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UNITED STATES GOVERNMENT

Memorandum

TO DIRECTOR, FBI (66-2542-11-46)

DATE: 11/29/76

FROM SAC, SAN DIEGO (137-1329) (P)

SUBJECT: TOP ECHELON CRIMINAL
INFORMANT PROGRAM (TECIP);
ORGANIZED CRIME PROGRAM
MONTHLY SUMMARY (TECIP)

During the past month, SD 1064-C-TE made trips to Los Angeles, San Francisco, Las Vegas and Palm Springs to gather pertinent information of Organized Crime activities involving LCN hoodlums and their associates. In Palm Springs, he met with Los Angeles LCN family acting underboss, JIMMY "The Weasel" FRATIANO. They met at the home of TOM MARSDEN at the Tamarisk Country Club. The confidential meeting was arranged there between FRANK SINATRA, SINATRA's confidant, restaurateur JILLY RIZZO, FRATIANO and the informant. The meeting concerned SINATRA putting on a couple of benefits for the Knights of Columbus. The benefits will probably be held in New York in a theater owned by MARSDEN.

After the meeting with SINATRA, the informant held a private meeting with FRATIANO to discuss LCN business. FRATIANO told informant that Los Angeles LCN boss JIMMY REGACE has just been released from federal prison, but is in frail health and needs a heart bypass operation. They discussed plans to set up a meeting with REGACE in his attorney son's office in the near future if REGACE's health permits it. They want to determine if REGACE and his underboss SAM SCIORTINO are going to "step down" and allow new leadership in the Los Angeles LCN family. SCIORTINO also has been paroled from federal prison, and has been staying in Palm Springs, where he owns property.

The informant and FRATIANO also discussed upcoming federal prosecution against Los Angeles LCN family for extorting pornographers in Los Angeles. FRATIANO was extremely concerned because his chief lieutenant MIKE RIZZATELLO, also known as Mike Rizzi, "shook down" undercover FBI Agents posing as pornographers (see below).

Informant also traveled to Las Vegas, meeting with Chicago LCN member, TONY SPILONE, who represents the Chicago mob

- ② - Bureau (REGISTERED MAIL)
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in Las Vegas. (Several months ago the informant reported meeting in SPILOTRO's home with Chicago LCN capo AL PILOTTO and a Chicago labor consultant, DAN MILANO. Informant reported at that time that PILOTTO and MILANO were in Las Vegas to get a union health insurance contract signed with the Culinary Union.) The information was given to Chicago and since that time, the Chicago FBI has been successful in learning about it.

These Chicago hoodlums under LCN control have set up Consultants and Administrators, Inc; Dental and Vision Care Centers, Inc.; Pinckard Associates; Fortune Services, Inc.; Southeast Florida Laborers Council District, Miami. They are attempting to control health and welfare funds in particular unions as well as kickbacks to union officials and "union consultants".

Using DAN MILANO as one of their fronts, they have set up Consultants and Administrators, Inc., an Illinois corporation, to provide dental and vision care. Through their Dental and Vision Care Centers, Inc., they are providing similar services in Miami and are now moving in on Las Vegas.

This activity is under the direct supervision of AL PILOTTO, a Chicago capo, who reports directly to acting Chicago LCN boss, JOE AIUPPA, also known as Joey O'Brien.

Consultants and Administrators, Inc., obtains the contract. Services are handled through Dental and Vision Care Centers, Inc., and kickbacks are paid through dummy companies like Pinckard Associates in Chicago and Fortune Services, Inc., in Miami.

Officers in MILANO's Consultants and Administrators, Inc., set up to receive kickbacks are Chicago Organized Crime figures:

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ANGELO FOSCO - Regional Manager of Laborers Union and President of Local 2.

JAMES CAPORELLI, Secretary-Treasurer of Chicago's Laborers District Council;

DOMINICK SENESE - President of Chicago Local 703;

AL PILOTTO - President of Local 5.

(SENESE is the brother-in-law of TONY ACCARDO, also known as Joe Batters - longtime Chicago LCN chief - and was instrumental in bringing JIMMY HOFFA into the Chicago LCN "net").

These hoodlums are now concentrating on the powerful Culinary Union in Las Vegas under AL BRAMLET (Las Vegas boss), and the Union President ED HANLEY.

Meetings between these phony laborer consultants under hoodlum control and the Culinary Union bosses were arranged by prominent New York LCN member, VINCENT ALO, also known as Jimmy Blue Eyes.

NVI { This month, SD 1064-C-TE returned to Las Vegas in an attempt to develop more information. He held secret meetings with NICK PODAR and MIKE PISANELLO. PODAR handles the health and welfare benefits for the Culinary Union in Las Vegas and PISANELLO is AL BRAMLET's chief lieutenant in the Las Vegas local. (The informant advises it is extremely important for the Chicago LCN to control the Culinary Union and through that Union control, the Las Vegas hotels). PODAR and PISANELLO admitted to the informant that two Chicago mobsters had recently been in Las Vegas exerting pressure on BRAMLET. BRAMLET has now shown up with three busted ribs claiming he got them by falling off a bar stool. PODAR tried to explained to the informant that he was not in a position to force the membership to accept dental and vision care and that the Chicago hoodlums wanted the union to set up a dental and eye clinic in Las Vegas, which would be very expensive. PODAR told the informant that the rank and file would object to such an expenditure of union funds and that he could not control it. (All of this information has been furnished to Chicago and Las Vegas in San Diego airtel to Las Vegas, 11/22/76).

NVI { The informant also reported that TONY SPILOTRO is bank-rolling bookmaking and loan shark activities of RAY PAUL VARA and JOEY CUSAMANO in Las Vegas. (VARA is now on appeal bond from a federal gambling conviction in Cleveland as well as under a federal gambling indictment in Las Vegas). *OH.*

SPILOTRO is also concerned about being indicted in the near future in Chicago on an old hijacking score. He is attempting to learn the activity of the government's informant and chief witness, believed to be in protective custody.

Shortly before Thanksgiving, the informant was in telephone contact with JOE BONANNO, who is preparing to join his wife and two sons in San Jose, California. He was making preparations to place his wife in a San Jose hospital and indicated that he was thinking of expanding his private financial and business investments in California. (BONANNO has a hidden interest in a Los Angeles area restaurant and has helped finance his sons in various business ventures in San Jose and Los Angeles. He is reported to be considering buying into a Cadillac distributorship).

BONANNO called the informant to discuss the arrest this month of VINCENT J. DI GIROLAMO, 44, who, for the past several years, has been one of his closest soldiers in California. DI GIROLAMO also known as Jimmy Styles, was arrested 10/21/76 in San Jose, for

CA. { purchasing stolen property. He was arrested along with MAURICE P. HARTIGAN, 30, a well known underworld figure in the San Jose area; HARTIGAN's father, JAMES T. HARTIGAN, 53; JOSEPH E. TELLEGRINO, 51, a contractor from Cupertino, California; and DANIEL A. BJORK, 25. B. APPROX 1946
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The arrests climaxed a two-year investigation by the Sheriff's Office in San Jose, and U.S. Customs undercover agents.

CA. DI GIROLAMO was introduced to the undercover agents by SALVATORE AMARENA, operator of Sal's Espresso Caffe, in San Francisco. At the time DI GIROLAMO was accompanied by JIMMY "The Weasel" FRATIANO.

MAURICE P. HARTIGAN was the star prosecution witness in the 1971 extortion trial in San Jose of JOE BONANNO's two sons, JOE and SALVATORE BONANNO. In exchange for his testimony which helped convict the BONANNO boys, HARTIGAN was given a light sentence. HARTIGAN, once an outstanding athlete, tried out as a pitcher with the New York Yankees several years ago. HARTIGAN and his father are accused of trying to set up the sale of two truckloads of cosmetics worth \$750,000.

DI GIROLAMO made five separate purchases of stolen goods from the undercover agents.

CA. After the arrest, CHRIS PETTI of San Diego, flew to San Jose and arranged to bail out DI GIROLAMO. SD 1064-C-TE reports that PETTI and his partner, FRED SICA of Los Angeles, are close business associates of DI GIROLAMO and have money invested in his home construction company. (Another San Diego informant, SD 1080-PC reports that DI GIROLAMO, SICA and PETTI are also into bookmaking and loan sharking in Southern California, as well as operating a Montgomery Ward franchise for home improvement siding work).

SD 1111-C-TE continued to furnish information on members of the MATRANGA family. He reports their brother-in-law, Detroit LCN capo MIKE POLIZZI and Detroit boss, TONY ZERILLI have again been turned down for federal parole.

SD 1234-PC continued to furnish information on activities at Rancho La Costa.

CA. { SD 1080-PC and SD 2631-PC continue to furnish excellent information on San Diego hoodlums involved in prostitution, pornography, etc. SD 1080-PC, in addition, is now giving information on CHRIS PETTI, FRED SICA and PETE MARCOS. This informant reports MARCOS is now bookmaking and probably bankrolled by PETTI and SICA.

During the past month, SD 1869-C-TE, SD 1062-C-TE, and SD 2681-PC continued to furnish information of local bookmaking activities which information is being used as a basis for monitoring these activities through Title III coverage (see below).

ORGANIZED CRIME PROGRAM
MONTHLY SUMMARY

I. Organized Crime

JFK Law 10(a)2

1. On [redacted] LCN family consiglieri, answered a subpoena and appeared before the Federal Grand Jury in Los Angeles, along with [redacted] and [redacted] family boss. They were interrogated along with several selected [redacted] about [redacted]. [redacted] They all took the Fifth Amendment privilege and refused to testify.

2. Reliable information (furnished by SD 1080-PC and SD 2681-PC) indicates one of the major downtown San Diego book-making centers now is the New Orleans Card Room and adjacent Opera House Bar. The New Orleans Card Room has been taken over by JOHNNIE ANTONELLI, a leading San Diego pornographer in this area for several years, his partners, TOMMY CAMPISE and MIKE DE MASE. DE MASE is being bankrolled by JOE PAPITTO, a bar owner, who has become wealthy financing narcotics smuggling. For several years now these hoodlums have been making their money in pornography, prostitution, stolen property, and to some extent by narcotics. They now appear to be moving into bookmaking, and are working with TONY BALSAMO. BALSAMO, for years, has been a prominent downtown bookmaker with JOHN WILLIAM SPATAFORE, the leading bookmaker in this area.

3. This month, San Diego County officials inspected the Charter Oil Building, one of downtown San Diego's largest buildings. It has been offered to the county for \$4.7 million dollars as an alternative to plans to build a new county office building in the area. The Charter Oil Building is owned by a partnership made up of MORRIS SHENKER, St. Louis criminal attorney; SIDNEY WYMAN, and "KEWPIE" RICH, former St. Louis bookies, who are now prominent operators of the Dunes Hotel and Casino in Las Vegas.

At this time, county officials seem to be disinclined to purchase the building because of the Organized Crime background of the owners, as well as dissatisfaction with some of the office space in the building.

4, This month, MAX BROOKS was sentenced in U. S. District Court, San Diego, to a four-year prison term. Also sentenced was his partner, JOE BRIOLA, also of Denver. BROOKS and BRIOLA were tied in with the Smaldone Organized Crime Family in Denver, and attempted to sell large quantity counterfeit Bank of America money orders to undercover FBI Agents in San Diego. Other defendants in the case were fined and placed on probation.

II. ALLEN ROBERT GLICK

This month DENNIS WITTMAN, former president of the bankrupt Saratoga Development Corporation (SDC), testified before the Federal Bankruptcy Court. (GLICK, a former partner with WITTMAN, has taken over SDC and is attempting to reorganize the company under the bankruptcy laws before it drags GLICK down into financial ruin). GLICK is especially concerned about the affect of this bankruptcy on his position in Las Vegas, where he is operating several major hotels with multi-million dollar Central States Teamster Pension Fund loans.

WITTMAN was questioned about his \$3.75 million dollar loan from Home Federal Savings and Loan in San Diego as well as his \$1.97 million dollar loan from Allied Bank of Houston.

The Home Federal loan was given by RICHARD TAYLOR, a former vice-president and loan officer and a personal friend of WITTMAN who later joined him in SDC.

ANTHONY CANARIS, Assistant Manager of Home Federal's Main Office, Loan Department, admitted he did not investigate the financial capability of Saratoga to repay the \$3.75 million dollars; did not get an updated financial statement, or take other usual financial cautions, but simply followed the instructions of his superior, TAYLOR, in putting together the "loan package".

Other litigants in the bankruptcy hearings were Dr. PHILLIP RAND, and attorney, HENRY GLASSER, executor of the Estate of Dr. RAND's wife, TAMARA RAND. The RANDs are attempting to recover \$560,000 from Saratoga made for real estate loans. The RANDs were limited partners with WITTMAN and GLICK in Saratoga and now claim they were defrauded out of their money. (TAMARA RAND - after a falling out with GLICK - was found murdered in gangland fashion. The murder was never solved. She had threatened to expose GLICK's activities).

A highly confidential source reports continued negotiations are underway toward the sale of GLICK's Hacienda Hotel-Casino in Las Vegas. They are being handled by GLICK's business

partner in Las Vegas, EUGENE CLEMENT FRESCH, a part owner in the Hacienda. These sources report that FRESCH's real name is FRISCHETTI and that he is an old associate of Chicago LCN hoodlum, LEONARD ROBERT "NEEDLES" GIANOLA (deceased), a Chicago loan shark boss. The negotiations for the sale of the Hacienda are being handled by FRESCH along with JOE ALAMA, also known as "Joe the Bubble", whose real identity is JOSEPH ANTHONY GIRALAMI, FBI Number 119478C, another old Chicago shylock now working as a "las Vegas businessman".

GLICK will also be called upon to testify before the bankruptcy court in San Diego in the coming weeks. He will be questioned regarding compensating financial balances of SDC. It appears that when GLICK and WITTMAN obtained the \$3.75 million dollar loan from Home Federal, they deposited four million dollars in Home Federal. These were in the form of Certificates of Deposit (CD). Two million dollars in CDs came from the Central States Teamster Pension Fund which had been purchased for the fund by the former fund director, AL BARON. As soon as the \$3.75 million dollar loan came through from Home, however, the four million dollars in CDs deposited were drawn out.

III. CHARLES E. LEGGETT

On 11/24/76, LEGGETT was sentenced in State Superior Court, San Diego, to an indeterminate 1 to 10 years in State Prison, in connection with the theft of funds for the purchase of a La Jolla mansion built by EARL GAGOSIAN.

In a complicated 1973 transaction, LEGGETT posted as additional security for a loan from Baltimore Federal Savings and Loan, \$1.75 million dollar phony Certificate of Deposit which he had been given by the Federal Strike Force in Chicago for use as "flash money" to investigate the illegal market in stolen securities.

For several years, LEGGETT had been used by the FBI and Strike Force attorneys in Philadelphia, Chicago, and Las Vegas, as a high level informant, in security theft cases.

LEGGETT's attorney, STEPHEN STEIN of Las Vegas, (formerly a Philadelphia Strike Force attorney who had operated LEGGETT), claimed in his closing argument that LEGGETT had been attempting to "make a case" against GAGOSIAN for manipulation of his RoyalInns stock. And that LEGGETT had also been investigating GAGOSIAN's dealings with San Diego businessman C. ARNHOLT SMITH.

Chicago Strike Force Head PETE VIRA, was being held as a rebuttal witness by the prosecution, but was not used. The

prosecution contended that LEGGETT - thinking he had the FBI and the Chicago Strike Force "in a bind" - converted the phony CD to his own use, using it as security for the bank loan.

JFK Law 10(a)1

IV. GAMBLING

Title III coverage on [redacted] continues. [redacted]

This coverage also had led the FBI, through Title III, into another [redacted] under [redacted]

[redacted] Other Title III installations connected with [redacted] had to be discontinued recently for lack of activity at those locations. Indictments and searches are forthcoming.

In other gambling investigations, informant information reflects JOHN LAWRENCE ADAMS, also known as Jack Adams, has quietly moved back into the Encinitas, California, area in the San Diego Division. ADAMS, for years, was a leading Los Angeles bookmaker and telephone spot in the HARRY GROSS operation. Using toll free phones, he has been operating in the Lake Tahoe area of Northern California, after being raided in San Diego County on 1/11/75 by FBI Agents. The HARRY GROSS operation is probably the largest in Southern California. GROSS became prominent in the early fifties when he operated the largest bookmaking syndicate in New York City. His organization at that time, was protected by payoffs to police and other government officials and included the operation of 27 back offices with 400 employees. In those days, GROSS' gambling profits totaled about 60 and 70 million a year and he admitted before a Grand Jury paying almost \$20,000 a month in bribes to New York City police. GROSS, however, refused to testify against eight New York City police officers and was sentenced to seven years in prison. Upon his release he came to California in 1958 and set up his bookmaking operation centered at Long Beach. Since then he has received several convictions in California, serving prison time. He is currently awaiting federal prosecution. In Southern California his annual handle is estimated at around 25 million dollars. His operations extend into Los Angeles, Orange, San Diego, Riverside and San Bernardino Counties.

V. JOHN S. ALESSIO

The ALESSIO family filed suit this month against the U.S. Government seeking over fourteen million dollars in losses and damages related to the collapse of C. ARNHOLT SMITH's U.S. National Bank and Westgate - California Corporation.

The ALESSIO law suit charges that the U.S. Comptroller of Currency "operated a vast cover-up to shelter the massive illegalities and irregularities of SMITH and U. S. National Bank". The former Comptroller, JAMES SAXON, was not cited as a defendant, however.

ALESSIO charges the U. S. Government with misfeasance, nonfeasance and negligence in the supervision and examination of U. S. National Bank and its losses.

The plaintiffs include the family head, JOHN S. ALESSIO, as well as his brothers and son, DOMINIC "BUD" ALESSIO, and several of their corporations, including Kodiak Industries, Del Coronado Spa, Inc., and the Alessio Investment Company of San Diego.

The law suit seeks \$153,175 in losses on U. S. National Bank's stock (now declared insolvent); \$4,057,185, as a result of Watergate-California bankruptcy and ten million dollars for damages because the collapse of U. S. National Bank eliminated their primary source of financing.

Ironically, at the same time that the ALESSIOS were claiming a federal bank supervising agency was not protecting them from SMITH's banking irregularities the Securities and Exchange Commission (SEC) was accusing the ALESSIO family and C. ARNHOLT SMITH of attempting to take over fraudulently a New Mexico corporation, which owns and operates two racetracks in New Mexico.

The firm, Fortuna Corporation, operates Sunland Race Track and Rudioso Downs.

The SEC suit, filed in U. S. District Court, San Diego, this month, alleges that SMITH as head of the now defunct U. S. National Bank, helped arrange a series of circumstances enabling the ALESSIOS to gain control of Fortuna without the knowledge of other shareholders.

Now the other shareholders in Fortuna are being asked to formally merge Kodiak (the ALESSIOS corporation), with Fortuna. The Fortuna shareholders will be cashed out at \$3.60 a share.

Kodiak currently owns 67% of Fortuna, but under a Consent Order signed by a U. S. District Court Judge in San Diego, only those shareholders unconnected with Kodiak or the ALESSIO family were permitted to vote on the merger offer.

Fortuna corporation is publicly owned subject to SEC regulations, while Kodiak, a private corporation, is not.

The SEC charge in their 21-page complaint that the take-over was accomplished by SMITH and ALESSIO through MICHAEL J. COEN of Kansas City, a former close business associate of SMITH's. He formed Sunland Development, Inc., to get working control of Fortuna, in 1969. Sunland Development, Inc., then purchased California real estate and commercial paper from business entities owned by SMITH, making Sunland a substantial creditor of SMITH. COEN then turned around and began negotiations with DOMINIC ALESSIO for Kodiak to get control of Sunland.

Later in the month, the merger of Kodiak and Fortuna Corporation was put to a vote and the ALESSIOs were successful in getting the other shareholders to agree to the merger. Even though the Federal Court order disallowed the ALESSIO shares to be voted in the merger vote, it did not prohibit Kodiak from voting its shares to constitute a quorum and elect its own Board of Directors. (Kodiak is controlled by DOMINIC ALESSIO - 70 percent; TONY ALESSIO - 20 percent; and ALVIN ROSA, JOHN ALESSIO's son-in-law - 10 percent).

Kodiak Corporation currently is \$5.6 million in debt and is losing \$1,185 per day in interest payments to the FDIC which has taken over as collector for U. S. National Bank debts.

In the merger, Kodiak will acquire \$700,000 in Fortuna's liquid assets and Kodiak will also acquire increased income from Fortuna through its own tax-loss carry-forward. Even though the merger will substantially increase Fortuna's long-term debt, enough shareholders of Fortuna "bought" the offer and "bailed out". After the merger vote, the New Mexico State Attorney General filed a law suit charging that Kodiak and Fortuna failed to provide adequate information to minority shareholders as well as violating New Mexico securities laws, by not submitting the proposed merger to the State Racing Commission.

If successful, this will give the ALESSIOs complete control over race tracks in New Mexico as well as Juarez, Mexico.

VI. C. ARNHOLT SMITH

This month, SMITH was subjected to court examination behind closed doors as a judgment debtor. Examination was brought by attorneys for the First National Bank of Chicago. They insisted on examining SMITH's finances to determine his personal assets. SMITH owes First National \$1.4 million as a result of U. S. National Bank loans with personal guarantees.

In other action this month, SMITH was blocked by the U.S. District Court, San Diego, from taking control of British Columbia Investment Corporation (BCIC). A Federal judge here appointed a receiver for BCIC on a motion by trustees of SMITH's former Water-gate-California Corporation. This action blocked SMITH from taking over BCIC through his association with Sovereign State Capital Corporation (SSC). It is owned by his daughter-in-law, MYRA JEAN SMITH.

Last month MICHAEL J. COEN of Kodiak Corporation, a former close business conspirator with SMITH, who now is fighting him, relinquished his interest in BCIC in favor of SSC, and SMITH was named as SSC agent. The fight is really over a subsidiary of BCIC called, El Portel Realty, which owns a large part of Fashion Valley, the leading shopping center in San Diego. A wealthy developer in Southern California, ERNEST HAHN, has offered El Portel \$5.7 million for 70 acres in the shopping complex. FDIC took this action against SMITH saying that it had more than \$7,000,000 in liens on the property.

SMITH and his co-defendant, PHILLIP A. TOFT, continue through their attorneys in State Court to block seizure of their financial records. They are also successful up to now in blocking the District Attorney from using business records seized by federal authorities in 1973. If they are successful, it will greatly diminish the chances of state authorities of putting SMITH in prison.

San Diego Superior Court Judge ROBERT W. CONYERS quashed a large amount of evidence and ruled the public records received as a result of the federal search warrant in 1973 as invalid. (CONYERS previously quashed records seized by the District Attorney investigators in September, 1975, through a search of SMITH's personal offices). All of these records, both federal and state, provide the backbone of the state case against SMITH and TOFT. The federal records were not used as a result of SMITH and TOFT pleading nolo contendere for which they were fined \$30,000 and placed on probation.

Judge CONYERS referred to the federal search warrant affidavits as completely inadequate and told Deputy District Attorney THOMAS MC ARDLE he felt sorry the District Attorney has to "suffer the consequences of someone else's work".

MC ARDLE commented: "I feel like I just entered the Indy 500 and had four flat tires. I don't know what to do next."