

DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.



FACT SHEET ORGANIZED RETAIL CRIME

BACKGROUND

Organized retail crime (ORC) is criminal activity that involves professional theft rings that steal merchandise from grocery stores, drug stores and other retailers in large quantities. ORC results in higher costs to retailers and consumers, because it causes retailers to make significant security investments that are eventually passed on to consumers.

State and local governments also lose, since they are denied an important source of tax revenue that would result from legitimate sales. State tax revenues are reduced by an estimated \$1 billion a year due to ORC.

Growing evidence shows that ORC helps fund terrorism. The FBI has acknowledged a direct link between Middle Eastern terrorist groups and organized theft from retail outlets. The stolen products are then resold at venues such as flea markets and swap meets and over the Internet.

ORC is not shoplifting – it's a bigger, more serious crime that involves an organized network of thieves and fences. ORC rings typically target popular consumer goods that can easily be stolen and resold such as infant formula and other baby food, over-the-counter drugs, razor blades and batteries. ORC has become so rampant in certain product categories that a number of supermarket chains are taking the products off the shelves and placing them behind the counter or under lock and key. In some cases, products simply are not readily available because of high pilferage rates, which causes a major inconvenience to shoppers who need the products for their children or others.

FISCAL IMPACT

- Nationally it is estimated that ORC costs retailers \$34 billion annually.
- ORC losses at Safeway exceed \$100 million annually.
- Retailers aren't the only ones who pay for ORC. This crime costs state and local governments over a billion dollars annually in lost sales tax revenue.

HARM TO CONSUMERS

Stolen products sold to consumers can be dangerous. Sellers of these goods frequently change the expiration date on packages so they can sell out-of-date baby formula or over-the-counter medications. Consumer products subject to a recall may also be sold to unsuspecting consumers. These products require proper storage and handling – issues

for which ORC thieves have little regard. ORC also puts public safety at risk, since violence sometimes is a feature of ORC groups. The continued presence of organized criminals in retail settings threatens the safety of shoppers and employees alike.

GANG INVOLVEMENT

According to the FBI, violent gangs, particularly one called MS-13 which has its roots in South and Central America, have become a growing force behind organized retail crime. The MS-13 gang has factions located throughout the United States. Their penchant for violence is renowned. Members often arrive in the United States with fighting skills gained in military training and are particularly adept with machetes.

The Washington Post reported on September 28, 2004, that the MS-13 gang had held meetings with the terrorist group, Al Qaeda. The meetings were rumored to concern methods of smuggling humans into the US across Mexican borders. Police indicated that Al Qaeda had sought a partnership with MS-13.

TIES TO TERRORISM

There are other examples of organized retail crime ties to terrorist groups. For example, on March 29, 2006, nine members of an alleged Dearborn, Michigan-based based theft ring were arrested on charges of participating in a global scheme and sending part of their illicit profits to Hezbollah. The gang was involved in the theft of infant formula.

In June 2005, Texas law enforcement authorities uncovered a retail theft gang that specialized in reselling stolen infant formula. The gang wired proceeds to the Middle East. The FBI traced funds to terrorist groups such as Hamas and Hezbollah. Texas authorities seized some \$2.7 million in stolen assets, including \$1 million worth of infant formula.

In December 2005, FBI Director Robert S. Mueller III said that fencing operations working with gangs, such as MS-13, are suspected of providing support to terrorist groups such as Hamas and Hezbollah.

WORK WITH LAW ENFORCEMENT AGENCIES

We have worked with law enforcement agencies to uncover theft gangs, in Oregon, California and other states, but need more tools to stem the tide of organized retail theft activity.

SOLUTIONS

Currently, no federal law specifically addresses ORC and most state laws are inadequate. In thirty-four states, the felony theft level is over \$500, and seventeen of those have a felony theft limit of \$1,000 or more. As a result, thieves can steal hundreds of dollars of merchandise from a single store, then move to a different store, and in each case risk little more than a misdemeanor charge and small fine. We've apprehended thieves who possessed cards showing the felony theft level in various states they have committed crimes or may commit crimes.

As for potential solutions, Congress should:

- Provide adequate funding to fully investigate, identify and apprehend ORC criminals. Congress authorized \$5 million per year through fiscal year 2009 for the program, and congressional appropriations committees should provide that amount for each year.
- Provide greater oversight and licensing of any diverter that offers product for sale across state lines. This oversight should require diverters to maintain, for at least two years, proof of purchase of product offered for sale.
- Require Internet site administrators to ensure that sellers of three or more like items produce adequate documentation that they are licensed as a diverter under federal statute, or that they otherwise legitimately procured the product.
- Pass legislation that specifically defines penalties for individuals involved in the receipt and/or transport of product across state lines who knew or should have known the property was stolen.
- Strengthen penalties for ORC perpetrators who steal more than a specified value (e.g., \$1,000) over any 180-day period.
- Strengthen penalties for individuals or groups who sell or facilitate the sale of property they knew or should have known was stolen.
- Prohibit the sale of gift card and store merchandise vouchers over the Internet, at flea markets or swap meets.

Tuesday, August 1, 2006

Merchants unite against organized retail theft

By Anne D'Innocenzio

Associated Press

NEW YORK — Stores are worrying less about teens stealing CDs than about sophisticated criminals like Samih Fadl Jamal of Mesa, Ariz., the ringleader of a major organized-theft operation that stole and resold millions of dollars of baby formula throughout the country.

Such highly sophisticated groups have been targeting retailers for several years, but merchants are just starting to come together to fight organized retail theft, developing crime databases and establishing crime squads.

Organized theft costs the industry an estimated \$30 billion annually and rising. Customers also pay a hefty price too. The National Retail Federation, the industry's largest trade group, estimates that shoppers pay almost 2 cents on every dollar they spend to cover the cost of retail theft.

The increased focus on this issue was underscored earlier in July, when news broke that Wal-Mart Stores Inc., the world's largest retailer, will no longer prosecute one-time thieves unless they are between ages 18 and 65 and steal at least \$25 worth of merchandise.

Wal-Mart, which had a zero-tolerance policy, joins a number of retailers who are putting more of their energy into bigger shoplifting crimes.

But that doesn't mean that the nation's retailers are giving a free pass to petty shoplifters. They emphasize they are still going to catch and stop such thieves.

"This is not an invitation to petty theft," said Sharon Weber, a Wal-Mart spokeswoman. "We are hard targets for crime, and we intend to stay that way." In fact, Weber warned that the new policy is only a guideline for stores, and petty thieves will still be detained and prosecuted in many cases.

Unlike average shoplifters, who steal for themselves, those who are involved in organized crime steal the goods and resell them to flea markets, pawn shops or on the Internet. They typically focus on specific brands and products that carry a high resale value, are in constant demand and have a high profit margin, such as Gillette razors.

Both the NRF and the Retail Industry Leaders Association launched password-protected national crime databases online, which let retailers share information about thefts to detect whether they've been a target of organized crime. In the past, merchants had never shared information, so rings could hit various stores in one area without being detected.

Meanwhile, retailers like Gap Inc., Sears Holdings Corp. and Wal-Mart — all of which are participating in these databases — also have their own organized- crime squads.

This year, Congress authorized an organized retail crime task force run by the FBI. According to Eric Ives, the FBI's unit chief for the major theft division, the agency will develop its own crime database that may combine those of both retail associations.

Ives said that violent gangs, particularly one called MS-13 which has its roots in South and Central America, have become a growing force behind organized retail theft.

Thieves could also be criminals like Jamal, who employed more than 20 others to steal infant formula at stores around the country from 1997 to 2003.

Jamal was convicted last year of 20 charges and sentenced to 10 years in prison, the FBI said.

August 02, 2006

Retailers, FBI team up to fight organized theft

CHICAGO (Reuters) - The Federal Bureau of Investigation wants to crack down on organized shoplifting gangs, which steal more than \$30 billion a year from stores yet often manage to avoid prison.

A federal law signed in January mandates that the FBI collaborate with retailers and set up a national database to track these gangs, some of which can rip off 20 to 30 stores in a single day.

Retailers and law enforcement are hopeful that the database will give them the upper hand in fighting criminal gangs, but so far there has been little progress as the notoriously secretive retailers struggle over how to share information among themselves.

Eric Ives, head of the FBI's Major Theft Unit, said shoplifting falls under state jurisdiction unless at least \$5,000 worth of stolen goods crosses state lines. "This database is the secret to the whole thing," Ives said.

"Maybe Target alone, or Sears alone, or Macy's alone couldn't develop a case big enough to reach that federal threshold. When they combine intelligence, they might determine that the same criminal enterprise is hitting all the different companies, and now it would be easier to make a federal case."

Unlike petty shoplifters, who may steal for their own personal use, organized rings steal vast quantities to resell at flea markets, on Web sites or through other stores. They typically operate in gangs of perhaps a half-dozen people who travel up and down major highways, stealing as much as \$20,000 a day.

Retailers and police have trouble catching the thieves because they move fast, often crossing several jurisdictions and hitting many different chains.

That is where the database comes in. Stores would enter crime details whenever they suspected professional shoplifters had struck. The FBI could use that information to track the gangs, and other retailers would know to be on the lookout.

In the future, the database may help retailer predict where gangs are going to strike next.
BETA VS. VHS

The National Retail Federation, a trade group representing retailers, has a database that receives crime information from more than two dozen retailers, including Sears Holdings

Corp. .The goal is to have as many as 500 retailers contributing, said Joe LaRocca, vice president of loss prevention for the federation.

But there is a catch. Another trade group -- the Retail Industry Leaders Association -- has a rival database, and it is not clear which will become the national standard.

The NRF has more members, but RILA boasts some of the biggest players, including Wal-Mart, the world's biggest retailer.

"My fear is what I call the Beta-VHS problem," said Richard Hollinger, a criminologist and professor at the University of Florida. "It doesn't matter which (database) you pick. They're both very powerful. I just hope there isn't a fratricide effect," Hollinger said.

Ives said the FBI has been working with the NRF on its database for about two years, but RILA's would also be viable. Under the law, only one database will be supported.

Retailers don't like sharing information with competitors, but they are starting to realize that the best way to combat organized crime is to get more organized themselves. Even arch-rivals such as drugstore chains CVS Corp. and Walgreen Co. are cooperating.

"CVS and Walgreen -- there's no two bigger competitors," said Jerry Biggs, who coordinates the organized retail crime division for Walgreen. "When it comes to organized retail crime, we work together probably weekly."

Biggs said Walgreen will probably participate in whichever database wins, and he hopes other chains will do the same.

"Retailers can make a difference but ... it's going to have to be every retailer working together," he said.

Copyright 2006 Reuters

Shoplifting wars targeting the pros

81 percent of retailers in a survey say they have been the victims of organized thefts

By Reuters | August 3, 2006

CHICAGO -- Jerry Biggs tracks gangs of professional shoplifters who can steal \$20,000 worth of goods in a day, but one of his biggest breaks came from the theft of a single tube of toothpaste.

Biggs, who fights organized crime for Walgreen Co., said a trio of thieves had stolen at least \$68,000 worth of goods from the chain's stores in 2005.

The break came when an assistant manager spotted a man stealing toothpaste. Police stopped the man's car and found \$10,000 worth of over-the-counter drugs. "That toothpaste was being stolen for his own personal use," Biggs said, chuckling at the irony of a criminal gang busted over toothpaste.

Retailers like Walgreen and Wal-Mart Stores are less focused these days on individuals like Winona Ryder, the actress arrested for shoplifting in 2001, and more on organized rings, which cost the US retail industry more than \$30 billion annually -- a sum equal to total sales at Best Buy Co. last year.

Eighty-one percent of US retailers have been victims of organized retail crime, and 93 percent said the problem was getting worse, according to a survey by the National Retail Federation.

A typical gang is made up of a half-dozen people called "boosters," who travel along major highways, hitting 20 to 30 stores each day.

They aim for high-value items ranging from nonprescription drugs to designer clothing, and then either return them to the store for refunds or pass the goods along to a "fence," who sells the merchandise at flea markets, on the Internet, or to illegal wholesalers.

A big attraction for criminals is that the penalties for shoplifting are much milder than for other lucrative crimes, such as drug dealing.

"It's not that risky," Walgreen's Biggs said. "I could be caught with . . . cocaine worth about \$20 and go to jail for it. I could have a back seat full of diabetic test strips and, in some states, I get a ticket."

A 'political party' unveiled
Washington Times - Washington, DC
TODAY'S COLUMNIST
By Rachel Ehrenfeld
August 11, 2006

"Remember, Hezbollah is a political party within Lebanon... The problem is... that they're a political party with a militia that is armed by foreign nations," said President Bush earlier this week. "Political Party"? "Armed Militia"?

Hezbollah, which was established in 1982 as a terrorist organization, was finally designated in 1995 as such by the U.S. government. It was upgraded to the status of a global terrorist organization in 1997.

Hezbollah's evolution into a "political party" began in the 1980s. With Iran's generous assistance and guidance, Hezbollah established a network of educational and cultural institutions, as well as health and social welfare services. The latter included an Islamic health authority that operated pharmacies, clinics and even hospitals where thousands of people were treated every day. Hezbollah also established a construction company that not only built houses, mosques and schools, but also paved roads and even supplied water to Shi'ite villages. Particularly prominent in all of this was its contribution to the reconstruction of thousands of houses damaged in the battles with Israel in south Lebanon.

Such activities bought the loyalty of the local population. Hezbollah, like the PLO and Hamas, also maintained a Martyrs' Fund, which provided assistance to thousands of families of the dead, injured and imprisoned Shi'ites.

To maintain and expand its political-social activities in the Shi'ite community in Lebanon and elsewhere, Hezbollah needs large sums of money.

The \$100 million to \$120 million it is said to receive annually from Iran, and the weapons and supplies from Tehran and Damascus, are just a drop in Hezbollah's bucket. Where did Hezbollah's fund come from? By the mid-1980s, Shi'ite Hezbollah loyalists in Western Europe had quietly and effectively infiltrated local Muslim communities with the subversive aim of converting them to Ayatollah Khomeini's version of Islam, and of eventually gaining control over those communities. Countless legal and quasi-legal institutions - including religious, cultural and economic groups - were established to conceal these dormant Hezbollah networks; to finance their activities; to serve as a source for future recruitment of European-based terrorists; and to provide financial support for their attack.

Hezbollah's support comes from both legitimate and illegal resources. The legitimate channel includes charitable organizations operating worldwide, donations from individuals and proceeds from legitimate business.

Drug trafficking is a major money maker for Hezbollah, endorsed by a special fatwa by the mullahs. In addition to the production and trade of heroin in the Middle East and cocaine in and from South America, Hezbollah facilitates, for a fee, the trafficking of other drug smuggling networks. It cooperates, for example, with the Revolutionary Armed Forces of Colombia (FARC), the National Liberation Army (ELN) in Colombia and the "Abadan drug ring," a long-established Iranian drug network, allowing them to use the Hezbollah-controlled drug routes in Lebanon to transport heroin and opium from Iran and Afghanistan to Europe and North Africa.

Hezbollah's other illegal resources include: money laundering, illegal arms trading and smuggling; counterfeiting and selling currency (U.S.dollar - super notes) and goods (designer clothing and accessories); piracy of compact discs and DVDs; trafficking in humans; conducting elaborate import-export schemes with traders from India and Hong Kong to Ivory Coast, Belgium, and South and Central America. Hezbollah also extorts "donations" from Shi'ite, especially Lebanese immigrants in South and North America under the threat of physical harm or death.

Hezbollah operatives also generate huge profits from the theft and resale of stolen vehicles and baby formula; credit card, welfare, Social Security, and marriage, health care and insurance fraud; forgery of passports, drivers' licenses, and other forms of identification; arson; robbery; food coupon fraud; counterfeiting resident alien cards and drivers' licenses; telecommunications fraud, such as selling long-distance telephone access through fraudulently obtained services, and through cloning the identification of cellular phone subscribers.

The magnitude of Hezbollah's criminal operations serves not only to reap huge profits - estimated at \$6 billion in 2001 - thus enabling it to buy its way to the Lebanese parliament and government, but also facilitates Hezbollah's infiltration into their targeted countries, weakening the countries' economies while furthering their terrorist agenda.

Hezbollah should also be identified and designated as a global criminal organization. And while it continued to fund the vast social welfare system it put in place, enlisting more martyrs to their cause, Hezbollah spent no money to protect the "civilian" population in Lebanon because it does not consider them as such. Instead of building bunkers to protect their own Shi'ite brothers and sisters, members of Hezbollah spent fortunes to build fortified bunkers to launch war, and calculated death and destruction.

That, according to Hezbollah and their paymasters in Iran, is a good thing because only death and destruction will pave the way for the return of the mahdi, the 12th imam and Shi'ite supremacy in the world. This is the Hezbollah the president calls a "political party."

Rachel Ehrenfeld is director of American Center for Democracy and a member of the Committee on the Present Danger.

March 30, 2006

18 charged in smuggling case

U.S. attorney says group illegally brought in cigarettes, fake Viagra to raise funds for Hezbollah.

Paul Egan / The Detroit News

DETROIT -- The U.S. Attorney's Office on Wednesday indicted 18 people it alleged took part in a multimillion-dollar international conspiracy to smuggle cigarettes, counterfeit Viagra and other goods to raise money for the Mideast terrorist group Hezbollah.

The tobacco-smuggling operation was based in Dearborn and shipped up to \$500,000 a week worth of untaxed and low-tax cigarettes, according to a grand jury indictment unsealed Wednesday in federal court in Detroit. Part of the fundraising effort also involved the sale of counterfeit Viagra shipped from China and Eastern Europe, the indictment alleges.

"The enterprise operated from Lebanon, Canada, Brazil, Paraguay, China, North Carolina, Florida and the Dearborn, Mich., area, perpetrating crimes in the states of Michigan, California, Florida, Georgia, Illinois, North Carolina and West Virginia (and points in between)," the indictment alleges.

The federal government estimates the state of Michigan lost \$20 million in taxes as a result of the smuggling. There is no estimate of how much money went to Hezbollah, officials said.

Some smuggled cigarettes were supplied by Cattaraugus Indian Reservation residents near Irving, N.Y., the indictment alleges. Also, thousands of cartons were bought after they were stolen from the R.J. Reynolds tobacco company in Kentucky, the indictment alleges.

Tens of thousands of generic virility tablets were sold as if they were name-brand Viagra manufactured by Pfizer, the indictment alleges.

The alleged scheme, operated from 1996 to 2004, also involved the manufacture and purchase of counterfeit stamps placed on cigarette packages to show taxes had been paid on them.

"This indictment represents a major effort of our office," U.S. Attorney Stephen Murphy said.

Though no specific terrorism counts were part of the indictment, Murphy said the case is a key one in his agency's fight against what has become its No. 1 priority. Hezbollah, a group founded in 1982 to fight the Israeli occupation in southern Lebanon, is seen as a legitimate resistance force by many in Lebanon and elsewhere, but is deemed a foreign terrorist organization by the State Department.

The smuggled cigarettes were sometimes subject to a "resistance tax," which customers said would be sent to Hezbollah, the indictment alleges.

Imad Hamad, Michigan regional director of the American Anti-Discrimination Committee, said he objects to the stamp of terrorism being routinely placed on criminal cases involving Arab-Americans or people of Muslim faith.

"An indictment does not mean a conviction," Hamad said.

Nine men were arraigned in U.S. District Court in Detroit on racketeering charges Wednesday. The charges could bring up 20 years in prison and fines of up to \$250,000 for each accused. All but two were released on unsecured bonds and ordered to surrender their passports. A 10th man, Theodore Schenk, 73, of Miami Beach, Fla., is to be arraigned on April 10. The other eight men indicted are fugitives now living in Canada, Lebanon or elsewhere outside the country, Murphy said.

"The family is denying everything," said Maurice Herskovic, a lawyer for Imad Majed Hamadeh, 51, of Dearborn Heights, one of the men accused in the alleged conspiracy and arrested Wednesday. Friends and relatives of the men who attended the arraignment declined to comment.

Among those arraigned were three Hammoud brothers: Fadi Mohamad-Musbah Hammoud, also known as Fadi Musbah Hammoud, 33, of Dearborn; Majid Mohamad Hammoud, also known as Mike Hammoud, 39, of Dearborn Heights; and Jihad Hammoud, also known as Jay Hammoud, 47, of Dearborn. A fourth brother, Imad Mohamad-Musbah Hammoud, also known as Jacob Hammoud, 37, formerly of Dearborn, is a key figure in the conspiracy and a fugitive now believed to be living in Lebanon, assistant U.S. Attorney Kenneth Chadwell told the court.

Also arraigned Wednesday were Karim Hassan Nasser, 37, of Windsor; Youssef Aoun Bakri, 36, of Dearborn Heights; Ali Najib Berjaoui, 39, of Dearborn; Mohamad Fawzi Zeidan, 41, of Canton Township; and Adel Isak, 37, of Sterling Heights.

Indicted, but not yet arraigned, in addition to Imad Hammoud, were Hassan Ali Al-Mosawi, 49, of Lebanon; Hassan Hassan Nasser, 36, of Windsor; Ali Ahmad Hammoud, 64, of Lebanon, who is an uncle of the Hammoud brothers; Karim Hassan Abbas, 37, formerly of Dearborn; Hassan Mohamad Srour, 30, of Montreal; Naji Hassan Alawie, 44, of Windsor; and Abdel-Hamid Sinno, 52, of Montreal.

You can reach Paul Egan at (313) 222-2069 or pegan@detnews.com.

SUMMARY

MEDIA REPORTS --- MIDDLE EAST TERRORISM CONNECTIONS

ORGANIZED RETAIL CRIME

Detroit Free Press: March 30, 2006 – Nine members of an alleged Dearborn-based smuggling operation were arrested Wednesday, accused of taking part in a global scheme involving bootlegged cigarettes, phony Viagra and counterfeit tax stamps, and sending a cut of their illicit profits to Hezbollah. The gang was also involved in the theft of infant formula. The 37-page indictment charges the group with a racketeering conspiracy and lists more than 100 separate criminal acts by its various members.

The Detroit News: December 24, 2006 – The FBI is investigating criminal ties between members of the international street gang Mara Salvatrucha and fencing rings operated by Middle Easterners suspected of trafficking in millions of dollars in stolen medicine and other retail goods. FBI Director Robert S. Mueller III has said fencing operations working with similar rings are suspected of providing support to terrorist groups such as Hamas and Hezbollah.

The Christian Science Monitor: June 29, 2005 – In Texas, Operation Blackbird uncovered a retail theft gang that specialized in reselling stolen infant formula where proceeds were wired to the Middle East. The FBI has traced money from those traffickers back to nations where terrorist groups, such as Hamas and Hezbollah, are active. Texas authorities seized some \$2.7 million in stolen assets, including \$1 million worth of infant formula.

Texas Star Telegram: April 6, 2004 – Law enforcement authorities in North Texas successfully broke up an organized retail crime ring that specialized in the theft of baby formula, glucose strips, nicotine patches, razor blades and Viagra. The ring generated millions of dollars in illegal proceeds, some of which went overseas to countries such as Jordan and Egypt.

CBS News: May 11, 2005 – CBS News reported that this north Texas retail crime ring was investigated by the FBI's Joint Terrorism Task Force and other law enforcement agencies, including the alleged shipment of millions in illegal proceeds to the Middle East to help finance terrorist groups.

Wall Street Journal: February 27, 2004 – In North Carolina, four people were arrested on charges relating to the theft of infant formula and that the group could be part of a larger operation that resells stolen infant formula and funnels the money to terrorist groups.

Ohio G2 Bulletin: October 6, 2003 – Police in Cincinnati broke a money laundering scheme using dozens of convenience stores in the city's poorest neighborhoods. More than \$100 million was raised by selling stolen goods including cigarettes and teeth-whitening stripes. Police and prosecutors believe the money might have been used to fund terrorism around the globe.

The Arizona Republic: June 30, 2003 – A terrorism task force of federal and state agents arrested 15 individuals accused of trafficking more than \$22 million in stolen infant formula. These individuals are facing charges of conspiracy to commit interstate transportation, receipt of stolen property and conspiracy to commit money laundering.

Washington Post: August 12, 2002 – Arab gangs in Canada truck millions of tablets of pseudoephedrine – an over-the-counter medicine ingredient into the United States where it is sold to Mexican gangs that use it to manufacture methamphetamine. Authorities have tracked \$10 million in the gang's profits to the Middle East.