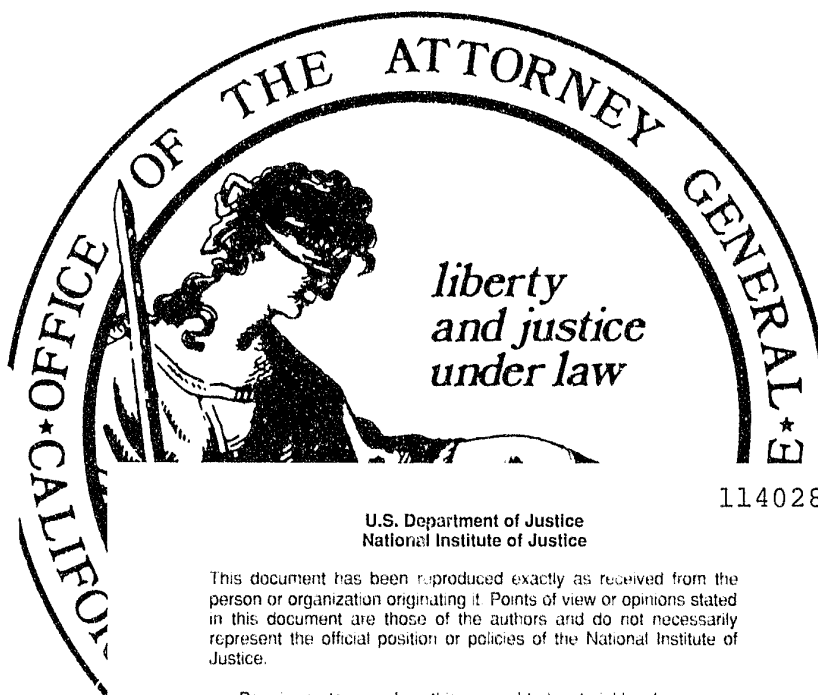


Organized Crime in California 1987



U.S. Department of Justice
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NOTIONS

Annual Report to the California Legislature

Prepared by the Bureau of Organized Crime
and Criminal Intelligence (B.O.C.C.I.)
Department of Justice; State of California

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ORGANIZED CRIME IN CALIFORNIA
1987

This report of organized crime in California is submitted in compliance with Government Code Section 15028 requiring preparation of an annual report to the Legislature. As always, readers of the report should understand that it is presented only as our best estimate of the problem. The covert nature of organized crime makes it impossible to provide hard, statistical data on the full range of activities in California. The information that forms the basis of these assessments and forecasts was gathered both from public documents and from confidential law enforcement sources. It is, by definition, fairly subjective in nature.

This report covers a wide range of organizations and activities that may not always conform to the public's image of "organized crime." As a law enforcement issue, however, organized crime is a much broader proposition than machine-gun wielding mobsters from Chicago.

Any highly organized group of individuals that engage in criminal activity poses special problems for law enforcement. A tightly structured auto-theft ring is as different from individual teen-aged joy-riders as the Medellin Cartel is from a random collection of street-level drug pushers. Some kinds of organized criminal activities are more damaging to society than others. But all rise to a higher level of law enforcement concern than the isolated acts of individual criminals.

Because organized crime in this country has developed, almost without exception, along racial or ethnic lines, it is impossible to accurately describe the problem without repeated references to that fact. As a result, virtually every citizen of California will find citations in this report of specific organized crime groups and activities associated with his or her own community. These citations are for purposes of identification and analysis only. They do not in any way reflect judgments on entire groups of people.

It goes without saying that the overwhelming majority of Californians, of every racial and ethnic group, have no connection whatever with organized crime. This report, however, deals with the miniscule but very troublesome fraction that do. It is presented for the purpose of informing all our citizens about the status of organized crime in our state and law enforcement efforts to combat the problem.

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SUMMARY OF 1987 HIGHLIGHTS

Emergent Organized Crime Groups: Domestic Street Gangs

- o The criminal activities of black street gangs exploded in 1987, with close to 300 gang-related homicides in the Los Angeles area alone. Many of the victims were innocent bystanders. Narcotics trafficking was blamed for most of the increased violence.
- o Some of these gangs, especially the Crips and Bloods, have transformed themselves into well-organized networks. They are heavily involved in narcotics distribution and their operations, once strictly local, are spreading into other cities and other states.
- o Members of street gangs are being recruited into more sophisticated organized crime groups, like the Wah Ching, which originated as a street gang. Law enforcement authorities are concerned that such contact will hasten the maturation of more street gangs into sophisticated criminal organizations.

Emergent Organized Crime Groups: International Networks

- o International organized crime groups based in Asia and South America are among the most sophisticated criminal groups active in California today. Their influence and power -- largely underwritten by heroin and cocaine trafficking -- is buttressed by money laundering, real estate and business investments.
- o The most important international groups operating in California are the Medellin Cartel, based in Columbia; triads based in Hong Kong and Taiwan; and the Yakuza, based in Japan.

Other Non-Traditional Crime Groups

- o Thirty-nine members of the Hells Angeles motorcycle gang were arrested in a massive sweep by state and federal law enforcement authorities. But other, less publicized motorcycle gangs, run criminal operations that rival those of the Hells Angels, so there may not be a significant abatement of criminal activities associated with outlaw motorcycle gangs as a result of the arrests.
- o Prison gang members attacked correctional facility staff -- even off facility grounds -- suggesting a prison gang effort to coordinate assaults on staff.

Traditional Organized Crime

- o The Southern California Crime Family was seriously weakened by the indictments of its leaders and many of its key members.
- o Traditional organized crime families based on the East Coast continued their involvement in California businesses, particularly the pornography and record industries.
- o Violence within California's pornography trade might occur as it has elsewhere in the country as a result of disruption in a leading pornography distribution operation.

Criminal Extremists

- o White supremacy groups were targets of aggressive law enforcement efforts throughout the country, resulting in indictments, trials, and convictions of many key figures in the movement, including a Californian.

PART I — EMERGENT ORGANIZED CRIME GROUPS

For many people, the image of organized crime is frozen in the era of prohibition. Traditional mafia "families" are the central figures in that drama.

For California law enforcement in 1987, however, the picture looks quite different. Traditional organized crime is, in some respects, the least of our worries. The most troubling developments in organized crime are the transformation of domestic street gangs into huge, violent networks with major drug connections, and the growing presence in California of major international networks based in Asia and South America.

In 1987, the extent and scope of street gang crime in particular appeared at times to overwhelm local law enforcement resources. In spite of police crackdowns, prosecutorial diligence, and a strong community response, street gang activities -- particularly narcotics trafficking -- continue to overrun neighborhoods in some of California's cities and threaten community security and well-being. Even more alarming is the emergence from among the old-fashioned street gangs of some new and very dangerous forms of organized crime. Emergent groups can be hierarchical or relatively unstructured, firmly established and methodical or undeveloped and volatile. But what the emergent crime groups have in common are increasing sophistication, predatory greed, and a ruthless willingness to use violence and intimidation to achieve their aims.

Domestic Street Gangs: Introduction

Street gangs of various kinds have existed in California for generations. While some gangs have always posed serious local law enforcement problems, most have been loosely structured and without clear leadership. But some gangs, especially the Crips and Bloods, have undergone a dramatic and dangerous transformation in recent years. They are becoming increasingly organized, and are establishing elaborate, extensive crime networks. They are also heavily involved in wide-scale narcotics trafficking, bringing violence and crime into ever-expanding geographical territories.

A significant number of young men and boys in California's urban areas are involved in street gang activities. For example, Los Angeles police officials estimate street gang membership to be between 50,000 and 70,000 county-wide; San Diego officials have documented more than 1,600 gang members; and Sacramento officials estimate that more than 2,000 street gang members are active in the area.

Not all street gangs are directly involved in criminal activity. Nevertheless, many gang members and associates are juveniles learning a way of life that unfortunately is preparing them to spend adulthood as career criminals. Furthermore, sophisticated organized crime groups often recruit from among street gang members -- a process that can quickly transform neophyte gang members into hardened felons. Consequently, the large numbers of young people now involved in gang activities may mean an increase in the number of adult offenders in the future.

Street gang violence in California is widespread and on the rise -- and claiming its victims from innocent bystanders as well as from the ranks of

gang members themselves. In fact, police sources estimate that in the past decade, half of the 2,000 people killed in gang-related violence in Los Angeles were just that: innocent bystanders. Robbery victims. Citizens just standing on street corners. People who became victims of gang-related violence -- without having the slightest gang involvement themselves.

In 1987, the level of street gang violence increased: According to police authorities, gang-related homicides hit a record in the city and county of Los Angeles with 387 persons killed compared with 205 in 1986. Between 1984 and 1987, gang-related homicides in Los Angeles County rose by 83 percent.

With the gang activity no longer confined to the Los Angeles area, cities in the Northern portion of the state are faring no better. In Oakland, police report that the number of killings linked to drugs in their jurisdiction rose from 36 in 1986 to 66 in 1987 -- an 83 percent increase in just one year. Sacramento reported a total of 65 homicides in 1987, with 45% attributed to gang or drug-related activities, according to local police.

Increased competition in the lucrative drug trade is seen as the reason for the soaring rate of gang-related homicides throughout the state. But gang activities are not limited to narcotics and murder. Street gang members were also arrested for a wide range of other serious crimes in 1987: witness intimidation, threats against law enforcement officials, burglary, auto theft, extortion, robbery, and weapons violations.

Large sums of cash, expensive cars, and stolen property were confiscated during many of these arrests, along with large quantities of cocaine. But of even greater concern to law enforcement officials were the weapons that

were routinely seized from street gang members. Weapons ranging from handguns and semi-automatic weapons to the more sophisticated Mac10s, AK47's, Laws Rockets, sawed-off shotguns, and Uzi machine guns -- fully automatic weapons which have the capability of firing 30 rounds in six seconds -- were confiscated.

In 1987, California law enforcement tried to stem this growing tide of street gang activities with multiple task forces, specialized gang units, bilingual officers, and concerted efforts to enforce curfew. Law enforcement agencies also supported a variety of community education and awareness programs to combat the growing street gang problem. However, in spite of these enforcement activities, the street gang crime problem seemed to escalate, rather than abate, last year.

California's street gang membership is generally organized along racial or ethnic lines. Traditionally, these gangs operated only in their own neighborhoods, but that is no longer automatically true. For example, cities with no history of local gang problems have begun to experience serious criminal activity by Los Angeles-based gangs.

Crips and Bloods

The great majority of violent, gang-related crimes in California are committed by black street gangs, primarily the Crips and the Bloods. In 1987, these gangs showed more and more of the sophisticated tactics and structure characteristic of traditional organized crime groups. To insulate themselves from prosecution, black street gang leaders often directed subordinates to assume the risk of committing crimes on the leaders' behalf, resorting even to the recruitment of children as young as 10 to serve as

runners of drugs and weapons. Modern weaponry and equipment, such as telephone pagers to announce drug shipments and signal danger, were used to streamline their criminal operations.

Although the lawlessness and violence of street gangs are deplored by most citizens, the trappings of prosperity, such as gold jewelry, designer accessories, and new cars flaunted by many gang members are, for some, symbols of achievement in an otherwise bleak world. Gang membership also confers a type of social status and respect on the street and inspires loyalty among fellow gang members. For many youngsters, not even the fearsome risks of violent death or debilitating drug addiction are sufficient to tarnish the allure of the gangs.

The Crips and the Bloods, formed in the late 1960's and bitter rivals, are among the most violent of the Black street gangs and constitute the major force in rock cocaine trafficking. There are about 15,000 members of the Crips and Bloods in Los Angeles and surrounding areas. Approximately 250 of these gang members have been moving to other areas and recruiting new members in cities throughout California and outside the state.

In 1987, Crips and Bloods' operations mushroomed into new territories, in part because a quantity of rock cocaine that sold for \$25 in Los Angeles could be sold for as much as \$80 elsewhere. Crimes attributed to these gangs, once primarily limited to the Los Angeles area, were reported in cities throughout the state and outside of California. By the end of 1987, the list included San Diego, Los Angeles, Sacramento, Fresno, Bakersfield, the San Francisco Bay Area, and locations in eight other states. Figure 1

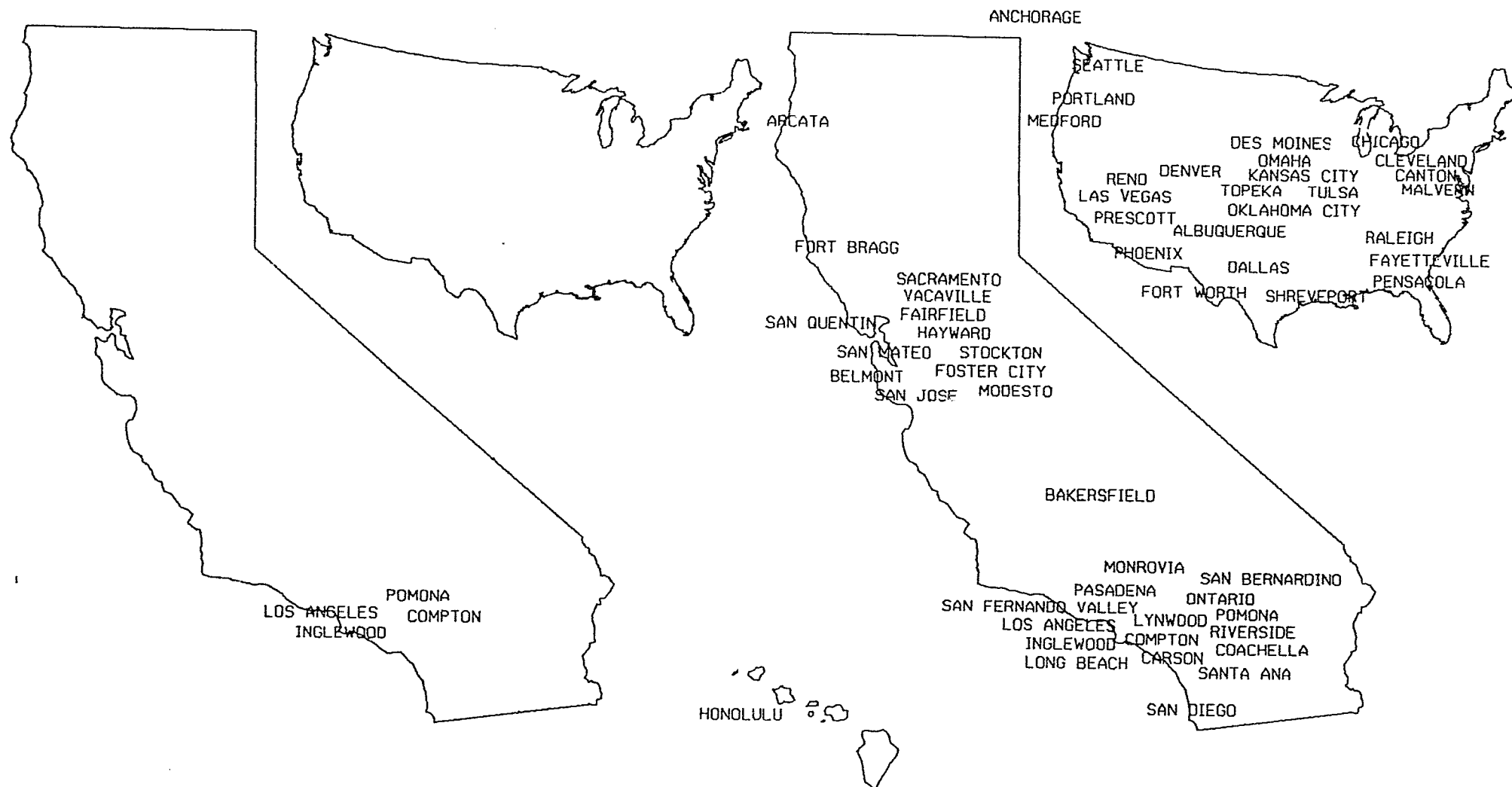
on the next page depicts the nationwide expansion of rock cocaine trafficking activities by Crips and Bloods' from 1981 to the present.

Examples of gang-related criminal cases involving Crips and Bloods in 1987 include:

- o In June, 20 members and associates of a Los Angeles-based Crips gang, including Frank A. Brown, Jr., leader of the group, were indicted on fourteen counts for their roles in a San Diego rock cocaine operation that grossed \$10,000 to \$12,000 per day. The suspects were also linked to eight homicides and 55 shootings. Three automatic weapons, 13 handguns and rifles, and a sawed-off shotgun were seized in the raids. Brown, who had been a fugitive for six months following the federal indictment, was arrested by the San Joaquin Sheriff's Department in December and is currently awaiting trial.
- o Darrel Washington, a Crips associate, was arrested for the July murder of Chester Dilworth in Sacramento. Police believe the incident was drug-related. Washington was also wanted in Los Angeles on narcotics charges. The preliminary hearing is scheduled for 1988.
- o In October, Playboy Gangster Crips members Shawn Christopher "Criminal" Boykin and Andre "Psycho" West pled guilty to second-degree murder in the 1986 killing of a former Fairfax High School student. The victim had been shot in the back in a dispute over use of a public telephone at the Los Angeles school. West also pled guilty to unrelated 1986 robbery charges. Sentencing is scheduled for 1988.

CRIPS AND BLOODS

ROCK COCAINE NETWORKS



1981

1988

o In November, twelve suspected Bloods associates were arrested on charges of using a Sacramento bail bond company as a front for a major rock cocaine distribution network. Among those arrested was Dwayne Neal, an alleged principal in the business. Neal was arrested on charges of possessing narcotics and receiving stolen property and was sentenced to three months in jail.

Wah Ching

The Wah Ching is a vivid example of the new kinds of organized crime networks that can emerge from street gangs. It began in San Francisco as a violent street gang, formed to protect its foreign-born members against attack by American-born Chinese. The Wah Ching rapidly evolved into a sophisticated and formidable organized crime group with international ties to triads based in China and Hong Kong. Its members and associates in California are estimated to number 600.

Like their allies among the triads, the Wah Ching is active in gambling, prostitution, extortion and narcotics enterprises. Their operations have also grown to include legitimate holdings in real estate and the entertainment industry. During 1987, the Wah Ching continued to be heavily involved in pai gow gambling in California : thirty-seven Wah Ching members helped run pai gow at 13 card clubs in California.

Organized crime experts believe that the Wah Ching has the potential for significant expansion in the coming year. The use of Viet Ching enforcers (see below) could strengthen Wah Ching footholds elsewhere in the U.S., and allow them to become the most powerful Chinese organized crime group in the United States.

The following 1987 cases are linked to the Wah Ching:

- o In January, suspected Wah Ching associates Duc Phuoc Chau and Hung Minh Le were arrested in Boston for a 1985 attempted murder in San Francisco in which the victim was allegedly beaten then shot four times. Both pled guilty.

- o Between February and June, police raided 10 illegal pai gow gambling dens operated by the Wah Ching in San Francisco. Three hundred persons were cited, and \$40,000 in cash was confiscated in these raids.
- o In May, Dennis Chan Lai, a suspected Wah Ching associate, was arrested in San Francisco for running a ring that sold cocaine through prostitutes. Lai was charged with 40 crimes involving drugs, weapons and tax violations. He faces ten years to life in prison if convicted on all charges. Five suspected confederates were also arrested. The indictment against Lai also alleged that he had ties to New York organized crime figures and that he used Chinese youths to help distribute cocaine and collect debts. Trial is expected to begin in 1988.

L.A. Boys, Modern Kicks, Commercial Street Boys, and Vietnamese Troublemakers

Gang membership and names of gangs composed primarily of Vietnamese youths often are transitory, making identification by gang affiliation difficult. But several gangs are known to law enforcement -- L.A. Boys, Modern Kicks, Commercial Street Boys, and Vietnamese Troublemakers. These street gangs, estimated to have 500 members in California, are violent, loose-knit crime groups that are highly mobile and motivated by greed. Gang members' illicit income is often spent on gambling and drugs for personal use. In 1987, the most common types of crimes committed by these gangs were property crimes, primarily auto theft and burglary. But gang members also committed numerous violent residential and commercial robberies, during which automatic weapons, sawed-off shotguns, and knives were often used. Unlike auto thefts and burglaries, gang robberies were typically committed against other

Vietnamese. Many times, gang members traveled to distant communities to commit such crimes.

Other crimes attributed to these street gangs in 1987 included homicide, narcotics violations, extortion (usually of Vietnamese community businessmen whose lives were threatened), and illegal pai gow gambling.

Examples of 1987 street gang activities include the following:

- o In January, two gunmen and three or four accomplices robbed a San Carlos food distributing company of \$12,000 cash and frozen food valued at about \$100,000. The robbers also stole a truck. The suspects blindfolded, bound, gagged and threatened to kill their victims.
- o Also in January, Tieng Van Huynh, of Sacramento, Tuan Ngoc, of San Jose, and Qui Van Nguyen, of Dodge City, Kansas, were arrested by police in Pleasanton for auto theft. This case is still pending.
- o In February, two gang members, Diep Luong and Trung Van Ho, pled guilty as accessories to murder in the Stockton 1986 Halloween slaying of Bobby Caver, age 14. They received relatively light sentences in return for their testimony against two other gang members charged with murder: eighteen-year-old Thanh Quoc Nguyen, found guilty and sentenced to 15 years in prison, and 16-year-old Thanh Huu Nguyen, still awaiting trial.
- o Also in February, two gang members, Duoc Van Nguyen, of Monterey Park, and Tuan Dang Phan, of Santa Ana, were arrested for the attempted

robbery of a home in Hayward, during which two children were stabbed. Trial is pending in this case.

- o In June, five young Vietnamese men from Orange County, armed with handguns, entered a Long Beach apartment. They threatened to kill the resident and stole about \$4,000 worth of jewelry.
- o Between July and September, over 50 knock-and-rob attacks were reported in Southern California, and similar crimes were reported in other parts of the state in 1987. In these crimes, one gang member would knock at the door and then would push his way into the home along with his confederates and steal valuables. Some victims were injured during the robberies. Thirty gang members were arrested in 1987 for these attacks, and the Los Angeles Police Department issued warnings to residents not to open their doors to strangers.
- o In December, eight gang members of the L.A. Boys were arrested in Sacramento on charges of conspiracy, theft, and robbery. They are accused of ransacking two homes, threatening the residents, and stealing cars. One of those arrested was a juvenile.
- o In August, three Vietnamese robbed a Westminster dentist's office at gunpoint and stole jewelry and cash worth \$7,000.

Investigators believe that many of the crimes committed in 1987 by Vietnamese street gangs, though violent and frequent, were not reported. The Vietnamese victims' mistrust of police (which some experts believe is a

holdover from experiences the victims may have had with corrupt officials in Vietnam) and fear of retaliation by gang members are among the reasons why many of the victims are reluctant to come forward.

In 1987, police sponsored anonymous reporting hotlines, newspaper ads, community leafletting, and police store-front offices to educate victims and encourage them to report crimes. In some cities, such as Stockton, Sacramento, Long Beach, San Francisco, and Los Angeles, police are spending more time in the Vietnamese communities, making their presence known to gang members and trying to foster personal relationships with the citizens. Police in these communities have reported that, as a result, fewer property crimes have been committed and citizens are more willing to talk to the police, although evaluation studies have not been conducted to confirm these impressions.

Viet Ching

Street gangs composed primarily of young ethnic Chinese are loosely-structured and relatively unorganized. Many gang members immigrated here from countries such as Vietnam and Taiwan. Some of the most active Chinese street gangs identified in California are the Viet Ching gangs, active in Los Angeles and the San Francisco Bay Area. They are estimated to have roughly 500 members.

These gangs are extremely violent, highly mobile, and motivated by greed. In 1987, they committed primarily robberies, burglaries, and auto thefts, but were also involved in prostitution, assault, and extortion. Their usual victims were members of the Chinese immigrant and Vietnamese refugee communities, who often were reluctant to report these crimes.

Examples of street gang cases begun or concluded in 1987 include the following:

- o In January, seven suspected Viet Ching members from the Los Angeles area were arrested in San Francisco for possession of two stolen vehicles and various weapons violations. A submachine gun, five pistols, and ammunition were confiscated during their arrests.
- o Also in January, members of a Sacramento family were tied up, threatened, and held captive for two hours by five gang members. Two of the suspects carried Uzi-type submachine guns. During the burglary, a family member was brutally assaulted with a machine gun magazine clip and a hatchet.
- o Between January and July, six members of a Viet Ching street gang were arrested in Oakland. They were linked to a series of burglaries, shootings, armed robberies, auto thefts, and extortions in Sacramento, Stockton, San Jose, Oakland, and Houston. All six were convicted and sentenced. Among these was Phat Dinh Troung, a gang leader, who was convicted of armed robbery and extortion and sentenced to six years in prison. Another defendant, Kiet Chung, was convicted on two counts of armed robbery and sentenced to twelve years in prison.
- o In May, eight Viet Ching gang members were arrested for allegedly using death threats to extort pai gow winnings from two patrons of a Los Angeles County cardroom. They were charged with conspiracy, extortion, and attempted extortion. One was also charged with possession of

cocaine. Among those arrested was Dung Duong, of Anaheim, who was employed in the cardroom. Duong was the alleged head of a Southern California extortion gang that preyed on gambling patrons. In October, Thuc Dinh Nguyen, allegedly a member of the extortion gang, was charged for intimidating a witness in this case. Trial is pending.

Also in October, a suspect in the previous case, Doan Dinh Vu, of Santa Ana, was ordered to stand trial in Los Angeles on charges of extortion and loansharking for allegedly threatening a Downey woman who was slow in making weekly \$200 interest payments on a \$1,000 loan.

- o In August, twelve persons from Viet Ching gangs were arrested in San Jose when two alleged houses of prostitution were raided. Forty-five hundred dollars and a gun connected with a San Francisco burglary were confiscated during the raids. Among those arrested were four suspected of running the two operations -- Hai Chen Hsieh, Jessica Thi Killian, Terrence C. Chow, and Mai T. Moore. Charges included prostitution, pimping, and possession of cocaine. Trial is pending.
- o In October, Thao Van Nguyen and five other Viet Ching gang members were arrested in Chatsworth after a five-hour stand-off with police. They face charges related to 14 residential robberies: nine in Los Angeles and five in El Monte. Trial is pending.

Although these street gangs independently committed these and other serious crimes, in 1987, they also were being recruited to commit crimes by members of the Wah Ching. Many authorities are concerned that the influence of the

Wah Ching, which also began as a street gang but rapidly became a sophisticated organized crime group, could cause other street gangs to mature quickly as criminal organizations. An example of this pattern could be seen in the February conviction of Sang Nam Chinh, of Rosemead, for two murders, attempted murder, and robbery in an unrelated 1984 jewelry and antiques store robbery in which one police officer was killed and another wounded. Two accomplices also died in the incident.

Chinh was a member of the Haq Qui Boys composed of Vietnamese and Viet-Chinese youths. But key co-defendant in this case, Hau Cheong Chan (who is still on trial) is a suspected Wah Ching member from New York. One of the deceased accomplices was also alleged to have been a Wah Ching member.

White Fence, Maravilla, Li'l Unity, Pomona 12th Street

Violence associated with gangs composed of Hispanic youths tends to be either turf or narcotics-related. The larger gangs are the White Fence, Maravilla, and Pomona 12th Street in Southern California, and Li'l Unity in the Sacramento/Stockton area. Usually, Hispanic gangs fall into either of two general groupings -- Nortenos (or Northerners) or Surenos (Southerners) -- depending on the street gang's location in California. Rather than specific organizations, the Norteno and Sureno groupings are a loose confederation with which northern and southern street gangs identify. But no matter how loose the structure, affiliation with either the Nortenos or Surenos is often a life-or-death matter because the two groups are bitter rivals.

Although more numerous than Black, Chinese, or Vietnamese gangs in California, generally Hispanic gangs are somewhat less likely to be involved

in violent, far-ranging crimes. Nevertheless, Hispanic street gangs in Southern California were connected to a large number of drive-by shootings motivated by territorial disputes and revenge in 1987.

Skinheads

Some street gangs composed of young whites known as "skinheads" (so-called because of their shaven heads or extremely short haircuts) came to the attention of law enforcement in 1987. Although their numbers are small -- roughly 275 members -- skinhead street gangs are of special concern because some have publicly embraced a white supremacist philosophy, and in turn, have been actively recruited by white supremacist and separatist organizations. In 1987, Skinheads were linked to the Aryan Nations and the White Aryan Resistance, the White Student Union/Aryan Youth Movement, and the Ku Klux Klan. In October, four skinheads allegedly were initiated into the Ku Klux Klan at a Klan rally in Stanislaus County. Other skinheads were also present at the event.

Some skinheads were linked to racist graffiti and other hate-motivated and violent crimes in 1987:

- o In October, Michael Casey Martin, the alleged ringleader of an aggressive, highly visible skinhead gang, the Reich Skins, was arrested in his San Fernando Valley home on charges of attempted burglary, and assault with a deadly weapon. He and a juvenile companion allegedly tried to break into the Granada Hills home of a Latino boy and threatened him and his family with a gun. The criminal complaint also alleges that Martin hurled racist epithets during the incident. Nine

other juveniles, suspected members of the gang, were arrested on lesser charges.

Other crimes committed by skinheads in 1987 included: threatening to hang a black woman in San Jose; throwing a teenager through a window in Marin County when he tried to prevent skinheads from displaying a swastika; and driving into a group of Latinos in the San Fernando Valley and spraying them with a fire extinguisher while yelling racist slogans.

International Organized Crime Groups: Introduction

A number of international crime groups based in Asia and South America are active in California. Although these groups have relatively few members residing in California, they typically work closely with much larger domestic crime groups, often supplying heroin or cocaine to local distribution networks. The enormous international scope of these groups, their tight organizations, and the violence which often surrounds their narcotics operations, make them threats out of all proportion to their actual numbers in the state.

In addition, most of the major groups are heavily involved in money laundering -- often followed by investment of "clean" drug profits into legitimate businesses. Authorities fear that, if such investment remains unchecked in California, the power and influence of the international crime groups will inevitably spread beyond the criminal underworld.

The penetration of international organized crime groups by law enforcement in this country is hindered by language and cultural barriers. For example, most of the Asian-based groups active today continue to adhere to customs begun long ago. Some, like the triads and Yakuza, began as local benevolent and protective organizations, but gradually evolved into criminal syndicates that expanded into additional countries for profitable criminal activities. They have centuries-old rituals and traditions.

All of the major international groups practice formal rites of initiation, maintain strong group loyalty, and enforce strict secrecy. They are usually

organized into tight hierarchies which insulate top leadership from group crime activities and the risk of arrest and prosecution.

Colombian Organized Crime Group (Medellin Cartel)

Perhaps the most notorious international crime organization operating in California is the Medellin Cartel. This large South American drug cartel is composed of 10 to 12 smaller organizations or family groups. The cartel is believed to be responsible for importing the vast majority of cocaine distributed in this country.

California remained a major national distribution point in 1987, which greatly influenced the amount of cocaine on the local market, particularly in the southern part of the state. The falling price of the drug is suggestive of the large quantities of cocaine coming into California: in late 1987, the average price per kilogram for cocaine was \$12,500, down from the range of \$20,000 to \$25,000 as reported last year, and down from about \$65,000 in 1984. The cartel's operations in California are bifurcated into separate cocaine distributing and money laundering components. It is believed to be the ultimate supplier of cocaine for many domestic crime groups -- including the Crips and the Bloods.

The following cases are examples of the large amounts of cocaine and cash that were seized by police in California during 1987:

- o In September of 1987 in the Los Angeles area, three Colombian drug traffickers were arrested and 2,135 pounds of cocaine was seized. The cocaine had an estimated street value of \$363-million. Miguel

Trevino, Jose Luis Avila and Jose Aponte Londono were arrested by Los Angeles police for transporting a controlled substance in connection with the large seizure.

- o In March 1987, five Colombian drug traffickers were arrested in two states and \$1.5-million was seized by federal agents in a Bellflower, California residence. Arrested in Bellflower were Herman Grisales and Jamie Santa Maria. Federal agents also arrested Jaime Bermudez Botero in Florida, who was believed to be responsible for trying to smuggle at least 4,400 pounds of cocaine into Southern California. Arrested along with Botero were Luis Fernando Lyva and Juan Manuel Gonzales.

Crime Groups Based in Asia

The Yakuza, triads, and the United Bamboo are among the most sophisticated and powerful international organized crime groups active in California today. In the past, these groups confined their criminal activities in the United States to specific ethnic communities. But over the past several years, their crime enterprises nationwide have grown to the point where they may rival those of more traditional organized crime groups.

For example, law enforcement authorities believe that triads linked with Hong Kong have methodically taken over heroin distribution in New York. While traditional organized crime families were mired in lengthy court battles, triads began flooding the market with high grade heroin of several times the purity typically seen on the streets.

The Asian-based international organized crime groups already pose significant crime problems in California, and they are likely to intensify - because the different groups are beginning to cooperate with each other in joint criminal ventures.

For example, Taiwan-and Hong Kong-based crime groups are believed to have controlled distribution of most of the heroin from the "Golden Triangle" countries of Burma, Thailand, and Laos for decades. This heroin, which accounts for about 40-percent of world supplies and currently generates revenues of about \$80 billion annually, also accounts for 20-to 40-percent of the heroin brought into the United States. In recent years, the picture has changed as the Yakuza has developed cooperative relationships with the United Bamboo and Hong Kong-based triads. Now, the Yakuza is also involved in trafficking Golden Triangle heroin.

TRIADS BASED IN CHINA AND HONG KONG

Triads began in China in the 17th century initially as an underground political movement, but then evolved into secret crime societies. "Triad" comes from the symbol of the secret societies -- an equilateral triangle depicting the solemn relationship of heaven, earth, and man. Triad names often include a parent syndicate's name, e.g. the Wo Hop To Triad is part of the Wo Group.

Many triads eventually transferred their primary bases of operations to Hong Kong from other parts of China. There are now five major Triads in Hong Kong with an estimated worldwide membership of 77,000. Heroin trafficking is one of their primary sources of income.

Although no more than about 100 triad members and criminal associates currently reside in California, state and federal authorities are concerned about the expected immigration of many more. In 1997, Hong Kong will revert to the People's Republic of China. In order to avoid the People's Republic of China's relatively harsh criminal justice system (narcotics trafficking, for example, is punishable by death), some of the Hong Kong-based triads appear to be establishing operational bases away from Hong Kong, according to law enforcement authorities. Cities in Canada, New York, and California are among the likely locations.

In 1987, evidence of this shift in operations was seen in the actions of the crime groups themselves. Four of the largest Hong Kong organized crime groups were active in California last year: the Wo Hop To Triad (Wo Group); the Luen Kung Lok Triad (Luen Group), the San Yee On Triad (Chiu Chao), and the 14K Triad.

Along with the shift in operations was a redirection of assets to California. By 1987, major California financial centers had already seen evidence that a small but significant portion of the money flowing into California from Hong Kong was being "laundered" by triads. Once "clean," the money was invested in real estate and legitimate businesses, some of which could be used in continuing money laundering schemes. As 1997 approaches, this activity is expected to accelerate.

Chinese triads dominate Southeast Asian heroin importation, with California used as a transshipment point to New York City. Federal law enforcement officials believe that the triads have taken control of heroin distribution there, bypassing traditional organized crime family middlemen, and establishing ties with criminals of other ethnic groups for heroin distribution. Triads are also suspected of playing a significant role in heroin distribution in California and along the West Coast.

In 1987, members of the 14K Triad were also indicted in an alleged baccarat cheating conspiracy that bilked New Jersey casinos out of \$2.7 million. Among those indicted were nine from Hong Kong and two from California. King-Chung Poon, of Foster City, and Wai-Chun Tsoi, of San Mateo, were both arrested in California.

In California, the triads maintain ties to local Chinese organized crime groups and street gangs in order to establish criminal networks here. For example, some triads have formed alliances with the California-based Wah Ching.

TAIWAN-BASED TRIADS

The two main crime groups based in Taiwan and active in California are the United Bamboo Triad and the Four Seas Triad. Their criminal activities range from gun and drug trafficking to murder, extortion, prostitution, and illegal gambling.

The United Bamboo is the larger of the two organizations. It operates in Singapore, Thailand, Saudi Arabia, Bangkok, the Philippines and the United States, as well as Taiwan, where the group originated in the 1950's. The United Bamboo was once the most active Taiwanese crime group in California, with operations in Monterey Park, Los Angeles, and San Francisco. But in 1987, the United Bamboo's criminal operations were in disarray after the 1986 conviction of eleven of its leaders and members on federal racketeering (RICO), conspiracy, and narcotics-trafficking charges. The investigation stemmed from a case involving the 1984 murder in San Francisco of Henry Liu, a journalist who wrote articles and books considered critical of the Taiwanese government. Other 1987 activities related to the 1986 case included the following:

- o In January, a United Bamboo leader, Chih-Yi Chen, was sentenced in New York to 20 years in prison for his racketeering conviction, with concurrent sentences on other narcotics-related counts.
- o In March 1988, Kuei-Sen Tung, a United Bamboo leader from Taiwan, was found guilty in South San Francisco of charges that he conspired to murder and did murder Henry Liu. During his 1986 New York narcotics racketeering trial, he admitted to the murder and

claimed that his government had ordered him to kill Liu because it believed Liu was a traitor to Taiwan. Sentencing on that charge is pending. He was acquitted of the racketeering charge, but convicted of conspiracy to import and sell heroin, and sentenced to 20 years.

Criminal intelligence officials anticipate that the Four Seas Triad, the Wah Ching, or the Hong Kong-based triads will maneuver to take over the United Bamboo's narcotics operations, which were left in disarray when its leaders and key members were convicted.

In 1987, members of the second major Taiwanese crime group, the Four Seas Triad, were sentenced for their roles in a 1984 kidnapping and robbery.

- o In October, Chiang Ching Liu, Four Seas member, was convicted of kidnapping. In 1984, Liu and two other members of the Four Seas kidnapped a Chinese woman from her home in Monterey Park at gunpoint and demanded a \$1 million ransom. The ransom was to be delivered to a hotel in Tokyo, but the victim's father, a wealthy Taiwan banker, refused to pay. Liu was sentenced to 25 years to life in prison.
- o In November, Hsiang Tien Huang, a Four Seas member, pled guilty to kidnapping, residential robbery, and two counts of false imprisonment stemming from the above 1984 case. Huang received a lenient sentence -- 12 years and 8 months in prison -- because he helped the victim escape. The third defendant, Hsiuh-Chian Yu,

pled guilty last year to charges of kidnapping for ransom and was sentenced to life plus two years.

Yakuza

"Yakuza" is the collective name for crime groups based in Japan. The Yakuza consists of 100,000 members in approximately 2,300 crime groups, according to Japanese police estimates. Many of the groups are affiliated with each other as parts of larger crime networks.

In Japan and elsewhere, Yakuza members are involved in weapons, methamphetamines, and heroin trafficking, and murder, gambling, extortion, blackmail, pornography, loansharking, bookmaking, and prostitution. Law enforcement sources estimate that the Yakuza's annual revenue is almost \$32 billion. A sizeable portion of this revenue is believed to come from its narcotics operations.

The Yakuza became a concern to international law enforcement when it started to spread beyond its base in Japan to South Korea, Taiwan, and the Philippines. Now it has also begun to establish criminal operations in Europe, Australia, and South and North America, including California. For example, the Yakuza has been smuggling guns and heroin to Japan via California and Guam since the 1970's. In 1987, it also smuggled cocaine to Japan through Brazil and Peru. According to Canadian law enforcement officials, the Yakuza recently joined crime groups based in Hong Kong and Taiwan to transfer money from Hong Kong to Toronto, an operation that links the Yakuza to international heroin rings operating out of the Caribbean and Rome.

Approximately 60 Yakuza members and criminal associates reside in California, and another 10 to 15 gang members and criminal associates visit California each year from Japan. The full extent of Yakuza activity in California is unknown. But the organization's broad geographic sphere of influence, as well as its size and variety of operations, make it a major concern of state law enforcement authorities.

For example, the Yamaguchi Gumi, the largest Yakuza crime network with about 11,000 members, was reported in 1987 to run 5,000 restaurants, 2,300 bath houses, 2,500 bars, 7,000 shops, 400 transport firms, and 600 property companies worldwide. In Taiwan, the Yamaguchi Gumi appears to be developing an alliance with the United Bamboo -- a Chinese organized crime group which has been active in California. International law enforcement authorities fear that the result may be new, more efficient joint criminal ventures in narcotics trafficking.

PART II — OTHER NON-TRADITIONAL ORGANIZED CRIME GROUPS

In addition to street gangs and international networks, other kinds of non-traditional crime groups are active in California and have been involved in criminal activities for decades. Primarily, these are the outlaw motorcycle gangs, prison gangs, and various groups organized along ethnic lines, such as the Russian, Hungarian and Cuban organized crime groups.

Like their counterparts in la Cosa Nostra, non-traditional crime groups are often structured to shield their leaders from investigation and prosecution; are involved in continuing criminal enterprises, such as narcotics trafficking; and use violence to achieve their ends.

OUTLAW MOTORCYCLE GANGS

Lawlessness has long been a characteristic of many motorcycle gangs. But in recent years, some outlaw motorcycle gangs have refined and expanded their criminal activities, and many of their operations are run on a continuing basis as highly profitable, criminal enterprises. Legitimate businesses, such as limousine companies and motorcycle shops owned or operated by Hells Angels members, are sometimes used to launder the cash proceeds of various criminal transactions.

The more powerful outlaw motorcycle gangs also recruit members of smaller gangs and other associates to take on the riskier tasks of an illicit operation. For example, while the kingpins might provide precursor chemicals and set up distribution networks for an illegal drug manufacturing operation, associates will be recruited to actually manufacture the drugs,

thereby taking on the risks of detection and arrest, as well as exposure to toxic chemicals. In this way, leaders of the powerful outlaw motorcycle gangs shield themselves from prosecution, expand their influence over others, and ultimately increase the sophistication and organization of their operations.

There are approximately 145 outlaw motorcycle gangs active in California. The best-known gang is the Hells Angels, which figured prominently in law enforcement efforts in 1987.

Contrary to the benign image the club attempts to portray, some members have been involved in brutal crimes and extensive criminal operations. Outlaw motorcycle gangs play a dominant role in California's methamphetamine market (estimated by some to reap \$30 million annually) and the Hells Angels have been involved in the production and distribution of methamphetamine for years. In fact, illegal drug manufacturing is a flourishing business for the Hells Angels. One of the reasons for their "success" is their ready-made distribution system. Recent prosecutions of a number of motorcycle gangs in Washington and Oregon have created a territorial void that may result in a takeover by the Hells Angels. If they are successful in establishing charters in these areas and Western Canada, they will have an unbroken chain of operational bases from Alaska to the Mexican border.

The following 1987 cases involve members of the Hells Angels club:

- o In July, a Hells Angels associate convicted in Bakersfield of killing his girlfriend and her son, was sentenced to death. Robert

Garceau was convicted of first degree murder in the September 1984 killings of Maureen Bautista and her 13-year-old son, who were stabbed and had their throats cut in order to silence them about his drug trafficking activities. Garceau had already been sentenced to 32-years-to-life in prison for murdering his reputed partner in drug trafficking after the man had helped Garceau dispose of the Bautistas' bodies. Garceau has been a Hells Angels' associate since 1979, working with the San Fernando Valley Chapter as a methamphetamine "cooker" (chemist) and explosives expert.

- o In November, a massive sweep by federal and state law enforcement investigators resulted in the arrests of 39 members of the Hells Angels, including 13 members from Northern California. They were charged with various federal offenses including conspiracy to murder members of a rival club, racketeering, and drug, explosives, and weapons violations. The California Department of Justice's Bureau of Narcotic Enforcement coordinated the narcotics related aspects of the investigation. Altogether, agents seized \$3 million in cash, 30 pounds of methamphetamine, 25 pounds of gold, one drug lab, and numerous weapons and explosives in the culmination of the two-year investigation. Four subjects pled guilty and are awaiting sentencing. The remaining defendants remain in custody pending trial.

A cornerstone of the investigation was the cooperation of an Anchorage, Alaska, Hells Angel who became an officer in the national Hells Angels organization. He assisted authorities by

providing information and collecting evidence undercover. His first-hand knowledge of the organization and operations of the Hells Angels club is expected to make him a key prosecution witness and should distinguish this case from previous unsuccessful Hells Angels prosecutions, which had been hampered by the lack of credible witnesses.

Among those Hells Angels arrested was Ralph Hubert "Sonny" Barger, president of the Oakland chapter of the Hells Angels, and Michael Vincent O'Farrell. The two agreed to be transferred to Kentucky to face charges that they conspired to transport explosives across state lines, allegedly to murder members of a rival motorcycle gang and avenge the killing of a Hells Angel member outside a Louisville bar.

- o In March 1988, three Richmond Hells Angels and two associates were sentenced for their roles in running a methamphetamine manufacturing and distribution operation out of Missouri. One of the Hells Angels, Art Crasis, and an associate had been arrested in June 1986 by the Missouri Highway Patrol for possession of 40 pounds of methamphetamine, which had been contained in a suitcase, wrapped and addressed to the Bay Area. Those arrests sparked an investigation that led to the discovery in May 1987 of a lab 90-miles away. Crasis was sentenced to 20 years in prison. Another Hells Angel, Mark Davis, who had been arrested at the lab site, was given an 18-year sentence. Bill Roarke, the third Hells Angel involved in the case, is a fugitive.

In other cases during the year, law enforcement authorities raided Hells Angels clubhouses and residences. The raids led to several charges filed against Hells Angels gang members, and more significantly, resulted in valuable intelligence regarding gang operations. This information will undoubtedly lead to more arrests.

Although activities of the Hells Angels have attracted most of the media attention over the years and certainly dominated the headlines in 1987, many law enforcement authorities believe that other outlaw motorcycle gangs are also running large-scale criminal enterprises on an ongoing basis, and should be targeted. The Vagos outlaw motorcycle gang, for example, was also very active in 1987:

- o In June, Terry "T Bone" Brone, was sentenced to two and one-half years in prison for conspiring to distribute methamphetamines. The case was part of a 23-count indictment brought in 1984 against ten members of the Vagos, of which Brone was reputedly a leader. Law enforcement authorities who searched Brone's home and three other locations in September 1984 seized three pounds of drugs (worth \$100,000, according to federal officials) and 30 guns. Another member of the Vagos charged in the case was sentenced to 18 months in prison, and two others, including Brone's girlfriend, were placed on three years' probation.

- c In April, Vagos members Richard Elliott and Michael Jenner were found guilty of murder charges in the August 1986 killing of a California man in South Dakota. Elliott was convicted of

premeditated murder and conspiracy to commit murder. Jenner, who was sentenced to two life terms in April, was convicted of premeditated murder, conspiracy to commit murder, and accessory to murder.

Jenner was also involved in a 1986 kidnapping and robbery case in Southern California. Jenner, his girlfriend, and other members of the Vagos gang allegedly were involved in the abduction of a Huntington Beach man whose roommate had befriended Jenner's girlfriend. According to Los Angeles prosecutors, members of the Vagos abducted the victim and held him at gunpoint for three days, forced him to withdraw money from his bank account, took two of his vehicles, and stole property from his home. Jenner's girlfriend, who unsuccessfully fought extradition from South Dakota, pled not guilty to her role in the crime. Because Jenner had been sentenced to two life terms in South Dakota, charges against him were dropped in the Los Angeles case.

- o In August, Dale Lee Wilder and John Barger, former Vagos members, were ordered to stand trial for the stabbing death and near-decapitation of Gary Allen of La Puente, California. Apparently, in 1981, Allen was trying to join the Vagos and allowed the gang to use his home as a meeting place. But after some of his property was stolen from his home, he closed his doors to the gang, and allegedly, some members of the Vagos became enraged as a result. In January 1988, the defendants pled guilty and were sentenced to

two years for manslaughter. Homicide investigators believe this case may be only one of at least 18 unsolved murders the Vagos may have committed between 1970 and 1983. (Fifteen other murders tied to the Vagos have been solved.)

Other motorcycle clubs were also involved in criminal cases in 1987:

- o In November 1987, Diablo outlaw motorcycle gang members Ronald Halley and Oscar McGraw were sentenced in Los Angeles for their participation in the 1985 "booby trapping" of a methamphetamine lab. The charges in this case came out of a larger sweep of five Diablos homes and gang clubhouse, which netted 30 handguns, four rifles, bomb components, and a methamphetamine lab equipped to manufacture millions of dollars worth of illegal drugs. Investigators had been searching for suspects in a kidnap-rape-extortion case when they discovered the drug manufacturing operations.
- o In March 1987, Calvin Kenneth Kimbrell, a member of the Misfits outlaw motorcycle gang, was found guilty of assault with a deadly weapon, brandishing a firearm, and committing a felony while out on bail. He was sentenced to 22 years in prison. Kimbrell aimed a loaded gun at the arresting officers while fleeing. Although this was not necessarily an outlaw motorcycle gang sanctioned assault, it does reflect the gang member's propensity for violence.
- o In January 1988, James F. O'Malley, alleged president of the San Jose chapter of the Freedom Riders outlaw motorcycle gang was

arrested in the Bronx area of New York. O'Malley had been sought in connection with his role in the shooting death of Michael Robertson, who had been released from prison in July 1987, after serving time for kidnapping. Also arrested in February 1988 in connection with Robertson's murder were Greg Leslie Hosac and Steve Roger Dyson, both members of the Freedom Riders. Robertson, whose body was found in the Santa Cruz area, was shot with a .25-caliber semi-automatic weapon, and was linked to O'Malley by a motel key found on his body.

In February, all three Freedom Riders were also charged in another homicide. The second homicide victim, who had been stabbed numerous times in the neck and chest, was found in February 1988 buried in the backyard of a San Jose house frequented by gang members. Two other Freedom Rider associates were also arrested in the case.

Although outlaw motorcycle gangs have been a subject of law enforcement investigations for many years, the gangs themselves have set up a counter-intelligence system of their own, funded largely by proceeds from their numerous drug trafficking operations, according to an FBI affidavit filed in December. According to the affidavit, which was based on information provided by an FBI informant, the Hells Angels gang has had access to confidential law enforcement information for years. For example, Hells Angels used a confidential federal law enforcement document to track down members of the rival Outlaws gang, presumably with the intent to kill them. In another instance cited in the court papers, Sonny Barger warned gang

members two years ago that the FBI was planning another large-scale prosecution of the gang. Other inside information included advance notice of the federal raid in Oakland last year, and San Francisco police tactics planned against the gang, according to the court documents. Also, gang members allegedly had access to the type of rifle used at the FBI Training Academy, and explosives manufactured only for the U.S. military.

The counter-intelligence network of the Hells Angels is also documented in the 1986 President's Commission on Organized Crime. According to that report, Hells Angels have gathered counter-intelligence from female associates placed in positions of trust in law enforcement and other government offices. These incidents serve as both a lesson and a warning to the law enforcement community that the Hells Angels counter-intelligence efforts are extensive and sophisticated.

In spite of some gang members' rhetoric and attempts to repair the negative image of the outlaw motorcycle gang, these gangs remain a significant and deep-rooted organized crime problem in California. This is made evident by the number of major outlaw motorcycle gangs, their continued operation of criminal enterprises amid arrests and prosecutions, and the growing extent of their criminal activities, including narcotics trafficking.

PRISON GANGS

Prison gangs continued to be criminally active both inside and outside prison. In 1987, they committed assaults, murders, robberies, and burglaries, and trafficked in narcotics.

Last year, California's prisons continued to experience sporadic violence. According to the California Department of Corrections, in 1987, California's prisons had 1,003 assaults with weapons (usually stabbing instruments), and 1,152 without weapons, resulting in twenty deaths. Prison officials believe that prison gang members were involved in a significant number of violent crimes at correctional facilities. And fellow inmates were not the only targets of prison gang violence in 1987: prison staff were also victims, increasingly so, both at correctional facilities and off prison grounds.

The main prison gangs active in California were the Aryan Brotherhood, the Mexican Mafia, the Black Guerrilla Family, and the Nuestra Familia, although two more recently-formed groups -- the Consolidated Crips Organization and the United Blood Nation -- were emerging as potentially powerful prison gangs.

The Aryan Brotherhood

The Aryan Brotherhood (AB) has approximately 300 members and associates. AB members are white inmates who have adopted white supremacist philosophies. Among tattoos identifying AB affiliation are cloverleaf designs, the number "666", and the initials "AB". In prison, AB members occasionally align with the Mexican Mafia for protection.

In 1987, AB members were involved in the following cases:

- o In March, Jeffrey Jay Hawkins, suspected Aryan Brotherhood associate, allegedly robbed a Sacramento market, shooting the manager and a bystander, Herman A. Hicks, Jr. Hicks later died from his wounds. Hawkins is also charged with the murder in March of John Hedlund in Galt and the attempted murder of Hedlund's brother in Riverside County. At the end of 1987, Hawkins was incarcerated in Sacramento awaiting trial.
- o In June, Robert Griffin, alleged Aryan Brotherhood member, was convicted in San Bernardino County of murdering Stephen Gibson. In July, Griffin was sentenced to 25 years to life in state prison. Several inmates, alleged to be members of the Mexican Mafia, testified on Griffin's behalf during the trial. Gibson, an alleged AB associate, was murdered in 1982 at the California Institution for Men in Chino.

The AB was involved in two attempts on correctional staff members' lives, assaults which took place in a correctional institution and on the street.

- o In the first incident, which occurred in July, a correctional officer at Folsom Prison was stabbed in the neck by an AB member. In the second incident, which occurred the next night in West Sacramento, an off-duty Folsom Prison correctional officer was the target of an attempted homicide. The officer suffered minor injuries from a shotgun blast from a car that pulled up alongside

his as he drove alone. Prison authorities identified this second attack as a "professional hit" ordered by AB gang members. Both assaults followed rumors that the Aryan Brotherhood planned to retaliate against prison officials for two non-fatal shootings of their members in the course of quelling disturbances at Folsom and Tehachapi state prisons.

- o In November, Judith Danielle Box was arrested for tampering with a computer system in which data on California state employees was stored. Box allegedly provided home addresses of Folsom Prison correctional officers to Aryan Brotherhood members. The AB is suspected of targeting the officers for assaults. Box's trial is scheduled for 1988.

Mexican Mafia

Approximately 350 members and associates, mainly Mexican-Americans from Southern California, constitute the Mexican Mafia (EME). Tattoos identifying EME membership include the initials "EME", a picture of a Mexican woman named "Mona," the number "13," and a flower. Street gang members who align with EME are the Sureños (also from Southern California) whose help is sometimes enlisted in EME's long-standing rivalry with the Nuestra Familia.

EME members were involved in burglary, assault, murder and narcotics trafficking. Cases in which EME were involved in 1987 include the following:

- o In February, alleged Mexican Mafia member Arturo Barela, of El Monte, was convicted on seventeen counts, including rape, sodomy, oral copulation, and false imprisonment, stemming from a gang-related assault on a 16-year-old girl. His brother, Richard Barela, and Joaquin Serna-Vera pled guilty to assault with a firearm for threatening a Pomona deputy district attorney in this case. Sentencing for Richard Barela and Serna-Vera was set for January 1988.
- o In March, Alfred Sandoval, an alleged EME associate, was convicted on five counts of first-degree murder in Los Angeles. In June, Sandoval received life sentences without possibility of parole on three counts of murder, twelve years in prison on one count, and the death penalty on the final murder charge. Sandoval appealed and is currently awaiting a ruling from the California Supreme Court.

Black Guerrilla Family

The Black Guerrilla Family (BGF) is estimated to have 525 members and associates. For self-protection in prison, BGF members mainly align with Nuestra Familia. Crossed guns, fire dragons, and the initials "BGF" are among gang tattoos.

The following were significant 1987 cases involving the BGF:

- o In May, James Benson, alleged BGF leader, was convicted of first-degree murder in Alameda County. He was accused of stabbing Alfred

Ingram up to 100 times when both were in jail during 1984. He was sentenced to life imprisonment.

- o In September, two BGF members were found guilty of the murder of Edward Brooks, a BGF drop-out. Mitchell Celestine and Jeffrey Burkes killed Brooks while all three were Folsom Prison inmates. Burkes and Celestine were sentenced to life in prison without the possibility of parole.
- o Also in September, June Evelyn Mook, of Sacramento, was convicted for her role in cashing stolen blank checks, allegedly on behalf of the BGF. Mook claimed her co-conspirators coerced her into cooperating by threatening her children's safety. She was sentenced to two years in prison.

Nuestra Familia

In 1987, the size of the Nuestra Familia (NF) was stable at approximately 300 members and associates. NF members are mainly Mexican-Americans from Northern California. NF member tattoos include the number "14", the initials "NF", the word "Norte", a dagger dripping blood, and a crossed gunbelt. NF associates include the Nortenos, a street gang that has an ongoing rivalry with the Surenos. Robbery, narcotics trafficking, assault, and burglary were among the crimes committed by NF members and associates during 1987.

The following are examples of 1987 NF case activities:

- o In February, alleged NF member Anthony Johnston was sentenced to 13 years in state prison for 1986 convictions in Alameda County on burglary, robbery, grand theft, and false imprisonment charges.
- o In July, alleged NF associate Rene Leonard Marquez was sentenced to 12 years in state prison for a first-degree burglary conviction in Santa Clara County.
- o In September, Marcus Steven Baca, alleged NF associate, was sentenced in Santa Clara County to four years and eight months in state prison for convictions on charges of possession of heroin for sale, and possession of LSD and PCP.

Emerging Prison Gangs

Two other sizable criminal groups active in correctional facilities have the potential to emerge as major prison gangs, but have not yet done so. The Consolidated Crips Organization (CCO) is one of these, most of whose 2,500 members are Crips street gang members. Another of the relatively new prison gangs is the United Blood Nation (UBN) which is composed of about 600 former Bloods street gang members.

The UBN and the CCO have not developed the tight structure and clear leadership that are characteristic of the major prison gangs, and their future as viable criminal organizations remains uncertain. Indeed, although in 1986 the CCO showed increased crime activity, in 1987 it was rumored that it was disbanding.

OTHER NON-TRADITIONAL ORGANIZED CRIME GROUPS

Other non-traditional organized crime groups are active in California:

Israeli Organized Crime Group

This group is located primarily in the Los Angeles area, although there have been a few members reported in others areas of the state. Sometimes referred to by law enforcement as the Israeli Mafia, this group is believed to have approximately 350 principals and associates active in the Los Angeles area and an estimated 2,000 in the United States. In the past, the Israeli Crime Group's criminal activities have included insurance fraud, narcotics trafficking, receiving stolen property, and arson. The Israeli group was also known for its bust-out operations, which involve large orders of items (for example, office supplies) on credit, which are then sold at a discount for cash, after which the phony company disappears. Recently, the Israeli crime group has increased its involvement in narcotics trafficking, with the Israelis often acting as middlemen to other crime groups.

Cuban Organized Crime Groups

In California, there are two primary Cuban organized crime groups. The Marielitos and an older more experienced crime group. The term "Marielito" is derived from "Mariel" Harbor in Cuba, which was the embarkation point for the 1980 migration. The Mariel Migration contained many single men who were hardened criminals, and a significant number of them were Black Cubans. Thus, the new immigrants' name "Marielito" became synonymous with crime. The other group is composed of about 75 to 100 members suspected of affiliating with the La Compania Group in Florida. (La Compania is a Florida group of approximately 125 members that specializes in narcotics

trafficking.) The dominant criminal activity of both of these groups is trafficking in narcotics -- particularly cocaine. Law enforcement authorities believe that Cuban organized crime groups play a major role in supplying the Los Angeles and San Diego narcotics markets.

Russian Organized Crime Group

There are approximately 150 Soviet emigres nationwide who are hard-core members and another 200-300 who are associates of this criminal organization. A group of 20-30 hard-core members are active in California, primarily in Southern California. Criminal activities of this group include narcotics trafficking, fraud, theft, and arson.

Hungarian Organized Crime Group

Law enforcement authorities believe that this group is composed primarily of individuals who immigrated to the United States after the Hungarian uprising of 1956. There are approximately 150 members concentrated in the Los Angeles area; extensive travel between California and the East Coast also takes place. At least two factions within the Hungarian Group are active, one of which often works closely with the Israeli Crime Group. The Hungarian Group in California is involved in major fraud schemes, such as staging phony automobile accidents to defraud insurance companies and phony billing to defraud business customers. They also have been known to traffic in narcotics.

PART III — TRADITIONAL ORGANIZED CRIME

The oldest, largest and best-known organized crime networks in the United States are affiliated with "la Cosa Nostra" or, as it is more popularly known, the Mafia. These networks which first emerged among Italian immigrants at the turn of the century, are now referred to as traditional organized crime. La Cosa Nostra, which is organized into autonomous, regionally based "families", has never been as strong in California as in the eastern U.S. But things got even worse for traditional organized crime in California in 1987. Aggressive law enforcement paid off with the indictments of leaders and key members of the Southern California Crime Family. The legal battles triggered by the indictments were expected to disrupt the organized crime activities of that family for years.

Although the activities of the Southern California Crime Family have been curtailed for the time being, organized crime interests continue to be involved in various California businesses, particularly pornography. Also, a 1987 investigation revealed organized crime ties to the recording industry.

Overall, traditional organized crime continued to be responsible for a moderate number of criminal activities statewide. What follows is an overview of traditional organized crime activities in California.

SOUTHERN CALIFORNIA ORGANIZED CRIME FAMILY

The Southern California Crime Family was dealt a severe blow on May 22, 1987, when 15 of its members and associates were indicted -- the culmination

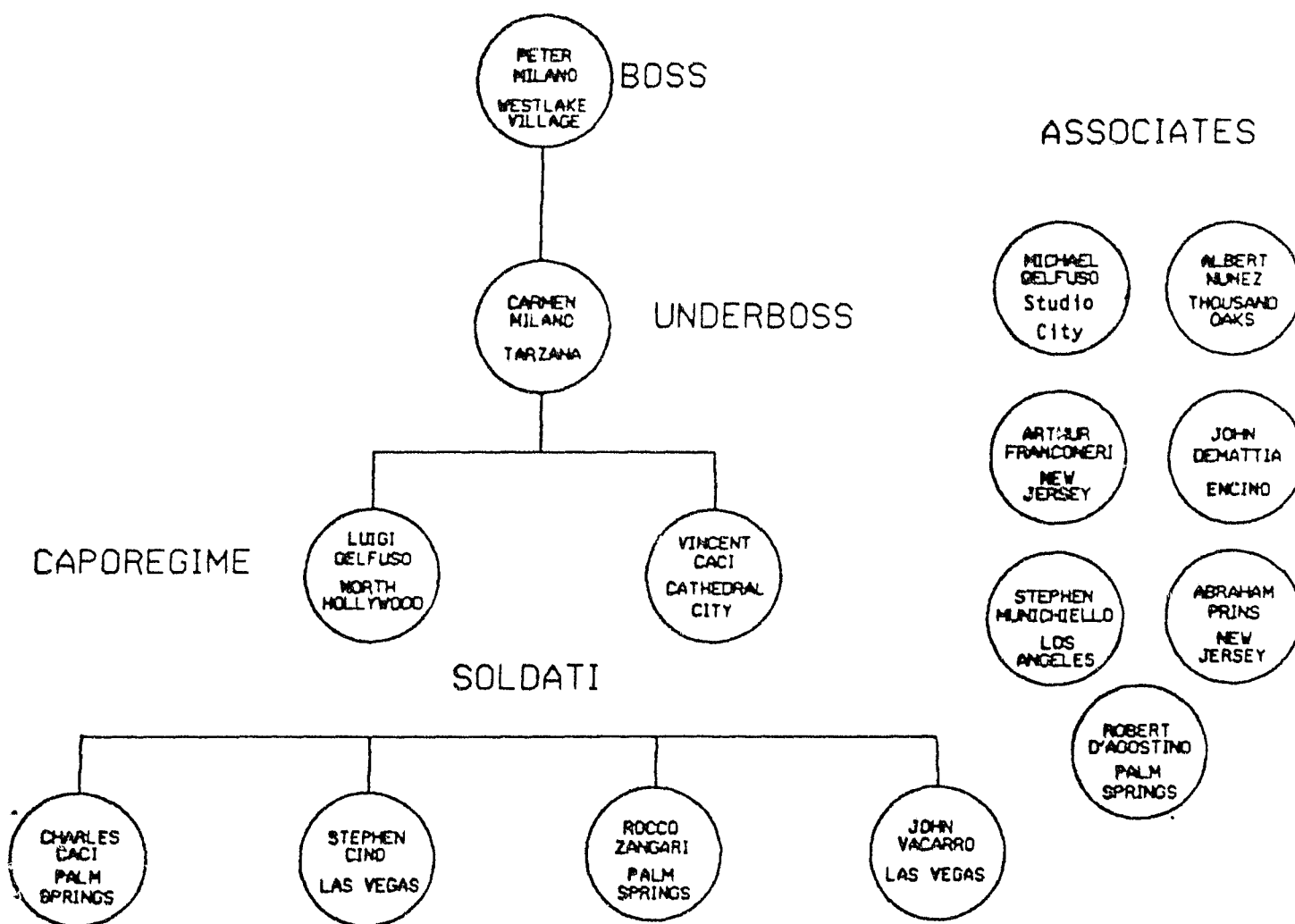
of a four-year investigation by the U. S. Department of Justice's Organized Crime Strike Force. The federal grand jury indictment included charges of attempted murder, conspiring to conduct and conducting an enterprise through a pattern of racketeering, collecting and conspiring to collect debts by extortion, conspiring and attempting to distribute cocaine, and attempting to obstruct justice.

Figure 2 on the next page shows the indicted members of the Southern California Crime Family and their position in the organization. The defendants were arrested in Los Angeles, Palm Springs, Las Vegas and New Jersey.

Among other things, the indictment alleged that Peter Milano visited Cleveland in 1981 and told the boss of the Cleveland Organized Crime Family, Jack Licavoli, that he, Milano, was in charge of the Southern California Crime Family. Milano also allegedly told Licavoli that he had a "contract" out for the murder of Louis Tom Dragna because Dragna, a member of the Southern California Crime Family, had given a statement to the FBI.

From events described in the indictment, it is clear that violence accompanied some of the business transactions conducted by members of the Southern California Crime Family. Milano helped plan to kill co-defendant John DeMattia and was involved in other murder plots and assaults on delinquent loanshark customers. Other members of the family were linked to extortions and two attempted murders, one of which involved an evening-long hunt throughout Los Angeles for the intended victim.

INDICTED MEMBERS/ASSOCIATES SOUTHERN CALIFORNIA CRIME FAMILY



The present indictment is not Milano's first encounter with law enforcement. In the mid-1970's, Milano served four years in prison for his conviction on charges of conspiracy to distribute heroin, violation of federal gambling laws, and racketeering. In 1984, he was arrested but not charged in what law enforcement authorities called an effort to extort other bookmakers and establish a \$1-million-a-week bookmaking ring.

According to most federal and state law enforcement officials, the Southern California Crime Family is in disarray as a result of these indictments. It is expected that Peter Milano, who was denied bail prior to his trial, will be unable to maintain control of organized crime activities in Southern California during his trial. Some authorities believe, however, that the indictments of the Southern California Crime Family members have merely created a temporary power vacuum, and that there may be an attempt to reorganize under new leadership.

The only other Southern California Crime Family figure that law enforcement officials felt was powerful enough to forge another organized crime group was Michael Rizzitello. But in 1987, Rizzitello, a caporegime in the Southern California Crime Family, faced legal difficulties of his own. In 1987, a federal grand jury indicted Rizzitello in Los Angeles and charged him with conspiracy and wire fraud in a 1986 case involving the attempted sale of \$1 million in stolen securities. Although he was tried in October and acquitted, he remained in prison until early 1988, finishing a federal prison sentence for parole violations in another unrelated case.

If Rizzitello does attempt to reorganize the Southern California Crime Family, he may be stymied. Few soldiers would remain to fill the ranks of a new organization if the Southern California crime figures indicted in May are convicted and sentenced to prison. Rather than leading a new crime family, Rizzitello's role instead may be as a key California contact for East Coast organized crime: Rizzitello, a former member of the Gallo faction of New York's Colombo Family, remains well-connected with members of various New York-based organized crime families.

EASTERN ORGANIZED CRIME INFLUENCE

In 1987, East Coast organized crime groups were involved in several California businesses, and various organized crime figures from the East Coast made several trips to California, presumably to discuss business or criminal operations in this state:

- o Guido Penosi, an influential member of the Gambino Family of New York, lives in Florida, but made several trips to Los Angeles in 1987. A close associate of Michael Rizzitello of Los Angeles, Penosi was convicted in 1976 for income tax evasion, and indicted by a federal grand jury in New York in May 1983 for narcotics trafficking.
- o Joe Pagano, a caporegime of the Genovese Family of New York, made trips to Southern California in June and September, and was seen with John Masiello, a member of the Genovese Crime Family, who resides in Los Angeles.

- o Edward Sciandra, underboss of the Bufalino Family of Pennsylvania visited Los Angeles in September. He also was seen in Los Angeles in 1985.

According to law enforcement authorities, for years organized crime figures from other parts of the country, normally each with his own crime specialty, have been doing business in California. Most of the crime activities are independent operations run by individual members of various crime families.

But several East Coast crime families are involved as organizations with California businesses. New York's Gambino Family in particular is heavily involved in pornography operations here, as it is throughout the rest of the country, (and might be increasingly involved in other businesses in California as well.)

Of particular interest to law enforcement authorities in 1987, for example, was a connection between the Gambino organized crime family and the recording industry. In July, Sal Pisello, who is a member of the Gambino organized crime family, was indicted by a federal grand jury in Los Angeles for allegedly evading \$187,000 in taxes in connection with business deals involving MCA Records.

According to the U. S. Department of Justice's Organized Crime Strike Force, which directed the investigation, MCA and at least one other record company paid Pisello approximately \$600,000 from 1983 to 1985. Pisello was paid \$200,000 for arranging a record distribution deal involving MCA and a small New Jersey record company; \$50,000 for arranging the purchase of a record

catalog from that same company; and \$180,000 for his role as a middleman in the sale of eight million discontinued MCA records and tapes.

Most of the money Pisello received from the MCA deals passed through a New York company called Consultants for World Records. Reportedly, Pisello was a partner in that business, along with Frederick Giovanelli, a capo in the Genovese Family, and Rocco Musacchia, an organized crime associate.

Other grand jury investigations of the record industry were conducted in East Coast and Midwest cities, such as Newark, New York, Philadelphia, and Cleveland. They reflect a mounting federal law enforcement effort against organized crime in the entertainment industry.

The ZZZZ Best Co. scandal revealed alleged East Coast organized crime connections with another legitimate business, this time a carpet-cleaning company. During the course of several months in 1987, ZZZZ Best had gone from an overnight success on the stock market to an embattled firm filing for Chapter 11 bankruptcy protection. According to federal prosecutors, ZZZZ Best was a vehicle for an elaborate stock manipulation scheme. The Los Angeles Police Department alleged that ZZZZ Best, owned by youthful entrepreneur Barry J. Minkow, was also part of a conspiracy to launder organized-crime drug money. In addition, Police Chief Darryl F. Gates said that there was probable cause connecting the small company with the illegal activities of Maurice Rind and Robert Viggiano -- men with organized crime connections and criminal records.

Viggiano's criminal history is linked to a major organized crime family. In 1971, he was indicted along with the late Joseph Colombo, Sr., the former head of one of New York's crime families, in a \$750,000 jewelry robbery in Garden City, N.Y. Although charges in the case against Colombo eventually were dismissed, Viggiano pled guilty to grand larceny.

Viggiano resurfaced in the ZZZZ Best investigation. According to Security and Exchange Commission documents, ZZZZ Best signed a joint venture agreement with a firm called B & M Insurance Services for \$5 million worth of insurance restoration work. The sole owner listed for that company was Robert Viggiano.

Maurice Rind, also connected with organized crime according to police officials, was twice convicted of stock fraud in the 1970's. According to a former ZZZZ Best official, Rind was instrumental in directing ZZZZ Best's move to become a public company and arranged for a deal to qualify ZZZZ Best for a listing on the computerized over-the-counter stock market.

According to newspaper accounts, in response to questions about organized crime involvement in the company, Rind told police that Martin Taccetta of New Jersey was the "drug connection." Taccetta is a member of the Acceturo-Taccetta Crime Network, a sub-group of the New York Luchese Crime Family. He is one of 21 men currently on trial in New Jersey on federal racketeering charges.

Another individual linked by police to this operation is Ronald Lorenzo, a member of the Bonnano Family, who now lives in Southern California.

Minkow had personal financial dealings with another organized crime associate. In 1985, he apparently borrowed money through the late Jack Catain, who associated with members of several organized crime families. Minkow said that he was charged rates as high as 5 percent a week. In a lawsuit filed in December 1985, Catain claimed that Minkow owed him \$1.3 million. Catain was convicted in a counterfeiting case in 1986 but died before going to prison.

While Los Angeles investigators probed further into Minkow's involvement with organized crime and money laundering at ZZZZ Best, in January 1988, federal prosecutors handed down a 54-count racketeering and fraud indictment against Minkow. The indictment alleged that Minkow duped banks and brokerage houses by among other things, staging visits to phony job sites, concocting false invoices, and producing fraudulent financial reports. As a result, ZZZZ Best's worth allegedly was overestimated by tens of millions of dollars, enabling the ailing company to raise over \$15 million in a public offering of ZZZZ Best stock. Minkow also may have diverted millions, some of which may have been laundered through Las Vegas casinos, for himself, according to the indictment.

BOOKMAKING

Bookmaking, which involves taking bets primarily on sporting events and horse races, is illegal in California. It is also one of the most lucrative forms of illegal gambling in the state, grossing billions of untaxed dollars each year. Because bookmaking is against the law in California, it is difficult to estimate how much money per year the industry generates statewide. But law enforcement authorities estimate that sports gambling operations generate \$5 billion in gross income per year in Los Angeles County and \$2 billion gross income per year in Bay Area counties. Nationwide, the amount Americans bet legally and illegally on sports is about \$22 billion, according to a magazine devoted to the gambling industry.

The vast amount of unregulated cash that flows through the bookmaking industry invites organized crime involvement. According to a survey of selected law enforcement agencies conducted by the California Department of Justice, organized crime is involved in some aspects of bookmaking activities in California, occasionally as a source of cash to cover bets when independent bookmakers are caught short (called "laying off"). From time to time, organized crime figures have been implicated in more serious criminal activities with respect to bookmaking. The May 1986 indictment of members of the Southern California Crime Family, for example, alleged that extortion was attempted not only of delinquent loan shark customers, but of Los Angeles area bookmakers as well. In general, most attempts to organize or extort independent bookmakers have failed, and organized crime figures exert minimal control over most California bookmaking operations.

Three major bookmakers in California have long been known to law enforcement authorities:

- o Ron Sacco, thought by some officials to be one of the biggest bookmakers in California, admits he nets \$2 million a year from his operation (although law enforcement authorities believe the figure is actually between \$4-6 million). His operation grosses between \$300-400 million a year. During some football seasons, one of Sacco's phone spots has taken bets totaling more than \$500,000 in one week. Law enforcement authorities in Southern California believe that 75-percent of the bookmakers there "lay-off," or balance their bets with Sacco. His bookmaking operations extend beyond California to several other states including Arizona, Nevada, and New York. Sacco uses "800" telephone numbers to accommodate his betting clientele. (The Los Angeles County Sheriff's Office and the Las Vegas Metro Police Department both have arrested bookmaker Sacco on charges of felony bookmaking. These cases are pending. Sacco also has a past history of bookmaking arrests, and is currently blacklisted from Nevada casinos.)
- o Robert Carmen Veltri and Kale Kalustian are suspected partners in a major bookmaking organization. Law enforcement authorities estimate that this Southern California operation, which maintains a large betting clientele drawn from Los Angeles area card clubs, is grossing \$80-million per year. Investigators in Los Angeles also believe that the Veltri/Kalustian operation uses enforcers to

collect gambling debts: it has been reported that some members of the Aryan Brotherhood prison gang who were bodyguards for organized crime members in prison, when paroled are recruited to collect debts from delinquent borrowers. (Both Robert Veltri and Kale Kalustian have prior arrests for bookmaking by the Los Angeles Police Department and Sheriff's Office. Because of the magnitude of their operations these bookmakers have become a target for both law enforcement agencies.)

The popularity of bookmaking as a pastime does not mitigate its illegality. Authorities estimate that in the city of Los Angeles alone, 600 persons are arrested each year on bookmaking charges. Several large bookmaking operations were broken up by law enforcement efforts in 1987:

- o In January, the Los Angeles County Sheriff's Office seized a sophisticated computer program designed specifically for use in illegal bookmaking operations. The Sports Office Accounting Program (or "SOAP"), sold by a Las Vegas firm, provided up-to-date line information, results on current sport events, customer records, and bettor codes, and could calculate pay and owe balances. Access to SOAP was maintained via telephone modems that networked four telephone numbers in the Palm Springs, Ontario, Huntington Beach, and Long Beach areas. In connection with this case, two men in Las Vegas were arrested by FBI agents and Los Angeles police.
- o In February, two \$50-million-a-year bookmaking operations were broken up by San Francisco police. In the first case, five men,

including a retired captain of the South San Francisco Fire Department, were arrested in the Excelsior District of San Francisco. The investigators monitored the four telephone lines found at that location and reported that in one hour they registered \$70,000 in bets. In the other case, police arrested two suspects at a Hunters Point home and discovered ten telephone lines which apparently were used in the operation.

- o In February, the Long Beach Police Department served a search warrant on Michael Economou, an associate of Kale Kalustian and Robert Veltri. Police searched Economou's home and discovered four telephones with multiple lines. Connected to the phones were tape recorders, apparently used to record wagers from customers. A magnetic tape eraser was nearby in the "on" position; all the cassette tapes found were blank. A document was found that proposed to increase the income from the bookmaking operation from \$500,000 to \$1,000,000 by using half-point spreads.
- o In March, Alameda County investigators uncovered a \$300-million-a-year operation in Belmont, California. This operation used toll-free telephone lines to take wagers of up to \$20,000 from bettors across the nation. After the arrests, investigators monitored the phone lines and reported wagers totaling \$100,000 for one afternoon. This operation generated enough income to accept lay-off bets from East Coast bookmakers, and its success prompted East Coast organized crime interests to, at one point, negotiate for its purchase.

As these cases illustrate, millions of dollars a year in wagers can change hands. But the sentencing of those convicted on bookmaking charges is relatively lenient. Eighty-nine percent of those convicted in 1986 for misdemeanor bookmaking charges received probation, and another 10 percent were fined. Of the 1986 felony bookmaking dispositions, 69 percent of those convicted were given probation, and another 7 percent were fined. In 1986, only 44 of the 421 felony or misdemeanor bookmaking convictions involved a jail sentence. Only one person convicted was sentenced to state prison.

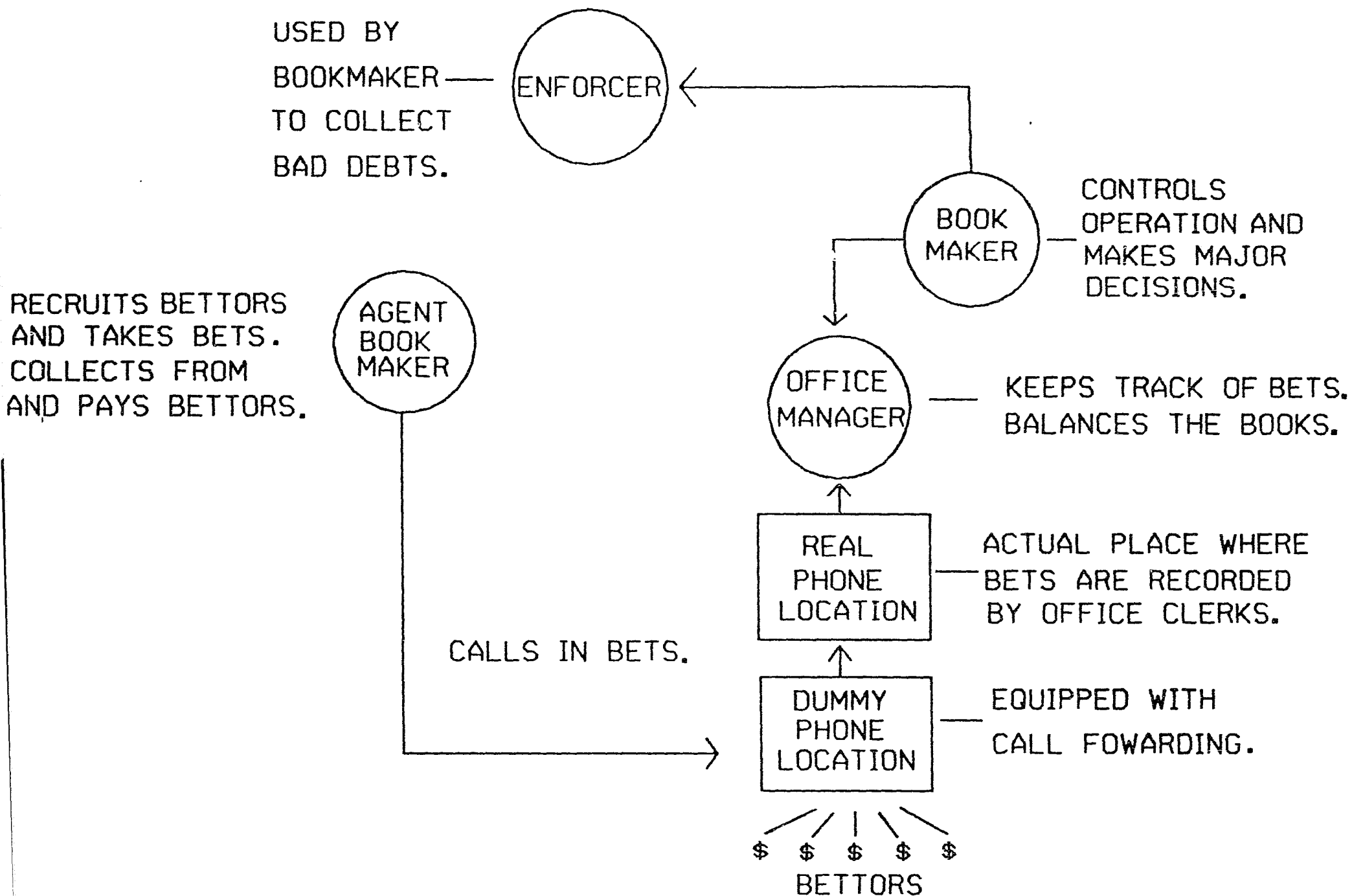
The relatively light punishment for bookmaking offenses perhaps can be explained in part by an overall public view that gambling is a harmless pastime, and that bookmaking is a victimless crime. All but three states permit some form of gambling; many states, including California, run their own lotteries; and licensed bookmaking is legal in Nevada. Indeed, betting on sports appears to be such a socially acceptable practice that newspapers and television sportscasters routinely report betting lines and odds. This tolerant public attitude makes enforcement of gambling laws difficult and frustrating.

The growing sophistication of many bookmaking operations has further hampered police efforts to control bookmaking. Traditionally, a bookmaker took bets in person, in public places or by telephone, on any sporting event where a betting line (odds) was determined. The bookmaker risked detection because the telephone activity could be monitored, and records of the bets could be seized. Furthermore, the operation was cumbersome: computation of the betting line was time-consuming and often derived from incomplete information; calculation of the point spread was more often based on

intuition than research; and written records of the wagers and payouts were difficult to manage.

Today, however, bookmaking operations are taking advantage of advances in telecommunications and data processing which add to the difficulty of investigating and prosecuting these cases. Toll-free "800" telephone numbers entice new customers, offering convenience and anonymity; call forwarding allows calls to be routed from either a legitimate or a "front" business to the actual place where the bets are taken, making detection more difficult; and call waiting and line search features allow bettors to stay on the line to place their bets. Advances in electronic data processing capabilities allow bookmakers to keep track of all bets with specially designed software programs, and to see where the bets are accumulating and adjust the odds. Moreover, wager and payout records stored in a computer's memory can be deleted in an instant at the press of a key. Electronic data processing has also facilitated scientific computation of odds and betting lines, which are calculated from data bases using sophisticated probability theory and statistics.

Expanding sports leagues, increases in the numbers of sporting events that are televised on both network and cable stations, and extended playing seasons all contribute to increased opportunities for Americans to bet on sports. And, increased betting opportunities combined with the surge in technological sophistication employed by some bookmaking operations make it likely that bookmaking will continue to be a highly lucrative illegal enterprise in California.



PORNOGRAPHY

California's pornography industry continued to be big business in 1987, primarily because of the profitability of adult videotapes, pornography's most lucrative product. The vast majority of the national production and distribution of adult videotapes takes place in Southern California.

California's primacy in the adult videotape industry is of law enforcement concern because the pornography business has been prone to organized crime involvement. Immense profits can be realized through pornography operations, and until recently, making and distributing pornography involved a relatively low risk of prosecution. But more aggressive law enforcement efforts and turmoil within the pornography business have destabilized the smooth flow of easy money for some of its major operators.

In 1987, the pornography industry in California was disrupted by the continued upheaval in Reuben Sturman's distribution network. Sturman, a pornography kingpin who resides in Cleveland and Southern California has been struggling to maintain control of his Cleveland-based empire (an international network of pornography businesses estimated to be worth \$4 billion annually) since his indictment in 1985 on tax evasion charges. The indictment and the 1986 disappearance of his enforcer Robert DiBernardo, a member of the Gambino Family of New York, have so eroded Sturman's power that independent producers and distributors of pornographic products have abandoned his network and begun to operate on their own.

As reported last year, Sturman had been spending considerable time in California attempting to regain control of the independents. At the close

of 1986, the success of his efforts had been uncertain. Since then, Sturman faced a serious setback when he again was indicted, this time on racketeering charges stemming from his alleged operation of a nationwide business that distributed obscene videotapes. The 1987 indictment alleged that the Las Vegas mail-order distribution ring grossed approximately \$150,000 a week.

Legal battles over this most recent indictment and the still-pending 1985 tax evasion case appear to have loosened Sturman's control of pornography distribution -- and his competitors may have intensified their activities as a result. In fact, some law enforcement authorities believe several acts of violence that occurred over the last two years may be linked to the instability in Sturman's organization:

- o Two adult bookstores in Chicago connected to Sturman were firebombed in November 1986.
- o In December 1986, a man who tried to open an adult bookstore in Dallas was shot.
- o And, in Houston, arson was suspected in the March 1987 fire at the home of Lynda Ivey Entratter, a Sturman associate active in the pornography distribution business. Entratter's maid died in the fire.

Although none of these violent crimes took place in California, the potential is present here. As long as control over pornography distribution

is contested, and organized crime figures continue their involvement in the business, the pornography industry will remain of interest to law enforcement officials statewide.

With a degree of success, California law enforcement has targeted pornography through the enactment of several new laws and innovative applications of existing law. The following actions were taken in 1987:

In January 1987, a California law went into effect changing the statutory definition of obscenity from the former, "utterly without redeeming social importance," to lacking in "significant literary, artistic, political, education, or scientific value." The new law had been expected to facilitate prosecutions of obscenity cases because it broadens California's standard. But because the new law's obscenity standard differs from that adopted by the U.S. Supreme Court in 1973, convictions under the statute could be challenged on constitutional grounds, making the law an uncertain prosecutorial tool.

In Sonoma County, an adult bookstore owner was prosecuted successfully under the new obscenity law. He pled guilty to misdemeanor charges, paid a fine, and closed his store. The store owner was also one of three adult bookstore owners prosecuted in 1986 by Butte County authorities under California's former obscenity statute, as reported in last year's assessment.

Prosecutions were brought under the federal Child Protection Act, which prohibits the use of minors in sexually explicit films. The

federal law was used primarily because, unlike the state's, it does not require that those charged under the statute know that the actors used were underage.

Also targeted in 1987 was "Dial-A-Porn. Effective January 1, 1988, a California statute requires telephone companies to allow customers to block all taped-message calls, which will enable parents to prevent their children's access to dial-a-porn calls.

PART IV — CRIMINAL EXTREMISTS

Criminal extremists are defined as any group of people who form an alliance and commit crimes in order to advance their causes or beliefs. Several members and alleged leaders of such groups were the subjects of California law enforcement efforts in 1987.

In October, William Potter Gale and four others were convicted in a Las Vegas federal court of threatening the lives of Internal Revenue Service agents and a Nevada state judge. Gale, of Mariposa County, California, is the alleged leader of the Committee of the States in Congress. Members of the Committee of the States believe they have the right to set up their own local governments without regard to established laws, in particular, laws requiring individuals to pay taxes. Gale was sentenced to a year-and-a-day prison sentence and five years probation.

Last year's report documented the activities of the group calling itself the Bruder-Schweigen Strike Force II (taking its name from the original Bruder-Schweigen, also known as the White American Bastion, a violent and subversive white supremacist group). In May, one of the members of that group, David Ross Dorr, was convicted of federal counterfeiting charges and sentenced to six years in prison. Dorr, a former California resident, is awaiting trial on charges that he participated in a series of bombings in Coeur d'Alene, Idaho.

In 1987, other criminal extremists in California resorted to violence to promote their views. In San Diego, for example, an attempted bombing took place at a clinic where abortions are sometimes performed. In November, the

Rev. Dorman Owens, pastor of the Bible Missionary Fellowship Church was arrested along with six members of his church on federal charges of conspiring to bomb the Family Planning Associates Medical Group in San Diego. The Rev. Owens was ordered held without bail pending trial because he represents, according to the court, a "danger of violent harm." Another church member, Eric Svelmoe, was charged with various federal firearms and explosives violations for manufacturing the pipe bomb and placing it at the clinic. A candle blew out before igniting the bomb's fuse.

Extremist members of another group, the Animal Liberation Front (ALF) continued to engage in large scale vandalism in 1987. Law enforcement authorities also believe that the ALF was responsible for a major act of criminal violence -- the multi-million dollar fire in April at the Animal Diagnostic Center under construction at the University of California, Davis (UCD). Investigators determined that the fire, which caused \$3.5 million in damage, was deliberately set. Eighteen vehicles at UCD were spray-painted with animal rights slogans. Letters and telephone calls to news agencies claiming that the ALF was responsible for both incidents, along with other evidence developed in the investigation, made the ALF a primary suspect. The investigation is continuing.

Other costly arsons, in which the involvement of the ALF or other militant animal rights groups was being investigated, occurred in September and November in Santa Clara County: a \$10,000 arson at a storage building at San Jose Valley Veal and Beef; arson of a barn at the Ferrara Meat Company; and a \$200,000 arson at the V. Melani Poultry Facilities. The ALF was suspected in at least seven cases of vandalism that took place in 1987 throughout the Los Angeles and San Jose areas.

PART V — DEPARTMENT OF JUSTICE EFFORTS

Through legislation, intelligence operations, and prosecutions, the California Department of Justice actively responded to the needs of law enforcement and the concerns of the public regarding the activities of criminal organizations.

NEW LEGISLATION

California Attorney General John K. Van de Kamp and the Department of Justice sponsored a variety of bills affecting organized crime-related law enforcement.

One of these bills, AB 63, introduced by Assemblyman Bane, is intended to deter racial, ethnic, religious and minority violence. The statute, effective January 1, 1988, mandates that penalties be increased for hate crime motivated by the victim's race, color, religion, ancestry, national origin or sexual orientation. In addition, the new law allows the Attorney General, a district attorney or a city attorney to request a temporary restraining order -- directing the defendant to leave the intended victim alone -- when acts of hate violence are threatened. Violation of the order would itself be punishable as a misdemeanor, thereby permitting law enforcement authorities to act before any attack actually takes place.

Another law enacted in 1987 which will assist law enforcement officials with investigations is AB 2278, introduced by Assemblyman Broznan. The law will permit law enforcement authorities access to employment records maintained by the Employment Development Department (EDD) when necessary for ongoing

felony investigations. Formerly, authorities were allowed access only if there was already a felony arrest warrant outstanding for the individual, and the individual had applied for benefits, such as unemployment compensation. Past and present employment records of suspects and victims often provide valuable leads in an investigation, even before a warrant is issued. Consequently, law enforcement authorities were unnecessarily restricted in their investigations by the EDD requirements.

Another bill, AB 2671, introduced by Assemblyman Clute, was an urgency measure to enable small cities (with a population of less than 1.25 million) to be reimbursed for their costs in cleaning up illegal drug laboratories. This bill was a clarification of AB 2692, introduced by Assemblyman Harris, that appropriates funds to reimburse local officials for clandestine lab cleanup.

PROPOSED LEGISLATION

In response to significant increases and fundamental changes in organized crime in recent years, particularly with regard to criminal gangs, the Attorney General sponsored legislation that, if enacted, would create the Organized Crime Strike Force. Under SB 1850, introduced by Senators Beverly and Watson, the proposed Strike Force, housed within the state Department of Justice, would independently investigate and prosecute the most significant criminal organizations in California. The Strike Force would target groups which, because of their size, financial resources, close-knit nature, and multi-jurisdictional scope, are generally beyond the control of local law agencies.

Another proposed bill, SB 802, supported by the Attorney General, and introduced by Senator Watson, would require local law enforcement agencies to report the incidence of crimes that appear to be motivated by race, religion, sexual orientation, or ethnicity of the victim to the Department of Justice.

NEW PROGRAM

Money Laundering

Legislation enacted in 1986 gave California law enforcement the tools to detect, investigate, and prosecute money laundering operations. The law requires California financial institutions to report each currency transaction in excess of \$10,000 to the Department of Justice.

The Department's Bureau of Organized Crime and Criminal Intelligence (BOCCI), Financial Investigations Section, is responsible for enforcing currency or monetary instrument transaction reporting requirements of California's money laundering law. The Financial Investigations Section is charged with collecting currency transaction reports (CTR's), managing and analyzing financial transaction data, conducting investigations and audits of suspicious financial activities, and reporting possible violations to appropriate criminal justice, tax, and regulatory agencies.

INTELLIGENCE

The Department's Bureau of Organized Crime and Criminal Intelligence (BOCCI) responds to the growing need for centralized criminal intelligence information and coordinated law enforcement effort in the fight against organized crime. The Bureau's primary responsibility is to collect,

analyze, and store intelligence pertaining to organized crime. Intelligence support -- such as analytic reports, specialized equipment, data base searches, visual investigative aids -- is given to law enforcement agencies within the state, across the nation, and throughout the world.

Through its Automated Criminal Intelligence Index (ACII), the Bureau operates an effective intelligence file system that promotes the statewide coordination of organized crime investigations and prosecutions. In response to 11,660 inquiries from other law enforcement agencies in 1987, the Bureau identified 1,978 persons suspected of organized crime activities, and 78 organized criminal groups. In addition, the Bureau's assistance to local, state, and federal law enforcement agencies contributed to 965 arrests and 141 prosecutions in 1987.

The Specialized Equipment Unit lends advanced communications and electronic surveillance equipment to law enforcement agencies for use in criminal investigations. In 1987, 839 requests from agencies resulted in 4,056 items of electronic surveillance equipment being issued. The majority of this equipment was used in narcotics investigations.

The California Witness Protection Program provides financial assistance to state and local law enforcement agencies for the protection of witnesses testifying in organized crime cases. Participating agencies are reimbursed for the relocation and subsistence of such witnesses and their immediate families. The Program provided financial assistance for the protection of witnesses testifying in 66 new or continuing cases. Convictions in 136 cases that involved protected witnesses were reported in 1987 -- a 56 percent increase over last year.

For many years, the Bureau has provided criminal investigation graphics to law enforcement agencies throughout the state. Although these graphics were invaluable to investigations and prosecutions, they were prepared, updated and otherwise modified by hand, a tedious and time-consuming process. With the acquisition in 1986 of the new Computer Assisted Graphic Evidence (C.A.G.E.) system, turnaround time for chart preparation and modification was slashed. The C.A.G.E. system permits instantaneous drafting and updating of diagrams, and produces color prints three feet wide and up to 100 feet long. The speed and versatility of the new system has enabled the Bureau to increase its production of graphics 200 percent over what it could produce manually. Since September of 1986, when the C.A.G.E. system first became operational, the Bureau has produced 616 graphics products, such as visual investigative analysis, link network diagramming, telephone toll charting, and crime scene diagrams. C.A.G.E.-produced charts were used in the investigation and prosecution of complex organized crime, major fraud, narcotics, and murder cases. The Bureau also offers instruction in graphics preparation to law enforcement personnel.

PROSECUTIONS

The Special Prosecutions Unit is a combined investigative and prosecutions unit which has as its responsibility fulfilling the Attorney General's statutorily mandated duty to prosecute both traditional and functional organized crime. The Unit is involved primarily in conspiracy projects directed at the leadership of these criminal organizations. The Unit's objective is to identify the leadership elements of the criminal organizations, accumulate evidence which will support a prosecution and convict the leadership of the organization. The Unit's high rate of

incarceration of persons convicted is an indication of its success in disrupting organizations by removing the leaders in element.

During 1987, the Special Prosecutions Unit continued to have a high conviction rate (95 percent) in organized crime cases.

New Cases

Several new cases of interest were opened in 1987:

- o Browning Organization: United States v. Eltader Browning, Jr., et al (Twenty-seven named defendants)

This case was generated by a federal, state, and local task force operation, which was able to penetrate and successfully investigate this long-standing Los Angeles criminal organization headed by Browning.

A total of 27 defendants were indicted. Several are fugitives at this time. Thus far, seven defendants have entered guilty pleas to various charges related to the cocaine distribution scheme. These persons have been given sentences from one year to 20 years in prison. The nine remaining defendants are scheduled to be tried in May of 1988.

- o Money Laundering Through a Local Financial Institution: United States v. Shah, et al.

This case involves ten defendants, one of whom is an attorney from Nevada. They were involved in a scheme to launder, through a small savings and loan institution, money generated by a major cocaine importation and distribution ring. Shah was an officer of this financial institution. He was instrumental in permitting the use

of the savings and loan and disguising the money. At the present time, one defendant has entered a guilty plea and is awaiting sentencing. The other defendants are awaiting trial setting

o Montoya Crime Group: People v. Montoya

Montoya is allegedly a Mexican Mafia figure who is involved in cocaine trafficking, various vehicle fraud and theft schemes, counterfeiting, and numerous other criminal activities. The Unit's investigation initially focused on the auto theft and resale activities. Montoya was arrested on narcotics trafficking charges while out on bail pending trial in the vehicle theft case, scheduled for May 1988.

o Auto Theft/Insurance Fraud: People v. White

White, an organized crime associate, is charged with several felony offenses in Los Angeles and Riverside counties. In Los Angeles County, the charges include auto theft and a related insurance fraud. In Riverside county, White pled guilty to charges of possessing blank checks with intent to defraud. The Los Angeles matters are still pending.

o Major Bookmaking Ring: People v. Sacco, et al

Ron Sacco is the central figure in a major, multi-state bookmaking operation centered around sports betting. Sacco and eleven of his associates are charged with conspiracy to commit bookmaking. Sacco and another defendant are currently awaiting trial. Three others have surrendered to authorities. The balance of the accused are at

large. Sacco is also presently under indictment in federal court in Nevada for violation of various federal gambling and bookmaking statutes.

o Hells Angels Amphetamine Distribution Case: United States v. Serrano, et al.

This series of cases involves 11 members of the Hell's Angels Motorcycle Club who were instrumental in the statewide and national methamphetamine distribution system. These cases were the result of a joint investigation involving federal, state, and local resources. Three pled guilty, two of whom were sentenced -- from one year to nine years in prison. The remaining eight defendants will be tried during 1988.

1986 Case Update

The status of cases highlighted in the 1986 Annual Report is updated as follows:

o Organized Crime Associates in Real Estate Fraud: Peo. vs. Fritz and Eggleston

These two defendants, associates of a Santa Clara County traditional organized crime figure, were charged with the theft of more than \$100,000. They were active in the Sacramento area. Fritz and Eggleston entered felony pleas and are awaiting sentencing.

- o "Billionaire Boys' Club": Peo vs. Hunt, Pittman, Dosti, and Eslaminia

These four persons were members of the so-called "Billionaire Boys' Club." Joe Hung, the acknowledged leader, formed a group which was involved in a "Ponzi" scheme. When funding sources for the scheme began to dry up, a plan was devised to obtain resources from Ronald Levin, who was killed as part of this plan. But Levin's check was dishonored, so the group focused on Hedeyat Eslaminia. Eslaminia was kidnapped as part of an extortion plot, and died during the kidnapping.

In January 1988, Dosti and Eslaminia, the victim's son, were found guilty on counts of conspiracy, murder, and kidnapping with intention to extort, and face sentences of life without possibility of parole. Sentencing is scheduled for later in 1988. Pittman and Hunt are awaiting further proceedings.