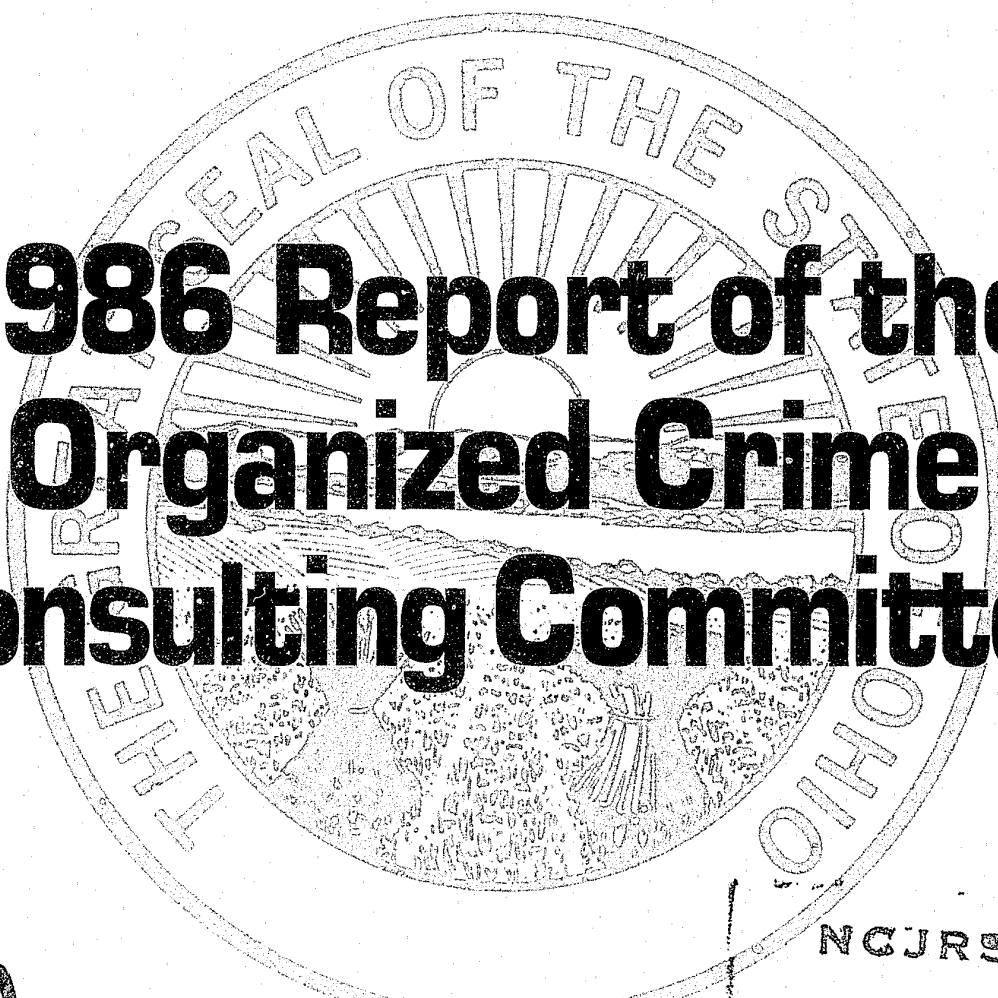


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**1986 Report of the
Organized Crime
Consulting Committee**

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ACQUISITIONS

Richard F. Celeste
Governor

Attorney General Anthony J. Celebrezze, Jr.
Chairman

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1986 REPORT OF THE
ORGANIZED CRIME CONSULTING COMMITTEE

Richard F. Celeste
Governor

Attorney General Anthony J. Celebrezze, Jr.
Chairman

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**Attorney General
Anthony J. Celebrezze, Jr.**

The Honorable Richard F. Celeste
Governor
State House
Columbus, Ohio 43215

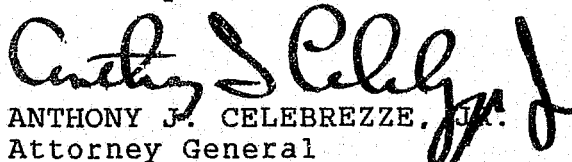
Dear Governor Celeste:

Pursuant to Executive Order No. 84-3, we are pleased to present to you this report on organized crime in Ohio.

In compiling this report, the Organized Crime Consulting Committee had two purposes in mind. The report is intended to describe the scope of organized criminal activity in Ohio. It also covers major developments which have occurred since the release of the organized crime report drafted by a predecessor Committee in 1982. We have attempted to identify problems faced by Ohio's law enforcement community in the fight against organized crime and to formulate solutions to these problems. Thus, in addition to providing information for Ohio's citizens, this report includes a plan of action for law enforcement agencies in attacking the problem of organized criminal activity.

As members of the Organized Crime Consulting Committee and as leaders in the law enforcement community we will work during 1986 to promote and implement the recommendations contained in this report.

Sincerely,


ANTHONY J. CELEBREZZE, JR.
Attorney General

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Encl.

ORGANIZED CRIME CONSULTING COMMITTEE

ROSTER

Attorney General
Anthony J. Celebrezze, Jr.
State of Ohio

Chief Dwight Joseph
Columbus Division of Police

Chief Tyree Broomfield
Dayton Police Department

Chief William R. Hanton
Cleveland Police Department

Chief Russell Dwyer
Middletown Division of Police

The Honorable John T. Corrigan
Cuyahoga County Prosecutor

The Honorable Lynn A. Grimshaw
Scioto County Prosecutor

The Honorable S. Michael Miller
Franklin County Prosecutor

The Honorable Anthony Pizza
Lucas County Prosecutor

Sheriff Dwight E. Radcliff
Pickaway County

Sheriff Lincoln Stokes
Hamilton County

Sheriff David W. Troutman
Summit County

Sheriff L. Thomas Wilson
Montgomery County

Colonel Jack Walsh
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Criminal Identification and
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State of Ohio

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Executive Director
Ohio Assn. of Chiefs of Police

John Murphy
Executive Director
Ohio Prosecuting Attorneys Assn.

Robert Cornwell
Executive Director
Buckeye State Sheriffs Assn.

Michael J. Stringer
Director, Governor's Office of
Criminal Justice Services

INTRODUCTION

The Organized Crime Consulting Committee was created by executive order of Governor Richard F. Celeste on January 10, 1984. The Committee consists of 20 members representing the various law enforcement agencies within the State of Ohio and is chaired by Attorney General Anthony J. Celebrezze, Jr.

Since its inception, the Committee has focused its efforts on three projects. First, Committee members have devoted a substantial amount of time to drafting and promoting various legislative proposals to combat organized crime. H.B. No. 5, the RICO bill sponsored by Rep. Robert Hickey, has been passed by the Legislature and became effective on January 1, 1986. Other organized crime bills are currently pending before the General Assembly.

The Committee's second major project is a system for sharing intelligence information among law enforcement agencies in the state. Under this system, intelligence information is indexed in a computer located at the Bureau of Criminal Identification and Investigation. This allows BCI to operate as a clearinghouse to facilitate the exchange of information among law enforcement agencies. The Committee's third project is the preparation of this report.

In 1982, a predecessor to the current Committee compiled an extensive report on organized crime in Ohio. The 1982 report provided a detailed description of organized criminal activity found in the various regions of the state. The purpose of this report is to update the previous work and to examine some newly emerging criminal organizations and illegal activities which are becoming prevalent in Ohio.

In this report, the term organized crime is broadly defined to mean a group of individuals who conspire to commit a crime. Most Ohioans associate organized crime with the extensively publicized activities of the "La Cosa Nostra" or the "Mafia." These are referred to today as traditional organized crime groups. In recent years, law enforcement officials have become increasingly aware of many other non-traditional groups which also engage in organized criminal activity on a scale that rivals that of the Mafia. The most formidable of these newer organizations are the motorcycle gangs which are discussed in Chapter II of this report.

Traditional and non-traditional organized crime groups have common characteristics. First, members of both types of groups are usually united by a common bond. The bond may be ethnic as in the case of the Mafia. Or, it may be derived from membership in an exclusive club such as the motorcycle gangs. These common bonds command the loyalty of the members and make it difficult for law enforcement agencies to infiltrate the groups.

Traditional and non-traditional organized crime groups both engage in criminal activities to make a profit. The financial base derived from these illegal activities enables these groups to enter legitimate business.

In recent years, there have been changes in the types of criminal activities pursued by organized crime groups. In addition to their well known involvement in gambling, drug trafficking and prostitution, criminal organizations have begun to realize the profits that can be made in the illegal disposal of hazardous waste. They have also developed highly sophisticated organizational structures to engage in motor vehicle theft and credit card fraud.

This report will show that organized criminal activity is not limited to a single part of the state or to persons of a particular ethnic background. It is a widespread problem that has a direct impact on every citizen of Ohio. Innocent persons are frequently victims of violent acts committed by organized crime groups. Other illegal activities of these groups result in an incalculable economic cost to society. A coordinated effort among state, federal and local law enforcement agencies is needed to combat the problem. Recommendations to this end are included in this report.

The information in this report was derived from files maintained by the following agencies:

The Cleveland Police Department (Traditional organized crime, outlaw motorcycle gangs, motor vehicle theft, bank card fraud, prostitution).

The Columbus Police Department (Traditional organized crime, gambling).

The Middletown Police Department (Narcotics).

The Dayton Police Department (Prostitution).

The Hamilton County Sheriff (Narcotics).

The Montgomery County Sheriff (Narcotics, prostitution).

The Summit County Sheriff (Gambling).

The Bureau of Criminal Identification and Investigation
(Outlaw motorcycle gangs, narcotics, gambling, prostitution).

The Ohio State Fire Marshal (Arson).

The Ohio State Highway Patrol (Motor vehicle theft).

The Federal Bureau of Investigation (Outlaw motorcycle gangs, gambling).

The U.S. Drug Enforcement Administration (Narcotics).

The U.S. Bureau of Alcohol, Tobacco and Firearms (Outlaw motorcycle gangs).

The U.S. Marshal Service (Outlaw motorcycle gangs).

The Ohio Insurance Institute provided information for the Chapter on Motor Vehicle Theft.

Other sources for the Chapters on Traditional Organized Crime are: The Report on Organized Crime of the President's Commission on Law Enforcement and the Administration of Justice, 1967; The President's Commission on Organized Crime, Public Hearing, New York, March 14, 1984; and the transcript of the Hearings before the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, United States Senate, January 25, 26, 31 and February 1, 1984.

The Committee would like to thank the agencies listed above and a large number of other local law enforcement agencies in this state for their assistance in compiling this report.

RECOMMENDATIONS AND PLAN OF ACTION

At the meeting of the Committee held on November 6, 1985, the members discussed obstacles in the way of effective investigation and prosecution of organized criminal activities. The most frequently mentioned problems grew out of the need for a more effective information flow between local, state and federal agencies. This lack of communication often results in ineffective investigations and duplication of effort. Investigating agencies are frequently unaware of helpful leads or intelligence information contained in the files of neighboring departments. It is also not uncommon for two separate agencies to belatedly discover that they are simultaneously investigating different aspects of the same criminal organization.

These communication problems, in turn, exacerbate problems caused by limited resources. The financial pressures which have affected state and local governments in recent years have limited the manpower and the equipment available to fight organized crime. In addition to these structural problems, the Committee discussed the need for several statutory changes.

In order to resolve these problems, the Committee has made the following recommendations. The Committee will devote its efforts during 1986 toward the implementation of these recommendations.

I. REGIONAL ORGANIZED CRIME TASK FORCES

The Committee recommends the formation of regional organized crime task forces which will engage in the following activities:

1. Intelligence Sharing. Intelligence groups from each region should meet regularly to share information concerning organized crime problems and pending investigations. An agent from the State Bureau of Criminal Identification and Investigation should attend each meeting to provide relevant information from the BCI statewide files.
2. Regional/Statewide Intelligence Sharing. One or more representatives from each of the regional organized crime task forces should periodically gather in a statewide meeting to share information concerning organized crime problems and pending investigations.

3. Cooperative Investigations. Agencies in each region should enter into interagency agreements governing the sharing of manpower for investigations of organized crime problems that cut across agency jurisdictions.

4. Equipment Sharing. The interagency agreement should provide for sharing of equipment among the participating agencies.

The Committee will work with the Buckeye State Sheriffs Association, the Ohio Association of Chiefs of Police and the Ohio Prosecuting Attorneys Association in organizing and directing the activities of these task forces.

II. STATEWIDE POINTER INDEX FILE

In 1985, the Committee developed a computerized indexing system for information relating to organized criminal activities which is gathered by local law enforcement agencies throughout the state.

The Committee recommends the full utilization by local agencies of the intelligence sharing potential of this system and the on-site use of its major case file capabilities.

III. LEGISLATION

The Committee recommends the passage of legislation dealing with the following topics:

(a) Asset Forfeiture. H.B. No. 6 and S.B. No. 69, which are currently pending in the General Assembly, would permit law enforcement agencies to seize instrumentalities used to commit or facilitate criminal acts and provide for the use or sale thereof by the seizing authority.

(b) A State Organized Crime Investigation Commission. S.B. No. 74, which is currently pending in the General Assembly, would establish a seven member Commission which could appoint special task forces to investigate organized criminal activity.

(c) The Model Anti-Arson Application Act. H.B. No. 478, which is currently pending, would establish a formal system for screening properties with an abnormally high incidence of arson and require special anti-arson applications to be utilized before such properties could be insured, thereby deterring arson for profit.

(d) A State Witness Protection Program. Legislation is necessary to establish a well-funded program to protect witnesses who testify against dangerous criminal groups from retribution.

(e) Amendments to the Immunity Statute. Legislation is necessary to amend the current statute authorizing immunity for witnesses who turn state's evidence, to provide for "use" immunity for compelled testimony in place of the current "transactional" immunity. Transactional immunity completely immunizes an offender's acts from future prosecution even if law enforcement could later prove his liability independent of the compelled testimony. Use immunity, however, would remove this unnecessary limitation on the use of compelled testimony.

(f) Training for Peace Officers. Legislation is necessary to provide a firm funding base for peace officer training in Ohio.

(g) Computer Crime. Legislation is necessary to tighten the law with respect to computer crime.

(h) Wire Taps. Legislation should be passed to permit the use of wire taps in organized crime investigations with judicial review and other safeguards to prevent unnecessary or inappropriate use of this investigative technique.

IV. REPORTING OF CASE DISPOSITIONS

The Committee will work with appropriate agencies to encourage more timely reporting of offenses indicating organized criminal activity and the disposition of such criminal cases in order to accomplish the following objectives:

1. to track the whereabouts of criminal offenders;
2. to report offenses that escalate to higher penalties for subsequent convictions; and
3. to report predicate offenses committed by organized criminal enterprises for the orderly development of racketeering prosecutions.

V. AUTOMATIC WEAPONS AND OTHER DANGEROUS ORDNANCE

The Committee will assist in the dissemination of information from the State Fire Marshal concerning the registration and possession of automatic weapons and other dangerous ordnance.

THE REPORT

I. TRADITIONAL ORGANIZED CRIME

At present, Ohio is not dominated by any single traditional organized crime family. There is an Ohio-based family operating in the northeastern part of the state while out-of-state families are active in several other areas.

Northeast Ohio: Although dissention exists as to who is its current boss, the Scalish family controls traditional organized crime operations in Cleveland, Akron, Canton and portions of the Mahoning Valley. The family is named after John Scalish who ran it from the 1940's until his death in May, 1976. It is involved in gambling, loansharking, narcotics, the infiltration of legitimate businesses and labor union activity.

The last decade has seen the Cleveland family disrupted by a prolonged gang war and two major federal prosecutions of its leading members. The feud was the result of a power struggle that followed Scalish's death. The struggle was waged between an East Side Cleveland faction headed by John Licavoli, and a West Side Cleveland faction led by Danny Greene and John Nardi, Sr. Over a dozen leading members of both factions, including Nardi and Greene, were eventually killed. This violence stimulated a strong response from both federal and local law enforcement agencies. In July, 1982, Licavoli, second-in-command Anthony Liberatore, John Calandra, Ronald Carrabia, who controlled Licavoli's interests in the Youngstown area, and two other leading family members were convicted on federal racketeering charges related to Greene's murder and were sentenced to extended prison terms. Their convictions were affirmed in January, 1984. Several other members of the family received state court convictions.

After the Licavoli-Greene war died down in the late 1970's, the remaining members of the two factions agreed to a formal truce. With Licavoli and Liberatore under indictment, leadership of the family was assumed by Angelo Lonardo and his chief lieutenants, Joseph Gallo and Thomas Sinito. Gambling and loansharking proceeds were divided between the East and West Side factions and, in a major new development, a West Side drug operation headed by Carmen Zagaria affiliated itself closely with the family to monopolize wholesale drug trafficking throughout Cleveland. The Zagaria ring enlarged and protected its multimillion dollar a year business through the commission of at least seven murders. A coordinated federal and local investigation against this operation began in the summer of 1980. Zagaria eventually became a protected

government witness when he surrendered to federal authorities in September, 1982, after having jumped bail on state court convictions for drug trafficking. A month later, a federal grand jury indicted six men, including Lonardo, Gallo and Sinito, for murder, drug trafficking, gambling and racketeering. The indictment described a drug operation which included over 70 members. In October, 1983, Lonardo received a life sentence plus 103 years, and Gallo a life sentence plus 138 years. These convictions were affirmed in 1984 and 1985.

These two major prosecutions have severely hurt, but not destroyed, the Scalish family. New members have risen through the ranks to replace those now in prison. Federal labor racketeering convictions in Cleveland during the last two years indicate that the family retains a considerable amount of its original power base.

The Mahoning Valley: Joseph Naples, Jr. and James Prato are currently believed to be the leaders of organized crime within the eastern section of the state encompassing Youngstown and Steubenville. These individuals are associated with families from Pittsburgh, and are in competition with the Cleveland family.

The Pittsburgh-Cleveland struggle for control of the Mahoning Valley broke into open warfare in 1978 when a power vacuum was created by Naples' imprisonment and the indictment and prosecution of the Cleveland faction's leader, Ronald Carrabia, in connection with the slaying of Danny Greene. When the war came to an apparent close in mid-1981, at least nine members of both factions had died. With the further weakening of the Cleveland faction in the second major racketeering prosecution involving the Zagaria operation, the Pittsburgh faction, with Naples now out of prison, appears to have the upper hand.

Southwest Ohio: Organized criminal activity in this area is influenced by several traditional organized crime groups. Traditional organized crime appears to have little or no involvement in narcotics within this area. However, newer criminal organizations are attempting to gain control over much of this illegal activity. Some local criminal groups may have connections with the out-of-state organized crime interests.

Northwest Ohio: Traditional organized crime involvement in this area stems from groups based in Detroit that have direct interests in gambling, loansharking, poker machines and narcotics.

Central Ohio: No known traditional organized crime figures reside in central Ohio and the Columbus area. Non-traditional organized crime groups are known, however, to maintain interests in topless/bottomless bars, vending companies, labor unions, narcotics trafficking, weapons sales, carnivals and pornography in central Ohio.

II. OUTLAW MOTORCYCLE GANGS

Motorcycle gangs in Ohio have developed into well-organized, highly disciplined criminal organizations which profit from a wide variety of illegal activities. In the last decade, their numbers have swelled dramatically. During the same period, the gangs have expanded beyond trafficking in drugs into the more lucrative business of sophisticated white collar crime.

Over 1,000 outlaw motorcycle gangs exist in the United States. The clubs may be local, regional, national or international in scope. They are structured in a paramilitary fashion comparable to that of the traditional organized crime group. The national organization coordinates the activities of the various chapters and their relationships with other organized criminal groups. Through the use of national enforcers who travel from chapter to chapter enforcing national rules and settling disputes, the national organization keeps tight control on the activities of its local affiliates.

In recent years, motorcycle gangs like the Hell's Angels have begun to affiliate with smaller clubs. These relationships are a source of new members for the larger gangs. In Cleveland, the North Coast XII helps protect the Hell's Angels Clubhouse during the members' absence, and has been known to help raise money for a legal defense fund.

The principal motorcycle gangs in Ohio are the Hell's Angels and the Outlaws. The Hell's Angels were founded in California in the late 1940's and are thought to have 34 chapters in eight states and nine foreign countries. A chapter of the Hell's Angels was formed in Cleveland in December, 1967. An Akron chapter was founded in February, 1979. The Cleveland chapter is influential in the national organization and is reputed to be the location of the national treasury. It is widely believed that the Cleveland and New York City chapters control all Hell's Angels activities east of Omaha, as well as those of chapters in Canada and Europe. The Cleveland chapter is very active in narcotics and weapons trafficking, extortion and stolen property.

The Outlaws were founded in Chicago in the late 1950's. The gang has 28 chapters nationally with six more in Canada. Its national membership is estimated to exceed 1,000. Despite close scrutiny, less than half of its membership has been identified by law enforcement agencies. The principal

activities of the Outlaws are drug manufacturing and distribution, prostitution and extortion. The drug distribution network established by the Outlaws is very sophisticated. The gang's Canadian chapters have laboratories manufacturing valium which is subsequently smuggled into the United States for nationwide distribution through its various chapters. Similarly, the gang's Florida chapters receive cocaine directly from Colombia for nationwide distribution.

The Hell's Angels and Outlaws have had a long-standing feud that has resulted in at least 12 homicides in northern Ohio in recent years. In November, 1981, the F.B.I. raided a Hell's Angels arsenal located in a rented warehouse in Cleveland and found a large quantity of explosives and automatic weapons, including hand grenades and anti-tank rockets. The arsenal was believed to be intended for use in the war against the Outlaws.

The Hell's Angels are active in Cuyahoga and Summit Counties. The Outlaws operate in Mahoning, Montgomery, Lucas and Butler Counties. In total, there are believed to be about 30 outlaw motorcycle gangs in Ohio. They operate in rural as well as urban parts of the state. The names of these Ohio gangs, and the counties in which they operate, are listed at the end of this chapter.

A major source of income for motorcycle gangs is the illegal manufacture and distribution of chemical drugs, particularly methamphetamine, PCP and other hallucinogenics, as well as the distribution of cocaine and marijuana. The gangs have been the primary sources of illegal chemical drugs in Ohio for over a decade. To maximize their drug profits, the gangs attempt to control the business from the manufacturing level through wholesale distribution, and frequently retail distribution as well. Motorcycle gangs have been known to hire professional chemists in their manufacturing laboratories and to purchase sophisticated lab equipment to insure a top quality product. It is not unusual for drugs seized in Ohio from these labs to be as pure or more so than their legal counterparts bought at a pharmacy.

An indication of the size and sophistication of the motorcycle gang drug networks was presented on August 25, 1982, when personnel from the Federal Drug Enforcement Administration, the Ohio Bureau of Criminal Identification and Investigation, the Licking County Metro Group, the Ohio Division of Wildlife, the New Lexington Police Department and

the Perry County Sheriff's Department raided an outdoor drug factory located in eastern Perry County and owned by the Avengers. Seven people, including the chapter president, were arrested while the lab was in full operation. The bootleg drug factory was capable of making up to \$3.5 million worth of methaqualone powder in 13 to 15 hours. Nearly 50 pounds of methaqualone powder and five batches of unprocessed chemicals were seized in the raid.

In August, 1984, two leaders of the Youngstown Outlaws Motorcycle Club and three associate members were arrested by F.B.I. agents. The five were charged with manufacturing and distributing drugs, including LSD, methadone, and cocaine, distributing 2,000 Valium tablets and possession with intent to distribute 16,000 more.

Motorcycle gangs make enormous profits from their illegal drug activity. On February 12, 1984, Antonio (Tiny) Martines, a national leader of the Pagans was killed in a shoot-out with F.B.I. agents on Interstate 80 near Hubbard, Ohio. A briefcase containing \$69,820, a loaded 9mm automatic pistol and a machine gun were found in Martines vehicle. Additional searches of property used by Martines in Columbiana County produced two submachine guns, silencers, sawed-off shotguns, handguns and narcotics. Martines had been wanted by the F.B.I. since June, 1983, after he forfeited a \$132,000 bail bond by failing to appear in federal court in Delaware on charges of drug trafficking and operating a continuing criminal enterprise. Five people, including two from Columbiana County, were subsequently arrested for having harbored Martines.

From their base in drug manufacturing and distribution, outlaw bikers have diversified their criminal enterprises to include welfare fraud, auto and motorcycle theft, chop shops, generalized theft, counterfeiting, gun trafficking, extortion, credit card fraud, weapon offenses, arson and prostitution. Fencing stolen goods has also become a large source of income due to the bikers' mobility and networking capabilities.

Gang contacts with traditional organized crime families have expanded to the point that they frequently form an alliance. Bikers are hired by traditional organized crime families for murder, intimidation of witnesses, collection of loansharking debts, movement of narcotics, arson and assaults.

The members of the Youngstown chapter of the Outlaws are believed to associate with the organized crime family from Pittsburgh. In September, 1982, members of the Pagans motorcycle gang and members of an organized crime family were

observed meeting in Philadelphia. Law enforcement officials believe that the main agenda for the meeting was a discussion of the manufacturing of methamphetamines and phenyl-2-propanone, a chemical used in its production.

In some cases, motorcycle gang members have been hired to carry out "contracts" against rival families. Danny Greene is believed to have murdered Hell's Angels member Enis Crnic in 1977 because he knew too much about several bombings against Greene's enemies. Crnic was killed when a bomb he was planting on a vehicle was intentionally detonated.

Outlaw motorcycle gangs have acquired the sophistication to divert their illegal profits into legitimate businesses. The types of businesses known to have been purchased or infiltrated by the gangs include mobile catering, go-go bars, massage parlors, nightclubs, trucking companies, security firms, taverns, antique shops, pawn shops, talent agencies and motorcycle repair shops. These enterprises are located in many major cities in Ohio.

Prostitution is another significant source of income for the motorcycle gangs. They operate in truck stops, bars and strip joints. The women engaging in these activities are usually gang associates, often runaway juveniles. They may earn \$75 to \$200 per night, most of which is turned over to the chapter treasury. To make even more, the prostitutes frequently set up their patrons to be robbed by gang members.

LOCATION OF MOTORCYCLE GANG ACTIVITY IN OHIO

ALLEN

Barbarians

ASHTABULA

Hell's Angels

AUGLAIZE

Barbarians

BELMONT

Centurions
Sentinels

BUTLER

Iron Horsemen

CHAMPAIGN

Ohio Iron

CLARK

Ohio Iron

CLERMONT

Journeyman

COLUMBIANA

Pagans
Stone Cold

CUYAHOGA

Hell's Angels
North Coast XII

FRANKLIN

Avengers
Road Saints
Outriders

HAMILTON

Iron Horsemen
Journeymen
Satans
Peacemakers

HANCOCK

Barbarians

HIGHLAND

Renegades

HOCKING

Devil's Disciples

HOLMES

Bushmasters

KNOX

Bushmasters

LAWRENCE

Avengers

LOGAN

Barbarians

LORAIN

Avengers
Dirt & Grime

LUCAS

Outlaws
Iron Coffin
Wheelers

MAHONING

Outlaws
Pagans
Mixed Company
Stone Cold
Brothers of the Hammer

MONTGOMERY

Outlaws
Renegades
Satans

RICHLAND

Bushmasters

SENECA

Avengers

SUMMIT

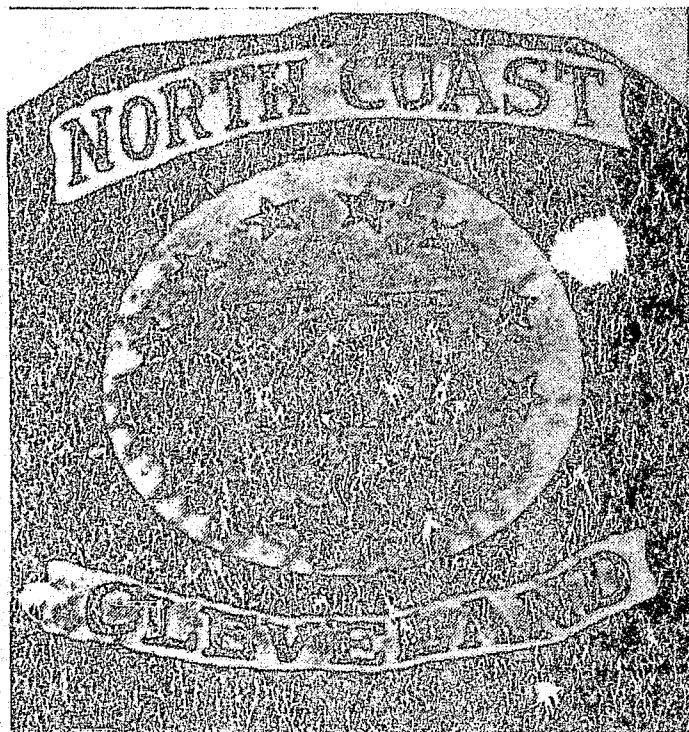
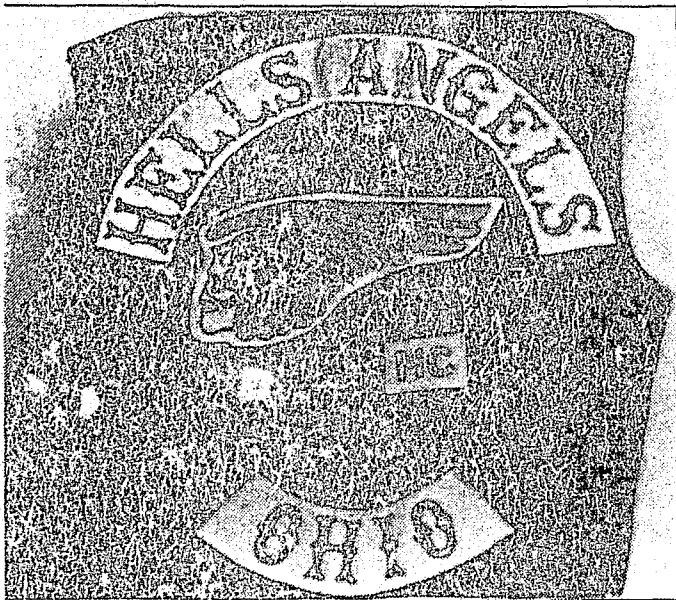
Brothers
Chain Gang
Hell's Angels
Rolling Thunder

TRUMBULL

Outlaws
Brothers Regime
Brothers of the Hammer
Afro Boys

WARREN

Journeymen



III. NARCOTICS

Trafficking in illicit drugs is the major source of income for organized criminal groups in Ohio and nationwide. The annual flow of illicit drug money in the United States was estimated to have exceeded \$79 billion in 1982. This figure indicates a substantial increase over the 1979 figure of \$64 billion and the 1977 figure of \$48 billion. This rise is primarily the result of increased trade in cocaine, marijuana and dangerous drugs where profit margins are very high. Cocaine sellers alone are believed to have obtained over \$35 billion nationwide in illegal drug profits in 1984.

To place these estimates in context, the drug traffic at \$79 billion is a little less than twice what Americans spend for alcoholic beverages (\$45.7 billion) and is more than three and one-half times the spending for tobacco products (\$20.7 billion). The flow of illicit funds in drugs is fast approaching what our society spends for motor vehicles and parts (\$89.7 billion) and for furniture and household furnishings (\$86.3 billion). This unregulated flow of cash is subsequently laundered through a variety of business and financial institutions and is quickly invested into the economy.

The consumption of illegal drugs in America is increasing dramatically. In 1962, less than four percent of the population had ever used an illegal drug. The National Institute on Drug Abuse reported in 1982 that 33 percent of Americans age 12 and older had used marijuana, hallucinogens, cocaine, heroin, or psychotherapeutic drugs for non-medical purposes at some time during their lives. More disturbing, perhaps, are the figures from a 1982 study that 64 percent of American youth tried an illegal drug before completing high school, and more than one-third have used drugs other than marijuana.

Equally alarming is the violence and secondary crime associated with illegal drug trafficking. It is estimated that more than 80 percent of heroin users engage in criminal activities, including robbery, burglary and prostitution, to support their habits. In 1983, the Department of Justice released a survey finding that 234 heroin addicts had committed more than 500,000 crimes over an 11-year period.

Taken together, these statistics establish that illegal drug trafficking results in enormous economic cost to society. In an attempt to quantify that cost, a study by the Federal Alcohol, Drug Abuse and Mental Health Administration concluded that the nation lost approximately \$59.7 billion in 1983 as a result of illegal drug abuse. One-half of the cost is attributed to lost productivity on the part of drug users. One-third of the cost, or almost \$20 billion, is crime related. This figure includes the cost to the criminal justice system and the private security business attributable to drug related crimes, property damage by drug users, criminal careers by addicts, and lost employment of crime victims. The estimate of total economic loss for 1980 was \$46.9 billion, or almost \$13 billion less than the figure for 1983. The increase in total loss over this three year period is a staggering 28 percent.

No separate figures currently exist on the economics of drug trafficking in Ohio. The size of the above figures, however, is adequate to establish that both the criminal profits and social cost of drug abuse in our state must be measured in the billions of dollars.

With the enormous volume of money involved, organized crime is inextricably tied to the traffic in illegal drugs. Having rejected its prior rule prohibiting involvement in narcotics, the traditional organized crime families are now deeply involved and operate sophisticated and powerful drug trafficking networks. On October 27, 1982, a federal grand jury sitting in Cleveland indicted six persons on charges of conducting a continuing criminal enterprise responsible for six murders, widespread drug distribution and other serious felonies. The indictment charged that the network was composed of Cleveland organized crime family members and a drug trafficking organization that worked in tandem with the family to control all illicit drug sales in the Cleveland area. The total membership of the organization was 76 persons. The indictment further charged that Angelo Lonardo avoided direct participation in the scheme by relaying his orders through Joseph Gallo and Thomas Sinito. All of the defendants were subsequently convicted and sentenced on October 11, 1983, to extended terms of imprisonment.

Drug trafficking is not limited to the traditional organized crime families. In the past 20 years, many new criminal organizations have accumulated vast fortunes and power through narcotics trafficking. These include Southeast Asian organizations, groups based in Mexico, Columbia, and the Middle East and outlaw motorcycle gangs. The distribution networks of these organizations all affect Ohio.

To maximize their profits, these groups involve themselves in the full spectrum of drug trafficking activities: they obtain drugs from sources around the world and arrange for their importation into the United States; they manufacture illicit drugs within the country; and they distribute drugs from the point of origin through the wholesale and retail levels. These organized crime networks are also involved in a broad range of financial activities as they manipulate the extensive profits of the drug trade.

As the scope of these activities imply, drug trafficking requires the collaboration of a large number of specialized individuals. Drug-related criminal networks have financiers, bankers, lawyers, logistics experts, exporters, importers, wholesalers and retailers. The organizations attempt to compartmentalize these various specialties to the greatest extent possible. In addition to promoting efficiency, compartmentalization protects the organization because few members are aware of all the others involved. Accordingly, the loss of any one member does not threaten the stability of the organization and the uppermost echelons are far removed from the "hands-on" trafficking activity that is most susceptible to discovery by law enforcement. The layers of insulation that compartmentalization provides make investigations of drug trafficking organizations difficult.

The drug rings operating in Ohio have received much attention from federal, state and local law enforcement agencies. While the actual number of illegal drug transactions in this state will never be known, statistics compiled by the Department of Justice establish that over 14,533 felony/misdemeanor drug arrests were made in Ohio in 1983. During the course of these arrests, law enforcement officials seized an unprecedented volume of controlled substances. The following accounts of law enforcement activities in Ohio illustrate the volume of drugs that enter this state.

In January, 1983, approximately one pound of heroin was seized at the Cleveland-Hopkins Airport by BCI, DEA, United States Customs Agents, and the Cuyahoga County Sheriff. These agencies intercepted a package containing a ski jacket that was addressed to an individual in Cleveland. The package had traveled from Saudi Arabia to Holland, to New York and eventually to Cleveland. During a routine customs search, the heroin was found concealed in the sleeves of the jacket. Sugar was substituted for the heroin and the package was placed under surveillance. The bundle was eventually claimed by an Arabian male, who was immediately arrested. The estimated street value of the heroin was \$1 million.

During December, 1983, an undercover purchase of one quarter ounce of cocaine resulted in a federal search warrant executed by the Cleveland office of the DEA at an address in Cleveland. During the search of the residence, \$77,000 in cash, seven pounds of cocaine, six rifles, two handguns and a loaded machine gun were seized. Thirteen people were ultimately arrested. The estimated street value of the cocaine seized was \$1 million.

Although there have been more interceptions, it is estimated that the majority of the illegal drug flow escapes detection. As a result, the drug rings in Ohio continue to operate and expand. Past estimates indicate that there may be as many as 10 to 12 separate groups controlling cocaine trafficking in southwestern Ohio. These groups are all representative of newly emerging groups that are not closely connected to traditional organized crime families. These groups are highly structured, own warehouses, and hire delivery people, sellers, bookkeepers and advisors. Testimony in federal court proceedings established that one of these groups has sent agents to Florida with a million dollars at a time to purchase cocaine. With this money, 20 kilos of cocaine could be purchased at the current wholesale price in Florida. By the time the 20 kilos were adulterated and processed for sale, the net weight would have grown to 80 kilos. On the streets of southwestern Ohio, the 80 kilos would be sold for \$8 million. This represents a \$7 million profit on a million dollar investment.

In addition to selling cocaine, these organizations have been known to profit from trafficking in marijuana. An organization active in southwestern Ohio is suspected of buying piers and warehouses along the east coast of the United States to store marijuana prior to shipment. During the past four years, this group is believed to have imported over 100,000 pounds of marijuana into Ohio. When sold on the streets of southwestern Ohio, this amount would yield \$60 million. This same organization is suspected of smuggling 15,000 pounds of cocaine into southwestern Ohio during the same period of time.

The Regional Enforcement Narcotics Unit, comprised of several law enforcement agencies in Hamilton County, has completed a number of successful operations aimed at interrupting the flow of narcotics into southwestern Ohio. In September of 1985, RENU, in cooperation with the DEA and the FBI infiltrated an established drug distribution ring transporting cocaine from south Florida to Cincinnati. On September 10, 1985, three suspects were arrested and have been indicted on both federal and state charges.

In November of 1985, RENU agents arrested five suspects involved in the distribution and sale of narcotics. Subsequently, a search warrant was executed at a business located in Hamilton County where bulk amounts of marijuana were seized. A shipment of cocaine valued at \$156,000 was also confiscated at the airport.

On October 21, 1985, RENU, in cooperation with federal, state and local law enforcement agencies arrested two suspects at the Greater Cincinnati Airport in possession of over 2 1/2 pounds of cocaine valued at \$116,000. One of the suspects, a Cincinnati area resident, was known by intelligence sources as a major local distributor of cocaine and domestic marijuana. The other, a resident of south Florida, is suspected by the DEA of being a financier of cocaine distribution capable of supplying multi-kilogram quantities from the Miami area. Both suspects have been indicted by a federal grand jury and are awaiting trial.

An Organized Crime Drug Enforcement Task Force was formed in November, 1983, to combat large-scale importation of narcotics and money laundering in the southwestern quadrant of the state. The task force consisted of units from six separate federal, county and local law enforcement entities. In one operation, the task force's efforts led to the interception in Louisiana of 46,000 pounds of marijuana intended for distribution in the Dayton area. One principal in the organization involved was later arrested in Dayton after selling 13 ounces of cocaine to an undercover officer. During the transaction, the principal touted his ability to distribute 50 kilos of cocaine a month. He also stated that he had saturated the Denver, Colorado area, and controlled cocaine distribution on college campuses in the same area. Financial records revealed that the individual had purchased large quantities of precious metal, and several parcels of land to launder his drug money.

Another organization investigated by the task force was found to have developed a major distribution network in both marijuana and cocaine. The group directly imported cocaine from Lima, Peru, in the form of cocaine base which was converted to powder in laboratories in Florida or southwestern Ohio. In addition to southwestern Ohio, its distribution network included Hawaii, California, Alaska, Colorado, Florida, Maryland, Panama, and the Cayman Islands. The organization's assets had grown so large that they found it necessary to buy a financial institution in California to launder and shelter their assets.

A third drug organization investigated was located in a rural area of Greene County and consisted of individuals importing cocaine and marijuana from the state of Texas. After they received the narcotics, it was distributed through several individuals in Montgomery County who had direct links to traditional organized crime figures. In the course of the investigation, \$150,000 in cash, 13 ounces of cocaine and 200 pounds of marijuana were seized and a principal of the operation received a long term of imprisonment.

In January, 1984, personnel from the Columbus Police Department, the Madison County Sheriff's Office, DEA and BCI executed a search warrant at a London, Ohio residence, for a suspected clandestine methaqualone laboratory. Beakers, tubing and glassware used in the production of methaqualone along with chemical precursors were found and seized at the residence. A DEA chemist indicated that there were enough chemicals to produce 50 to 100 pounds of methaqualone with an estimated street value of \$80,000.

An investigation of a large scale cocaine dealer in the Butler County area concluded in August of 1984. BCI agents assisted federal authorities and the Hamilton and Fairfield Police Departments in serving a search warrant at a Fairfield residence. Approximately one ounce of cocaine and processing equipment were seized. A suspect was charged with seven violations of narcotics statutes that arose during this investigation. It is believed that he had connections in Florida, where the cocaine was received. Approximately \$7,000 was seized when he attempted to send it to his source of supply in Florida. This network is suspected of dealing a kilo of cocaine in the Butler County area every two to three weeks.

In September of 1984, the Federal Drug Enforcement Organized Crime Drug Task Force, the Middletown and Springboro Police Departments, the Warren County Sheriff's Office, and BCI executed a search warrant at a Springboro residence. A clandestine laboratory used to synthesize psilocybin and LSD was discovered. More than 500 jars in various stages of LSD and psilocybin synthesis were confiscated. Additionally, one ounce of cocaine, three pounds of marijuana, two guns and one Ford van were seized. Approximately 500 jars and 100 pounds of rye, and formulas used in the synthesis of LSD and psilocybin spores were confiscated. Due to the various stages of the psilocybin and LSD synthesis, a conservative value of \$1 million was estimated.

In addition to the activities of the groups which import drugs into Ohio, another major enforcement problem in our state is the domestic cultivation of marijuana. The supply of "homegrown" marijuana on the illegal market has been steadily increasing. Domestic marijuana accounted for an estimated 15 percent of all the marijuana available in the United States during 1982. This is approximately double the estimated domestic marijuana supply in 1980. According to DEA, domestic marijuana cultivation in the late 1970's was primarily limited to a few states. By 1983, however, domestic marijuana was being seized by law enforcement agencies in all 50 states, mostly in small plots on privately owned land. During this period, Ohio became one of the leading sources of domestically grown marijuana in the midwest.

Much of this domestic marijuana is more potent, more expensive, and potentially more harmful to consumers than imported marijuana. Such high-grade marijuana is in demand and commands premium prices. The domestic drug brings prices of \$1,200 to \$2,600 per pound versus \$700 to \$800 per pound for Columbian marijuana.

Ohio has had considerable success in combating the cultivation of marijuana through an eradication program that is now in its third year. The Ohio Marijuana Eradication and Suppression Program is coordinated by BCI and involves federal, state and local law enforcement agencies. In 1985, 513 plots were eradicated and 11 greenhouses were raided. Over 42,000 plants were seized with an estimated value of \$42 million. There were 85 arrests. These figures represent the results from 68 Ohio counties which participated in the program or reported their own findings.

The impact of this eradication and suppression effort has caused marijuana growers to change their cultivation methods to make their plants harder to detect. Growers are shifting their operations indoors, breaking up outdoor crops into smaller plots, and using other techniques, such as camouflage nets, to conceal their crops. Growers have also resorted to alarms, attack dogs, booby traps and armed guards to protect their crops against poachers and law enforcement officers.

The seizure of an indoor hydroponic growing operation in Cleveland illustrates the degree of sophistication that can be achieved. This hydroponic laboratory was housed on three floors of a commercial building and had a constant flowing nutrient system piped from a 600-gallon tank. One floor, equipped with fluorescent lighting, was used as a starter area. The other two floors were for maturing plants and contained 50 high-intensity lights. Drug agents seized over

400 marijuana plants, dried marijuana from drying rooms, several trash bags of manicured marijuana, and \$50,000 worth of equipment at the facility.

According to DEA, individuals who are experts in such hydroponic plant growing are being recruited as consultants by other marijuana growers unfamiliar with such methods of cultivation. As growers resort to more of these indoor operations, the present eradication effort will lose effectiveness and greater use of traditional drug enforcement techniques, such as informants, will be needed to combat domestic marijuana production.

IV. TOXIC WASTE DISPOSAL

As a result of investigations in the mid-Atlantic states that began in the late 1970's, it has become apparent that organized crime groups have infiltrated segments of the hazardous waste disposal industry. Lured by the potential for large profits and the difficulties of regulating this activity, hazardous waste trucking and disposal operations controlled by organized crime have been identified in several states. Studies have found this involvement in New York, New Jersey, Connecticut, Rhode Island, Pennsylvania and Massachusetts, with suspected infiltration in Ohio, Florida, Delaware, Michigan and California. The extent of organized criminal activity in toxic wastes in Ohio is unknown. Ohio is the second largest generator of hazardous wastes in the country, however, and must be considered a prime candidate for criminal infiltration.

Organized crime is attracted to toxic waste disposal because of the large profits that can be made by avoiding the high cost of lawful disposal. Ten years ago, there were no laws regulating hazardous wastes in the United States. At that time, these health endangering materials were usually disposed of cheaply like ordinary trash. In 1976, however, this method of doing business was dramatically changed with the enactment of the Federal Resource Conservation and Recovery Act. Ohio passed similar laws in 1980. These laws made illegal hazardous waste disposal a felony offense. Because of the comprehensive regulatory schemes created by these laws, the cost of disposal for a waste-generating company increased overnight by a factor of 100 times or more. This increase makes cost conscious firms easy prey for criminal organizations which promise cheaper disposal.

If all hazardous wastes currently generated by Ohio companies were lawfully disposed, the cost would exceed \$1 billion a year. Studies indicate, however, that approximately one-third of the 150 million metric tons of hazardous wastes annually produced in the United States are being disposed of illegally. Applying this percentage to the cost of disposing of the hazardous wastes generated in Ohio establishes that the illegal market in hazardous waste disposal in this state exceeds \$300 million a year.

The most glaring example of criminal involvement in hazardous waste has been the Chemical Control Corporation of Elizabeth, New Jersey. This company was lawfully licensed to incinerate hazardous wastes when representatives of an

organized crime family based in New York City gained control over the facility in the late 1970's. Thereafter, drums containing a broad spectrum of toxic substances were indiscriminately stockpiled until almost 50,000 drums covered the site's urban location. No legitimate treatment or disposal process was applied to the waste. By avoiding the costs of treatment, several million dollars in profits were accumulated. When state officials discovered this dangerous situation in April of 1980, and filed suit to close down the site, it was destroyed in a fire that an informant later testified was arson. The result was a spectacular explosion that consumed 40,000 drums of waste. A toxic mist was spread over a 15-square mile area while thousands of gallons of toxic fluids escaped into the Elizabeth River that adjoined the site. Clean-up costs exceeded \$26 million in federal and state money. It is not yet known whether this incident had an adverse impact on the health of the surrounding population.

A second example of organized crime involvement in toxic waste disposal also comes from New Jersey. A hazardous waste disposal company in that state was infiltrated by a traditional organized crime family which deliberately modified the facility to cause millions of gallons of chemical wastes to by-pass the treatment apparatus and directly enter the local sewer system. The company never purchased the supplies and chemicals necessary for treatment and saved millions of dollars thereby. As in the previous example, the owners systematically siphoned off the company's assets and rendered it insolvent by the time state regulators intervened.

Investigators in the field of hazardous waste generally agree that the transportation of toxic substances is the cheapest and easiest way for criminal elements to become involved in the business. Ohio law requires only that a person desiring to transport hazardous waste fill out a one-page application and pay a fee of \$35 and \$3 per truck. Confidential informants have advised state agents that for the nominal cost of the license and one used semitrailer or tanker, an individual can gross over \$100,000 per year by transporting and illegally disposing of hazardous waste. The following are some, but not all, of the commonly used methods of illegal disposal:

- dumping into streams, lakes, ponds, ditches, and other waterways;

- dumping into sewer systems;

- dumping onto remote farmlands or other rural areas;
- abandoning drums of waste in warehouses, barns, or semitrailers;
- surreptitiously placing toxic wastes in municipal or private landfills; and
- mixing hazardous materials with substances such as waste oil or fuel oil.

These illegal methods of disposal are being used in Ohio today. In 1983, the state's first criminal hazardous waste prosecution involved a truckload of cancer-causing wastes that was intended for disposal in an unsecure private landfill. In addition, two semitrailers loaded with hazardous wastes were found abandoned in Ohio during the spring of 1985.

There are a number of clues suggesting that there already may be an organized crime presence in our billion dollar a year hazardous waste disposal industry. A BCI investigation of one of Ohio's largest illegal abandoned hazardous waste dumps revealed that one of the facility's owners had a direct connection to organized crime elements in Cleveland. According to an informant, money may have been provided to that facility through an associate of the late Danny Greene. Another owner of that facility was later convicted of criminal charges involving auto theft. This same individual is currently a registered hazardous waste transporter who operates a fleet of trucks stationed in Pennsylvania that regularly bring waste into another hazardous waste facility in Ohio. This second facility is owned by an individual with links to after-hours bars and strip joints in the Cleveland area.

Also supporting organized crime's involvement is information recently obtained by BCI which indicates that money used to finance a major drug transaction in northwest Ohio came directly from one of the operators of a large hazardous waste facility currently operating in that area.

BCI has investigated a series of incidents that involved abandoned drums of hazardous waste in parking lots in central Ohio and tied these occurrences to a local motorcycle gang. This pattern of illegal dumping abruptly ceased when the gang's leader was convicted on federal drug charges and sent to prison.

These examples suggest that organized crime groups in Ohio are profiting from dealing in hazardous wastes. The remaining questions are the extent of that involvement and its effect on the public health.

V. MOTOR VEHICLE THEFT

In recent years, the property crime of motor vehicle theft has increasingly become a serious problem nationally. Within the United States, the number of motor vehicles stolen annually has escalated to more than one million. The Uniform Crime Report, and the Federal Bureau of Investigation reported that 1,004,372 motor vehicle thefts occurred nationwide during 1983.

Statistics compiled by the Ohio Insurance Institute indicate that in 1983, 37,027 vehicles were stolen in Ohio. In 1984 this figure increased 7.9% for a total of 39,952 vehicle thefts in this state.

Motor vehicle theft was once an offense perpetrated by the young offender, who engaged in stealing cars for a "joy ride." Today, however, young offenders no longer comprise the majority of auto thieves. Instead, 58 percent of the car thieves today are over the age of 18 and make their living stealing cars. Today's professional thieves are different from the young car thieves of years past. Today's thief engages in highly organized auto theft operations that are among today's most lucrative criminal industries.

In Ohio, two major motor vehicle theft operations exist. The first type involves the theft of a car and subsequent sale to an unsuspecting consumer. The thieves are very knowledgeable in the marketing of particular kinds of cars. Statistics show that the most targeted vehicles for auto thieves include the following: Audi, BMW, Buick, Chevrolet Corvette and Caprice Classic, Ford Thunderbird, Lincoln Continental, Mazda, Mercedes Benz, Oldsmobile and the Pontiac Bonneville. Chevrolet and GM pickups appear to be the most frequently stolen trucks. Bumpers, fenders, doors, hoods and rear decks are the most sought after vehicle parts.

A second alternative involves the sale of stolen autos to illegal chop shops. A chop shop is a place where stolen vehicles are broken down or disassembled and the parts are then sold to either repair shops or innocent consumers. Two types of chop shop operations exist in Ohio, the first of which deals specifically in stolen auto parts. In this type of operation initial orders are taken for specific vehicle parts or for parts that repair shops need the most. A vehicle containing the

needed part is stolen and disassembled. Once the vehicle is broken down its unidentified parts are sold, and the parts bearing serial numbers are dumped. Because of the high cost involved in buying replacement parts from auto companies, repair shops have increasingly combed wreckage yards for their needed parts. Lately, however, in order to fill their large orders and to keep their prices competitive, repair shops purchase stolen vehicle parts from chop shop operations at one-third the cost from a legitimate source.

Cleveland, with the tenth highest auto theft rate in the country, is a major supplier of stolen vehicle parts throughout Ohio and in neighboring states. In each illegal operation, junkyard or salvage yard, an interstate communication system exists on which needed parts are broadcast. The interstate communication system allows stolen part suppliers to disperse their overstock to other yards outside of their area. Parts stolen in Cleveland have been recovered in Pennsylvania, West Virginia, New York, and recently in Canada. Stolen auto parts and autos from Ohio have been found in Virginia, Alabama, Tennessee, Kentucky, Florida, Missouri, Illinois and Indiana.

The second type of chop shop operation which takes place in Ohio involves both the disassembly and re-assembly of stolen vehicles. Under this type of operation stolen vehicle parts are interchanged and used to build complete new vehicles. These "new" vehicles are then sold to unsuspecting buyers.

Another technique involves the switching of vehicle identification numbers. Thieves buy unrepairable wrecked or burned vehicles from junkyards and remove the title and plates. They then exchange a stolen car's title and plates with the those from the wrecked vehicle, making the stolen car marketable.

Since 1983, Ohio law enforcement agencies have uncovered a number of motor vehicle theft operations in this state. The following examples illustrate the methods and variety of modus operandi.

- * May, 1983 - Cleveland - Three men were found to be a part of a large auto theft ring, which dealt with replacing stolen car titles and plates with those obtained from junked vehicles. The ring was also found to be involved in laundering titles and serial numbers to cars in other states--24 cars through South Carolina and 90 through Nebraska.

- * September, 1983 - Youngstown - The owner and mechanic of a local car lot were found to be operating a chop shop operation. Several stolen vehicles and a collection of stolen parts were seized by police from the shop's basement garage. Both men face one to ten year prison terms and/or \$5,000 fines for receiving stolen property.
- * February, 1984 - Toledo - Raids began on warehouses, garages and towing companies that law officers had under surveillance. As a result of the raids 29 stolen vehicles, titles from 200 cars and an array of auto parts were confiscated. The vehicles seized were from Michigan, Ohio and Tennessee.
- * April, 1984 - Lorain - After a nine-month investigation, police arrested two men in connection with the operation of a chop shop which dismantled stolen cars and sold the parts to unsuspecting customers. Because all of the cars found had been dismantled, the total number seized is unknown.
- * June, 1984 - Cleveland - A West Side towing and salvage lot was raided and \$200,000 worth of autos and auto parts was seized. Confiscated items included the following: six stolen cars, three with serial numbers removed; a trailer; two flat-bed trucks; an engine; seven motors and five transmissions.

A sophisticated motor vehicle theft operation used throughout Ohio as well as in other states is the "body swing" method.

The first step in this type of operation is the purchase of the frame, engine, transmission, title, identification number, plate and door with federal certification sticker from a late model luxury vehicle. Thieves then steal a vehicle of the same model. The stolen vehicle's frame, engine and transmission are removed leaving only what is referred to as the "shell." The purchased vehicle's shell is then removed from the car's frame by crane. The frame, the engine and transmission unit of the purchased vehicle are placed under and attached to the shell, the main body, of the stolen vehicle. Finally, false identification papers and a federal sticker are provided to make the stolen vehicle unidentifiable. Investigators have estimated that this entire operation takes only thirty minutes to complete from start to finish.

Within the State of Ohio, the number of autos stolen has decreased since 1979; however, the economic loss to the consumer and taxpayer because of vehicle theft has increased. Ohioans are affected both directly and indirectly by the economic cost of auto theft. Directly, the Ohio taxpayer is affected in one of two ways, either by the loss of his unrecovered vehicle, or by the expenses related to repairing the damaged recovered vehicle. In 1983 it was reported that the damage to recovered stolen vehicles was \$66.3 million, and the value of unrecovered stolen vehicles equaled \$60.3 million. Therefore, auto theft cost Ohioans more than \$126 million.

Many Ohioans are indirectly affected by auto theft by paying higher insurance premiums. These higher premiums are the result of increases in the comprehensive portion of an insurance policy. Insurance companies state that higher premiums are necessary to recoup their losses caused by auto theft.

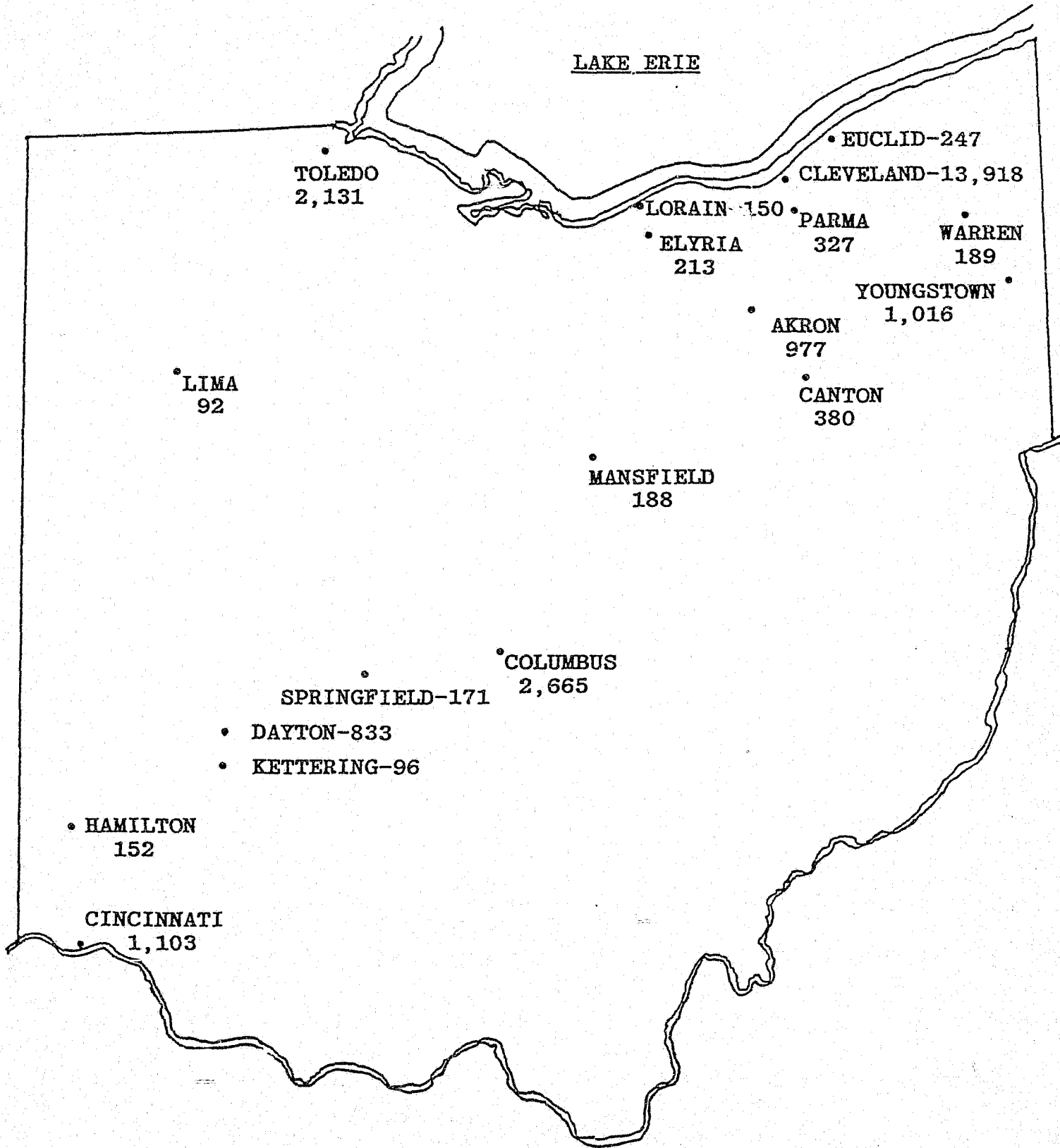
With the increase in the cost of today's automobiles these theft losses are quite high. For example, in Cleveland alone, 13,918 cars, were stolen in 1984. The total direct losses resulting from these thefts amounted to more than \$44 million. Because of these statistics, Cleveland car owners pay \$250 more a year for auto theft insurance than do car owners in other cities.

Other indirect costs which affect the consumer as a result of auto theft include the cost of law enforcement and court administration, property damage and injuries, the cost of anti-theft measures, victim inconvenience, and the cost of manufacturer security features.

Prior to the passage of the Ohio RICO legislation, Ohio law did not provide an effective means of dealing with professional auto theft. However, with the implementation of H.B. No. 5, effective on January 1, 1986, law enforcement agencies gained the ability to bring broadly based prosecutions against these operations.

In Ohio several theft prevention programs exist that have reduced the auto theft rate. Under the Ohio Highway Patrol's Blue Max program, each time a motorist is stopped, the serial number of his car is run through a computer to determine if the auto is stolen. Since its inception in January, 1972, the program has accounted for the recovery of 20,268 vehicles worth almost \$64 million, and the arrest of over 14,000 car thieves.

A LOOK AT MOTOR VEHICLE THEFT IN OHIO -- 1984



SOURCE: OHIO INSURANCE INSTITUTE'S SURVEY OF MOTOR VEHICLE THEFT IN CERTAIN CITIES IN OHIO.

VI. CREDIT CARD/BANK CARD FRAUD

In recent years, the public has increasingly demanded the convenience of charging purchases of goods and services on credit cards. Along with the increased use of credit cards, a new highly sophisticated variety of fraud has developed. Since 1983, each cardholder has paid the cost of this criminal activity in the amount of \$5.08 per account, a figure that is up from 98 cents per account in 1978. The fact that the loss per account rose over the five-year period reflects a 542 percent increase in fraudulent bank card usage during that time. By 1983, in the State of Ohio, Mastercard alone reported a loss of \$1.3 million to credit card misuse. This loss suggests that charge cards present a great opportunity for the development of organized criminal activities. The criminal activities, in turn, create difficulties for consumers, retail agencies, and financial institutions as well as law enforcement agencies.

Criminals use creative methods to organize their efforts in obtaining and misusing credit cards. People have been known to pose as bank examiners to gain access to credit cards. Cards may also be stolen directly by purse snatchers or by prostitutes who steal wallets from their patrons. Cards have been intercepted at the post office while they are enroute to homes or businesses. No matter what the method, the card is usually fenced and sold prior to being used.

In September, 1984 two individuals purchased a portable hair dryer from a store in Cuyahoga County using a VISA card under the name of an individual from New York. The next day they came back to the same store to purchase more merchandise. The owner of the store noticed that the same male as the day before was using a different name and I.D. The store owner alerted the Bedford Police Department and the two suspects were arrested for possession of counterfeit credit cards.

In November of 1984, the Cleveland Police Department arrested one of the previous suspects for possession of counterfeit credit cards. The arrest stemmed from information requested by the United States Secret Service. The USSS informed the Cleveland Police Department that a suspect who had been arrested previously for possession of counterfeit credit cards was staying at a local hotel using another credit card. After checking the credit card that was being used to pay for the hotel room it was determined that this card was also counterfeit.

The suspects advised that the credit cards they had in their possession were counterfeit and had been obtained in New York City. They had come to the Cleveland area from New York to furnish a family member's apartment. They bought the counterfeit cards as part of a package (credit card, New York license and two ID's) for \$200. The suspects had a total of 18 counterfeit cards in their possession. At the time of their arrest they had used the cards to purchase merchandise worth over \$4,400.

Another type of credit card fraud takes place when store owners, employees or customers collect charge numbers from the carbon paper discarded after credit card transactions. In Ohio, the numbers obtained from the carbons have then been used to place large orders with airlines or mail order agencies. Upon delivery, the items in the call-in orders are sold below cost; the responsibility of payment, however, has been passed off to the unsuspecting card holder.

A third type involves the falsification of information initially gathered during the credit card application process. Fictitious names and addresses enable the purchaser to order large amounts of consumer products from retail or service merchants. After the products are delivered, those people who placed the initial order move prior to the collection of the bill.

These activities violate Revised Code Section 2913.21, which sets forth several prohibitions with respect to misuse of credit cards. A person may also be charged with 2913.41, Defrauding a Livery or Hostelry, if he uses the fraudulent card in renting a motel, hotel, inn or campground. The hiring of an aircraft, motor vehicle, motorcycle, motorboat, sailboat, camper or trailer, with the intent to defer payment by using a bad credit card is also illegal. If a person forges the signature of another when using a stolen credit card, he may be charged with forgery under Section 2913.31. It may also be possible to prosecute violators under the state or federal Racketeer Influenced and Corrupt Organization Acts.

Although a variety of avenues exist in prosecuting the user of a fraudulent charge card, law enforcement officers face several problems in the investigation of such crimes. Stolen cards are often transported over long distances making it necessary to involve several jurisdictions in the prosecution.

If carbon copies of charge purchases are taken from trash cans or if the card is stolen prior to home delivery, there is no way for the rightful owner to know if the card is missing or or that the number is being used in a fraud. Days or weeks may pass before a bill is received. Because of the time lapse between the illegal charge and the mailing of the first bill, the persons initiating the fraud have time to relocate or destroy evidence.

Investigation and prosecution of credit card fraud is difficult. This is especially so when criminal organizations which have virtually limitless financial backing are involved. The banking industry is currently striving to create new technology that will minimize criminal activity. However, this is difficult when criminal organizations are also studying new technology development.

VII. GAMBLING

In Ohio, gambling or games of chance continue to provide organized crime groups with one of their largest sources of revenue. The major gambling games operated by organized crime in Ohio are sports betting, numbers and casino gambling. Estimates on the amount of money bet and the number of people participating are too varied to be of use. Almost all sources in Ohio law enforcement agree, however, that sports betting provides the bulk of organized crime's gambling revenue, followed by numbers and illegal off-track betting. Casino-type gambling, which consists primarily of the game of craps and blackjack, is possibly the smallest activity.

The manufacture and distribution of electronic gambling devices is also known to be controlled by organized crime. In order to avoid interstate violations, these machines are frequently shipped into Ohio in legal form. Conversion kits are then used to change them to illegal games of chance. The Ohio Department of Liquor Control seized 183 such machines in 1984 and 152 through October of 1985. At a conservative estimate, these machines have a value of over a million dollars.

Organized crime's influence over gambling operations, whether through direct control of a particular game or by extorting a cut of someone else's operation, is pervasive. Organized crime's control over gambling is maintained by violence, when necessary, but is usually guaranteed by providing the services that street-level operators need to survive. These services include physical protection from competitors, "layoff" or sharing of risks, and legal assistance in the event of arrest.

Without a larger organization for support, independent operators would have difficulty running profitable games. One longshot can wipe out an entire bankroll. Heavy betting on one team could force an operator to change the odds or refuse to accept new wagers, moves that are very unpopular with customers. With the backing of a larger organization, street level operators can balance their books by laying off bets with other bookies or with organized crime's bankers. They also have a ready, although expensive, source of credit. In return for these services, organized crime extracts a sizeable share of the take at little risk of prosecution because its top managers are not involved in street-level operations.

Organized crime involvement is not limited to illegal games. It has infiltrated legal sports such as horseracing and legal charity games such as bingo. Organized crime has been known to pay off, for the use of its name, a legitimate organization such as a church, that is permitted by law to operate charity games.

In central Ohio bookmaking is the largest illegal gambling problem. Bookmakers take bets on race track events, and sporting events like football, basketball, and boxing. To maintain security, some bookmakers change locations frequently, often monthly. Many use a system in which the bettor calls an answering service or answering machine and leaves his number. The bookmaker returns the call, and the bet is placed. Bets are usually written down, but may also be tape-recorded by a machine attached to the phone in order to avoid any discrepancies over the arrangements that actually transpired over the phone.

The bookmaker usually employs clerks and "sheetwriters" or "runners." The clerks handle the telephone, record the bets, and figure out the daily finances. The runners contact the bettors to collect losing bets or distribute winnings.

The size of these operations can be staggering. In November of 1982, law enforcement agencies in the Summit-Stark County area concluded a six-month investigation of one of the largest bookmaking operations ever uncovered in northern Ohio. The investigation was coordinated by the Summit County Sheriff. One hundred thirty officers from a four-county area, along with investigators from BCI, executed seventy search warrants over a two-day period. One million dollars in cash and Gold Krugerrands were seized, along with thirteen luxury vehicles and small amounts of illegal drugs. Twenty-eight bookmakers in a four-county area were prosecuted.

The bookmaking operation, centrally located in an exclusive apartment complex was large enough to require two separate rooms. Wagers up to \$3,000 were accepted in one room, while wagers up to \$5,000 were accepted in the other. Records seized during the raids showed that one businessman-client wagered over \$100,000 in a single day. The IRS subsequently levied assessments of \$463,000 on each of the five principals involved.

In November, 1984, investigators raided a million dollar football gambling operation in Mansfield. The investigation revealed that area residents were spending at least \$100,000 a week betting on professional and college football games. Over

a 16-week professional season and a 10-week college season, the investigators determined that the operation turned an estimated \$3.5 million in wagers.

In 1984, investigators in the Akron-Canton area linked a major gambling operation to several organized crime figures. The suspects were involved in a gambling operation that accepted football bets totaling more than \$325,000 during a 23-day period before the January 23, 1984, Super Bowl football game.

The numerous bookmakers in central Ohio operate independently and are not controlled by any single criminal organization. In order to operate successfully, however, these bookmakers cooperate with each other through lay-off bets with other large cities within the state and other states that are controlled by the organized crime families. Over the past several years, the Columbus Division of Police has kept constant enforcement pressure on bookmakers resulting in fines and short jail sentences, but since bookmaking is so lucrative, the sentencing has had little or no deterrent effect.

During the last four years, the largest bookmaker in central Ohio, Frank L. Hook, has been convicted three times in local courts for illegal gambling. These convictions have resulted in large fines and a 90-day jail sentence. The latest conviction, in which Hook was fined \$5,000 and sentenced from 2-5 years, has been overturned and is scheduled to be re-tried.

In 1983-84, the Columbus Police Department's Vice Bureau, with the assistance of the Organized Crime Bureau, investigated numerous other illegal gambling operations. During this time period, 18 search warrants for illegal gambling were executed. Of those raided, eight operations had the capability of laying-off bets with other cities in Ohio including Cleveland, Youngstown, Canton, Dayton, Zanesville, Mansfield and Portsmouth. The operations ranged in size from 30 to 80 customers and accepted wagers in the amounts of \$50 to \$5,000 per sporting event depending on the credit line of the bettor. It was estimated that these eight operations handled between \$10,000 to \$25,000 on weekdays and \$25,000 to \$75,000 on weekends, depending on the sport being played at the time and the number of events per day. No evidence was uncovered to demonstrate whether these operations were controlled by any syndicate or organization. However, it appears that all of these operations existed through accepting lay-off wagers among themselves.

Illegal gambling operations in Ohio have been tied to a nationwide gambling network. On January 18, 1985, the FBI served search warrants in Columbus and in Centerville and West Carrollton, in Montgomery County. Phone banks, gambling records and small amounts of cash were seized. The telephones had a 20 number memory capability. The numbers entered into these phones were traced to Las Vegas and Atlantic City, New Jersey.

All of these searches stemmed from a federal wiretap being conducted by the FBI in Las Vegas. Eighteen FBI offices in 15 states simultaneously served search warrants on several locations like the four found in Ohio. The entire operation resulted in the seizure of over \$1.2 million in cash.

VIII. PROSTITUTION

Prostitution continues to be a highly profitable activity for organized crime. In a variety of forms, it is present in both urban and rural areas of Ohio.

The most organized of the prostitution rings is a 26-state national prostitution circuit, which includes a stopover in Columbus. Prostitutes who work this circuit book into brothels for several weeks before moving on to another city. On the circuit, the prostitutes make between \$500 to \$2,000 per week with a basic minimum fee going to the house and its operator.

Another type of major prostitution circuit existing in Ohio can be found at truck stops located on major interstates. This circuit principally operates around the truck stops adjoining Interstates 76, 71 and 80 in Richland, Medina, Mahoning and Ashland counties. Officials in these counties believe that most of the prostitutes involved are from the Akron area.

Examples of local prostitution operations in Ohio are documented by enforcement actions from the area surrounding Dayton. Currently, within Montgomery County there are six massage parlors/social clubs in operation. Seven other massage parlors have been permanently shut down or are closed pending appeals. A sampling initiated by law enforcement officials found that one of these businesses takes in over \$180,000 a year. In addition, the women working within these parlors make between \$300 to \$800 weekly.

Within the last year, law enforcement officials in Montgomery County have become aware of what is called the "second generation of massage parlors." These are nothing more than phone rooms for outcall services for nude female or male photography and dancing. Upon a customer's request, "models" are dispatched by phone to the customer's location. The minimum charge for the services rendered is usually \$50 an hour, with any additional activity negotiated between the model and the customer. Present investigations reveal that these outcall services gross between \$80,000 to \$500,000 a year, with the models annually grossing \$50,000 and more. This type of business, unlike the earlier massage parlors where the customers frequented one permanent location, not only minimizes costs and maximizes profits, but also makes investigations difficult because calls to the phone room can be forwarded at anytime to another location.

The Special Operations Strike Force Unit of the Cleveland Police Department has been actively investigating prostitution activity and prostitution complaints since 1980. The Unit has averaged about 950 prostitution related arrests during each of the last five years. The majority of those arrested were females working as prostitutes on the street. Almost all of these worked for pimps within the city. At times, groups of girls are known to leave with their pimp and travel to other cities for a period of time and then return once again to work the streets of Cleveland. These groups frequently travel to Atlanta, Detroit, Atlantic City, New York and occasionally Miami. The Unit has also investigated several lounge bars within Cleveland. Many prostitution arrests have been made at bars such as Stage Door Johnnies, Madames Place, and theaters like the New Era and the Vegas.

The women charged with the crime of soliciting usually move on to another state or to another city within Ohio to avoid prosecution in our court system. It has been noted that while in Cleveland, all the prostitutes are represented by the same attorneys as well as bondsmen--even though they arrive from different cities and states.

In Ohio, as in other states, motorcycle gangs are heavily involved in prostitution. The Outlaws, for example, employs its female members in bars, massage parlors or on the streets. A percentage of the money collected for services is turned over to the treasurer of the chapter.

Although many people consider prostitution to be a harmless vice, it should be noted that prostitution is a significant source of funding for organized criminal activities. Moreover, the business of prostitution has a significant impact on our public welfare system. Prostitutes apply for welfare by claiming to be unemployed, when in fact they are actively involved in criminal activity that provides them with a substantial income. Recently, for example, 12 streetwalkers in Montgomery County were indicted for welfare fraud in a scheme which defrauded taxpayers of \$100,000.

IX. ARSON

Arson is one of the most difficult crimes to prosecute. In many criminal acts, such as robbery, murder, and rape, there is no doubt that a crime has been committed. The questions that follow are who did it, how was it done, and why was it done? With arson, it is first necessary to prove that a fire was intentionally set and a crime committed before these other questions are answered.

Thousands of fires occur each year in Ohio and to determine the cause, most fire departments routinely examine the scene. Finding the cause is a time-consuming process made more difficult by the fact that the fire destroys evidence. Additionally, the methods firefighters use to put out a blaze disturb evidence. A painstaking search of the premises will reveal the cause of the fire and, in most cases, takes much longer than the task of actually extinguishing the fire.

No stereotypes exist to describe the arsonist who may come from any social stratum. Arsonists may be small businessmen, members of organized criminal groups, welfare recipients, pyromaniacs, vandals or revenge seekers. Since no stereotypes exist for arsonists, investigations are difficult. Arson investigators are fortunate when revenge motivates the person who set the fire because an overt indication before the illegal act may give clues as to who did it. In arson for profit cases, the owner of an establishment is not always directly involved in setting the fire. Professional arsonists operate either in arson rings or individually and use sophisticated techniques. On the other hand, amateurs may also do a crude but effective job.

Organized criminal networks appear to exist in Ohio that acquire establishments with financial problems or in deteriorated structural condition through cover holding companies. After the networks have taken out substantial insurance on these establishments, they arrange for an arsonist to set a fire. Fire for profit occurrences have taken a strong upward swing in recent years. The temptation to burn a failing business and claim insurance is strong, particularly if detection and prosecution are unlikely.

There is a common misconception that arson is exclusively a "white collar" crime. However, arson may be a cover for other criminal activity, such as murder, theft, embezzlement, revenge, or a family feud. Arson may also be a cover for vandalism; it may be gang initiated, or just compulsively engaged in for no apparent reason other than the arsonist's overwhelming desire to do so.

Over the years several groups have emerged on the scene that appear to deal specifically in arson. They frequently have connections in the Middle East, Greece and India. Motorcycle gangs have also been involved in this activity. These groups are known to spend \$50,000 to \$75,000 for a small "Mom and Pop" store in an urban area. They insure this business for \$150,000 to \$200,000. After a period of time this building burns down. Three to four weeks before the fire occurs the owner of the establishment may aggravate a local resident to the point of starting a fight that is written up in a police report with the innocent resident as the cause of the fight. When the fire destroys the building, the owner may publicly recall the staged fight to make outsiders believe the fire was revenge.

The insurance profits from this crime have been used to buy weapons at local gun shows throughout the state, which are then shipped overseas to Middle Eastern countries. It is suspected that once overseas, the guns are traded for drugs which are returned to the U.S. for even greater profit.

Everyone in this state is a victim of arson since innocent citizens must absorb the cost of these fires. Out of every \$1 spent on fire insurance, 33 cents goes to cover the cost of arson.