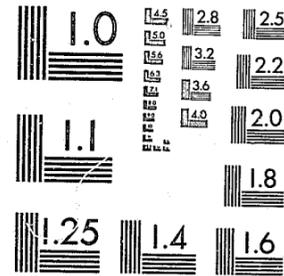


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Washington, D. C. 20531

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STATE OF NEW MEXICO

Governor's  
Organized Crime  
Prevention Commission

1981  
ANNUAL REPORT

Fe, New Mexico

December 1981

86633

U.S. Department of Justice 86633  
National Institute of Justice

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ACQUISITIONS

December 1, 1981

The Honorable Bruce King, Governor  
State of New Mexico

The Honorable Members  
New Mexico State Legislature

Enclosed is the Commission's report for the Fiscal Year 1980-1981.

Fiscal 1980-1981 was a year of growth and accomplishment for the agency. The "Sunset" Task Force composed of the Governor, the Chief Justice of the Supreme Court, the President Pro Tempore of the Senate and the Speaker of the House of Representatives met and reviewed the activities and progress of the Commission since 1973, and unanimously recommended the continuation of the Commission, its present functions and powers.

Legislation recommended by the Commission regarding prostitution and bingo was introduced and passed by the legislature, giving law enforcement new tools to cope with these activities.

A continuing relationship and liaison with the Racing Commission was established as the result of undercover operation by the agency; resulting in both an increased awareness of criminal threats to racing in New Mexico and actions to eliminate such activities being undertaken by the Racing Commission.

More than 25 investigations were ongoing during this fiscal year. Ten of these investigations were completed during the period and resulted in a number of arrests, indictments and prosecutions for crimes ranging from filing false public vouchers to interstate narcotics trafficking and commercial gambling.

Cooperative investigations with a number of law enforcement agencies, local, county, state and federal continued at an all time high and involved a number of other states as well as law enforcement agencies in Canada and Mexico.

A new staff performance development and training plan was begun within the agency, and new proactive long-range strategic investigations initiated to prevent organized crime infiltration into the state of New Mexico. In addition to carrying out reactive investigations to block, parry and bring to justice tactical organized crimes and criminals, such as organized narcotics traffickers, gamblers, and prostitution rings, the agency is increasingly seeking to emphasize the prevention aspect of our mission. This is accomplished by undertaking long-range strategic investigations which are proactive in nature and which seek to prevent organized criminal infiltration of businesses and institutions through an early warning system, investigation and intelligence collection, and action. This proactive emphasis will permit the recommendation of legislation which can shield the state from organized criminal penetrations and make the state a less attractive target for organized crime.

In Fiscal Year 1980-1981, our intelligence continues to show that New Mexico is an increasingly attractive target for organized crime. For example, a decade ago there was little organized loansharking in New Mexico. This fiscal year two different loansharking groups, backed by out-of-state organized crime funding were uncovered by New Mexico law enforcement.

In its 1974 Annual Report this Commission noted that gambling in New Mexico was "fragmented" and that the state was "not yet rich enough to attract the big time operators". In Fiscal Year 1980-1981, investigations by

agency led to the arrests, trials and convictions of members of an organized interstate gambling operation which is believed to have grossed more than \$10 million dollars in 1979 and \$20 million dollars in 1980. In addition, a proactive investigation led to preventive public early warnings of an attempted local labor racketeering scheme and parried that activity. The organized crime figures involved were convicted on June 9, 1981, in the state of Delaware for corrupt labor leasing racketeering.

The above examples clearly show that vigilance pays off. The threat, however, remains; and the attractiveness of the state to organized crime infiltrations and operations continues to increase.

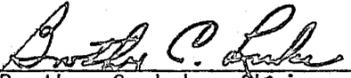
The specific accomplishments of this Fiscal Year are described in the following report, along with recommendations to assist the Governor, Legislature, and other public officials in New Mexico in preventing in a timely manner the infiltration of the state by organized crime.

Requests and demands for agency assistance from public officials and citizens alike has increased dramatically in the last fiscal year. Thus, new strategies and directions are called for to assess and target the strategic threats, while assisting local state and federal agencies in responding to specific tactical crimes and operations. During Fiscal 1980-1981, the agency has been working toward this end by developing long-range proactive intelligence programs and capabilities which, in time, should greatly increase our effectiveness in preventing organized criminal infiltration and operations within the State. As the agency works to move

in these new directions, active vigilance and quick reactive capability are being maintained and improved as we carry out our task of protecting the state from organized crime.

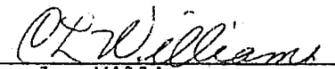
Respectfully,

COMMISSIONERS:

  
Brother C. Luke, Chairman

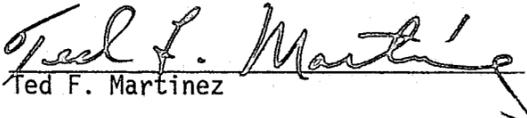
  
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INTRODUCTION:

Organized crime differs from other forms of criminal activity in a variety of ways. It is an on-going conspiratorial, disciplined and structured activity using a variety of methods, and supported by large sums of capital, to carry out a wide variety of illegal and illicit acts, as well as to penetrate and infiltrate legitimate sectors of society toward the ends of amassing and protecting vast profits and power. In order to achieve these ends, organized criminal groups must constantly seek to enlarge their scope of influence by infiltrating legitimate businesses and enterprises, as well as protecting and licensing traditional illicit criminal activities, while continuing to minimize exposure and risks by attempting to influence and corrupt law, justice, and government.

Traditional definitions of organized crime tend to stress the tactical crimes that organized criminal groups engage in under the guise of "supplying for profit illegal goods and services". Such tactical criminal enterprises as gambling, loansharking, narcotics, prostitution and pornography commonly fall under this heading. These are the so-called "victimless" crimes that organized criminal groups engage in. The notion of "victimless" crime, however, can help to distinguish these tactical criminal enterprises from other types of violent and professional crimes.

In the typical, violent crime event, there is a victim who seeks the immediate aid and assistance of law enforcement authorities. The victim is aware that a crime has been committed and actively and willingly assists

Police in apprehending and prosecuting the criminal. In the so-called "victimless" crimes, the victim is often a willing participant in the criminal act or is acting under conditions of intimidation, extortion, or threat and, therefore, is unwilling to assist law enforcement. In the tactical organized criminal enterprises, such as loansharking or bankruptcy "bustouts", the victim may not be fully aware of his victimization until it is too late and he has been fully ensnared in the criminal activity. In many such cases, the victim often becomes a criminal by his own continued participation. Thus, the victim in organized crimes is not the willing and cooperative witness that one finds in case of street crime. What this means in law enforcement is that organized criminal cases require different methodologies and skills to successfully bring organized criminals to prosecution.

The structure, discipline, and on-going career nature of organized criminal groups makes law enforcement penetration difficult. One effect of this is that the average time involved in bringing an organized crime investigation from its conception to prosecution is often two to three years, and requires four to six man-years of investigative effort. What this means is that investigations of complex organized criminal enterprises tend to be costly and require enormous amounts of time by highly skilled investigators. The effort-man years expended by the Governor's Organized Crime Prevention Commission staff on major investigations clearly illustrate this.

In recent years, organized criminal groups have increasingly moved to complex strategic crimes, while maintaining their traditional tactical enterprises. They are expanding into a wide array of legitimate businesses and seeking to infiltrate and take over in a monopolistic fashion large

sectors of economic marketplaces. This Commission has reported in the past on such attempted infiltrations of the racing industry, the specialty food business, the labor leasing markets, land fraud, arson for profit, and a variety of complex schemes designed to defraud public monies, private pension funds, and the banking and business community. If the Governor's Organized Crime Prevention Commission is to successfully prevent organized criminal penetrations in New Mexico it must focus on these complex organized crime scenarios. As such crime schemes are often multi-state in nature, with key perpetrators living far from New Mexico and only rarely, if ever, directly entering the state, such investigations are, at best, difficult and expensive. In addition, the modern organized criminal group operates through multiple fronts, buffer associates, false front corporations and franchises which frequently change names, and false front principals. Such principals are often crime group associates who are acting directly under the direction and control of the out-of-state key figures representing the organized crime groups. Thus, investigations to unravel and expose these strategic crimes take time, interstate cooperation, detailed up-to-the-minute intelligence collection and analysis, and elaborate financial analysis and "paper trail" investigations.

In figure 1. we have attempted to show this evolving face of organized crime. The movement of organized criminal groups from tactical crimes to strategic crimes, the penetration of legitimate businesses, and the infiltration of major sectors of our society can be seen in an examination of figure 1.

Figure 1.  
EVOLVING PATTERNS AND TRENDS IN ORGANIZED CRIME OPERATIONS

<u>TRADITIONAL TACTICAL CRIMES</u>	<u>ORGANIZED ILLEGAL CRIMINAL ENTERPRISES</u>	<u>EVOLUTION TOWARDS PENETRATIONS OF LEGITIMATE BUSINESSES</u>	<u>TO . . . . . STRATEGIC CRIMES AND MONOPOLISTIC TAKEOVERS</u>
Assault	Gambling	Restaurants	ENTERTAINMENT-SPORTS
Bribery	Prostitution	Bars, Night Clubs	HOTELS-MOTELS-RESORTS
Extortion	Loansharking	Trucking	BUILDING AND HEAVY CONSTRUCTION
Robbery	Narcotics	Vending Machines	LABOR UNIONS
Murder	Protection Rackets	Waste Collection	BANKING
Hi-Jacking	Fencing	Factoring	INSURANCE
Burglary	Bankruptcy Frauds	Garment Mfg.	REAL ESTATE
	Counterfeiting	Automobile Agencies	SECURITIES
		Junk Yards, Recycling	CHOP SHOPS
		Trade Associations	COMPUTER CRIME
		Liquor Distribution	CREDIT CARDS
		Security Guard Services	ENERGY AND ENERGY RELATED

-6-

THE READER SHOULD NOTE AS ONE MOVES FROM LEFT TO RIGHT ACROSS THIS FIGURE THAT MORE SOPHISTICATED AND COMPLEX LAW ENFORCEMENT METHODOLOGIES ARE REQUIRED, AND TIME AND INVESTIGATIVE COSTS INCREASE. ONE SHOULD ALSO NOTE THAT THE NEED FOR AND USE OF THE POLITICAL SYSTEM AND THE CORRUPTION OF THAT SYSTEM ALSO INCREASES AS WE MOVE FROM THE TACTICAL TO THE STRATEGIC ORGANIZED CRIME ENTERPRISES.

SOURCE: THIS FIGURE DEVELOPED FROM IDEAS PRESENTED BY RALPH SALERNO IN THE CRIME CONFEDERATION.

In it one can see the broad scope and the complex threat that organized crime presents for our country and New Mexico. In addition, one can recognize the different law enforcement intelligence tactics and strategies that are necessary for exposing such crimes.

As Figure 1. illustrates the investigation of strategic criminal enterprises requires a more complex and sophisticated degree of intelligence collection and analysis than does the investigation of a tactical crime. The levels of cooperation among law enforcement agencies are going to be different, and the sophistication and intelligence of the investigative staff in interacting with organized criminal associates "fronting" within corporate sectors is different. As the table hints, the crimes listed to the right are more likely to be crimes committed with a pen than with a gun.

The good undercover narcotics investigator may not be an equally good financial analyst. An investigator skilled in exposing labor racketeering may not be the person to work with the banking and financial community in assisting them in ferreting out organized criminal penetrations of their industry. Thus, as the criminal activities become more complex, so the investigator, the analyst, and the intelligence process itself must become more sophisticated. This is an important reason for the continued training provided Governor's Organized Crime Prevention Commission investigators.

Let us briefly examine the intelligence process, so that the reader will have a better idea of the shifting emphasis within the Commission's activities from traditional tactical crimes towards strategic intelligence collection and the investigation of complex organized crimes.

In recent years there has been achieved an increased sophistication and skill among law enforcement in developing, collecting, and analyzing criminal

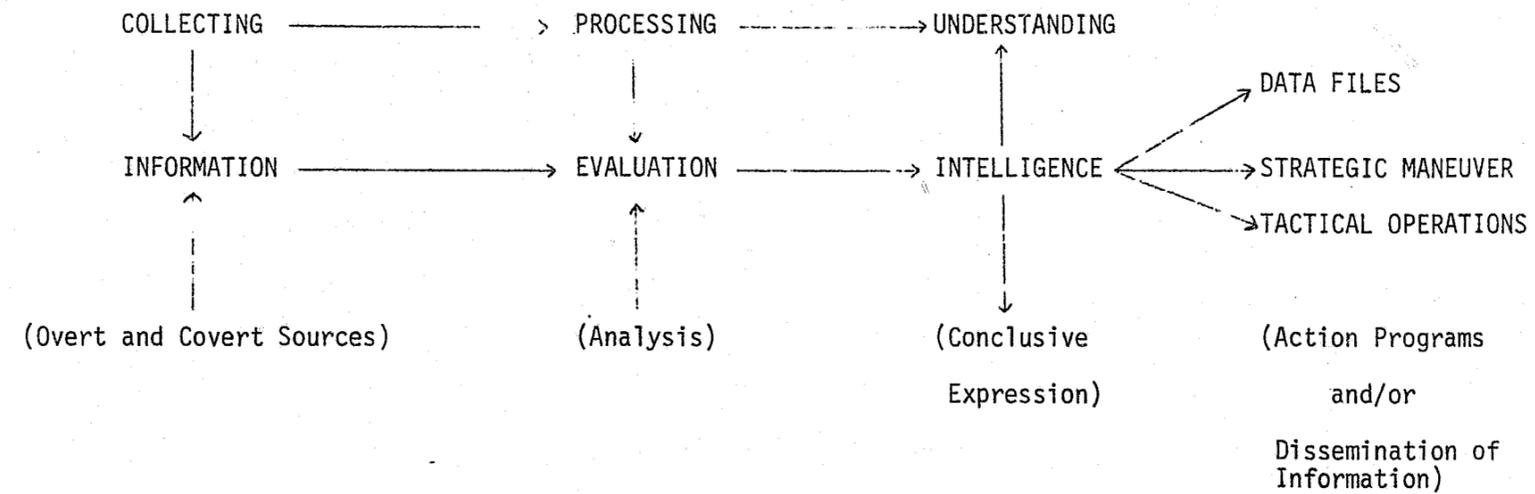
intelligence. It is a process whereby raw information is collected and developed from public and private sources, validated, collated, and analyzed into an intelligence product. This process involves numerous steps in which bits and pieces of information of varying reliability are collected, checked and re-checked in a process of validation and substantiation, corroborated with other bits of information intelligence and evidence, and brought together to develop patterns and linkages which show and dissect the flow and organization of a given complex criminal enterprise. In Figure 2. we have attempted to illustrate this continual and ongoing intelligence process.

Since its inception, the Commission has been involved in this criminal intelligence process; and it is important to underscore the amount of time and effort that simply goes into building and maintaining such criminal intelligence systems. Through this process, over the years, the Commission has become more and more effective in carrying out its own investigations, and in cooperating with other law enforcement agencies by cross-checking patterns and developments in complex criminal enterprises both here in New Mexico and elsewhere in the Sunbelt and United States.

The development of this criminal intelligence is, as we have noted, a slow and laborious process that requires specialized skills and talents. It is, however, the essential structure that underlies this Commission or any agency that has as its main mission the prevention and exposure of organized crime. This intelligence process is even more important in a state like New Mexico which is an extremely attractive target for organized crime. Let us briefly examine this.

Figure 2.

THE INTELLIGENCE PROCESS



-12-

NOTE: The above two-dimensional representation illustrates what is a multidimensional phenomenon. The intelligence process is also a branching and cyclic one which, if pursued effectively, becomes ongoing and self-generating. As such, it will contain no definitive beginning or end.

NEW MEXICO AS A TARGET:

There are a number of reasons why New Mexico is an attractive target for organized criminal groups.

FIRST: New Mexico appears, at this time, to still be an "Open Area" as far as major national organized crime groups are concerned. No single organized crime family or group appears to have exclusive dominance over criminal enterprises here. Current intelligence hints that this situation may change in the next five years, but at present, it appears that a number of different organized crime groups from all over the United States, Mexico and Canada find New Mexico an attractive place to attempt to set up businesses and criminal enterprises. This appears to confirm the continuance of the "Open Area" thesis noted in organized crime and the group agreements about this state which federal law enforcement reported in the early 1960's.

What this means for New Mexico is that any organized crime group can attempt to penetrate and do "business" here. Rivalry and competition are tolerated, and any group with excess capital for expansion can attempt to set up operations here.

SECOND: New Mexico is a fast-growing State. This population with differing value systems can and, we have found, often does provide new markets for illicit goods and services like gambling, loansharking, and narcotics. This growth in population has been accompanied by an increase in business opportunities, demands for capital, and a business climate in which small businesses may be infiltrated and taken over either as (1) fronts for expanding criminal operations conducted elsewhere (one

recent investigation, for example, found that clothing stolen on the East Coast was being retailed through an Albuquerque "front" operation.); (2) "laundries" to wash illicit monies derived from such activities as narcotics trafficking or casino skimming; or (3) the capture of local companies which are undercapitalized, but which have exemplary business histories and credit credentials, may be used to defraud local banks, pension funds and other loan agencies or as the "initial cover" for bankruptcy "bust-out" schemes. Such "bust-out" schemes not only rob the community of needed capital, stealing the earnings of local merchant suppliers and sub-contractors who acted in good faith, but they also ruin the good names and reputations of reputable businessmen whose businesses have been taken over by organized crime. All of these types of organized crime business penetrations have occurred in New Mexico in recent years, and some of them will be examined later in this report. They are typical of the kinds of business penetration that often occur in rapidly growing areas. Similar kinds of criminal infiltration have also been observed in Florida, Arizona, Colorado and California.

THIRD: New Mexico is vulnerable to organized crime penetrations because along with rapid growth there often comes an attitude of boom and boosterism, the desire to "get rich quick" and seize the new opportunities that often face fast-growing communities. Such attitudes often lead, as this Commission has noted in the past, to a tendency on the part of some to accept a suitcase full of cash, bond securities, or other claim of collateral without fully checking on the credentials of the stranger seeking to do business with them. The fact this stranger is vouched for by another local businessman or attorney, or has loans at other banks, or is doing business

with other reputable companies has too often replaced a detailed credit check or background investigation. This attitude of "boomer-boosterism" can lead to tragedy for individual businessmen their companies, and their communities. With New Mexico's rapid growth and new population, this form of vulnerability to organized criminal business penetration is not uncommon.

FOURTH: New Mexico's vast and relatively untapped supplies of natural energy--coal, gas, oil, solar, and uranium--are attractive to organized crime groups who have exploited such situations in other areas of the nation. As these energy supplies are developed, there is not only increased opportunity for tactical criminal operations, but these tactical crimes can lead to strategic crimes such as energy leasing and land fraud schemes, labor racketeering, union takeovers, and the like. Examination of the relationship between certain labor unions and organized criminal groups in other areas of the United States has repeatedly illustrated the detrimental effects this relationship has on workers, businessmen and governments.

FIFTH: As other states become more effective in combatting organized crime, organized crime group members look for new territory and opportunities. Stronger enforcement in the mid-1960's, for example, led to a mass migration of organized crime figures from New Jersey to Florida. More recently, large numbers of Canadian organized crime figures have chosen Florida and other Sunbelt states as new places of residence. Similar patterns of migration appear to be occurring as Midwest state crime figures are gradually moving into the Sunbelt West to carry on their activities.

Such movement is pushed by increased law enforcement, increased criminal competition, and tougher laws. But it is also pulled by the very

factors that bring other urban migrants to the Southwest, as well as by the belief that the resources, experience, and law enforcement capabilities in these new areas may be less effective while the opportunities to make a fast dollar may be great.

For these reasons New Mexico is, and will remain, an attractive target for organized crime enterprises and penetrations. If we are not successful in rising to this challenge and meeting its test, then we can anticipate that our future may be similar to that of many eastern states where organized criminal groups and their operations have become entrenched, breeding fear, violence and corruption in both private and public life. This Commission is dedicated to preventing this from happening in New Mexico; and, as the reader will see in the sections that follow, we have over the past fiscal year continued to apply ourselves to this task and to fulfill our mandated mission.

SUMMARY OF FISCAL YEAR ACTIVITIES:

SUNSET:

Fiscal Year 1980-1981 witnessed the review and evaluation of the Commission by the "Sunset" review Task Force appointed by Governor Bruce King. This Task Force was composed of the Governor, the Chief Justice of the Supreme Court, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives of the State of New Mexico. After a comprehensive review of the activities of this Commission from 1973 to 1980, the Task Force unanimously recommended the continuance of the Commission, its present functions, powers, and duties.

LAW ENFORCEMENT ACADEMY ATTENDANCE:

New Mexico law requires all law enforcement personnel to attend the New Mexico State Law Enforcement Academy in Santa Fe within one year of employment. In fiscal 1980/1981 the Commission staff continued to attend these training schools to meet the mandatory requirements.

PERFORMANCE DEVELOPMENT PLAN:

In Fiscal Year 1980-1981 the New Mexico State Personnel Board requested that state agencies establish performance evaluation and career development planning programs. The Executive Director and Assistant Executive Director, working with the staff, have developed a series of performance evaluation criteria for each job category in the organization. A number of specific, five point scales have been developed for evaluating performance. The plan,

created with staff input, provides a method for both periodic performance reviews and a set of self-evaluation indicators with which individual staff members can gauge their job strengths and weaknesses. Thus, this development plan serves as both a performance measure and a diagnostic tool for on the job training. In addition, it helps to standardize procedures and criteria for both merit increases and promotional reviews. All of the supervisory and investigative staff are now part of this performance development plan.

IN-HOUSE TRAINING:

On the job training for the staff has been a continuing part of the efforts of the Commission to upgrade the skills and performance of its staff. When possible, such training programs are also made available to participation by local area law enforcement agencies. On the job training continued in this fiscal year at several levels beyond the training session at the law enforcement academy. Firearms qualification training and periodic review for the staff was continued, and several staff members attended financial investigations and complex crime intelligence schools and professional conferences.

The Executive Director was asked to serve on the International Association of Chiefs of Police Executive Task Force on organized crime and is part of a national team of law enforcement experts developing a handbook on intelligence to be used throughout the United States. The Assistant Executive Director is the agency representative to the National Organization of Law Enforcement Intelligence Units and took part in both their national and regional training and intelligence analysis sessions. In addition, the agency

has worked to develop closer intelligence training and mutual assistance ties to law enforcement intelligence agencies in states adjoining our own.

INVESTIGATIVE ACTIVITIES:

The activities engaged in by the Commission to effectively accomplish its legislative mandate, operational philosophy, and its goals and objectives can be placed into the broad categories of (A) investigation, (B) intelligence collecting, (C) coordination of efforts, (D) assessment and planning, (E) reporting, (F) referral for prosecution and (G) administration. These activities are interrelated and are utilized in all of the operational activities of the Commission.

In fiscal year 1980-1981, this Commission conducted twenty-five (25) investigations. Some of these were initiated through requests for assistance from other local, state and federal law enforcement agencies, some from information provided by concerned citizens and businessmen seeking the Governor's Organized Crime Prevention Commission's help. Regardless of the source, the information was checked out and, if substantiated, passed to appropriate law enforcement agencies for action or, if it involved organized criminal activity, pursued by this Commission.

Of the 25 investigations operational in fiscal year 1980-1981, 10 were completed in that 12 month span and 15 continued as on going investigations into the current fiscal year. Of the 10 completed investigations, 60% resulted in indictments and prosecutions by the appropriate prosecutorial authorities, and 40% resulted in reports being submitted to appropriate state agencies for either administrative action or continuing investigation. Because

organized crime investigations are slow, tedious, and often long term processes, they do not fit neatly into a fiscal year performance calendar. Instead, they tend more frequently to overlap both fiscal and calendar years. The following, however, are some brief summaries of the major investigations completed within fiscal year 1980-1981.

COMPLETED INVESTIGATIONS FY 1980/1981:

TACTICAL CRIMES: GAMBLING:

Illegal gambling is big business in the United States. Whether it is numbers, horsebook, sports betting, or casino type games, gambling is a major money-maker for both independent and organized gambling operations. The Internal Revenue Service (IRS) estimates that some \$56 billion passes through illegal gambling channels each year. Much of this goes directly to organized crime groups, but a significant portion is taken indirectly through independent gamblers and bookmakers who pay a tax or franchise fee to organized crime for permission to operate or for protection from police or criminal harassment. These independent operators, while they work under the protection of organized crime groups and utilize organized crime banks, loansharks, and layoff books, at times find themselves victimized by and preyed upon by aggressive elements within organized crime.

The last major Federal Task Force report on organized crime in America estimated that organized crime received 70% of its income from gambling. Because in recent years criminal groups have moved into strategic crimes, this estimate seems high. In 1981 experts estimate that the organized crime take from

illegal gambling is between \$14 and \$17 billion. Of this amount the IRS estimates that some \$3.6 billion is evaded or lost to the federal collector.

To many New Mexicans, these figures may seem worlds away from everyday life; but in two major investigations, one in FY 1979-1980 and one in this fiscal year, the Governor's Organized Crime Prevention Commission found that illegal gambling is big business in New Mexico. In the earlier investigation, it is estimated that one organized sports-betting ring operating in several counties in New Mexico was bringing in over \$10 million annually. In the current fiscal year, a follow-up investigation uncovered an interstate organized gambling group that was even larger in scope. The analysis of betting records and gambling slips seized in this investigation indicated a potential yearly gross of more than \$20 million.

Fall and winter are the peak season for sports-betting, which is the most popular form of illegal gambling. It is the time for football, the baseball playoffs and World Series, and the basketball season. Horses, boxing, and other sports betting make up a smaller proportion of the overall illegal gambling operations nationally. Even in New Mexico all possible forms of gambling appear to play a role in the operation of this illicit multi-million dollar enterprise.

Nationwide, Las Vegas is the headquarters for illegal gambling in the United States, according to the Federal government. Illegal bookmakers and layoff bookmakers from across the United States, sooner or later during a gambling week, touch base with the oddsmakers and bookmakers of Las Vegas. The Crime Commission found this was true for the recent sports-betting ring it interdicted. The key layoff bookmaker for this New Mexico group placed over

\$119,350.00 worth of bets to Las Vegas in the less than a one month period during which he was under Commission surveillance.

The structure of the typical gambling operation follows a fairly standard pattern. Individual bettors establish a relationship with a handbook (or bookmaker) who is usually a small operator. This connection is established by word of mouth from friends and fellow sportsmen or through the good offices of a "steerer"--a bartender, waitress, cab-driver, restaurant manager who is also a bettor or who works as commission-agent bringing new customers to the book. Once the relationship is established and the bettor is found to be a reliable client, the intermediary often drops out and the bettor is given a phone number to reach the bookmaker directly or, commonly, to reach an agent of the bookmaker who acts as the bet-taker. This latter practice buffers the bookmaker from law enforcement exposure.

In order to operate, a bookmaker needs four assets, (1) a bank (i.e. capital to establish and maintain his operation), (2) a line (i.e. information to establish the betting line or odds), (3) the ability to layoff bets in case his customers heavily bet on one team or game and (4) a large number of customers. The bookmaker at the end of each week attempts to have his books (i.e. all the bets he has taken in) as evenly divided as possible, so that whatever team wins, he does not lose any money. As bettors in a region tend to follow and support their local teams, the bookmaker, if he is to be successful, must have contact with a lay-off bookmaker who can take some of his action and help balance his books. This means that bookmakers, by the nature of their criminal enterprise, must interact and form criminal networks within their area and must as well have interstate ties and connections to lay-off books. The

structural and economic facts of this criminal enterprise necessitate organization, the establishment of operational structures, discipline, and ongoing relationships over time among bookmakers. In short, the provision of this illegal service is, by the nature of the enterprise, an organized crime falling under the mandate and mission of this Commission.

On December 7, 1980, thirty-eight search warrants were executed by the Governor's Organized Crime Prevention Commission on illegal bookmaking locations in the Albuquerque area. These raids were conducted with the New Mexico State Police, the Albuquerque Police Department, and the Hobbs Police Department and were the direct result of a three month investigation by the Commission which involved an estimated effort of 1.2 man years. Seized in these raids were betting records, gambling paraphernalia, water soluble betting slips, and over \$27,000 in cash. In addition, after the raids were over, several months of staff time by an investigator, secretary, and the legal staff were devoted to analyzing and transcribing the material from the electronic surveillance tapes and preparing the evidence for prosecutions by the appropriate agencies.

Figure 3. presents a schematic of this interstate gambling operation which was doing an annual business of over \$20 million dollars a year. In this figure the links and patterns of interaction between small bookmakers and larger ones and, in turn; the ties to a bookmaker lay-off man are illustrated. This lay-off man is the pivotal figure in the network, having ties to betting line information in Las Vegas, Nevada, as well as lay-off bookmakers there, and to lay-off bookmakers in various parts of the United States. Figure 4. simply builds on figure 3. and illustrates the intercity and interstate links uncovered in this investigation.

Figure 3.  
ONE  
SCHEMATIC OVERVIEW OF ALBUQUERQUE GAMBLING  
NETWORK AND ITS INTERSTATE LINKAGES

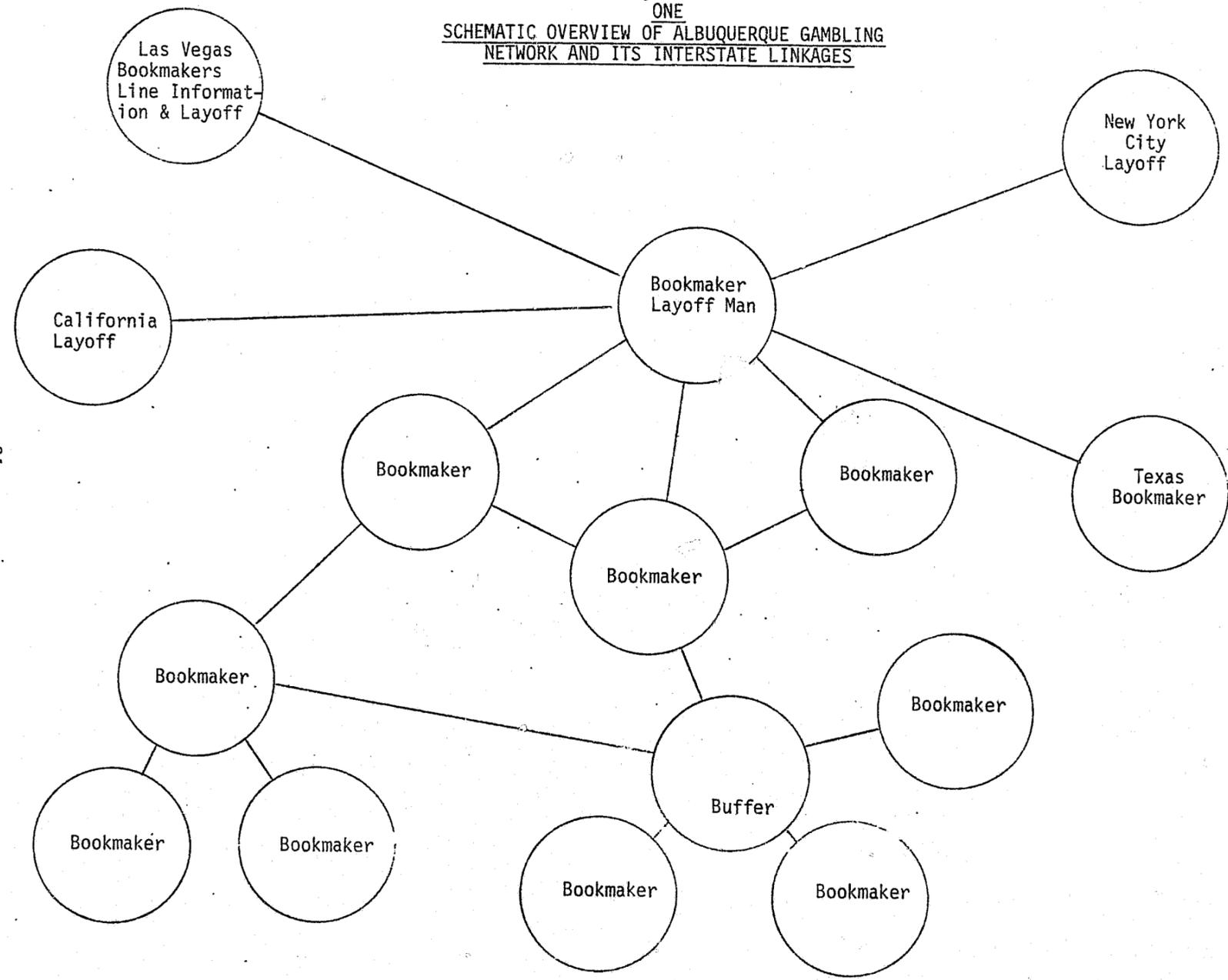
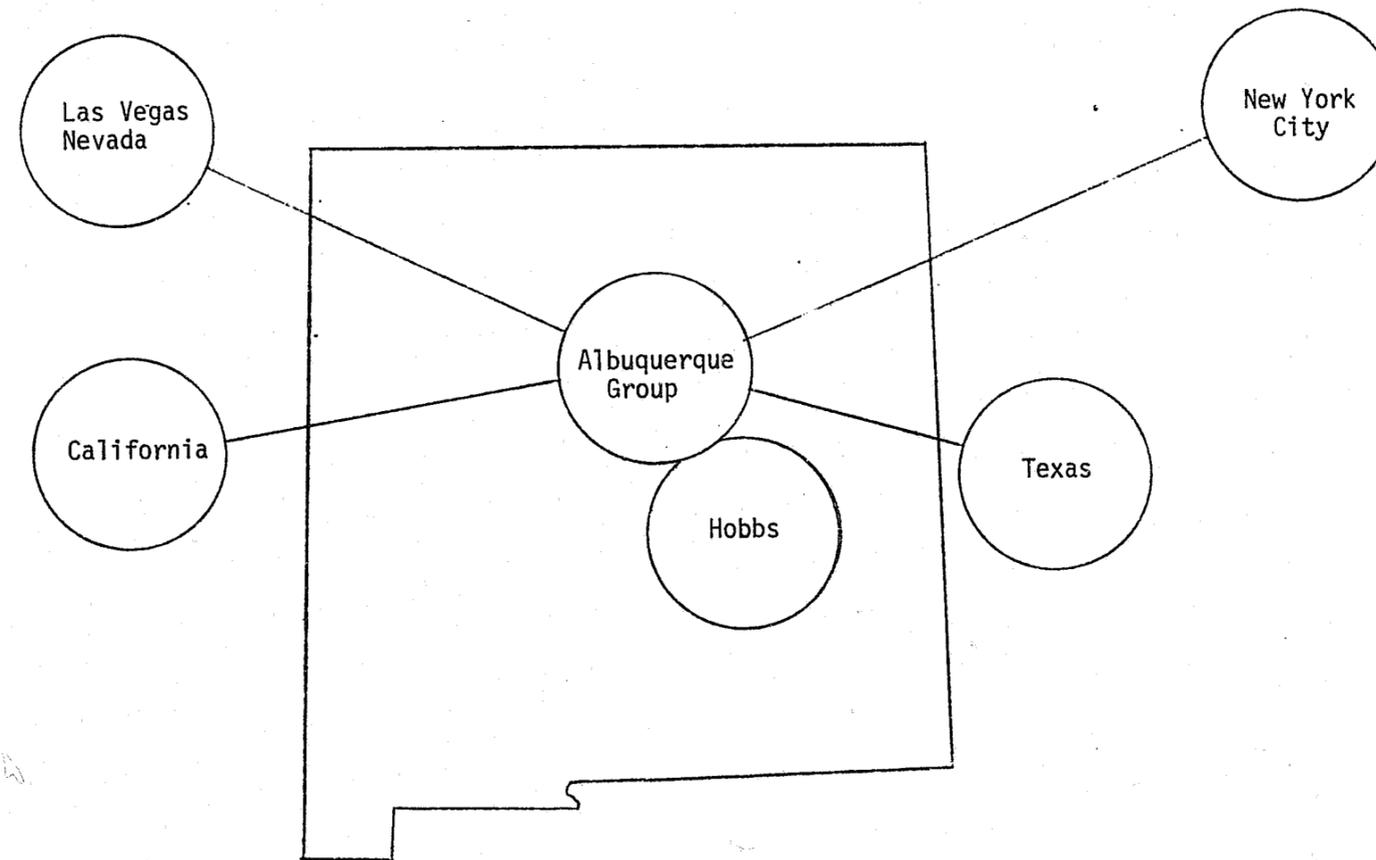


Figure 4.

A SCHEMATIC OF A NEW MEXICO ORGANIZED INTERSTATE SPORTS-BETTING OPERATION

1980 Gambling Operation \$20 million per year



This operation by the Governor's Organized Crime Prevention Commission resulted in eleven individuals being charged with gambling and violation of state commercial gambling statutes. Nine of these individuals were convicted and prosecutions are pending in the other three cases. In addition, this Commission has forwarded intelligence gathered in this investigation to other affected states.

PRACTICES IN THE RACING INDUSTRY:

Parimutuel horse racing in the United States has frequently been a target for organized crime. Fixing of horse races, infiltration of track ownership and management, skimming, installation of listening devices to gain advanced off-track knowledge of race outcomes, use of "come-back" men to alter odds, and use of off-track bookmakers are all well known organized crime group practices to take advantage of the racing industry.

The fact that horse racing, particularly daily life at a racetrack or a circuit of race tracks, involves a community of people--stable hands, jockeys, exercise boys, pony riders, gatemen, trainers, paddock boys, veterinarians, track officials, and horse owners--in a fairly closed set of relationships in which all are dependent upon one another for their livelihood, creates the unique socio-cultural environment in which parimutuel racing must operate. Perhaps only circus or carnival midway life matches the "backstretch" as a similar unique community and subculture, i.e. people living and traveling together from place to place, in many ways removed from the larger society all around them. Given this environmental context, it is not surprising that the "backstretch" community is one that, to the end of making money or protecting

and supporting its members, has often been found to engage in practices which seek to make the odds and the race outcomes work to their own advantage.

While race track owners, state racing officials, and the various Thoroughbred Racing Protective Associations work to keep racing a clean and honest industry, the environment in which horse racing operates makes this a difficult task. For every old and new scheme to cheat that is uncovered and removed from one track, there is another in the making or moving from another racing circuit. New drugs and "cocktails", mixtures of drugs to mask and hide the effects of stimulants or depressants on the horses, are constantly being invented to fool the track chemists and their analytical equipment. Thus, constant vigilance by track owners and management, racing officials, race track security services, and the Racing Protective Associations is essential for keeping racing a clean and honest industry.

In New Mexico horse racing is big business. There are four major race tracks in the state; Santa Fe Downs, Sunland Park, Ruidoso Downs, La Mesa Park in Raton. In addition, there is racing with over \$1 million dollar handles at the State Fair each year.

In 1980 a total of \$106.8 million was wagered at New Mexico's four private race tracks and at the State Fair. This was a 5% increase over 1979. It would appear that 1981 was a similarly successful year, but final figures are not yet available. In 1980 the tracks received approximately 17.1 million, of which \$891,275 was in "breakage", the odd cents that are taken from the payoff and go to the tracks. In all, the citizens of New Mexico received some \$85.9 million from the operation of the racing industry in this state.

Organized crime groups have had a long historical interest in racing; and, over the years, law enforcement has not noted any decline in the attempts of

organized crime to infiltrate this industry. In 1980, for example, there were major race track scandals in New York, Florida and Pennsylvania all involving organized criminal attempts to control jockeys, fix races, or control horse drugging at various tracks. In 1980, the Commission found that New Mexico was not immune from such activities.

In FY 1980-1981, the Governor's Organized Crime Prevention Commission was alerted by the ownership and management of Santa Fe Downs and the Representative of the Thoroughbred Racing Protective Bureau assigned to the Downs to suspected illegal gambling in the backstretch (stables and feed barns) area involving a known organized crime associate. As this Commission has in the past noted organized crime involvement and attempted involvement in horse racing in New Mexico, it ordered an investigation to determine the extent of illegal activity at Santa Fe Downs.

An investigation was undertaken at this track with the full cooperation of the ownership and management of the Downs and the assistance of the Thoroughbred Racing Protective Bureau, and investigators were infiltrated into the backstretch areas of two New Mexico race tracks. In the course of the investigation, they were able to observe numerous violations of the state law and the Racing Commission Regulations.

Regulations 30.14 and 30.17 prohibit all betting at racetracks, except for the licensed parimutuel wagering. In the period of the undercover investigation, a known associate of organized crime figures was seen making book in the backstretch area. In addition, this individual was acting in the capacity of a licensed jockey's agent, thus giving him free access to the barns, stables, jockeys, trainers, horses and information. Not only was this individual making

book and taking bets from the backstretch personnel, he was also taking bets from the jockeys riding in the races. It is a violation of Racing Commission rule 21.13 for jockeys to wager.

Rule 21.13 - "Jockeys, jockey attendants or other jockeys room employees, while on duty at a race track licensed by the Commission, shall not directly or indirectly wager on the result of the race, or have any ownership or financial interest in any horse registered to race at the meeting."

During this undercover investigation, jockeys were observed on a number of occasions to be betting on races in which they were riding.

The second aspect of rule 21.13 focuses on jockey's having a financial stake or ownership interest in any horse registered to race at a given meet. Such a situation could obviously create situations of conflict of interest in which a jockey could be riding against his own horse. Although this particular investigation did not uncover any specific instance of this, there were several reports to our investigators that jockeys racing in the meet had either a direct interest or an indirect interest, often through a wife's ownership or that of a close relative, in horses he was riding against. It did not appear that, at the time of this investigation, there was any close monitoring of this problem or its potential for creating situations of conflict of interest.

Racing Commission rule 28.01 states:

Rule 28.01 - "No person shall have in his possession or shall use within the enclosure where the licensee is holding a race meet, or within the stables, building, sheds, or vehicles on the grounds, electrical or mechanical device, goad, or hypodermic syringe or needles or prohibited drugs, chemical agents, stimulants or depressants prohibited by law or rule of racing, or anything except the approved whip or spurs which might affect the speed or action of a horse in a race. Violation of this rule shall subject the offender to a fine, suspension or revocation of license, or any combination of these penalties."

Our investigation found that this rule was regularly violated at the race tracks investigated. The Investigators witnessed some 17 incidents involving the use or possession of prohibited drugs, hypodermic syringes, chemical agents, stimulants and depressants in the backstretch area in direct violation of rule 28.01. Ten of these instances were observed on days the horses involved were racing. In one case the drugging took place so close to race time that the reddish marks and welt from the injection were noticeable in the paddock area and talked about by backstretch personnel. Whether the incidents of drugging took place to stimulate a long-shot to win as in the case cited, or to slow down a favorite to create longer odds in later races in the meet was not clearly determined in each case. Drugging and the violation of rule 28.01, however, appeared to be commonplace.

On occasions where injected horses won, tests, taken from them by urine sample immediately after the race, should have established the fact of drugging. Our investigators, however, found this was not the case. They also found that when a "cloudy" test (ie. questionable) did occur, there were occasions when no action was taken. Our investigators also noted that there appeared to be prior knowledge on the part of some track veterinarians and trainers as to what drugs the laboratories were testing for, thus enabling those injecting horses to mix "cocktails" to mask the identity of those particular drugs. This suggests that there may be a potential for collusion between backstretch and other associated racing industry personnel that compounds the drugging problem. Reports from race tracks across the United States in 1980 and 1981 indicate that New Mexico was not unusual and that misuse of drugs was a major problem for the industry throughout the country.

Since this investigation was first reported to the public, the New Mexico Racing Commission has strengthened many of its rules and procedures and sought a total ban on the use of drugs on race days as well as the elimination of certain specific drugs from use at New Mexico tracks. This Commission applauds the increased attention that the Racing Commission is giving to these particular problems.

Rule 28.01 also prohibits the possession or use of electrical or mechanical devices, known in racing circles as "machines", or electric prods or goads, to stimulate a horse to run. Our investigators observed seven instances where "machines" were present or used. Indeed one individual told our investigator he had a drawer full of "machines" back at his track residence. The use of another technique was also witnessed in the stable area. In this case the neck of the horse was wetted down and an electric prod touched to it. This shocking was repeated three or four times prior to the race "to liven-up the horse". After such a treatment, the jockey only had to touch that area with his whip to get a reaction very similar to that of a "machine".

There are also rules to limit and prevent the use of dangerous drugs by jockeys and others in the backstretch area. Rule 9.04 states:

"Any person who is addicted to or uses narcotic drugs, or who has been convicted of a violation of any federal or state narcotic law, shall not be licensed on any New Mexico racetrack."

Our investigation found that drug use, particularly the use of hard narcotics and dangerous drugs, heroin, amphetamines (speed) and cocaine, could be found at New Mexico race tracks. Our undercover investigators witnessed some jockeys so under the influence of drugs that they could not find the horses that they were supposed to ride and who had to be assisted to the paddock area

to find their mounts. Heroin addiction and use was also confirmed. Indeed, the abuse of drugs was apparently so widely known and accepted in the backstretch area that certain jockeys were known as "space cadets" as a way of explaining their drug induced irrational behavior.

From drug use to drug trafficking is but a small step. In the past, this Commission has warned of the danger of our racetracks being used as transshipment sites for marijuana, cocaine and other drugs. Our findings in this investigation indicate that the potential for such a situation to occur is a matter that bears close monitoring by both the Racing Commission and their security personnel.

Since our investigation, the Commission is pleased to report that Raymond Eaves, Chairman of the New Mexico Racing Commission, and Executive Director Ron Beserra have sought to make a number of changes in Commission rules and procedures. Several drugs have been banned from New Mexico racing, and the use of drugs on race days has been prohibited. All of these are encouraging signs for New Mexico racing. Constant vigilance, however, is essential, for corruption and temptation are endemic to the culture of racing and, thus, cannot be totally eliminated from it.

This Commission has made a number of recommendations to the Racing Commission regarding continuing problems and threats to racing in New Mexico. Some of these have been implemented; we hope others will be put into effect in the not too distant future. On June 16, 1981, the Racing Commission took over all aspects of the investigations pursuant to an agreement with this Commission.

#### BANKRUPTCY BUSTOUTS:

Bankruptcy bustouts are a traditional tactical organized crime, although in recent years a number of new tactical and strategic wrinkles have been added. Historically, bankruptcy bustout schemes have been common to the New England states and Midwest, as members of both the Patriarca La Cosa Nostra family and the Chicago La Cosa Nostra family have excelled in this criminal enterprise. The past-master of this form of crime was Felix "Milwaukee Phil" Alderisio, a member of the Chicago La Cosa Nostra family, who planned some of the most sophisticated bankruptcy bustouts in the nation and trained several of his associates in the enterprise. Two of these, Joseph "the Clown" Colombo and Anthony "the Ant" Spilotro, were responsible for directing the Auburn Rubber-Gaylur Products bustout in New Mexico. Although all participants were freed by a hung jury after the murder of a key prosecution witness and what the press reported as "peculiar rulings" by the judge, this scam cost the Central States Teamster's Pension Fund over a million dollars and caused unemployment and hardship in the community of Deming, New Mexico.

As our New Mexico grows in population and income, the danger of this type of criminal enterprise also increases. A recent example of this occurred in the Albuquerque area, and ramifications extended into Texas and Colorado. This investigation was a cooperative effort in which the Albuquerque Police Department, police agencies in Houston and El Paso, Texas, and several Colorado cities all took leading roles.

This investigation illustrates a classic pattern of the bankruptcy bustout scam, namely the totally fictitious legend type. As such, it only partially involved the penetration of existing businesses to establish credit

credentials--a method large scale organized crime bustout schemes seem to prefer. This bustout began with the creation of completely fictitious companies, credit documents and net worth statements. The scheme also contained several sub-elements including theft, fencing of stolen goods, and grand theft auto. It is useful in seeking to understand this organized criminal enterprise to look at components of this case.

Two individuals who could be described as "classic con-men" created three fictitious companies, along with the necessary fictitious corporate officers, and located them in Houston, Texas and Albuquerque, New Mexico. These false fronts were then used to create assets and show a substantial net worth, for the purposes of establishing lines of credit with manufacturers and suppliers of home furnishings in New Mexico and elsewhere in the United States.

Telephonic credit checks to the fictitious president of one of the fictitious companies in Texas by a New Mexico supplier would simply indicate that, indeed, the individual seeking a line of credit with the supplier had the net worth and assets he had described. Of course, the caller was speaking to the con-artist or his associate, who was posing as the corporate officer with little more than a telephone in real assets.

Another angle used by these con-artists in Texas was the use of false purchasing orders from a major corporation, which does exist and has excellent credit ratings, to order goods from suppliers of that company. These purchasing orders were either stolen or counterfeited by the bustout artists. After obtaining the orders, tools and heavy equipment primarily, they would place them in a public warehouse until they could be transported to New Mexico or some other state for sale.

A third part of the life-style of these con-artists was a penchant for expensive late model automobiles. These they would acquire in the following manner. First, they would steal a license plate of a similar vehicle of the same make and model. Second, they would travel to a distant city and state and go to one of the smaller automobile showrooms and test several vehicles of the type that matched the license plates. Third, taking this vehicle for a test drive, they would duplicate the keys. Fourth, returning to the sales lot after it closed, they would take the vehicle. After adding the stolen plates, they would return to New Mexico with their newly acquired transportation.

In Albuquerque, these individuals approached a reputable real estate company about leasing retailing space in a shopping center. They also requested a loan and letter of support from this broker to his bank. They showed him a letter of credit from one of the fictitious companies to indicate their financial stability. This phony letter stated that the fake corporation owed the bustout artist \$420,000 payable in quarterly payments of \$35,000.

In processing the loan application, the bank officials discovered that both letter and company were fictitious and refused credit on the grounds the references for the loan were not correct. The schemers then forged a bank officer's signature on a blank loan application from an Albuquerque bank, thereby creating the impression that they had solid credit at this bank. With this false document in hand, they then went to local home furnishing suppliers and established lines of credit with them.

Thus, through the use of the dummy corporations, forged signatures, false credit and net worth statements, these bankruptcy bustout artists were able to set up a business here in Albuquerque, stock it, hire employees and

acquire inventory. Their fraudently obtained lines of credit with reputable firms were then used to further establish their credit with other companies. With this front established, they acquired more stock and established other lines of credit with eleven home furnishing manufacturers around the United States. After operating for some months, they then, in standard bustout style, sought to hold the various creditors and their employees at bay to avoid paying their debts, bills, or salaries, while they looted the store and sought to declare bankruptcy before fleeing the state.

It was only through a painstaking and tedious investigation of several different aspects of this case by Houston, El Paso and Albuquerque Police Departments, that these culprits were finally located in Colorado and arrested. The Governor's Organized Crime Prevention Commission assisted in this investigation and helped provide financial analysis and support, as well as coordinating the effort with the Bureau of Alcohol, Tobacco and Firearms (BAFT) after a sawed-off shotgun was discovered in the possession of one of the participants in this bustout scheme.

These bankruptcy bustout artists swindled over a dozen manufacturers, merchants and suppliers, as well as several of their own employees and customers. They also tarnished the credentials of several reputable businessmen and banks. While only two companies joined directly in the prosecution after having lost over \$20,000, we would estimate that, together, the companies taken in this bustout lost three to four times this amount.

Because of their awareness of the need for public confidence, businesses and businessmen are reluctant to publicize by prosecution business decisions that may reflect poorly on their judgment or the stability of the company.

This is particularly true if they are located outside the state and have sustained losses less than the costs that would be involved in any prosecution. In most cases these businessmen are covered by insurance or will write the loss off their taxes; thus, they would rather forget than actively support the prosecutions. This attitude not only hinders law enforcement and assists criminals, it increases the vulnerability of all businesses to this type of crime.

As a result of this investigation, cases of fraud and equipment theft in Texas were solved, as were several grand thefts from automobile dealers; and this bankruptcy bustout was closed. In addition, in the process of the investigation and arrests, one of the confederates of this duo was found to be wanted on a murder charge in Illinois. Although the role of the Governor's Organized Crime Prevention Commission was a secondary and supporting one in this investigation it was important as this agency possessed the unique skills and knowledge of this type of crime that were needed to complete this investigation.

The Governor's Organized Crime Prevention Commission has recommended that the state pass legislation requiring a full disclosure of the owners, proprietors, and principal stockholders of incorporated businesses in New Mexico. Such a public disclosure law has been praised by one of the State's major newspapers which, under the second class mailing privilege act of the U.S. Postal Service, must itself identify its owner and also all mortgage and lienholders. If various business penetrations, and crimes like bankruptcy bustout are to be minimized, then similar legislation is needed in our state.

In this case one of the defendants, after agreeing to testify against his partner, was sentenced to "up to 5 years probation". The other has not been extradited from Texas where his trial is pending on fraud charges.

#### DRUG TRAFFICKING:

New Mexico's location along the border with Mexico, the state's large size and vast, sparsely populated regions have made it in recent years, an attractive location for aerial drug smuggling. In 1976, this Commission, after year long hearings throughout the state, reported on the extent of drug trafficking in the state. With the rise of Colombia as a source of drugs and the effectiveness of the joint U.S.-Mexican program to eliminate marijuana and opium poppy cultivation in Mexico, however, the focus of trafficking and enforcement shifted to the Southeastern region of the United States, particularly Florida. These changes did not eliminate drug trafficking in or through New Mexico. And, as enforcement effectivity increased in South Florida, we began to find that Colombian cocaine and marijuana were being transshipped through Mexico and across our Southern border.

In early fall 1980, this Commission received information regarding an aerial drug smuggling ring operating in Western New Mexico. As different bits of intelligence and pieces of data and information were developed, they began to fit together in a pattern indicating that a large, organized, multi-state trafficking group was operating in New Mexico. A meeting of law enforcement agencies was called at the offices of the Drug Enforcement Administration (DEA), and the Commission's executive staff briefed the group on the investigation and the satellite investigations that were spinning off from it. This exchange of intelligence resulted in a joint task force being formed which consisted of the Commission, the New Mexico State Police, U.S. Customs Service, Drug Enforcement Administration (DEA), Zuni Tribal Police, and several local law enforcement agencies.

This investigation, which began with intelligence regarding some 3,500 to 4,000 pounds of marijuana being smuggled by air into the Gallup-Grants area grew to a nationwide operation involving trafficking groups throughout the United States. This investigation is still ongoing in a number of states but one segment was completed with the conviction in November 1981 of two aerial smugglers who conspired to bring some 18,000 pounds of Colombian marijuana into the United States via a four engine DC-7 which landed on Mesa de Mayo near Trinidad, Colorado. The basis for this case rested on intelligence and a confidential informant developed by this agency in the early stages of this operation.

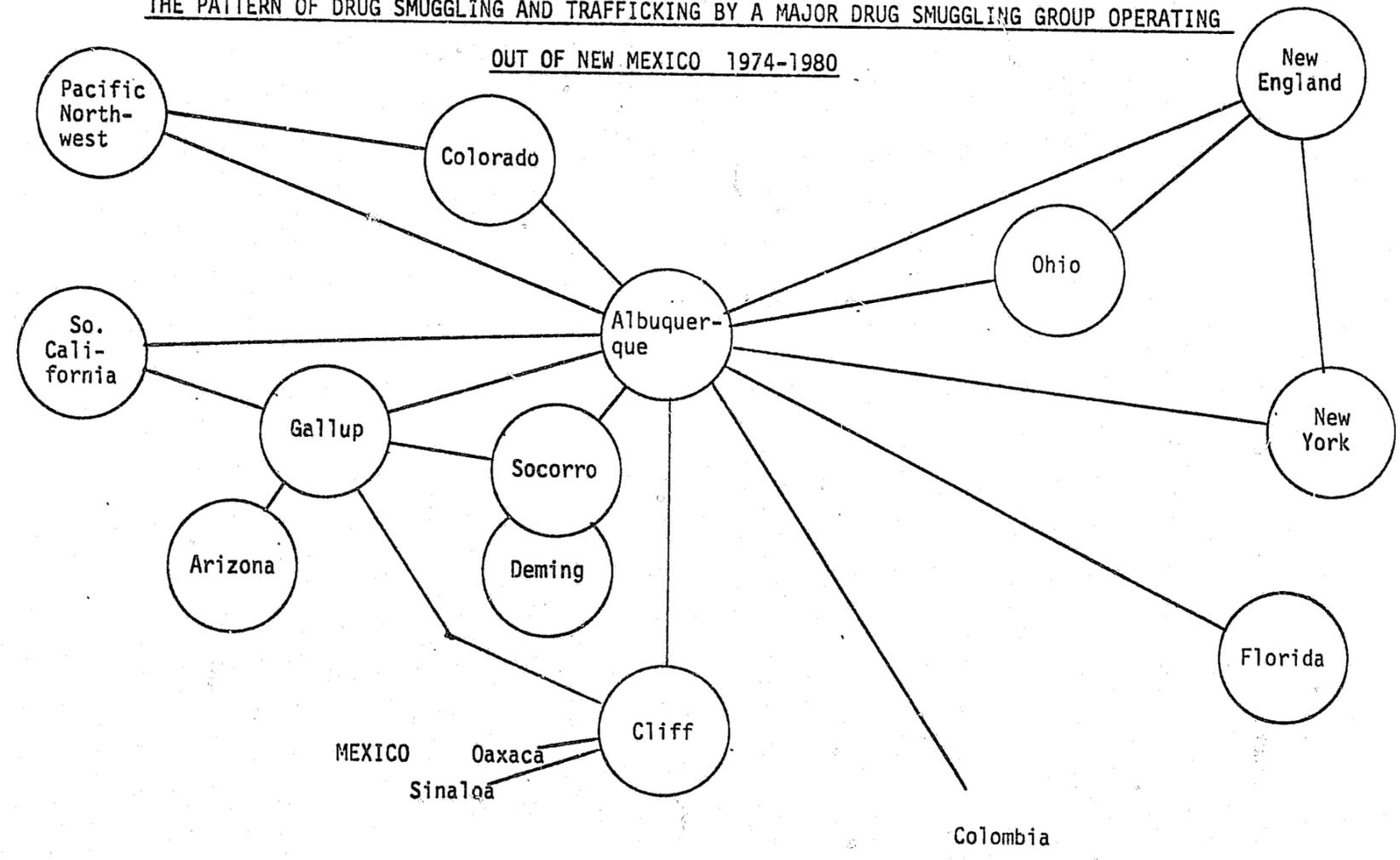
Between 1974 and 1980, this multi-state group of traffickers smuggled tons of marijuana into the United States from Mexico. One participant in this smuggling group estimated that he alone earned between \$1.2 million and \$1.5 million as his share of the operation.

In addition, this smuggling group trafficked in aliens, heroin and cocaine during their years of operation, although their primary contraband product was marijuana.

From Mexico to ranches in Cliff, New Mexico and landing sites near the Malpais, Magdalena, Socorro, Deming, Albuquerque, Corrales, Cuba, Gallup and Santa Fe, this group flew tons of marijuana into the state for transshipment to other Rocky Mountain states, the Midwest and West. Figure 5. illustrates some of this group's activity. Their operation was so extensive that, during one four-month period, they had to rent a warehouse in Albuquerque to store some 16,000 to 18,000 pounds of marijuana awaiting shipment to other areas of the United States.

FIGURE 5.

THE PATTERN OF DRUG SMUGGLING AND TRAFFICKING BY A MAJOR DRUG SMUGGLING GROUP OPERATING  
OUT OF NEW MEXICO 1974-1980



The Drug Enforcement Administration, which has the primary mission in this type of interstate narcotics investigation, began as the coordinating agency for the task force and now has taken over this investigation. It was the early investigation by this Commission, and information on key confidential informants, that helped to put key elements of this pattern of organized drug trafficking together. This case is an example of the importance of cooperative agency activities and close and regular interaction with other law enforcement groups on matters of mutual concern.

The Commission staff member spent a period of some six months at 20% effort or a total of 1.2 man-months of effort in this operation, which has already resulted in several major felony convictions and is expected to culminate in a large number of felony indictments in the months to come.

#### NATURAL RESOURCE PROMOTIONS:

In a state with an abundance of natural resources, a Commission like the Governor's Organized Crime Prevention Commission must keep a watchful eye on those ventures and promotions which appear questionable or contain highly speculative investments, options, or stock sales that may injure the state, its citizens, and reputable firms and industries in the resource area. In fiscal 1980/1981, a citizen report to the Commission led to an investigation of an apparent mine-salting stock investment scheme that turned out to have ramifications not only for New Mexico but also in Canadian and Swiss financial markets.

In this investigation the Commission examined several mining and mineral exploration companies incorporated in New Mexico and doing business in the

Canadian stock market with major Canadian mining corporations. The investigation established that several gold and uranium mining corporations, along with associated exploration corporations, had been established in New Mexico. In cooperation with the Royal Canadian Mounted Police (RCMP) and the Federal Bureau of Investigation (FBI), this Commission found that the incorporators of these companies appeared to have obtained monies from investors and Canadian mining companies as a result of apparently salted gold assay results taken from their New Mexico mining properties. Subsequent independent assayers hired by the Canadian investors discovered that while ore was present, it was "at considerably lower levels" than had been previously announced and advertised by those behind these mining ventures.

These new assay reports resulted in the decline in the stock values of these corporations and the loss to a major Canadian mining company of an estimated \$20 million. This company has initiated a major law suit to recover its losses. The individual small stockholders and investors appear to have sustained losses of some \$4 million dollars.

This investigation has continued into the current fiscal year, although, at present, it is primarily centered in Canada and Switzerland where members of the group involved in these New Mexico mining projects are said to be pursuing the promotion of some "speculative mining stocks". The RCMP and the FBI are now acting as the lead agencies in this investigation.

This investigation by the Commission also involved the cooperation of the State Corporation Commission and its staff, but it was handicapped by the Corporation Commission's inability to trace an individual's participation and involvement through his name. This finding once again reinforces the need

for both cross-indexing and computerization of Corporation Commission files, as well as the continuing need for the passage of business ownership and corporate name identification legislation.

Two staff investigators were involved in this operation, which involved the surveillance of the major participants and coordination with the FBI and the RCMP over a period of six months. This work entailed approximately 15% to 20% of their time, or a total man-effort of approximately 2.5 to 3 months by this agency.

PUBLIC EMPLOYEE CORRUPTION: EMBEZZLEMENT:

In January of 1981 this agency received a request for assistance in the investigation of alleged public corruption concerning the theft and embezzlement of public property, malfeasance in office, and receipt of kickbacks from employees for false reporting of payments made for services and overtime not rendered. Because of agency staff expertise in financial investigations and complex crimes and the need for accounting and fiscal "paper chase" skills in this investigation, a member of the investigative staff was assigned to the requesting agency.

A detailed analysis of invoices, purchasing records, and time sheets by this investigator revealed a pattern of public corruption and malfeasance on the part of the public officials and employees of the municipal corporation. It also revealed a consistent pattern of attempts to cover the purchase, loss, use and misuse of equipment and employees by this official and associates to hide and prevent the discovery of this embezzlement and corruption.

This investigation resulted in the official involved being charged and convicted of the embezzlement of public property and in the indictments of several of his associates. The Commission staff investigator involved devoted approximately one month of full-time man-effort to this investigation.

AN UPDATE: OTHER TACTICAL OPERATIONS:

As organized criminal operations and investigations do not neatly follow the constraints of fiscal year reporting, the Commission had several investigations from the prior fiscal year report carry over into part of the 1980/1981 fiscal year. We briefly report these here to round things out and up-date these earlier reports.

In fiscal 1979/1980 the Commission became involved in an investigation of the massage-prostitution operations in Albuquerque and elsewhere in New Mexico. These investigations resulted in new laws and legislation regarding massage and prostitution being passed both at the state and local level. It also resulted in indictments being rendered in the state of Missouri against the director of these massage operations, Thomas Charity. In the current fiscal period this Commission can report the continuing "fall-out" from this earlier investigation.

In late spring of 1980, Charity's operations in Texas were closed as a result of information provided by this Commission and grand jury indictments returned against one of Thomas Charity's business associates. Early in this fiscal year, one of Charity's "rap" parlors was fire-bombed. In June 1981 a dynamite bombing of one of Charity's "rap" parlors in Bernalillo County occurred. Charity was convicted of promoting prostitution in Missouri

in August of 1980. He was also arrested in Oklahoma in that month for promoting prostitution there. He appealed the conviction in this first Missouri trial. An additional trial in Missouri ended in a mistrial when a witness perjured himself. A second trial, however, resulted in a second conviction in April of 1981. This conviction was also appealed. As of the end of the fiscal reporting period, Thomas Charity was free on an appeal bond in Albuquerque and said to be seeking to circumvent existing legislation by having his girls sell an expensive body lotion accompanied by a free demonstration in its application. The investigation of Thomas Charity underscores the ongoing and career nature of this type of criminal enterprise and the other forms of vice and violence such enterprises help to breed.

In our last report, this Commission told of the problems of arson and arson for profit in New Mexico. In October of this fiscal year we submitted a report to the Governor and legislature on the arson problems in the county of Rio Arriba. Arson continues to be a threat to the businesses and the people of New Mexico. In late July and early August of 1980, a series of arson caused fires ripped through a lumber company in Belen, New Mexico. The first fire consumed a shed, forklift and 300,000 square feet of lumber and caused damage of over \$100,000. Two days later, a second fire destroyed an estimated \$50,000 in building materials. In February 1981, a third fire destroyed a shed full of lumber and building supplies. All of these fires were of suspicious origin or proven intentional arson. Such fires reinforce the recommendations of our October 1980 report to the Governor and legislature. The fire investigatory resources of this state need to be expanded

and the definition of arson made more specific, particularly with regard to arson for insurance purposes.

Another report to the Governor and legislature submitted in this fiscal year detailed an investigation of an organized crime labor leasing operation that was attempting to become established in New Mexico. The Commission's proactive investigation of this mob-connected firm had the preventive effect of ending their operations here. The individuals behind these "front" companies were, in 1981, convicted of conducting this labor leasing racket by courts in the state of Delaware. The major organized crime figure, who our intelligence reports indicate was interested in establishing himself and his operations in New Mexico, was also recently convicted of orchestrating the contract murder of a key witness against him in a trial involving another of his criminal enterprises. He is currently free on an appeal bond.

COMMENDATIONS:

- Letter of Commendation for assistance from the Drug Enforcement Administration
- Letter of Commendation for assistance from OSI Kirtland Air Force Base.

OTHER AGENCY ASSISTANCE:

In fiscal year 1980-1981, this agency provided assistance to the following agencies:

- Federal Bureau of Investigation
- Drug Enforcement Administration
- U.S. Customs Service
- International Association of Chiefs of Police
- Law Enforcement Intelligence Units (LEIU)
- Office of Special Investigation
- Bureau Alcohol, Tobacco & Firearms
- Royal Canadian Mounted Police
- New York City Police Department
- Texas Department of Public Safety
- Arizona Department of Public Safety
- Ontario Canada Provincial Police
- New Mexico State Police
- Albuquerque Police Department
- Las Cruces Police Department
- Hobbs Police Department
- Santa Fe Police Department
- El Paso Texas Police Department

New Mexico Racing Commission

Thoroughbred Racing Protective Bureau

In addition, two investigative staff members, responding to an Albuquerque Police Department request for assistance call while they were on a surveillance, captured an armed residential burglar.

#### STRATEGIC CRIMES AND INVESTIGATIONS:

The investigation of strategic organized criminal activities requires a somewhat different law enforcement approach and methodology than do tactical organized criminal enterprise investigations. In the tactical crimes, one is dealing with an on-going conspiracy through use of force, threat, violence or intimidation, to establish a monopoly over what are commonly called "victimless" crimes. This involves in some instances the provision of illegal and illicit goods and services to clientele seeking them and, in others, complex crimes, such as bankruptcy fraud, which require a disciplined organization and structure to carry out the deception. (See the two left hand columns in Figure 1.)

Such tactical crimes call for investigative and intelligence collection techniques and analyses that are closely tied to the organized crime group and the enterprise it is engaged in. Strategic criminal endeavors are a step, or several steps, removed from this world of the "street". They involve the use of "buffers" and "false fronts" and the penetration of legitimate businesses in a much more sophisticated manner than do the tactical organized crime enterprises. While the long run goals are the same, namely profit and monopolistic control to the end of greater profit and power, the means to that end are much more complex. Businessmen, bankers, attorneys, connections with and use of the political and administrative apparatus of government and the judicial system, are more essential to the success of these forms of criminal enterprise than to tactical organized crime operations. In a like manner, the impact of strategic organized criminal

monopolies on all of the citizens and the institutions of our society is much greater than is the effect of tactical crimes, for the result of such strategic organized criminal enterprise is criminal tax or tariff on many of the non-criminal, ordinary things we do.

For example, organized crime experts estimate that in the greater New York Metropolitan area, consumers pay an extra 10¢ a pound for meat because of organized crime's control of the meat distribution in that area. Similarly, the monopolistic control by organized crime groups over carting, garbage and waste removal in the New York Metropolitan area has not only resulted in violence, intimidation of legitimate businessmen, and higher prices for consumers, but it has also placed many municipalities in a situation where they have to accept the demands and services of the organized crime controlled carting contractors because the costs of trying to break that control, by establishing an independent municipal carting and waste removal service, is prohibitive in terms of both the capital start-up costs and the increased tax burden that would have to be passed on to local taxpayers.

Strategic organized criminal enterprises and operations represent the direction in which the evolving, capital rich, crime groups of the United States are moving. Such forms of criminal enterprise can only be blocked by early preventive and proactive action for, once established, their power and access to power makes their elimination difficult at either a local or state level.

Such strategic criminal enterprises tend to develop slowly only reaching monopolistic proportions over a number of years, but at every

step in the development of a strategic criminal enterprise is the threat, violence, coercion and corruption that is the hallmark of organized crime. Money laundered from illicit enterprises is used to undercut and buy up legitimate competitors. Criminal means and intimidation are used to eliminate those who do not cooperate. Arson and sabotage of competitor's property are common forms of this strategy of intimidation. At the same time, the organized crime enterprise is used to cover other illegal activities such as drug trafficking, fencing of stolen goods, employment of illegal aliens, bankruptcy bustouts, bank frauds and the like. As the monopolistic activity expands, inferior and adulterated products may be passed to consumers, prices paid by service users will be increased, and general restraint of trade and competition employed. Along the road to this monopolistic control, public agents and administrative agencies which deal with, license, or police the enterprise activity will face attempts at bribery and corruption. As the strategic criminal activity expands and becomes more involved with other levels of the political system, resistance to such pressure from the organized criminal group can result in demotion, transfer, or worse for regulatory officials who refuse to cooperate. In this process many other companies, banks, insurance groups, medical programs, etc. are also drawn into the vortex of this strategic criminal activity. Like an ink blot, the activity flows outward affecting all that come in contact with it.

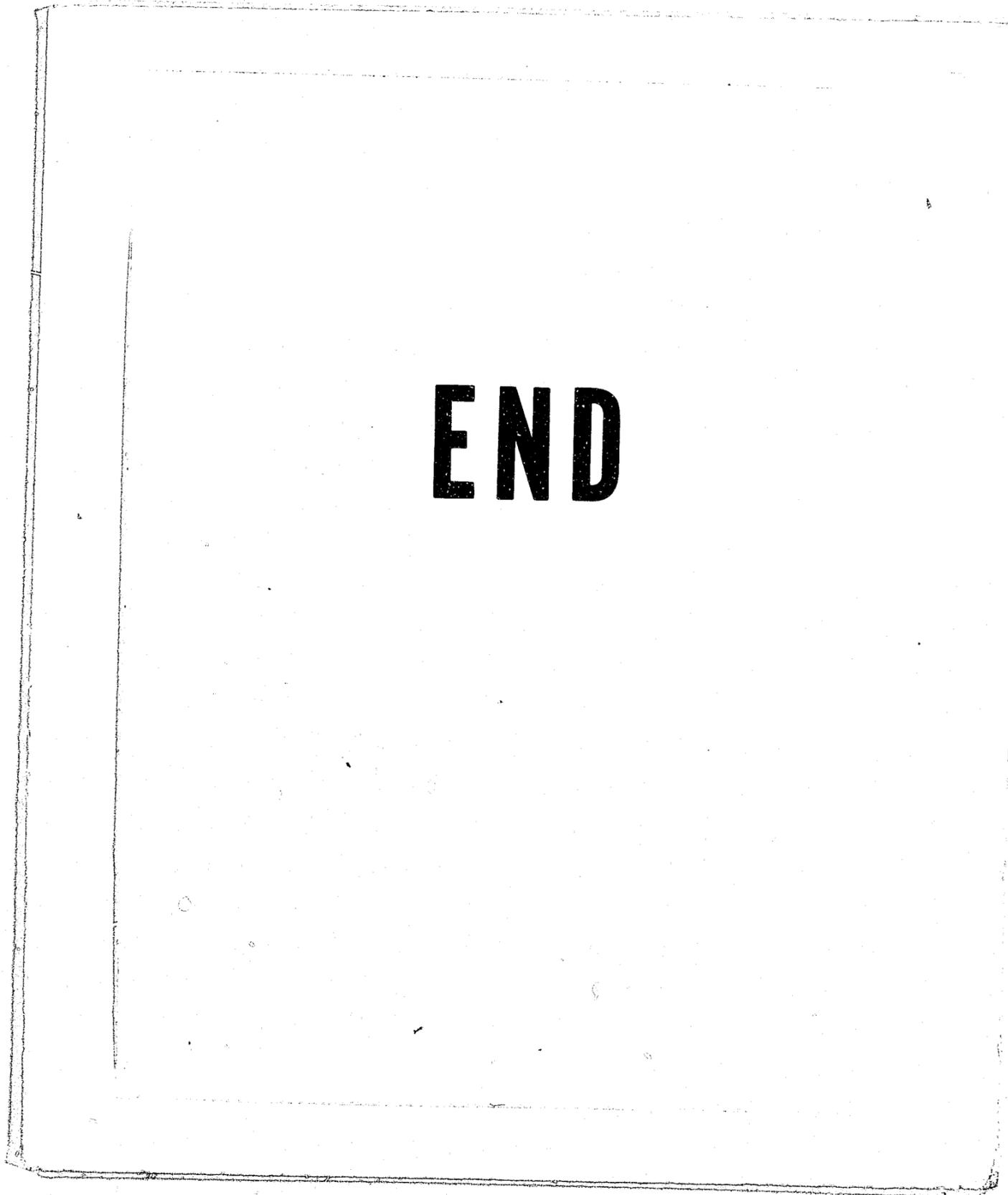
This Commission, recognizing this need and threat, is placing greater emphasis on the pursuit and prevention of strategic organized criminal enterprises. This means that staff time will be focused

increasingly on the collection and analysis of intelligence involving organized criminal networks that are attempting to penetrate New Mexico. These will be long-term, in-depth investigations, involving work with other states and federal agencies with which the Commission has established rapport through our tactical investigations. This shift in emphasis is likely to mean that, rather than attempting to maintain 10 to 14 on-going investigations, this Commission will instead focus on 5 or 6 major investigative targets a year. It also means that, while attempting to maintain a reactive capability to tactical organized crime operations and close cooperation with and assistance to other local law enforcement agencies throughout the state in a direct on-site fashion, less man-power can be devoted to this. Instead more effort given will be to the provision of technical services and consultive activity with local agencies.

We do not see this shift as diminishing this agency's capabilities. Rather, we see this as a necessary step towards enhancing our capabilities in confronting the most critical forms of organized criminal activity and penetrations that face our state in this time of rapid population growth, development and change.

The problem of organized crime in the United States, and its implications for New Mexico, is unmistakably clear. Since our first report in 1973, this Commission, in seeking to combat this problem, has weathered a number of storms. It has over the years, however, established its credibility not only as an important asset to law enforcement in New Mexico, but as a recognized part of the total U.S. effort against organized crime. Thanks to the continuing support of the Governor and Legislature of this state

and the assistance of other law enforcement agencies, political leaders, the business community, and citizens of New Mexico, this agency has become an important and effective force in combatting organized crime. We shall continue through public reports to seek to keep the public aware and informed, and we shall assist other agencies by responding to tactical criminal operations in our own State. We shall also, through proactive action, hearings, and investigations, seek to prevent and block strategic organized criminal penetration of this state.



**END**