

(12/31/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 05/21/1998

To: NEW YORK

Attn: SAC Division II

From: New York

Squad C-4

Contact: SA [redacted] (212) 384-3979

Approved By: [redacted] P

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Drafted By: [redacted] F:jfr

Case ID #: 46B-NY-NEW (Pending) 266736-1

Title: PERCY E. SUTTON;

[redacted]
APOLLO THEATRE;
NEW YORK, NY;
FAG-HUD
OO: NY

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Synopsis: Request opening of captioned matter.

Details: The captioned matter is an investigation into allegations of misuse of funds by PERCY E. SUTTON at the APOLLO THEATER, located at 253 W. 125th Street, New York, New York. PERCY SUTTON has controlled the APOLLO THEATER for many years. The APOLLO THEATER, currently owned by the EMPIRE DEVELOPMENT CORPORATION, has received funding from federal, state, and local agencies. PERCY SUTTON [redacted] own and operate numerous businesses related to the operation of the APOLLO THEATER. The investigation will review the monies paid to the APOLLO THEATER foundation by the SUTTON'S, business activities of related entities, and the default of numerous government back loans and grants.

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It is requested the captioned case be opened and assigned to SA [redacted] Squad C-4.

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Peter
CO-CASE AGENT IS SA [redacted] (C-14).

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46B-NY-
OPEN (OR REOPEN) CASE
SOURCE [redacted]
DATE 5-28-98
SUPV [redacted]
PI EFFECTIVE [redacted]
CPI [redacted]
PI/SCI [redacted]
SQUAD C-4
ASSIGN [redacted]

NY-266736
4
SEARCHED INDEXED
SERIALIZED FILED
MAY 28 1998
FBI-NEW YORK

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A: open

46B-NY-

(12/31/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 06/02/1998

To: FBI HEADQUARTERS

Attn: GOVERNMENTAL FRAUD UNIT
PUBLIC CORRUPTION UNIT

From: New York

Squad C-4

Contact: SA [redacted] (212) 384-3979

Approved By: [redacted]

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b7C

Drafted By: [redacted] jfr

Case ID #: 46B-NY-266736-2 (Pending)

Title: PERCY E. SUTTON;

[redacted]
APOLLO THEATRE FOUNDATION;
NEW YORK, NY;
FAG-HUD
OO: NEW YORK

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Synopsis: Opening of captioned matter.

Details: The Southern District of New York (SDNY) has requested the assistance of the New York Division in an investigation of the APOLLO THEATER (APOLLO), affiliated companies, and related individuals. Allegations of misuse of funds have been made against the APOLLO THEATER FOUNDATION, and its founder, PERCY SUTTON. Over the years the APOLLO has received city, state and federal funding to be used in the renovation and operation of the APOLLO THEATER, located at 253 W. 125th Street, New York, New York.

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[redacted] of the APOLLO THEATER FOUNDATION. SUTTON [redacted] [redacted] associated for many years in a variety of business, political, and community endeavors.

The central allegations include the non-payment of profits to the APOLLO from SUTTON'S production company, INNER CITY PRODUCTIONS, and the default of several government loans and grants. The APOLLO THEATER is currently owned by the EMPIRE STATE DEVELOPMENT CORPORATION and is leased to the APOLLO THEATER FOUNDATION.

The New York State Attorney General's Office (NY AGO) conducted a review of APOLLO records. A report was prepared by the NY AGO and made available to the SDNY. The SDNY, FBI-NYO, and the IRS will conduct an investigation into the allegations. At least initially, this case will be investigated jointly by both the NYO Government Fraud Squad (C-4 case agent [redacted]) and the Public Corruption Squad (C-14 case agent [redacted]).

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(Mount Clipping in Space Below)

New York Post
(Indicate page, name of newspaper, city and state.)

Date: 5/29/98
Edition:

Title: Percy Sutton;
ET AL
FAB-HUD

Character:
or
Classification:
Submitting Office:

Indexing:

Showdown at the Apollo

Gumshoes working for New York state's attorney general, Dennis Vacco, are to begin digging into a truly fetid political swamp today — the appalling scandal surrounding Harlem's famed Apollo Theater.

Here's hoping that they're up to the task, and are brave enough to ruffle some very tender political feathers. A lot is at stake.

The Apollo mess is a bewilderment. Millions of taxpayer dollars dedicated to preserving a building that many consider to be a national treasure have disappeared. Records relating to a \$1.2-million federal rehabilitation loan for which no obvious value was received were destroyed in a mysterious fire. The Apollo Theater Foundation — meant to oversee operations of the theater — owes Albany more than \$3 million in back rent.

The proper prescription is decidedly less complicated. Rep. Charles B. Rangel, the Harlem powerhouse who heads the theater foundation that's responsible for the scandal, must resign or be removed from that position.

This wouldn't solve all of the theater's problems, but it would eliminate the principal impediment to their resolution: Politics.

Vacco, who has substantial oversight powers regarding not-for-profit corporations in New York, has the power to reconstitute the foundation's board of directors all by himself. He can fire Rangel if he so chooses.

It may be premature for Vacco to exercise this authority. It probably first must be determined exactly what happened to the proceeds of the federal loan, to the \$11 million in state-funded Apollo operational subsidies that disappeared to no apparent beneficial effect and to the missing rent money.

This can't be done overnight — obviously.

But, at a minimum, the Apollo Foundation board must eventually be reconstituted — without Rangel. While Vacco has the authority to do this, he also can do the wrong thing — and strike a deal with the congressman and his cronies that would effectively preserve the status quo.

The latter course might offer the AG some election-year peace and quiet — and thus doubtless seems tempting. But it would be a grave mistake.

The only way to save the Apollo is to isolate the probe from politics. The ball is in Vacco's court.

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SEARCHED	INDEXED
SERIALIZED	FILED
JUN 01 1998	
FBI-NEW YORK	

40B-NY-260736

FBI/DOJ

(12/31/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 09/09/1998

To: NEW YORK

Attn: SAC DIVISION II

From: New York

Squad C-4

Contact: SA [REDACTED] (212) 384-3979

Approved By: [REDACTED]

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b7C

Drafted By: [REDACTED] jfr

Case ID #: 46B-NY-266736-4 (Pending)

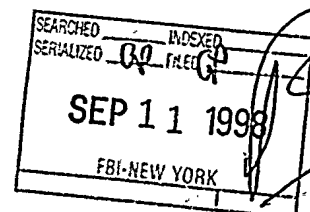
Title: PERCY SUTTON;
ET AL;
FAG-HUD;
OO: NY

Synopsis: Case update.

Details: On September 9, 1998 SA [REDACTED] spoke with AUSA [REDACTED] Southern District of New York, regarding captioned matter. AUSA [REDACTED] advised that the New York City Economic Development Corporation (EDC) has not provided the reports and documentation previously requested by the United States Attorney's Office. AUSA [REDACTED] will contact the EDC in order to obtain the information. Following the receipt and review of the materials, a determination will be made regarding the status and objective of the investigation.

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A. Sep 9 B 46B-NY-266736-4

NEW YORK TIMES METRO FRIDAY, OCTOBER 2, 1998

Vacco Seeks the Removal Of the Apollo Theater Board

By DAVID W. CHEN

The State Attorney General's Office filed a lawsuit late yesterday that seeks to remove Representative Charles B. Rangel and several other board members of the nonprofit foundation that runs the Apollo Theater, contending that the board failed to manage the theater's finances responsibly.

The lawsuit represents the latest twist of fortune for a Harlem landmark. In May, state officials announced that they would withhold \$750,000 in loans and grants from the foundation until questions about its finances were answered. In August, the theater's stagehands went on strike in a squabble that state officials said was related to the theater's finances. The strike was settled earlier this week.

Since May, Dennis C. Vacco, the State Attorney General, has been investigating whether the nonprofit Apollo Theater Foundation, which manages the state-owned theater, made deals that were inordinately beneficial to Percy E. Sutton, the former Manhattan Borough President, who produced shows at the theater.

Mr. Vacco contends that there were inappropriate business dealings between Mr. Sutton — a close friend of Mr. Rangel's — and the board that enabled Mr. Sutton's company, Inner City Broadcasting, to significantly underpay the foundation for control of the television show, "It's Showtime at the Apollo." As a result, Mr. Vacco has called for the removal of the entire board in order to examine the foundation's finances, which Mr. Vacco's office says are in utter disarray.

"Unfortunately," Mr. Vacco said in a statement, "the Apollo officers and directors generally abdicated through their conduct and omissions, their legal responsibility to reasonably, prudently, loyally, carefully and obediently, manage all of the affairs of the foundation. As a consequence, they have caused financial harm to one of Harlem's, and one of New York City's, greatest assets."

Mr. Rangel, a Harlem Democrat, said last night that the theater's finances are in good shape. He said that he had yet to see the complaint, but he speculated that the lawsuit was rooted more in Mr. Vacco's campaign for re-election than in any fi-

nancial misconduct.

"It's strange that this is happening this close to the election," Mr. Rangel, speaking by telephone from his office in Washington, said. "It makes so little sense that I don't even go into combat with him."

Mr. Sutton did not return a telephone call placed to his home last night, and a lawyer representing the Apollo Theater Foundation also did not return a call.

Under a five-year licensing agreement, Inner City Broadcasting was to pay the foundation \$2,000 for each taping of "It's Showtime at the Apollo," or 25 percent of the show's profits, whichever was greater. According to officials at the Empire State Development Corporation, the state agency that owns the Apollo, the foundation's executives told its board that Mr. Sutton owed at least \$3 million under the agreement, but it received and accepted only \$200,000 when it asked for payment.

This, Mr. Vacco contended, was insufficient for a nonprofit organization. According to the lawsuit, the board failed to insure that it obtained all of the compensation to which it was entitled, and failed to obtain detailed financial reports from Inner City. The board also did not ask to inspect Inner City's records.

The Attorney General's suit also focused on another aspect of business dealings between the foundation and Mr. Sutton.

After the original licensing agreement to produce "It's Showtime at the Apollo" expired at the end of last year, the foundation opened bidding on a new agreement. Two groups were in the running — Inner City Broadcasting, and the African Heritage Network. Both submitted bids for \$1.5 million. Mr. Sutton's company won the bid, state officials said, by changing its bid to \$1.6 million at the last minute.

As a result, the lawsuit seeks to remove six people from the foundation's board: Mr. Rangel, Arthur Hill, George Dalley, the Rev. William James, Lloyd Williams and Richard T. Greene.

The other four board members — Ossie Davis, Marianne Spraggins, Evelyn Cunningham and George Woody — expressed concern about the finances several months ago, Mr. Vacco's office said, and would be expected to form the nucleus of a new board.

NEW YORK TIMES
(Indicate page, name of newspaper, city and state.)

Date: 10/2/98

Edition: 763 METRO SECTION

Title: PERCY SUTTON;
ET AL

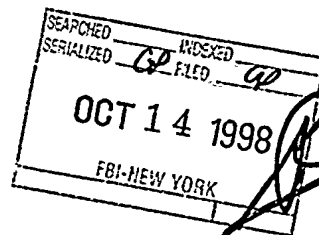
Character: FIVE-HUND

or

Classification:

Submitting Office: 460B-NY-266736

Indexing:



460B-NY-266736-5
FBI/DOJ

(Mount Clipping in Space Below)

(Indicate page, name of newspaper, city and state.)

NEW YORK TIMES

Date: 3/23/99
Edition:Title: Percy Sutton;
ETALCharacter: FBI-HUD;
or CO:NY
Classification:
Submitting Office:

Indexing:

Audit of Apollo Management Is Expected This Week

By TERRY PRISTIN

A long-awaited audit of the non-profit foundation that runs the Apollo Theater is expected to be delivered to the state by the end of the week, Pataki administration officials said yesterday.

The Daily News reported on Sunday that Charles A. Gargano, the chairman of the Empire State Development Corporation, the agency that owns the theater, had threatened to begin eviction proceedings against the foundation if the audit was not handed over by Friday.

By yesterday, however, Mr. Gargano had softened his position, saying that he was confident that the audit, which is being prepared by the accounting firm KPMG Peat Marwick, would be ready by the deadline, making it unnecessary for his agency to seek an eviction.

The chairman of the foundation, Representative Charles B. Rangel, a Harlem Democrat, said that he planned to send copies of the audit to state officials on Friday morning, when his board will hold a special meeting to review the findings.

Turning the historic theater over to private management remains an option if the current management does not improve its performance, Mr. Gargano said.

"The bottom line is that we want it to be operating at the highest levels possible," he said.

The foundation has a 90-year lease to operate the state-owned theater on 125th Street. But some state officials say they could evict the foundation by showing that the theater management had violated the terms of its lease by failing to pass on a percentage of its profits to the state and by not taking proper care of the theater.

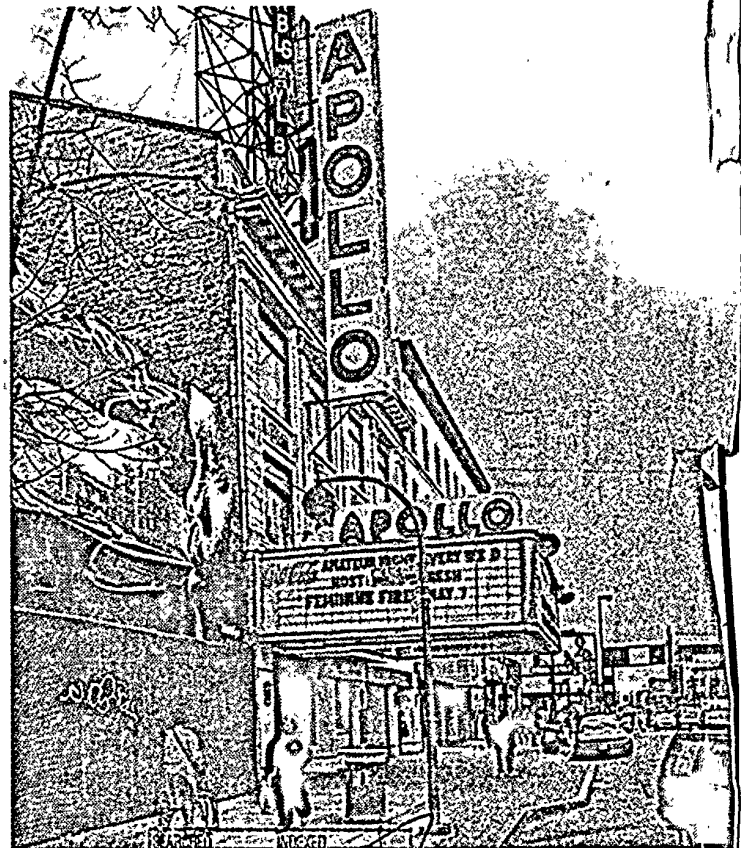
Mr. Rangel, however, denied that the state was owed any money and said that the theater was trying to raise enough money to replace the seats and air-conditioning system.

A lawsuit filed by the State Attorney General's office accuses Mr. Rangel and five other members of the theater's board of failing to collect more than \$4 million owed to the Apollo by Inner City Broadcasting, the company that produces the television program "It's Showtime at the Apollo."

That company is run by Percy E. Sutton, a former Manhattan Borough President and a close friend of Mr. Rangel.

Mr. Rangel said he would step down if the audit showed any improprieties. "I promise to walk away from this whole thing if there's anything unprofessional or wrong that comes out in the audit," he said.

Referring to state officials, he said, "All I'm asking in return is that they apologize to my community and to the board if they are wrong."



Jack Manning/The New York Times

A nonprofit foundation has a 90-year lease to operate the Apollo Theater. But some state officials have talked about evicting it.

SEARCHED INDEXED

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MAR 29 1999

FBI-NEW YORK

FBI/DOJ

(12/31/1995)

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 06/04/1999

To: New York

Attn: SAC Division II

From: New York

Squad C-4

Contact: SA [redacted] (212) 384-3979

Approved By: [redacted]

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b7C

Drafted By: [redacted] jfr

Case ID #: 46B-NY-266736 (Pending)

Title: PERCY SUTTON;
ET AL;
FAG-HUD;
OO: NY

Synopsis: Case update.

Details: On June 4, 1999 SA [redacted] spoke with AUSA [redacted] United States Attorneys Office (USAO), Southern District of New York (SDNY), regarding captioned matter. AUSA [redacted] advised documents previously requested by the USAO, SDNY, from New York City regarding the APOLLO THEATER have not been received by. AUSA [redacted] requested SA [redacted] contact [redacted] New York City Law Department, regarding the documents. SA [redacted] spoke with Connolly who advised that his office was initially unable to locate the requested documents, but would refocus their efforts in obtaining the records. SA [redacted] will contact [redacted] during the week of June 18, 1999 regarding the document search.

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46B-NY-266736

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 02/21/2003

To: Criminal Investigative

Attn: Integrity in Government/Civil
Rights Section
Public Corruption/Government
Fraud Unit

From: New York

Squad C-4, Fraud Against the Government

Contact: SA [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46B-NY-266736 (Closed)

Title: PERCY SUTTON;
ET AL;
FAG-HUD
OO:NEW YORK

Synopsis: To close above captioned matter.

Enclosures: Original and copies of an LHM to appropriate units.

Details: To request closing of captioned matter in New York.
See attached LHM.

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U.S. Department of Justice

Federal Bureau of Investigation

In Reply, Please Refer to
File No.

46B-NY-266736

New York, New York 10278

February 21, 2003

PERCY SUTTON; ET AL; FRAUD AGAINST THE GOVERNMENT-U.S. DEPARTMENT
OF HOUSING AND URBAN DEVELOPMENT

This case was predicated on information received regarding allegations of misuse of funds by PERCY E. SUTTON at the APOLLO THEATER located at 253 W. 125th Street, New York, New York. Over the years the APOLLO has received city, state and federal funding to be used in the renovation and operation of the theater.

The central allegations included the non-payment of profits to the APOLLO from SUTTON'S production company, INNER CITY PRODUCTIONS, and the default of several government loans and grants. During this time period the APOLLO THEATER was owned by the EMPIRE STATE DEVELOPMENT CORPORATION and was leased to the APOLLO THEATER FOUNDATION.

The captioned matter was investigated jointly by the New York Office and the New York State Attorney General's Office. As of June 4, 1999, the Southern District of New York, Assistant United States Attorney [redacted] was waiting for documents from New York City regarding the APOLLO THEATER.

On February 20, 2003, the writer contacted the Southern District of New York and was advised that AUSA [redacted] was no longer with the United States Attorney's Office. A query was conducted by the Southern District and there was no record of an active case involving PERCY SUTTON or the APOLLO THEATER.

Due to the re-alignment of investigative priorities of the New York Office Government Fraud Squad, this matter is no longer considered a priority in the New York Office. Investigation of this matter will be pursued by the New York State Attorney General's Office. Accordingly this matter is being closed by the New York Office.

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