

give material testimony regarding loansharking operations of John "Sonny" Franzese, who is a major figure in the organized underworld, and who has been the subject of intensive state and federal anti-racketeering investigations and prosecutions.

There is every reason to believe that the Wolff case represents one of those instances in which the underworld actively sought a loanshark victim who could be utilized as a tool in pursuance of other criminal activities. The insidious interconnection of (ordinarily) unrelated criminal activities—the hallmark of the organized underworld—is well illustrated by this case. An interesting thought: what would have become of Wolff had he not come to the authorities?

Not long ago, in the City of New York, the owner of a prosperous restaurant ran into a financial problem requiring a substantial quantity of cash. The owner found that regular lending institutions were extremely reluctant to make loans to businesses whose existence depends on licenses, especially liquor licenses. The owner, facing the possible loss of his business, turned in desperation to a loanshark.

A substantial loan was arranged with the following conditions:

- (1) The borrower had to pay a "finders fee".
- (2) The interest rate was set at 5% per week. (vig.)
- (3) The borrower agreed to retain the "labor relations" firm of S.G.S. Associates. He signed a contract requiring the payment of \$1,000 a month for labor "services".

[S.G.S. Associates (Saltonstein-Gambino-Schiller) was a front for Carlo Gambino (whose criminal record goes back to the Prohibition era). Gambino used the firm for conducting his labor racketeering activities and as a conduit for the collection of payments made by various businesses for "sweetheart" contracts and other forms of labor peace.]

As time progressed, this businessman was unable to keep up with his schedule of payments. The loanshark, a man with a big heart, would make various concessions such as extending the time for payments and, occasionally, suspending the "vig". The borrower, in return, was expected to show his "good faith" in various ways. For example, at the suggestion of the shark, he stopped buying meat products from his regular supplier and began giving his business to a distributor who has been "recommended" by the shark. This distributor was associated with the underworld. In the beginning his prices were competitive; but soon increased to the extent that the borrower would not, but for his vulnerable position, continue to pay such inflated prices. (Note: a large percentage of the meat industry in New York is controlled by underworld interests—especially by John (Johnny Dio) Dioguardi and his associates.) In addition to excessive prices, this borrower became the unwilling outlet for stolen meat (the product of systematic and selective high-jacking operations) and for meat that was unfit for human consumption, passed by corrupt inspectors. [In one instance Kangaroo meat was disposed of in this manner.]

This businessman thus became a captive outlet for overpriced and often stolen or diseased meat which could not have been sold to him but for the fact that he had become financially and (psychologically) indebted to the underworld.

Soon his regular liquor supplier—an honest and competitive businessman—was supplanted by a supplier controlled by underworld interests. As with the meat, much of the liquor supplied was stolen or had been brought into the state in violation of various state and federal tax statutes and could only have been sold, in quantities, to a purchaser who was not in a position to ask too many questions.

A young hoodlum, the son of one of the "investors" was placed in the premises as a "headwaiter". (To "protect the investment"). Needless to say the headwaiter's sole contribution to the operation of the premises was keeping a barstool warm and acting as a "lookout" for various bookmakers who had begun to use the premises to conduct their operations. The security afforded by the restaurant was of course ideal. In fact, the restaurant soon became the favorite hang-out for the local underworld gentry—who spent freely on "charge-accounts" that were never paid.

All this while, it should be remembered, the borrower was paying and paying on his loan—which, because of the high interest rate never diminished. (A loan shark never wants his investment returned.)

After two years had passed, the underworld decided to have a "bust-out". This involves the total leeching of a business. The "goodwill" of the business is used to the hilt, assets are secretly drained (fraudulent credit transactions take place) and then, without notice to legitimate creditors, employees and other persons interested, the business suddenly becomes totally insolvent (and indeed very much