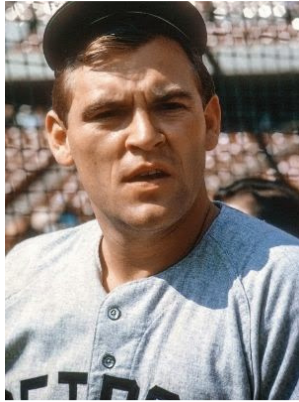


The Baseball Legend Who "Robbed the Mob"



McLain in 1968

Playboy Magazine: Denny McLain, Star Pitcher or Mafia Traitor?

From the story by Matt Birkbeck

Bob Weaver, then head of the Secret Service's New York Electronic Crimes Task Force, was trying to make sense of the trove of transcripts from the wiretaps, a difficult task since gangsters often spoke in code. Of particular interest were discussions among several men about long-distance phone cards, including this 1996 conversation between Junior Gotti and his driver and lieutenant, Anthony Plomitallo. The gangsters were concerned about the need to have several brands of phone cards lined up to replace the ones that would eventually be shut down once the carrier realized it was never getting paid.

"You never get jammed up," says Junior on tape. "But if it happens we have several cards, you come right to their stores and you bring the other cards in. Pump them right in. Tell them having a problem with the other card, 'Here, take this card.'"

Weaver suddenly understood: The Mob was selling international calling cards to immigrants, busting out the cards and replacing them with new ones.

The scam was simple. The Mafia widely distributed cheap phone cards in neighborhoods throughout New York and other big cities with large immigrant populations. The cards, which sold in valuations of \$5 to \$20, promised buyers blocks of minutes to make international calls at the lowest rates available. Some cards worked, if only for a brief time, while others only returned busy signals. Customers would demand refunds, but the distributors would simply pull the cards out of circulation and flood the streets with replacements. The companies supplying the minutes, including AT&T and MCI, would get stuck with unpaid invoices while the Mob got rich.



Junior Gotti: Did someone steal from the young mob boss's prepaid phone card racket?

Weaver determined that the operation was indeed a violation of 18 U.S. Code Section 1029, which refers to “fraud and related activity with access devices”—in this case, phone cards. It was the perfect crime for the Secret Service to investigate.

Perrotta and Weaver were assigned to the case along with Gaudio, who was cross-designated and sworn in as a deputy U.S. marshal. Vincent Heintz, a Bronx assistant district attorney known for his aggressive style and strict moral code, was sworn in as a special assistant U.S. attorney and given charge of the investigation.

The small team moved quickly throughout most of 1997 and executed search warrants across the country, accumulating evidence that, along with additional wiretaps, included financial records and tens of thousands of phone cards with names such as Smile & Dial, UTC, MVP and Liberty Tel, which was distributed through Junior Gotti’s company Nic O Dan Communications.

By the fall, the Secret Service team had connected nearly all the major Mob families to phone cards, but it hadn’t answered one major question—who was selling them the minutes?

Perrotta started over. He reread the wiretap transcripts, scouring for clues, until he came upon the name of one firm, Tel-Central Communications, that had been mentioned often by several of Junior Gotti’s associates. According to bank records, Tel-Central Communications was based in Brighton, Michigan, and its president was a Dennis McLain who had a lengthy rap sheet and had recently been sent to prison for stealing \$3 million from the pension fund of a meatpacking plant he had owned.

“All I knew he was some guy who was in prison for ripping off a meatpacking pension fund,” says Perrotta. “I had no idea who he was, and I didn’t know how he got hooked up with all these Mob guys.”...

...

In November 1997, agents from the U.S. Secret Service, the FBI, the New York Organized Crime Task Force and various federal prosecutors milled around with nervous anticipation. McLain had been transferred from the McKean federal prison in northwestern Pennsylvania to a holding cell at the Westchester County jail, just north of New York City. Now he was en route to the U.S. attorney’s office in White Plains.

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story still nagged Perrotta and other members of the Secret Service team. What was he hiding?

Agent Perrotta stood among the officials. Just a month earlier, Perrotta had reached McLain by phone at McKean. After introducing himself, he explained his investigation into the New York Mafia and the millions it was reaping selling international phone cards. Perrotta explained that McLain's small firm, Tel-Central Communications, had been identified in wiretaps as a major supplier of minutes for the Mob's phone cards, including those owned by John Gotti Jr.

Perrotta then told McLain that if he cooperated he'd be released from prison and sent home. He also offered McLain the opportunity to enter the Witness Protection Program.

"I said, 'You need to tell me about Gotti Jr.'s involvement in phone cards and lay out the entire scheme,'" says Perrotta. "He said, 'Absolutely, but you have to get me out of here.'"

It was a watershed moment, not just for Perrotta but for the entire U.S. Secret Service. The penalties for telecommunications fraud not only called for lengthy prison terms but required each offender to pay financial restitution. That restitution included treble damages, a statute that required the court to triple the amount of damages determined by a jury. By Perrotta's math, that exceeded a whopping \$100 million.

The young agent, his heart racing, knew that McLain could do something no one else, not even the FBI, could—bring the Mob to its knees. And not just the Gambinos. Other Mafia families, including the Bonannos, Colombos, Genoveses and Luccheses, had all been in business with McLain, buying his minutes and circulating their own fraudulent phone cards.

So when McLain was finally escorted into the federal prosecutor's office in the northern New York City suburb, Perrotta darted over and introduced himself to the hulking six-foot-one, 280-plus-pound man, who raised his shackled hands and bellowed, "Hi, Nino, I'm Denny!"

For the next several weeks McLain told his story in between frequent jokes, requests for Kentucky Fried Chicken and offers to sign his name on baseballs, paper napkins or anything else the law enforcement officials could muster. By the end he had admitted to stealing \$6 million from his carrier, MCI.

Prosecutors, evidence in hand, wanted him to admit to stealing more than \$30 million. "We were going down in an elevator after the first session. Denny was all happy and said, 'How'd I do?'" recalls Perrotta. "I said, 'Not good, Denny. We know it was a lot more, and the U.S. attorney isn't going to settle for anything less.'"



The investigators had wiretap transcripts of Junior Gotti discussing his phone card operation and others in which Gotti's lieutenants spoke about McLain by name. Perrotta says McLain admitted to meeting with several mobsters, but he never implicated Gotti and vehemently denied ever meeting him.

It was a shrewd strategy. The former pitching legend was trying to paint the corners of the plate, admitting only what he believed was enough to send him home to Michigan but never giving prosecutors what they wanted, which was a full confession. Frustrated, investigators sent McLain back to prison.

"Each day he would come up with some cockamamie story about why something happened," says Perrotta. "One day he wants to tell us everything, then he backs off, and we didn't know why." Even without McLain's testimony, prosecutors believed the evidence in the phone card case was among the strongest in a 60-count indictment handed down in January 1998 against Junior Gotti and many of his lieutenants. Denny McLain was also indicted. The phone card charges were so potentially damaging to the Mob, they caught the attention of Junior's infamous father, who was filmed at the Marion federal penitentiary in Illinois expressing deep disgust over his son's "stupidity" during a visit from his brother Peter and daughter Victoria.

"I read this indictment, and I'm ashamed of it," said the senior Gotti.

Most disconcerting, said Gotti, were the forfeiture acts associated with the phone card charges. Gotti knew that if his son was found guilty, he would not only spend years in prison but, more important, be on the hook for tens of millions in restitution. Likewise, a successful conviction would rattle members of other Mob families, given that they would be subject to similar charges and restitution.



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Deregulation of the telephone industry in the mid-1990s led MCI, AT&T and several other large carriers to seek alternative sources of revenue. The solution was to sell millions of international long-distance minutes to resellers. Those resellers in turn slapped the minutes onto prepaid phone cards. On the back of each card were identification numbers that the reseller activated via servers, or switches, when the card was sold to a retail store.

It was a new industry and a lucrative one, with the carriers reaping profit margins of 50 percent and more. Some of the resellers were legitimate companies, while others were opportunists, charlatans and criminals who joined the business thanks to the carriers' generous credit terms. Enter Denny McLain, a famous former athlete with an entrepreneurial spirit and a name recognizable enough that he was able to strike a deal with MCI in 1994 that gave him millions of dollars in credit to buy long-distance minutes.

Although McLain had minutes to sell via his MVP cards, he had no distribution. But the Mafia did—lock, stock and every street-corner bodega. While it's unclear how McLain initially made contact with the wiseguys in New York, the Secret Service cultivated two confidential sources who laid out McLain's entire phone card operation.

The first source was his son-in-law, Mark Lauzon, whom Perrotta summoned from Michigan to White Plains in December 1997. In his statement to the Secret Service, Lauzon told investigators he joined McLain in the spring of 1995 to help run Tel-Central's office. Soon after, he traveled with McLain on business trips to the New York area, where they met with several men, including Elias Maalouf and Michael Zambouros, both of whom had long-standing ties to organized crime. The two had been distributing McLain's MVP card along with their own Smile & Dial and UTC cards. During their meetings, said Lauzon, checks as large as \$100,000 were passed from Maalouf to McLain.

On another trip to New York, Lauzon claimed, he and McLain met with several other men, including Junior's driver Anthony Plomitello, who was representing the Gotti family's Liberty Tel phone card. Junior had heard about the lucrative phone card business and wanted in, but Plomitello wanted McLain to sell the Liberty Tel card minutes for below cost, offering, for example, calls to Jamaica for 39 cents a minute when McLain got them from MCI for 60 cents. Gotti's plan was simple: Flood the streets with the cheaper cards and drive out the competition. McLain readily agreed.

Lauzon then relayed how Plomitello had threatened him and McLain, explaining in no uncertain terms that he expected Gotti's card to be a success.

“[Plomitello] said his people—my understanding, organized crime—would be angry and Denny could get hurt,” Lauzon told the Secret Service. “The statement to me was very intimidating, and I felt my life as well as family, including Denny, could be endangered...because of who Anthony claimed to be associated with.”

On October 24, 1998, the Secret Service secretly flew its second source to New York's LaGuardia Airport and transported her to a local Marriott hotel. Paula Hughes, McLain's account manager at Tel-Central, signed documents agreeing to become confidential informant number 99-233. Over the following hours, Hughes walked investigators through the inner workings of McLain's phone scam.

According to Hughes's statement, McLain set up his operation using two computer servers, or switches, in Detroit and one in

Jefferson City, Missouri, to facilitate the call volume from his customers. From his laptop, McLain set the rates and activated the cards sold by his Mafia partners.

But unbeknownst to his partners, McLain manipulated the previously negotiated international long-distance rates, raising them during nights and weekends, when calling was heaviest. Customers had no idea they were burning minutes faster and being cheated out of time, which forced them to buy more phone cards, increasing McLain's profits.

Hughes claimed she pleaded with McLain to stop toying with the Mob's cards, but to no avail. Even his deal with Gotti's Liberty Tel card was subject to McLain's machinations, she said. While agreeing to sell Gotti Jr. international minutes at below-market rates, McLain secretly hiked them with a couple of keystrokes on his computer.

According to Hughes, not only was McLain bilking his customers and cheating MCI, which continued to extend him credit, he was also stealing from the Mob.

Hughes also described meetings she attended in New York with McLain and several "Mafia types," including Zambouros, who she said passed along leather bags filled with cash. Tel-Central's revenue, she said, was deposited into McLain's personal bank account. Hughes claimed that McLain, a licensed pilot, would routinely load his plane with garbage bags filled with cash and fly to the Cayman Islands, where the money would be deposited in offshore accounts safely hidden from investigators and the Mafia.

Fortunately for McLain, he never had to account for his money or his dealings with the Mob. By January 1999 the U.S. Secret Service case against Junior Gotti, McLain and others was believed to be so airtight, then U.S. attorney Mary Jo White (now head of the U.S. Securities and Exchange Commission) petitioned the court to split Gotti's case into two trials, one for the phone card investigation and another for charges that resulted from the FBI probe, ranging from racketeering to extortion.

But something was amiss.

Behind the scenes, prosecutors had begun to quietly negotiate a plea agreement with Junior Gotti's attorneys. The initial deal on the table included a guilty plea to phone card fraud and the onerous financial hit that came with the charges. Junior refused.

After several more weeks of discussion, Junior agreed in April 1999 to plead guilty to several counts, including racketeering and extortion, as well as to pay a \$1 million fine and give up several properties. Lesser Mob members also received prison terms.

The Secret Service's phone card investigation was dropped.

Vincent Heintz, the Bronx assistant district attorney who headed the Secret Service investigation, was so furious with the decision that he leaked word of the pending deal to the New York Daily News. Heintz was subsequently removed from the investigation but not before he relayed his deep concerns about Mark Pomerantz, who was appointed head of the U.S. attorney's criminal division in New York in 1997, after the phone card probe had begun, and who had personally taken part in the Gotti plea negotiations.

Pomerantz's appointment and participation raised red flags within the Secret Service, given he had ties to Junior Gotti's uncle Gene, who was sentenced in 1989 to 50 years in a drug-trafficking case. Pomerantz's law firm represented Gene Gotti in that case, and Pomerantz personally represented Gene in his 1991 appeal, which was denied. Pomerantz declined to comment for this story.

"There was a shift from Vince Heintz to others and Pomerantz," says Bob Weaver, who retired from the Secret Service in 2004. "That upset a lot of people who thought Pomerantz should have recused himself in the case since he defended Gene Gotti. They never sat down and explained to us why they cut a deal. It had a lot of people scratching their heads."



Yet another festering issue was the strained relationship between the Secret Service and the FBI. The dueling agency turf war had become such a distraction that prosecutors spent much of their time resolving complaints, mostly from the FBI. The FBI's New York bureau had spent years infiltrating New York's Mafia and did not take kindly to the Secret Service intrusion.

The FBI was also embarrassed that it was the Secret Service and not the bureau that had uncovered the phone card scam, especially since the FBI had the first crack at McLain. In April 1997, months before he ever spoke to Perrotta, McLain was flown to New York after voluntarily agreeing to discuss his phone card business with the bureau in hopes that his cooperation would help get him out of his prison sentence for pension fraud. According to the FBI investigative report detailing the encounter, McLain relayed how several mobsters wanted to take his company Tel-Central public. It was a typical Mob con—artificially pump up the company stock from an initial price of \$5 a share to \$20 and then dump the overvalued stock on clueless investors, thus earning huge profits for McLain and his partners. But since the deal never materialized, the FBI lost interest and sent McLain packing back to prison.

Six months later, FBI officials were stunned to learn the details of the Secret Service case, and their already frosty relationship with the agency went ice-cold.

"There was a lot of competitiveness and strained relations between the agencies," says Andrew C. McCarthy, who headed the U.S. attorney's White Plains office and had negotiated Junior Gotti's plea until those discussions were taken over and finalized by Pomerantz. "I had to do a lot of refereeing."

Most disconcerting to the Secret Service was its inability to seize McLain's money. A special asset-forfeiture team had tracked his accounts in the Cayman Islands, and the Secret Service was ready to seize them once McLain was convicted of phone card fraud.

"The money was not lost on us. We knew where it was," says Weaver. "But we couldn't go in unless he was convicted."

In July 1999 all charges against McLain were dropped and his money in the Caymans remained untouched.

"He had all that money tucked away in the Caymans, and he didn't want to admit to us he stole more than \$6 million, because he didn't want to tip off the Mob," says Perrotta. "That was his secret."

<http://www.cosanostranews.com/2014/09/the-mvp-who-allegedly-robbed-mob.html>