

**PAUL
ERDMAN**

BESTSELLING AUTHOR OF
THE PANIC OF '89

— THE —

PALACE



"KING OF THE
FINANCIAL THRILLER."
— PUBLISHERS WEEKLY

THE PALACE

PAUL
ERDMAN



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THE PALACE

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PART ONE

1964 – 1969

1

Danny Lehman's shop was, well, kind of shabby-looking, but it somehow belonged because it was just on the fringe of downtown Philadelphia, which is also shabby. Danny Lehman did not exactly exude class either. Class is something you're either born with or you're not, and Danny most certainly wasn't, which did not bother him in the least. His father had been in scrap until he went bust in the early 1930s, and Danny had maintained the tradition: he had started out with a pawnshop and had then moved up to a coin shop. Scrap, used coins: no class.

Danny was plump, usually sported one day's growth on his chin, and liked green sport shirts. He liked to bowl. He liked bagels. He liked his mother. He liked girls, in fact he liked them a lot, but for some reason had never married one.

In the fall of 1964 the guy who owned the shop next door, a travel agency, suggested that it was time for Danny to broaden his horizons. He could work out a trip to Europe for him, booking all the first-class hotels at cut rates since it was off-season, and would not even charge any of the usual commissions. After all, they were neighbors.

Never one to pass up a deal, Danny took him up on the offer. Almost immediately after arriving on the other side of the Atlantic, Danny was impressed by two things. The first was how he got taken every time he had to change dollars into pounds, francs, or lire. It was the same in every hotel and restaurant bar none. By the time he hit Switzerland he

had smartened up and decided to change his money at a bank *before* getting robbed at the hotels and the restaurants. He was disappointed to discover that the banks were offering rates that were almost as lousy. After all, they were banks, for God's sake, run by Episcopalians, or disciples of whatever type of God they worshipped in Zurich. Danny found out that Catholics were no better: in Milan they did the same thing; at the airport in Madrid, ditto. Danny figured that the money changers were taking an average of 5 percent in the middle for nothing more than giving him 375 marks in exchange for 100 dollars.

The other thing that astonished Danny was that nobody in Europe ever talked about the stock market. In Philadelphia, even in the bowling alley he frequented, everyone knew what the Dow Jones was doing, more or less. He could hardly believe it when somebody in Paris told him they didn't *have* a Dow Jones in Europe. What they did have, according to his French informant, a bartender at the George V who would talk to anybody to milk a tip, was a very highly developed interest in gold and silver. Coins maybe, Danny suggested, like the *napoleon*? It was the only French word he could pronounce with confidence. No, coins were for peasants and Americans, his financial adviser told him. The name of the money game in France, Switzerland, and Germany was *bullion*. That's where the rich Europeans had always put their dough. That's why they were still rich, and still able to frequent the bar at the George V.

Their reasoning was this, the erudite bartender went on to explain: every time there was a war, be it one of Napoleon's, World War I, or World War II, the governments of France or Germany or Italy would finance it by simply printing a lot of money. The inevitable result was that the value of everybody's paper money, be it marks, or francs, or lire, went all to hell. The smart Europeans, knowing that history constantly repeats itself, would begin trading in their cash for gold as soon as they saw the war clouds gathering. And

when the war ended, in every instance they were among the few in society who had been able to preserve their wealth, in the form of that tangible asset gold, whose value had remained constant.

Later, after leaving a 25 percent tip, proving the bartender right once again, Danny figured that the only country that was at war right then was the United States in Vietnam. So maybe he should be thinking about getting into the gold business back home. The problem was that it was still illegal for Americans to buy gold in bullion form. All right, he concluded, then why not silver?

Danny asked around about who was number one in the silver bullion business in the United States. The answer was always the same: Engelhard Industries. When he asked foreign exchange, it was Deak-Perera. So with the help of a headhunter, Danny hired one of the best traders away from each. Soon every smart travel office in Philadelphia knew that the place to send people who needed foreign money before going abroad was the American Coin, Metals, and Currency Exchange on Broad Street: the new name that Danny had given his shop. And as the storm clouds started to gather over America's financial system as a result of the strain of the Vietnam War—giving birth to a new clan of doom-and-gloom merchants who had visions of the almighty dollar ending up in ruins, and who sought safety in, yes, bullion—well, the word spread that you could get good deals in Philadelphia.

Danny had a cousin in Trenton, New Jersey, who worked for a bank there. When he saw what Danny was doing in Philadelphia he suggested that Danny open up an office in Trenton, too, which he would be glad to run. Danny did. His cousin concentrated on the Jewish trade and it worked. The place was in the black by the third month.

Then Danny's cousin told him about a guy he knew in Boston who was a stockbroker and who was perfect for their type of operation: he was a big gun in the Catholic Church

up there, had built up a huge clientele among the parishioners. Danny's cousin figured that on the Irish trade alone they stood to do very well with a manager like that. Once again, his cousin was proven right.

In Chicago, Danny went the Polish-Catholic route; in Miami, he staffed the new place he opened up there with Latinos; in San Francisco, he hired some Orientals. Just as Aer Lingus and El Al had managed to build up the lucrative North Atlantic trade by appealing to ethnic loyalties, and by relying upon word of mouth among the faithful rather than expensive advertising, Danny Lehman built up his currency and bullion business by doing the same—and by offering rates that beat every bank and every currency dealer in the United States by 25 percent.

By the end of 1966, two years after Danny's historic trip across the Atlantic, the American Coin, Metals, and Currency Exchange had spread to seven additional cities. Danny Lehman's net worth was well into seven digits. In December of that year, Danny went to Miami. He stayed at the Fontainebleau Hotel. He had decided that it was time to stop thinking about his business for a while, so every day he went to the races at Hialeah, and every night he went to the jai alai fronton. He loved to watch the horses by day and the Basques by night, and he was excited by the atmosphere, by the crowd. For it was this gaming crowd, the gamblers and the bettors who seemed to enjoy life more than most people, which fascinated him. They lived joyously for the brief moment of victory. They overcame stoically the more prevalent brief moments of defeat. And they always came back. Danny never bet; it was a sucker's game, he figured.

On December 23 Danny succumbed to the inevitable and decided to check up on the local Miami branch of the American Coin, Metals, and Currency Exchange, which he had opened about eighteen months earlier, and which was on the main drag of downtown Miami, West Flagler. José, the manager, was a Cuban. Danny, not being an early riser, got

there at about ten-thirty and had coffee with José in the back office. José said the place was making pretty good money in spite of the hard times. Actually, it was making damn good money. All of a sudden the rich Latin Americans had discovered how cheap the United States was compared to Europe, and were starting to come to Miami in droves to buy their mink coats, outboard motors, and Rolex watches. And they flocked to the American Coin, Metals, and Currency Exchange because the people there spoke Spanish and its exchange rates were better than those offered by any other bank or exchange office in town. The word had even gotten around São Paulo, Bogotá, and Caracas.

At around a quarter to eleven, a Cuban who worked at the coin and bullion counter entered the back office and mumbled something in Spanish, and immediately José got up, excused himself, and left, leaving Danny alone and puzzled. Danny went out to the shop proper and stood there watching a guy, definitely *not* a Latino, bringing in bags of coins, twenty-seven of them. Then José and the guy who was bringing in the silver—he could have been either Italian or Jewish—conferred, and a lot of hundred-dollar bills began to change hands. It took maybe ten minutes in all.

At eleven, José and Danny were again in the back room, each with new cups of coffee. Good coffee. Cubans know how to make coffee.

"Who was that?" asked Danny.

"Dunno" was the Cuban's response.

"Dunno?" asked Danny. "Then how come you didn't check out the coins, for Chrissake?"

"Don't have to," answered the Cuban. "They're always good."

Actually, there was not much to check. Either the coins were quarters minted before 1965, and thus almost pure silver, or they weren't. These were. With the silver bullion price on the rise, pure silver coins were starting to demand a

premium, since they could be melted down and sold as bullion at a price higher than they were worth as coins in the monetary system. After 1965 the U.S. Government had started to smarten up and to use an increasingly smaller portion of silver per coin in the minting process; these new coins weren't worth melting down, at least not yet.

Danny mulled over the Cuban's answer for maybe a minute. "Always good, huh," he finally said.

"Yes."

"How often is always?" Danny then asked.

"Oh, about every ten days," answered the Cuban.

"How much's he bringing every ten days?" inquired Danny further.

"Oh, twenty-five, sometimes fifty bags."

"Always quarters?"

"Yes."

"Where's he from?" Danny asked.

José just shrugged.

"From around here?" Danny asked again.

"No," answered the Cuban.

They stopped here for a minute. Danny picked up his coffee cup and took a sip. So did José. They sipped some more. Then Danny continued with his interrogation. "So tell me this. Why'd he come here in the first place?"

"He came in with a customer. He had just one bag of silver the first time."

"A customer. Who's this customer?" asked Danny.

"A man who works at the jai alai place," answered the Cuban.

"What's his nationality?"

"Italian," answered José.

"When was that?" asked Danny.

"About six months ago," replied José.

"How much business in the meantime?"

"Let's see." José thought it over. "Something like four hundred thousand dollars."

"He let you know when he's coming?" Danny inquired.

"Well, he usually calls an hour beforehand," José answered.

"Who?" Danny asked.

"The same man" was the answer.

Danny paused and thought it all over. "Listen," he finally said, "next time he calls you I want you to call me immediately. Got it?"

"Yes, but I never really know in advance. Sometimes it's two weeks, sometimes maybe only five days," replied the Cuban.

"Doesn't matter. Just call me. I'm at the Fontainebleau. What time's he usually call?"

"Mostly between nine and ten o'clock in the morning."

"Okay. He calls you, you call me at the Fontainebleau, Room 756. Got it? Write it down."

José wrote it down. Danny took another sip of coffee, stood up, and left. Even on vacation, it was hustle that built a business. He went back to the hotel a happy man, an idea bubbling in his head.

On January 4, around nine thirty-five in the morning, the Cuban called Danny at the Fontainebleau to tell him he had received word that a new silver shipment would probably be hitting the store before eleven o'clock that morning. It took Danny just twenty minutes to shower and shave, and another twenty minutes to take a cab from Miami Beach to West Flagler. He went to the back room, where both José and a cup of coffee awaited him, and sat there with his employee chatting about the cold weather, jai alai, and the races.

Once more the counter clerk came into the back room and, in a hoarse whisper, told his boss that the guy with the silver bags was out there again. This time Danny Lehman and both Cubans walked out together. Danny stood immediately to the right and a little behind his Cuban manager as

the customer brought in one bag after the other from the van standing at the curb. Every time the tall man, who was somewhere around six feet four inches, maybe even six feet six inches, shoved bag after bag across the counter, he looked first at the bag and then at Danny, silently asking himself, it seemed, who this new guy was and what exactly he was doing there. When the delivery was completed, José went through what was obviously a practiced ritual of weighing each bag, then writing down the weight on a pad. The posted selling price on the board behind the counter indicated that he was buying at \$1.57 an ounce, selling at \$1.67. Then he moved to the calculator, where ounces were converted to dollars. Having done all this, he wrote down the final number, circled it, turned the sheet around, and showed it to the tall man. The customer looked at the number, picked up the piece of paper, folded it, put it in his shirt pocket, and nodded his head. The Cuban went to the small safe located immediately behind the counter, opened it and pulled out a steel box, brought it to the counter, and put it down. It was full of one-hundred-dollar bills. He took out six packages with wrappers around them and, one by one, ripped off the wrappers and counted out singles. He used up almost all six packages. Then he reached into the cash drawer and extracted a fifty, a twenty, a ten, a five, and a couple of ones and laid them down beside the hundreds. He shoved the entire amount across the counter to the tall man, who put the bills into a very large, old-fashioned folding-type briefcase. Then he nodded again and turned to leave.

The number on the sheet of paper was \$37,587.37.

"Sir," said Danny Lehman, just before the tall man had reached the door.

He paused, looked back, stared at Danny, and asked, "Who are you?"

José intervened immediately. "This is Mr. Daniel Lehman, the owner of this company. He's from Philadelphia,

where our head office is located. We have branches in eight cities along the East Coast."

The tall man nodded again.

"I'd like to talk to you," said Danny.

"About what?" asked the tall man.

"I'd be interested in perhaps suggesting a special arrangement for you; a volume discount, if you would like to call it that," answered Danny.

The tall man said, "I'll let you know," and walked out.

Eight days later Danny Lehman was alone in his Philadelphia home watching the 76ers playing the Celtics when the phone rang at exactly ten o'clock. About two hours earlier he had hurried back from the bowling alley through a miserable, snowy Philadelphia winter night in order to catch the basketball game from the beginning. All he wanted at this moment was to watch the 76ers win, which they were doing. Then he wanted to take a good hot shower and go to bed. Now the damn phone was ringing. Danny Lehman, like everybody else, knew that ten o'clock phone calls rarely brought good news.

He turned down the volume on the TV, went to the phone, and barked, "Yeah," ready to slam the receiver down just as quickly as he had picked it up.

"Is this Danny Lehman?" came a voice.

"Yeah," repeated Danny. "What do you want?"

"I want to talk to you," the voice said.

"So talk."

"I've heard about you from a mutual friend to whom you introduced yourself in Miami a week ago. Do you remember?"

"Yes."

"I'd like to discuss the development of a business relationship, provided, of course, you're interested."

"I'm listening."

"Good. I'll be over in forty-five minutes." The phone went dead.

It was exactly a quarter to eleven when Danny's doorbell rang. When he opened the door, there stood a man about five feet six inches tall, the same height as himself. He was wearing a blue cashmere coat with a fur collar, and a fedora-type hat, and as he walked through the door into the hallway, one could not help but notice his very shiny, pointed black shoes. The man said, "My name is Joseph Amaretto. I'd prefer you to call me Joe."

"All right," said Danny, "Joe it is." When Amaretto started to take off his top coat, Danny reached out to take it from him. But his visitor said, "No thanks, I'll hang on to it. This won't take long. No more than fifteen minutes."

Left with little choice, Danny led him into the living room. "Do you think you'll have time for a brandy?" he asked.

"I've never refused one yet," Amaretto replied, flashing a big smile.

Danny indicated that he should take a seat and a few minutes later returned with the brandy bottle and two snifter glasses. He poured a short one and handed it to his guest. Amaretto nodded his thanks, drank it, and quickly handed his glass back to Danny for a refill. Having received it, he settled back on the sofa, indicating that maybe they should get down to business. The social part of the evening was over.

"How many silver coins can you handle a month?" was his question.

Danny looked at him, raising his hands in a gesture meaning the sky was the limit, and answered, "Any amount you can come up with."

"How about five hundred bags a month?"

"No problem."

"Do you have the facilities for picking up quantities this large on a regular basis?"

"Where from?" asked Danny.

"We'll get to that," said Amaretto. "First the answer."

"The answer is yes. Anywhere on the eastern seaboard," replied Danny.

"I'm not talking about the eastern seaboard."

"Well, I can't say for sure unless you tell me exactly where this stuff is coming from."

"First let's clear something up," Amaretto said. "We know a lot about you. We like what we've found out. We would like to enter into a business relationship which will go on for quite a long time. Everything would be absolutely confidential, if you understand me. I'd also hope that we could expand the framework of cooperation to areas beyond silver coins."

The sentence might have been somewhat garbled, but Danny got Amaretto's message. "Fine with me," he said.

"You understand," Amaretto repeated, "that confidentiality is a primary requirement from our point of view."

"Perfectly," said Danny, this time with more accuracy.

Amaretto returned to the brandy, which he now sipped rather than gulped. "Fine," he said after the third and last sip. "The pickup place can be either Las Vegas or Reno, take your choice. Five hundred bags a month. What would you pay for them?"

"The price would be calculated from the closing quote on the London Metal Exchange. That's a bullion quote. We'd adjust it for bagged coinage. I'd give you the formula for your approval. There would be a charge of ten cents per ounce for transportation, handling, and insurance."

"Hold on," said Amaretto. "These coins wouldn't be presorted. And there will be dimes and silver dollars, not just quarters."

"We'll sort them out," Danny confirmed. "No additional charge."

The Italian said, "You have a deal. We'll call you in a day or two about the same time of the evening—here at home, if

you don't mind. I'll tell you the exact time and place where you should make the pickup. Okay?"

"Okay as far as I'm concerned," said Danny.

"Fine." Amaretto stood up and put on his coat, which he had kept folded across his lap. He reached down for his hat, walked to the front door, shook hands with Danny, and walked out into the night. Danny stood at the open door and watched him go down the path, turn right at the sidewalk, and then move off at a brisk pace. There was no sign of a car, taxi, or limousine; in fact, there was no light or activity whatsoever outside. Danny watched him move fifty, one hundred, then two hundred feet down the street, and disappear. Shrugging, Danny turned around and went back into the house.

On January 21, 1967, a Railway Express van backed up to a warehouse in an industrial park in Reno to pick up three extremely heavy wooden crates. Three days later, they were dropped off at the warehouse of the American Coin, Metals, and Currency Exchange in south Philadelphia. After they were sorted and bagged, they were sold at retail throughout Danny's chain of outlets. The shipment brought in a quarter of a million dollars. Danny's profit amounted to approximately 17 percent of the sum. It was the largest single transaction that Danny had made in his business career. After all, he was literally a nickel, dime, and quarter guy.

2

Almost six months later, Joseph Amaretto returned to Philadelphia and again telephoned Danny, but this time at his office and in the morning. They arranged to meet for lunch at Bookbinder's, at the old Bookbinder's down near the water, not the other, newer one near downtown. Apparently Amaretto knew his way around Philadelphia.

Amaretto was with another man when Danny arrived. It was summer and Amaretto was wearing yellow slacks and a green sport shirt. But his colleague, who was introduced as Sam Sarnoff, had made no concession to the season: he wore a dark suit and an almost black tie with a gleaming white shirt. Sarnoff was also wearing cuff links studded with diamonds, which Danny figured were worth somewhere between twenty and thirty thousand dollars, per sleeve. Danny Lehman, like his father and grandfather before him, not only knew all about scrap metal and used coins, but also had an eye for precious stones. During lunch he questioned Sarnoff about the value of the diamonds. Sarnoff said, "Around fifty thousand dollars, both arms." He obviously appreciated the question, for it confirmed what Joseph Amaretto had said about Danny Lehman, namely, "The guy's got class."

The fish was excellent and the beer good. Apart from precious stones, the talk centered mainly on baseball: on the Phillies and the Dodgers. Danny Lehman rose even further in the estimation of his lunch partners when he confessed that he had been a secret admirer of the Dodgers since his