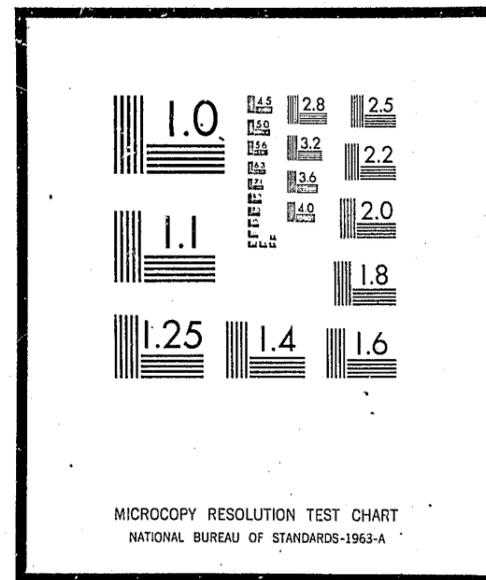


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2/19/76



ROBERT MORGAN  
ATTORNEY GENERAL

State of North Carolina  
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P. O. Box 829  
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TO: The Honorable James E. Holshouser, Governor of North Carolina  
and  
The General Assembly of North Carolina

Dear Governor Holshouser and Members of the General Assembly:

The North Carolina Organized Crime Prevention Council was established by Executive Order signed by Governor Robert Scott on May 27, 1971. The broad function of the Council was to determine the scope of organized crime in North Carolina and develop strategies for its detection, control, and prevention. In accordance with these directives, the Organized Crime Prevention Council respectfully submits its Report on Organized Crime in North Carolina, along with a list of recommendations.

This report was prepared after studies of extensive records of intelligence information, criminal files, and published material together with numerous personal interviews of local, state, and federal law enforcement officials and others that might have knowledge of organized crime conditions in North Carolina. We sincerely appreciate the courtesies and cooperation extended by these individuals.

We believe this report discusses the scope and problems of organized crime in North Carolina as accurately as possible given the tools and resources presently available to law enforcement in this State. It is hoped that implementation of the recommendations will allow us to better detect organized crime within our borders as well as control and prevent its future encroachment.

Respectfully submitted,

  
ROBERT MORGAN, Attorney General  
Chairman, North Carolina  
Organized Crime Prevention Council

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## INTRODUCTION

At the suggestion of Attorney General Robert Morgan, Governor Robert Scott signed an Executive Order on May 27, 1971, creating the North Carolina Organized Crime Prevention Council. The Council was charged with the broad function of developing a comprehensive plan for the detection, control, and prevention of organized crime in North Carolina. Funding was provided by a grant from the Law Enforcement Assistance Administration under Title One of the Omnibus Crime Control and Safe Streets Act of 1968, and the Council became operational in September, 1971.

The Council decided that before it could make recommendations and map strategies, it first had to develop a workable definition of "organized crime" for North Carolina, and then to try to determine the size and scope of organized criminal activity in this State. In developing a workable definition of "organized crime," the Council felt

strongly that the organized crime fighting program for North Carolina should not be limited, as it is in the larger cities and states, to La Cosa Nostra families or major crime syndicates that operate on a nationwide basis. Organized crime is not a monolithic organization but consists of regional, autonomous groups that operate independently but often assist one another when needed. These groups may operate on a formal or informal basis. They form continuing conspiracies, and their goals are profit and power obtained by using unlawful and corrupt means. The criminal groups are usually organized on a self-perpetuating basis and their structure insulates them from attack in the traditional police manner.

In order to evaluate the size and scope of organized criminal activity presently operating in this State, the Organized Crime Prevention Council decided to conduct a statewide survey to find out what was known about organized crime activity. This information had never been systematically collected or evaluated. Staff for this project was provided by the Attorney General's Office and the State Bureau of Investigation. It was decided that personal interviews would be used because in this manner not only could a better, more complete picture of organized criminals and their activities be gained, but problems could be discussed, liason could be fostered, and new ideas could be explored. Since it was impossible to interview every law enforcement agency or person who might have information, it was decided to cover the major cities and counties as well as the geographical regions of the State. Over sixty-five personal interviews were conducted with police departments, sheriffs' departments, State Bureau of Investigation Agents, other state enforcement representatives as well as selected

Federal Agents, organized crime units in other states, members of the press, and members of the general public. Information concerning major criminals and major criminal activity was elicited. Law enforcement files and newspaper articles were studied. Additional followup work was done on much of the information. Due to the scope of this project and limited resources, no field investigatory work was done.

The following report is an evaluation and summarization of the Council's findings. Any sensitive or unsubstantiated information was kept in strictest confidence. Because of this and the Council's feeling towards an individual's right to privacy, actual names are not used in this report. Much of the information contained herein is based on actual proven facts, but other information is based on part fact and part speculation. An attempt was made to explain the basis of the information used in this evaluation.

CHAPTER ONE  
NARCOTICS AND DANGEROUS DRUGS

The problem of organized distribution of narcotics ranks near the top of citizen concern about crime in North Carolina. The problem and its solution are multi-faceted. Obviously, there are many talented and dedicated people throughout this State working on enforcement, education, treatment, and rehabilitation. This report discusses the drug problem only as it relates to organized crime.

There are different kinds of narcotics and dangerous drugs. The North Carolina General Assembly passed a Uniform Controlled Substance Act in 1971 that divides dangerous drugs into six categories. These categories include the "hard" narcotics, such as heroin, as well as the hallucinogens, amphetamines, barbituates, and marijuana. The Act defines "narcotic drug" as meaning opium, opiate and coca leaves and their derivatives. This includes heroin, morphine and cocaine.

It is the narcotic drug, especially heroin which has no legal use, that presents the most serious drug problem regarding organized crime. This is because the opium plant and coca leaves are not grown in this country. The two main sources of supply for opium and the opiates are the Middle East and Southeast Asia, with a minor source of supply being Mexico. The principal source of supply for cocaine is South America. To process these drugs for the illegal market, to bring them into this country, and to distribute them requires a sophisticated and organized criminal operation.

It is felt by law enforcement officials that the narcotic drugs are imported primarily by the large organized crime groups or syndicates. Once the large shipment is received in this country, it is then sold to wholesalers, who sell it to lower level wholesalers or retailers. The drug will normally go through five or more distribution levels before it reaches the addict on the street. It is usually "cut," or diluted, at each level of distribution so that by the time it reaches the street addict, a bag of heroin will contain only three to ten per cent actual heroin. Profits to the wholesalers and large distributors are enormous. It is not hard to understand why hardened criminals with backgrounds in bootlegging, armed robberies, gambling, and even murder have moved so easily into the distribution of narcotics.

The narcotic addict provides an exceptional market. He is not a willing buyer, but one who has to buy. The addict will often commit crimes to get his money. Millions of dollars worth of items are shoplifted and stolen by heroin addicts in this State every year. Or, the addict may get his money by pushing drugs himself. In order to be a successful pusher, he must convince others to try the narcotics, then

keep them supplied until they also become addicts. Thus the problem of narcotic addiction grows in a pyramiding manner.

The distribution of the other types of dangerous drugs such as the hallucinogens, amphetamines, barbituates, and marijuana, does not necessarily require organized criminal operations. Their major source is diversion from legal channels in the United States and the smuggling of these drugs into the United States from foreign countries. Practically all of the samples of these pills analyzed by the North Carolina State Bureau of Investigation Laboratory, which were being illegally distributed, were manufactured legally in the United States. However, approximately twenty percent of the amphetamine type drugs analyzed appeared to have been manufactured illegally in clandestine laboratories. The hallucinogens, such as LSD-25, are produced in clandestine laboratories in the United States or foreign countries. The major distributors of these type drugs are often involved in a highly sophisticated organized criminal operation. The lower level distributors are so diversified, however, that it is hard to categorize them as hardened criminals involved in an organized criminal operation.

The most commonly found illegal drug is marijuana. Marijuana can be grown easily in any warm climate and, although the major source of marijuana in this country has been Mexico, there is evidence that more and more is being grown in the United States. Even though there are some large criminal organizations dealing in marijuana, very few of the lower level street pushers would be considered organized criminals.

## *THE DRUG PICTURE IN NORTH CAROLINA*

It is impossible to estimate accurately the extent of the illegal drug use in North Carolina. The various methods used to arrive at an estimate of drug use include number of arrests, quantities seized, reports by physicians and hospitals, surveys, and information received from drug users. There is no uniform crime reporting system in this State and therefore, we cannot even accurately report the number of drug arrests. The North Carolina Drug Authority has compiled reports from seventy-three police departments and thirty sheriffs' departments in the State indicating that in 1971 there were 2,697 drug arrests in North Carolina. This was an increase of 20% from 1970. There were 625 heroin arrests, or an increase of 37% over 1970; and 1,155 marijuana arrests, or an increase of 62% over 1970.

Even though we do not have an accurate method for determining drug use in this State, the facts we do have indicate that it is widespread. Furthermore, with regard to the narcotic drugs and marijuana it appears to be increasing. In interviews law enforcement officials in the major towns and cities of North Carolina report that a narcotic problem does exist in their community. Local mental health officials estimate that between seven and eight thousand heroin addicts reside in the Fayetteville area. Drug agents say this figure is conservative. The major narcotic that is being used is heroin, even though there is some evidence of an increasing use of cocaine.

## *ORGANIZED DRUG OPERATIONS IN NORTH CAROLINA*

Law enforcement officials have identified major heroin distributors in almost all of our more populous cities and towns. In the larger cities there are generally two or three major distributors with more than a dozen having been identified in the Fayetteville-Fort Bragg area.

We have only limited knowledge of the operation of these major heroin traffickers in North Carolina. We do have some examples that illustrate the organized nature of the drug distribution system in this State. One individual in a Piedmont city a few years ago was considered the largest heroin distributor in the State. He reportedly got his heroin in the Maryland-Norfolk, Virginia area, from one of the largest distributors on the East coast, and he would bring it back into North Carolina by private car or by bus. He also made frequent trips to Fayetteville, Charlotte, and other areas of the State where he contacted known heroin distributors and other professional criminals, some of whom are known to have bought heroin from him.

In his operation, this individual would set a man up in the heroin business by giving him five thousand dollars worth on a consignment basis. The profits would be split. The next time the consignee would be given ten thousand dollars worth of heroin to sell, but his cut of the profits this time would be much smaller. As a result of getting hooked himself this person lost his position as a major drug distributor and several others in his home community were quick to take his place. One of these is reported to fly drugs into North Carolina on his private plane. Two other major distributors in this area have long police records starting as bootleggers. One of them is known to travel frequently to the Fayetteville area. At least two of these distributors are known to make frequent calls to distributors in other areas of the State.

One of the major sources of supply for the large heroin dealers in the State is a smuggling operation that originates in Thailand, and is apparently being run by active and retired military personnel. Two of the apparent leaders of this operation reside in an Eastern North Carolina city while another resides in Florida but makes frequent trips to North Carolina. The group owns a bar in Thailand that serves as a front for their operation. The heroin is flown into this country by service men returning from Southeast Asia and by military freight parcels that are flown in from that area. The leaders of this ring frequently make flights to Thailand to make the arrangements for getting the heroin back to this country. This organization appears to be selling heroin to major drug dealers all along the Eastern Seaboard. It is known that many of the major dealers in North Carolina buy their heroin from them.

One heroin dealer is reportedly selling \$10,000 a week worth of heroin in an eastern North Carolina city. He is buying most of his heroin from an individual in another North Carolina city who is part of this Thailand ring. Leaders of this ring are known to have sold a pound of heroin here in North Carolina to a couple as far away as California. From all indications, this Thailand ring is a very sophisticated operation and its members are known to engage in robbery, violence, and murder when necessary to protect their operation. Two of the ring leaders were recently arrested in North Carolina by Federal and State agents and charged with smuggling 17.3 pounds of heroin into the United States. This one shipment had an estimated street value of eight million dollars.

Several of the State's large heroin dealers are known to make frequent trips to the New York City area,

presumably to pick up heroin. Others travel to Richmond, Virginia, Washington, D.C., and Atlanta to purchase their heroin supply.

The connections and relationships that major drug dealers in North Carolina and their organizations have with each other are not known to law enforcement. Even though it is known that many of these dealers frequently visit each other and occasionally buy drugs from each other, it is felt that they operate independently. Most of the heroin dealers in North Carolina do have long arrests records for crimes such as bootlegging, gambling, theft, and fencing stolen property. Much of the contact that exists among these drug dealers probably stems from some of these activities as well as the narcotics activities.

The means of financing these operations are also unknown. There are obviously huge amounts of money being spent on narcotics in North Carolina. One large heroin distributor in Greensboro was recently arrested with over \$13,000 in cash on his person. There is some indication that legitimate businessmen interested in making a high return on their investments are being used to finance narcotic operations.

The major heroin dealers in this State typically form their own distribution organizations to channel the narcotics down to the ultimate user. The major dealer will normally have two or three associates who will help recruit street pushers, act as muscle when needed, and assist the dealer in bringing the heroin into the area and distributing it to the street pusher. The dealer will recruit street pushers in several ways such as bailing them out of trouble or supplying them with drugs or providing them a way to make a fast dollar.

The street pushers will often be roughed up and convinced of their sure death if they ever decide to cooperate with the police. Law enforcement officials suspect that several overdose heroin deaths in North Carolina were premeditated murders. Several of the State's major drug dealers use addicts in their organization for prostitution purposes, and at least two dealers have quite sophisticated prostitution rings in addition to their heroin operations.

The distribution of other dangerous drugs in North Carolina does not appear to be as well organized as the heroin trade and there is no known drug ring dealing in these types of drugs. The availability of these drugs is greater and the buyers buy willingly rather than because of addiction. That is not to say that we don't have organized criminal operations in North Carolina supplying LSD, pills and marijuana. There have been some indications that as many as three chemical laboratories in North Carolina have manufactured dangerous drugs illegally. There are reports that a chemist is flying into an eastern North Carolina city once a week from Detroit, Michigan and distributing large quantities of LSD in this area. There are some reports by law enforcement officials that marijuana is being grown in this State, especially in the east, and that the quantities being grown are increasing. Several of these marijuana fields have already been discovered by law enforcement officials. It appears that these dangerous drugs are brought into North Carolina any number of ways by any number of people.

#### *SPECIAL PROBLEMS OF LAW ENFORCEMENT*

The police departments around the State are now implementing drug enforcement programs. In most of the

major departments, a special drug squad has been set up to enforce these laws. Such units face the problem of whether to concentrate their efforts on the narcotics or on the less dangerous drugs, such as pills and marijuana. There is pressure on the police departments of some cities to concentrate on the pills and marijuana. These are the drugs that are being used by the children of the more influential citizens, whereas, the heroin problem is mostly among low income groups. In the larger cities, where the heroin problem appears to be greater and has seeped into the white community, local enforcement efforts in this category are given a higher priority.

In addition to the efforts of local police and sheriffs' departments, the State Bureau of Investigation has original jurisdiction in drug offenses, and has been taking a leading role throughout the State in enforcing the drug laws. There are also federal law enforcement agencies with agents stationed in North Carolina that are actively enforcing the federal drug laws.

Drug laws present special problems for law enforcement, and it is not within the scope of this report to present a full discussion of these. The great majority of arrests for drug violations in North Carolina involve the user, addict, or lower level street pusher. The successful detection and arrest of major distributors involve problems in addition to normal drug enforcement. Many man hours must be spent on investigating and piecing information together to get a true picture of who the major dealers are and how their organization operates.

Good information is hard to obtain from the addicts and street pushers, mainly because they do not know the details of their suppliers' operations. Fear of bodily harm

and of not being able to get heroin are other important factors. Once the information received is analyzed, then it is difficult to gather enough evidence to make the arrest. The dealers seldom handle the drugs directly and are very skillful in covering their activities. They are able to hire the best counsel, get their cases continued, and receive relatively light sentences if they are convicted. Even though an extensive effort is being made by the State Bureau of Investigation and by some of our local cities to work the major drug dealers, they are just beginning to put a dent in their overall operations.

## CHAPTER TWO - ORGANIZED THEFT

Police estimate that a large percentage of breaking and enterings, safe robberies, residential burglaries, and hijackings in North Carolina are committed by organized professional thieves. In terms of value of property stolen, these organized criminals account for an even higher percentage.

### *THE PROFESSIONAL THIEF*

These organized professional thieves are men who seemingly devote their lives to breaking the law. This individual does this not only for money like all thieves, but also for power, personal satisfaction in assuming the risk, or simply to carve a reputation for himself among his peers as a professional.

The professional thief works to develop expertise at his occupation much the same as does a carpenter or an

attorney. He will first try to familiarize himself with his legal rights and the law concerning such topics as reasonable grounds for arrest, search and seizure, right to counsel, and all other constitutional procedural safeguards. He will consult with other criminals, and learn from experience in cases in which he is involved, and by making use of prison libraries and self-taught "prison lawyers."

The professional thief will learn about police procedures and tactics. He learns the procedure for developing informants so he will always be on guard for them. He learns the faces of police officers in his area and how to spot an unmarked car or recognize police surveillance. The thief also learns how to beat the system when the police have enough evidence to convict him. This is done in many ways. The criterion that the public and all too often, law enforcement itself, uses for judging the effectiveness and efficiency of law enforcement agencies is the number of arrests made and the number of cases solved. The professional thief in North Carolina will always gain enough information to help the police solve several open cases that do not affect him. In this way, the criminal can bargain for a light or suspended sentence or even a nol pros. In one recent case, a rather notorious criminal who was apprehended in North Carolina and who was wanted on multiple counts including larceny and escape, confessed to several additional crimes in exchange for the recommendation of a 10 to 20 year sentence. This would make him eligible for parole in about 2 1/2 years.

When the professional thief does go to prison, he learns how to manipulate the system there to his advantage also. He often will make a model prisoner and will usually cooperate with prison officials. This enables him to get an

early parole or be assigned to a prison camp close to home. One of the notorious gang leaders from the western part of the State who is now under consideration for parole was assigned to a prison unit in his home county. Local police officials indicated that he ran his same organization the whole time he was in this camp. When all else fails the professional criminal will resort to attempted bribery in one of its many ugly forms.

The professional thief will hire the best lawyer, will try to befriend influential people, and will attempt to get influential or useful people indebted to him in some way such as by lending them money or selling them stolen goods. He will learn the skills of his trade such as how to break into a safe, how to rip a burglar alarm, and how to open a lock or get through a roof.

What does the professional thief have to do with organized crime? Because the professional thief is a professional, he usually knows that the only way to run a successful operation is to organize. Thus, the professionals group together with others and form organized criminal theft rings or gangs. These groups have leaders who rise to their positions primarily because of brains, experience, and the ability to instill fear in their associates. Time after time, police officers in North Carolina have had members of a group tell them they will not testify in court against the leaders because they are afraid of getting killed.

#### *ORGANIZED THEFT IN NORTH CAROLINA*

Over the past six years, there have been at least a dozen well-organized theft rings operating across the State. These groups recruit and use specialists. One gang leader in

North Carolina recruited a lot of his men by posting bond for them or hiring good attorneys for them when they get in trouble. The groups are highly mobile and may pull jobs all over the State. Several members of North Carolina theft gangs have been arrested as far south as Louisiana for breaking and entering. Others regularly travel back and forth to Arkansas, Georgia, Tennessee, Virginia, Maryland and New Jersey.

The criminal groups will go to great lengths to plan and execute their jobs. They will map out exclusive residential neighborhoods and escape routes. They read newspapers to find out when people are going to be out of town, frequent gambling games to find out who keeps a lot of money, and rely on dishonest associates to set up jobs for them. They become thoroughly familiar with the places they are going to rob by constant surveillance in borrowed cars, by getting one of the group a job at the target establishment, and/or by trying to get one of their group on a construction or repair crew doing work on the premises. Methods of escape and escape routes are planned out. When the actual theft is carried out, cars and trucks will be borrowed or rented and often will have dealer tags on them. One notorious burglar, recently convicted, often got his cars from a dealer in Arkansas and rented his trucks. Another got his cars from a dealer in Maryland. Often, the groups will be equipped with radios to monitor all police action. Lookouts will be posted, walkie talkies will be used, gloves, ski masks, and dark clothing will be worn. If guns are used, they will not be traceable.

The organized groups know exactly where to get rid of the goods and what is in demand on the stolen goods market. Only saleable items such as guns, cigarettes,

electronic gadgetry and silver are taken. Large items are sometimes stolen on request. One large gang took orders for tractors and then located and stole the exact tractor ordered. This group was responsible for an estimated \$125,000 worth of goods stolen.

The gang leaders try to insulate themselves from the activities of the group. Often they will not go along on the job but will meet with the group after the robbery. If they do go along, it will be in a separate car. If any members of the group are caught by the police, the leader will make sure a bondsman is on hand to immediately bail them out. In several instances, notorious criminals in North Carolina have walked the streets while under indictment for as many as half a dozen separate offenses, sometimes in two or three states.

One of the most frightening aspects of these organized criminal gangs is the contact and interaction they have with one another. Almost all the dozen or so top gang leaders in North Carolina have dealt with one another at one time. They have an excellent communication network.

An example of professional criminals' mobility and lines of communication illustrates their methods of operation. Mr. X owns and operates a service station in an Eastern North Carolina city. He had a record for gambling and bootlegging and decided to set up the robbery of some people whom he knew kept large amounts of money. Mr. X contacted Mr. Y in another North Carolina town. He in turn, contacted Mr. Z in the Western Piedmont section of the State. Mr. Z contacted Mr. A in Atlanta, Georgia, to send in men to commit these burglaries. Mr. A is one of the leaders of a large group of travelling criminals who operate throughout the South. Mr. A brought two other

professional criminals with him, one of whom was wanted in six or seven different states. All of these men are associates of Mr. B who was recently convicted of murder and was considered the most notorious criminal in North Carolina. Besides running a large burglary operation, Mr. B also dealt in narcotics, flim-flam, hijacking, and contract murder. He had previously been suspected of pulling a large hijacking with Mr. X. Mr. B is also known to be associated with Mr. C, who runs a professional gambling operation in Piedmont North Carolina. Mr. X is also associated with a Mr. D, who is a businessman in the same city and who in the past has financed whiskey operations with him. Mr. D has also had contacts with Mr. B.

Mr. A told police that when he got to North Carolina Mr. X and Mr. Y showed him places to burglarize. Mr. A told of other people from North Carolina who set up burglaries for him.

Another example concerns a gang operating in one of the larger eastern cities of the State. The members of this gang come from a section of the county known for extensive bootlegging and lawlessness. There are ten or twelve young men in this group and they specialize in breaking and enterings and in safe robberies. They associate with an old and notorious eastern North Carolina group of professional thieves. Much of what they steal is fenced in Virginia. The group has been involved lately in stealing cigarettes and in the larceny of automobile spark plugs. The group is also believed to have been involved in the theft of tractors. It appears to take orders before a theft and always has a place to unload their stolen goods quickly. Generally, a member of the gang will try to get a job at the place they are going to rob. The gang will use trucks belonging to the place in

the robbery, and the trucks are usually found within a fifty-mile radius.

Another example is a man who was apprehended while breaking into the home of an attorney while the victim was at his wife's funeral. This man had a card file of notes in his possession for setting up burglary jobs. He is known to read the newspaper obituaries and special events to know who will be away from their residence. He reportedly fences his stolen goods in the Norfolk, Virginia area. This man is wanted in Hickory, Charlotte, Baltimore, Maryland, New York, and in Pennsylvania.

One notorious gang leader from the coastal section of the State was recently convicted of murder and sentenced to life imprisonment. He had a large safecracking gang that operated in North Carolina and Virginia and was responsible for at least eighteen safe robberies in a five-year period.

Another longtime notorious group of brothers operate a gang out of one of the larger southern piedmont areas of the State. These brothers are expert safe crackers. One of them recently was released from prison and has formed another group that have been breaking into drug stores, breaking open the safes, and stealing money and large quantities of narcotics. It appears this group is getting bigger and bigger in the field of pushing narcotics. One place where they are allegedly selling their narcotics is the prison from which the leader was recently released.

#### *PROBLEMS OF LAW ENFORCEMENT*

The organized professional criminal groups present special problems for law enforcement. Law enforcement officers often have a good idea of the activities in which

these groups are involved, even though they do not know very much about how they organize or their contact with other criminal groups. Although the activity may be known, it is extremely difficult under our present system to catch the organized criminal in the act or to make a case against him.

This difficulty in catching these criminals and breaking up the gangs is due primarily to the professionalism discussed earlier. Since the leaders seldom are involved in the actual commission of the crimes, the police must prove conspiracy to convict them. Breaking and enterings are set up and contacts made over the telephone or in private establishments. Even though the police might know that a particular gang leader is constantly calling known and suspected criminals around the State as well as in other states, they do not know what is being said and have no way of using these meetings and conversations to prove a conspiracy case.

Another problem that hinders police is jurisdiction. Generally, municipal police have jurisdiction only in their own towns and county police or sheriffs' departments have jurisdiction only in their counties. Thus the local police, who are in the best position to pick up information on the gangs in their community, cannot really concentrate their efforts if the group is conducting its activities in another county or state.

Because of these difficulties in making cases against organized criminal group leaders, the police often are forced to take a "wait for the mistake" approach. The idea is that if the police wait long enough, the criminal will eventually make a mistake. Until the criminal makes his mistake, the damage to the people of North Carolina can be enormous.

Once the professional criminal is placed under arrest, then the flaws of our court system often negate the efforts of police. Slow court procedures and the easy availability of bail often enable the professional criminal to continue his operation for long periods of time before he is tried. Light sentences and early parole put the professional back into operation quickly. This becomes very disheartening to the law enforcement officers who spend so much time trying to put these criminals out of business.

Most of the notorious underworld figures in this country started out as professional thieves and murderers before entering the more glamorous world of bootlegging, gambling, prostitution, and narcotics. In order to prevent the organized gangs in this State from becoming more powerful and sophisticated, we need to take steps to eliminate the gangs and organization of the gangs, even though realistically we know we can't eliminate the professional criminal.

### CHAPTER 3 BUYING AND RECEIVING STOLEN GOODS

According to North Carolina law enforcement officials, one of the more frightening aspects of the increase in larcenies in this State is the ease in which stolen goods are disposed of and the difficulty of locating them. Curtailment of professional fencing operations would greatly reduce the number of breaking and enterings and of larcenies. Whole truckloads have been hijacked, hundreds of guns and thousands of dollars worth of jewelry and silver have been stolen, and yet rarely have any of these goods been found. If found, they are seldom in the vicinity in which they were stolen. The professional "fencing" operation is responsible for this fact.

"Fences" are people who buy and receive stolen goods. Some professional "fences" hire criminals to steal for them. The "fence" might have a special group of organized criminals that he deals with under an agreement to buy all

of the goods they steal. Usually, the professional "fence" will make himself well known to those in his area who are actively engaged in shoplifting and larceny. Most "fences" in North Carolina have some type of legitimate business that serves as a front for their operation, but at least one rather large "fence" appears to run his operation out of a barn.

Some professional "fences" have the type of business that enables them to sell the stolen property they receive directly to the public or ultimate user. Other "fences" take orders for goods before they are stolen to unload the hot merchandise as soon as possible. A great many "fences" rely on other professional "fences" to help them get rid of stolen merchandise. Finally, there are those who simply buy stolen goods, for their own personal use, directly from the thief.

In relation to organized crime, the man who buys stolen merchandise for his own use, and to some extent the businessman who buys stolen merchandise to sell to the public, should be separated from the professional "fence" who simply acts as a conduit to pass goods from the thief to the ultimate user. The professional "fence", unlike them, is a member of a continuous organized criminal operation.

The professional "fence" must have a sophisticated and widespread organization. The extent of this organization is obvious from the fact that such a small percentage of the goods stolen in North Carolina are found here. The successful "fence" must have widespread contacts so that he will be able to dispose of his stolen merchandise quickly. It is far too dangerous to dispose of the stolen goods in the same area from which they were stolen, so they are sold in another part of the State or in other states. The professional "fence" often relies on other professional "fences" to dispose of stolen goods for him. To illustrate: Mr. X, a professional

"fence" in eastern North Carolina, gets a call from an organized gang leader informing him that the gangleader has a truckload of lumber for sale. X then calls Y, an associate in Virginia, and asks if he would be interested in purchasing a truckload of lumber for a stated amount of money. X, of course, must be familiar with the legitimate price of this type lumber. Y tells X he will call him back and let him know. Y then calls the contacts he has made in his area who might be interested in purchasing this lumber, then calls X back if he finds a purchaser. X will then call the professional thief and quote him a price for the lumber. X might give instructions to the thief to deliver the lumber to Y or directly to the ultimate user in Virginia. Notice that in this example no mention is ever made of the fact that this truckload of lumber was stolen.

The professional "fence" will always make contacts with people in his area who are interested in buying various goods cheaply. Thus, in our example, if Y were to call X the next day informing him of a piece of expensive jewelry for sale, X would call the contacts he has made in his area to see if any of them would be interested in purchasing the jewelry. We know in North Carolina that many of our professional "fences" are actively involved in gambling and bootlegging, and through these activities many of their local contacts are made.

The professional "fence" must have a thorough knowledge of the value and demand for stolen goods. He must also know how to keep the stolen goods from being easily identifiable. Often this requires special skills or tools, such as those used to file off serial numbers. He will often need large amounts of cash to purchase items when the thief wants his money right away. When we look at the type of

items that are stolen in North Carolina such as jewelry, silver, old coin collections, and gun collections, we see the type of sophisticated operation the professional "fence" must have to be successful. Because the professional "fence" so often sells his stolen goods to seemingly respectable businessmen and professional men, he is often able to acquire respectability and influence himself. He may be able to shield his activities by establishing a legitimate business. The fact that he deals mostly by telephone and often never touches the stolen goods makes it easier for him to hide his illegal activities.

North Carolina law enforcement officials know there are large "fencing" operations throughout the State. The method and extent of their operation, however, are not well known. One of the largest "fences" on the East Coast resided in the Piedmont before his arrest several years ago. He had numerous contacts not only in North Carolina but also in Florida, Virginia, Maryland, and New York. He was responsible for the fact that a large group of expensive men's suits stolen in North Carolina were found on the racks of a store in Florida. Another large "fencing" operation is run by two brothers who have ownership interest in several large legitimate businesses. These brothers run a gambling organization and are involved in other racketeering activities such as bootlegging. One reputed "fence" in the eastern part of the State owns a motel in New York and travels back and forth from North Carolina regularly. Several professional "fences" in the State are relatively wealthy businessmen operating prosperous legitimate businesses.

One especially alarming observation made by law enforcement officials throughout the State is that several of the long-time "fences" in their particular area have begun

to deal in illegal drugs. At least one reputedly large "fence" pilots his private plane. In the northeastern part of the State, it appears that most of the stolen merchandise is being fenced in the Portsmouth-Norfolk area of Virginia. In the western part of the State a lot of the stolen merchandise is fenced in Tennessee, Georgia, and South Carolina.

Professional "fencing" operations present special problems to law enforcement. Because "fences" dispose of so much stolen merchandise out of state, or at least out of the jurisdiction from which it is stolen, it is extremely difficult to find stolen goods. It is also extremely difficult to identify stolen objects because their owners fail to keep records of serial numbers or to put identifying marks on their valuables. Perhaps the most difficult problem in convicting a professional "fence" is trying to prove, as required by law, that a defendant knew the goods were stolen. Because the professional "fence" is careful not to refer to the fact that the goods he buys and receives are stolen, this is a most difficult element to prove. Furthermore, the "fence" relies primarily on the telephone to conduct his operations, and this hinders investigatory efforts.

It is felt that the curtailment of professional fencing operations in North Carolina would greatly decrease not only the buying and receiving of stolen goods but also the rising tide of breaking and enterings and larcenies.

## CHAPTER 4 - GAMBLING

On a nationwide basis, law enforcement officials agree almost unanimously that illegal gambling is the greatest source of revenue for organized crime. Illegal gambling has fostered the growth and power of the nation's powerful crime syndicates just as illegal whiskey did in the days of Prohibition. Gambling is an activity that is greatly desired by a large segment of our society. With few exceptions, almost all forms of gambling are illegal in this country. Thus, a demand situation has been created and organized criminals have been quick to supply its needs.

### *FORMS OF ILLEGAL GAMBLING*

In North Carolina, all games of chance are unlawful. Matching coins for coffee at the office or betting with your neighbor on the upcoming football game are forms of illegal

gambling. These kinds of gambling do not involve organized crime, but many types do.

One form of gambling that concerns organized crime is sports event betting with professional gamblers or bookmakers. A bookmaker determines odds and receives and pays off bets, mainly on sports events. The bookmaker may or may not have a legitimate front for his illegitimate occupation. The bettor calls the bookmaker by telephone to find out the odds for a certain sporting event. He may identify himself by name or simply by number or other code. The bettor will then place his bet over the telephone and the bookmaker will usually take as large a bet as he feels the bettor will be able to cover. Often bets are placed directly at some business establishment with the bookmaker or someone taking bets for him on a part-time basis. Another service usually provided by the bookmakers are football parlay sheets which allow the bettor to pick any number of teams listed on a printed sheet.

This gambling is on a credit basis, and the bettor and bookmaker might settle up the next day or at the end of the week. The type of odds quoted by the bookmaker differs with each type of sporting event. The bettor, however, never bets the bookmaker on an even basis because a percentage of every bet, usually 10% to 20%, is built in as the bookmaker's profit. Thus a bettor in order to win \$50.00 on a football game may have to put up \$60.00 regardless of which team he picks.

Another highly organized form of gambling is the lottery operation commonly known as "numbers lottery," or "butter and eggs" lottery. The bettor selects a 3 digit number from a wide variety of bets available to him. This bet is usually written down on a thin strip of paper and

placed with a "numbers" writer. The winning number is determined in a variety of ways. At one time it was determined by the daily quotations on the commodity exchange, thus the term "butter and eggs." Today, however, in North Carolina, the number is based on the last 3 digits in a newspaper circulation number or on a drawing with neutral observers present, or on the Dow Jones averages. The amounts received by the winners vary, depending on the type bets made, but these winnings will never approach the true odds. Other forms of gambling prevalent in North Carolina include card games run on a regular basis by people who take a cut of every pot, casino games such as blackjack, roulette, and dice which operate in various clubs and restaurants, and illegal slot machines which are found in some clubs. An old form of gambling enterprise found in certain areas of North Carolina is cock fighting, with roosters trained to fight to the death in makeshift arenas. A new form of this same barbarism is dog fighting, involving vicious bulldogs.

#### *DEGREE OF ORGANIZATION*

Why should these illegal gambling operations be considered organized crime, as opposed to individual crime? To answer this, we will look at how these various illegal activities operate in North Carolina.

The bookmaker cannot operate unless he receives fast and accurate odds information on sporting events. To get this information he has to rely on a national oddsmaking service or another bookmaker who subscribes to such a service. The bookmaker must pay a fee for this information. Federal law enforcement officials indicate that most of these

oddsmaking services are controlled by large organized criminal syndicates. The bookmaker must be able to lay off bets with other bookmakers when he has an excess of bets on a particular team. The bookmaker who can balance his books will always win. Finally, the bookmaker needs some form of wire service so he can obtain fast and accurate results of sporting events. He may also need to employ persons for related activities such as paying and collecting bets, persuading losing bettors to pay off through force if necessary, serving as body guards, and corrupting public officials.

In North Carolina there is evidence to indicate that bookmakers are operating in all of our major cities and many of our less populous ones. Through the layoff system, they can handle almost any size bet. Law enforcement officials in North Carolina do not really know the details of how this gambling network operates in our State. They do have evidence and examples that would indicate it is highly organized on a state and multi-state level. Some time ago, a professional bookmaker was arrested in one of our larger cities for illegal gambling activities. More than \$50,000 in cash was found in his house safe at the time of arrest. It is known that this individual had an extensive operation and was in constant telephone contact with professional gamblers in Baltimore, the Norfolk, Virginia area, Atlanta, and Alabama, as well as many cities in North Carolina. It was felt that this man was the bankroll and power behind smaller bookmakers in the State. This individual died several years ago and was replaced by a man who is active not only in bookmaking, but in running gambling games all over eastern North Carolina and in other criminal activities.

One bookmaker in a piedmont North Carolina city

reportedly takes in \$25,000 a day in bets. Another bookmaker, reputed to control most gambling operations in western North Carolina, conducts his operations in a home built like a fortress. The Internal Revenue Service filed a tax lien against this man for unpaid income tax in 1964 and 1965 in an amount of over \$400,000; indicating an income in the millions. It is known that this bookmaker is in constant contact with other major bookmakers in the State, especially in the Charlotte and Piedmont areas.

Another gambling operation that lends itself to a high degree of organization is the "numbers" lottery. A typical "numbers" operation will employ writers, pickup men or controllers, and bankers. The "writers" take the bets and generally are employed in some capacity that enables them to continuously be in contact with players and potential players. The "writer" usually gets a percentage, 20% or 25%, of all the bets he writes. In one medium size North Carolina city, there are at least 2 writers that are reputedly taking home \$400 to \$500 a week. The "pickup men" pick up the money and numbers slips and transport them to the banker. The "banker" totals receipts and slips and computes the payoffs. The pickup men and bankers may work on salary or commission. In a smaller operation, the banker may be the top man, but there may be someone above him.

Almost all of the 20 or so major cities in North Carolina have some "numbers" lottery operating, and some have very large operations. Several lotteries in North Carolina are operating on a multi-city level. Even though many lower level writers and pickup men are known or suspected by police, the top men are unknown. In order to be successful, a "numbers" operation needs to operate on a large scale. There is a definite tendency for one operation to monopolize

a city or town. One "numbers" operation which was broken up in the 1950's was run by a multimillionaire living in one of the piedmont cities. It operated all over the State and employed numerous bankers. They did not hesitate to use force, and they also used bribery to corrupt public officials. It is estimated that an average of \$7,000 a day was bet in one city alone.

Probably the most frequently found illegal gambling operations are house-controlled poker games and various casino type activities, such as black jack, crap games, roulette, and slot machines. A poker game run on a regular basis, with the house getting a cut of every pot, can be a tremendously profitable operation. One poker game operating in a large piedmont city offers its regular players free food and liquor. The house cut from this game reportedly is \$1000 a week. There are many poker games throughout North Carolina that are run on a regular basis by professional criminals. To house their activities these men often erect special buildings which are designed like fortresses to prevent police raids. These "poker houses" are labeled private clubs and can be seen in many areas of North Carolina. Other professionally run poker games are located in backrooms of restaurants, out-of-the-way cabins, and in private homes. There is evidence that several professional gamblers in North Carolina operate more than one game in more than one city. One professional bookmaker has attempted to set up a regular game in at least four major cities in North Carolina.

The casino type activity will often be found where the poker game is operating. Several semi-private clubs have carried on this type of activity for years with relatively little local police interference. One individual from Virginia was

recently arrested for operating a blackjack game in a coastal club. This individual is reported to operate similar games in several North Carolina cities.

Slot machines also present a problem. Numerous clubs in North Carolina contain slot machines and many of these have been raided by police in the last few years. The placing and distribution of these machines in North Carolina appears to be controlled by members of organized crime syndicates.

Finally, in talking about the degree of organization in North Carolina gambling activities, we must look at the professional gamblers themselves. In a few instances these men have no record of any criminal activity other than gambling. In most instances, their police records are long and varied. Many of our State's leading gamblers have records for bootlegging, fencing stolen property, and theft. The head of one of the largest gambling operations ever seen in this State had two careers prior to his gambling empire, one in illegal whiskey and the other in narcotics. He was arrested for all three activities. Other major gamblers have been arrested and convicted for crimes of violence such as murder. More often than not the seemingly friendly, local gambling operator is not really a nice guy at all and neither does he confine his activities to the locality.

#### *EFFECTS OF ILLEGAL GAMBLING OPERATIONS ON SOCIETY*

Many people might ask what harm there is in playing the lotteries or playing in an organized card game. They argue that people are going to gamble regardless of what is done, and that law enforcement should spend their time catching murderers and thieves and leave gamblers alone. The real

harm is not so much the activity itself, but the organized operations run by professional criminals. These organized operations are often well known in a community and their existence breeds disrespect for law and law enforcement.

The tremendous amounts of money, estimated at \$7 to \$20 billion a year nationally, taken in by organized gambling operations goes virtually untaxed. This not only increases the tax burden for everyone else, but allows the organized gambler to invest his untaxed dollars into legitimate businesses. Several known members and associates of high-level organized crime families have already invested in real estate and legitimate businesses in North Carolina. Another use that is made of these untaxed dollars on a national level is the purchase of police corruption and political favors. Fortunately, except for a few past instances, there is no evidence that this exists to any appreciable degree in North Carolina. Gambling profits are also known to be used for loansharking operations, especially since gamblers are the primary victims of the loanshark. Here again there is very little proof of any loansharking activity in North Carolina.

In North Carolina, a great many robberies and burglaries result from working relationships brought about by organized gambling operations. Many a card player has had his home burglarized as a result of something he said at a poker game. We also have proof in North Carolina of many instances where professional gamblers, through contacts made in gambling activities, have branched out into other areas such as narcotics and fencing stolen goods.

Probably the cruelest effect of organized gambling is the exploitation of the gambling addict. Gambling can be as much a sickness as alcoholism or any other form of

addiction. Salaries are lost and homes are broken up as a result. The organized gambling operations provide a means for the gambling addict to gamble big and gamble often. The addict may be forced to commit crimes he would not otherwise, such as fraud or embezzlement, to pay off gambling debts or to supplement lost money that was supposed to go toward support of a family. There are many examples of this in North Carolina.

#### *SPECIAL PROBLEMS IN THE ENFORCEMENT OF GAMBLING LAWS*

It is very difficult for law enforcement in North Carolina to stop organized gambling. The first problem is the attitude of many people toward gambling. They see nothing wrong with it. Even the people who enforce the laws are often prone to gamble, whether it be flipping coins for soft drinks, betting in an office World Series pool, or participating in a friendly poker game. It is hard for people to distinguish the weekly neighborhood poker games from the organized gambling operation run by a professional criminal. It is even harder for those who do see the difference to overcome the clear feelings of hypocrisy in condoning one form of gambling and condemning another.

In North Carolina, virtually all forms of gambling are illegal but none are felonies. The gambler who makes over a million dollars in his illegal operation is treated the same by our laws as the participant who loses \$5 in a poker game. All gambling violations are misdemeanors with a maximum of 2 years imprisonment and relatively small fines. Professional gamblers rarely get active prison sentences in North Carolina. One large bookmaker in a North Carolina

city has been operating for over 30 years and has only paid \$1,000 in legal fines for his activities. The owners of a semi-private club operating as a full scale gambling casino were recently given suspended sentences and fined \$200 for their activities. Examples like this are numerous. The cost of getting caught in this State is no more than a small license tax for carrying on a very profitable illegal operation.

The frustration of law enforcement in having professional gamblers turned loose with small fines becomes even more apparent when we look at the difficulty involved in obtaining an arrest. Bookmakers and large lottery operators use the telephone almost exclusively. Based on our interviews and observations, on a national level, most of the major cases made against gamblers are done so through the use of electronic surveillance. North Carolina does not allow this. Gamblers in a community will recognize local police so outside undercover men usually have to be called in to infiltrate games. This is often difficult because the gamblers may not let strangers into their games. Gambling houses, "numbers" banks, and bookmaker's offices are usually difficult for police to penetrate. Windows are boarded and double steel doors are used. There are numerous instances in North Carolina of police raiding a gambling establishment only to find that by the time they get into the place, the participants were sitting watching television and the gambling paraphernalia had been hidden. There are also difficult evidentiary problems the police and prosecutors must face in successfully prosecuting a gambling case.

## CIGARETTE SMUGGLING

The illegal transportation and distribution of cigarettes has in the last five or six years developed into an immensely profitable operation for professional criminals and large organized crime syndicates. Based on relatively accurate statistics, one out of every four cigarettes sold in the city of New York is untaxed. The New York State Commission of Investigation, after an exhaustive study on cigarette smuggling, estimated the dollar loss to the State of New York at over seventy million dollars a year. This same commission concluded that the bootleg cigarette business today is dominated by some of the nation's most powerful criminal syndicates. Most of the cigarettes smuggled into other eastern seaboard states are purchased in North Carolina.

### *BACKGROUND*

The obvious reason for the bootleg cigarette racket is the wide disparity in the price of a pack of cigarettes in the various states. This is caused by widely differing rates at which the states tax cigarettes. New York City, for example, imposes a tax ranging from 19 cents to 23 cents a pack. Pennsylvania imposes a tax of 18 cents per pack, New York State 15 cents, Georgia 12 cents, and Florida 17 cents. In contrast to this, North Carolina imposes a cigarette tax of only 2 cents per pack, the lowest in the Nation. Thus, a carton of cigarettes costing \$4.50 in New York City can be purchased for half that amount in North Carolina.

As a result of this wide price disparity and the fact that North Carolina is close to the larger cities and states, many cigarette dealers in this state have profited enormously. For the most recent fiscal year, North Carolina collected, at two cents a pack, \$18,891,365 from its cigarette tax. This figure far surpasses expected revenue from this tax. North Carolina sold over one billion packs of cigarettes, or half as many as were sold in New York, even though that State has three and one-half times as many people.

Cigarettes are sold to out-of-state purchasers in several ways. The greater bulk quantities are purchased directly from North Carolina wholesale companies. Smaller quantities are purchased from roadside cigarette dealers, who usually operate from old filling stations or warehouses set up along one of the major north-south highways. Finally, North Carolina has seen the rise of mail-order cigarette companies. These companies ship large volumes of cigarettes by mail to individual consumers as well as to dealers in the high-tax states.

Cigarettes are transported out of this State in several ways. In some instances, automobiles are equipped with

special equipment such as load levelers and false rear seats. Trucks are also used and may be disguised to hide the fact that they are carrying cigarettes. Even airplanes have been used to transport cigarettes. The cars and trucks usually load where the cigarettes are purchased, but in many cases the seller will help the buyer avoid the law by loading him up at some out-of-the-way place. To prevent police surveillance, the sophisticated smuggling operations change vehicles as many as three times before the final destination is reached.

Many of the small roadside operations and mail-order companies in North Carolina are doing staggering amounts of business. One roadside cigarette house near Weldon, North Carolina was selling an average of 500,000 cartons of cigarettes a month, at profits ranging from two cents to five cents a carton depending on the buyer. A mail-order house located in northeastern North Carolina was until recently selling twenty-five thousand cartons a month, and realizing a profit of forty cents a carton or ten thousand dollars a month. The volume of some of the large wholesale companies far exceeds either of these figures.

#### *CRIMINAL ACTIVITY INVOLVED*

Before we discuss the actual criminal activity and organized crime elements involved in this cigarette bootlegging industry, we need to take a look at the various laws operating in this area. There is no State or Federal law prohibiting a North Carolina individual or company from selling any quantity of cigarettes to anyone within the State as long as the North Carolina tax has been paid. Any cigarettes shipped from the factory to a licensed distributor are required to be stamped within 48 hours from the time

they leave the factory. Since it is relatively easy to cross check this procedure, it is fair to assume that the great majority of cigarettes being sold to bootleggers have been affixed with a North Carolina stamp indicating the North Carolina tax has been paid.

There is a federal law (15 United States Code, Section 375, et seq.) commonly known as the "Jenkins Act" which requires any person or company who sells cigarettes in interstate commerce whereby the cigarettes are shipped into another state, or who advertises or offers cigarettes for such a sale and shipment, to file with the Tobacco Tax Administrator of the state into which such shipment is made, the name and address of the purchaser and a statement of each shipment with dates, brand, and quantity of cigarettes shipped. Violation of this section is a misdemeanor, with a possible fine of up to one thousand dollars and prison sentence of up to six months. The only other Federal law that might apply to a North Carolina cigarette dealer would be the postal fraud statutes. There has recently been a successful prosecution for using the mails to defraud a state from collecting its tax.

Thus, North Carolina cigarette dealers are not violating any state laws in sales to out-of-state dealers as long as a North Carolina stamp is affixed. Furthermore, as long as they sell the cigarettes directly to a person who picks them up in this State, the cigarette dealers are probably not violating any federal law; at least, it would be extremely difficult to prove otherwise. There have been several arrests in the last few years of North Carolina companies and individuals for "Jenkins Act" violations. In March of 1969, two North Carolina mail-order houses, along with seven individuals, were indicted and pleaded guilty to violations of the "Jenkins

Act." Another North Carolina individual on February 17, 1972, pleaded guilty to seven counts of "Jenkins Act" violations and one count of mail fraud, and was sentenced to 270 days in prison and fined \$6,000.00. This appears to be the first time anyone was given an active sentence for a "Jenkins Act" violation. Other companies and individuals in North Carolina have recently been indicted by Federal authorities. All of the violators have been mail-order companies or roadside cigarette houses. None of the large wholesale distributors have been indicted for violating any law.

There are other areas where criminal activity is involved in connection with this bootleg cigarette racket. There have been several hijackings of truckloads filled with cigarettes here in North Carolina. A newspaper photographer from Charlotte was assaulted several years ago when he tried to interview the owners of a cigarette mail-order house in the northeastern part of the State. Other criminal activities are apparently going undetected. Several mail-order houses have been operating in a fraudulent manner by taking orders, collecting the money, and then not sending the cigarettes. Also many North Carolina cigarette dealers are actively helping the bootleggers evade detection by delivering cigarettes to them in out-of-the-way places.

#### *INVOLVEMENT OF ORGANIZED CRIME ELEMENTS*

How does organized crime fit into the cigarette bootlegging picture? Five or six years ago it appeared that most of those involved in smuggling cigarettes were free-lance criminals or periphery criminals who were trying to make an easy dollar. Those involved in selling cigarettes here in

North Carolina were otherwise honest businessmen and entrepreneurs cashing in on "a good thing." It was not long, however, before major organized crime groups from the large northern cities began to see the enormous profit potential and relatively low risk. These organized crime groups had the money, the muscle, the manpower, and the organization to operate on a bigtime basis. They also had the connections to dispose of the cigarettes, including ownership in numerous cigarette vending machine companies. As a result, New York City police have identified thirty members of one major crime syndicate as being involved in cigarette bootlegging. Several other syndicates are also involved.

It was inevitable that some of these organized crime members would try to set up an operation in this state. One North Carolina mail-order company referred to earlier in this report as being indicted for "Jenkins Act" violations, was found to be controlled by two individuals from New York City who had extensive criminal records and were known members of an organized crime syndicate. The man who financed the operation was a very high-ranking member of the syndicate. Another mail-order and over-the-road operation set up in Roanoke Rapids, North Carolina was owned by three residents of Staten Island, New York, who were known to be members of a large organized crime syndicate. One of these individuals was arrested in New York for the kidnapping and attempted murder of another owner, the motive being suspicion that the victim stole sixty-five thousand dollars from the business.

As a result of recent crackdowns by Federal Postal Authorities, the mail-order cigarette business in North Carolina has been considerably curtailed. Over fifty North Carolina mail-order cigarette dealers discontinued business

between September 1, 1971 and March 1, 1972. Recent reports indicate an all out attempt is being made to eliminate the mail-order dealers.

There have been continuous reports that organized crime syndicates would not continue buying bulk quantities of cigarettes from North Carolina distributors, but would attempt to buy directly into a North Carolina distributorship operation. North Carolina law enforcement authorities now have information that a wholesale company in this State is controlled by organized crime members. This company is one of the largest volume cigarette dealers in North Carolina. Furthermore, there are recent reports that another wholesale company has changed ownership and is showing rapid sales increases.

Although it has not been proven, information has been received by the State Bureau of Investigation that cigarette smugglers have brought contraband into North Carolina such as narcotics, gambling devices, and pornographic materials. Information has also been received indicating known North Carolina criminals, including one man long known to run a professional gambling operation, are beginning to show an interest in this bootleg cigarette business.

#### *EFFECTS ON NORTH CAROLINA*

Even though actual criminal activity in this area appears to be minimal in North Carolina, the danger is extremely great. Hardnosed organized crime members are coming into this State and doing business with its citizens. These type criminals seldom confine themselves to one area of criminal activity. Experience on a national level has shown that it would be disastrous for this State to allow these

criminals to continue doing business here and thus gain a further foothold.

## OTHER AREAS OF CRIMINAL ACTIVITY

### *PROSTITUTION*

Prostitution, after suffering a period of decline, now appears to be on the rise again in North Carolina. In several sections of the State, it is quite widespread and well organized. Probably the main reason for this rise in prostitution is the tremendous number of drug addicts that need money to support their habits. Some drug addicts enter this oldest profession willingly but many are forced into it by drug dealers who serve as pimps. A girl can earn over three hundred dollars a day engaging in prostitution, and based on the fact that fines are light and sentences usually suspended, the risks appear to be minimal. Most of the girls who are arrested are back on the streets immediately after their arrest.

The degree of organization in prostitution operations

in North Carolina varies a great deal. Many prostitutes work completely by themselves and usually hang out at motel bars or various restaurants. Some prostitutes work for professional gamblers at gambling houses or in conjunction with gambling activities. Other prostitutes have pimps who work with them in an operation but not in a highly organized fashion. Then there are the well organized prostitution rings. One such ring was recently uncovered in Fayetteville where the leader was making an estimated one hundred fifty thousand dollars (\$150,000) a year income from his prostitution activities. Several large drug dealers around the State are known to operate prostitution rings in conjunction with their drug activities. In one city a prostitution ring is thought to be operating in both lower and higher income sectors, charging according to the clientele. In several cities, there are highly organized telephone call girl operations.

Like many other vice crimes, prostitution is an area where profits are great and risks are small, thus opening the door for the professional criminal to start an organized operation.

### *PORNOGRAPHY*

Numerous law enforcement officials throughout the State have expressed concern about the influx of pornography in their territories, mainly in the form of so-called "adult" bookstores and theatres. However, due to the law being so nebulous in this area, it is almost impossible to determine what pornography is and whether or not any law is being violated by the sale and distribution of these materials. Thus it is difficult to say we are talking about crime at all in this area. With regard to organized crime,

if you assume it is criminal activity, there is evidence that a lot of the bookstores in North Carolina are owned by the same people but it is not known whether these people are involved in other criminal activities or are members of an organized crime syndicate. There have been some allegations that members of organized crime syndicates have brought pornographic materials into North Carolina in connection with cigarette smuggling activities. This has not been proven, however, to the satisfaction of law enforcement officials in this State.

On a national level, there is indication that the large distributors of this type material do have criminal records and may be involved in organized criminal activity. One of the largest distributors of pornographic material in the country, who now lives in Atlanta, Georgia, was at one time a resident of and engaged in gambling activities in North Carolina. This man reportedly owns "adult" bookstores in this State. Other major distributors are reputed to be connected with large organized crime syndicates. It is mainly for this reason that we should keep a close eye on the distribution of pornographic materials in this State.

#### *CORRUPTION OF LAW ENFORCEMENT AND PUBLIC OFFICIALS*

The President's Commission on Law Enforcement and the Administration of Justice reports that "all available data indicate that organized crime flourishes only where it has corrupted local officials." The Commission further states that "neutralizing local law enforcement is central to organized crime's operations." The experts in this area agree that organized crime operations cannot really exist to an

appreciable extent without some degree of corruption.

North Carolina is fortunate in that it does not appear to have either widespread organized crime or widespread corruption of law enforcement and public officials. There have been isolated instances over the years of North Carolina law enforcement officers and public officials cooperating with criminal elements or being directly involved in criminal activities. At the present time, there is no definite proof that this is happening in this State even though there is some indication of law enforcement officers or public officials working with criminals.

There are some counties and cities in North Carolina where some or all of the so-called "vice" crimes appear to be carried on more openly than in other areas. This does not, however, mean law enforcement is actively cooperating with the criminal element in these counties and cities. Law enforcement officials always have to make judgments as to where their time and efforts can best be channeled, and it is certainly not a sign of being dishonest for law enforcement to channel their efforts in a direction other than crimes such as gambling and prostitution.

#### *INFILTRATION OF LEGITIMATE BUSINESSES*

It is widely recognized that large organized crime syndicates have taken over a considerable number of legitimate type businesses throughout the country. The President's Commission on Law Enforcement and Administration of Justice reported that "racketeers control nationwide manufacturing and service industries with known and respected brand names." One criminal syndicate reportedly owns real estate valued at three hundred million

dollars. Recent disclosures by a Senate Investigating Committee show that organized criminal syndicates have infiltrated Wall Street where they steal and manipulate stocks and bonds. It has also been revealed that criminal syndicates own hotels, motels, restaurants, garbage collection companies, and many other businesses.

When we look at the infiltration of legitimate business by organized criminal syndicates, we are looking at the logical results of the accumulation of mass untaxed profits. Legitimate business provides many things to these syndicate members. It provides a place for the criminals to invest their illegal money in order to turn illegal money into clean money. It may provide a source of income within itself because the business might be a very profitable one. It provides a source of reportable income for income tax purposes. It may provide a cover for illegal operations and it usually provides a certain respectability and social standing from which organized criminals can infiltrate and corrupt public officials.

The control of legitimate business concerns is usually acquired in one of four ways: (1) Investing concealed profits acquired from illegal activities; (2) Accepting business interests in payment of the owner's gambling debts; (3) Foreclosing on usurious loans; and (4) Using various forms of extortion.

To what extent have legitimate businesses in North Carolina been purchased or infiltrated by men thought to be connected with organized crime activities? A great many local organized crime figures are engaged in some business. In most instances the legitimate business is more or less a front for illegal activities such as the eastern North Carolina gambler who owns several restaurants from which he runs

poker games, or the several North Carolina motel owners who use their motels for prostitution and gambling purposes, or the various businesses that serve as fronts for fencing operations. There are some instances where known or suspected North Carolina racketeers have apparently used illegal money to buy businesses and real estate which are not apparently directly connected with racketeering activities. These include motels, car dealerships, motorcycle dealerships, raw land for investment purposes, and even stock car racing facilities.

Probably of most concern is the increasing evidence law enforcement officials have been receiving indicating men from out of state who are members of major organized crime syndicates or associated with these syndicates, are investing money in and operating legitimate businesses in North Carolina. One such suspected group has been purchasing textile mills around the State. Associates of this same syndicate are also reportedly operating mobile home businesses in North Carolina. Very little is known about these operations. At present, there is no evidence that either the managers or the businesses themselves are involved in illegal activities. Aside from these examples, there are some other instances of suspected infiltration such as an insurance company located in one of our largest cities reportedly owned by a large out-of-state crime syndicate.

Even though there is some evidence that organized crime groups are investing illegally acquired money into legitimate businesses in this State, there is no real evidence that legitimate businesses are being acquired by criminals in any of the other methods previously listed. It is difficult to obtain proof of the infiltration of legitimate businesses by organized criminal operations. Experienced investigators

with training in business accounting must spend long tedious hours to discover who really owns a business and the source of its financing. At the present time North Carolina law enforcement agencies are not well staffed to handle these type investigations. Furthermore, it is often difficult for investigators to secure copies of financial reports and documents. Until these investigative problems are remedied, it is unlikely that we will be able to acquire much additional information in this area.

## RECOMMENDATIONS BY THE NORTH CAROLINA ORGANIZED CRIME PREVENTION COUNCIL

1. *State Funding to Insure the Continuation of the Organized Crime Control Unit Established in the State Bureau of Investigation*

With the recommendation of the North Carolina Organized Crime Prevention Council, the State Bureau of Investigation received a federal grant from the Law Enforcement Assistance Administration in the amount of \$182,436 for the formation of an organized crime intelligence unit. Organized crime units such as this were strongly recommended by the President's Commission on Law Enforcement and Administration of Justice. The major function of this unit is to develop an expertise and spend full time collecting and analyzing information and investigating organized criminal activity.

The Organized Crime Prevention Council felt this was

an immediate need of the State in developing a comprehensive strategy. Through the work of this unit, the State Bureau of Investigation will be able to provide more relevant aid and assistance to local law enforcement agencies, coordinate statewide efforts aimed at organized crime, and by being able to better detect organized crime, aid in the formation and planning of comprehensive strategies.

2. *Legislation to Provide for the Convening of an Investigative Crime Commission to Investigate and Make Inquiry Into Certain Matters Involving Organized Criminal Activity or Corruption Brought Before it by the Attorney General*

To uncover the activities and structure of organized criminal operations requires an investigative process with broader powers than normal law enforcement or prosecutive agencies. The organizational set-up is often rather intricate and seldom do you have willing witnesses to break the conspiracy. Routine law enforcement techniques are often able to uncover part of the conspiracy but not enough to really be effective. A compulsory process is needed to get the testimony of witnesses as well as secure the production of books and records. One such method would be an investigative crime commission that could be convened on petition by the Attorney General to investigate criminal matters brought before it by the Attorney General.

In North Carolina, we have grand juries which operate on a countywide basis, but as an investigating tool, they have traditionally been without value. One reason is that organized criminal conspiracies do not confine their activities to one county. Because of the jurisdictional problems and

sometimes the technical skills required, most multi-county criminal conspiracies are investigated by the State Bureau of Investigation. Even though the State Bureau of Investigation can operate on a statewide basis, it has no statewide prosecutorial unit for compulsory process to aid and further its investigations. The Attorney General of North Carolina has no real prosecutorial powers. Thus the Bureau must rely on District Solicitors who are virtually helpless in that they cannot actually appear before grand juries to question witnesses and subpoena records, and who are often too overburdened with day to day activities to devote much time to a complicated multi-district investigation.

Basically, a special crime commission would allow the Attorney General to follow up on investigations that are statewide in scope and involve organized criminal activity. The commission would be composed of a small number of outstanding men appointed by the Chief Justice of the North Carolina Supreme Court. It would have the power to subpoena witnesses, compel the production of books and records, take testimony under oath, and grant a witness immunity. Hearings would be private but witnesses would be entitled to representation by attorneys.

It is felt that such a commission would greatly benefit overall law enforcement in North Carolina while providing proper safeguards to the rights of individuals not to be harrassed.

3. *Legislation to Control Electronic Surveillance in North Carolina and to Provide for Court Ordered Electronic Surveillance in the Investigation of Felony Violations Involving Individuals Engaged in a Continuing Criminal Activity*

Organized criminal operations carry on their activities by means of a hierarchy of criminal associates. This hierarchy is set up to insulate the leaders from day to day unlawful activities and to minimize the risks of getting caught. Those criminals in the higher echelons of an organization communicate and plan their activities only with trusted associates. Thus it is that a drug pusher on the streets may not know for whom he is really working. Orders can be given or criminal activities planned over the telephone with no personal contact at all among the parties. Traditional police investigative techniques such as finding incriminating evidence at the scene of the crime or developing information through victims or informants, seldom work against the organized criminal operation. To obtain the evidence necessary to break up an organization, more sophisticated investigative techniques are needed. One of these is electronic surveillance.

The President's Commission on Law Enforcement and the Administration of Justice in recommending that stringently controlled electronic surveillance laws be passed stated that "the great majority of law enforcement officials believe that the evidence necessary to bring criminal sanctions to bear consistently on the higher echelon of organized crime will not be obtained without the aid of electronic surveillance techniques." The District Attorney of New York County has stated that electronic surveillance is "the single most valuable weapon in law enforcement's fight against organized crime."

Congress and nineteen states have enacted legislation allowing electronic surveillance by law enforcement officers under carefully controlled situations. Those law enforcement agencies that have used electronic

surveillance have found it to be effective against local burglary and drug rings as well as the larger operations. Not only is the information obtained useful in court as evidence to secure convictions but it is also very effective in getting full cooperation out of key witnesses both in the investigative stage and the courtroom. It is hard for a witness to perjure himself when he knows the police have his own statements on tape.

Despite the acknowledged usefulness of this investigation weapon, electronic surveillance is one of the most controversial issues of today. Electronic gadgetry cannot only intercept telephone communications but can be concealed in homes, private offices, or almost anywhere else. There are gadgets that can be aimed into a room or at people and pick up conversation from a distance. The right to privacy is a valuable possession to the people of our country, and the thought of having surveillance devices secretly placed in a house or office is repulsive. Yet society must always strike a balance in protecting people's rights and with regard to electronic surveillance, the balance is between the effectiveness of this weapon toward ridding society of organized crime and the right of an individual to privacy in his conversations.

The ideal goal to achieve in striking this balance is to create legislation that effectively allows law enforcement officers to listen in on conversations by criminals involving criminal activity but that effectively prohibits anyone else from using electronic surveillance for any other purpose. To provide these safeguards, a recommended electronic surveillance law for North Carolina would provide that the possession and use of all electronic surveillance equipment would be unlawful except by designated law enforcement

personnel pursuant to a court order. An application for a court order would have to be made by the Attorney General or a District Solicitor with the approval of the Attorney General and would contain detailed information on the proposed intercept including a showing that traditional investigative techniques have been tried and failed. Then the Court, before it could issue an order, would have to find probable cause existed to believe that the person whose communication is to be intercepted is committing a felony and that this person is engaging or had been engaged over a period of time in a continuing criminal activity. There are many other safeguards in the statute to limit the invasion of privacy to those conversations that society deems does not deserve privacy.

4. *A General Witness Immunity Statute to Compel Witnesses to Testify on Threat of Being in Contempt of Court*

Certainly one of the most effective ways and often the only way an organized criminal operation can be exposed is by the testimony of a co-conspirator. A co-conspirator or member of an organized criminal operation seldom is willing to tell police about the activities and involvement of accomplices. To compel this testimony from unwilling witnesses, it is necessary to guarantee that the testimony compelled or the fruits of that testimony will not be used in a prosecution against the witness. This requires a witness immunity statute.

North Carolina presently has several immunity statutes providing for immunity in investigations or trials dealing in specified areas such as gambling establishments. What is

needed is a general witness immunity law giving the District Solicitors and the Attorney General, where appropriate, a tool to use both in obtaining convictions and conducting investigations. The immunity statute is also necessary to the effective use of an investigative commission convened by the Attorney General. Such a statute should contain proper safeguards for the individual being granted immunity as well as proper protections for the people of North Carolina.

5. *Legislation to Abolish the Rigid Requirements for Proving Perjury or False Declarations, and Providing that Proof Beyond a Reasonable Doubt Is Sufficient for Conviction of these Offenses*

In order to effectively utilize a witness immunity statute, the State must be able to prove perjury if the witness who is granted immunity is not truthful. Under the present North Carolina statutory scheme, it is extremely difficult to prove perjury. The State must prove that the false statement was willfully and corruptly made, and was material to the fact in issue. The most stringent requirement, however, is that the falsity of the oath must be established by the testimony of two witnesses, or by one witness and corroborating circumstances. Furthermore, where there is evidence that a witness made totally conflicting statements under oath but no evidence tending to show which of the statements was false, the evidence is insufficient to convict the witness of perjury. Every person convicted of perjury under the North Carolina statute is guilty of a felony.

It is readily apparent that the North Carolina statutory scheme severely hinders prosecutions for giving false

statements under oath. It is very difficult to satisfy the requirements of each element of the crime of perjury. As a result there are very few prosecutions and even fewer convictions. Another factor that possibly accounts for the inadequacy of enforcement is the label felony and attendant stiff penalty for all types of false swearing, be it falsely swearing to witnessing a murder or falsely filling out a hunting license.

One writer has estimated that perjury occurs in approximately seventy-five percent of all court cases. The impact and consequences of swearing falsely under oath in a legal proceeding are quite obvious. The adoption of a perjury statute abolishing some of the rigid proof requirements and providing that proof beyond a reasonable doubt is sufficient for conviction.

6. *Legislation to Define and Provide a Greater Punishment for Professional Gambling*

In North Carolina, all gambling violations are misdemeanors. A statutory scheme such as this is totally impractical and unrealistic. Professional gambling operations are well organized, continuing enterprises that reap huge profits and do extensive harm to society. Furthermore, investigations of organized gambling operations are lengthy and complicated. A felony gambling statute aimed at the professional operation and operator would realistically separate the informal social gambler from the professional criminal, and would make it worthwhile for law enforcement to devote the time and energy required to combat this menace.

7. *Establishment of a Statewide Criminal Intelligence Council to be Composed of Key Law Enforcement Personnel from Local, State, and Federal Agencies Who Can Meet Periodically to Exchange Information and Ideas, Establish Personal Contacts, and Strive Toward Better Organization and Cooperation*

One of the major difficulties for law enforcement in combatting organized and continuing criminal operations is a lack of organized cooperation and coordination within its own ranks. Many of the criminal groups are better organized than the law enforcement officers.

The control of organized crime requires complex intelligence and investigative work carried on by officers from local, state, and federal agencies. Most good officers have built up working relationships with officers from other agencies, and these men will often work jointly on a particular investigation. To be really effective against organized criminal operations, however, requires some systematic structure to these loose working coalitions. This is because of the key role intelligence plays in combatting organized crime. Professional criminals and criminal groups must be constantly watched and analyzed to determine their activities, and weak spots, and to plan and carry out an effective method of attack.

In order for a statewide group to function effectively, it should be limited to key people whose primary duties are gathering intelligence and investigating organized criminal operations. By limiting the participants and setting up rigid requirements for participation, it is felt that the benefits of such a group to law enforcement would be tremendous.

8. *Local Law Enforcement Agencies in the Larger Areas of the State Are Encouraged to Set Up Units in Their Departments to Concentrate on Professional and Organized Criminal Activity*

Very few of the local law enforcement agencies in North Carolina are structured to effectively combat an organized crime operation. An enforcement strategy that waits until an organized crime group or a member of the group makes a mistake and gets caught is relatively ineffective. A sustained effort is needed. This can be provided by a group of law enforcement officers in a department that can devote full time to gathering and analyzing information, and planning and executing a strategy. This unit must have the support of the agency chief. Such a unit would not look impressive to some officials who measure effectiveness in terms of number of arrests. It must be carefully explained to the officials why a particular criminal operation is worth investigating a year before arrests can be made. This must be shown in terms of total law enforcement effectiveness towards a community.

A local organized crime control unit not only aids the local law enforcement effort but will also benefit law enforcement statewide. The specially trained units would be available to exchange pertinent criminal information with other state, local and federal organized crime control units.

9. *State Licensing and Regulatory Agencies Should be Periodically Briefed and Consulted by Members of the State Bureau of Investigation, Organized Crime Unit on Organized Criminal*

*Activities and Professional Criminals that Are Presently Operating or Attempting to Operate Under A Regulatory License*

An effective strategy against organized crime members and their activities often requires more than just a police effort. A coordinated statewide organized crime strategy should utilize the services of not only law enforcement agencies but also state and local licensing and regulatory boards, concerned business and labor organizations, civic organizations, and any other group whose services might be useful.

We know that organized criminals operate seemingly legitimate businesses for various purposes including fronts for illegitimate activities and depositories for illegally earned funds. Many types of businesses are regulated by law in some way by regulatory or licensing boards. If a business is regulated by state law, the legislature in many instances has expressed a desire by statute to protect the public from criminals and criminal activity associated with the regulated or licensed business. By utilizing the statutory powers of these boards, law enforcement officials might often be able to accomplish its ultimate goal, i.e., control and prevention of organized crime, where criminal convictions are difficult or prove ineffective.

10. *All State Communication Media Including Newspapers and Television Stations Are Encouraged to Investigate and Report Organized Criminal Activities in their Communities*

Communication media such as newspapers, television,

and radio provide a much needed weapon in the organized crime fighting arsenal. Good investigative reporters can often make contacts and ferret out information easier than a law enforcement officer. When investigations are made exposing organized crime and corruption, they can receive widespread exposure to inform the public. Furthermore, the public can be alerted and constantly reminded of the conditions that breed organized crime and ways to detect it. Especially in the area of corruption, the news media are often the only institutions that can expose this to the public.

North Carolina is fortunate in that we have many good investigative reporters and many other members of the news media that are interested in keeping the public aware of corruption and criminal activities. Owners and management of the various newspapers, television and radio stations can provide a great service to the people of North Carolina by increasing their efforts to provide these type services.

11. *The State Planning Agency for Law Enforcement Assistance Administration Funds Is Encouraged to Make Funds Available and Actively Promote the Establishment of Organized Crime Control Units and Other Programs Dealing With Organized Crime*

With the passage of the Omnibus Crime Control and Safe Streets Act of 1968, Congress made funds available to the States for the improvement of State and local law enforcement. The funds are administered by a State Planning Agency which in North Carolina is the Law and Order Division of the Department of Local Affairs. The State Planning Agency is responsible not only for administering

the funds but also for developing comprehensive plans to determine how the funds can be spent most effectively.

One of the specified purposes for which Congress intended these funds be spent is for the organization, education, and training of special law enforcement units to combat organized crime as well as other specified programs relating to organized crime control. Furthermore, Congress, in setting priorities stated in the act that special emphasis be given to programs and projects dealing with the prevention, detection, and control of organized crime. The congressional intent being clear, the State Planning Agency is encouraged to strongly implement that intent.

**END**