

CULTURE

THE CASE OF MOE DALITZ'S BAD PRESS

Alleged mobster sues 'Penthouse' magazine in largest libel suit in history

By **DAVID WEIR**

FEBRUARY 12, 1976



Bob Guccione addresses the audience formally whilst opening the Penthouse Adriatic Club at the Haludovo Hotel on Krk Island, Croatia, June 24th 1972.

Over the past quarter-century the name Moe Dalitz has become almost synonymous with organized crime. Dalitz was exposed two decades ago by the Kefauver hearings in the U.S. Senate as a top-level gangster whose associates included Lucky Luciano and Bugsy Siegel. At the time he was operating a Las Vegas casino and was an admitted ex-bootlegger.

Today, Morris B. Dalitz styles himself a legitimate businessman. Last May, together with three business partners, he brought the largest libel suit in history—\$630 million—against *Penthouse* magazine in an apparent attempt to throttle further probes by reporters into his alleged role in the mob. The four men hired a battery of high-powered lawyers, including an ex-Justice Department specialist on organized crime and former FBI agents, to fight the case.

At issue is an article entitled “La Costa: The Hundred-Million-Dollar Resort with Criminal Clientele,” by investigative reporters Lowell Bergman and Jeff Gerth in the March 1975 issue of *Penthouse* magazine. In their case study of the links between organized crime and legitimate business, the two persistent researchers uncovered the tip of a labyrinthine nether world.

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Dalitz and his partners—a confessed stock swindler and two real estate promoters—are the principal owners of the Rancho La Costa resort, allegedly a \$100 million joint venture between the Teamsters union and the mob. The plush 5600-acre country club and recreation spa located near San Diego was described in the *Penthouse* story as “established and frequented by mobsters.” It is also a popular hangout for the Teamsters hierarchy and certain government officials. John Dean has revealed that during the Watergate crisis Nixon’s top aides retreated there to map strategy.

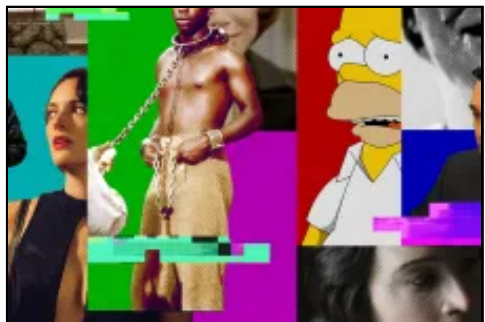
Dalitz’s three partners in La Costa and the suit are Allard Roen, 54, who was convicted of fraud in a \$5 million stock swindle, and two real estate promoters and builders, Mervyn Adelson, 46, and Irwin Molasky, 48. Adelson and Molasky are the principal officers in Hollywood’s. Lorimar Productions, which produces the wholesome television series *The Waltons*. The four men go by the acronym DRAM, based on the initials of their last names.

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of Los Angeles, now in private practice after a stint as the Justice Department's top specialist in West Coast organized crime. Sheridan's law partner, William Simon, was formerly the FBI's top expert on West Coast mob activities.

In addition, DRAM retained at \$3000 a month a San Francisco firm, Whittaker & Baxter, to handle public relations.

Dram also hired two ex-FBI agents to investigate reporters Bergman's and Gerth's backgrounds. They were able to report back that Bergman had studied in college under Herbert Marcuse, described as a follower of "Karl Marx's communist doctrines."

So far, the suit appears to have backfired on Dram. Bergman and Gerth, hired full time by *Penthouse* to investigate Dalitz and his partners for the defense in the suit, have introduced 30 books, 3000 pages of evidence and hundreds of clippings to document the case.

One document is a transcript of a 1964 conversation between Dalitz and the late heavyweight boxing champion Sonny Liston. "If you hit me, nigger, you'd better kill me," Dalitz is quoted as saying, "because if you don't, I'll make just one telephone call and you'll be dead in 24 hours."

In a taped interview obtained under subpoena by the *Penthouse* attorneys, Dalitz admits that he's known Meyer Lansky, the reputed financial wizard of organized crime, for 40 years. And in a quote which *Penthouse* says comes from an FBI wiretap, Dalitz worries about being seen with two Chicago mobsters, the late Sam "Mooney" Giancana and John Roselli. "I was seen with them. I don't think that's good. It ties the whole mob up."

Some law enforcement reports obtained by the author reveal that there may be prostitution rings at La Costa. One report introduced as evidence says Dalitz's ex-girlfriend, Kelly Mitchell, secured a personalized license plate—"GOP 1"—in 1972 and organized a call-girl service for the Republican Convention in San Diego before the ITT scandal caused it to be switched to Miami.

limited resources might have been driven out of business by the Dalitz suit. But Guccione is financially capable of a protracted legal fight.

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“The suit is designed to hurt us financially since the underworld can’t get to us legally,” says Bob Guccione, the magazine’s publisher.

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Guccione says he’s gotten a “solid wall of massive support” from the rest of the media. “Everyone’s opened their files to us. Some have said, ‘We were planning to break our own story about the underworld later in the year, but if our information will help your suit, you can use it now.’”

“All of the mob’s big shots around the country are backing Dalitz in this suit.” explains organized crime expert Hank Messick, the author of 13 books on the Syndicate. “What they are trying to do is destroy the right of reporters to delve into their personal affairs. If you’re not permitted by law to look into the backgrounds and associations of these people, you’re pretty much crippled as a reporter.

his associates are “public figures” and therefore valid subjects for journalistic scrutiny. Dram’s attorneys will now have to prove “actual malice” on the part of the writers in order to win libel damages.

Penthouse lawyer Alan M. Gelb hailed the decision as a landmark victory. “This was the most serious attack on freedom of the press since Richard Nixon and Watergate,” he said. “It’s the first time that such a large group of reputed organized crime figures have mounted such an attack.” Gelb has filed for dismissal of the suit.

Although Dram has no right of appeal on the public figure decision, its lawyers applied for “extraordinary relief and permission” from the order. They were turned down at the first appellate level, but are expected to take the issue to the U.S. Supreme Court.

In November, Michigan senator Robert Griffin introduced a resolution calling for a new McClellan-type probe of the Teamsters union and its links to organized crime, and cited La Costa as a glaring example of the rumored alliance.

Overdrive, a truckers’ magazine which has itself been sued five times during its ongoing look into the Teamsters and the mob, reports that the major financing for the luxurious La Costa resort came from loans from the Teamsters’ Central States pension fund totaling \$57 million.

The pension fund has about \$1.5 billion in assets, gathered from the union’s 400,000 members at a weekly rate of \$22 (soon to be increased to \$30.50). Industry experts believe that at most 80% and perhaps as little as 10% of the rank-and-file membership qualify for pension benefits.

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According to *Overdrive*’s Jim Drinkhall, Teamsters officials raised nearly \$1 million for Richard Nixon’s reelection.

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So it seemed especially fitting that Nixon’s first public “coming out” since his self-imposed exile was to appear in an August 1974 golf tournament with the top Teamsters hierarchy.

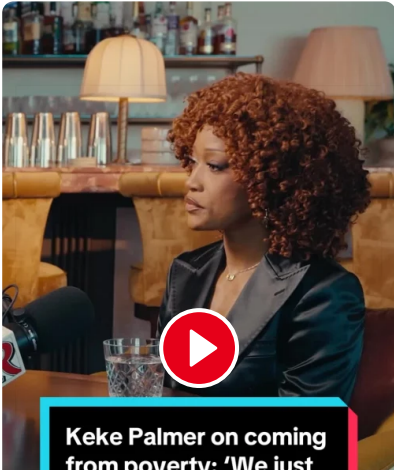
They played at La Costa.

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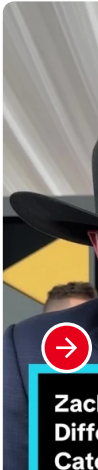
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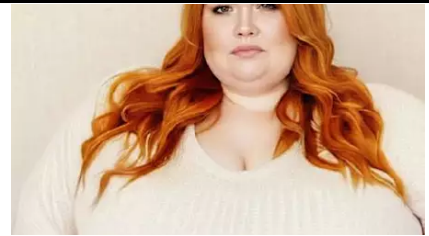


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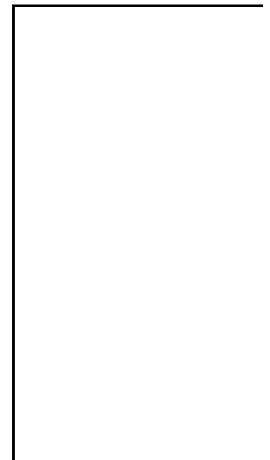
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