



NOMINATION
FOR THE
HERMAN GOLDSTEIN EXCELLENCE IN
PROBLEM SOLVING AWARD

Submitted by:
Carl Black, Lieutenant
San Diego Police Department
1401 Broadway
San Diego, CA. 92101

THE 501 BITTCS THE LA FRIPE INTERNATIONAL PROJECT

By Carl Black, Lieutenant
Special Investigations Unit

Introduction

The City of San Diego is located in the Southwest corner of the State of California, with a population of a little over one million. Nineteen hundred San Diego police Officers protect and serve this city. New businesses come to San Diego every day so it was no surprise when a French immigrant, Christian Philippe, opened a string of stores and began advertising that he would buy used Levi jeans. No one paid any attention to Philippe's Button Fly Levi stores until San Diego Police Officer Zdunich noticed an interesting anomaly and brought it to the attention of the Special Investigations Unit of the San Diego Police Department. This touched off a problem solving project that would last almost two years, involve several countries, and expose La Fripe International as a major stolen property ring involved in the buying and selling of stolen Levi jeans.

Scanning

In August of 1994, Officer Zdunich, working patrol at Central Division, arrested a petty theft shoplifter who had stolen several pairs of 501 Levi jeans from a Mervyn's Department Store, in Horton Plaza, downtown San Diego. The shoplifter had a receipt, for selling Levi jeans, from the Button Fly store located just a couple of blocks from the Mervyn's. The shoplifter told the officer

that the Button Fly store paid top dollar for new Levi jeans. This was not the first time in recent weeks the officer had heard this story. Mervyn's security staff as well as others had indicated stolen Levi jeans were going to this store. The officer went to the store and asked if they had been purchasing new Levi jeans. The store employees denied buying new Levi jeans, and were generally uncooperative.

The next stop Officer Zdunich made was the Special Investigations Unit (SIU) where she related the story to Detective Morris. She informed him of her suspicion that the Button Fly store at 612 F St. was buying stolen property. She advised him that this was not an isolated incident. She had accumulated information that numerous shoplifters were doing business at the Button Fly.

Detective Morris followed up by contacting the Mervyn's store at Horton Plaza. The head of security advised him that the theft of Levi jeans was increasing at an alarming rate. They believed the increase was due to the opening of several second hand Levi stores that were buying the new Levi jeans stolen from their stores. In further conversations with Mervyn's corporate personnel, Detective Morris found out that the Mervyn's stores in San Diego County were losing a million dollars a year in stolen Levis.

Detective Morris contacted the Levi Corporate Headquarters in San Francisco. They told him that Levi was not offering any retail sales licenses and they do not export or allow anyone else to export Levis made in the USA. The detective found out that these small used Levi stores usually do not sell Levis, but are a front for buying and exporting them abroad. In some countries, like

Germany where Levi does not sell American jeans, they can be sold for up to two hundred dollars a pair.

Based on the information developed so far, Detective Morris had a surveillance camera placed in a position where it could monitor the Button Fly store at 612 F St. The camera revealed that numerous subjects, who had external characteristics similar to drug addicts, were coming from the direction of Horton Plaza and entering the Button Fly store with apparently new Levi jeans. The camera also revealed that no one was entering the store and buying Levi jeans. At this point it was clear that the original information was correct.

In early October, Detective Morris arranged to have another SIU detective make a sale of "stolen" Levi jeans to the Button Fly store at 612 F St. The detective, wearing a body wire, sold the store employee three new pairs of Levi jeans with the original Penny's and Broadway Department Store price tags intact. These are the tags always kept by the store. The Button Fly employee took the tags off and gave them to the officer telling him "take these with you", then bought the Levi jeans. This transaction completed Detective Morris' scanning of the potential problem. By now he knew that Christian Philippe owned six Button Fly stores. He was absolutely sure there was a problem with fencing of stolen property at these stores, and that the problem had the potential of being a major county-wide problem.

Analysts

In October 1994, Detective Morris submitted a report to Sergeant Campbell outlining the problem involving the theft of Levi jeans and fencing of stolen property. By this time Morris had developed more detailed information and the sergeant decided it was time to bring the entire team into this project to formulate a comprehensive plan.

Sergeant Campbell met with the squad of eight detectives for a briefing and brainstorming session. They were informed that we apparently had a major fencing operation in San Diego County involving the theft and resale of new Levi jeans. The fencing operation was being masterminded by Christian Philippe, the owner of a string of six used Levi stores, and was costing the major Levi distributors in San Diego over a million dollars a year. Five of his stores were located in the City of San Diego, with one located in the City of El Cajon. The thefts of Levi jeans had been occurring at different department stores all over the county, with Mervyn's being the one incurring the biggest loss.

As of October of 1994, no one was taking an active interest in the problem, and in fact no one in law enforcement was probably aware of the extent of the problem. Shoplifters were being caught by different officers in different jurisdictions and no one was working on an overall solution. The people at Mervyn's and the other retail stores knew that their losses were sky rocketing and attributed it to the number of used Levi stores in business, but had no idea that Christian Philippe had initiated his own crime wave.

In essence, Philippe, by paying top dollar for new Levis, was providing quick certain cash for drug users and thieves in San Diego County. Philippe would pay twenty-eight dollars for one pair of new Levi jeans. If a thief walked into a department store and grabbed ten pairs of Levi jeans they would be guaranteed of making two-hundred and eighty dollars. If they got caught they would very probably only be charged with misdemeanor petty theft. However, the problem was not confined to retail stores. As we soon were to discover, people were having their Levi jeans stolen from washers and dryers all over the county.

Before the problem solving effort, many people knew of the widespread shoplifting and theft of Levi jeans. However, no one had put together the pieces to determine that in reality one person was behind most of the problem. The El Cajon Police Department had received complaints about the Button Fly store located at 1258 Broadway in their city. They made three sales of "stolen" Levis at the store and served a search warrant. They arrested two of Philippe's employees but that did not stop the problem. Philippe just closed down the store and his employees went to work at one of his other stores.

This brought us to the crux of our problem. Christian Philippe was behind the scenes of this

- entire operation. To continue making sales of "stolen" Levi jeans to his employees, then arresting them, would only provide us with a short-term objective. What we really had to do was show that Philippe knew the Levi jeans his employees were buying were stolen. The problem was that Philippe, though present at his various stores from time to time, never made any purchases himself.

The other problem faced by SIU was their other areas of responsibility. The unit could not devote all the detectives to this case full time, at the expense of other ongoing or new cases. Everyone knew this would be a long term project with a great deal of the work done "as you have time".

The decision was made that we needed more intelligence information on Christian Philippe. By the end of the meeting everyone on the squad was tasked with an assignment to help gather information, and make an airtight case. These tasks included:

- Using Officer Zdunich, in an undercover capacity, along with Detective Johns of SIU to continue selling "stolen" Levi jeans to all of Philippe's stores.
- Contacting the Internal Revenue Service as a resource to see what information they may have on Philippe, and if they were investigating him.
- Contacting the State Franchise Tax Board as a resource to determine what type of business licenses Philippe had, and to see if they were investigating him.
- Contacting the office of the District Attorney to advise them of what we had, and ask for a special deputy district attorney to be assigned to the case to assist, advise, and eventually prosecute.
- Contacting the Levi Corporation to advise them of the magnitude of the problem and see

if they would be willing to be a resource for us in the event our selling/ buying of Levi jeans exceeded our undercover buy money budget.

- Contacting the Mervyn's Corporation to determine what resources they could provide.
- Contacting the FBI to determine if they had any information regarding Philippe.
- Contacting United States Customs to determine what information they may have about Philippe exporting Levi jeans.

By December of 1994, everyone had completed their tasks and we had significantly more information about Philippe and his corporation, known as La Fripe International. Philippe had come to the United States from France recently, and mysteriously put together the funding to open six storefronts and a warehouse. All of Philippe's transactions were in cash. The IRS was already investigating him, and the Tax Board and FBI were also interested in his business dealings. Meanwhile seven more sales of "stolen" Levi jeans were made to Philippe's stores.

Response

In January 1995, SIU was ready to put their plan into action. The District Attorney had assigned Deputy DA Holman to assist. Detective Morris would continue as the case agent working almost full time on the project. He would continue to use Detective Johns as the undercover officer, to

try to gain Philippe's trust and eventually buy or sell Levi jeans to Philippe directly, thus showing his involvement with the stolen merchandise. Surveillance of Philippe, his storefronts and his warehouse became a priority.

Between January 1995 and January 1996, SIU continued to make sales to Philippe and collect surveillance information. As the information developed, it was discovered that Philippe's major outlet for Levi jeans was a Thai businessman from the Los Angeles area. On various occasions, this man was observed purchasing large quantities of Levi jeans from Philippe's warehouse. SIU followed him back to his warehouse in Los Angeles and was able to find out that the Levi jeans were being shipped to Thailand. Once this information was obtained, Community Service Officer Sayasith was brought in as a part of our team. CSO Sayasith, who works patrol at Western Division, speaks Thai fluently. Western Division loaned him to us to assist with the project. The original plan was to arrange an introduction for him with Philippe, so he could buy stolen Levi jeans directly from Philippe. However, Sayasith turned out to be more valuable to us for his ability to interpret as we continued to encounter more Thai speaking individuals. We soon discovered the connection was made through Thailand to deliver Levi jeans to Germany and Japan.

During the year the investigation was in full swing, the team put together link charts showing Philippe's business associates and employees. Many times the detectives had to participate in a practice fondly referred to as "dumpster diving"; searching the bottom of trash receptacles for paperwork pertaining to Philippe's activities. Some of the information retrieved showed Philippe

made \$24,000 in a four-day period. This particularly interested the IRS since he had submitted his tax records for the previous year indicating he had made only \$9,000.

There were two occasions when the team monitored Communications broadcasts of "grab and run" thefts of Levi jeans from department stores. A description of the vehicle and suspects followed. On each occasion SIU set up a surveillance at each of the Button Fly stores and waited. Within an hour, the suspects drove up in front of one of the stores trying to sell the Levi jeans. Each time this happened, the SIU detectives had patrol officers move in and take the suspects into custody. This kept our investigation from being revealed, making it appear patrol officers had just seen the suspect's vehicle. During one of these arrests we got lucky, Philippe was in the store when the suspects were arrested. We had an opportunity to question him as part of a normal routine investigation, and he denied any involvement in the store, claiming he was just there to buy.

During this time, the team worked very closely with DA Holman providing him with the information they had developed. DA Holman continued to evaluate the information and offer advice, until he felt there was a solid case against Philippe.

By January 1996, SIU had enough information to obtain search warrants for Philippe's house and all of his businesses, plus two businesses in Los Angeles. In addition, the Grand Jury handed down six indictments for Philippe and five of his employees. On January 31, 1996 the search warrants were served and Philippe was arrested. Over ten thousand pairs of Levi jeans were

impounded, many with store price tags still affixed.

Evaluation

After the arrest of Philippe, a press conference was held and all of the major television stations in San Diego ran the news of what had been happening with the stolen Levi jeans. A point of interest is that Channel 10 had become aware of our investigation about halfway through. They agreed to cooperate and wait until we were done with the investigation before breaking the story. The result was an excellent three-part story in which they referred to Levi jeans as "The Blue Drug". This story not only enabled people to realize what was going on with Levi jeans, but put the criminals on notice that stealing Levi jeans would no longer be lucrative.

In our follow up with Mervyn's, they stated their Levi jeans losses had virtually stopped almost overnight. Miller's Outpost told us that in the month after Philippe's arrest their Levi jeans losses went down 92%. Detective Morris received similar information from all the involved Levi distributors.

When Philippe and his Attorney were presented with all of the paperwork compiled by our investigation Philippe decided to plead guilty, as did his five employees. Philippe is currently awaiting sentencing for attempting to receive stolen property, a felony. The State Franchise Tax Board levied over \$600,000 in fines on Philippe, and the IRS is still trying to determine what he owes.

Detective Morris has continued to monitor the results of the project. He has remained in touch with the Levi distributors, and has continued to check on Philippe's activity, while he is out on bail. As of this writing Philippe is out of business. His stores are closed and have not reopened in any other locations. We estimate that these stores were making him about \$100,000 a month before we closed him down.

Due, in part, to the extensive press coverage, and Levi Corporation and Mervyn's satisfaction at what was accomplished in San Diego, the project is being used as a model for other cities experiencing similar problems. Salt Lake City has contacted us for information on how the investigation was conducted, and other manufacturers, most notably Este Laudar, are interested in what was done and how it was accomplished.

Philosophy and Organization

All of the members of the San Diego police Department have been through the department training on problem-solving, which is probably what prompted Office Zdunich to bring this potential problem to the attention of the Special Investigations Unit. All the SIU detectives are experienced detectives who have been involved in almost every type of case imaginable.

Detective Morris, as the case agent, initiated the problem-solving element of this case with concurrence by his sergeant. Once they determined there was a problem that needed to be addressed, they brought the situation to my attention. They knew that an operation of this magnitude was going to require a significant amount of overtime as well as large amounts of

money to buy Levi jeans. I requested, and was given, permission for unlimited overtime to work the case, and \$5,000 for buy money. Thanks to Detective Morris' resourcefulness we were provided with all of the Levi jeans we needed by Mervyn's. This is what we sold to Philippe as stolen merchandise. Detective Morris also got a commitment from the Levi Corporation for \$15,000 to be used in the event we had to make a substantial purchase of Levi jeans from Philippe. Although we never had to use the money, the availability of these resources were very helpful to our department's already stressed budget. The project cost our department several hundred hours of overtime, but it saved the business community possibly millions of dollars. Christian Philippe had built himself a financial empire at their expense, but now he is singing "I've got those 501 Blues."