

ARTICLE

# CRAZY EDDIE'S CUT-RATE KINGDOM

BY JONATHAN GREENBERG



**T**he pickings looked mighty slim. Water-logged videotapes. Useless cables.

Electronic accessories from Mars. Customers milled over the cruddy liquidation merchandise like dissatisfied vultures. It was hard to believe that this was where the Crazy Eddie legend had begun 20 years ago. On that sunny afternoon last

November on Brooklyn's Coney Island Avenue, it hardly looked like the flagship store of the most successful electronics retailer in history.

Then the boys began unpacking two fresh truckloads of components. Sure, they were marked "Reeps," Crazy Eddie slang for repaired, formerly dysfunctional merchandise. But compared to the other

junk littering the floor of the large store, the sealed boxes of audio and video equipment looked mighty enticing to the hundred or so bargain hunters who began poking around them.

Store manager Darren, a 400-pound gargantuan in a T-shirt, grabbed a megaphone. Near the door with him stood half a dozen co-employees who looked

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ready to take on any Bensonhurst street gang in a baseball-bat fight. There would be no testing of merchandise on their watch. "I'm gonna tell all you people right now," Darren yelled, "if you're opening boxes, you've either bought it, or you're gonna walk outta here with a broken arm or a broken leg or both!"

Crazy Eddie's customers had come to expect a slightly zanier approach than the bland hospitality that they usually encountered in K marts and shopping malls. But it was still a little rough—given the terms of Crazy Eddie's final liquidation sale. Unlike the "His prices are insane" or "Christmas in July" specials of Eddie's heyday, this one was for keeps. No refunds, no returns, no warranties, no nothin'. Pay your money and get the fuck out. Fistfights had erupted at many stores when people tried to return inoperable merchandise. But customers quickly learned that at Crazy Eddie, "no" really meant no.

It was somehow fitting that the once high-flying chain of 43 Crazy Eddie stores should go out of business ripping off its own customers. Its founder, Eddie Antar, had pioneered discount electronics, building the nation's largest electronics retailer (\$350 million in annual sales) on a reputation of "beating any price" on the market and with

the most aggressive sales force in history. Before it all fell apart, Eddie himself was long gone, having cashed out his stock in the company for more than \$72 million. Lawsuits and Securities and Exchange Commission charges indicate that he cooked the books for years, inflating stock prices until he could sell off his holdings, then let the company die. Stockholder losses have been estimated to exceed \$200 million, and Eddie, the man who had wowed Wall Street and northeastern consumers for two decades, had disappeared.

Eddie Antar hails from an insular community of Syrian Jews who originally settled in the Ocean Parkway section of Brooklyn during the early part of the century. Their ranks include some of the most successful business families in New York: the owners of Duane Reade drug stores, Century 21 department stores, and Jordache jeans are all Syrians, as is the family behind Crazy Eddie's former rival, the Wiz. Known as fierce negotiators and brilliant salesmen, the Syrians call themselves "S-Ys" and regard American Jews and most other people as pure minor-leaguers when it comes to business.

Like many Syrian-Jewish kids, Eddie was more interested in making bucks

after school than studying. He also loved lifting weights, building his five-foot-eight-inch frame to impressive proportions at local gyms. A younger neighbor from Brooklyn remembers Eddie as one of the older high school kids whom Jewish boys would call on when roving bands of Italian toughs from the other side of Avenue U came around looking for trouble. "The Italians are coming," the kids would yell. "Go get Eddie Antar." Antar and a handful of his cronies would swoop down in muscle T-shirts, kick some ass, and save the day.

Nicknamed "Kelso" for a prize racehorse he admired, Eddie was a fast mover. He dropped out of high school at 16 and began working full-time as a salesman at an electronics shop in the Port Authority Bus Terminal. He later claimed that he was so adept at hawking TVs that he was making nearly \$700 a week as a teenager. But Eddie wasn't the sort who liked working for anyone else. In 1969, shortly after marrying his sweetheart, a blond schoolteacher named Debbie Rosen, he teamed up with his father Sam and a cousin to open his own store.

Dubbed Sights & Sounds ERS and located on Brooklyn's Kings Highway, it was a far cry from what Crazy Eddie

## TRICKS OF THE TRADE

Many of the tricks of the trade practiced by Crazy Eddie's kamikaze sales force are still used by discount consumer-electronics retailers today. In fact, many former Crazy Eddie salespeople are now employed by their old competitors. The golden rule of getting a good deal? "Know what you want to buy before you go in," advises former Crazy Eddie salesman Chris Collins. "If people don't have the brains to do that, it's their problem."

What Collins means is that if you don't know what you're coming to buy, the salesmen will sell you whatever component the store happens to be pushing. Doing your homework by clipping newspaper ads can save you hundreds of dollars on an electronics purchase.


Here's how it works: Discount chains like the Wiz promise to beat anyone's price—but be sure to read the fine print. And it's not enough to note the prices—you have to bring the ads with you when you buy. Large retailers still manage to avoid offering the most competitive price by getting major Japanese electronics manufacturers to give them the exclusive use of certain model numbers. In New York, for instance, a

popular brand-name camcorder that recently sold for exactly \$999 at both the Wiz and Macy's was being offered at a deep-discount retailer called Uncle Steve for just \$749. The only thing different about the Wiz's camcorder was the color and model number. So even though they were selling it for \$250 more than Uncle Steve, the Wiz was able to legitimately claim to beat anyone's price *on the same model*. A spokesman for the Wiz declined to comment.

Some discounters have their own scams. They sometimes sell "gray market" components. Diverted from places like Panama or Guam, such products don't come through authorized sales representatives, and occasionally lack manufacturer warranties. A more severe rip-off is the "stock split." Fly-by-night discounters attract buyers by advertising outrageously low prices on a product such as a camcorder. When the customer gets to the register, he discovers that the AC adapter and battery pack—standard components in the manufacturer's original package—have been split off from the carton and have to be purchased separately. By this time the buyer's hooked, and ends up paying more

than if he had simply gone to a reputable retailer in the first place.

Service contracts, insiders say, are another rip-off. They are way overpriced and generally don't even include the initial "bench" charge when you bring something in to be repaired. The advice of many salesmen is also worthless. One former Crazy Eddie employee admitted that the manager trained his sales force so that anytime they approached one another to ask a "second opinion" on a product for an inquisitive customer, the respondent would call the second item superior—regardless of its merits. Customers should also be careful to avoid limited-quantity sales such as the ones Crazy Eddie used to advertise. Stores use them to line up suckers for the old "bait-and-switch" routine.

Despite all these mine fields, careful electronics shoppers can still find terrific bargains at discount retailers. The prices of such products in places where discounters proliferate, like New York, are among the cheapest anywhere in the world. When all the swindled, enraged litigants finally settle their suits, it is this, more than anything else, that will be the lasting legacy of Crazy Eddie. 

would eventually become. The store flopped. Eddie's father, a successful businessman who had once operated an electronics store on Canal Street, paid off Eddie's creditors, fronted him \$5,000 for a second try, and lined up a stream of product from quality suppliers. Eddie took a deep breath and opened Crazy Eddie Ultra Linear Sound Corporation in the early seventies, also on Kings Highway. Determined to make it work, Eddie would block the door and refuse to let customers leave until they bought something. He found that by lowering his prices until they couldn't say no, he could sell almost anyone anything. And acting like a wild and crazy guy willing to undercut all competitors with his "insane" prices won him notoriety. Brooklynites who liked shopping around began stopping in. The age of discount electronics was born.

"Eddie was gold in the old days," says a former employee of many years. "It was the place. You wanted a stereo, you came to Eddie. It was jammed."

But Eddie realized that word of mouth would only take him so far. He started to advertise. After hearing a popular disc jockey named Doctor Jerry read his store's radio ad, he contacted the announcer, Jerry Carroll. The way Carroll said it, Eddie's prices weren't just "insane," they were obnoxiously "insaaane." Antar liked the pitch, and he liked the pitchman. He hired Carroll to do all his company's television and radio ads, launching one of the most recognizable regional ad campaigns of all time. Over the next 17 years, Carroll says he taped roughly 4,000 radio and 2,000 television spots for Crazy Eddie—and became better known than the city's celebrity mayor, Ed Koch. (Today Carroll runs a small ad agency and pitches product for Sixth Avenue Electronics City, a fast-rising New York discount store.)

Although customers regularly complained that they *hated* Crazy Eddie ads, they got shoppers into the stores. And once they were there, they were mincemeat for Eddie and his cutthroat sales force. Other stores had sales. Crazy Eddie and his boys *sold*. With Eddie Antar as their mentor, the boys broke every record ever set for dollar volume per electronics salesman.

All prices were negotiable. It was "Let's Make a Deal" 365 days a year. (Eddie was one of the first retailers to stay open on Sundays, raking in thousands of dollars in extra sales.) Eddie insisted that his "nab at the door" routine become standard operating procedure for his entire sales force. They were like trained barracuda. They even had their own language, adopting Syrian phrases for the retail trade. "Scloff this husho" meant follow a suspicious-looking customer. "Gazz 'em" meant turn on the bullshit. Products were labeled and referred to cryptically by their

"lot numbers," which actually disguised the store's *real* lowest price. Salesmen were free to charge a customer anything they could above that price. A VCR would be tagged with a list price of \$599, a negotiable Crazy Eddie price of \$549, and an encoded lot number price of \$400. The salesman could charge anywhere between \$400 and \$549. The higher the sales price, the better the salesman.

"We were very, very good at bringing people into the stores and selling them whatever we wanted," boasted the manager of one of the largest Crazy Eddie stores shortly before it closed down. "We would have 30 different TVs on the floor but only five models in stock," he continued, "but I guarantee you that's what we sold all day."

The secret of Crazy Eddie's success was that Antar created the widespread perception that his were the lowest prices in town—without having to ad-

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vertise what those prices were. With his promise to "beat any price," customers flooded the stores, where Eddie's samurai sales force did the rest. Sure, if people brought the ads with them, Crazy Eddie would give them the lowest price—for the same product and model number. But the stores usually had plenty of excuses for not meeting the prices. Large electronics manufacturers even provided them with exclusive model numbers, so nobody could undercut their prices. (For more about how unscrupulous electronics discounters operate to this day, see box on page 32, "Tricks of the Trade.")

For savvy shoppers, Crazy Eddie delivered on its promise. But nine times out of ten, customers wouldn't remember to bring the ad with them. Or they just assumed—incorrectly—that the initial prices marked on the tags were the lowest available. It was this highly lucrative assumption that allowed Crazy Eddie to sell components for the same price as any non-discount retailer—some 20 to 35 percent more than the product's real lowest price. As one former salesman explains, "Most people

came for the Crazy Eddie name and were pretty ignorant [as to] what they should be paying. They thought, 'How much difference can it be?'"

When Crazy Eddie did advertise exact low prices during their "Blowout Blitzes," they would take out huge ads promising \$50 VCRs—while warning in tiny letters that quantities were limited to one per store. Rodney Jackson, a former Crazy Eddie record salesman, recalls that although some people camped out the night before, "You'd have people come in at three in the afternoon still looking for that one piece. People don't read the fine print." They did stay and shop, however, and once inside a Crazy Eddie store, they rarely walked out empty-handed.

From the very beginning, there was something else different about Eddie Antar's approach to business. He was not only the city's slickest hypester, which is saying a lot in a place that bills itself as the "World's Greatest City." He was also one of the most intensely superstitious people to ever operate a large company. Good luck had brought him to his place in life, and Eddie Antar wanted to make sure that nobody who worked for him did anything to jeopardize that luck. Eddie's superstitions involved more than the well-publicized lucky sweater that he wore every day for more than two years until it disintegrated; they had to be practiced by hundreds of people who worked for him. Red ink was out of the question: Nobody could write in red, and red signs or displays were also taboo. Blue was the lucky color. Eddie bought Jerry Carroll a fine blue suit at Barneys, which Carroll wore during the 2,000 different TV shoots he did for the store. When the jacket wore thin, Antar bought him a new blue suit, but not before insisting that Carroll have one of the buttons from the old suit sewn onto the new one.

Employees were mindful of Eddie's pet superstitions. Lucky charms, such as a large ceramic elephant in the East 57th Street store, were placed in each outlet. Instead of sweeping from the back of the store outward, employees had to sweep from the door in—keeping in the good fortune. Money, papers, or merchandise were not to be handed directly to Eddie. They had to be set down on a table, then he'd pick them up. Five-dollar bills were unlucky; in stores that might collect \$20,000 a day in cash, cashiers were instructed to give as many \$5 bills in change as they could. Cashiers also had to maneuver around the small rocks that were kept, at Eddie's insistence, in every one of his chain's hundreds of registers. New stores had to make their first sales on Tuesday or Thursday—lucky days.

While all this might have seemed odd to the average employee, Crazy Eddie's people had become accustomed to indulging their boss's eccentricities.

"Everyone understood—we didn't joke about it," recalls a former employee. "He was young, he had his own ways, but he was doing good—so why change things?"

Employees didn't just accept Eddie Antar. They adored him. His unkempt beard, his gym at the office where he pumped iron during meetings, his habit of hanging out with guys who looked like mob types, his reluctance to wear anything but sweats or jogging suits to the office or black-tie affairs—all these fueled the Eddie Antar legend. Even his habit of suddenly shifting between friendly comments to one employee and angry curses to another was overlooked. "People respected, liked, loved, and feared Eddie," recalls a former executive. "He was a great salesman and a terrific motivator of people." Jerry Carroll remembers Eddie as a "charismatic, Godfather-like figure. He got loyalty by giving loyalty."

If someone didn't want to go out of their way at work, a manager would utter the magic words, "Hey, it's for Eddie," and all objections would cease. Employees strived to emulate him, doing their best to act zany, flip, memorably wild. During Brazilian Carnival week, one manager played loud samba music in the store all day and stood in the window juggling toilet paper. Clowns, searchlights, radio celebrities, and balloons were standard fare for new store openings, as were giveaways of hats, T-shirts, and key chains. Grand openings of new stores were Eddie's happiest times; he took special satisfaction in seeing people line up for the well-publicized events. When one store opened on Long Island, Eddie and his pals took a break from the festivities on a nearby rooftop. A hired attraction in an ape suit flailed about to get attention, but what really stopped traffic on the nearby highway was Eddie himself: He pulled down his pants and mooned passing cars.

Eddie was alternately cheap and generous with his employees. He bought them lunch on Saturday afternoons and gave them all tickets for the Ali-Foreman fight during the mid-seventies, but he didn't give bonuses to anyone except top executives. George Snipes, a former security guard at a few stores, recalls the time that Eddie didn't have his limousine at the Brooklyn store and needed to get to 57th Street. "Call a car service and find out how much they charge," he told one of his salesmen. It was \$15. "Those thievin' bastards," Eddie yelled. "You got your car? You're gonna drive me." Although he was a multimillionaire at the time, Snipes recalls that Eddie "was tighter than a crab's ass."

Eddie took loyalty very seriously. Really crazy actions of others could be excused—if the perpetrator was one of the boys. "Chuck" was one such pal.

Not tall but built like a bull, Chuck was a Brooklyn tough guy with a violent temper. One February evening in 1977, Eddie got into a serious fight on the West Side of Manhattan. All that is clear about the incident is that Eddie was not robbed. Some say it was a case of Eddie mouthing off at a disco and his assailant following him outside. The guy pulled a knife and stabbed Eddie in the stomach so badly that he nearly died and needed six operations. According to an inside source, Chuck intervened to help Eddie and was knifed in the shoulder. From that point on, he was Eddie's man.

Eddie's loyalty went far. Nobody quarreled with Chuck—after all, he was a man whose love of guns was unsettling. His idea of horsing around was pointing loaded handguns at other employees' heads. When an associate in his office said that he had never heard the sound of a nine-millimeter pistol,

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Chuck demonstrated by firing a clip into an assistant's briefcase. This was at a busy Manhattan Crazy Eddie store during lunch hour. Chuck was the manager.

After his mysterious stabbing, Eddie became more conscious of his security. A limo and driver ferried him around, and he staunchly refused all requests to be photographed or interviewed—even the company's annual report ran without his picture. He buffered himself from the outside world by surrounding himself with close relatives. By the time Antar made his first public stock offering in 1984, Crazy Eddie was the quintessential family company. Eddie, at age 36, was the chairman of the board, president, and chief executive officer. His father Sam and brother Mitchell were executive vice-presidents. (Mitchell soon took over the position of president.) His brother Alan was the director of corporate sales. First cousin Solomon was general counsel. Brother-in-law Ben Kuszer ran a separate company that sold records in the stores' attached record departments. Even Eddie's wife

and mother were cut into the business, each drawing a \$76,200-a-year salary without a specified job. Virtually every member of the board of directors was also a member of the Antar clan.

In a close-knit family, such a cozy arrangement can engender trust and ensure future success. But Eddie was a volatile, temperamental man, and some of his relatives didn't enjoy his often belligerent domination. At the end of 1983, after Eddie insisted on escalating an extramarital affair he was having, they stopped being good soldiers and broke ranks with their king.

When it comes to family, the Syrians are a fairly conservative, religious lot. It took a heap of domestic conflict to tear the Antar clan apart, but Eddie was never one to do things in a small way. According to a sworn deposition filed by Debbie Antar in divorce proceedings against her husband, part of Eddie's belligerence stemmed from the fact that she bore him five successive daughters and no sons. When a pair of twins were born in 1973, Eddie wept at the news that they were girls. After a third daughter, he would not talk to his wife for days. He refused to give Debbie and their fourth girl a ride home from the hospital. When the fifth girl was born, Debbie said that Eddie "told people that God had punished me that way, and he advised me she was ugly and probably not his."

A good sport Eddie Antar was not. "The more Eddie became a legend," Debbie noted, "the more I and our daughters became excess baggage." Antar began carrying on extramarital affairs. According to a family friend, Debbie was the unchanging steady he married out of high school, "the past that he wanted to put behind him." Eddie wanted someone new, and he reportedly found it in a dark-blond woman named Debbie. (Employees, many of whom knew of the affair, dubbed her "Debbie II.")

Debbie II had worked in one of Eddie's stores. He found her an apartment in a doorman building on the Upper East Side of Manhattan and bought her fine gifts. He made little effort to keep his affair a secret. In her deposition, Debbie explained that when she confronted Eddie with apparent evidence of his infidelity, he began a campaign to convince her that she was crazy, that she was hearing and seeing things. Before long this behavior, coupled with periodic rampages of physical and verbal abuse, made Debbie begin to doubt her sanity.

On New Year's Eve 1983, Eddie announced that he was going for a drink at the trendy River Café. Debbie mustered up the nerve to ask if she could join him. "No, you can't go," he said. "I don't take you anywhere."

With that he boarded his limo and had his chauffeur drive him to his mis-

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tress's apartment building on East 80th Street. Debbie decided to make a stand. Rounding up Eddie's sister Ellen and his sister-in-law Robin for support, she went to confront her husband. The two accompanied Debbie as she hysterically toolled her car over the bridge that separated her bedroom borough from the fast world of Manhattan.

Debbie surprised her husband just as Debbie II entered his limo. At first Eddie refused to get out of the car. Finally fed up, Debbie climbed atop the limousine and pounded on the roof with her fists until he emerged. Eddie was furious; he blamed his relatives for butting into his business, and reportedly smacked his kid sister Ellen.

Civil war broke out. Debbie returned to Brooklyn; Eddie stayed with her replacement. According to her deposition, when Debbie said she was going to a lawyer for a divorce, Eddie beat her up—and not only threatened to kill her, but for good measure added, "You like your mother? I'll kill your mother!"

A few days after the New Year's Eve confrontation, Eddie called his brother Mitchell and brother-in-law Ben into his office at his Brooklyn headquarters. As was often the case, his ever-vigilant German shepherd Sugar (Antar loved animals) sat by his side. Eddie had been known to intimidate vendors and creditors with the dog. This time he didn't need her. Red-faced and furious, he cursed them out at the top of his lungs, accusing them of having their wives deliberately ruin his marriage. According to an affidavit later filed by Ben Kuszer, Eddie "was visibly distraught, ranting and raving." He warned them, "I'm gonna get even with you."

Although Debbie Antar did not come from a Syrian family, her husband's relatives viewed her as a dutiful, faithful wife and mother. Eddie's mother and father sided with her in the dispute, so Eddie also paid them an unfriendly visit. He confronted his father angrily, accusing him of orchestrating his marital troubles. From that point on, the father and son were scarcely on speaking terms. According to Sam Antar's attorney, Marvin Gersten, relations between them went from bad to worse. Sam had a heart attack soon after, which Gersten attributes to Eddie's hostility. "Eddie has this total obsession with his father," says Gersten. "He saw his father on a Brooklyn street recently and said, 'Fuck you, cocksucker!' Eddie threw him out of the company and said, 'Get the fuck out of here, old man.'"

Another source who was with the company at the time of the family blowup remembers it differently. "Eddie was a maniac, anyway," the source recalls, "but I don't know that I would

run and tell my sister-in-law that my brother was fooling around. Ben and Alan and Mitchell got their wives worked up to some extent; his reaction was drastic, but they kind of threw the first stone."

Eddie's relatives weren't fired right away. For a while Eddie tried to reconcile his problems with his wife. When that failed, he worked out a separation agreement. Like everything else, Eddie wanted the divorce to be on his terms. Although she never authorized it in writing, Debbie was represented by Eddie's loyal cousin Solomon Antar, the general counsel for Crazy Eddie. Under the stipulations of the settlement, Debbie received no share of Eddie's financial empire—just \$35,000 annually in alimony plus \$2,000 a week for child support. According to Debbie's deposition, Eddie forced her to sign the settlement after appearing at her home and threatening her through-

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out the night, giving her a black eye, tearing up her furniture, and lying to her about the importance of the settlement document.

That was in 1985. A year later Eddie married Debbie II. Debbie I, meanwhile, gathered up the courage to walk into the offices of Raoul Lionel Felder, the nation's most famous divorce lawyer. Felder and his wife Myrna took the case.

Now Eddie was really pissed. It was one thing to break up the marriage. It would be quite another to dish out as much as half of his tens of millions of dollars in assets to his ex-wife. He began pressuring his relatives to dissuade her from suing to reopen the settlement. It didn't work.

In April 1987, while attending a bar mitzvah party at the Waldorf-Astoria Hotel, Antar was served with legal papers reopening the divorce. He was enraged. The next day, he fired his father and brother Alan, and demanded his brother Mitchell's resignation as company president soon after.

After a long hearing in the New York State Supreme Court, Judge Barry Hu-

rowitz recently ruled to set aside the settlement agreement between Debbie and Eddie. Noting that the "manifestly unfair" agreement was a "shock to the conscience," the judge said "the agreement is designed to take care of the children and to make the wife destitute as the years go by." The judge also found that Solomon Antar had notarized an attorney-authorization document bearing what was supposed to have been Debbie Antar's signature—although she had, in fact, never signed it. In addition, that same document contained a Brooklyn 718 area code—a full six months before that area code took effect. Judge Hurowitz called the episode a "diabolical subterfuge" and ordered a new agreement. The new terms will depend on how much money Eddie is left with after the Securities and Exchange Commission, the U.S. attorney, and civil litigants get through with him.

The divorce case blew open any semblance of family unity. Marvin Gersten, now the attorney for both Sam and Mitchell Antar, says the family feud had nothing to do with relatives rallying around Debbie: "It was Eddie attacking them." Gersten, who is familiar with Debbie Antar's divorce case, takes off the kid gloves when talking about how Eddie treated his ex-wife. "He's an animal," says Gersten. "She's one of those abused, beaten-down women who stutters and is nervous. He's just a prick."

Despite their internal war, for a number of years the Antar family managed to keep their problems private. The overriding reality was that business was booming, and good business was everyone's business. What's more, Eddie was angling to take his company public. By selling stocks in the marketplace, Eddie would be able to expand far more quickly than he had been able to with internally generated funds. Not incidentally, it would also mean a chance to convert the ownership position, which Eddie and other relatives held, for huge chunks of cash.

Eddie Antar prepared for the big time. He met with Oppenheimer & Company, a Wall Street firm eager to underwrite and sell new public offerings for private companies like Crazy Eddie. Aided by the proliferation of VCRs and CDs, Antar had built one of the nation's most successful consumer-electronics firms, staking a powerful niche in a growing business. Had he continued to manage his company legitimately, Eddie would probably be worth more than \$20 million today, with no legal problems on the horizon.

But Eddie Antar had other ideas. He had a master plan, one that would net him much more money than that—much more quickly. Looking back on his scheme, observers wonder how he thought he would get away with it. But

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that's hindsight. Had it not been for his famous temper and bitter family strife, he might have pulled off the greatest stock-manipulation scheme in history.

Eddie immersed himself in the task of selling his company to Wall Street with the same aggressive energy that he had once used to sell television sets. The \$500,000-a-year salary that he was planning to pay himself was chicken feed compared to the millions of shares of stock he would soon have. Convincing the market to value that stock at a premium became his singular obsession. By day he abandoned the bustle of the retail sales floor for the hustle of Wall Street, wooing stock analysts, psyching up brokers, and schmoozing with accountants. By night he schemed of ways to make the company's books reflect the strongest profile possible. Blinded by his mission, he seems to have thought little of whether his methods of achieving this were legal or illegal. Anyone at the company with questions along the way didn't have to ask. They knew the answer: "Hey, it's for Eddie." And Eddie was gold.

According to Howard Sirota, the attorney representing Crazy Eddie stockholders in a class-action suit in Federal District Court in Brooklyn, Eddie Antar intended to swindle investors well before his divorce and family problems began. "He planned to commit fraud from day one," says Sirota. The class-action suit alleges that Eddie was skimming cash from the business as early as 1982 and 1983. During her divorce proceedings, Debbie Antar testified that her husband regularly brought home shopping bags stuffed with money. Over the years, she said, Eddie used the money to pay contractors roughly \$1 million to lavishly redecorate their Brooklyn home.

The purpose of skimming the "nehkdi"—Syrian slang for under-the-table cash—was twofold: He was able to pocket tax-free money and, according to the class-action suit, the unreported profits would deflate the company's sales and earnings figures. This meant that when an honest report was done in 1984, it would show greater sales and earnings growth than had actually occurred.

Eddie Antar, therefore, was one of the few people unimpressed by the company's spectacular performance in November 1984. During the preceding six months—the first period in which the stock was sold to the public—net income was reported to have shot up 84.8 percent from the comparable period a year earlier. The newly issued stock soared.

A high-level Wall Street source who

looked at Crazy Eddie's statements when the company made its initial public offering in 1984 explains that Eddie disguised his illegal skimming by reporting it as "shrinkage," or theft. "The shrinkage records were obviously falsified," says the executive. "It was the most obvious heist that I've seen in more than 30 years."

It wasn't so obvious to the Wall Street brokers. For years Eddie had them eating out of his hand. Analyst conferences were like pep rallies; some Wall Street experts even took to wearing Crazy Eddie T-shirts over their shirts and ties. They touted Crazy Eddie like there was no tomorrow, driving the price of the stock up to roughly ten times its initial offering price. By the summer of 1986, an eight-dollar share of Crazy Eddie from 1984 was worth the equivalent of \$84.

And all the while Eddie sold his own stock. He sold it brazenly, quickly, and

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in large chunks. Although he realized more than \$35 million from three public offerings, Eddie continued to dump blocks of stock. After a glowing company report that net income had increased 109 percent for the second quarter of 1985, Eddie sold an additional \$7.8 million worth of his stock. The following year, after a six-month report of surging profits and comparable store-sales growth, Eddie unloaded another \$21 million worth of stock on the market. In the wake of every important earnings report, Eddie sold, cashing in on a market euphoria that reflected continued earnings growth, continued health, and continued prosperity for any and all investors.

According to court papers, however, the basis for the glowing reports was little more than continued bullshit. Eddie Antar was cooking the books. And since he was never a man to do things half-assed, Eddie was cooking them like there was no tomorrow.

At the crux of Eddie's scheme was a conspiracy to inflate the company's profits by inflating its inventory reports. He knew that stock pickers wanted to

see sustained growth, so sustained growth was what he gave them. According to a civil lawsuit brought by the Securities and Exchange Commission—which ended with a default judgment against Eddie last March, after his final disappearance—Antar ordered inventories inflated every year he sold stock. The S.E.C. action, filed in Federal District Court in Newark, New Jersey, described how, in 1985, year-end inventory counts were inflated \$2 million, contributing to an overstatement of pretax income by 19 percent. In 1986 Antar overstated inventories by \$6.7 million and understated accounts payable by \$3 million, resulting in an overstatement of pretax income by more than \$3 million—or 33 percent. By fiscal year 1987, Antar, knowing that he would soon be jumping ship, understated accounts payable by \$20 million and inflated inventories by tens of millions more. The fraud was so extreme that although the company reported pretax profits of \$20.6 million, the S.E.C. calculated that Crazy Eddie actually incurred a loss of millions of dollars for the year.

To make its case, the S.E.C. presented the testimony of three Crazy Eddie executives who admitted to falsifying inventory statements on Eddie Antar's behalf. Because Eddie was spending increasing amounts of time away from the company, he had his cousin Sam E. Antar, the company's chief financial officer, supervise the inflating of figures. Eddie would pick a target number like \$8 million, have his trusted minions sequester themselves in an office, and let the pencil-pushers do their magic. They added zeros at the end of columns, making 50 televisions 500. He also had them write false debit memos, lowering accounts payable by purporting to have paid bills that were still outstanding. When Abraham Grinberg, the director of purchasing, questioned why they were inflating the numbers, Sam E. told them, "The auditors will automatically knock off at least 15 percent. . . . That is accepted accounting procedure."

One large unanswered question is how the company's external auditors allowed all this to happen. The company's auditor was a large firm called KMG Main Hurdman (which later merged with an even larger giant and is now known as KPMG Peat Marwick). KMG distinguished itself in the scandalous Wedtech case. When a KMG auditor assigned to Wedtech uncovered massive fraud, he demanded, and was later convicted of accepting, a \$1.5 million bribe to keep quiet about it.

Crazy Eddie was an important customer to KMG Main Hurdman; during the course of a few years, the firm received nearly \$5 million in accounting fees from the retailer. According to testimony recalled by attorney Howard

# CRAZY EDDIE

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Sirota, the firm's chief partner on the job, Alphonse Ferrara, "had a close personal relationship with Eddie."

"A shockingly inept auditing job was performed," Sirota claims. "The balance sheet showed \$130 million of inventory—of which \$65 million did not exist. When half the inventory is missing, you haven't done the best audit in history."

The team from KMG did perform an audit. But according to court papers, Sam E. Antar was coordinating the falsification of the records and had access to the team's paperwork. The class-action suit charges that the auditors "failed to adequately secure" their working papers, allowing Sam E. or other Crazy Eddie employees to "select, influence, or learn of" the stores that would be spot-checked. One former employee told the S.E.C. that Sam E. had actually broken into the auditors' suitcase. By identifying which locations the auditors had already checked, Sam E. could reasonably predict where they would hit next.

According to S.E.C. testimony, on at least one occasion Sam E. organized an eleventh-hour truck convoy to rush merchandise from one store to another, stuffing the inventory so that it would jibe with the inflated counts. At other times employees are said to have "assisted" in the count by providing false numbers from the floor. On yet another occasion, when the auditors asked to see a particular store's records, Sam E. simply explained that they had been misplaced.

Actually, they had been tossed into a Dumpster somewhere in Brooklyn. More often, incriminating documents were fed into a paper shredder. Sirota maintains that despite such activity, and despite apparent evidence that KMG's papers had been tampered with, KMG said nothing. Instead, it certified the Crazy Eddie financial statements. Sirota has named KMG's parent company in his shareholder class-action suit. In a statement to *Penthouse*, a spokesman for Peat Marwick said, "The claims asserted by the class-action plaintiffs' attorneys are the product of baseless speculation and wishful thinking. Our firm performed its responsibilities in a thoroughly professional and competent manner, and we are confident that we shall be successful in the court proceedings."

Sirota has also named three major brokerage firms—Bear Stearns & Company, Oppenheimer & Company, and Wertheim & Company—for touting Crazy Eddie stock without performing due diligence to insure investors of the company's integrity. Sirota is even suing to recover money from other members

of the Antar family, especially Eddie's father Sam, who earned more than \$16 million from the sale of Crazy Eddie stock during the mid-eighties. In his formal response to the S.E.C. lawsuit, Sam E. Antar denied some of the charges and refused to answer others, invoking his Fifth Amendment privilege against self-incrimination.

But his father's \$16 million was pocket change compared to Eddie Antar's sale of more than \$72 million of Crazy Eddie stock. Before anyone discovered wrongdoing, Eddie had resigned from the board of directors, transferred his money to Israel, and moved to Tel Aviv. His plan was expertly executed, although people still can't understand why a man who hates to run from a fight embarked on a course of action that seemed so likely to result in the endless evasion of authorities. Howard Sirota believes that the answer lies deep within the psyche of the con-man type.

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Customers assumed  
that the prices marked on  
the tags were the  
lowest available. This assumption  
allowed Crazy  
Eddie to sell components for  
the same price as  
other non-discount retailers.

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"The capacity of swindlers to be ingenious is unlimited," he says. "Most of these people would make as much money legitimately, but they get more kicks doing it this way."

Eddie's fraud was not discovered until a new management team, led by investor Victor Palmieri and Elias Zinn, an electronics supplier from Houston, took over the company in November 1987. The new management was brought in to allay stockholder fears caused by Eddie's mysterious dumping of his stock and a sudden and suspicious drop in earnings. After investing many millions to buy into the company, they fired most remaining Antar relatives and cronies and shut all the stores for a daylong inventory check. They then discovered that \$65 million in "phantom" merchandise was missing.

From that point on, the newcomers tried to play catch-up ball with a company nose-diving toward bankruptcy. Credit was tight, morale was low, and employees had lost their favored leader. Management had trouble getting product into the stores. Crazy Eddie became a loser and red ink—\$104 million

of it in fiscal 1988—appeared at Crazy Eddie headquarters for the first time.

By then Eddie and his money had long disappeared. But he reportedly grew bored and restless in the Holy Land, and greatly missed being a big shot in Brooklyn. He reappeared in 1989, presumably to face the lawsuits that the S.E.C., stockholders, and his ex-wife had initiated. For a short while Antar created the biggest boom for big-shot litigators since Claus von Bulow.

Although Antar himself never testified, his attorneys countered charge after charge with legal maneuvers. Justin Feldman, his lawyer in the S.E.C. case, predicted that Eddie "will ultimately be vindicated." According to Feldman, "He didn't do anything wrong. The basic fraud that they're talking about all occurred after he left the company." Feldman made a pathetic attempt to blame Mitchell Antar for the fraud in federal court, but was unable to offer any affirmative defense to counter the S.E.C.'s well-documented charges.

In the end it was the testimony of Eddie's own relatives and close associates that hanged him in court. This is somehow fitting—had he not fired everyone, they might still be holding down the fort today, perhaps even obscuring Eddie's massive fraud from investigatory eyes. According to attorney Marvin Gersten, Arnie Spindler, one of Eddie's most trusted employees, provided some of the most damning evidence to the S.E.C. only after he had been bitterly fired following 17 years of loyal service.

When a federal judge in Newark ruled that Antar had to bring \$52 million back to the United States to be frozen by the court pending the outcome of the S.E.C.'s fraud case, Eddie realized that the jig was up. After the money didn't materialize, the court issued a civil-contempt citation. Perhaps because he suspected U.S. marshalls of looking out for him at airports, Antar appeared in court to be photographed and fingerprinted. This quelled the contempt charge. He was allowed to walk out of the courthouse and, within days, the country. Critics say the U.S. attorney's office should have requested the surrender of Antar's passport, but instead they lowered their guard. Eddie took a gamble that he'd buy a little time, and once more, he was lucky.

It's impossible to say what might have happened to Crazy Eddie had Antar not been so keen to make a quick hundred mill illegally. In the end of 1989 the stores closed, one by one, promising the truly lowest prices ever for some of the crummiest merchandise ever to cross a sales floor. Employees talked about what they would do next, but few bore personal hostility toward Eddie Antar. That magic loyalty some-

how lived on. "Even now I don't hear bad about Eddie from the old-timers," observed former employee Rodney Jackson a few days before the 86th Street Crazy Eddie shut its doors forever. "Everybody knew he was a crook," continued Jackson, "that he was dipping into the till. It was okay, because he was the boss. It was business as usual."

Students of psychiatry might learn more from the rise and fall of Crazy Eddie than would-be M.B.A.s. One former Crazy Eddie executive believes that much of the company's failure was rooted in the bitter family conflict: "This whole story is about 3,000 people whose lives were fucked with because of a man's penis, because the guy needed to screw people other than his wife."

There were, of course, other factors in the company's collapse. The formula that worked so well for four stores did not succeed for 40. Crazy Eddie was unable to train the quality sales force needed to reproduce the volume of sales it enjoyed in its first few stores. And the absence of hot new consumer-electronics products hurt badly, as did increased competition.

Those happiest about Crazy Eddie's demise, not surprisingly, are those very competitors whose growth helped drive it out of business. During the past three


years, the Wiz, long Eddie Antar's most bitter rival, has increased its empire from 11 stores to 27, making it the No. 1 consumer-electronics retailer in the metropolitan New York area. The Wiz is run by four brothers from a Brooklyn-based Syrian-Jewish family. During the final liquidation auction at Crazy Eddie headquarters in Edison, New Jersey, last November, two of the brothers, young Marvin and Joseph Jemal, spent days buying everything in sight, paying prices even greater than retail. "They have his business," one disgruntled bidder observed, "and now they want his desks." When asked what the lesson of Eddie Antar's failure is, the two Jemal brothers repeated their company's motto, in well-practiced unison, "Nobody beats the Wiz," they sang. "And that is a fact."

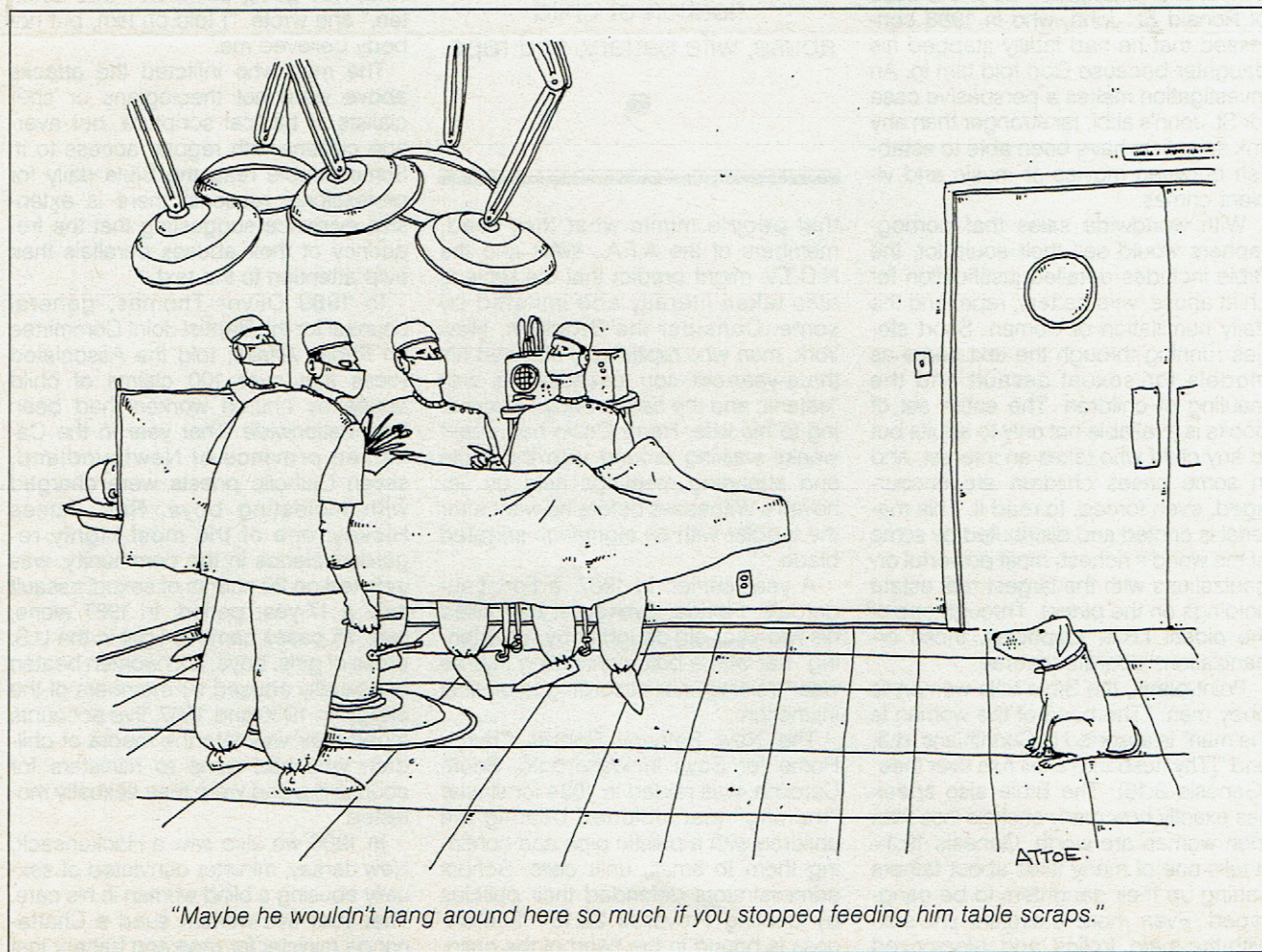
That's not the lesson Eddie Antar would tell you he learned. He would probably say something about never trusting ungrateful relatives. Or claim that his famous good luck will protect him until the end. "Eddie thought he could get away with anything," observes attorney Howard Sirota. "He's falling from the Chrysler Building, but he still thinks he's going to land on his feet. He always has in the past."

Tough talk from a lawyer whose clients hunger for a grab into Eddie's deep pockets. U.S. Marshall Arthur

Borinsky, the man responsible for tracking down fugitive Antar, is equally determined. Although he doesn't see much hope of getting Antar extradited from Israel on civil charges, he claims that his office will be able to stop Eddie from ever getting hold of his money. Drug runners and dictators more familiar with international money-laundering operations would predict a different outcome. (Extradition might be possible if and when the U.S. attorney's office files criminal charges against Antar; they reportedly have been pending for nearly a year.)

Meanwhile, Crazy Eddie himself was last rumored to be studying the ancient mystical art of the Jewish cabala with a prominent Jerusalem-based rabbi as his mentor. Having exhausted his considerable stockpile, he's looking to build a new surplus of good luck. And since luck is not a commodity that false inventories or fast talk can certify, nobody can tell how Eddie will come out this time around. Will he grow bored with laying low and return to America? Will he wish he had settled for 20 million square bucks instead of 72 million slippery ones? Will he pay his lawyers?

Only an intense, dark man brooding in Jerusalem can answer these questions. And maybe not even him. After all, they didn't call him Crazy Eddie for nothing. 



# HOLY HORRORS—THE DANGERS OF RELIGION

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