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of
New York

Department of Investigation

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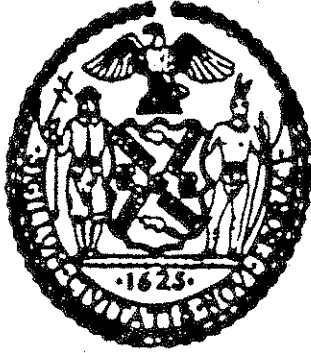
To: Randy Mastro
Chief of Staff

From: Richard W. Mark *RW Mark*
First Deputy Commissioner

Date: March 8, 1996

Re: Report on Hunts Point Produce Market and Other Public
Wholesale Markets

The attached report summarizes the history of corruption and racketeering in the City's public wholesale food markets. All of the factual material for this report was drawn from public sources.



CITY OF NEW YORK
DEPARTMENT OF INVESTIGATION

HOWARD WILSON
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CORRUPTION & RACKETEERING IN
NEW YORK CITY'S PUBLIC WHOLESALE FOOD MARKETS

March 8, 1996

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CORRUPTION & RACKETEERING
IN NEW YORK CITY'S WHOLESALE FOOD MARKETS

I. Introduction

Several multi-tenant, public wholesale food markets operate on property owned by New York City. These markets, which include the Fulton Fish Market and the Hunts Point Produce Market, are the transfer points for the sale of billions of dollars worth of produce, fish and meat to grocery stores, restaurants, and other retail outlets.

Corruption and racketeering have chronically plagued these markets' operations, driving away honest businessmen, depriving the City of legitimate revenue, and raising consumer prices. Indeed, law enforcement authorities have linked organized crime to the labor unions that represent these markets' workers, to businesses that operate in these markets, and even to the associations that administer certain of these markets. To take some examples from recent history:

◆ Alphonse D'Arco, former Acting Boss of the Lucchese Organized Crime Family who is now cooperating with federal investigators, recently said of organized crime's role at the Hunts Point Produce Market: "It's ours."

◆ In 1993, Stephen Karsch, then president of the Hunts Point Terminal Produce Cooperative Association whom D'Arco identified as one of organized crime's associates in that market, pled guilty to fraud in connection with a scheme to redeem more than \$5 million in discount store coupons. In 1994, Karsch was sentenced to two years in federal prison. Incredibly, in January 1996, the Hunts Point Cooperative Association sought the City's permission to hire back Karsch as a "consultant" in order to run its day-to-day operations.

♦ In November 1994, Glenn Walker, a businessman struggling to establish himself at Hunts Point who at one point endured a fire bombing of his inventory after he refused to make extortion payments, was murdered near the Market by two gunman who entered his office and shot him point-blank in the head. The police described the murder as a "mob-style" killing. In December 1995, a suspect was indicted for Walker's murder.

♦ IBT Local 202, which represents approximately 1,300 of the workers at Hunts Point, has long been influenced by the Lucchese Organized Crime Family. James Bagley, Jr., an official of that union's pension and benefit funds until his 1992 conviction on charges of embezzling from the union's pension fund, has admitted that he was a Lucchese Family operative in the Market. Lucchese Family members so valued Bagley that in 1990 they forced the union's newly elected officers to rehire him, even though the former union president had forced Bagley to resign because he had embezzled from the union's benefit funds and taken payoffs from Hunts Point employers.

♦ Cargo thefts and hijackings near and inside the Hunts Point Produce Market have been chronic problems at Hunts Point since that market opened in 1967. Labor racketeering, extortion, robbery, loansharking, gambling and gun-running have also been commonplace there.

♦ In July 1995, the United States Attorney for the Southern District of New York indicted current and former officials of Local 174 of the United Food and Commercial Workers International ("UFCW") in connection with a scheme of bribery and extortion involving food wholesalers and retailers. Wholesalers at the Gansevoort Meat Market and at Hunts Point were identified in connection with the scheme.

♦ In 1986, the President's Commission on Organized Crime condemned mob control of the wholesale meat industry in New York City. Its report detailed the corrupting influence of Gambino Organized Crime Family Boss Paul Castellano over the City's meat industry, including businesses at the Brooklyn Wholesale Meat Market; and the federal government later proved in a criminal racketeering trial that Genovese Organized Crime Family Boss

Anthony Salerno also directed criminal activity in that industry.

♦ D'Arco has informed federal investigators that organized crime has controlled the transfer of wholesale stalls at the Brooklyn Terminal Market, that the Genovese Crime Family has been principally responsible for skimming monies from the markets' operations, and that the Lucchese Crime Family has been principally responsible for running rackets -- gambling, loansharking and narcotics -- in that market.

While there are many businesses in these markets that want to operate legitimately, organized crime's pervasive control over key market elements creates an environment where corrupt practices can flourish.¹ Organized crime has, in effect, set practices for market operations that promote its corrupt aims. Given these circumstances, the City should assert its lawful regulatory authority to root out corruption in these markets.

In 1995, the Giuliani Administration sponsored, and the City Council passed 49 to 1, legislation to regulate the Fulton Fish Market and address corruption in that wholesale market. 22 N.Y.C. Admin. Code §§ 22-201 et seq. ("Local Law 50"). Through a program of business licensing and registration, supported by background investigation of applicants, the City is seeking to eliminate racketeering activity in the Fulton Fish Market and to protect the public's interest in an honest, competitive market.

¹ See, e.g., The President's Commission on Organized Crime, The Edge: Organized Crime, Business, and Labor Unions (the "PCOC Report") at 214 ("Legitimate [meat] retailers, who lack the resources to bypass these mob-controlled companies and deal directly with legitimate producers, have no choice but to do business with the mob if they wish to remain in the industry") (attached hereto as exhibit 1).

Those reforms are now proceeding with broad public support and much success.

The City's other wholesale food markets require similar remedial attention.² Six large markets, including the Hunts Point Produce Market, operate inside the City-owned Hunts Point Food Distribution Center located in the Bronx. Public record materials, including criminal prosecutions, document the activities of organized crime at the Hunts Point Produce Market. Other of the City's public wholesale food markets, including the Brooklyn Wholesale Meat Market, the Brooklyn Terminal Market, and the Gansevoort Meat Market, have experienced similar problems. Like the Fulton Fish Market, the Hunts Point Produce Market and the City's other wholesale food markets require strong oversight, emphasizing integrity and honest business practices, to root out corruption, to improve market conditions for legitimate business, to increase City revenues from these valuable properties, and ultimately to reduce consumer prices.³

² See "Two Down, One to Go," Daily News at 22 (May 8, 1995) (editorial urging forceful government regulation of Hunts Point, similar to successful reforms at the Fulton Fish Market and the Javits Center); "All the Market Can Bear?" Daily News at 22 (August 1, 1994) (calling for the City to address crime problems at Hunts Point and deterioration of the facilities there) (attached hereto as exhibit 2).

³ The Giuliani Administration has made substantial financial commitments to improve the infrastructure and economic viability of these markets. For example, the current administration has already spent more than \$7 million on structural and roof repairs at the Hunts Point Produce Market and, over the next four fiscal years, it plans to spend approximately \$35 million for additional capital investment at Hunts Point.

II. The City's Wholesale Meat and Produce Markets

According to the New York City Economic Development Corporation, there are 15 wholesale meat, produce and food processing markets operating on City property. One of those markets, the Fulton Fish Market, is already the subject of a new City reform initiative (Local Law 50). The other markets fall into two categories: smaller markets operating separately in three different boroughs, and the several markets operating at Hunts Point.

A. Smaller Markets in Brooklyn, Manhattan and the Bronx

Eight of these markets are relatively smaller properties:

Market	Commodity
Brooklyn Wholesale Meat Market 5600 First Avenue, Brooklyn	Meat
Maramont Corporation 5600 First Avenue, Brooklyn	Distributors of Prepared Foods
Brooklyn Terminal Market 8925 Foster Street, Brooklyn	Meat, Produce, Plants, and Foods
Key Food Store Cooperative 8725 Avenue D, Brooklyn	Food Processing and Distribution
Gansevoort Meat Market 556-69 West Street, Manhattan	Meat
Kleinman & Adelman 95 Gansevoort, Manhattan	Meat
Maggio Beef 820 Washington Street, Manhattan	Meat
Bronx Terminal Market 201 Bronx Terminal Market, Bronx	Produce and Packaged Goods

These markets operate independently of each other. The Maramont Corporation, Key Food Store Cooperative, Kleinman & Adelman, and Maggio Beef function as single tenants in the business of food

processing and distribution. The other four markets (the Brooklyn Wholesale Meat Market, Brooklyn Terminal Market, Gansevoort Meat Market, and Bronx Terminal Market) are traditional multi-tenant wholesale markets.

B. The Hunts Point Food Distribution Center

Six wholesale markets operate in the Hunts Point Food Distribution Center, a 329-acre parcel in the Bronx that ranks as the largest wholesale food center in the world.⁴ The six markets at Hunts Point are:

⁴ Hunts Point replaced the Washington Market that had opened in lower Manhattan in 1812. "83-Acre Market is Proposed Here," New York Times (March 18, 1955); Interim Report on a Study of the Washington Street Produce Market, 1953-54, New York State Temporary Commission on Agriculture (February 24, 1954); Report on a Study of the Washington Street Produce Market, 1954-55, New York State Temporary Commission on Agriculture (March 17, 1955); Report of Mayor's Market Commission at 19 (December 1913). For an overview of the old Washington Market, a portion of which later became the site of the World Trade Center, see generally "Battle of Washington Market," World-Telegram (June 19, 1962); "Downtown Plan: Pickaback Homes," New York Times (March 1, 1965) (attached hereto as exhibit 3).

Market	Commodity
Hunts Point Cooperative Meat Market 355 Food Center Drive, Bronx	Meat
Hunts Point Produce Market (the New York City Terminal Market) 37 Terminal Market, Bronx	Produce
A & P (Daitch-Shopwell) 155 Food Center Drive, Bronx	Processing, Storage, Food Distribution
Fruit Auction Building (Nick Penachio/Bazzini Nuts) 200 Food Center Drive, Bronx	Processing, Storage, Food Distribution
Krasdale Foods 400 Food Center Drive, Bronx	Processing, Storage, Food Distribution
National Foods (Hebrew National) 600 Food Center Drive, Bronx	Food Processing

These six markets operate independently of each other. The meat market and the produce market are traditional multi-tenant wholesale markets. A & P, Krasdale and National Foods are single tenants that function as central warehouse facilities servicing grocery stores or other retailers. The Fruit Auction Building operates as both a traditional multi-tenant market and a warehouse distribution facility.

Hunts Point, which opened in 1967, was conceived as an efficient, food-oriented industrial park that would handle virtually all of the unpackaged food consumed in the New York metropolitan region.⁵ The complex was designed to consolidate

⁵ Originally, Hunts Point was intended to include the City's fish, flower, and butter and egg markets in addition to the other produce and meat markets. However, most of the butter and egg markets moved out of the City to New Jersey, while the fish and flower markets remained in their original locations. Hunts Point Food Distribution Center: Plan and Strategy for Expansion and Development, City of New York Department of Ports and Trade at 21,

New York City's many and diverse food market industries in a central location, providing food companies with spacious, modern facilities and easy access to major rail and trucking links, as well as berthing facilities along the East River shoreline.⁶ The City spent \$96 million to construct facilities at the Center.⁷ The Hunts Point Food Distribution Center quickly became the largest employer in the Bronx. A comprehensive 1989 study reported that approximately 11,175 people worked at the Hunts Point Food Distribution Center and that the markets there generated more than \$7 billion in annual sales.⁸

The Hunts Point Produce Market (also known as "The New York City Terminal Market"), which occupies 126 acres and was reported in 1989 to employ more than 6,000 people, is the largest tenant of the Hunts Point Food Distribution Center.⁹ The Pro-

24 (October 1989) ("Ports and Trade 1989 Report") (attached hereto as exhibit 4). "Fish-Market Move to Bronx Impeded," New York Times at 36 (July 26, 1974); "Fulton Market Move Is Mixed Bag of Fish," Sunday News (October 7, 1973) (attached hereto as exhibit 5).

⁶ Ports and Trade 1989 Report at 21 (attached hereto as exhibit 4).

⁷ Ports and Trade 1989 Report at 24 (attached hereto as exhibit 4).

⁸ Ports and Trade 1989 Report at 21 (attached hereto as exhibit 4).

⁹ Ports and Trade 1989 Report at 24 (attached hereto as exhibit 4). The City does not have reliable or precise figures on current employment at the Hunts Point Produce Market. There are estimates by borough, however, on the number of persons reported to be working in the wholesale food sector and Hunts Point is the locus of those jobs in the Bronx. Those estimates show that the number of wholesale food business employees in the Bronx declined by more than 15% (6,598 to 5,509) from 1988 to 1992.

duce Market is the City's largest source of fresh produce, providing 75% of the City's produce, with annual sales estimated at \$1.5 billion. The Produce Market is comprised of approximately 275 store units (operated by approximately 70 firms) in 10 buildings.¹⁰ It cost the City \$8 million to buy the property, and \$28 million to construct the facility.¹¹ Between 1969 and 1989, the City spent an additional \$16.2 million on repairs.¹²

In response to repeated tenant complaints directed at the City's Department of Ports and Terminals, operation of the Hunts Point Produce Market was turned over in 1986 to the Hunts Point Terminal Produce Cooperative Association, Inc., which represents the produce wholesalers located in the market.¹³ Notwithstanding this "privatization" effort, over the years the City has invested at least \$167 million in construction, repairs and operating expenses at the Hunts Point Food Distribution

¹⁰ Ports and Trade 1989 Report at 25 (attached hereto as exhibit 4).

¹¹ Ports and Trade 1989 Report at 24-25 (attached hereto as exhibit 4).

¹² See generally Ports and Trade 1989 Report at 24-25 (attached hereto as exhibit 4).

¹³ Ports and Trade 1989 Report at 25 (attached hereto as exhibit 4).

Center.¹⁴ The City has yet to recoup its investment, let alone turn a profit or even collect the full rent owed.¹⁵

C. The City's Current Oversight of the Markets

The City appears to have done little in the past to manage these wholesale produce and meat markets. Indeed, the City lacks reliable information about the wholesale dealers who actually occupy these City-owned facilities and does not even have lease agreements with some of them. Others occupy space under leases that set the rent more than 20 years ago and have not been renegotiated since then. In some markets, like the Hunts Point Produce Market, the City has long-term lease arrangements with tenant cooperatives or associations that operate the markets, but the tenant associations have failed to make required rent payments or provide the City required information about the businesses that operate within those markets.

The situation at the Fulton Fish Market is now very different. Local Law 50, enacted in June 1995, created a new

¹⁴ "Hunts Point Market, Called 'Grocer's Dream,' Proving Nightmare to Many," New York Times at 35 (July 31, 1974) (attached hereto as exhibit 6).

¹⁵ The City has financial disputes with the Hunts Point Produce Market totalling approximately \$8 million. The Hunts Point Terminal Produce Cooperative Association has failed to pay approximately \$5.1 million in rent due the City. The Cooperative has also failed to pay \$1.9 million to the City for common area electric charges, and water and sewer charges. Finally the Cooperative that runs the produce market received \$1.05 million in insurance proceeds in 1992 to settle a roof damage claim. The Cooperative failed to put that money in a joint account (as required by the lease) so that the City could assure its use for roof repairs, and records show that the Cooperative spent large portions of the money on expenses other than roof repairs.

regulatory program for the Fulton Fish Market and other seafood distribution areas. All wholesalers have been identified and are required to register with the City. Other key service providers in the Market must obtain a license. As a result of the licensing process, the City awarded to a new company an exclusive license to unload fish trucked into the market. The new unloading system, which handles trucks on a "first-come, first-serve" basis, replaced a scheme that investigators found had operated as an illegal, price-fixing cartel that inflated prices and was influenced by organized crime.¹⁶ Significantly, the new unloading firm has reduced wholesalers' unloading costs by 20%. And the new private carting firm that the two major wholesaler associations in the Fulton Fish Market are now using charges 40% to 50% less for those services than the former carter, which the City required the wholesalers to fire after the New York County District Attorney indicted that company (with others) for racketeering offenses.¹⁷

In addition, the City negotiated new leases with the seafood wholesalers who conduct business on this City-owned property. The new leases will bring the City approximately \$2 million more in annual revenue than was previously paid. These reforms and changes at the Fulton Fish Market show concretely the

¹⁶ Decision of the Commissioner Concerning Responses to the Request for Licensing Proposals to Perform Unloading Services at the Fulton Fish Market, City of New York Department of Business Services (October 13, 1995) (attached hereto as exhibit 7).

¹⁷ People v. Association of Trade Waste Removers of Greater New York, Inc., Indictment No. 5614-95 (Sup. Ct. N.Y. Co.).

benefits that accrue to the City, the market businesses, and the public, when regulatory authority is exercised prudently to protect legitimate business.

III. Racketeering in the City's Wholesale Food Markets

A. Overview

The fresh meat and produce industry has inherent characteristics that make it an attractive target for racketeers. The perishable products that constitute the wholesalers' stock must move quickly, under controlled conditions, or it becomes worthless. This renders businesses vulnerable to extortionate arrangements to ensure that deliveries occur without interruption. And many of these businesses conduct transactions mostly in cash. As one meat company executive testified at a 1974 criminal trial involving industry payoffs, "it was a common practice that people paid off other people to do business in New York City."¹⁸

B. Racketeering at the Hunts Point Produce Market

1. Organized Crime Influence Over the Hunts Point Produce Market

Witnesses from inside organized crime have recently confirmed the Lucchese Organized Crime Family's influence over the operations of the Hunts Point Produce Market. The Lucchese Family has used intimidation and relationships with key operatives (including particular wholesalers, market officials, and

¹⁸ "Iowa Beef Executive Said to Have Known of 'Payoffs' Here," New York Times at 35 (June 13, 1974) (attached hereto as exhibit 8).

officials of IBT Local 202) to exact tribute and thereby drive up market prices. In addition, the Lucchese Family controls gambling and loansharking operations that prey on businesses and employees at the Market.

According to Alphonse D'Arco, a former Capo and Acting Boss of the Lucchese LCN Family now cooperating with law enforcement, organized crime controls the Hunts Point Produce Market. As he bluntly stated, "It's ours."¹⁹ D'Arco helped the Lucchese Family control the Hunts Point Produce Market and the Brooklyn Terminal Market starting in 1988.²⁰ As recently as the early 1990s, the Lucchese Family's interests in the Hunts Point Produce Market were represented by Lucchese Capo Joseph Giampa,²¹ who kept control through two deputies: Marco "Big Marco" Minuto, whose family-owned ice business supplied this vital commodity to

¹⁹ "Mob Scene: It's a Moveable Feast For Organized Crime," Daily News at 26 (July 25, 1994) ("According to FBI memorandums, D'Arco said of the [Hunts Point] market: 'It's ours'") (attached hereto as exhibit 10).

²⁰ FBI Interview of D'Arco (January 10, 1992) (attached hereto as exhibit 9). The FBI Interview Reports cited in this report became matters of public record at the trial of United States v. Amuso, 90 Cr. 446 (E.D.N.Y.).

²¹ In the summer of 1990, Giampa was made a Capo by fugitive Lucchese bosses Anthony Casso and Vic Amuso because of Giampa's swift and brutal murder of organized crime figure Mike Salerno. Earlier, D'Arco told Giampa that "'Mike's no good . . . You've got to whack Mike. You've got to kill Mike. The guy's, your bosses want you to do it.'" United States v. Giampa, S 92 Cr. 437 (S.D.N.Y.) Tr. at 356 ("D'Arco Tr. U.S. v. Giampa"). After Giampa then killed Salerno, D'Arco told Giampa that "[Casso and Amuso] were pleased he did it right away, that he was a captain in the crew and that he was to take over Mike Salerno's crew." D'Arco Tr. U.S. v. Giampa at 363 (attached hereto as exhibit 11).

most of the market's tenants,²² and James Bagley, Jr., an official of IBT Local 202.²³

a. Organized Crime's Influence Over IBT Local 202

IBT Local 202 represents approximately 1,300 of the porters and warehousemen who work at the Hunts Point Produce Market.²⁴ These laborers move the produce and other wholesale goods through the warehouse area, unloading delivery trucks and loading purchasers' vehicles. Without Local 202 labor, goods do not move in the Market.

James Bagley, Jr., who became a federal witness after his conviction in 1992 for conspiracy and embezzlement from the pension and benefit funds of IBT Local 202 and conspiracy to assault former Local 202 president Warren Ullrich, confirmed D'Arco's testimony concerning the Lucchese Family's influence over IBT Local 202 and use of that local to dominate the Hunts Point Produce Market. Bagley, an admitted associate of the Lucchese Crime Family,²⁵ worked as a clerk for Local 202's pension and welfare fund and eventually became the fund administra-

²² See D'Arco Tr. U.S. v. Giampa at 536-38 (attached hereto as exhibit 11).

²³ See United States v. Giampa, S 92 Cr. 437 (S.D.N.Y.) Tr. at 1283 ("Bagley Tr. U.S. v. Giampa") (Bagley testifying that he was associated with the Lucchese Crime Family) (attached hereto as exhibit 12). See also id. at 1301, 1378.

²⁴ See "Mob Scene: It's a Moveable Feast For Organized Crime," Daily News at 26 (July 25, 1994).

²⁵ Bagley Tr. U.S. v. Giampa at 1283 (attached hereto as exhibit 12).

tor. As such, he was responsible for overseeing the daily operations of the fund and supervising employer audits to ensure that contributions were being made as required by the collective bargaining agreements.²⁶ He has admitted exempting certain wholesalers from required benefit fund contributions in exchange for bribes.²⁷

In 1990, Local 202's trustees forced Bagley to resign after then-president Warren Ullrich reported that Bagley had embezzled \$36,000 by giving himself unauthorized salary increases from 1988 to 1990, and had taken payoffs from firms in Hunts Point that employed the local's members.²⁸

In November 1990, Joseph Byers and Daniel Kane, two alleged reform candidates, defeated Ullrich and his slate to

²⁶ Bagley Tr. U.S. v. Giampa at 1284-86 (attached hereto as exhibit 12).

²⁷ "Mob Scene: It's a Moveable Feast for Organized Crime," Daily News at 26 (July 25, 1994) (Bagley "has admitted hiding Sciandra's employees from the union's benefit funds to save the company thousands of dollars") (attached hereto as exhibit 10). Such corruption problems have plagued this union's pension fund for more than two decades. In 1971, Bronx District Attorney Burton B. Roberts announced the indictment of three executives of Service Loaders, Inc., the firm granted the exclusive City license to unload railroad cars at the Hunts Point Market. "Three Are Indicted in Union Shortage on Welfare Funds," New York Times at 63 (April 2, 1971) (attached hereto as exhibit 17). The three were charged with, and later convicted of, failing to make the required payments to the union benefits fund on behalf of their employees, members of IBT Local 202. The investigation, which was jointly conducted by the City's Department of Investigation and the State Organized Crime Task Force, found that the executives had bribed officials of the union to avoid making the benefits payments. The union did not cooperate in the investigation.

²⁸ Bagley Tr. U.S. v. Giampa at 1287, 1298, 1303-304 (attached hereto as exhibit 12).

become Local 202's elected officers. D'Arco told Giampa and Minuto to order Byers and Kane to put Bagley back in the union. As D'Arco explained, "I wasn't particularly caring what [his] position was in the union, I just cared that [he was] in there and the union was under our control."²⁹

In December 1990, to get the union to follow D'Arco's wishes, Minuto and Bagley met with Steven Karsch, the President of the Cooperative, at Hunts Point. Minuto told Karsch, in Bagley's presence, that he wanted Bagley reinstated to his union fund job. Karsch agreed to speak to the Hunts Point Cooperative Board of Trustees on the matter; and in January 1991, George Leader, Chairman of the Board, contacted Bagley, told him that he had been reinstated, and that Kane wanted to speak to him. Kane then spoke to Bagley and told him to report to work at the union the following Monday.³⁰

Organized crime forced Local 202 to hire others as well. D'Arco testified that Giampa planned to exert control over Local 202 by having his cousin, Gabe Indrieri, hired as a business agent.³¹ To achieve this objective, in the spring of 1991, Minuto told Bagley to arrange a meeting with Byers and Kane so

²⁹ D'Arco Tr. U.S. v. Giampa at 566 (attached hereto as exhibit 11).

³⁰ Bagley Tr. U.S. v. Giampa at 1305-1309 (attached hereto as exhibit 12). For their part, Byers and Kane denied doing the mob's bidding. They claim that Bagley was rehired at the urging of Stephen Karsch. See "Mob Scene: It's a Moveable Feast for Organized Crime," Daily News at 26 (attached hereto as exhibit 10).

³¹ D'Arco Tr. U.S. v. Giampa at 559 (attached hereto as exhibit 11).

that Indrieri could propose that he be hired to organize a shop located in Dobbs Ferry, New York. Byers and Kane went to an out-of-town convention before they made a decision on this proposal. During their absence, Minuto required Bagley to employ Indrieri in the office, even though Bagley had not been authorized by the union to hire him.³²

When Byers and Kane returned, they were upset that Indrieri had been hired without their consent. Ultimately, however, they hired Indrieri as a union organizer because Bagley told them, "this is something that I, I had no choice, but to bring Mr. Indrieri here I told them that Marco Minuto had insisted upon it."³³ In October 1991, Byers transferred Indrieri to the Local 202 pension and welfare fund because he was "an embarrassment to the local . . . and he was upsetting the entire staff of employees [so he] wanted him with me [Bagley]."³⁴

Bagley had problems with Indrieri. He told Minuto that Indrieri did not perform any meaningful work, arrived late, and was creating morale problems. Minuto said that "he would look into it and try to, you know, he would look into it and attempt

³² Bagley Tr. U.S. v. Giampa at 1381-82 (attached hereto as exhibit 12).

³³ Bagley Tr. U.S. v. Giampa at 1383 (attached hereto as exhibit 12).

³⁴ Bagley Tr. U.S. v. Giampa at 1384 (attached hereto as exhibit 12).

to take care of it."³⁵ Minuto later stated, however, that "there wasn't really anything that he could do about it, so he just dropped the matter."³⁶

Since Bagley's departure, Local 202 has continued to have problems policing itself. When Local 202 Vice-President Ralph D'Amico refused to give testimony in an IBT investigation of Local 202, the union board initially did not respond in any meaningful way. D'Amico was charged with misconduct only after the IBT's Independent Review Board suggested bringing charges, and he was only expelled from the union in 1993 after the IBT's Independent Review Board criticized a lenient settlement agreement that would have let D'Amico maintain his union membership and benefits despite his failure to cooperate in the investigation as required.³⁷

³⁵ Bagley Tr. U.S. v. Giampa at 1394 (attached hereto as exhibit 12).

³⁶ Bagley Tr. U.S. v. Giampa at 1385 and 1394 (attached hereto as exhibit 12). While Giampa was acquitted of racketeering and murder charges in 1992, he was convicted in 1995 of gambling conspiracy and aiding in racketeering. See "Six Are Found Guilty of Mob-Related Crimes," New York Times at B5 (August 8, 1995); "6 of 7 Convicted in Lucchese Mob Trial; Crimes Rooted in Plot to Rebuild in N.J." The Record at A4 (August 8, 1995) (attached hereto as exhibit 18).

³⁷ See Letter from John J. Cronin, Independent Review Board Administrator, to IBT Local 202 Executive Board (August 17, 1993) (criticizing proposed settlement with D'Amico as a "sham"); Memorandum from IBT Local 202 Executive Board to Independent Review Board (August 20, 1993) (imposing sanctions on D'Amico).

b. Organized Crime Extortion and Kickback Schemes

D'Arco has said that organized crime used threats of violence or labor unrest to extort merchants into making regular payments to the Lucchese Family. Those who agreed to pay discovered that their alliance with organized crime brought certain dividends, such as the freedom to withhold payments to the union benefits fund, and other competitive advantages in buying and selling produce.³⁸

D'Arco stated that in 1990 organized crime directly confronted Stephen E. Karsch, an attorney then serving as the President of the Hunts Point Terminal Cooperative Association, with demands for tribute.³⁹ Karsch met personally with D'Arco to discuss kickbacks to the Lucchese organization in 1990 at Arturo's restaurant in Floral Park. D'Arco said, "[We] did not understand why [the Co-Op] should be making all that money

³⁸ As D'Arco explained:

Labor racketeering is shaking down through the use of force or extortion, fear, or using unions that are controlled by the Lucchese family.

In other words, our union, referring to this family, other families got the same thing, but using these unions and the threat of strikes and closing down jobs and causing the guy problems, letting them use nonunion people and not pay pension and welfare and stuff like that.

D'Arco Tr. U.S. v. Giampa at 534 (attached hereto as exhibit 11).

³⁹ "Mob Scene: It's a Moveable Feast for Organized Crime," Daily News at 26 (July 25, 1994) (attached hereto as exhibit 10).

without an appropriate kickback to [us]."⁴⁰ Anthony Calagna, another Lucchese Capo who influenced IBT Local 806 through his son, was also present at the meeting with Karsch. According to D'Arco, Calagna made Karsch understand that he was dealing with La Cosa Nostra and that D'Arco was the boss of Hunts Point.⁴¹ When Karsch did not immediately respond to D'Arco's demands, he received a visit from some of Giampa's henchmen and was persuaded to submit to the rules set by Giampa.⁴²

Karsch was head of the Hunts Point Terminal Produce Cooperative Association from 1986 until 1993. Karsch, who was also a vice-president, director and shareholder of Sloan's Supermarkets, was indicted in 1993 for his role in a fraudulent scheme to redeem approximately \$5 million in store discount coupons.⁴³ He pleaded guilty, and in 1994 the court sentenced him to 27 months in federal prison.⁴⁴

⁴⁰ "Mob Shook Down Hunts Pt. Mart Boss," New York Post at 3 (July 23, 1994) (attached hereto as exhibit 14); see also FBI Interview of D'Arco (October 9, 1991) (attached hereto as exhibit 13).

⁴¹ FBI Interview of D'Arco (October 9, 1991) (attached hereto as exhibit 13); see also "Mob Scene: It's a Moveable Feast for Organized Crime," Daily News at 26 (attached hereto as exhibit 10).

⁴² "Mob Shook Down Hunts Pt. Mart Boss," New York Post at 3 (July 23, 1994) (attached hereto as exhibit 14).

⁴³ Letter from Assistant United States Attorneys Desmarais and Williams to the Hon. John S. Martin, Jr., concerning the sentencing of defendants Meyer and Karsch in United States v. Meyer, et al., 93 Cr. 473 (S.D.N.Y. JSM) (December 7, 1993) (attached hereto as exhibit 15).

⁴⁴ United States v. Meyer, et al., Indictment, 93 Cr. 473 (S.D.N.Y. JSM) (attached hereto as exhibit 16); see also "Mob Scene: It's a Moveable Feast for Organized Crime," Daily News at

Incredibly, Stephen Karsch's name resurfaced recently in connection with the Hunts Point Produce Market. Although Karsch was released from jail only recently, the Hunts Point Terminal Produce Cooperative Association last month wrote to Department of Business Services Commissioner Rudy Washington asking for permission to hire Karsch as a "consultant" to the Market.⁴⁵ While acknowledging that "Karsch is not allowed to deal with the City" (because of his recent conviction for a massive fraud scheme connected to the food industry), the Cooperative sought to hire Karsch to do everything from developing long range plans for Hunts Point to handling "day-to-day issues related to Coop tenants i.e. tenant complaints such as transportation and parking issues, and individual stall operations."⁴⁶ Commissioner Washington denied that request.⁴⁷

c. Other Organized Crime Intimidation in the Market

D'Arco decided the penalties for individuals who violated organized crime's rules in the market. According to D'Arco, even after Ullrich lost the presidency of IBT Local 202, Ullrich continued to "shake down" merchants without organized

26 (July 25, 1994) (attached hereto as exhibit 10).

⁴⁵ Letter from Joel Fierman to Hon. Rudy Washington (January 5, 1996) (attached hereto as exhibit 22). Of note, Karsch was still confined at a halfway house finishing his sentence at the time the Cooperative Association sent the letter seeking permission to hire him.

⁴⁶ Id.

⁴⁷ Letter from Hon. Rudy Washington to Joel Fierman (January 25, 1996) (attached hereto as exhibit 22).

crime's permission and pocketed the extortionate payments. Consequently, Giampa sought D'Arco's blessing to murder Ullrich.⁴⁸ Although D'Arco refused to approve the murder, he gave Giampa discretion to mete out a less severe punishment such as a beating. He told Giampa:

Joey, I don't want you to kill the guy. I am not going to go for permission He's got no power. He's out of the union. It's up to you. If you think it is necessary to give him a beating, give him a beating, but don't kill him. That is your choice, but no. You've not got my permission to kill the guy.⁴⁹

D'Arco gave two reasons for his decision: first, it would appear as if Giampa could not control the situation with Ullrich; and second, a murder would "create all kinds of heat and investigations and everything."⁵⁰ Bagley later pleaded guilty to conspiring with Minuto to assault Ullrich.⁵¹

D'Arco has testified that he made organized crime's presence in the market clear to the new leadership of IBT Local 202. First, he effected Bagley's reinstatement. Then, in late 1990 or early 1991, he told Minuto and Giampa to meet with Byers and Kane to inform them that they too would do the mob's bidding

⁴⁸ D'Arco Tr. U.S. v. Giampa at 567 (attached hereto as exhibit 11).

⁴⁹ D'Arco Tr. U.S. v. Giampa at 570-71 (attached hereto as exhibit 11).

⁵⁰ D'Arco Tr. U.S. v. Giampa at 570 (attached hereto as exhibit 11).

⁵¹ Bagley Tr. U.S. v. Giampa at 1288 (attached hereto as exhibit 12).

or suffer the consequences. D'Arco told Minuto to tell the new leadership

what the score was. In other words, they've got a nice job and they've got their expense account, and they are working, and just remember that the union doesn't belong to them and that he should tell them, to do the right thing or they'd be out.⁵²

Minuto complied with D'Arco's instructions. In February 1991 Bagley introduced Minuto to Byers and Kane, and Minuto informed them that they "were with us, now, if they had any problems they were to see Marco [Minuto] and 'We do not use the police; we have problems, we take care of our own problems.'"⁵³ Later, when Bagley told Minuto that Byers and Kane were reluctant to meet with him again, Minuto made a statement to Bagley that confirmed just how serious D'Arco was about maintaining Lucchese Family control over Local 202. "Jim," he said, "if this doesn't come through, you and I may end up in the trunk of a car."⁵⁴

d. Organized Crime Associations With Market Wholesalers and Officials

Organized crime's influence over IBT Local 202 allowed it to dispense favors to firms that employ union labor. For example, Bagley has admitted "exempting" Sciandra International, Inc., one of the Market's oldest and largest merchants, from

⁵² D'Arco Tr. U.S. v. Giampa at 573 (attached hereto as exhibit 11).

⁵³ Bagley Tr. U.S. v. Giampa at 1319 (attached hereto as exhibit 12).

⁵⁴ Bagley Tr. U.S. v. Giampa at 1320 (attached hereto as exhibit 12).

making payments to the union's benefits fund on behalf of its employees.⁵⁵

Carmine Sciandra, reportedly a Gambino Organized Crime Family soldier and a major money earner for that family, is a principal in Sciandra International.⁵⁶ According to published reports, the FBI also regularly observed Sciandra at John Gotti's Ravenite Social Club in Little Italy.⁵⁷

Other Hunts Point merchants appear to have close LCN ties as well. For example, according to published reports, police observers noted that many of those attending the 1994 funeral of Gambino Capo Mario Traina were riding in luxury vehicles registered to A & J Produce, another Hunts Point firm.⁵⁸ The firm's owner, Al Weiler, explained that Traina's son, Mario Jr., is employed by A & J as a company foreman and that his father was a long-time friend.⁵⁹

⁵⁵ "Mob Scene: It's a Moveable Feast for Organized Crime," Daily News at 26 (July 25, 1994) (Bagley "has admitted hiding Sciandra's employees from the union's benefit funds to save the company thousands of dollars") (attached hereto as exhibit 10).

⁵⁶ Sciandra also has an interest in Top Tomato, which runs several retail markets in the New York metropolitan area. See "Capo di Tutti Tomatoes," Village Voice at 11 (September 4, 1990) (attached hereto as exhibit 19).

⁵⁷ "Mob Scene: It's a Moveable Feast for Organized Crime," Daily News at 26 (July 25, 1994) (attached hereto as exhibit 10).

⁵⁸ "Mob Scene: It's a Moveable Feast For Organized Crime," Daily News at 26 (July 25, 1994) (attached hereto as exhibit 10).

⁵⁹ Id.

Also, as previously noted, officers of the Hunts Point Terminal Produce Cooperative Association, which represents wholesalers' interests in the Market, have been corrupted by the Lucchese Organized Crime Family. According to D'Arco, the Lucchese Family used the Cooperative's former president, Steven Karsch, to do organized crime's bidding in the Market.⁶⁰ In 1994, Karsch went to federal prison for his participation in a scheme to defraud. Yet, incredibly, upon Karsch's recent release from prison, the Cooperative wanted to rehire him.⁶¹

The connection between organized crime racketeers and the fresh produce industry dates back at least to the 1930s. In those times, Ciro "The Artichoke King" Terranova, an organized crime member, controlled the City's million dollar fresh artichoke business and also dominated the market for several other vegetable and produce items, including fresh bread. On December 21, 1935, Mayor Fiorello LaGuardia targeted Terranova by banning the "sale, display and possession of artichokes . . . in all public markets." Upon issuance of that mayoral proclamation, the Terranova-controlled company that sold almost every wholesale small artichoke in the City closed its doors and sought a court injunction against the ban. On December 30, 1935, Mayor LaGuardia lifted the ban after the five companies that supplied artichokes to wholesalers agreed to sell to more than one busi-

⁶⁰ FBI Interview of D'Arco (October 9, 1991) (attached hereto as exhibit 13); see notes 39-42, above, and accompanying text.

⁶¹ See footnotes 43-47, above, and accompanying text.

ness on a "decent and honorable basis." The price of the vegetable dropped dramatically (by 25%) the day the ban was lifted.⁶²

2. Other Criminal Activity Involving Hunts Point

In recent years, private security officers hired by the Cooperative Association or employed by one of the larger food corporations respond to almost all reports of crimes, and the NYPD is rarely called. Police intelligence, however, reports that thefts, gambling and loansharking are commonplace in the Market, and that acts of violence and illegal firearms sales also appear to be prevalent there.

a. The Glenn Walker Homicide

The recent mob-style killing of businessman Glenn Walker reflects the lawless atmosphere that persists in and around Hunts Point. It is a shocking example of the tactics that racketeers use to maintain control of the Hunts Point Produce Market.

Glenn Walker, a Tallahassee, Florida resident, moved to New York City for several months each year to sell watermelons and pumpkins each summer, and Christmas trees after Thanksgiving, in and near the Hunts Point Produce Market.

⁶² The New York Times reported on Mayor LaGuardia's attack on organized crime control over the wholesale market for artichokes. "Mayor Puts a Ban on Artichoke Sale to Curb Rackets," New York Times at 1 (December 22, 1935); "LaGuardia to Ease Ban on Artichokes," New York Times (December 25, 1935); "Ban on Artichokes is Effective Today," New York Times (December 26, 1935); "Artichoke Drive Is Won by Mayor," New York Times (December 29, 1935); "Artichoke Seller Charges Boycott," New York Times (December 31, 1935) (attached hereto as exhibit 23).

In 1993, Walker told his family and friends that he had been visited by two mobsters who demanded \$3,000 and regular payments thereafter to permit him to stay in business.⁶³ Walker knew that he had angered some of his competitors in the Market by undercutting their prices. He refused to make the demanded "pay offs" and continued to operate his business. One week later, a Molotov cocktail was thrown into his lot, destroying thousands of dollars worth of trees. The following morning, another fire bomb destroyed more Christmas trees.

Although Walker reported the initial demand for money to the police, he later declined to cooperate with the investigation of the fire incidents. In November 1994, he returned to the Bronx to sell Christmas trees from a lot near the Hunts Point Produce Market, evidently hopeful that his "problems" were resolved. However, shortly after he returned to his office near the Hunts Point Produce Market, two men walked into his office and shot him in the head. There was no evidence that anything was taken from his office, and the police described the murder as "mob-style" and organized crime-connected. In December 1995, a suspect was indicted for Walker's murder.⁶⁴

⁶³ This summary of the Walker case is drawn from published newspaper accounts. See "Tree-Seller's Fatal Saga," Newsday at 8 [City Ed.] (November 7, 1994); "Bronx Christmas Tree Seller Is Fatally Shot in His Office," New York Times at 27 (November 5, 1994); "Cut Down; Slain Tree-Seller Had Rebuffed Extortionists," Newsday at A4 [City Ed.] (November 4, 1994) (attached hereto as exhibit 21).

⁶⁴ "Suspect Nabbed in Tree Seller Slay," Daily News at 24 (December 17, 1995) (attached hereto as exhibit 21).

b. Produce Theft and Truck Hijackings

Since the Hunts Point Market opened its doors in 1967, hijackings and thefts of entire trucks or railroad car contents near or inside the Market -- thefts that appear to have been carefully planned and executed -- have occurred with some regularity.⁶⁵ While overall statistics have apparently not been maintained, records of particular thefts provide vivid examples of the types of crimes that occur there.⁶⁶

For example, during a two-month period in the summer of 1973, five trucks were stolen from the Market. They were recovered within blocks of the Market but with their entire cargoes missing. During that same period, one merchant's store was burglarized, and crates containing more than \$2,000 in garlic were stolen. An elaborate burglar alarm was disarmed, and the

⁶⁵ In 1973, then Congressman Mario Biaggi, whose district included Hunts Point, claimed that "merchants complain of daily muggings and frequent robberies" and that "frequent thefts of produce and hijackings of delivery trucks were placing a 'tremendous financial burden' on Hunt's Point merchants." "Biaggi Says Police Lag in Protecting Hunt's Point Market," New York Times (August 18, 1973) (attached hereto as exhibit 24).

⁶⁶ The journey into the Market over local streets also has perils. Truckdrivers are sometimes accosted on the road by "lumpers," who demand cash in exchange for "assisting" drivers in unloading or providing directions to the Market over local streets. "From Seed to Salad: Journey of Jeopardy," Daily News at 20 (July 24, 1994) (attached hereto as exhibit 25). That same report also noted that "more than 50 trucks ha[d] been burglarized around the Market" in the period from March through July, 1994. Id.

merchant's own forklift was used to remove the crates and load them on the burglars' truck.⁶⁷

In 1974, nine men were charged with operating a ring responsible for the theft of more than \$1 million in produce from the Hunts Point Produce Market. The ringleader, Theodore Potash, owned and operated his own produce market in Corona, Queens, where the goods stolen from the Hunts Point Produce Market were sold.⁶⁸ The police concluded that, in order to go unreported or undetected by the truckers, journeymen and security guards at Hunts Point, Potash's operation must have been "sanctioned" by organized crime figures. One member of the ring was employed as a security guard at Hunts Point. Potash was convicted and served time in federal prison for interstate transportation of stolen property.

Also in 1974, another brazen and large-scale organized theft scheme collapsed with the arrest of a seven-man gang that had stolen railroad carloads of produce. The gang used a railroad locomotive to hijack boxcars of produce from Hunts Point, and then return the empty freight cars to the siding after unloading the contents.⁶⁹ At the time of the arrest, a police

⁶⁷ "Dealers at Hunt's Point Market Call it Thieves' Paradise," New York Times at 33 (August 17, 1973) (attached hereto as exhibit 26).

⁶⁸ "9 Arrested in Theft of Million in Goods at Bronx Terminal," New York Times at 39 (February 11, 1974) (attached hereto as exhibit 27).

⁶⁹ "7 Accused of Using Locomotive to Steal Carloads of Produce," New York Times (May 15, 1974) (attached hereto as exhibit 28).

sergeant observed that "[t]his [activity] has been going on for quite a while There have been a lot of complaints."⁷⁰ The sergeant estimated that the thefts involved as much as \$500,000 in cargo.⁷¹

In 1981, the Bronx District Attorney's Office, the New York City Police Department, and the market's security force launched a joint task force investigation into the theft of meat from Hunts Point. The task force estimated that losses attributable to theft amounted to more than one million dollars a year.⁷² One man arrested as a result of that investigation was caught stealing \$50,000 worth of meat.⁷³

Hunts Point has also been the site of armored car heists. In 1988, five men attacked an armored car near the Hunts Point Produce Market, killing one of the guards and escaping with an estimated \$523,000 in cash, checks and money orders.⁷⁴

⁷⁰ "7 Accused of Using Locomotive to Steal Carloads of Produce," New York Times (May 15, 1974) (attached hereto as exhibit 28).

⁷¹ "7 Accused of Using Locomotive to Steal Carloads of Produce," New York Times (May 15, 1974) (attached hereto as exhibit 28).

⁷² United Press International (March 27, 1982) (report on arrest of William Colon for stealing meat) (attached hereto as exhibit 29).

⁷³ United Press International (March 27, 1982) (report on arrest of William Colon for stealing meat); "Bronx Man Is Arrested in \$50,000 Meat Theft," New York Times at B6 (March 29, 1982) (attached hereto as exhibit 29).

⁷⁴ "Armored Car Guard Shot to Death In Robbery," Newsday at 5 (September 20, 1988) (attached hereto as exhibit 20).

C. Racketeering in the City's Other Wholesale Food Markets

Organized crime influence over other of the City's multi-tenant wholesale food markets has been shared by several La Cosa Nostra Families. Organized crime has exercised control through the familiar pattern of labor racketeering, illegal gambling and loansharking and the outright ownership or control of individual businesses within these markets.

1. The Brooklyn Wholesale Meat Market

The Brooklyn Wholesale Meat Market, which has operated for more than a century,⁷⁵ moved to its present site in Sunset Park near the Brooklyn Army Terminal in 1977. The new site was constructed in the early 1970s, but the opening of the site was delayed until 1977 due to construction disputes.⁷⁶ The City paid over \$23 million to construct the new facility. The original lease called for the payment of annual rents totaling \$1.5 million. However, the tenants, organized originally under the name of the Brooklyn Cooperative Meat Market Center, Inc., and subsequently as the Market Operating Corporation, have been in almost constant disputes with the City over the issue of rent. For the first several years, the tenants paid no rent whatsoever. In late 1979, some of the tenants began to pay rent but at a much

⁷⁵ "Meat Market in Fort Greene Is Likely to Move This Time," New York Times at 8 (March 5, 1972) (attached hereto as exhibit 30).

⁷⁶ See Audit Report on Rent Due from the Brooklyn Cooperative Meat Market Center, Inc., and the Market Operating Corporation, City of New York, Office of the Comptroller at 1-2 (1981) ("Brooklyn Meat Market Audit") (attached hereto as exhibit 31).

lower rate than originally proposed.⁷⁷ For a period of 15 years, the tenants also refused to pay their water and sewer bills.

At the present time, there are approximately 24 wholesale meat vendors and a large food processing firm, the Maramont Corporation, that occupy the market. EDC records reflect that Maramont pays an annual rent of \$133,773.60 for its facility. The remaining 24 tenants are currently organized as the Brooklyn Terminal Merchants Association. Each had a separate agreement with the City but currently operates under expired permits. Their collective rents should yield approximately \$570,000 per year. However, five tenants are almost \$50,000 in arrears. Thus, the total annual rent collected at the Brooklyn Wholesale Meat Market amounts to slightly more than \$700,000 -- far less than the \$1.5 million set for the leasing of this project in 1977.⁷⁸

Organized crime has exerted its influence over the Brooklyn Wholesale Meat Market through its control of UFCW Local 174. This Local was originally a part of the Amalgamated Meat Cutters and Butcher Workmen of North America. As is fully

⁷⁷ See Brooklyn Meat Market Audit at 7 (attached hereto as exhibit 31).

⁷⁸ Brooklyn Meat Market Audit at 7 (attached hereto as exhibit 31).

explained later in this report, federal prosecutors recently brought racketeering charges against officers of this Local.⁷⁹

In the 1988 racketeering trial of Genovese Family Crime Boss Anthony Salerno, the federal government introduced evidence that organized crime infiltration of the City's meat industry added at least a penny a pound to the cost of hot dogs served at the Bronx Zoo and permitted Salerno to extort money from food brokers.⁸⁰ The evidence also established the Genovese Family's influence over New York area Teamster locals, as well as UFCW Local 174.⁸¹ Using the leverage of labor control, Salerno and his associates were able to extort kickbacks from wholesalers and brokers, sometimes disguised as "sales commissions," that increased consumer costs.⁸² "It was a kind of dedicated tax for Salerno," said then United States Attorney Rudolph Giuliani.⁸³

⁷⁹ In July 1995, the United States Attorney's Office for the Southern District of New York indicted several officers of UFCW Local 174 for racketeering activity in connection with the wholesale food industry in New York City. United States v. Wilson, et al., 95 Cr. 668 (S.D.N.Y.) (attached hereto as exhibit 32). See notes 103-104, below, and accompanying text.

⁸⁰ "Mob Tax Taking Its Toll," Newsday at 21 [City Ed.] (January 21, 1992) (attached hereto as exhibit 33).

⁸¹ United States v. Salerno, Brief for the United States of America at 26-35 Dkt. No. 88-1464 (2d Cir.) (attached hereto as exhibit 34).

⁸² United States v. Salerno, Brief for the United States of America at 30-35 Dkt. No. 88-1464 (2d Cir.) (attached hereto as exhibit 34).

⁸³ "Mob Tax Taking Its Toll," Newsday [City Ed.] at 21 (January 21, 1992) (attached hereto as exhibit 33). In 1972, federal and state law enforcement officials alleged that organized crime infiltration of New York City's meat industry artificially inflated retail prices for fresh meat by 15%. "High Meat Prices Laid to

According to the President's Commission on Organized Crime, a long-time tenant of the Brooklyn Wholesale Meat Market, Dial Meat Purveyors, Inc., was owned by Paul "Big Paul" Castellano, the boss of the Gambino LCN Family until his assassination by associates of John Gotti in late 1985.⁸⁴ The firm, which was incorporated in 1970, was supposedly owned by Castellano's two sons, Paul, Jr., and Joseph, and his daughter, Connie Catalanotti. However, Frank Perdue, the chairman of Perdue Farms, told the PCOC:

It was fairly common knowledge that Dial was owned by or run by or operated by Paul Castellano, Jr., and that he was associated in some way - I don't know exactly how - with the Mafia⁸⁵

Perdue gave sworn testimony to the PCOC that he sought assistance from Castellano on several occasions in an effort to defeat union campaigns to organize Perdue workers. Perdue also did substantial business with Dial.⁸⁶ After Castellano's death, Dial moved its principal office to Miami, Florida, but it still operates in Brooklyn.

Castellano's nephew is the owner of another firm located in the Brooklyn Wholesale Meat Market, Fort Meat Wholesale, Inc. Castellano's son, Paul Castellano Jr., signed the

Rackets," New York Times at 1 (May 9, 1972) (attached hereto as exhibit 35).

⁸⁴ PCOC Report at 191-216 (attached hereto as exhibit 1).

⁸⁵ PCOC Report at 202 (quoting deposition of Frank Perdue taken by PCOC staff, September 17, 1985) (attached hereto as exhibit 1).

⁸⁶ PCOC Report at 204-206 (attached hereto as exhibit 1).

November 3, 1980 permit issued by the Department of Ports and Terminals to Fort Meat Wholesale.⁸⁷ In addition, the PCOC reported that Castellano's cousins owned Quarex Industries, Inc., a NASDAQ-traded company that distributed beef, pork and poultry in the New York metropolitan area and also operated a chain of supermarkets.⁸⁸ The PCOC also reported that Castellano controlled a number of retail butcher shops in Brooklyn as well.⁸⁹

Prior to his murder, Castellano, referring to the City's meat industry, was overheard on a court authorized wiretap saying that: "While I'm alive, this is my business."⁹⁰

2. The Brooklyn Terminal Market

The Brooklyn Terminal Market was established in 1941 to replace the old Wallabout Market after the Navy appropriated the Wallabout site to expand the Brooklyn Navy Yard.⁹¹ The Brooklyn

⁸⁷ Department of Ports and Terminals, Permit No. 936-80 for Stall No. A-7S, Building A, Brooklyn Cooperative Meat Distribution Center (November 3, 1980) (issued by the City through the Department of Ports and Terminals to Fort Meat Wholesale, Inc. for the period from June 1, 1980 through May 31, 1981) (attached hereto as exhibit 36).

⁸⁸ PCOC Report at 207-10 (attached hereto as exhibit 1).

⁸⁹ PCOC Report at 200 (attached hereto as exhibit 1).

⁹⁰ Court authorized electronic surveillance, May 5, 1983, quoted in PCOC Report at 212 (attached hereto as exhibit 1).

⁹¹ "Navy Takes Over Wallabout Site; Will Build Two Huge Battleships," New York Times at 22 (June 15, 1941); "New Market Site Picked," New York Times at 25 (May 1, 1941). When the Brooklyn Terminal Market opened, Mayor LaGuardia declared the City's policy to keep the new market free of corruption: "Not a single, solitary racketeer may put his foot in this place." "Mayor Bars Thugs From New Market," New York Times at 29 (June 17, 1941). Organized crime infiltration and control of the market continued despite the efforts of LaGuardia (attached hereto as exhibit 37).

Terminal Market consists of a 25-acre plot bounded by Foster Avenue, Remsen Avenue, the Long Island Railroad and Ralph Avenue.⁹²

In the Wallabout Market, territorial disputes about control of the Market were settled by an agreement that allowed the Genovese LCN Family to control the monies skimmed from the operation of the food market itself while the Lucchese LCN Family controlled all gambling and other illegal rackets (principally loansharking and narcotics).⁹³ These crime families continued their control over market activities when the wholesalers moved to the new Brooklyn Terminal Market.

According to Alphonse D'Arco, this agreement between the Genovese and Lucchese Organized Crime Families was in place in 1988, when members of the Lucchese Family requested, and received, permission from the leadership of the Genovese Family to purchase one of the stalls in Brooklyn Terminal Market. As a result of this approval, reputed members of the Lucchese LCN Family, including Pete Delcioppo, Danny Cutaia and Joseph D'Arco, owned and controlled at least two of the businesses operating in the Brooklyn Terminal Market: Mediterranean Foods and Good

⁹² The single tenant at the Brooklyn Terminal Market (Key Food Cooperative) and the master tenant (Brooklyn Terminal Merchants Association) are both current on rent. The Association pays \$403,845 in annual rent.

⁹³ FBI Interview of D'Arco (October 30, 1991) (attached hereto as exhibit 38).

Deal.⁹⁴ The three partners took over Anthony "Tony Potatoes" Fragatta's business, Mediterranean Food Distributors, when Fragatta defaulted on an extortionate loan.⁹⁵ The Lucchese operatives kept "Tony Potatoes" on the job, but changed the name to Mediterranean Food Company.⁹⁶ The business became successful and served as a meeting place for D'Arco and other Luccheses in the Market.⁹⁷ Furthermore, Mediterranean directly benefitted from the illegal activity in the market. D'Arco and members of his Lucchese crew, Cutaia and Peter Vario, invested their loan-sharking profits in Mediterranean. From 1988 to 1991, the partners had approximately \$900,000 on the street in loans with extortionate rates.⁹⁸

The Gambino Crime Family has also had a presence at the Brooklyn Terminal Market. Pasquale Conte, who was publicly identified as a Gambino Capo,⁹⁹ sat on the board of directors of the Key Food Cooperative, which is located in the Market. At one

⁹⁴ FBI Interview of D'Arco (October 31, 1991) (attached hereto at exhibit 38).

⁹⁵ Id.

⁹⁶ Id.

⁹⁷ D'Arco Tr. U.S. v. Giampa at 451-52; FBI Interview of D'Arco (October 30, 1991) (attached hereto as exhibit 11).

⁹⁸ D'Arco Tr. U.S. v. Giampa at 493-97 (attached hereto as exhibit 11).

⁹⁹ See "Suiting Up For the Future," Newsday [City Ed.] at 35 (April 3, 1992) (attached hereto as exhibit 39).

time he also owned as many as 14 Key Food retail stores.¹⁰⁰ In 1994, Conte pleaded guilty in federal court to conspiring four years earlier to murder Louis DiBono, a construction contractor and also reputedly a member of the Gambino Family.¹⁰¹ Evidence introduced at the 1992 trial of Gambino Boss John Gotti showed that Gotti had ordered DiBono killed, and Gotti was convicted in connection with that murder.¹⁰²

3. The Gansevoort Meat Market

The Gansevoort Meat Market, located near the intersection of Gansevoort and Little West 12th Streets on the lower west side of Manhattan, grew out of the old Washington Street Market. According to EDC records, there are three rent-paying tenants in the Market today: one multi-tenant market with approximately fifteen subtenants, and two single tenants. The annual rent collected by EDC is approximately \$698,000, and all tenants are current on their rent.

According to law enforcement sources, the Gambino LCN Family dominates the operation of the Gansevoort Market through its influence over union locals (IBT Local 202 and UFCW Local 174) and key wholesale businesses located there.

¹⁰⁰ "3 Arrested in Murder of Gotti Foe," Newsday [City Ed.] at 17 (February 6, 1993) (attached hereto as exhibit 39).

¹⁰¹ "Guilty Plea In a Killing In a Mob Case," New York Times at B3 (June 21, 1994) (attached hereto as exhibit 39). DiBono's dead body was found in the World Trade Center Garage. Id.

¹⁰² "Guilty Plea In a Killing In a Mob Case," New York Times at B3 (June 21, 1994) (attached hereto as exhibit 39).

On July 28, 1995, the United States Attorney for the Southern District of New York announced the indictment of five current and former officials of UFCW Local 174 on charges of conspiring "to enrich themselves with bribes they demanded and accepted from food wholesalers, retailers and processors" in New York.¹⁰³ The indictment alleges that, in exchange for these bribes, the union officials allowed these wholesalers (including businesses located at Hunts Point and the Gansevoort Meat Market) to avoid using union employees or to freeze wages and avoid paying full pension and welfare benefits for their workers.¹⁰⁴ Over the past 50 years, the leadership of this union has been charged repeatedly with essentially this same offense.¹⁰⁵ This

¹⁰³ United States v. Wilson, et al., Indictment, 95 Cr. 668 (S.D.N.Y.) (attached hereto as exhibit 32).

¹⁰⁴ United States v. Wilson, et al., Indictment, 95 Cr. 668 (S.D.N.Y.) (attached hereto as exhibit 32).

¹⁰⁵ For example, in 1972, law enforcement authorities investigated racketeering in the wholesale meat industry. The investigation focused on "collusion between key figures in the industry and the unions -- principally Local 174 of the Amalgamated Meat Cutters and Butchers Workmen's Union" in carrying out extortion, coercion, larceny, and bribery schemes to victimize retailers and suppliers. "High Meat Prices Laid to Rackets," New York Times at 1 (May 9, 1972) (attached hereto as exhibit 35). In 1974 the United States Attorney for the Southern District of New York and the Manhattan District Attorney announced the indictment of officials of UFCW Local 342 under RICO for running a payoff and kickback scheme that corrupted New York City's wholesale meat industry. "16 Indicted Here in Payoff Racket in Meat Industry," New York Times at 1 (March 26, 1974) (attached hereto as exhibit 40). See also J. Kwitny, Vicious Circles: The Mafia in the Marketplace at 73-99 (1979) (discussing the history of organized crime influence over the leaders of Amalgamated Meat Cutters Union and the meat industry) (attached hereto as exhibit 41).

union represents workers in each of the City's meat and produce markets. As of this date, the case has yet to go to trial.¹⁰⁶

¹⁰⁶ The City's other multi-tenant wholesale market, the Bronx Terminal Market, is a 32-acre parcel situated along the Harlem River between 149th and 152nd streets, not far from Yankee Stadium. The market is operated by Arol Development Corporation, a business run by an entrepreneur named David Buntzman, under a long-term City lease that has spawned many controversies. Today, the market has less than 30 vendors and is in such bad condition that former Mayor Dinkins described it as "an atrocious eyesore." In July 1993 the City moved to condemn the Bronx Terminal Market property and carry out a special urban renewal plan to rehabilitate some of the buildings and to generate new commercial development. That action is pending. See "Pol Hits Market Mess," Daily News at 1 (September 12, 1995); "NY Baseball Metropolis Sought," Associated Press Online (September 16, 1994); "Streetscapes/Bronx Terminal Market; Trying to Duplicate the Little Flower's Success," New York Times at 7 (May 8, 1994); "The Terminal Market; Bronx Turf War," Newsday [City Ed.] at 15 (January 25, 1994) (attached hereto as exhibit 42).

IV. Conclusion

Organized crime remains a pervasive presence in the City's wholesale food markets. For too many of these wholesale food markets, the City abandoned its role of regulating and monitoring them while racketeers installed their own regimes, replete with frauds, extortion, kickbacks and bribes. It is time for the City to do what it should have done long ago -- take back these markets and see that they are run honestly and fairly.

The Hunts Point Produce Market deserves immediate attention and action by the City, particularly in view of its size and importance to the entire metropolitan area. These other markets, including the Brooklyn Wholesale Meat Market, the Brooklyn Terminal Market, and the Gansevoort Meat Market, warrant attention as well.

In sum, a comprehensive and sustained reform effort such as that already initiated by the City at the Fulton Fish Market is needed for these other markets. The aims of this effort would be: (i) to root out corruption; (ii) to encourage honest business practices; (iii) to ensure proper oversight and a fair return on the City's property; (iv) to improve the quality of service and product provided to the public; and (v) ultimately to reduce consumer prices.