

1 COMMISSIONER WILHELM: Mr. Galanek.

2 MR. GALANEK: I didn't have to wear boots to get  
3 here, but I did take a boat to get here.

4 (Laughter.)

5 MR. GALANEK: I'm Detective Edward Galanek from the  
6 New York City Police Department. I became a New York City police  
7 officer in 1982; I became a detective in 1987; in 1988 I began a  
8 career into investigations of organized crime.

9 First off, I want to thank the three of you for  
10 staying anyway; we like an audience here on this side of the  
11 table.

12 As I begin my testimony, though, I want to state that  
13 as a matter of record that what I'll be discussing with you is  
14 not as a representative of the New York City Police Department,  
15 nor of the Brooklyn district attorney's office where I'm  
16 currently assigned, but as someone who has been investigating in  
17 this area for over ten years.

18 In 1988, as a member of the New York City Police  
19 Department assigned to the Brooklyn district attorney's office, I  
20 was asked to act in an undercover capacity. In this two year  
21 period, I was able to infiltrate a faction of the Gambino crime  
22 family. During that two-year period, I was also able to learn  
23 the ins and outs of organized crime run illegal sports betting  
24 operations.

25 Besides obtaining detailed information concerning the  
26 nature of this multi-million dollar business -- which resulted in  
27 the convictions of dozens of members of organized crime -- I was

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1 able to get this firsthand knowledge of how this day-to-day  
2 business is and how much it actually means to organized crime.

3 When that two-year period ended for me as an  
4 investigator, I then began a period where I was a case officer or  
5 lead investigator in what ended up being over three dozen  
6 different eavesdropping warrants, wire tap investigations. Once  
7 again, these were all organized crime sports betting operations.  
8 These numerous operations resulted in over 100 search warrants  
9 being executed with at least as many arrests.

10 It is no longer any secret that the sports gambling  
11 bookmakers are not Runyonesque characters. As the New York Times  
12 reported in April, the profits of illegal gambling operations  
13 feed into every part of organized crime and it is really their  
14 unyielding source of capital for every other project that they  
15 have.

16 For example, in Kings County, Brooklyn, we've been  
17 handling cases where illegal profits from sports gambling were  
18 used to make loans to other organized crime figures, as well as  
19 set up legitimate construction businesses which immediately were  
20 implicated in illegal construction and labor practices. I know  
21 these practices are true throughout the New York City  
22 metropolitan area and nothing that I've read anywhere else leads  
23 me to believe that it's not true throughout the rest of the  
24 country.

25 In recent investigations we found that certain  
26 criminal elements have tried to infiltrate the legal sports  
27 books. I'm glad to say that as of this testimony, it's just to a  
28 minimal extent.

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1           During the past ten years, I've been working,  
2 researching, investigating both the legal and illegal sides of  
3 multi-million dollar a year sports betting businesses. I've  
4 drawn some conclusions which represent my personal opinions, and  
5 once again, are not the opinions of the New York City Police  
6 Department nor the Brooklyn district attorney.

7           Number one, organized crime considers this area their  
8 last stronghold. And when I'm talking about organized crime, I'm  
9 going to deal in just the area where my expertise is, and that's  
10 in the New York metropolitan area. The five families in New  
11 York, I guess it was a long-held opinion that, you know,  
12 narcotics was run by organized crime, pretty much just about  
13 every scam, and that was the case many years ago, but now with  
14 the influx of the Asian community and the South Americans, West  
15 Indians, the drug trade is no longer their domain.

16           Pretty much at this time in the New York area, they  
17 really don't have a domain. Yes, they've infiltrated their way  
18 into labor unions and many other areas where they're definitely  
19 ensconced, but the life's blood for organized crime is this daily  
20 profit that they receive from illegal sports gambling.

21           Number two, I believe that legal sports gaming can be  
22 run without interference from organized crime. My feeling for  
23 that is what I've seen in my investigative work, once again, in  
24 organized crime -- I like to use the model that the federal  
25 government uses: when these main members of organized crime and  
26 their associates go to jail, upon their release, federal  
27 probation generally has a rule for them which is they can no  
28 longer associate with members of organized crime.

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1 I believe in the legal sports books, if you have  
2 certain criteria, just like this which is no association with  
3 members of organized crime, no association with convicted illegal  
4 gambling criminals, my feeling is by putting this criteria -- be  
5 it with heavy financial fines, or losing of your license -- this  
6 will help to curtail this because as I've seen with the federal  
7 government, these violations have been occurring left and right.  
8 The members of organized crime get out of jail, they can't help  
9 but go back to their ways, they consult with their friends,  
10 they're back in the federal system.

11 Number three, attacking illegal sports betting  
12 operations can be done successfully only by using all of the  
13 tools available. And those tools, like I say: criminal sanctions  
14 and civil forfeiture. What we found in our area was that really  
15 hitting them hard, basically taking the profit out of this  
16 illegal business, is a way of affecting these illegal criminals.

17 While acting as a street-level investigator, I've a  
18 purely personal opinion that the time has come to examine another  
19 weapon. Legalized sports betting -- which at the present only  
20 makes up a fraction of the multi-million dollars of sports  
21 betting done every year -- may be an answer to illegal  
22 bookmaking.

23 Why do I say this? Well, I believe one anecdote is  
24 worth a thousand policy studies. During the  
25 past 20 years in New York, what we've seen is a dramatic decline  
26 in the amount of illegal horse betting, parimutuel wagering. We  
27 have off-track betting in New York. I'm not here to defend the  
28 off-track betting system because it certainly has its own flaws,

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1 but it did take a substantial bite out of the illegal betting  
2 world.

3           Six years ago I led an investigation against a  
4 bookmaker who was considered if not the biggest bookmaker in the  
5 New York metropolitan area, at least one of them, and upon his  
6 arrest and upon us attacking his finances, we were able to  
7 determine that he was the largest customer for New York State's  
8 off-track betting system; he was betting hundreds of thousands of  
9 dollars a year. And it appears that even the sports gambling  
10 bookies place their horse bets legally or would bet legally when  
11 given the opportunity to do so.

12           Finally, I'd just like to say, as someone who has  
13 worked in this area for over a decade, I can tell you that the  
14 victims in this area are really countless, and I'm reflecting  
15 that to the illegal end of it. Because what tends to happen in  
16 this illegal world is there's two really standout factors that  
17 occur in illegal sports betting: you run up large debts when  
18 you're losing as a sports better; your illegal bookmaker, with  
19 his organized crime ties, will be there to assist you, he assists  
20 right into a life of crime. He will assist you in paying him off  
21 by referring you to his associate the loan shark; once you're  
22 involved with the loan shark, you're now in basically a cesspool,  
23 you're going down with very little chance of coming up.

24           Something that I discovered -- which I didn't know  
25 until I actually was able to be out there on the street -- was  
26 when these fellows also will get into this debt period and have  
27 to go to a loan shark, the next step for them is they are brought

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1 in to work within the operation. You go from better to loan  
2 shark victim to actual worker in the enterprise.

3 The bookmaker offers you an opportunity to work,  
4 answer the phones and write bets, which will help to pay off your  
5 debt. Now what you have done for the bookmaker is you have  
6 become his indentured servant, number one; and number two, you  
7 have now entered into a world of crime which all you were doing a  
8 short time ago was placing a bet.

9 And what you have also done for the criminal, the  
10 career criminal is now you're insulating him because when the  
11 police come and investigate a crime or we go and we hit these  
12 illegal betting operations and that door is kicked in, the person  
13 being arrested generally is this person I was just talking about,  
14 who is really a victim in this situation.

15 I'd just like to close by stating that organized  
16 crime, along with the other criminal elements that are involved  
17 in illegal sports gambling, hope that you and the rest of America  
18 do nothing. I mean, you see, it's our inaction is really their  
19 best protection in this area. Thank you.

20 COMMISSIONER WILHELM: Thank you very much,  
21 Detective. And again, if your mode of getting here was a boat,  
22 we really appreciate it.

23 Mr. Loescher, do you have any questions or comments  
24 for these witnesses?

25 COMMISSIONER LOESCHER: Yes. Mr. Chairman, thank  
26 you.

27 You know, I come from a generation of people, and  
28 also come from a remote area of America, and I heard testimony

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1 yesterday from people from Chicago and then you folks today, you  
2 know, giving us a spectrum of time and also some very complex  
3 activities dealing with illegal gaming and the Mob, and it's just  
4 beyond my comprehension to understand how this can continue to  
5 exist in this day and age. The resources that are being applied  
6 seem to exist, the FBI doing its job, but how does it -- you  
7 know, beyond what the enforcement agencies do.

8 I sort of hear two stories: one is that legal gaming  
9 stimulates Mob activities in gaming; and then I hear you say that  
10 legal gaming can also deter or reduce the amount of Mob  
11 involvement in gaming. So to a certain extent, maybe it's  
12 partially the story that illegal gaming is a spectrum of gaming  
13 in America that isn't regulated where there is a lot of money and  
14 profits to be made.

15 So this Commission is sort of at a dilemma in terms  
16 of the public policy framework of how far it can go or should  
17 recommend. Maybe you have some comments about this.

18 MR. GALANEK: Well, I have a really strong belief in  
19 this area. Basically, my expertise is purely in sports betting;  
20 I'm not going to get into other parts of gaming. Okay? You will  
21 have a very hard time opening up any newspaper in this country  
22 and not finding betting lines on sporting events. Our  
23 politicians, mayors of cities, governors of states, when their  
24 local teams are competing in a Super Bowl or a World Series, will  
25 bet: We're betting a steak dinner, I'm betting a cowboy hat,  
26 whatever it is.

27 You know, we go back to the Roman times. I'm not  
28 defending gambling, if it's good, bad or indifferent; it's there,

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1 it's never going to go away. What we have as a problem in this  
2 country is that no one ever really considered it, it was always a  
3 victimless crime. The laws on the books throughout the United  
4 States -- in the state that I work, it is not a crime to place a  
5 bet with a bookmaker, the crime is to receive the bet. Okay? So  
6 there's quite a paradox in that alone.

7           And I'm speaking from purely personal knowledge; I  
8 was with these people every day. I was originally sent out to  
9 infiltrate an operation to see drug running going on. Within  
10 three days, I found out that that was a story that was told to  
11 someone in my office to enhance their own, you know, credibility,  
12 but being able to infiltrate this group, what I found out was  
13 every day the profits and proceeds were discussed, and those  
14 monies from illegal sports gambling are funded into all of these  
15 other areas, into legitimacies.

16           Now, I truly believe that the entire country has to  
17 be united on this because every state, everywhere people wager on  
18 sporting events. Yet you'd be hard pressed to find legal sports  
19 betting in every state in the United States. How does this go  
20 on? Well, it goes on because there's a demand for it. Organized  
21 crime loves it.

22           Why do they love it so much? Drugs are extremely  
23 dangerous; people really hurt people badly in the drug business  
24 on a daily basis. With sports gambling, you know, you may have  
25 to absorb some losses, it's a fear factor that goes on -- you  
26 know, the loan sharks and all of that, we're going to break  
27 legs -- but there's not as much violence attributed to this.

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1           The jail time is minimal; fines can be paid; felonies  
2 can be knocked down to misdemeanors. It is a truly great and  
3 profitable business. And the most important thing is it's a  
4 daily business. You know, if you want to go highjack a truck,  
5 you have to set up a scam, the truck has to come, this has to  
6 happen, you know, there's a lot of things that have to be in  
7 motion. Every day there's a contest that can be wagered on, and  
8 as long as we let them continue to control this area, we're going  
9 to be in trouble.

10           I mean, you see the new rage is offshore accounts,  
11 these 1-800 Caribbean setups that are going on. Why is this  
12 being done? Because the bad guys would like to be part of the  
13 legal structure, they don't want to go to jail, they just want to  
14 make the money; betters don't want to get in trouble, they just  
15 want to bet on a contest.

16           There's a lot of people here that say I want this to  
17 be okay and I want my world to be all right. But if we continue  
18 to look the other way and let it be run by the criminal element,  
19 the criminal element has a set of laws that are not our laws,  
20 their laws are the laws of the street, and there's really no  
21 recourse you have when you're in trouble and the law is in the  
22 street.

23           So like I say, I can't get into other areas, but this  
24 is what I've done for ten years and this is ten years of  
25 thousands of hours of being almost like a voyeur into their  
26 world. I'm listening to them and they don't know that I'm  
27 listening to them, and I've listened to them and I hear them say  
28 things like: You know, I really wish the state would organize

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1 it, but you know, if they organize it, they ain't going to do  
2 right by us because I'm sure they ain't going to give us the  
3 frigging licenses.

4 From their own mouths, they know it's a tremendously  
5 profitable business; the dangers of it kind of bother them a  
6 little bit, but it's certainly worth taking the risk. And the  
7 people that are on the front line doing this on a daily basis,  
8 working these operations, are not the people that end up with the  
9 ultimate profit; that's the traditional "wise guy" who you don't  
10 see who the monies end up funded over to, and then he distributes  
11 it out to his other areas.

12 COMMISSIONER WILHELM: Dr. Moore.

13 COMMISSIONER MOORE: In my terms, you're talking  
14 about the bookie.

15 MR. GALANEK: Correct, sir.

16 COMMISSIONER MOORE: And the bookie then is backed by  
17 the Mob.

18 MR. GALANEK: Correct.

19 COMMISSIONER MOORE: The bookie might be a college  
20 student?

21 MR. GALANEK: That's correct, sir.

22 COMMISSIONER MOORE: Or he might be a businessman in  
23 an office, in a large office building?

24 MR. GALANEK: We have found people go to work during  
25 the day and write book at night.

26 COMMISSIONER MOORE: And what you're telling us is  
27 something that basically we already know, if we stop to think  
28 about it a little bit, that there's just a tremendous number of

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1 people, people like me, people like John -- John probably does  
2 it -- would bet on a University of Mississippi football game  
3 against Auburn University.

4 MR. GALANEK: Correct, sir.

5 COMMISSIONER MOORE: And they place these through a  
6 bookie, and this is backed by the Mob, so to speak.

7 MR. GALANEK: That is correct.

8 COMMISSIONER MOORE: And I think that the problem  
9 facing America, I think there's a lot of moral fibers there. You  
10 know, I keep using this term and I've been told not to use  
11 morality on a government thing because it's not right to talk  
12 about someone's morals. But all of us are weak in that, in my  
13 opinion, and I think that that has to do with casino gambling,  
14 any kind of gambling.

15 I don't think that I'm going to hell -- and I've said  
16 this before -- because I might gamble a little every now and  
17 then. Football, I mean, it don't even have to be the Mob. I  
18 mean, about every office building in this town, when the Saints  
19 play or when Tulane University -- now that they've won a few  
20 games -- plays, have a football pool.

21 MR. GALANEK: You're right. Super Bowl pools at the  
22 end of the year, there's not an office in America that doesn't  
23 have one.

24 COMMISSIONER MOORE: So after all your work in  
25 this -- and as you say, if they get caught, they get their hands  
26 slapped, perhaps. And you said in New York, the guy that places  
27 a bet is not held responsible. Right?

28 MR. GALANEK: Correct. Only the receiver of the bet.

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1 COMMISSIONER MOORE: So with all your experience, how  
2 does America address this?

3 MR. GALANEK: I believe legalizing is definitely an  
4 answer, but, you know, it is purely my own belief. Watching what  
5 has gone on in New York, like I said, the illegal horse wagering  
6 went down a tremendous amount once they got legalized off-track  
7 betting -- but it's mismanaged.

8 Because I have some knowledge of Nevada and how it's  
9 run there, I like that as a role model: really having private  
10 citizens, private businessmen set up operations but strictly  
11 monitored by state and federal laws. And the violation there,  
12 there's where the morality comes in. And we all know it is  
13 profitable to run a sports betting operation, it is definitely  
14 profitable to do it. Well, if it's so profitable to do it, then  
15 you should be willing to conform to certain strict measures of  
16 law. You cannot associate with what we know to be known members  
17 of organized crime; you cannot associate with the criminal  
18 element and run this business. Because you know what? As you  
19 stated, people like to bet on their local games and everyone is  
20 involved in this, and there are sports betting pools, the Super  
21 Bowl pool, almost every office in this country has one when it  
22 comes down to it, and these are not criminals, these are citizens  
23 of America, these are honest people. But how do we get to do  
24 that and not be involved with the criminal element.

25 Now, you're talking about the college kid that's a  
26 bookmaker, or the guy in the local bar that takes a bet on a  
27 game. These people don't maybe deal directly with organized  
28 crime, but organized crime ends up being the last stop for this

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1 money going out because, as we know in any betting operation, you  
2 need what we call outs or lay-off places when you accept too many  
3 wagers.

4 If you eliminate organized crime as the last place to  
5 lay off the wager -- meaning private businessmen, once again, who  
6 have the money to handle this wager, you do it. I can give you  
7 no better example than this.

8 Ten years of doing this, there's three days of the  
9 year that is a bookmaker's holiday: the day before the baseball  
10 All Star game because there's no games, the All Star game because  
11 it's only one game, and the day after the All Star game. That's  
12 bookmaker's vacation; that's their Christmas, Easter and Rosh  
13 Hashannah rolled into one.

14 Well, what do the New York bookmakers do on their  
15 three days that they don't have to sit in a room and take bets?  
16 Well, they all get on a plane and go to Las Vegas. Because you  
17 know what? It's fun to go bet and not get in trouble. They can  
18 actually take their monies and go bet somewhere and go play. So  
19 when given the days off, what do they do? They choose legal  
20 gaming.

21 MR. deBUEYS: If I may comment. I think the more you  
22 increase gambling, the more you proliferate the number of people  
23 who are gambling. Particularly lotteries and video poker brings  
24 gambling practically to the doorstep of every person in this  
25 country. You break down moral fiber. It's a vice because it's  
26 getting money the easy way without working for it. And if we  
27 want to remain a strong nation, we have to be role models for  
28 kids so that they'll learn that the only way to go is to work

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1 hard, study hard, and make them functional to make their own  
2 living in society rather than on risk-taking.

3 Usually risk-taking is a door entry into some of the  
4 more exciting things like drugs and whatnot, and it's the young  
5 people in this country that are really getting addicted and it's  
6 a real danger for our future because it creates problems. I  
7 think gambling addiction is probably more serious a problem than  
8 alcoholics. It's a thing that by itself it's nothing, but in the  
9 aggregate can undermine us.

10 And there's nothing wrong with gambling. In  
11 Louisiana it's still okay to gamble at home if you play poker or  
12 whatever you're doing. So long as the house doesn't get a cut;  
13 that's legal. That's the way it used to be, and if we want to  
14 really restore this country, we need to go back to that type of  
15 situation and stop trying to make the easy buck.

16 We're sucking millions -- in fact, it was a billion  
17 and a half dollars spent on riverboat gambling in the aggregate  
18 this year, and you can bet that a large portion of the money  
19 would have otherwise been spent.

20 COMMISSIONER WILHELM: I just have a brief comment  
21 and then a question. The comment is addressed to your testimony  
22 Detective Galanek which I find extremely interesting because  
23 although this Commission's charge is to study legal gambling,  
24 we've heard testimony that the prevalence of gambling -- which  
25 is, by definition, illegal among adolescents -- is epidemic, and  
26 it's been asserted to us in testimony that adolescent gambling is  
27 the seedbed, sort of, for adult problem gamblers.

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1           And it's also been testified to us that, particularly  
2 among male adolescents, that sports betting -- which is illegal,  
3 by definition, if you're underage, and it's also illegal, as you  
4 point out, everywhere in the United States except in Nevada -- is  
5 the sort of primary route, at least for adolescent males, as well  
6 as, to a lesser degree, for adolescent females into the world of  
7 betting.

8           So given the focus of a lot of the previous testimony  
9 on young people, I think your testimony is extremely provocative,  
10 and I appreciate your making the trip.

11           Mr. deBrueys, I have a question. You testified  
12 extensively today about historical information with respect to  
13 Las Vegas and Atlantic City. You indicated, at least I thought  
14 you indicated, in passing, on the organized crime issue that that  
15 picture had changed as a result of law enforcement activity in, I  
16 think you said, the last 12 or 13 years. We've had other  
17 testimony about crime in Nevada more currently which is a  
18 different picture from the historical information that you've  
19 conveyed to us today, and I just wonder, for the record, whether  
20 you have any current up-to-date information with respect to crime  
21 of either kind in Las Vegas and/or Atlantic City.

22           MR. deBRUEYS: No. Unfortunately, I've spent my last  
23 three years in non-compensated work as a power of attorney for  
24 four sick people.

25           COMMISSIONER WILHELM: That's fine.

26           MR. deBRUEYS: I do know it has changed, and I'd say  
27 where it has changed it would warrant an investigation to see if,  
28 in fact, it did change. That's just good professionalism.

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1 COMMISSIONER WILHELM: Sure.

2 Does anyone have any further questions? Thank you  
3 both very, very much for coming out. And again, I want to assure  
4 you, as well as others who may testify, that in spite of the fact  
5 that we're missing some of the commissioners, that your testimony  
6 will be in the record and will be given full and complete  
7 consideration.

8 COMMISSIONER MOORE: I'd like to ask one more  
9 question.

10 COMMISSIONER WILHELM: Dr. Moore has one more  
11 question.

12 COMMISSIONER MOORE: One more question. In your work  
13 in New York City -- and when we say the Mob is involved behind  
14 this which I think I knew that already -- how many different  
15 groups of the Mob do you think are in place? And I know that New  
16 York City is larger than Pascagoula, Mississippi. How many gangs  
17 or families?

18 MR. GALANEK: Well, we have five major families in  
19 New York, and one thing that they can always cross party lines  
20 on, these Democrats and Republicans of the organized crime world,  
21 is sports gambling, and when you can make money, you make all  
22 sorts of bedfellows.

23 And like I say, when I did that undercover operation,  
24 every Thursday night was a meeting of this particular Gambino  
25 crew, and I always used to like to refer to it as -- they used to  
26 set up what would be like a table setting in like a horseshoe  
27 type shape with the head of this particular group sitting there  
28 and the power structure around.

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1 Well, they always left seats at the end for what I  
2 referred to as guest gangsters of the week, members of other  
3 organized crime families. And gambling and the profits from  
4 which were always discussed and monies always distributed, and  
5 that was one thing that they always had in common. They had pipe  
6 dream plans like Ralph Cramden in "The Honeymooners" but the one  
7 thing that was solid was that betting every day.

8 COMMISSIONER WILHELM: I'm not even going to ask who  
9 runs the pool in Pascagoula.

10 (Laughter.)

11 COMMISSIONER WILHELM: Thank you very, very much.  
12 Appreciate you coming and appreciate your testimony.

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