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Contractor facing trial retains his loyalty to John Dougherty

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A Philadelphia electrical contractor who faces trial in May on 100 counts of theft and tax offenses is expected to plead guilty to 98 of them - but not to the two counts that he made illegal payments to union leader and State Senate candidate John J. Dougherty.

The electrician's intentions, presented by his lawyer to a federal judge Thursday, signal that he is not likely to assist the government in its related investigation of his childhood friend, who is running in next month's Democratic primary for the First Senate District seat to be vacated by Vincent J. Fumo.

The case against the electrician, Donald "Gus" Dougherty, has been closely watched because of the forthcoming election and an FBI and IRS investigation of John Dougherty that sources said remains active.

A spokesman for John Dougherty said last night, "These developments vindicate what John has been saying all along.

"Although he feels bad for a longtime friend, and always stands by his friends, he respects Gus' decision to accept responsibility for his actions," said Brian Hickey, his campaign spokesman.

Gus Dougherty's lawyer, Eric Sitarchuk, declined to comment yesterday, as did the prosecutor, Assistant U.S. Attorney Anita Eve. John Dougherty's lawyer, Henry Hockeimer, declined to comment last night.

The two Doughertys are not related, but have been buddies since they were young. Both grew up in South Philadelphia.

As John Dougherty rose to become an influential labor and civic leader, Donald Dougherty became a successful electrical contractor. Each earned nicknames: John Dougherty became "Johnny Doc" and Gus Dougherty, known for his work on behalf of prominent Democrats, became the "electrician to the stars."

The charges that Gus Dougherty intends to take to trial are related to two alleged "illegal payments" to John Dougherty: the sale of a Shore house for \$24,000 less than market value, and the performance of \$115,000 worth of electrical work on his Philadelphia home. Gus Dougherty did not bill John Dougherty for the work until after he learned that he was under federal investigation.

It is a violation of the federal Taft-Hartley Act for a contractor to give anything "of value to an officer or employee of a



Donald "Gus" Dougherty faces tax evasion and theft charges.

labor organization which represents" a contractor's employees. Fair-market-value transactions, however, are permitted.

John Dougherty, whose home was searched by federal agents involved in the case, has denied any wrongdoing. He has said that he is "very comfortable with all the transactions."

When Gus Dougherty was indicted last year, U.S. Attorney Patrick Meehan described the house transactions and electrical work as "sweetheart deals." Meehan refused to elaborate but said the investigation was continuing.

One former federal prosecutor, Rocco Cipparone, said Gus Dougherty's decision to plead guilty to all but two charges could be interpreted in two ways: "Either he doesn't want to hurt this guy's chances in terms of the election, or he may be saying that they got it wrong on those counts."

The case appeared to be headed to trial May 19, but this week, lawyers for Gus Dougherty informed U.S. District Judge Eduardo C. Robreno that their client intended to plead guilty to 98 of the charges - but only if they failed to win a motion to exclude evidence obtained during the search of his home. Such motions are rarely successful.

On Thursday, one of Gus Dougherty's attorneys, Nathan J. Andrisani, appeared in Robreno's court and said, according to an official audio recording, "The court is aware that Mr. Dougherty intends to plead to all the charges, with the exception of the union bribery charge."

Andrisani also mentioned that Gus Dougherty hoped to "sever" the union-related charges from the others.

It is not an uncommon strategy for a defendant facing dozens of counts to plead guilty to financial crimes where the evidence is strong, and then face a jury that will consider far fewer charges and less evidence.

Many of the 98 charges are financial and tax counts. For example, he is alleged to have paid himself and his employees in cash to avoid paying taxes and required contributions to the union's employee benefit plan.

From 2001 to 2005, he allegedly maintained a cash payroll totaling \$2.6 million on which taxes were not paid. By making those payments in cash, he allegedly avoided about \$1 million in required contributions to employee benefit plans.

The government also says that he unlawfully evaded taxes by such "under the table" payments, including money paid to himself.

It also said he violated tax law by writing off massive expenditures on real estate as business expenses, and improperly wrote off personal expenses, including a \$16,000 Rolex, expensive clothes, and plastic surgery for a relative.

In all, the government says, Gus Dougherty and his wife evaded taxes on \$2.4 million in income over three years.

Dougherty is also accused of bribing a bank official who helped him obtain \$4.7 million in loans when his credit rating was poor.

The indictment alleges that Dougherty sent employees to do electrical and plumbing work at the Voorhees home of a senior vice president of Nova Savings Bank and did not charge him for the work.

He also allegedly gave the bank official tickets for the 2005 Super Bowl for himself and four guests, and allowed them use of a condominium on Amelia Island, Fla. Prosecutors say those gifts were worth \$18,000.

One count to which Gus Dougherty may plead guilty does touch upon his longtime friend. It alleges that John Dougherty asked Gus Dougherty to get health care for an employee of a civic association headed by the union leader.

Gus Dougherty admitted that he falsified a health-care enrollment document to list the civic group worker as his employee. The civic association, in turn, reimbursed Dougherty's electrical company for the cost of those benefits.
