

Inquiries Unearth Pieces Of Biegen's Secret Life

By RALPH BLUMENTHAL

Pieces of a buried life are coming to light as investigators work to trace the stolen money that flowed through the bank accounts of a former trusted mayoral fund-raiser and admitted embezzler, Arnold I. Biegen.

Known to intimates at City Hall, the Governor's office and law firm boardrooms as a sedate, ingratiating, facile and sometimes dictatorial financial adviser, the 58-year-old lawyer is emerging in unfamiliar guises.

The "Arnie" Biegen that Gov. Mario M. Cuomo says he knew was "honorable and forthright," a loyal backer with an ailing wife and lovely children who merited appointment to the commission picking the state's top judges.

The Arnold Biegen that a law partner introduced for the first time to the future Mayor David N. Dinkins in 1981 seemed the same, a stolid, generous, hardworking family man, the lawyer, Edward J. Babb, recalled.

But in recent weeks another Arnold Biegen has emerged, whom few inti-

A friend of the Mayor's who stole from his campaign.

mates say they recognize: a man law enforcement officials say seemed out of control, who appears to have spent money almost as fast as he stole it, with no easily explainable motive.

This Arnold Biegen was also entangled with a failed bank with organized crime connections, which granted him a large loan that has left him the target of a Federal lawsuit seeking repayment of about \$350,000, on top of unpaid Federal tax claims totaling another \$300,000.

Despite the consternation that has greeted Mr. Biegen's admissions, there were grounds more than three years ago for questioning some of his associations and actions.

Last week, after pleading guilty to plundering an elderly widow's estate of \$850,000 and Mayor Dinkins's re-election fund of another \$158,000, Mr. Biegen is said to have told investigators with the Manhattan District Attorney's office that his embezzlement went to support an extravagant way of life, information investigators are checking against bank records.

Riverdale and East Hampton

Mr. Biegen has two residences, a Riverdale penthouse co-op worth perhaps \$350,000 and a luxury seaside house in East Hampton, L.I., valued at more than \$400,000. He is also supporting a second wife who has battled cancer, and four grown children, two from an earlier marriage. Mr. Biegen has acknowledged spending small sums on a longtime female companion, according to investigators who say they have confirmed the spending.

Still, they say, the money is far from entirely accounted for. Other possible explanations for large cash outlays are also being checked, they say. What seems clear, they say, is that most of the money is gone and that Mr. Biegen could not pay it back if he wanted to.

Mr. Biegen, who resigned as acting treasurer of the Dinkins re-election campaign on Jan. 17 after his thefts came to light in the form of 29 fraudulent checks to himself, has not responded to numerous telephone and written messages left at his homes. Mr. Biegen's lawyer, Paul Rooney, has also not returned calls.

Yesterday, Mr. and Mrs. Biegen drove up to the East Hampton house at 3:30 P.M. in a dark blue Mercedes sedan. Mr. Biegen broke into tears and ducked behind some bushes. His wife, waving her hands, shouted, "Go away, leave us alone. We've had enough." She, too, started to cry.

The Manhattan District Attorney, Robert M. Morgenthau, who took Mr. Biegen's guilty pleas in closed court on Feb. 10, in hopes of quietly using him as an informant before his cooperation became public, has said the former aide faces two consecutive 5-to-15-year terms and that no promises of leniency were made. But prosecutors could petition the sentencing judge to go easy if Mr. Biegen cooperates in the investigations. Officials familiar with the plea discussions said Mr. Biegen's fear of incarceration in a tough state prison played a part in his admissions.

Investigators say that Mr. Biegen is being methodically debriefed on a range of matters, including his claims that the Dinkins campaign in 1989 accepted illegal contributions. On Friday, Mayor Dinkins and other aides angrily denied knowledge of any improprieties.

The United States Attorney in Manhattan, Otto G. Obermeier, who charged Mr. Biegen in a separate complaint on Jan. 29 of violating mail fraud statutes to steal campaign funds, acknowledged on Friday that discussions toward a plea were under way. But Federal investigators have not interviewed Mr. Biegen.

Separated in 1967

Mr. Biegen was born in New York on April 9, 1933. He attended Brooklyn College, graduating in 1954, and obtained his law degree from New York University Law School in 1959.

In 1960 he married his first wife, Elaine, a psychotherapist who lives in Queens. The couple had two sons and separated in 1967. They later divorced. Mrs. Biegen subsequently sued him in 1974, claiming unpaid child support. Court records do not show how that suit was resolved. He later remarried and he and his present wife, Anne, have two grown children. Anne Biegen, friends say, has suffered from cancer. She is a trustee of the Chemotherapy Foundation in Manhattan.

Friends say a landmark in Mr. Biegen's rise in political circles was his association, around 1973 or 1974, with Mr. Cuomo, then a lawyer with an office on Court Street in Brooklyn. Governor Cuomo, in a telephone interview on Friday, said he did not recall how he met Mr. Biegen but said it was "entirely possible" it was around that time.

Mr. Cuomo said he got to know the Biegen family and that Mr. Biegen became one of his supporters and fund raisers when he ran for Governor in 1982. In 1983, Mr. Cuomo named him as one of his four appointees to a prestigious panel, the 12-member Committee on Judicial Nomination, which selects judges for the Court of Appeals, the state's highest. Mr. Cuomo replaced Mr. Biegen last week, a month after the theft charges surfaced.

"I have nothing bad to say about Mr. Biegen," Mr. Cuomo said Friday. "I never had any reason to think he was anything but honorable and forthright. Why would I have put him on the commission?"

He said he was "shocked" last week when an aide said, "What do you think, Governor? Arnold Biegen has just taken a plea."

The law partner who introduced Mr. Biegen to the future Mayor, Mr. Dinkins, also voiced amazement.

Dinkins's Old Friend

Mr. Babb said he had met Mr. Biegen in August 1981 after joining the Manhattan law firm of Booth, Lipton & Lipton, where Mr. Biegen was a senior partner. Mr. Babb said he was a long-time friend of Mr. Dinkins, who was then the City Clerk and that when Mr. Dinkins once dropped by the law firm Mr. Babb introduced the two men, who struck up a friendship.

Mr. Babb, 60, who was named by the Mayor last week to take over some of Mr. Biegen's fund-raising duties, said he and the Mayor had been guests at Mr. Biegen's East Hampton house and tennis club, the Dunes Racquet Club. Mr. Babb, who joined Mr. Biegen and other members of Booth, Lipton in moving to another law firm, Parker Chapin Flattau & Klimpl in 1987 after Booth Lipton closed, said that despite close contact with Mr. Biegen over the years he was at a loss to explain any of his troubles.

The Mayor, distancing himself strongly from his former campaign finance manager for the first time since the theft disclosures, told a news conference Friday that he had been caught totally unaware. He said he now saw that Mr. Biegen's character all along was that of a "common thief," but that no one had realized it until now. He noted that the Governor too seemed to have been taken in.

Charles J. Hynes, the Brooklyn District Attorney, said he knew Mr. Biegen from when they both worked at Booth Lipton from 1983 to 1985 and that he had asked Mr. Biegen later to raise

Court records hold signs of questionable actions and associations.

some money for his District Attorney's race in 1989. He said that Mr. Biegen raised \$2,750 for him and that he had not been in touch with Mr. Biegen in the two years since. He declined to discuss their last contact.

Mark Abramowitz, managing partner of Parker, Chapin, said Mr. Biegen's work for the firm had been exemplary and that he had not been the subject of any disciplinary complaints. He said Mr. Biegen resigned from the law firm on Jan. 19.

Bank Was Later Closed

Well before that, according to court records that have now also come to the attention of prosecutors, while at Booth, Lipton, Mr. Biegen took out a \$265,000 loan for a client, a small brokerage firm called Gallant Securities. The loan in November 1986 was from the First Inter-County Bank of New York, a one-branch commercial bank in Manhattan that was to be closed for insufficient funds by state regulators in 1988 and taken over by the Federal Government after revelations of involvement in money-laundering, fraud and bribery.

One of the bank's board members was Irwin Schiff, a reputed organized crime money-launderer whose contract killing in an East Side restaurant in 1987 led to exposure of the bank scandal. Mr. Biegen, though not a criminal lawyer, also represented two criminal targets connected to the bank investigation, Dominic Rabuffo, who later became a Government witness, and Edward Garofalo, a demolition executive and toxic-waste dumper who was later gunned down in a murder that prosecutors now charge to John Gotti.

Since 1987, Mr. Biegen has been involved in a maze of claims and counter-claims that began when the bank sued him over the Gallant loan. Under its unusual terms, Mr. Biegen borrowed the money himself, then passed it to the company. As collateral, he presented a mortgage note signed by one of Gallant's principals, Perri Kanterman, which pledged her house.

The note was in the sum of \$350,000, but, according to a lawsuit filed by the bank against Mr. Biegen before it was taken over by the Government, the note "had been altered at Mr. Biegen's direction with 'whiteout'" to value the property at \$265,000.

When the loan was not repaid, the bank sued him and he told the bank to seize Mrs. Kanterman's house in repayment. But the bank was unable to do so because Mrs. Kanterman had filed for bankruptcy. In the lawsuit, now being pursued by the Federal Deposit Insurance Corporation, which took over the bank, Mrs. Kanterman contended that the difference between the \$350,000 property she pledged and the \$265,000 loan amounted to a usurious \$85,000 fee to Mr. Biegen.