

COMMONWEALTH OF PENNSYLVANIA
JOINT HOUSE OF REPRESENTATIVES
AND SENATE COMMITTEE ON JUDICIARY

In re: 1990 Crime Commission Report

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Stenographic report of hearing held
in Room 461, Main Capitol Building,
Harrisburg, Pennsylvania

Wednesday,
April 25, 1990
1:00 p.m.

HON. THOMAS CALTAGIRONE, JOINT CHAIRMAN
SEN. MICHAEL FISHER, JOINT CHAIRMAN

MEMBERS OF JOINT COMMITTEES ON JUDICIARY

Sen. John Hopper	Hon. Jeffrey E. Piccola
Hon. Paul McHale	Hon. John Pressmann
Hon. Terrence McVerry	Hon. Robert D. Reber
Hon. Nicholas B. Moehlmann	Hon. Karen A. Ritter

Also Present:

David Krantz, Executive Director
Katherine Manucci, Staff
Mary Woolley, Republican Counsel
Paul Dunkleberger, Republican Research Analyst
Mary Beth Marschik, Republican Research Analyst

Reported by:
Ann-Marie P. Sweeney, Reporter

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Michael J. Reilly, Esquire, Chairman,
Pennsylvania Crime Commission..... 3

1 the table with me is Jim Manning, another Pennsylvania
2 Crime Commission member.

3 I first want to express our appreciation.
4 As was explained to the committee Chairs, each decade we
5 do a special and more exhaustive report than usual, what
6 we call a decade report. The first was done in 1970, the
7 next in 1980, and we are preparing the 1990 report. It is
8 a more comprehensive document than our ordinary annual
9 report, and as we did in 1980, with your permission we
10 will meet our statutory obligation to make our report to
11 the joint Judiciary Committees here in April with an oral
12 report that will be much more concise than the somewhat
13 exhaustive document that will be prepared in November.

14 I would again ask that you would receive the
15 oral testimony that we have presented to you as our
16 testimony and I'd like to highlight it, if I might. I
17 won't go through the whole document, of course, but I'd
18 like to highlight some of the points.

19 First, I'm pleased to be here today to
20 fulfill our statutory obligation. As we enter the decade
21 of the '90's, I think it's appropriate to reflect on the
22 past 10 years and the tremendous changes that have
23 occurred with respect to organized crime. The decline of
24 the power and influence of La Cosa Nostra, or the Mafia,
25 the growth of new criminal groups based on the explosive

1 demand for cocaine and other illicit drugs are the major
2 changes in this past decade. This year, as I explained,
3 we're preparing a decade report focusing on organized
4 crime in the Commonwealth and the interrelated problem
5 with public corruption of organization crime in the
6 Commonwealth in the last decade. The report will be
7 released in November and it will contain a detailed
8 history of organized crime and political corruption during
9 the decade of the '80's, and more significantly it will
10 contain analyses of significant changes that have occurred
11 and trends that have been recognized and based on these
12 analyses will present reasoned predictions about the
13 nature of organized crime in the 1990's.

14 One of the issues that will be addressed
15 will be the decline in the power and influence of La Cosa
16 Nostra, the rampant drug epidemic and its relationship to
17 organized crime, and the institutional responses to
18 organized crime here in the Commonwealth during this past
19 decade.

20 I would also add that the focus will be
21 somewhat different. The focus will be much more
22 analytical rather than sensationally reportorial, and I'll
23 discuss that a little bit more in my closing remarks.

24 Today in this oral presentation I'd just
25 like to focus on our activities during 1989. We had two

1 major investigations conducted, one of which has been the
2 subject of a public hearing, the other of which is in
3 progress. Some aspects of the Chester, Pennsylvania
4 investigation are still in process. The other is an
5 investigation in the Lehigh Valley, Allentown-
6 Bethlehem-Easton area. We picked those because the one
7 demonstrates the relationship between an entrenched Mafia
8 family and rising African-American organized crime
9 leadership groups and because we were able to demonstrate
10 in Chester that the people with a tradition in gambling in
11 the black community and in loansharking in the black
12 community allied themselves with the Mafia and the video
13 poker business and then used that money, the money that
14 they amassed, to start the cocaine and Crack business in
15 the public housing communities in the city of Chester.
16 That is a perfect example of a fully sophisticated and
17 developed organized crime problem.

18 In contrast, what we found in the Lehigh
19 Valley is that there are Mafia members present but that
20 the Mafia is no more dominant, that it is more of the
21 example of the kind of thing that we have out in the west
22 where you've got individual criminal entrepreneurs, people
23 that are halfway inside the law and outside the law and
24 other people who form casual partnerships, who will get
25 into different transactions, will do different kinds of

1 criminal enterprises or different kinds of legitimate
2 enterprises and there is no individual dominant group.
3 These groups rise and fall and come together and go apart
4 depending on -- driven by the market and driven by targets
5 of opportunity that result.

6 This, again, we're in the midst of the
7 Lehigh Valley investigation. We talk about the importance
8 of gambling, in the formal testimony submitted we talk
9 about the importance of gambling. Again, what we found in
10 the Lehigh Valley is the same thing we found in Chester,
11 the same thing we found in Allegheny County, the same
12 thing we found in the hard coal region, which is a
13 tendency now for some gamblers, not all gamblers, but for
14 some gamblers to use their money to finance narcotics
15 organizations. I think this tends to be just such an
16 opportunity for easy profits that we've found evidenced
17 around the State of gamblers using -- some gamblers using
18 their moneys to finance narcotics organizations.

19 We've also, in the formal report, laid out
20 the current status of the three Cosa Nostra families here
21 in the Commonwealth. I might add of significant interest
22 to those of us in the west is that the United States
23 Attorney's Office has recently announced the indictment of
24 a number of the members of that family, the culmination of
25 a seven-year investigation and what is currently the most

1 stable Cosa Nostra family in the Commonwealth, that is to
2 say the Genovese/LaRocca family out in Pittsburgh based,
3 Pittsburgh area based, is now feeling the same assault and
4 the same pressure that the other two families have felt in
5 recent years.

6 We've seen a disheartening development that
7 perhaps historically we were insensitive to. I will not
8 say it is a new development, but we've become very aware
9 during the last year of members of other Cosa Nostra
10 families coming into Pennsylvania to involve themselves in
11 solid waste, to involve themselves in gambling, to involve
12 themselves in other criminal activities where historically
13 if you take the model that we were presented nationally,
14 that the families have individual areas and absolutely
15 control those areas, that has not proved to be true in
16 Pennsylvania, and we've got people -- what's troubling to
17 us is we're finding more and more other families, other
18 Cosa Nostra families, coming in and starting to operate in
19 Pennsylvania. We also have been led to believe that the
20 northeastern family, the Bufalino family, is likely to be
21 incorporated into another family as it disappears.

22 We're not going to go through our usual
23 process of guessing who will succeed Nicky Scarfo in the
24 southeastern Pennsylvania/New Jersey family because
25 everybody we've picked has been indicted within the next

1 year, which is, I might say, a commendable effort by the
2 United States Attorney's Office and the different State
3 prosecutors, but this year they're down to such a level
4 it's a little hard to make that guess. We're surmising
5 and we suggest in here who we think will be the next head,
6 and I might add it's an individual from north Jersey.

7 After going through the status of the three
8 LCN families in this report, we talk about
9 African-American organized crime. The sophistication of
10 these organizations has not been recognized. Some that
11 are flashy and flamboyant like the Junior Black Mafia in
12 Philadelphia are recognized, and, you know, we were one of
13 the first enterprises to be able to spotlight them, with
14 the cooperation of the Philadelphia Police Department, the
15 District Attorney's Office, the DEA. But while these
16 organizations come rise like the old Black Mafia, the
17 Junior Black Mafia are violent and bring about their own
18 demise, we've got some very sophisticated, long-lasting
19 black gambling organizations throughout the Commonwealth,
20 and these organization are being studied because they are
21 a phenomenon which has for too long been ignored, and a
22 unique aspect of a number of these organizations we're
23 studying now is that unlike the Mafia, they are not an
24 association of criminals who will get into any enterprise.
25 More and more what we find are groups that are gambling

1 organizations, and what pulls those people together is
2 gambling, or what pulls them together is a specific
3 narcotics or a specific kind of white collar crime or
4 fraud. So we're finding that our tactics have to be a
5 little more flexible to deal with those, and as we have
6 all experienced with the Scarfo family, these group that
7 take the high profile, like the Jamaicans, like the Junior
8 Black Mafia, sow the seeds of their own destruction.
9 There is no loyalty within their organizations because of
10 people's fear for their lives, and it is just not a good
11 way to motivate people. It has proved to be an
12 unsuccessful way to develop a cohesion that has been
13 demonstrated for decades in some of the African-American
14 gambling organizations.

15 The Hispanics we outline, it's an
16 interesting situation. We've got a number of different
17 Hispanic groups operating in the Commonwealth. One of the
18 things, one of the principal sections of the '90 report
19 will be looking at how these gambling -- pardon me, not
20 gambling, these narcotics organizations have developed and
21 what characteristics they have and to suggest possible
22 strategies to be used to try to control them.

23 One thing I'd like to report we've had a
24 fair degree of success in doing, it has always been the
25 conventional wisdom that you can't do successful work with

1 Chinese organized crime. We have had very, very good
2 success in developing sources within the Chinese community
3 in southeastern Pennsylvania and we are walking, we are
4 beyond crawling, we are getting to the point where we can
5 walk in that area, we're getting very good information,
6 we're developing it, and it will continue to develop.
7 This is a classic deep investigation and there was some
8 fear when I was first given the document to review, I
9 said, there is no way in hell that I'm going to sit here
10 and read the names of 19 spas, which are in reality houses
11 of prostitution, in the city of Philadelphia, these
12 oriental massage parlors, but we cited them because they
13 are significant centers for problems in that community,
14 and the police department is dealing with the problem but
15 they're very hard problems because a number of them will
16 only be patronized by Orientals. But the police are
17 working on the gambling.

18 We might add there were, the last time we
19 reported there were a number of open gambling casinos in
20 Chinatown. Most of those have closed, not through our
21 good efforts but principally through the market factors.
22 What's happened is the high rollers in the Chinese
23 community are being as actively courted as the high
24 rollers in the other communities by the legal gambling in
25 Atlantic City. So that's one of the principal factors

1 that's caused their demise.

2 The cycle gangs are still around but they're
3 nowhere near the factor they historically have been, and
4 that's a testimonial to the coordinated efforts of the
5 Federal and State law enforcement and local law
6 enforcement people. They've made targeted efforts at
7 them. Again, the Pagans, the Warlocks, like the Junior
8 Black Mafia, like our Jamaicans, once you take a certain
9 high profile, once you commit yourself to a level of
10 violence, it has been our experience you sow the seeds of
11 your own demise.

12 In concluding my remarks on the current
13 status of organized crime in the Commonwealth, as I
14 briefly mentioned at the start in my report, the
15 Commission will present a written report in November.
16 This report will assess the significant events, changes,
17 and trends in organized crime during the past decade.
18 Preparation of what we believe will be a well-focussed
19 analytic report, the Commission is utilizing the knowledge
20 and skills of renowned experts and scholars to address a
21 number of important issues. For example, Professor Mark
22 Haller of Temple University, nationally recognized as one
23 of the outstanding historians on organized crime, will
24 provide an indepth study of the operations of La Cosa
25 Nostra in Philadelphia during the last decade.

1 Mark Kleiman of Harvard, an expert on
2 drug-related issues, will examine and report on the drug
3 environment in the Commonwealth during the decade. The
4 drug report will also contain an analysis of the
5 relationship between drug activity and the fencing of
6 stolen goods, a groundbreaking collaborative study by
7 organized crime expert Ralph Salerno and Temple University
8 Professor George Rengert.

9 Art Figlio, Adjunct Professor of Legal
10 Studies and Criminology at Wharton, is preparing a study
11 on the institutional responses to organized crime, a study
12 that will shed light on the role that the branches of
13 government at the Federal, State, and local levels have
14 played in combating the menace of organized crime.

15 Finally, Darrell Steffensmeier, Professor of
16 Sociology at Pennsylvania State University, renowned as
17 one of the ten most prominent criminologists in the
18 country, is the overall coordinator.

19 The 1990 report will not seek sensationalism
20 over substance, nor will it be a mere recitation of facts.
21 The report will be a comprehensive, retrospective analysis
22 of the past and present, as well as a predictive,
23 well-focussed forecast of the future. It is the
24 Commission's intention that the 1990 report will be the
25 standard for such reports during the next decade.

1 To give you the contrast, when we did the
2 '80 report, the people we sought out and the people we
3 used were reporters. In the '90 report it's primarily
4 professors. They're academics, they're people -- we're
5 trying to find a more useful document to give to the
6 legislature, to give to the prosecutor and investigative
7 agencies throughout the Commonwealth, a more thoughtful
8 analysis.

9 Thank you. Those are my preliminary
10 remarks.

11 SENATOR FISHER: Thank you, Mr. Reilly.

12 Would the other members who have joined the
13 committee since we began want to identify themselves,
14 starting with Representative Hagarty?

15 REPRESENTATIVE HAGARTY: Lois Hagarty from
16 Montgomery County.

17 REPRESENTATIVE WOGAN: Chris Wogan from
18 Philadelphia County.

19 REPRESENTATIVE RITTER: Karen Ritter from
20 Lehigh County.

21 REPRESENTATIVE PRESSMANN: John Pressmann,
22 Lehigh County.

23 REPRESENTATIVE McHALE: Paul McHale, Lehigh
24 County.

25 SENATOR FISHER: David, did you want to?

1 REPRESENTATIVE HECKLER: I'm not sure if I
2 am. Dave Heckler from Bucks County.

3 MR. REILLY: Okay, also at the table with me
4 is another Commissioner, Trevor Edwards.

5 SENATOR FISHER: I'd like to comment on your
6 report, Mr. Reilly. One of your reports and one of your
7 subjects of public hearing was the impact of organized
8 crime in the waste industry during 1989, and those public
9 hearings resulted, ironically today, with the passage of
10 SB 1437, which was a bill that I had introduced as a
11 result of the information that the Crime Commission
12 brought forward and it passed the Senate today and there's
13 a similar bill also pending in the House, so we thank you
14 for bringing that potential major problem to our attention
15 and I would hope that the House would join suit with us in
16 the very near future, and the Governor as well, to send a
17 message loud and clear to organized crime in Pennsylvania
18 that we don't want them here under any circumstances and
19 if they have any idea of getting into the waste industry,
20 that we're going to stop them.

21 Mr. Chairman.

22 BY REPRESENTATIVE CALTAGIRONE: (Of Mr. Reilly)

23 Q. Mike, you had mentioned specifically about
24 the Lehigh Valley and what was going on there. I know
25 some of the members that came in a little bit later might

1 be interested in those comments again, and one of the
2 things that I'd like to specifically query on is the
3 volume of money that's being taken in by the various drug
4 lords throughout the Commonwealth, not particularly in any
5 specific area, what continues to fascinate me is how they
6 launder that money and whether or not that laundering is
7 taking place in Pennsylvania with any of our lending
8 institutions and what checks are we applying to those
9 lending institutions? Because sources tell me that it's
10 just millions of dollars every week that are coming in.
11 Now, in order to clean that money, in order to
12 legitimize it, somebody in the business community,
13 somebody in the banking community, has to be cooperating
14 somewhere along the line in order to clean that money, if
15 that in fact is taking place in Pennsylvania.

16 A. We are currently conducting a focussed
17 and detailed investigation on banking in Pennsylvania. We
18 are not in any way at this point prepared to discuss any
19 of the preliminary results. We are trying to do the same
20 kind of thing there that we did in the solid waste area.
21 We're going to work with the banking regulators. We
22 anticipate the same cooperation there we received from
23 other States and from our own regulatory people.

24 There are significant problems in that area,
25 but we are just working on them and I can't give

1 preliminary comments. It wouldn't be fair.

2 Q. If you'd want to comment on the Lehigh--

3 A. Let me repeat those comments on the Lehigh
4 Valley because some of our friends from the Lehigh Valley
5 have just joined us.

6 The contrast between the city of Chester
7 investigation and the Lehigh Valley, Allentown-
8 Bethlehem-Easton investigation is that we had the
9 traditional Mafia very strong, dominant in that portion of
10 Delaware County, the city of Chester area. We had them
11 allied with the African-American, historic
12 African-American gangs who had been into gambling and
13 loansharking. We had them tie themselves together to
14 saturate the market with video poker. We then had them
15 ally themselves with some former politically powerful
16 people, frankly present politically powerful people, and
17 we had that same black organization that used some of the
18 money they got from video poker to start the cocaine and
19 Crack organizations in the public housing in that
20 community.

21 Absolute contrast in the Lehigh Valley. In
22 the Lehigh Valley, the Mafia families, either the
23 Pennsylvania's own families or the families we had been
24 concerned were coming in from outside, have not at this
25 point become in any way dominant. They are, to an extent,

1 operational. We discussed some of their gambling
2 operations, some of their narcotics operations, but they
3 are an almost incidental player. They are not in any way
4 dominant in that region.

5 One of the things I do not intend as a
6 criticism of the factors that are at play in law
7 enforcement in southeastern Pennsylvania, it's really not
8 fair to compare a whole county with a city like the city
9 of Chester, especially as economically depressed and
10 deprived a city as the city of Chester. But one of the
11 phenomena we are aware of in the Lehigh Valley is we've
12 got the fellow who's, in my opinion, probably the premiere
13 public prosecutor we've here in the Commonwealth, Bill
14 Platt, a superb district attorney, working very hard on a
15 number of these issues, we've got a significant State
16 Police commitment, we've got an ever-increasing Federal
17 commitment not just in narcotics alone but especially in
18 narcotics, and what we encounter there, what we've found
19 thus far in our Lehigh Valley investigation is informal
20 partnerships, not a Mr. Big kind of organization. We've
21 got people who are either on the wrong side of the law or
22 on both sides of the law who get together and form
23 partnerships for gambling, for loansharking, for white
24 collar scams, for any of a number of, and frankly for
25 narcotics, who get together and work on these things, but

1 it's not the model that you'd expect in organized crime.

2 It is in fact a much truer model for what
3 goes on in the rest of Pennsylvania. The mob is not
4 dominant in organized crime in Pennsylvania. It's these
5 local entrepreneurs, it's these local organizations, it's
6 people who are there and people who have succeeded in
7 defending their turf, not through shootouts and beer wars
8 are the kind of things that we saw in the time of
9 prohibition, but what we're finding is that the problem
10 there, the organized crime situation there is a very, very
11 different model than the model that we encounter there.
12 It's a target of opportunity situation. The people that
13 are there, even though that region is exploding
14 economically, is a very thriving, growing region. It
15 isn't that outsiders are coming in, it's that the people
16 that are there are taking advantage of more business
17 opportunity, just as the other merchants, the illicit
18 merchants, are taking advantage of the opportunities they
19 find. We are in a full investigation in that area and
20 that investigation continues.

21 REPRESENTATIVE CALTAGIRONE: I'd like to
22 introduce Senator Hopper for questions and I guess if you
23 want to just move right around.

24 SENATOR HOPPER: Thank you.

25 BY SENATOR HOPPER: (Of Mr. Reilly)

1 Q. Mike, in your investigative process, when
2 you find someone that could be indicted, do you get
3 complete cooperation from the local law enforcement
4 people?

5 A. There is much, much more -- it varies around
6 the State. In most of the Commonwealth we've had a real
7 tradition start to develop of cooperation, even the
8 Attorney General Preate doesn't say the kindest things
9 about the Commission, but when the General pulled together
10 his task force efforts in video poker, we participated in
11 that, we commended him for it. In that area we found some
12 reciprocity. Tremendous cooperation from Bill Platt's
13 people, from the State Police there in the Lehigh Valley,
14 from the Feds, frankly, in the Lehigh Valley. We have
15 some very good undercover people and we were able to lend
16 them to Bill and to the State Police to do some of the
17 video poker work up there.

18 Frankly, cooperation has been the tradition
19 in the west. I mean, we've had a tradition in the west
20 going back for some time across the county lines in State
21 and local. I mean, when Dick Thornburgh, when, you know,
22 Bob Sindrich, any of the U.S. Attorneys we've had in the
23 west have been open and cooperative with local law
24 enforcement and supportive, and frankly not the jealousy
25 amongst the prosecutors. The prosecutors on that end of

1 the State have tended to be cooperative. We've even
2 broken down the lines with the FBI and the State Police to
3 an extent on our end of the State. We're finding more of
4 that, we're finding more of that cooperation around the
5 Commonwealth.

6 Q. That's encouraging because that's an
7 improvement over--

8 A. Absolutely.

9 Q. --over what we've seen in the past. And in
10 your report here I noticed that there's some Crack being
11 distributed in the Pittsburgh area.

12 A. Yes.

13 Q. Is that area expanding as far as their
14 operation is concerned or how do you view that?

15 A. Very much so. Originally, the Crack in
16 Pittsburgh was brought from New York and it was straight
17 economics. You could buy it cheap in New York, you could
18 sell it dear in Pittsburgh. Now we have manufacturing
19 going on in the Pittsburgh area. So the problem is
20 growing. We were spared a while but we are not anymore.
21 It's a real full-blown problem in the Pittsburgh,
22 Allegheny County, southwestern Pennsylvania. I mean, it
23 started in Pittsburgh. We're encountering it out in the
24 other counties now. It's a very, very serious problem.

25 Q. I noticed there was a bust out in the Verona

1 area here fairly recently. Do you have any information on
2 that situation?

3 A. I do not. I do not. I really -- I know
4 what I saw in the paper. I don't have any further
5 information.

6 SENATOR HOPPER: Okay, thank you, Mr.
7 Chairman. No further questions at this time.

8 REPRESENTATIVE HECKLER: No questions.

9 REPRESENTATIVE HAGARTY: No questions.

10 REPRESENTATIVE WOGAN: No questions.

11 REPRESENTATIVE PRESSMANN: Okay, I have
12 questions.

13 MR. REILLY: Sure.

14 BY REPRESENTATIVE PRESSMANN: (Of Mr. Reilly)

15 Q. John Pressmann from Allentown, Lehigh
16 Valley.

17 A. John.

18 Q. In your remarks you mention quite
19 predominantly a number of names of people who are
20 residents of the Lehigh Valley area. The including of the
21 name in this report is -- on what evidence is that based
22 on that you put someone in your report?

23 A. This is based on our investigation. This is
24 based on the information that we -- we've had an
25 investigation going there for some time. We have

1 investigators in the field. Now, we cooperate with
2 Federal authorities, we cooperate with the District
3 Attorney's Office, the State Police. It's not on the
4 basis of newspaper accounts or media accounts, it's on the
5 basis of investigation. Some of those people have been
6 identified with those before, a number of them have not.

7 Q. Sure. Some of these people have been
8 arrested in the past.

9 A. That's correct. A number of them have not.

10 Q. Are these, any of these people facing
11 indictment now that you mention now under indictment?

12 A. I can't comment on that. I have some
13 information but I'm not at liberty to comment on it.

14 Q. Okay. You mentioned a number of amusement
15 companies that are in the video poker business.

16 A. Correct.

17 Q. Are these businesses directly tied to other
18 organized crime activity other than the illegal activity
19 of supplying poker machines?

20 A. No, they're -- some of the people who are
21 involved with them are in multiple businesses, besides
22 being in video poker gambling are also in other
23 activities. As you'll notice, there's a mention of some
24 funding of narcotics. But it is not the same phenomena we
25 experienced in the city of Chester. We can't do the

1 direct relationship saying that there would not, for
2 example, it would be false to say there wouldn't be
3 cocaine in the schools but for video poker. There's no --
4 that kind of direct tie.

5 We have people that are involved in video
6 poker that are also involved in financing and conducting
7 narcotics organizations. We have them in fencing, we have
8 them in loansharking, we have them in bank frauds, but
9 they're criminals and they'll do whatever they can get
10 into. They use video poker as a source of income. You
11 have other people there that are traditional vending
12 company people who just have, they tell us, for market
13 pressures been forced to get into the video poker business
14 because--

15 Q. In order to have a jukebox you have to have
16 a video poker machine?

17 A. Exactly. Exactly. We've had a lot of
18 cooperation from a number of the people in the Lehigh
19 Valley in those businesses.

20 Q. In your remarks on page 6 on the bottom you
21 mention George Sam and you say, "A significant factor in
22 Sam's success is his ability to exploit financial
23 institutions to further both his criminal and legitimate
24 endeavors. Sam's activities blur the distinction between
25 the underworld and the upperworld."

1 When you say "exploit," how are you using
2 that word?

3 A. Well, as I mentioned a little earlier, we
4 have some investigations not just in the Lehigh Valley but
5 of the relationship between different individuals and
6 different businesses and banks, principally State
7 regulated banks here in Pennsylvania, and I really can't
8 comment further on that. There will be significant
9 additional detail provided about the Lehigh Valley
10 investigation. We're in the midst of that investigation
11 right now.

12 Q. Are you finding illegal activity by the
13 lending institutions in terms of their relationship with
14 Mr. Sam?

15 A. I would prefer not to answer that question.

16 Q. Okay.

17 A. And the distinction between illegal and
18 improper is, I think, a valid distinction.

19 Q. Okay. Can you tell us--

20 A. Frankly, in all fairness to Mr. Sam, I'm not
21 absolutely sure on some of these things whether it's
22 improper or illegal and I don't want to characterize it in
23 an incorrect fashion.

24 Q. Okay. You, in your testimony, you say Mr.
25 Sam is involved in bookmaking, loansharking, drug dealing,

1 and a fence.

2 A. That's correct.

3 Q. What kind of legal activities is he involved
4 in?

5 A. Well, he and his dad have about -- well,
6 there's a block that they have. He has the auto
7 dealership, he's got a limousine -- no, he sold the
8 limousine. He's got a number of, like the vending
9 company, he's got a number of legitimate enterprises that
10 he's involved in, too.

11 Q. Your testimony also says that there seems to
12 be not the Big Daddy or whatever--

13 A. That's right.

14 Q. --of organized crime.

15 A. There's no Mr. Big.

16 Q. There's no Mr. Big was the term you used.
17 You resurrected the name of Mr. Parente, who has been out
18 of activity for a long time.

19 A. Yes. That's a historical.

20 Q. Yes. Okay. And since then there has been
21 no significant figure?

22 A. Oh, there's significant figures, but there's
23 nobody dominant. I mean, what's happened is, as so often
24 around the Commonwealth, one of the reasons we went into
25 the Lehigh Valley, to explain why -- first, we had

1 tremendous concerns with the completion of the highway,
2 that there would be real temptation for New Jersey people
3 and the New York people to try to move into the Lehigh
4 Valley. As that area grows and it's closer to -- you can
5 get to work in New Jersey faster from the Lehigh Valley
6 than you can from some places in New Jersey with the
7 completion of the interstate, and we were very concerned
8 to get in front of that. If they were going to try to
9 move in, we wanted to be there and we wanted them to know
10 it. We have not yet found that kind of evidence in the
11 Lehigh Valley. We have people coming in from out-of-the-
12 area mobs, but we haven't found them as significant
13 players in the Lehigh Valley. I think one of the areas is
14 that the mob itself is not the dominant player in the
15 Lehigh Valley, and the people that you said are mentioned
16 in there are, yeah, they're gamblers and they're involved
17 in some things, but they're not dominant. People aren't
18 paying street tax or homage to them. They're just another
19 factor in the market.

20 Q. Plus a number of the people that are
21 mentioned have different ethnic backgrounds than the
22 traditional Cosa Nostra.

23 A. That's exactly right.

24 Q. In the past there was significant activity
25 by outlaw motorcycle gangs in the Lehigh Valley,

1 methamphetamine businesses and other businesses. Are you
2 still seeing that kind of activity?

3 A. Nowhere near the level we did.

4 Q. Any kind of reason for that?

5 A. Yeah, I think the successful cooperative
6 prosecution efforts. I mean, there was a real, again,
7 once you raise your profile high enough, law enforcement,
8 prosecutors, police, have an awful lot of things they are
9 responsible for, but if you, you make yourself a special
10 target, they will go to extraordinary lengths, and that's
11 one of the first places we had the kind of cooperation
12 Senator Hopper is talking about where we had the FBI and
13 the State Police and the locals. In our end of the State,
14 the excellent case that was made in Federal court was
15 made, to a significant extent, by Westmoreland County
16 detectives. I mean, we all worked together. We said, no
17 way. These guys are not above the law and we're not going
18 to let them do it. Plus, they're bad people in the way
19 they treat people, what they do, what they've done to
20 other people.

21 I saw a fellow who's now a judge in Delaware
22 County, a former district attorney, when he put that
23 strike force together, when Frank Hazel put the strike
24 force together down there, everybody cooperated. I mean,
25 this was one of the first areas around the State where

1 everybody said, forget about our institutional rivalries.
2 Let's do something about it. This just can't be allowed
3 to exist.

4 Q. In your investigations, did you see any kind
5 of significant evidence of -- one of the things that's
6 concerned us in Allentown is the idea that narcotics gangs
7 will fail in, say, the city of Philadelphia, the city of
8 New York, they don't have enough muscle to survive in a
9 very competitive environment like that and that they will
10 then move into the Lehigh Valley and to Allentown,
11 Bethlehem.

12 A. What we've seen is rather than them try to
13 shoot their way in, what we've seen them try to do is move
14 in under, there's a mention in there of what they've done
15 in Erie and what they've done there is the same kind of
16 thing they're trying to do. They come in economically.
17 They make a better connection and they sell a pure product
18 cheaper. We haven't had a lot of the Crips and the Bloods
19 from Los Angeles coming in shooting their way into
20 Pennsylvania. We haven't had a lot of that. We have the
21 Jamaicans who are shooters, you know, playing down in the
22 Philadelphia market, but we find them more coming in using
23 economic factors.

24 Now, when they first attempted to come in to
25 Pittsburgh, the locals responded there with law

1 enforcement. I mean, those first big Crack busts we had
2 in Pittsburgh, when we were able to track them, when we
3 were able to go back and analyze them, the information to
4 do the Crack busts was provided by local narcotics dealers
5 who would rather have city police go out and shut down
6 these lunatic Jamaicans than try to go out and do it
7 themselves. So I think we'll see some of that. But there
8 hasn't really, especially amongst the Hispanic groups,
9 there has been a very, very much a willingness to come in
10 and economically compete, to come in and try to dominate
11 markets by having a cheaper, pure product.

12 Q. Getting out of the Lehigh Valley for a
13 minute, the city of Chester, your last report dwelled
14 significantly on the illegal activities in that community.
15 Have you found the cooperation in investigating the city
16 of Chester with the local enforcement people in Delaware
17 County that you found in the Lehigh Valley?

18 A. Well, historically I won't comment, but
19 recently there's been a lot more cooperation than there
20 had been historically.

21 Q. Historically there was not very much
22 cooperation?

23 A. Not what we would have liked to have seen.

24 Q. In your investigations into the city of
25 Chester, did you find significant political support for

1 illegal activities?

2 A. Yeah, and I think that's characteristic of,
3 and you can argue about whether which is the chicken and
4 which is the egg, but once cities become that severely
5 economically depressed and are controlled by one political
6 party and a historic political machine of whichever
7 political party, that's an almost universally found
8 characteristic. You know, that we've had some situations
9 that go across the State border over in New Jersey where
10 even when the Mafia was at its toughest we had some
11 counties where the Republican or Democratic machine was so
12 dominant in that county that it had its own people run the
13 gambling in that county and the mob couldn't stand up
14 against it. There's tremendous power to be had in the
15 government.

16 Q. Which is the case in Chester?

17 A. I think in Chester you've got an alliance
18 between the two. The mob has formed, as in other parts of
19 New Jersey, the mob formed an alliance with the local
20 governments, and we don't have to guess. I mean, John
21 Nacrelli was convicted of taking money and mentioned in
22 the tapes, you know, there was a conviction -- after we
23 had our hearings there was Federal indictment and a
24 prosecution and convictions for these Santo Idones and
25 these other people involved in the video poker business

1 and they played tapes about them talking about what
2 Nacrelli could do for them and what Nacrelli could do.
3 John is still a very powerful figure and he testified
4 before us and he's proud of his part.

5 Q. So even his removal as mayor, his influence
6 both politically and in illegal activity continues?

7 A. Well, absolutely. We use that as an example
8 of the, you know, I was a prosecutor. I thought once if I
9 would have made the first case on John Nacrelli, I would
10 have been proud as punch. I mean, they got him, they made
11 a case on him, they convicted the numbers people, turned
12 them against him, made the case on John, sent him away to
13 Federal prison. He is as powerful today as he was then.
14 We've got to find other ways, now maybe a more appropriate
15 RICO prosecution or some other type of prosecution, but
16 John and the machine that he built is still very dominant
17 in that community.

18 Q. When you look at the situation in Chester it
19 almost sounds like it's hopeless.

20 A. The people in Chester, one of the real
21 problems is there's a popular perception along those
22 lines. I mean, one of the witnesses that have -- the
23 saddest way it was put is one of the people said, a long
24 service police officer in that community said the only
25 answer to Chester is an A bomb and just start over again.

1 I personally don't believe that and I know the Commission
2 doesn't believe that. There are a number of people who
3 are struggling very hard to turn that community around,
4 but it is a tremendous problem and that's the kind of
5 problem we would like to not see other Pennsylvania
6 communities find themselves in.

7 Q. Is there a very strong law enforcement
8 organized activity between the Federal, the State, and the
9 local trying to deal with the situation in Chester on an
10 ongoing day-to-day basis?

11 A. Sort of.

12 Q. What does that mean?

13 A. Well, it means that there are areas where
14 they are not cooperating with each other and there are
15 areas where they are cooperating, and there are some
16 agencies that would be cooperating strongly with the
17 district attorney's office and the State Police and other
18 agencies that will not respond to phone calls because of
19 their perception about the integrity or the confidence of
20 other agencies.

21 Q. Feds don't trust the locals, the locals
22 don't trust the Feds?

23 A. In different areas. I mean, the DEA will be
24 very active with people in one area and the FBI will not
25 cooperate with people in another. And everybody has good

1 reasons, at least to their own perceptions, has good
2 reasons for what they do.

3 Q. Is politics part of that reason?

4 A. I don't think so. Other than small-beat
5 politics, interagency politics, politics within the
6 agencies. I don't think there's any D's versus R's
7 element to that.

8 REPRESENTATIVE PRESSMANN: That's all I
9 have.

10 REPRESENTATIVE RITTER: If I could go back.

11 SENATOR FISHER: Representative Ritter.

12 REPRESENTATIVE RITTER: Thank you, Mr.
13 Chairman.

14 BY REPRESENTATIVE RITTER: (Of Mr. Reilly)

15 Q. If I can just go back one more second on the
16 Lehigh Valley thing. You have the list of people who
17 you've described as bookmakers, and I'm presuming that
18 they've all been charged or--

19 A. Either charged or--

20 Q. --convicted or something?

21 A. We're completely comfortable with that list.

22 Q. Now, this other list though, there are some
23 statements beforehand and some statements afterwards and
24 then there's in the middle is the list of the vending
25 companies and you've made--

1 A. Those were video poker vending companies.

2 Q. The video poker vendors.

3 A. That's right.

4 Q. As otherwise amusement vending companies.

5 The fact that they're on this list, you said some of them
6 are involved in?

7 A. It lists the ones. I think we list the ones
8 that have, when we have information that people are in
9 businesses beyond video poker, we list them.

10 Q. All right, because I didn't see their names
11 anywhere else, most of them.

12 A. No, that's correct.

13 Q. They're just listed there as being--

14 A. And a number of them are classically
15 legitimate vending companies that are marketed and tell
16 us, and we have no reason to disbelieve them because
17 they've got a lot of history on the other side of the
18 street, that they were just driven into it because they
19 couldn't keep their cigarette machines, their bowling
20 machines in these bars unless they could also provide
21 video poker.

22 Q. But you wouldn't have any evidence unless it
23 were in the report specifically as to any other drug
24 activities?

25 A. Oh, the ones that we have evidence about

1 that we've mentioned.

2 Q. All right, so if they're only listed here--

3 A. No, it would not in any way be an
4 appropriate assumption to--

5 Q. Well, that was only my concern, the fact
6 that they were listed in this report there is an automatic
7 assumption, I think, on a lot of people's part that they
8 are doing something wrong and you just haven't found it
9 yet.

10 A. No. Thank you for raising that. No,
11 there's nobody in this report that's doing something wrong
12 that we haven't found yet. Everybody that's in here,
13 those people were in the video poker business. Those
14 people distributed video poker machines that were gambling
15 machines. We sent undercover people and played the
16 machines and then worked with Bill Platt and the State
17 Police and 127 of them have been arrested.

18 Q. Yeah, I've been reading about that in terms
19 of the tavern owners that have been part of that same
20 investigation.

21 A. That's correct. That's correct.

22 Q. I just was, you know, concerned about other
23 activities.

24 A. No. If we had information that somebody was
25 involved in gambling and loansharking and narcotics, we

1 said it.

2 Q. It's listed.

3 A. That is correct.

4 REPRESENTATIVE RITTER: Thank you.

5 SENATOR FISHER: Representative McVerry.

6 BY REPRESENTATIVE McVERRY: (Of Mr. Reilly)

7 Q. Mr. Reilly.

8 A. Mr. McVerry.

9 Q. I want to ask simply you to comment, if you
10 would, on a lot of this criminal activity revolves around
11 video poker. There are proposals in the General Assembly
12 to legalize video poker and make it into a moneymaking
13 proposition for local governments. Do you care to comment
14 on whether you think we should go in that direction or
15 not?

16 A. We are aware that that is pending. I do not
17 have a Commission position on that. If we're asked to
18 develop one, we will. But at this point, we have not
19 developed such a position. We have seen, say, some of the
20 factors we look at we have seen that I don't think that a
21 number of the legalized gambling operations we've gotten
22 into in Pennsylvania, as the Attorney General points out,
23 we're sort of walking backwards into becomming Nevada. We
24 have the bingos and the small games of chance and the
25 offtrack betting, and I think each of those presents

1 unique problems. I don't know about video poker. I think
2 if we're asked to take a position on that we'll do a study
3 and take a position and make a recommendation.

4 Q. Well, is the war against video poker that's
5 being stepped up right now a winnable war?

6 A. Oh, I think absolutely, because, again, it's
7 a business. It isn't won by confiscating the machines. I
8 mean, it's won by -- I think the Attorney General is
9 correct in focusing on the liquor. If you can make a
10 thousand dollars a week on that machine and it costs you
11 \$1,700, \$2,500 to buy one and it's confiscated once a
12 month, you're coming out ahead, if the sanction is the
13 confiscation of the machine. If the sanction is you put
14 your liquor license in peril or if you're a vending
15 machine company and you put your ability to stamp
16 cigarettes in peril, then you're talking about really
17 significant sanctions.

18 The thing that most impressed me about
19 General Preate's program, and a number of things about the
20 program that impressed me, but the thing that most
21 impressed me was a song we've been singing for an awfully
22 long time which is get the regulatory agencies involved.
23 If you look at these things as market problems rather than
24 individual bad actions, individual criminal actions,
25 you've got tremendous resources to bring to play. I think

1 we could eliminate video, if we elect to do so, I think we
2 could eliminate video poker in the Commonwealth. You
3 can't make money on that unless it's open and people can
4 come in and play it and unless you pay off. I mean, we
5 might always have it at a reduced, at an incredibly
6 reduced level, you know, in the private clubs where only
7 members go in, but, you know, that's a very solvable
8 problem. Video poker is not -- I'm not here to tell you
9 how to solve narcotics, but I think we know how to take
10 care of video poker.

11 Q. Would you consider it an appropriate request
12 of the Commission to develop a position on the pending
13 legislation of legalization of video poker?

14 A. Yeah. We see ourselves, as you know, we see
15 ourselves as fundamentally what we are. I mean, we are a
16 creature of this legislature. Four of the five members of
17 this Commission are appointed two by the leadership of the
18 Senate, two by the leadership of the House. When we -- I
19 was the author of the bill working for Tony Scirica and
20 Joe Rhodes. I was the scribe of the bill. When the
21 Crime Commission was reconstituted and the idea, Joe
22 Rhodes' and Tony Scirica's idea in reconstituting this
23 Commission was to give us the ability, to give the
24 legislature, I was an employee of the House of
25 Representatives Judiciary Committee at that point, we

1 wanted to have a credible, permanent committee on
2 investigations focused on organized crime, and we thought
3 the way to do that was with the State Crime Commission.
4 There were real concerns about the subpoena power with
5 individual committees and some historic reasons in
6 Pennsylvania, and we thought that was the best way to go.

7 We see ourselves primarily as a legislative
8 resource. That's what we're focussed on, organized crime
9 and public corruption, but we are here to serve this
10 legislature and to give you the tools that -- that's why
11 we're doing this analytical study for the '90 report. We
12 want to give you the tools that lets you intelligently
13 assess, A, where the problems really are, what strategies
14 are most likely to deal with those, and did you get the
15 bang for your buck for the money you spent in the areas?
16 That's the kind of thing we're trying to help you work on.

17 Q. Is this an appropriate forum then to make
18 that request of you or should I direct that through the
19 Chairman of the committee?

20 A. I would suggest that ordinarily something
21 like that we would get from the Chair, those kind of
22 requests. We will work with individual legislators in a
23 lot of areas, but something like that we tend to work with
24 the legislative leadership.

25 Q. Have you observed from recent reports and

1 especially the western Pennsylvania newspapers that the
2 new riverboat gambling bill that's also been introduced?

3 A. Why am I not surprised? We were talking, we
4 had a meeting before this meeting and a couple of my
5 colleagues on the Commission were talking about wouldn't
6 it be nice when we can go to Pittsburgh and gamble on the
7 riverboats? And they were giving me a little grief on
8 that.

9 I'll take a general position on gambling.
10 As you know, I don't take a moral position on gambling, as
11 a product of the Catholic schools where but for bingo and
12 a number of other things I know buildings might not have
13 been there to educate me. But what we have experienced,
14 when we go to places where gambling is flat out legal,
15 when we go to places like Nevada, when we go to towns like
16 Atlantic City, you don't get what you're supposed to get.
17 The tradeoffs are very significant. So I'm not a blanket
18 casino gambling, personally. I'm not talking for the
19 Commission, I'm talking for myself. But every one of
20 those you have to study. You have to, well, I don't want
21 to make the mistake that I've seen other people make,
22 which is take a kneejerk reaction and not study what can
23 work, what can't work. Lord knows, we need the money. I
24 mean, I'm not in any way arguing against getting more
25 money into the Commonwealth.

1 Q. If those requests were formalized to the
2 Commission, can you give us any kind of an idea of the
3 timetable within which you could get back?

4 A. I wouldn't guess on that. We could make a
5 determination how quickly we could do some kind of report.
6 I can't give you that off the top of my head. I wouldn't
7 do that to the staff. We are in a number of
8 investigations right now and I wouldn't want to give you a
9 less than fully competent report, and I would like to know
10 how fast and what resources we have to do it.

11 Q. The reason I asked that is that I observed
12 in the recent news article that the prime sponsor of the
13 riverboat gambling bill is hopeful to have it on a
14 referendum in the November election in 1990. It's highly
15 unlikely, I suppose, that that would happen; however,
16 stranger things have occurred in the General Assembly.

17 So in any event, I'm going to initiate the
18 process, through the leadership of our Judiciary
19 Committee, to make those requests.

20 A. Yes, sir.

21 REPRESENTATIVE McVERRY: Thank you.

22 SENATOR FISHER: Representative Reber.

23 REPRESENTATIVE REBER: Thank you, Senator
24 Fisher.

25 BY REPRESENTATIVE REBER: (Of Mr. Reilly)

1 Q. Switching gears. Page 15 of your report,
2 solid waste. Senator Fisher enlightened us to the fact
3 that the Senate, in its infinite wisdom, and I commend him
4 in his action and support Senator Fisher's bill, 1437, and
5 we look forward very soon in my capacity as Minority Vice
6 Chairman of the House Conservation Committee to be dealing
7 with that bill, hopefully that bill possibly or another
8 bill or influencing the topical substance in the near
9 future.

10 A. We've testified on two bills.

11 Q. With that in mind, and as a result of your
12 November hearings in Philadelphia on the solid waste
13 industry, and also noting some of your comments, and I
14 detected the cooperation interagency, whether it be
15 prosecutorial or otherwise, as being something of
16 paramount concern for you?

17 A. That's correct.

18 Q. How has cooperation developed between your
19 particular Commission and the Department of Environmental
20 Resources as a result of the revelations, if you will,
21 that have come out of those November hearings and where we
22 may have gone to this point today with the department in
23 taking the substance of those particular revelations and
24 investigating them and re-evaluating, if you will, certain
25 permits, licenses that have been issued by the department,

1 et cetera? Could you have some comment on that?

2 A. I will say during the course of the
3 investigation we got very good cooperation from DER. I do
4 not know what the follow-up or what the additional
5 activities that occurred between DER. I can find that
6 out, but I just don't know.

7 Q. Okay.

8 A. Now, let me say on cooperation, the one area
9 where we were especially hoping to encourage more
10 cooperation, and we talked about that at the hearings, now
11 I attended hearings on both Senator Fisher's bill and the
12 bill is moving perhaps through the House, and we also need
13 more cooperation amongst the States. I mean, it's one
14 thing to get the cooperation hopefully between the people
15 here within the Commonwealth, but you have to really get,
16 I would suggest somebody with a criminal intelligence
17 focus that we need more cooperation between Pennsylvania,
18 New Jersey, New York, especially, especially between those
19 three States.

20 Q. Mentioning New Jersey, I don't know if
21 you're aware of it or not, but Governor Florio has
22 recently entered an executive order placing a moratorium
23 in that State on the construction and/or development of
24 new municipal waste incinerators, which is somewhat unique
25 in light of the fact that the landfill situation is

1 next to nothing in the way of expansion or development, if
2 you will, in New Jersey as well. So the obvious dumping
3 ground is to the west--

4 A. That's right.

5 Q. --and what have you and here we are. And
6 I'm just wondering if there is any immediate need to
7 really step up what we might be doing in evaluating what
8 may come from New Jersey and the relationships as you've
9 expressed where it appears that there are individuals
10 operating in Pennsylvania with very, very close ties and
11 specific ties and direct ties to New Jersey organized
12 crime?

13 A. Well, and New York. And there are people
14 here in Pennsylvania that are not allowed to operate in
15 New Jersey and one of reasons they're here in Pennsylvania
16 is because they've been barred from operating in New
17 Jersey.

18 In kind of a simplistic but a constant
19 ongoing example, New Jersey attempts to manage what they
20 call their waste stream, their complete flow of waste, and
21 a significant portion of that waste has gotten out of that
22 stream and into Pennsylvania. They go to facilities that
23 are not designated to do what they do, they're packaged
24 and sent into Pennsylvania, and as long as the
25 Pennsylvania laws are not violated when those trucks come

1 into Pennsylvania, they are manifested correctly, and we
2 don't enforce, of course, the New Jersey waste stream
3 regulation. We don't turn those back and say, no, you're
4 supposed to go back to New Jersey. And New Jersey seems
5 to wink a little bit at that. New Jersey seems to expect
6 that a certain volume of that waste flow is going to
7 percolate over into Pennsylvania. I don't think any of us
8 can afford that luxury. I think if we're going to control
9 these areas, I think we have to do it in a cooperative
10 fashion. It is a major, major, major problem and we have
11 to deal with it in a logical and hopefully a coordinated
12 fashion.

13 Q. One last request, and you can direct this to
14 all the members of the House Conservation Committee. I'm
15 sure that you already have done it because you said you
16 did testify to the Senator's bills. As a result of some
17 of the dialogue today and any follow-up, just to make sure
18 the I's are dotted and the T's are crossed, if there is
19 anything that we may have overlooked at this point, could
20 you please direct it to our attention so when we do
21 scrutinize that, and hopefully it will be Senate Bill 1437
22 in the House as soon as we return, that we might be in
23 place to make sure that we have the appropriate
24 legislation in place.

25 A. Certainly in Senator Fisher's bill most of

1 the suggestions we made were incorporated in committee.

2 Q. Very good.

3 REPRESENTATIVE REBER: Thank you, Senator.

4 SENATOR FISHER: Representative Moehlmann.

5 BY REPRESENTATIVE MOEHLMANN: (Of Mr. Reilly)

6 Q. Mr. Reilly, in the not too distant past
7 President Bush came to Lancaster County to a high school
8 there, the subject was drugs, and I think the theme of the
9 day was, "Wow, even in Paradise." I'm wondering how much
10 work your commission has done in the Lancaster/Lebanon
11 area and whether you have any feel for the kind of
12 organization and type of criminal organization that is
13 present in those counties?

14 A. I don't have anywhere near the level of
15 comfort in that area that I do in the Lehigh Valley.
16 We're trying to go around the State. We have, and I
17 personally think appropriately, limited resources. I
18 think if we had been doing what we're doing now for the
19 last 10 years I could give you very good information.
20 Once we go in and do a saturation study of an area, we
21 keep our contacts, we keep ourselves in. I know what's
22 going on today in the city of Chester. Five years from
23 now I will be able to tell you what's going on in the
24 Lehigh Valley. We have not yet gone in -- we've done
25 specific things, you know, we've written them up in the

1 report, we've taken some of the cocaine organizations,
2 some of the Hispanic organizations especially, we've
3 written about the market and you can get in kind of quick
4 and dirty and do purity and market price, and I know what
5 that is and I know some of the groups that are active down
6 there, but I can't give you anywhere near the level of --
7 I have nowhere near the level of comfort in discussing
8 organized crime in that portion of Pennsylvania. I will.
9 We will continue to do this. Once we've done the Lehigh
10 Valley we will move on.

11 Q. There have been newspaper articles from time
12 to time stating that Lancaster city is a major narcotics
13 transfer point in Pennsylvania.

14 A. We have pointed out that the economics, the
15 purity, the price has been significantly off market in
16 that area and you've been able to buy more -- and it's a
17 terrible thing. I was happy we didn't put the phone
18 numbers on these massage parlors in on these Philadelphia
19 massage parlors. It's the same way, we don't want to
20 encourage people to go to Lancaster. If you want to
21 really get the good things, take a ride over to Lancaster.
22 But that has been a troubling phenomena for most of us in
23 law enforcement. Why is the price so low and the purity
24 so high in Lancaster? And historically it has been.

25 Q. Okay, thank you.

1 SENATOR FISHER: Representative Piccola.

2 REPRESENTATIVE PICCOLA: Thank you, Mr.
3 Chairman.

4 First, for the record, I would like that it
5 be noted that Anthony F. Piccolo on page 8 is not a
6 relative of mine.

7 REPRESENTATIVE RITTER: I already marked
8 that down to check on it.

9 REPRESENTATIVE PICCOLA: I don't know the
10 gentleman.

11 REPRESENTATIVE McHALE: How do you know he's
12 a gentleman?

13 REPRESENTATIVE PICCOLA: Don't know that
14 either.

15 BY REPRESENTATIVE PICCOLA: (Of Mr. Reilly)

16 Q. Mr. Reilly, on page 17 of your report, you
17 do somewhat of an analysis of African-American organized
18 crime and the second paragraph, last sentence, you
19 indicate that the Junior Black Mafia is known to have ties
20 to an African-American prison gang in the Philadelphia
21 area. Is the African-American prison gang to which you
22 refer the Fruits of Islam?

23 A. Well, the person who is in the gang and is
24 the leader of that group is Nudi Mimms, who is active in
25 the Fruits of Islam and active in a faction of the Black

1 Muslim movement. I would not -- we try to be careful in
2 how we characterize people or how we characterize
3 organizations. I mean, the fact that Nudi Mimms is very
4 active in a prison gang and was active in forming and
5 inspiring the Junior Black Mafia I don't find to be a fair
6 basis to attack both factions of the Black Muslims, but
7 Nudi Mimms, lest there be any mistake about what we're
8 talking about, that's Nudi Mimms and his organization.

9 Q. Which is not the faction of the Muslim sect
10 that is known as Fruits of Islam?

11 A. Well, he refers to his group as that.
12 Generally, the Fruits of Islam have been--

13 Q. He refers to his group as what?

14 A. He is active with the Fruits of Islam, but
15 the Fruits of Islam have historically been the
16 organizations in the Black Muslim groups that provided
17 security and defense. It's not like saying the Bufalino
18 family. The Fruits of Islam, it's a group within the
19 Black Muslims, within some of the Black Muslim groups, who
20 are the defense and security component. It's not a sect,
21 it's a mission. It's not a sect. It's a job. It's not a
22 separate sect with separate police.

23 Q. Have you done any investigation or inquiry
24 into the relationship of the Fruits of Islam that have
25 come -- the members of the Fruits of Islam that have come

1 to light particularly since the Camp Hill situation and
2 their ties to organized crime?

3 A. We have -- well, some individuals, Nudi
4 Mimms, for example, we've known about, some other people
5 we've known about. What we're starting to do now, and
6 again it's just a question of how many fronts can we fight
7 this war on, I have long been concerned about prison gangs
8 in Pennsylvania, not solely the black prison gangs or the
9 area nation prison gangs, but I think it's something that
10 we have to -- you will notice there's never been a mention
11 in the Pennsylvania Crime Commission Report of prison
12 gangs. It is inconceivable to me that that is not a
13 problem in this Commonwealth and I'm doing what I can to
14 encourage our organization to look into that phenomenon.
15 I mean, it is too important in neighboring States and in
16 other States around the country and as our prison
17 population explodes and as we find more and more evidence
18 as the Junior Black Mafia that some of our prisons are
19 becoming graduate schools or post graduate schools for
20 developing sophisticated organized crime out of punks who
21 go in, street punks who go in, I think it's a real
22 problem. I don't have hard information on that. We
23 follow some of the people, we got on to Nudi Mimms because
24 we picked up the Junior Black Mafia and I traced back what
25 put them together and who did they know and that took us

1 back to Nudi Mimms and his ties with them, but we will
2 hopefully be able to find the resources to take a look at
3 the prison gang situation in Pennsylvania.

4 Q. Where is Nudi Mimms now?

5 A. Graterford.

6 Q. And are you -- I'm not quite exactly clear,
7 but are you saying that Nudi Mimms is a member of the
8 Fruits of Islam?

9 A. I don't want to say that. I'd have to
10 check. I'm not sure on that.

11 Q. Okay.

12 A. I just can't answer that question correctly.
13 We can give you that answer. I just can't do it for you
14 now. If you get in touch with us later today.

15 Q. Yeah, I'd like to have that information.

16 A. Sure. Sure.

17 Q. And what kind of activity was Nudi Mimms
18 involved in that caused him to be incarcerated at
19 Graterford?

20 A. Murder.

21 Q. Murder. Related to drug trafficking?

22 A. I'm sorry? I didn't hear your question.

23 Q. Murder related to drug trafficking?

24 A. Yes. Back in the old Black Mafia days.

25 Q. Thank you, Mr. Chairman.

1 SENATOR FISHER: Representative McHale.

2 REPRESENTATIVE McHALE: Thank you, Mr.

3 Chairman.

4 BY REPRESENTATIVE McHALE: (Of Mr. Reilly)

5 Q. Mike, I think this is the sixth time that
6 I've attended the annual report of the Crime Commission,
7 and as I'm sure you recall from the first few times that
8 we had an opportunity to speak to one another in this kind
9 of forum, I began raising questions about the activity of
10 organized crime in the Lehigh Valley. And as you also
11 recall, I'm sure, back in those days your annual report,
12 for the most part, ignored the Lehigh Valley.

13 A. (Indicating in the affirmative.)

14 Q. And I asked on several occasions why that
15 was the case. I'm pleased to say that in response to not
16 only my concerns but concerns voiced by others that you
17 have now focussed on the Lehigh Valley to attempt to give
18 us a clear picture of the activity and effectiveness of
19 organized crime within our community. So I mean this as
20 an introductory compliment. I'm pleased to see the
21 material that begins on page 4.

22 But I've got to tell you as I read pages 4,
23 5, and 6, and I say this as someone who has, I think, a
24 long track record of support for the Commission, a track
25 record that I plan to continue, I'm concerned that the

1 material that you present regarding the Lehigh Valley
2 appears to be very narrow in scope and frankly superficial
3 in substance. There isn't anything here that I haven't
4 previously read or substantially read in clippings from
5 the Morning Call. For instance, there may be a few
6 things, some additional factual information, but basically
7 you haven't told me anything new. Convince me, if you
8 would, that your investigation in the Lehigh Valley was
9 thorough, without breaching any confidences that I realize
10 you must maintain. Tell me something about the
11 methodology of the investigation and convince me that you
12 have taken an in-depth view of criminal activity in the
13 Lehigh Valley and that this reflects not only an accurate
14 but a substantial picture of that activity?

15 A. Well, it does not, Paul. What you've got
16 there, we've started -- the only reason it makes the
17 report is this got out when we got into some disputes
18 about serving subpoenas, so we had affidavits and people
19 were aware this was going on. Had that not come out, I
20 wouldn't even do other than to respond to your question,
21 yes, the investigation is in progress. We're not done
22 with the investigation at all. We focussed -- our initial
23 investigation has been very useful to us, but we're not
24 done in the Lehigh Valley. We've got a lot more effort to
25 follow.

1 Q. All right, tell me what you have done?

2 A. Well, what we did was assign people to work
3 up there, to start to work with the different law
4 enforcement agencies to work to develop informants. One
5 of the things that's worked best for us is the ability to
6 develop informants. We've conducted private hearings
7 where we bring people in and have them testify under oath
8 before a court reporter. We have subpoenaed a lot of
9 books and records. We've conducted innumerable
10 interviews. We're doing a classic, hard investigation.

11 Q. Okay, Mike, over what period of time have
12 you been working in the Lehigh Valley?

13 A. I don't want to misspeak. It's been about a
14 year and a half.

15 Q. All right.

16 A. And a year and a half into the city -- the
17 city of Chester we're complete on. We've got that up to
18 the point where we were able to go public with the
19 full-blown investigations. The Lehigh Valley is much more
20 complex than the city of Chester, with the different
21 communities, the different activities, the level of
22 sophistication. We'll be there a good while, Paul, just
23 to be able to give you before I can tell you--

24 Q. All right, and I hear that, but I want to
25 find out what's been done. I appreciate, and remember,

1 this is about the sixth time that you and I have had this
2 dialogue.

3 A. That's right.

4 Q. And one of your earlier comments was in
5 another five years we'll have a better idea of what's
6 happening in the Lehigh Valley. Now, that adds up to an
7 11-year timetable, and I'm beginning to get concerned
8 about the passage of time, the completion of criminal
9 activity while we are moving, hopefully, to identify and
10 ferret it out. So if you could answer my questions, Mike,
11 I would appreciate it.

12 A. Sure. Absolutely.

13 Q. You've been working for a year and a half?

14 A. We've been working for a year and a half and
15 we certainly have probably another year. When I stick to
16 five years, once we've completed, or the reason I picked
17 that example, Paul, once we've completed the
18 investigation, we leave it in such a way that we can
19 continue to monitor what's going on. I should have said
20 five years after that investigation is complete I will
21 know what's going on in the Lehigh Valley, just as now I
22 know what's going on in the city of Chester.

23 Q. Approximately how many agents have you had
24 working in the Lehigh Valley?

25 A. We've got four agents and an intelligence

1 analyst.

2 Q. And they've been working in the Lehigh
3 Valley on a full-time basis?

4 A. Yeah, other than being pulled out to
5 testify. We've done the same -- what our plan is, and
6 this is no secret in the plan, what our plan is is to go
7 around the State and do saturation investigations. We did
8 the city of Chester first.

9 Q. Right.

10 A. The second one we did was the Lehigh Valley.
11 That investigation is in progress. We'll have to do the
12 Lebanon/Lancaster area. We'll have to go out and do, you
13 know, I thought we had a good start in Erie and we lost
14 the agent who had done a lot of the work. He was hired
15 away from us. But we've got other--

16 Q. Mike, I appreciate what you're doing and I
17 compliment you on it, but my job is to make sure that what
18 you describe as a saturation investigation is in fact
19 that.

20 A. Sure.

21 Q. So if you can, flesh out a little bit more
22 for me. What have you been doing? For instance, these
23 agents that you have, the four or five that you've
24 described, are these undercover agents? Are they
25 administrative personnel?

1 A. No. No. These people are going out every
2 day conducting interviews, subpoenaing records, holding
3 private hearings. We did bring undercover people in, but
4 that was--

5 Q. Let's stop there. Conducting interviews
6 with whom?

7 A. With witnesses, with people who we believe
8 can give us information on the status of organized crime
9 in the Lehigh Valley. When we get into an area like video
10 poker, we spend a fair amount of time to try and
11 understand the video poker business in that area. That's
12 an area we do understand, but I'm not naive enough to
13 think that that's a major component of organized crime in
14 the Lehigh Valley. It's significant. We worked on it, we
15 had our people come in under cover, make buys to give to
16 Bill Platt and the State Police so they could follow up on
17 it. But I understand the video poker market very well in
18 the Lehigh Valley. I do not understand the narcotics
19 market anywhere near that.

20 Q. All right, and that really touches on one of
21 the major concerns that I have. When I said narrow in
22 scope, I specifically had in mind the fact that almost
23 everything you report here relates to gambling and
24 specifically video corruption in the Lehigh Valley, and
25 I'm pleased to see that you're looking into that. But

1 with the resources you've described, will you be able to
2 move beyond that realm of illegalities?

3 A. Sure.

4 Q. To give us accurate information concerning,
5 for instance, the drug trade in the Lehigh Valley?

6 A. Yes. Yes.

7 Q. It concerns me that just about two weeks ago
8 I think Jack, Karen, and I attended a breakfast in
9 Allentown where a young man who is a recovering drug
10 addict described in detail the cocaine addiction which he
11 had developed while he was a student at Emmaus High
12 School, but I see nothing in your report regarding the
13 drug trade in the Lehigh Valley. I mean, I want to be
14 able to hear from you that hopefully your resources are
15 adequate and that in the near future you're going to be
16 able to tell us something about where the drugs are coming
17 from so that we can propose meaningful strategies to try
18 and stop the process.

19 A. Well, and let me suggest that I know you and
20 the other two members you mentioned also are correctly, in
21 what in my judgement is correctly focussed that the
22 fundamental issue here is going to be demand rather than
23 supply. I mean, I really am absolutely committed. We
24 could build a 12-foot fence around Lehigh County or around
25 the Valley and never have any off-continent substance come

1 in and we'd still have the problems as long as we have the
2 demand.

3 Q. I agree with that completely.

4 A. But we will not carry it down to the
5 schools. I mean, we just won't -- that isn't the kind of
6 investigation we do.

7 Q. That's not what I'm getting at. I guess,
8 forgive me for taking so much time, but in our community
9 this is extremely important.

10 A. Sure.

11 Q. And it's a major focus of your
12 investigation. I didn't expect for you to have undercover
13 agents in the individual high schools, but I do expect to
14 see something in the annual report that tells me what you
15 know about drug trade in the Lehigh Valley, that tells me
16 that you don't know, if that's the situation. I'm glad to
17 read material, three pages' worth, on video poker, but in
18 the hierarchy of evil, and that clearly is evil, it
19 doesn't rise to the level of terrible criminality that
20 caused that young man to become addicted to Crack and
21 result in his presentation to us two weeks ago.

22 A. Well, you'll find there is a tie and it's
23 not spelled out -- there is a tie between some of the
24 people that are involved in gambling and loansharking in
25 the Valley. Now, what we do, I mean we look at, you know,

1 perhaps it's a failing on our part, but we tend to look at
2 the traditional OC kind of crimes. We tend to look at
3 gambling, loansharking, narcotics, prostitution, organized
4 fencing -- I mean, the kinds of things that you need a
5 criminal organization to do.

6 We're not done in the Lehigh Valley. I
7 would hope we will be done in a year. When we do get a
8 substantial body of information we'll, I would anticipate,
9 probably do public hearings, probably do what we did in
10 the city of Chester, hopefully in a less confrontational
11 fashion. But no, we want to stay there until we know.
12 And also narcotics is awfully important. I mean, that's
13 -- you and I have been here together for six years and we
14 have been championing the importance of narcotics as a
15 primary social concern. I mean, besides the millions and
16 millions of dollars it generates.

17 Q. Mike, I don't want to unduly consume the
18 time of the committee. What you have said to me in
19 several different ways, and I appreciate what you're
20 saying, is that you will stay until you find out. I would
21 like more information along the way to convince me that
22 from a factual standpoint you are finding out as
23 effectively and efficiently as possible. I want to hear
24 things about agents in the field, numbers of subpoenas,
25 time that's been committed to this, numbers of joint

1 investigations being conducted with other law enforcement
2 agencies. I want some facts to convince me that not only
3 are we moving in the right direction but that we're doing
4 so in a very thorough manner, and I've not had those facts
5 presented to me, at least up to this stage. And I'd
6 appreciate that kind of ongoing information.

7 Switching gears for just a moment to a final
8 topic that I'd like to touch on, I read the reports today
9 in the New York Times and the Washington Post concerning
10 the guilty pleas entered by Michael Milken yesterday in
11 Federal court in New York, and some of those reports
12 touched again, as have some previous reports, on the
13 influence of organized crime within the more traditional
14 financial community. I think it was about six months ago
15 I read some reports which raised allegations that
16 organized crime had been involved in the financial
17 dealings of at least one savings and loan in the Lehigh
18 Valley. Are you investigating that?

19 A. We're investigating the financial industry
20 in the Lehigh Valley. Yes, we are.

21 Q. Insofar as the possible involvement of
22 organized crime?

23 A. I really can't say more than that at this
24 time.

25 Q. Are you handling this by yourself or are you

1 working in conjunction with other law enforcement
2 agencies?

3 A. We're doing much of it by ourselves in that
4 area.

5 Q. Do you have the resources to do that job
6 effectively?

7 A. Not as effectively as we could, but I think
8 we have the resources to do it adequately. Once we find
9 enough to interest other regulatory or prosecutorial
10 agencies, we will involve them.

11 Q. Okay. Mike, I'm skeptical about that and
12 I'll take you at your word. I have a great deal of
13 confidence in your judgment so I will accept what you have
14 said, but when I read articles in our local newspapers
15 that would indicate that organized crime may have been
16 involved in some very sophisticated financial dealings
17 with some local savings and loans, at least one in
18 particular, knowing the resources available to you, I have
19 to be somewhat concerned that you may not be adequately
20 staffed to really dig into that kind of investigation.

21 A. Fortunately, we're not the primary
22 investigative agency in that area, I mean, in the area of
23 OC involvement with thrifts. As you know, Attorney
24 General Thornburgh has just further augmented his strike
25 force team on financial irregularities and the involvement

1 of organized crime in the broadest sense and the failure
2 of the savings and loan industry and banking in general.
3 We're a State Crime Commission. We have a responsibility,
4 as we see it, to gather intelligence, to analyze that
5 information, and to share it. I'm not saying -- I think I
6 have adequate resources to do that.

7 Q. Okay.

8 A. I don't think I have adequate resources to
9 make a case, for example.

10 Q. All right, without going further, Mike, at
11 this point, I appreciate the confidentiality that at least
12 for the time being you have to maintain. You are fully
13 aware of allegations concerning these improprieties,
14 financial improprieties, specifically in the Lehigh Valley
15 and you are pursuing that?

16 A. That is correct.

17 Q. Final question. During your ongoing
18 investigation of the Lehigh Valley, have you found any
19 indication of public corruption beyond the scope of the
20 material that you presented orally?

21 A. No.

22 Q. All right, so you have not seen in the
23 Lehigh Valley--

24 A. Anything like the city of Chester.

25 Q. All right, that's what I'm getting at.

1 A. Nothing like the city of Chester.

2 Q. All right.

3 I'll simply close with this: When I pressed
4 you politely but I think diligently five, six years ago,
5 it was to bring about the kind of movement that I am now
6 sensing you are taking with regard to investigations in
7 the Lehigh Valley. I never believed that the Lehigh
8 Valley was subject to any undue influence of organized
9 crime, but I've always believed that we in the Lehigh
10 Valley face the same kind of criminal threat that other
11 areas throughout the State have traditionally faced.
12 We're the third largest metropolitan area.

13 So I guess the message that I convey to you
14 today is twofold. The first part is congratulations,
15 you're moving in the right direction and I'm pleased to
16 see it. We're certainly taking much more positive steps
17 than we were five or six years ago. The second part of
18 the message is, do so very diligently. I want to have a
19 sense of confidence that I do not have now that we're
20 doing more than gather material that could be collected
21 from the clippings of our local newspaper. I realize this
22 material was not collected that way, but it could have
23 been, and I want to have a sense in the future that we're
24 moving beyond the level of analysis that might be provided
25 by a cub reporter.

1 Okay, thank you.

2 REPRESENTATIVE CALTAGIRONE: Thank you,
3 Representative.

4 Are there any other questions?

5 Representative Pressmann.

6 REPRESENTATIVE PRESSMANN: Just one last
7 thing.

8 BY REPRESENTATIVE PRESSMANN: (Of Mr. Reilly)

9 Q. In the past we used to get these reports in
10 advance of your testimony.

11 A. That's right.

12 Q. And they were embargoed and all that kind of
13 stuff. That would have been real useful for us in the
14 Lehigh Valley to have had it a couple days in advance.

15 A. This was a formal compliance with the
16 statutory mandate that we make a report to this committee.
17 You will get the full report in advance. I mean, there is
18 going to be the kind of report, a report on the nature and
19 scope of the '80 report. There is a big report coming.
20 We will put that out through the standard process we use.

21 Q. Okay.

22 A. And to the extent that this in any way did
23 not allow the Representatives especially from the Lehigh
24 Valley to do the kind of analysis and preparation that
25 they routinely do, I apologize. That is as much my fault

1 as -- I can't blame the staff for that. I was editing
2 this literally this morning. As you go through you'll
3 find that some pages look a little different than other
4 pages and that's because those were changed and FAXed up
5 this morning. I did my last cut on this because I wanted
6 to be very careful about what we did go public with and
7 what we didn't and what allegations we made and how we
8 described certain things, and so I was the one who was
9 doing that. So to the extent we weren't able to do what
10 we normally as a routine practice have done, that was my
11 fault.

12 REPRESENTATIVE CALTAGIRONE: Okay, without
13 any further questions, we'll conclude and adjourn the
14 joint hearing on the oral presentation by the Pennsylvania
15 Crime Commission.

16 Thank you.

17 (Whereupon, the proceedings were concluded
18 at 2:17 p.m.)
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I hereby certify that the proceedings and evidence are contained fully and accurately in the notes taken by me during the hearing of the within cause, and that this is a true and correct transcript of the same.

Ann-Marie P. Sweeney

ANN-MARIE P. SWEENEY

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