphic salesman Ron Frisch—who testified at the trial and

spoke to *Brandweek* separately—said his print shop frequently gave gifts to agency executives as a show of gratitude for work. At Christmas, Frisch testified that he handed out American Express gift certificates. The list of recipients shows 13 employees at Grey, and seven staffers at BBDO New York. Frisch’s detailed records of his giving show that they got between \$300 to \$500 each year from 1996 to 2000.

BBDO declined repeated requests for comment.

Joe Panaccione, Mosallem’s deputy at Grey, testified that Color Wheel was not the only print shop to maintain a bill-shifting scheme with the agency. He named Total Concept Graphics and Print Technical Group (both New York) and Sandy Alexander (Clifton, N.J.) as shops that also went along. TCG declined comment. PTG chairman Bob Katz said he believed Panaccione was mistaken—Katz’s partner, Jim Rattoballi was indicted only for bid-rigging with Grey, he noted. A rep for Alexander denied any knowledge.

Most of the defendants in the cases have been ruined financially by the prosecutions; many of them wept in court. Panac-

cione thanked prosecutors for catching him and setting him on the straight and narrow. But they all had similar explanations for why they did what they did: That was the way all business was done.

John Ghianni, a former Quality House of Graphics salesman who pleaded guilty to bid-rigging, wrote in a letter to the judge last year, “While I rationalized my conduct with the knowledge that these practices were commonplace (indeed the norm, rather than the exception) in the printing industry, I also realize that they were wrong.”

Color Wheel salesman Birj Deckmejian, who was convicted of conspiracy and mail fraud, and who provided a stream of tickets for execs at the now-defunct Bates USA, said the same thing: “It was done in every lab for every agency.”

Since the probe began, Grey and its media arm, MediaCom, have lost \$390 million in billings from P&G, \$50 million from B&W and \$50 million from M&M/Mars (which owns Dove), although there is no evidence that the losses were tied to the scandal. Indeed, the federal probe overlapped with the worst recession in the ad industry since World War II.

Earlier this year, WPP Group agreed to purchase Grey in a \$1.5 billion cash and stock deal. Berenson has since announced that he will retire—to his Sedona ranch—on Jan. 1 after the buyout is completed.

As the mountain of evidence in the latest cases came to light, so did parallels between the scandals involving Grey and the Wells Rich Green episode of a decade ago. Singer and Mosallem knew each other. Both sent plenty of work to Ergulec at Color Wheel, which in turn prepared photographic gifts for their agency bosses.

But the most fascinating tie between them remains a mystery.

Hidden amid the government’s evidence—a dreary box of old print bills featuring hundreds of pages of job numbers and dollar totals—are Ergulec’s corporate American Express bills. Even though Singer is no longer on the scene, the bills show that Ergulec continued to allow Singer to use his card, and Ergulec picked up the tab.

Ergulec, now in Miami Federal Prison Camp, could not be reached and his lawyer declined comment. Calls to Singer’s attorney were not returned.

Asked why, after all this time, Ergulec was still assisting Singer financially, Mosallem’s face frowned in puzzlement. “I don’t know,” he said. Then he shrugged. “Nothing surprises me.”



**Bulked up:** Cover Girl’s ads with singer Brandy were affected by the scam.