

Ex-cop in huge vending skim

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John Yesutis is a former policeman who may be using his vending-machine business to skim nearly \$500,000 a year off income before paying taxes.

Jerry Frazin is a vending-machine operator who says he'll borrow from crippled children to finance his finagling.

The Mirage — a tavern operated for four months by The Sun-Times and the Better Government Assn. — contracted with both of them to gain a closer look at just how the vending business works in Chicago.

Yesutis, of A. A. Swingtime Music Co., first wooed the Mirage with an illegal kickback of



'We report whatever you want. That's what we'll write down.'

\$1,200. He delivered the check on Aug. 18 and warned the Mirage that while such kickbacks are routine in Chicago, it's best for everybody to keep it on the quiet.

"Remember, it's just as illegal for me to give money as it is for you to take it," he

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JOHN YESUTIS (right) is an ex-cop who may be using his vending-machine business to skim nearly \$500,000 a year off income before paying taxes. Once Yesutis skimmed 100 per cent of his vending machines' income for the week at the Mirage. "As far as anybody knows, if anybody asks, I didn't make a collection today," he told William Recktenwald (left), BGA chief investigator, and Sun-Times reporter Pamela Zekman.

State seizes unlicensed pinballs

Mirage-inspired raiders hit 21 locations; Page 7



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Unwritten rule tested by Mirage

John Yesutis of the A.A. Swingtime Music Co. believed the Mirage would use only his amusement machines (far left), which workmen delivered after Yesutis gave the tavern an illegal \$1,200 kickback. But the Mirage wanted to test an unwritten rule that vending operators don't cut in on one another. Jerry Frazin (left) of Acme Music Co. was persuaded to break the taboo. He not only broke it, he gave the Mirage \$200 and offered to skim his two machines' income once the receipts topped \$100 a week.

'Want to play games? We'll play games'

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said. "If I get caught, I lose my license. If you get caught, you lose yours."

Yesutis, who worked as a Chicago patrolman from 1968 to 1972, also offered political fixes. That's another routine customer service in the vending business here. "But he said he was not eager to help the Mirage bribe its way toward getting a liquor license. Some people, he said, are a little too ready to part with their cash.

"I could go down there and pay the guy off \$300 and then find out it would have gone through on its own," he said. "But if it doesn't go through as fast as you want, and you take our service, I can guarantee your license."

Yesutis said the trick in Chicago is to lay back and take it easy — but always have a ready fix in reserve. He recommended a lawyer the Mirage could put on retainer for just that purpose.

"I gotta guy who was a former assistant corporation counsel for the city," he said. "Let's say you have a shooting in here. He'll take care of it. I'm the kind of guy who likes to know the verdict before I go into court. You know what I mean. And this guy — he knows before he goes into court."

But Yesutis' main selling point was tax fraud. The method is to skim vending income off the top before paying taxes. The vendor and the tavern split the loot. What Uncle Sam doesn't know makes everybody rich.

"You want to play games, we'll play games," he said. "If you insist on playing it straight, we'll play it straight. We report whatever you want. That's what we'll write down."

The Mirage was noncommittal about skimming. It decided merely to let Yesutis install two pinball machines and a jukebox. He could take it from there.

The skim, it turned out, would start at 50 per cent.

The first collection was Aug. 26. The Mirage's staff and customers had dutifully poured their lunch money into the two pinball machines — a Grand Prix and an Evel Knievel. More loose change had gone to keep Peggy Lee busy on the jukebox.

It all came to \$260.

Three men from A.A. Swingtime Music emptied the machines and split the \$260 down



The Sun-Times and the Better Government Assn. ran a Near North Side bar, the Mirage, to investigate corruption and fraud in the tavern business. This is the 15th article of a continuing series.

the middle, with \$130 going to the company and \$130 to the Mirage.

But the transaction wasn't recorded that way. The total income was listed as \$130, with only \$65 going to the company and \$65 going to the Mirage. That was for the benefit of the tax boys.

It was a 50-per cent skim done without any suggestion from the Mirage.

Jeff Allen, who played the role of Mirage owner, later called Yesutis to ask about this. "Did you see the receipt and the way they wrote it up?" Allen asked.

"Yeah, I saw it," Yesutis said.

"Are you aware they cut it in half?"

"Yeah, that's the way we do business."

Yesutis didn't want to discuss it over the telephone. So he visited the Mirage on Sept. 2 to continue the conversation.

"Do you cut it in half at most of your stops?" Allen asked.

"Yeah," Yesutis said. "We'll cut it more if you want. Use your discretion."

"Should I tell my bookkeeper?"

"Don't tell anybody."

The Mirage would report its true income and pay its proper taxes, just as it would return any illegal gifts it received from its vending salesmen. But it allowed Yesutis to go on skimming as he pleased.

The Sept. 16 collection featured another 50-per cent skim — from \$210 to \$105. That seemed to be the pattern. Nothing flashy. Just cut it right down the middle and be quiet about it.

"You gotta watch out when you're dealing with the U.S. government," he said. "Those tax boys are sharp."

But Yesutis wasn't always so careful. He came by the Mirage on Sept. 27 and eliminated taxes entirely.

He emptied the machines and took the money over to a booth. He counted out just over \$310 and put the quarters in rolls. Then

he divvied up the money and said he would make no record of the transaction.

"As far as anybody knows, if anybody asks, I didn't make a collection today," he said.

What was the reason for the sudden 100-per cent skim?

"I don't have my collection book with me today," he said.

Yesutis' three machines would take in a total of \$2,100 during nine weeks at the Mirage. He would report an income of only \$1,204 on the receipts he left behind.

If Yesutis, who has 410 machines, skims that way on most of them — and he said he does — that means an unreported income of more than \$460,000 each year through his company alone. This skim is split equally between Yesutis and his clients. It's how the business works.

It was a week after the 100-per cent skim that the Mirage brought in Jerry Frazin of Acme Music Co. to install a bowling game and a Foosball machine. The Mirage wanted to deal with an additional vending operator. It also wanted to break a taboo.

There is an unwritten rule in the vending business that one salesman doesn't ever move in on another. It is a cozy arrangement that is attracting the attention of antitrust investigators even now.

And if you want to see a vending operator become really angry, just try to share your business with a competitor. That's free enterprise — a rotten thing to do.

The Mirage, after considerable hunting around for a salesman willing to break the taboo, finally persuaded Jerry Frazin to install his two machines. John Yesutis came in on Oct. 7, saw the new machines and exploded like a grenade.

"Where did you get this Foosball?" he demanded. "Why did you do this to me? I didn't give you \$1,200 so somebody else could put games in here and take business away from me!"

Yesutis said he'd sue. He had given the Mirage an illegal kickback. That meant he had a lock on the place. It would have been an interesting case to argue in court.

But there was no time for a legal battle. The Mirage planned to close in three weeks. So it soothed Yesutis by saying it would reconsider.

The Mirage, while it reconsidered, watched

its new vending operator, Jerry Frazin, in action. And Frazin, who hustles a small business with about 100 stops, talked a pretty good show on tax fraud.

"Say the machine I put in here makes \$300 in one week," he said. "I take \$100 right off the top and we split it — \$50 for you and \$50 for me. You put that in your pocket and just forget about it. Then we count the rest and we record that. It's called skimming."

Frazin said such skimming was a routine part of the vending business in Chicago. The Mirage, which talked with 22 vending operators over the months, never heard otherwise.

There was only one problem. It turned out that almost nobody wanted to play Frazin's machines. The weekly income stayed below \$100. And that wrecked the skim.

"If it's under \$100, I can't cut it," Frazin said. "It's too small. It would look suspicious. When business picks up a little more, we'll cut the figures."

Business never picked up. The Mirage staff played endless games of bowling and Foosball. It even sponsored a Foosball tournament for the neighborhood. None of this pushed the income high enough for a safe skim.

But Frazin had still managed to deliver an illegal kickback. He had offered, in his initial sales pitch, a cash gift of \$200 — smaller than the usual amount because he was getting only a piece of the action. It was a gift the Mirage would receive and, as always, later return.

Frazin arrived with the cash shortly after the deal was made. A fellow in his business, he said, has to be able to get his hands on cash in a hurry. And he knew exactly where to go.

"This is from the Shriners' fund," he said. Frazin said he was referring to a Shriner's fund for crippled children, for which he had collected donations.

Tom Roberts, recorder of the Medina Temple said Frazin is one of 17,000 members of the temple and an officer of the Northwest Shrine Club. He said Frazin is not an officer, member, or agent of the Shriners Hospitals for crippled children and has not been authorized to solicit funds for the charity.

But the Shriners needn't worry about the loss of donations.

Frazin said he would pay the fund back. That was nice of him.