

**"OPERATION PLASTIC EMPIRE":**

**A TASK FORCE APPROACH TO ORGANIZED PROSTITUTION**

by

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## ABSTRACT

Once the Vice Unit of the Metropolitan Bureau of Investigation (MBI) had eliminated such fixed base vice establishments as body scrubs, "peep shows" and other fronts for lewd acts and prostitution, the agents began to analyze the escort industry in their jurisdiction. They discovered more than 200 escort services were in operation, based on intelligence, advertising and direct observation.

With a commitment from the director down to the six-person unit and resources that included two state prosecutors, MBI devised a strategy for combating the escort industry problem that began with the premise that traditional police enforcement activity alone would not solve it. Prostitution thrives because of supply and demand, and the key to impacting it lies in disrupting the means by which these two elements make contact. Enlisting the assistance of the publishers of the escorts' advertising and local government regulators could not be undertaken until a convincing case could be made that the escort industry was, indeed, a front for organized prostitution.

After a two-year, multi-faceted approach, charges were placed against more than a dozen escort service operators and the number of escort services operating in MBI's jurisdiction was reduced by 98 percent.

## SCANNING

When an analysis of the escort industry in the spring of 1995 revealed more than 200 escort services were conducting business in Central Florida, the agents, supervisors and prosecutors of the Metropolitan Bureau of Investigation's Vice Unit knew the time had come to address the problem.

Other vice targets — fixed based vice establishments, such as body scrubs; "peep shows" and illegal massage parlors ~ had already been addressed and eliminated by MBI, a multi-agency task force created in 1978 to fill the need for a cooperative effort to combat organized, well-financed criminal enterprises operating across jurisdictional lines in Florida's Ninth Judicial Circuit. It is one of the few law enforcement entities which dedicates a portion of its complement solely to vice investigations ~ in all, five agents and one sergeant, a commitment representing only .004 percent of the total law enforcement population in Orange and Osceola Counties. Other resources include two state prosecutors assigned to MBI and the availability of highly technical equipment to support "sting" operations.

A 1995 staff study by Orange County (FL) Sheriff's Office Lieutenant Randy McKendree, then a sergeant assigned to MBI's Vice Unit, provided compelling reasons for developing a program to combat the escort industry's "invisible vice." The following are excerpts from that study, reprinted with his permission:

"Escort prostitution is a highly organized, clandestine and immensely profitable business in which women — and sometimes men ~ are controlled by structured enterprises run by "pimps" who profit from the escorts' sexual labors. These businesses use elaborate methods to evade detection by the police, including telephone call forwarding, frequent relocation, and the use of bogus names on business documents. If allowed to continue their illegal operations over time,

escort services develop institutional knowledge, accumulate large assets and hire attorneys. Once this occurs, the controlling hierarchy tends to become insulated and entrenched, making it difficult for law enforcement to dismantle the organization."

The study recognized that while there are a number of people who believe that non-street prostitution activity should be a low priority for law enforcement, MBI's experience has been that there are significant negative consequences of too little enforcement. Lt. McKendree identified two benefits typically derived from increased enforcement:

**"Increased public confidence:** the citizens of Central Florida have traditionally supported the suppression of illegal vice activity in their community. This is due in part to high community standards as well as the realization that maintaining a world-wide reputation for being a safe, family-oriented place to visit is crucial to Orlando's economy and standard of living.

**"Deterrence:** Other persons or organizations considering opening illegal vice operations in the community may feel there is too much of an enforcement risk and will choose to operate in another jurisdiction that is more tolerant of vice activities."

The study concluded:

"The consequences of not addressing the problem include erosion of public confidence, entrenchment of illegal escort organizations, the lowering of community standards, and a human toll that cannot be underestimated. Many of the young men and women recruited to be escorts soon adopt a lifestyle on the fringes of society and are susceptible to social health problems, addictions, assaults and incarceration."

## **ANALYSIS**

With the scope of the problem identified, MBI Vice agents began to develop strategies to combat an industry which rarely used fixed base locations and whose owners and operators maintained a practiced, "blind eye" strategy of publicly disavowing any knowledge of illegal acts on the part

of their stable of escorts while still profiting from the demand for prostitution. An escort business could operate with technology no more sophisticated than a cellular phone or pager and a means by which to convey a telephone number to potential customers. With local telephone directory yellow pages listing hundreds of escort service numbers available in every hotel room, customers had easy access to the most direct means of arranging their "dates."

Escort services unable or unwilling to purchase yellow page ads often visited hotel sites and left dozens of business cards in restrooms, elevators, lounges or similar locations on property. Other services advertised in local newspapers and other publications.

An early analysis of telephone records revealed that it was common for several escort service lines to be forwarded from telephone to telephone before converging at a single location, increasing access to the customer base and making it difficult for authorities to pinpoint the business' actual location. The logistics of putting an escort service into operation made it relatively simple for individuals to go into business with one telephone line or several. By charting their calls to the many services listed in local directories, MBI agents quickly identified and targeted the "pimps" who ran organized, multi-line operations.

## **PROBLEM RESPONSE**

The MBI Vice agents knew that their first task would be to establish unequivocally that escort services were in fact fronts for organized prostitution. Long nights in local hotels conducting "sting" operations documented the evidence that the escorts were providing "sex for sale" as well

as committing violations of local ordinances and state statutes. The agents realized early on that a strategy of "sting" operations would never, in and of itself, reduce the numbers of escorts nor impact the criminal organizations' finances to any significant degree; but the strategy did irrefutably document the criminal nature of the escort business.

The investigation gained momentum and depth when an MBI Vice agent took particular note of yellow pages advertisements offering customers the added convenience of using credit cards to charge their "dates." A 21-year veteran with an extensive background in intelligence, the agent knew that reputable banking institutions usually would not accept escort service merchant accounts. If a targeted escort service obtained a credit card merchant account by disguising the true nature of its business and then proceeded to conduct credit card transactions, agents could add multiple felony charges of credit card factoring and money laundering to the assortment of misdemeanor violations they had already documented.

A hotel "sting" operation arrest produced one credit card charge slip bearing the initials "EMS," which was traced to a merchant in Paramus, New Jersey. EMS had become the "merchant account" of choice for the credit card transactions of nearly 100 enterprises nationwide, the majority of them fronts for prostitution. EMS was cornering the market for the processing of prostitution-related credit cards ~ and charging 18 percent interest, nearly six times the going rate. MBI later discovered that EMS was also the subject of an ongoing undercover IRS investigation based in Dallas, Texas, called "Operation Out-Call."

In a meeting that took place at MBI in October 1995, the IRS agents from Dallas made it clear to MBI's Vice Unit that their timetable precluded overt enforcement action by MBI until the spring of 1996. Adhering to this timetable was one requirement that MBI had not anticipated, but which was worked out with minimal impact on the operation's progress.

An integral part of MBI's approach had always been that the agents, prosecutors and commanders "brainstormed" operational strategies. This activity not only conceptualized the problem at hand but also provided for an exchange of intelligence, agents' experiences, applicable policy and legal opinions from the prosecutors assigned to MBI. In the process, agents were trained with hard data, yet urged to be creative; and strategic plans emerged.

The multi-faceted strategic plan for MBI's role in "Operation Out Call" ~ already dubbed "Operation Plastic Empire" by the MBI vice agents -- had already begun with the enforcement component, a straightforward commitment to establishing the predicate criminal acts that would support racketeering charges against the operators of the escort services. Hotel "stings" continued to produce prostitution arrests, statements against the escort service owners, charge slips, and invaluable intelligence showing the organizational relationships among the many services. Former escorts were located and interviewed, as well as the "Johns" who had been identified.

By the end of February 1996, the IRS' "Operation Out Call" was at a point where federal search warrants were about to be issued for escort service operations in 24 cities around the U.S., including Orlando. MBI agents met with representatives from Florida's Office of Statewide Prosecution and developed state charges based on MBI's long-term "Plastic Empire" investigation as well as on data provided by the IRS in Dallas, targeting the owners of three escort service organizations operating in Central Florida for charges of racketeering, money laundering and credit card factoring.

On March 26, 1996 — referred to as "Super Tuesday" by the agents conducting the raids — 100 federal search warrants were served at the stroke of noon, Dallas time. Orlando's local media gave extensive coverage to the event as agents hit the homes, businesses and banks of the targeted owners. The arrests of the operators of 25 services in Central Florida soon had the local escort industry reeling. Many operators fled the area or went into hiding as news stories and the industry "grapevine" spread fear that more enforcement action could be expected.

Vice agents immediately began calling every remaining service and inviting the operators in to discuss the situation. Some of the owners chose that moment to relocate their businesses to another jurisdiction; others voluntarily signed forms requesting the telephone company disconnect their services' phone lines, in return for assurances that only those who remained in business would be targeted. The vast majority, however, chose to take their chances on maintaining a low profile until the law enforcement storm blew over. Many owners had availed themselves of the services of EMS, and they became the Vice Unit's new targets.

From the beginning, one of the most important tools in the enforcement phase of "Operation Plastic Empire" had been the telephone yellow pages. The original analysis of the number of escort services operating in Central Florida in 1995 had begun with a review of the advertisements in local telephone directories, and agents used the phone books to order escorts during their "sting" operations. An essential element of the escort industry's ability to operate successfully as a clandestine commercial enterprise was its easy access to advertising.

MBI Director Bill Lutz had already devised a strategy of convincing advertisers to eliminate the advertisements of local vice establishments. In October 1995, he had appealed to the **Orlando Sentinel** to remove "body scrub" parlor ads from the paper's Sports section, and the newspaper had done him one better: as of May 1, 1996, all such advertisements as well as the "Business Personals" section of the Classifieds — often used by escort services — were removed.

Convinced that corporations such as BellSouth and Sprint Donnelley would also "do the right thing" ~ that is, refuse to sell yellow page advertisements used to promote illegal activity, once evidence of the true nature of the vice industry was provided to their policy makers ~ MBI's agents, managers and legal staff set to the task of expanding the advertising component of their strategy to include the escort industry. Letters were mailed to the telephone companies and local publications, requesting that their representatives meet with MBI to discuss the escort problem. These initial appeals went largely unanswered until media coverage of "Operation Out Call's" nationwide federal crackdown brought the true nature of the escort industry into focus. A second letter was timed to be hand-delivered on "Super Tuesday" to both BellSouth and Sprint

Donnelley, requesting an immediate meeting to discuss Florida statutes pertaining to aiding and abetting prostitution.

When the representatives from BellSouth and Sprint Donnelley agreed to come to the table with MBI in the summer of 1996, their yellow page directories were nearly ready for the presses. The Vice agents knew the evidence they had collected over the past year would have to overcome the fiscal reality of advertising's bottom line — what a decision to remove the escort heading from the yellow page directories would cost these two major corporations.

For more than two hours, MBI's staff presented extensive documentary evidence of illegal activity on the part of the escort services they had investigated, ranging from violations of city and county ordinances to prostitution, lewd conduct, money laundering and racketeering. Statements from customers or "Johns," media exposes, taped interviews of women who had been lured into the escort business and live testimony from an experienced escort service prostitute ~ all were provided in graphic detail. Once the meetings were concluded, weeks passed without word from the publishers.

With the decision on yellow page advertising still pending, the Vice agents prepared to generate a media barrage that would accomplish three things: re-emphasize the illegal nature of the escort industry, show the role that advertising played, and convince the remaining escort service operators to get out of the business or leave town. Press conferences and interviews were scheduled, and a videotape of the arrests of 10 escorts in a "sting" operation was provided to

local television stations, who punctuated their coverage with scenes of yellow page directories opened to reveal brightly colored, full-page escort service ads. Press releases were prepared for the arrests of the additional escort service operators one week after the "sting."

Final plans for the arrest sweep of the owners were being made when word reached MBI that Sprint Donnelley had decided to eliminate the escort service heading from its 1996-97 yellow pages directory. The date was October 7, 1996. It was an event which had never before occurred in any other community in America ~ all yellow page advertising by the escort industry in the Orlando area was being pulled by the publishers. The impact of this decision was more far-reaching than any law enforcement operational approach could hope to be, for it eliminated the escorts' ability to get their telephone numbers to their potential customers.

The courageous stand taken by the telephone yellow pages publishers was soon adopted by the publishers of Orlando's other weekly publications. This all but severed the escort service industry's connection to the outside world, and its lifeblood was beginning to drain out.

The final component in MBI's multi-faceted strategy reflected the understanding on the part of seasoned Vice investigators that prostitution was a social reality. As the "world's oldest profession," prostitution would continue to manifest itself in many forms and likely survive whatever attacks law enforcement chose to make upon it. For a community to control its presence, regulatory tools would have to be devised; and to this end, the MBI brainstorming effort turned its attentions.

As with the representatives of the telephone corporations, the Vice agents and legal staff knew that local lawmakers would require convincing evidence that escort services were engaged in illegal activity, that their unrestricted ability to ply their trade in the greater Orlando area did not promote the community's image as a destination for families seeking wholesome recreation, and that the lack of regulation of the escort industry adversely affected the quality of life for which Central Florida was famous.

Since its inception in 1978, MBI had played a key role in developing ordinances to regulate the adult entertainment industry in Orange County, aided by the good will and support of the Board of County Commissioners and the Orlando City Commission. Prosecutor Joseph Cocchiarella's 11-year assignment at MBI, including two years as its director, made him uniquely suited to the task of devising and revising the regulations applied to adult establishments. With his counterpart, Orange County Attorney Joel Prinsell, Cocchiarella drafted amendments to the Adult Entertainment Ordinance and presented them to the Board of County Commissioners in the fall of 1996. Among the provisions affecting the escort services were the following:

Escort services operating in Orange County were required to obtain an Orange County Adult Entertainment License, a permit granted only if the business was located in an industrial area well away from homes, schools, churches and other areas frequented by children.

Escorts were prohibited from entering a hotel or motel without immediately meeting with the front desk and providing a copy of their escort license and such information as identification, name of the escort service, time of arrival, estimated time of departure, and the location of the meeting, usually a room number. Escorts were also required to notify the front desk upon their departure.

Escorts were prohibited from beginning a meeting with a customer between the hours of 10 p.m. and 9 a.m.

Escorts were required to begin their meeting with their customers at a public place before going to a private room.

Escorts were prohibited from leaving or distributing unsolicited business cards or advertising on business premises.

Escorts were prohibited from enticing or soliciting a customer to remove any article of clothing.

Escorts were not permitted to display such specified anatomical areas as the lower portion of the breast or the cleavage of the buttocks.

Escorts were prohibited from soliciting a tip or gratuity in exchange for the promise or suggestion of better service.

These amendments became part of Orange County's Adult Entertainment Code in November 1996, thereby attacking the clandestine nature of the illegal escort contact while still providing legitimate "dating" services with a means to conduct business. The new regulations were largely ignored by the escort services; but their existence made "sting" operations conducted after the implementation of the changes to the code much less complicated and more effective. Undercover agents no longer relied solely on the escort to solicit "sex for money" before charges could be placed. The new regulatory tools also reduced the effectiveness of the sometimes lengthy word games to which experienced escorts traditionally resorted in their efforts to screen customers they suspected were "cops."

Escorts who, in the recent past, had only to invest in a telephone or pager in order to open an escort business were now faced with the prospect of applying for an Adult Entertainment License

- which meant revealing considerable personal data, including a business address in an area zoned for Adult Entertainment. Such revelations put the escort service on record and subject to the same regulatory measures and taxation with which legitimate enterprises must contend in order to do business.

## ASSESSMENT

By the end of 1996, 189 escort services had closed, and the organized escort services still endeavoring to operate in Orange County numbered less than 30. With the newly distributed telephone yellow page directories as well as Orlando's local publications devoid of ads for escorts, the industry sought new advertising language to get past alert sales representatives yet still attract customers. When agents noticed advertisements in weekly newspapers for "relaxation sessions," "lingerie models," or "incall/outcall" establishments, they setup "sting" operations to confirm the true nature of the services being offered. A letter was then sent to the publisher describing the "code words" by which those who had placed the ad were attempting to disguise the fact that they were actually engaged in illegal escort activities. The publications dropped these advertisements as well.

Evaluation was constant throughout operation - July 1995 to April 1997. Evaluation was generally accomplished by calling and documenting the status of phone numbers from previous ads, adult magazines, alternative publications and suspected ads in local publications under "relaxation sessions," etc. Disconnected lines were documented; and if an escort service was

still in operation in an adjoining jurisdiction, the escort often refused to come in to MBI's jurisdiction due to new adult entertainment code regulations and the certainty of enforcement.

The reality of the "displacement" of the illegal escort operations was addressed in March 1997, when MBI managers and prosecutors met with the sheriffs of Seminole County (to the north) and Brevard County (to the east) to discuss models for joint investigative efforts against organized prostitution in those jurisdictions. A "vice task force" investigation of illegal "body scrubs" was launched in Seminole County in May 1997 and concluded with the serving of five search warrants and 22 arrest warrants on June 20. The joint enforcement efforts continued with an escort "sting" operation in Seminole County July 1 that resulted in two arrests for county ordinance violations — solicitation for prostitution did not occur.

The original goal set by MBI Vice in 1995 was to close 20% of the existing escort services; analysis in the spring of 1997 showed that 207 services had now closed, indicating that 98% of the original number of escort services doing business in Orange and Osceola counties were no longer in operation. The industry will need continuous monitoring, however, since Orlando may appear to be a thriving market to out-of-towners who are unaware of the stand MBI has taken against organized prostitution, monitoring will take the form of maintenance operations such as "sting" investigations, as warranted; periodic reviews of local advertising; and the continued acquisition and analysis of intelligence.

## **AGENCY AND OFFICER INFORMATION**

This problem solving initiative was adopted by the entire five-person Vice Unit, the Vice sergeant and captain, the director of MBI and two state prosecutors. Monetary/man-hour commitments were not beyond the existing agency budget. The nature of the investigation was such that the Vice Unit devoted approximately 70 percent of its total working hours to this endeavor for the period of July 1995 to early 1997, but the unit could be diverted to other investigations as required without the continuity of the operation being impaired.

The opportunity to participate in "problem solving" is in itself an incentive much appreciated by MBI's agents and supervisors. Instead of traditional "reactive" responses to criminal activity that may be disjointed or piecemeal, MBI's staff commits its resources to accomplishing specific goals. These goals are related to the vision of a "safe, family oriented" community traditionally supported by the citizens of Central Florida and crucial to Orlando's economy and standard of living. Meaningful recognition of the agents as they achieve goals they helped to set further motivates the unit.

Enforcement guidelines for illegal escort service investigations were generally developed as the operation progressed, specifically:

1. Organized prostitution and credit card factoring — establish criminal violation through "sting" operations and "John" interviews.
2. Analyze criminal organizations through information sources (subpoena; intelligence; interrogation of arrested persons, often causing industry members to work against one another; and direct observation).

3. Enlist assistance of advertisers to eliminate escort advertising.
4. Consider Statewide Prosecution - criminal acts often occurred beyond jurisdictional boundaries.
5. Enlist assistance of local government - draft and page amendments to local regulations.
6. Use media coverage to alert the community and government regulators as well as to convince other members of escort service industry to move on.

As the investigation progressed, escort service customers were generally able to be located and interviewed through credit card information. Agents generally had little difficulty getting statements regarding what acts of prostitution had occurred once the "John" understood he was not the target of the investigation.

MBFs director and the two state prosecutors had already ensured that in-house training on information sources and undercover procedures be developed and implemented. They also provided an operational philosophy that stressed agent integrity, investigative excellence, thoroughness, problem-solving, intelligent use of the media and perseverance — keeping the escort industry constantly off-balance. One of the most critical aspects of the operation - negotiations with advertising managers and their attorneys - was skillfully handled by MBI's managers and prosecutors after weeks of preparation

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