

of an organization. They do not have to be stuck with stolen stock and just be novices in handling it. They can develop outlets like this.

I would respectfully suggest that at some point in these proceedings, perhaps after Inspector Cottell has had a chance to make some remarks, that Nathan Sackin be called as a witness, because if he were to give truthful testimony to this committee, he would be able to expose the operations of John "Sonny" Franzese in the County of New York and in Long Island, with respect to loan sharking activities.

Now, I would like to give you one more example perhaps of the interconnection here of organized crime.

Not long ago in the city of New York, the owner of a prosperous restaurant ran into financial problems requiring a substantial quantity of cash. The owner found that regular lending institutions were extremely reluctant to make loans to businesses whose existences depended on licenses, especially liquor licenses. The owner facing the possible loss of his business turned in desperation to a loan shark, and a loan was arranged under the following conditions:

No. 1, the borrower had to pay a finder's fee. There is nothing mysterious about this word, Senator. I notice it was in one of the committee's questions. It is just another piece of extortion, that is all—it is like points, a little extra.

The interest rate was the typical 5 percent a week—referred to as "vig," and the borrower had to agree to retain a labor relations firm of SGS Associates. I signed a contract and paid \$1,000 a month for their labor services. He had no labor problems at that time.

SGS Associates, by the way, stands for Saltonstein, Gambino & Schiller. This was a front for Carlo Gambino, a major figure in organized crime, whose criminal record goes back to the prohibition era. Gambino and his associates used this firm for conducting labor racketeering activities, and principally as a conduit for the collection of payments made by various businesses for sweetheart contracts and other forms of what is euphemistically referred to as "labor peace."

As time progressed, this restaurant owner was unable to keep up his schedule of payments. The loan shark, bighearted man that he was, made—this is typical—various concessions, such as extending the time for payment, and occasionally suspending the interest for a week or 2 weeks. The borrower, however, in return was expected to show good faith in various ways. This, of course, is the moment of penetration—this is where the borrower is sucked into the ways of the underworld.

At the suggestion of the shark, he stopped buying, for instance, the meat products from his regular supplier, and began giving his business to a distributor who had been recommended by the shark. Of course the distributor was associated with the underworld. It is worthy of note that a large percentage of the meat industry in New York has been infiltrated by the underworld. This distributor—his prices in the beginning were competitive, they were pretty much equal to the prices he had been paying. But pretty soon they increased to the extent that this borrower never would have purchased meat from this man, but for the fact that he was in the vulnerable position of meeting extensions on his loans and so forth.

As I said, the meat industry, to a large extent, in New York has been infiltrated by the underworld, particularly through the person of John Dioguardi—Johnny Dio.