

STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION

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IN THE MATTER OF:

PILLS TO HEROIN:
NEW JERSEY'S FLOURISHING
NARCOTICS TRADE
FR# 52-445

Wednesday, June 15, 2011

PUBLIC HEARING

B E F O R E:

PATRICK HOBBS, Chair
PHILIP JAMES DEGNAN, Executive Director
TODD R. CALIGUIRE, Commissioner
ROBERT J. MARTIN, Commissioner

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1 CHAIRMAN HOBBS: Good morning,
2 everyone.

3 As you know, one of the SCI's main
4 duties is to investigate and report on the changing
5 landscape of the criminal world. Of course, as a
6 watchdog agency, our mandate is broader than that --
7 we also expose waste and abuse of tax dollars -- but
8 it is in the criminal realm that the SCI clearly and
9 historically has distinguished itself as a unique
10 instrument of government and a valuable adjunct to
11 law enforcement.

12 Not long ago, in a forum similar to
13 this, we examined the changing face of organized
14 crime in New Jersey. It used to be that, when you
15 said the words "organized crime," you thought of the
16 Mafia, the mob. Today those criminal organizations
17 have been joined by a vast network of violent,
18 highly organized, criminal street gangs.

19 The SCI has demonstrated how these
20 criminal syndicates readily exploit weak laws
21 regulating access to firearms ammunition, including
22 hollow-point cop-killer bullets. We showed how and
23 why gang-connected inmates are able to manipulate
24 financial systems and communications technologies to
25 further their criminal enterprises while locked up

1 behind bars in New Jersey's prisons.

2 This morning we turn to the
3 continuing evolution of the drug trade, the
4 lucrative lifeblood of many criminal organizations.
5 You see evidence of it every day in the media, on
6 the Internet, a dangerous, violent, sprawling
7 commerce that spans international boundaries and
8 winds up in our schools, our workplaces, our
9 backyards.

10 What is not so widely known are the
11 actual dynamics of this flourishing narcotics trade
12 and how those dynamics have evolved in recent years
13 in new and different ways to threaten the public
14 health and safety and challenge the expertise of law
15 enforcement. The threat and challenge are more
16 serious than ever.

17 This Friday marks the fourth decade
18 of the war on drugs, and yet drugs of all kinds
19 remain readily available on the streets of our
20 communities, cities and suburbs alike. This is
21 particularly true of heroin, now available for
22 little more than the price of a pack of cigarettes.

23 Heroin use is on the rise. That fact
24 is disturbing in its own right, but it takes on a
25 sharper and far more chilling edge when you consider

1 that for many young people the path into heroin use
2 is the abuse -- the rampant abuse -- of prescription
3 painkillers. To put it bluntly, today's young
4 teenagers, starting with Percocet, Vicodin,
5 Oxycontin, are becoming tomorrow's heroin junkies.

6 Demand for those drugs has spawned
7 new levels of crime and violence. Just this week
8 federal and local authorities here in Mercer County
9 arrested multiple suspects on charges of robbing
10 pharmacies at gunpoint and stealing thousands of
11 pills for sale on the streets.

12 Dealers and distributors, meanwhile,
13 are exploiting innovative shipment strategies,
14 high-tech communications systems to cloak their
15 activities and to move these devastating products to
16 market beyond detection and interdiction of law
17 enforcement.

18 This public hearing is a major first
19 step in airing these difficult issues. We hope it
20 will trigger a serious conversation among law
21 enforcement authorities, educators, legislators,
22 policymakers, parents, children and everyone else
23 with a stake in pushing back against the continuing
24 scourge of organized crime and drugs.

25 I now invite SCI counsel, Chadd

1 Lackey, to call the first panel.

2 MR. LACKEY: Thank you very much,
3 Chair.

4 Our first panel is Agent Rachel Denno
5 and Agent Edwin Torres. Please stand and be sworn.

6 RACHEL DENNO and EDWIN TORRES, after
7 being been first duly sworn, are examined and
8 testify as follows:

9 MR. LACKEY: Good morning.

10 MR. TORRES: Good morning.

11 MS. DENNO: Good morning.

12 MR. LACKEY: Agent Denno, please
13 state your full name for the record.

14 MS. DENNO: Rachel Denno.

15 MR. LACKEY: Where are you currently
16 employed?

17 MS. DENNO: I'm an investigative
18 agent with the State Commission of Investigation.

19 MR. LACKEY: Tell us about your
20 professional background.

21 MS. DENNO: I have been with the
22 Commission for three years. I'm a licensed attorney
23 in the State of New Jersey and, prior to my work
24 with the Commission, I performed national security
25 background investigations for the federal

1 government.

2 MR. LACKEY: Agent Torres, let's go
3 to you. Please state your full name for the record.

4 MR. TORRES: Edwin Torres.

5 MR. LACKEY: Where are you currently
6 employed, sir?

7 MR. TORRES: With the State
8 Commission of Investigation.

9 MR. LACKEY: Please tell us about
10 your professional background.

11 MR. TORRES: Prior to coming to the
12 State Commission of Investigation, I worked at the
13 Juvenile Justice Commission underneath the Attorney
14 General's Office for approximately 20 years. During
15 that time I focused most of my career on gangs.

16 MR. LACKEY: As a matter of fact, you
17 are a recognized gang expert here in the State of
18 New Jersey, aren't you?

19 MR. TORRES: Yes.

20 MR. LACKEY: Agent Denno, when did
21 this investigation begin?

22 MS. DENNO: Last year.

23 MR. LACKEY: Tell us about the
24 investigation.

25 MS. DENNO: It was a thorough

1 investigation into all areas of the state's drug
2 problem, from distribution to consumption. We
3 looked at the various drugs being used, who was
4 using them, new methods of distribution. We looked
5 at the use of businesses to facilitate distribution
6 and money laundering, as well as the problems that
7 law enforcement faces when monitoring drug
8 traffickers and dealers.

9 MR. LACKEY: How was the
10 investigation conducted?

11 MS. DENNO: We interviewed federal,
12 state and local law enforcement personnel, we spoke
13 with treatment center personnel, school officials,
14 drug users and drug dealers.

15 For the financial aspects of the
16 case, we conducted a forensic analysis of numerous
17 bank and business records for well over a dozen
18 gang-related businesses.

19 MR. LACKEY: Agent Torres, did the
20 investigation focus on any particular drug trends or
21 areas?

22 MS. TORRES: Well, as the
23 investigation unfolded, it was clear that
24 prescription pill abuse and the spread of heroin
25 were the emerging trends.

1 MR. LACKEY: What did these trends
2 show?

3 MS. TORRES: What we found was that
4 in New Jersey the heroin is extremely pure and very
5 cheap, and we also found out that it's being used
6 mainstream in various different communities
7 throughout our state. We also found that
8 prescription pill use was rampant as well, and that
9 in some cases prescription pill users who can no
10 longer afford or obtain their prescription
11 medication will turn to heroin as a resort of trying
12 to get a different type of high or to maintain that
13 opium-based high which heroin gives.

14 MR. LACKEY: Agent Denno mentioned
15 gang-related businesses. What trends did we find in
16 that area?

17 MS. TORRES: We found that several
18 drug-dealing organizations were using businesses as
19 fronts to facilitate their drug dealing and the
20 laundering of their proceeds from the -- which they
21 gained through the narcotic trade.

22 MR. LACKEY: Agent Denno, you
23 mentioned prescription pills. What specifically are
24 you referring to?

25 MS. DENNO: Prescription pills are

1 controlled prescription drugs. It's licensed
2 medication that you can get only with a prescription
3 and it's regulated through legislation.

4 MR. LACKEY: How are pill abusers
5 getting their pills?

6 MS. DENNO: In a variety of ways.
7 They can be obtained from a parent or relative's
8 medicine cabinet, through an unscrupulous doctor or
9 pharmacist, through a pain management clinic or pain
10 management doctor, or even through the Internet.

11 Adolescents are mostly getting them
12 right out of the medicine cabinet at their house or
13 a friend or relative's house.

14 MR. LACKEY: As a result of this pill
15 abuse, has there been an increase in unintentional
16 deaths associated with these pills?

17 MS. DENNO: According to the Centers
18 For Disease Control, prescription drugs like opioids
19 and antidepressants cause more overdose deaths than
20 your traditional street drugs, like cocaine and
21 heroin.

22 MR. LACKEY: So there is more
23 overdose deaths from prescription pills than cocaine
24 and heroin?

25 MS. DENNO: Yes.

1 MR. LACKEY: Describe the use of
2 prescription drugs by adolescents in New Jersey.

3 MS. DENNO: Prescription drug use is
4 prevalent among adolescents, especially in more
5 suburban areas of the state. They tend to be more
6 affluent, they can afford the more expensive pills.

7 MR. LACKEY: Let's look at the
8 national picture. Nationally has there been an
9 increase in the abuse of prescription pills?

10 MS. DENNO: Yes. And if we look at
11 Oxycontin alone, which is the most abused
12 prescription pill out there, high school seniors,
13 between 2002 and 2007, accounted for a 30 percent
14 increase in use. According to Commission findings,
15 those numbers only continue to increase.

16 MR. LACKEY: Let me direct your
17 attention to my left and to your right. There is a
18 counter there. Can you explain to us what that
19 represents?

20 MS. DENNO: Data from 2007 show that
21 every day 2,500 teens use a prescription pain
22 reliever for the very first time. This counter
23 began when this hearing began and illustrates the
24 number of teens per minute that have taken a pain
25 reliever without a prescription for the very first

1 time.

2 Essentially, if your teen isn't
3 misusing prescription drugs, they know kids who are.

4 MR. LACKEY: What age do teens -- and
5 we are talking about nationally broadly. What age
6 do teens begin to get involved with the abuse of
7 prescription pills?

8 MS. DENNO: 60 percent of them who
9 have abused a prescription pain reliever did so
10 before they were 15 years old.

11 MR. LACKEY: Before 15?

12 MS. DENNO: Before.

13 MR. LACKEY: Why are adolescents
14 getting involved with prescription pills at an
15 earlier age than they do with street drugs?

16 MS. DENNO: Many of them feel that
17 the prescription pills are safer than the street
18 drugs. Because the pills were manufactured for a
19 legitimate medical purpose, they don't associate the
20 same stigma with them as they do with heroin and
21 cocaine and your other street drugs.

22 Data that was collected in 2007 shows
23 that over half of teens think that prescription
24 drugs are easier to get than street drugs. 2 to 5
25 percent think that prescription drugs are much safer

1 than your illegal street drugs. They think that
2 they can't get addicted to prescription pain
3 relievers like they can to street drugs.

4 MR. LACKEY: Are adolescent users
5 taking a specific form of prescription pills?

6 MS. DENNO: Adolescents will take any
7 pill that they can get their hands on, but the most
8 popular are your opioid-based pills, like Percocet
9 and Vicodin and especially Oxycontin.

10 MR. LACKEY: What is Oxycontin?

11 MS. DENNO: It's a brand name
12 opioid-based narcotic pain reliever. You can get it
13 only with a prescription, and it's used to treat
14 moderate to very severe pain.

15 Individuals who take it without that
16 level of pain, it essentially gives them a high.
17 Among the prescription pills, it's the most widely
18 used.

19 MR. LACKEY: We know prescription
20 pills are generally swallowed. How are users taking
21 their pills?

22 MS. DENNO: In a variety of ways.
23 The most popular is just swallowing it whole. You
24 can also crush it and then snort it or inject it.

25 MR. LACKEY: What are the street

1 costs of prescription pills?

2 MS. DENNO: It's varies significantly
3 depending on what the pill is and what the dosage
4 is. Oxycontin, for example, can range from \$20 for
5 a 20 milligram pill all the way up to \$80 for an 80
6 milligram pill, but adolescents generally take them
7 out of their parents' medicine cabinets, and that's
8 free.

9 MR. LACKEY: Agent Torres, the
10 Commission spoke to a number of school districts
11 regarding various of these problems, correct?

12 MR. TORRES: Yes, it did.

13 MR. LACKEY: What did school
14 administrators tell us about prescription pill abuse
15 in their schools?

16 MR. TORRES: Well, most schools
17 reported some sort of drug use. Number 1 -- the
18 Number 1 substance that we still see being abused in
19 most of the schools is still marijuana and alcohol,
20 but most of the schools are reporting an increase in
21 the use of prescription pain medicine by their
22 students. In fact, we spoke to a few schools that
23 actually stated that it was the Number 1 problem
24 they were seeing.

25 MR. LACKEY: And this was confirmed

1 by the law enforcement at the school, basically the
2 school resource officer, and officers in some of
3 those communities, correct?

4 MR. TORRES: Yes, it was.

5 MR. LACKEY: We also spoke with a
6 number of drug treatment centers -- Agent Denno
7 mentioned that earlier -- correct?

8 MR. TORRES: Yes, we did.

9 MR. LACKEY: What did the treatment
10 centers tell us about prescription pills and their
11 abuse?

12 MR. TORRES: They were seeing an
13 increase in the adolescents who were abusing
14 prescription pills, and also, between the ages of 18
15 and 30, they were also seeing an increase as well
16 with the Number 1 prescription pill that they were
17 abusing, being Oxycontin and Percocet.

18 MR. LACKEY: What rationale did they
19 give for the increased abuse of prescription pills?

20 MR. TORRES: Well, they had a couple
21 different reasons that they pointed to. Most common
22 is that there is no social stigma seemingly attached
23 to prescription pill addiction. It's not the same
24 stigma attached to, say, an IV heroin user, the
25 classic image of the junkie on the street or on the

1 corner with a needle stuck in their arm.

2 Prescription pills are available,
3 they can have an actual real medical use, so the
4 adolescents don't see it as a problem or a dangerous
5 drug.

6 MR. LACKEY: Did the Commission find
7 an increased use of prescription pills, and did we
8 find that there was a link between that prescription
9 pill abuse and subsequent heroin abuse?

10 MR. TORRES: Yes. The link between
11 Oxycontin and Percocet and heroin is that, one, they
12 are both opioid-based pills. So, after a certain
13 amount of time, some users find themselves in a
14 situation they no longer can afford, purchasing the
15 pill, they can't find it as easily, it's not readily
16 available to them. Heroin offers a cheaper
17 alternative with the exact same high, if not better.

18 MR. LACKEY: You told us about
19 adolescents using heroin and prescription pills.
20 What other drugs are adolescents using?

21 MR. TORRES: Well, again, as I said
22 earlier, alcohol and marijuana still remain to be
23 Number 1. What we are seeing now, one of the newer
24 trends emerging is what we call garage chemists,
25 individuals that make drugs -- synthetic drugs that

1 mimic the street drugs that are out there in their
2 own garage, and they are selling these items and
3 they are not necessarily covered at all times by
4 federal statutes or state statutes.

5 One of the more popular ones that we
6 saw was the use of K2 or Spice. Now, the substances
7 in K2 and Spice, they actually are banned under
8 federal statute. We don't have a corresponding New
9 Jersey law that bans the substances in K2.

10 As recently as yesterday, we were
11 able to find K2 being sold in New Jersey for \$9.99 a
12 gram.

13 MR. LACKEY: Agent Denno, let's talk
14 about street drugs like cocaine and heroin. How do
15 these drugs come to our region?

16 MS. DENNO: Where the drug
17 originates, as well as how it gets into this country
18 and then into our area depends on what the drug is.
19 Heroin, specifically, the most common method of
20 moving that into the country and then into our area
21 is by an individual on a commercial airline and then
22 using personal vehicles or trucks to move it.

23 MR. LACKEY: Who is responsible for
24 moving these narcotics?

25 MS. DENNO: Drug trafficking

1 organizations, or DTOs, that operate out of Colombia
2 are most responsible for moving heroin through the
3 eastern part of the United States and into our area.
4 DTOs that operate out of Mexico have recently been
5 making significant headway into heroin operations in
6 the eastern U.S. and are aiding in the movement of
7 heroin into our area.

8 MR. LACKEY: Let me focus you a
9 little bit. Let's talk about our state,
10 specifically, New Jersey. How are drugs being
11 distributed in our state?

12 MS. DENNO: In all conceivable
13 manners. The trains, the expansive highway system,
14 public transportation, personal vehicles, just to
15 give a few examples.

16 MR. LACKEY: Who is responsible for
17 selling these drugs on our streets, Agent Torres?

18 MR. TORRES: It ranges the gamut.
19 You have sole proprietors, but I would say the
20 majority of the drugs that are being sold in New
21 Jersey are being done by criminal street gangs.

22 MR. LACKEY: Agent Torres, are all
23 drug dealers gang members?

24 MR. TORRES: No, they're not, but --
25 however, it's becoming increasingly more difficult

1 for someone to deal drugs in the State of New Jersey
2 and not be either affiliated or associated with a
3 gang on some level.

4 MR. LACKEY: The Commission has found
5 that gangs operate with a level of sophistication
6 when we are talking about the retail distribution of
7 narcotics. That's correct?

8 MR. TORRES: Yes, it is.

9 MR. LACKEY: Tell us a little bit
10 about how this gang-related drug dealing occurs.

11 MR. TORRES: Well, you are talking
12 about a very sophisticated operation where the gang
13 members will have very specific roles in how they
14 operate within the business. You'll have
15 individuals with certain tasks, and that task will
16 be performed according to what their orders are.

17 You'll have different shifts in the
18 gang, different shifts that will actually occur
19 during the day. You might have one that's only just
20 responsible for supply -- or packaging and supply,
21 to actually dealing directly with the addict on the
22 street or selling on the street.

23 Some drug dealers, while most of -- a
24 lot of stuff is done on the streets or in
25 apartments, storefronts, along those lines, we've

1 seen that some drug dealers have become much more
2 sophisticated, operating solely by use of cell
3 phones or text messaging, using the Internet, using
4 the virtual worlds that are available on the
5 Internet. Also using gaming consoles that have
6 communications capability as well.

7 We've even seen gang members and drug
8 dealers using social networking sites in order to
9 facilitate their drug dealing.

10 MR. LACKEY: Are there different
11 types of drug dealers?

12 MR. TORRES: Yes, it varies. You
13 have your sole proprietors, you know, and it goes up
14 the ladder to much more significant type of -- or
15 much more involved or complex organizations.

16 When you think about it as a
17 business, you know, not every businessperson is a
18 major store. It's the same way with gangs and
19 drugs. Not every single drug dealer is a major
20 player. So we have different levels between.

21 Thinking about it as a business
22 model, gangs for us represent the big box stores
23 that we see in the retail market.

24 MR. LACKEY: Let's go into some more
25 detail. Let me direct your attention to GF-21, and

1 walk us through this organizational chart and kind
2 of compare for us how a structured gang organization
3 relates to a business structure.

4 MR. TORRES: Well, you have to keep
5 in mind that drugs is a product, so -- like, when
6 you are selling a product, you are selling it like
7 any other business would sell their product, except,
8 of course, it's illegal.

9 So, taking a business model, you have
10 the president, you have a vice-president, you have
11 every individual involved in the dealing -- the drug
12 dealing, and -- with a legitimate product. So, if
13 you go down the line, you'll see that you have a
14 store manager, you'll have a shift supervisor.
15 Then, of course, you'll have a customer service rep
16 who is responsible for the clientele.

17 Taking that exact same business
18 model, but turning it over into the hands of a gang
19 structure, all you have to do is replace the titles.
20 You are not doing anything significant or any major
21 changes. So, where the president would be would be
22 the OG, the godfather, their leader. The
23 vice-president would be their lieutenant, capo or
24 some sort of substructure. They have different
25 names, each gang will have different titles, if you

1 will. You'll have the foot -- the sergeants, who
2 are like our lieutenants who are like their
3 day-to-day supervisors, and then you'll have
4 sergeants. And then you'll go all the way down the
5 ladder until you hit what they call their soldiers,
6 which would be their retail representatives on the
7 street.

8 Just like any other hierarchy or
9 chain, the person on top is the one making the most
10 money; the one on the bottom is making the least
11 money, but takes the most responsibility. So, when
12 you compare the two slides together, without the
13 names, you are looking at a business hierarchy.
14 Without the names and knowing what the product is,
15 you are talking about a general model that gangs are
16 using that is exactly the same as our regular
17 businesses are using in the retail market.

18 MR. LACKEY: As a matter of fact,
19 later in this hearing we are going to hear from
20 someone who made to it the top level of one of those
21 organizations, correct?

22 MR. TORRES: Yes, sir.

23 MR. LACKEY: Now, let's actually look
24 at the bottom. You talked about the street level
25 dealers and the soldiers. We know that in a

1 business there is a business location, there is a
2 place where people go to work at that big box store.

3 Where do these street level dealers
4 and soldiers go to work?

5 MR. TORRES: Well, when you look at
6 it, they do research. They know where to put their
7 location at to sell their drugs, and they'll do some
8 advance research before they do it. They'll choose
9 a location for its availability, the ease of auto
10 traffic. It may be close to easy access to major
11 highways, so people come in and come right out.
12 Maybe good foot traffic.

13 They will definitely look for a place
14 that has a lack of law enforcement monitoring. They
15 know where law enforcement may not patrol regularly.
16 And then what will happen is that area will become
17 well-known within the drug world as the go-to place.
18 So, when the drug-using culture, the people who are
19 using drugs, will speak among themselves and say,
20 this is the place to go to, this is the corner, this
21 is the avenue, this is where you need to go, and
22 that will spread out throughout the entire state and
23 through other states, because that will be the go-to
24 place for that person's particular habit, where they
25 need to go.

1 MR. LACKEY: If a gang needs to
2 maintain control of a location, how do they do it?

3 MR. TORRES: Well, unlike a store
4 that will have a lease to control their operation,
5 gangs don't have a lease on each corner, so the way
6 they maintain it is through the threat and the use
7 of violence. That's how they maintain their corner.

8 Otherwise, if they didn't, someone
9 else will just come to that corner and take it over
10 and take it from them. Especially once it's
11 established as a hot spot.

12 MR. LACKEY: That's why we see so
13 much violence associated with the narcotics trade;
14 people are basically fighting over location?

15 MR. TORRES: It's always about
16 location. It's always about location and money.
17 The location is important because of the money it
18 generates. That's what generates violence.

19 MR. LACKEY: Let's go to you, Agent
20 Denno. We talked a few moments ago about technology
21 and how it's impacting all our lives and also
22 impacting the drug trade as well.

23 How has drug distribution been
24 impacted by the increasing level of technology in
25 our life?

1 MS. DENNO: The advances in
2 technology, particularly in the areas of cell
3 phones, has made it a lot easier for traffickers and
4 dealers to operate, as well as a lot more difficult
5 for law enforcement to track and monitor them.

6 Law enforcement does have some very
7 powerful tools, but drug dealers and traffickers
8 have the ability and the money to always stay a step
9 ahead of law enforcement.

10 MR. LACKEY: What advances have
11 we noticed?

12 MS. DENNO: It's well-known that
13 prepaid sell phones are being routinely used by
14 dealers. One aspect of that is the phones that can
15 be bought without a valid ID -- you can associate a
16 fake name with them, you can associate any area code
17 and phone number that you want with them. The
18 phones are discarded regularly, new phones are
19 activated with new names and new phone numbers, and
20 that makes it a lot more difficult for law
21 enforcement to track and monitor using a phone
22 number.

23 MR. LACKEY: So it sounds like that's
24 an obstacle that law enforcement faces in the
25 narcotics war.

1 MS. DENNO: Yes, it is.

2 MR. LACKEY: What are other
3 obstacles?

4 MS. DENNO: One is the retention of a
5 communication, like a text message and all the
6 details that are associated with that, such as, you
7 know, what the message actually says, when it was
8 sent, that kind of information. It would aid law
9 enforcement if the message and all of the details
10 were required to be kept for at least 30 days,
11 giving them time to do the work that they need to do
12 before it's really too late.

13 MR. LACKEY: Almost everyone has a
14 smart phone. How are these smart phones causing
15 challenges for law enforcement?

16 MS. DENNO: The numerous apps that
17 are available on the general market make it a lot
18 easier for the drug dealers to circumvent your
19 traditional law enforcement techniques. They can
20 use those apps and all the other tools that are
21 readily available and being used by the general
22 public to -- they exploit them, basically, and they
23 use them for nefarious purposes that they are not
24 necessarily meant for.

25 MR. LACKEY: Give us an example.

1 MS. DENNO: One example is an app
2 that allows a user to pick a phone number, any phone
3 number with any area code, and use that number to
4 make outgoing calls and receive incoming calls on.
5 Because that phone number is not registered and it's
6 not associated with a particular carrier, law
7 enforcement -- it's difficult for law enforcement to
8 locate that phone number and then track and monitor
9 calls that are being made with that number.

10 MR. LACKEY: So what you are saying
11 is you can have one cell phone with two phone
12 numbers?

13 MS. DENNO: Yes.

14 MR. LACKEY: One final area.

15 Agent Torres, let's go to you and
16 talk about legitimate business.

17 How are these businesses -- first
18 let's talk about our findings. What did the
19 Commission find associated with legitimate
20 businesses and their use?

21 MR. TORRES: What we found was that
22 the drug dealers and the gangs were using business
23 fronts, seemingly legitimate business fronts, to
24 launder the proceeds that they made through the drug
25 trade. They were also using it to facilitate where

1 they would sell their drugs, actually the storefront
2 to sell these narcotics, and they were also using
3 this front not only to sell, but sometimes stash
4 their supply.

5 MR. LACKEY: What types of businesses
6 are gangs utilizing?

7 MR. TORRES: We found that they were
8 mostly involved in cash businesses, such as used car
9 lots, liquor stores, barber shops, beauty salons,
10 beauty supply stores, consignment shops. These were
11 the types of businesses.

12 MR. LACKEY: What are some of the
13 advantages of using a business to sell narcotics?

14 MR. TORRES: Well, there are many
15 advantages. One of the informants that we spoke
16 to -- one of the gang informants that we spoke to
17 told us that, if you own a business, the money that
18 you make in that business is yours and yours alone
19 to keep; whereas, in the drug dealing trade, that
20 money has to be divvied up amongst all the different
21 gang members.

22 It also allows the drug organization
23 and the drug dealers to actually hide in plain
24 sight, to give them a front, give them an
25 opportunity to pretend that they are some sort of a

1 legitimate businessperson, and actually someone that
2 contributes to the community, and it helps them
3 explain away the assets that they have from the drug
4 trade, which are usually pretty large.

5 MR. LACKEY: So, it sounds like the
6 business has become essentially an extension of the
7 narcotics business.

8 MR. TORRES: Yes, it does.

9 MR. LACKEY: Thank you very much.

10 At this time, Chair, I have no
11 further questions for these witnesses.

12 CHAIRMAN HOBBS: Any questions?

13 COMMISSIONER CALIGUIRE: One
14 question.

15 Agent Denno, you mentioned that the
16 prescription pills are available through different
17 avenues, and one of them is the Internet. How does
18 that occur?

19 MS. DENNO: There are a number of
20 basically rogue Internet sites. A lot of them
21 require only a credit card number, an E-Mail address
22 and a mailing address, and you don't need a
23 prescription, you don't need any kind of
24 documentation. You put in, you know, your mailing
25 address and an E-Mail address and your credit card

1 information, you put in an order for the pills that
2 you want, and they get shipped to you.

3 There is -- the -- how -- the
4 medication can be very questionable. You know, what
5 you get, you don't necessarily know that's actually
6 what you have requested. It's a very simple --

7 COMMISSIONER CALIGUIRE: So there is
8 no regulation of those sites at all?

9 MS. DENNO: Not the rogue sites,
10 there is not.

11 COMMISSIONER CALIGUIRE: Thank you.

12 COMMISSIONER MARTIN: We talked
13 before about the fact that most of the teenagers got
14 their drugs usually from their parents' medicine
15 cabinet or something like that. Suppose the
16 medicine cabinet runs dry and they are a little
17 concerned that they are going to be exposed because
18 they are taking too many. Where do they go? To the
19 gangs or to the schools or -- maybe if you could
20 just explain an alternative distribution process.

21 In other words, what happens if you
22 are a teenager who wants to be taking pills like
23 Oxycontin and you are concerned because there is --
24 either you've exhausted the supply or you are
25 concerned that you are taking too many so your

1 parents or relatives find out.

2 Where else can you acquire these
3 drugs?

4 MR. TORRES: Well, I think you'll
5 hear testimony later on today that they can find
6 them from their friends. This is readily available
7 amongst friends and -- you know, do you have
8 something -- do you have a pill, or they'll be told
9 that their friends have pills.

10 So, within the school or outside of
11 the school, around the immediate community, it's
12 generally known, for someone who is looking for it,
13 to easily find it. It's not hard -- it's not
14 exactly hard work for them to find someone who can
15 supply them with their pills.

16 After they maybe exhausted their
17 parents' supply, they may talk to their uncles,
18 other people in their family. They'll find someone
19 to start contributing to their addiction. Then, of
20 course, if they can no longer just get it free,
21 they'll start paying for it.

22 Once they start paying for the pills,
23 they start getting involved with a dealer, that's
24 when it leads to -- we've seen lead to, in some
25 cases, the use of heroin, because the pills are so

1 much more expensive than the actual -- a deck of
2 heroin is much cheaper than a pill, more than
3 50 percent -- like 75 percent cheaper.

4 So that's what -- their introduction
5 to the pills at home, then they can go find other
6 friends who have pills -- we've heard cases where
7 individuals will just go to a friend's house and
8 raid their medicine cabinet while the friend has no
9 idea what they are doing.

10 So, unfortunately, these medications
11 for a good reasons are being prescribed a lot, so
12 the availability seems to be out there much higher
13 than what most people understand even now.

14 COMMISSIONER MARTIN: Just one other
15 point. I think it will come up later, but it struck
16 me in previous -- you mentioned it earlier, so I
17 just want to confirm something. You indicated the
18 problem is not especially an urban problem, it's a
19 greater problem in suburbia, at least among
20 teenagers and young adults using drugs, in part
21 because they can afford it, but it's -- it just
22 fascinated me, because I tended to think that drugs
23 were mostly centered in the most troubled urban
24 areas, and this problem is even worse in many
25 suburban, sort of affluent communities, as urban

1 areas, where they -- they may use other drugs
2 because they can't afford this high priced
3 prescription drug use.

4 That's part of your findings, isn't
5 it?

6 MR. TORRES: Yes, Commissioner,
7 that's absolutely following with our findings. We
8 found that in the -- we found the prescription pill
9 more prevalent in the suburban communities, more
10 affluent communities, than we did in some of the
11 more urban communities that we actually spoke to, at
12 schools that we actually dealt with.

13 COMMISSIONER MARTIN: Thank you.

14 MR. HOBBS: Just to kind of sum up a
15 little bit what you were saying earlier, in terms of
16 the stigma, for much of the drug history, you might
17 have hesitation getting into the use of drugs
18 because there was a stigma associated with even
19 starting marijuana, smoking a joint, but a lot of
20 these young people that we are seeing today, they
21 may have received their first prescription
22 legitimately because of a sports injury, some knee
23 surgery, something that they had to deal with, or
24 even a parent may say, well, what's the harm of
25 giving a half of an Oxycontin because we are dealing

1 with this twisted ankle or something like that, so
2 there is no stigma with the initial use of it. They
3 like the high and then they begin down the path.

4 MR. TORRES: Yes, sir, that's
5 correct.

6 CHAIRMAN HOBBS: Thank you very much.

7 MR. LACKEY: Thank you.

8 What we've done, Chair, just as we
9 did in the last hearing, for safety and security
10 reasons, the next witness is going to appear by
11 video.

12 This is a former heroin addict who
13 has come to the Commission to tell their story, and
14 what's particularly compelling is it actually
15 combines the two issues that you were just
16 discussing.

17 First, Commissioner Martin, pay
18 particular attention to how much narcotics this
19 person was actually selling at school, so this
20 specific witness had a large business of selling
21 prescription pills in school, so pay particular
22 close attention to that, and also to -- this
23 particular witness will tell you that their
24 addiction began with prescription pills and quickly
25 moved to heroin and, when it moved to heroin, it

1 escalated very, very quickly.

2 So at this time the Commission calls
3 Video Witness 1.

4 EXAMINATION

5 BY MR. LACKEY:

6 Q. Sir, to protect your identity today,
7 I'm going to refer to you as Confidential Source
8 577.

9 Do you understand?

10 A. I do.

11 Q. How old are you, sir?

12 A. Twenty-one.

13 Q. Where are you originally from?

14 A. South Jersey.

15 Q. Have you spent your entire life in
16 New Jersey?

17 A. I have.

18 Q. And you are also educated in New
19 Jersey, correct?

20 A. Correct.

21 Q. You are here today to tell us about
22 your prescription pill addiction that led you to
23 become a heroin addict, correct?

24 A. Yes, sir.

25 Q. Let's begin with pills. How did you

1 first begin abusing prescription pills?

2 A. Stealing from my family, from my
3 parents and other family members. Having them
4 around, growing up with them.

5 Q. About how old were you when you began
6 using pills?

7 A. I first tried it around 11 or 12 and
8 progressed from there.

9 Q. When we are talking about pills,
10 specifically what prescription pills were you using?

11 A. Started out using Valiums and
12 Percocet and then progressing to heavier -- Percocet
13 and Oxycontin and Xanax and...

14 Q. You just listed a number of different
15 drugs. Did you use them singularly or did you use
16 them at times in combinations?

17 A. Definitely in combinations. I would
18 use heavy amounts of Percocet and, when the Percocet
19 wasn't cutting it, for say, you would slip a Valium
20 or a Xanax in and it would double or triple the
21 dosage.

22 Q. So, when you say cutting it, you mean
23 that you weren't getting high from that Percocet, so
24 you would take another type of pill to be able to
25 boost your high again?

1 A. Exactly.

2 Q. Now, we've listed a number of
3 different pills. At your peak, when your
4 prescription pill addiction was at its worst, what
5 pills were you taking specifically?

6 A. Oxycontin, which are next to the
7 highest -- it's Oxycontin and Morphine, but
8 Oxycontin, I was taking 40s -- Oxycontin 40
9 milligram and 80 milligram, which are pretty strong.
10 I mean, it was whatever I could get my hands on,
11 basically. Anything to put in my body. Anything
12 that would make me feel other than myself.

13 Sick -- I mean, when I started
14 getting sick, I would have to -- I would have to
15 take more and more just to feel normal every day.
16 At some points I had -- they are called Fentanyl
17 pops. It's a Morphine lollipop. I had somebody --
18 a friend of mine was getting scripts of them from a
19 doctor, so -- yes.

20 Q. You gave us a lot there, so let's
21 break some of those things apart and then we'll talk
22 about some of the methods that you used to be able
23 to get pills.

24 One of the things that you mentioned
25 was getting sick. What do you mean by that?

1 A. Well, at first, when you start an
2 addiction, I mean, it's -- you are in it to get
3 high. At least I was. I was in it to get high,
4 just to have fun. You know, I started getting high
5 with my family, cousins and uncles, and then it
6 gradually progressed to where I was taking it every
7 day before school, during school, and after a while,
8 after taking them for a few months, and then a few
9 days not having them, which is not -- you know, not
10 having any prescription pills or any drugs at all, I
11 would get sick, meaning I would get like
12 withdrawals, go through dope withdrawals. It would
13 just make me go and try and find ways to get more.

14 Q. When you were going through the
15 withdrawals you'd feel what?

16 A. Like sick, throwing up, sweating,
17 can't sleep, can't really eat. I mean, just your
18 bowels are all messed up, your stomach's -- I mean,
19 you are in pain, too, your back, you are just
20 finding pains everywhere that you never had before.
21 It's just really, really, uncomfortable.

22 Q. And all this sickness, all this was
23 related to your prescription pill addiction?

24 A. Exactly, yes.

25 Q. Tell the Commission how you were able

1 to obtain or what are some of the ways that you were
2 able to obtain prescription pills?

3 A. Well, like I was saying, at first I
4 was going through family members, I had family
5 members that were addicted, and then gradually I was
6 starting to sell the pills because I would have
7 that -- you know, my family members were going to
8 doctors, doctors were giving it to them. You know,
9 they were adults at the time, and I would buy them
10 off them and then I would start selling them, you
11 know, just to my friends that I was starting to
12 associate with in school.

13 And just from being around -- you
14 know, when you are around getting drugs and doing
15 every -- you associate with people that are getting
16 drugs, if they are not getting high or if they are
17 not doing drugs, they are not really, you know, any
18 good to you, so -- I would get them from friends at
19 first, and then eventually I started finding people
20 that wanted to sell their scripts, because I started
21 selling more and more in school and just to
22 everybody -- everybody that I know was buying off
23 me, and, so, people started coming to me to sell
24 their scripts because, you know, I was buying
25 everybody else's, so word of mouth got around and

1 it's just -- it was a big chain reaction where I was
2 buying a lot of scripts a week and selling a lot and
3 doing just as much.

4 Q. And you said you were selling more
5 and more in school. What grade were you in when you
6 began selling prescription pills in school?

7 A. Freshman year, sophomore year.

8 Q. So, ninth and tenth grade?

9 A. Yes.

10 Q. Now, one of the things that you
11 mentioned was that your family members were going to
12 various doctors to be able to get scripts filled --
13 I mean, to get scripts so that they could be filled,
14 correct?

15 A. Correct.

16 Q. Were these doctors in New Jersey?

17 A. Yes.

18 Q. Walk us through how a prescription --
19 how you obtain a prescription from someone on the
20 street and then the process that you would go
21 through to ultimately have the pills in your hand.

22 A. There is a few different ways. Some
23 people have insurance and go to the doctor and they
24 are supposed to be getting their pills, you know,
25 their prescribed Percocet or Oxycontin, because they

1 actually have pain, they actually have reasons for
2 needing them, so they actually have insurance, so
3 they will just get their script filled and they want
4 extra money, so they would sell them to me.

5 Now, there is other people that would
6 go to crooked doctors, which is doctors that are,
7 you know, crooked, they are just not doing the right
8 thing. They would, you know, take extra money, you
9 know, on visit -- charge people \$75 a visit. You
10 would go to them, you would tell them what you --
11 what you would want and they would just write the
12 script and give them to the person. No insurance,
13 no real identification.

14 Those people that didn't have
15 insurance and whatever, they would let me know that
16 they got the script, which would -- which wouldn't
17 be the pills; it would just be the piece of paper,
18 and I would actually -- they would -- you know, I
19 would pick them up, they would pick me up, and we
20 would go to the pharmacy and I would give them the
21 money to fill the script. You know, we would wait
22 there and I would get the pills.

23 Q. Other than obtaining the pills
24 through the methods you just outlined for us, did
25 you also purchase pills on the street from drug

1 dealers, gang members, and the like?

2 A. Yes.

3 Q. Let's talk a little bit about taking
4 the pills. Obviously we all know that those pills
5 are designed to be swallowed, and is that one of the
6 ways that you administrated -- administered the
7 pills to yourself?

8 A. Yes.

9 Q. What are some of the other ways that
10 you actually took the pills?

11 A. Before I had a heroin addiction, I
12 would snort them. I started off swallowing them and
13 then, after a while, swallowing them really wasn't
14 getting me high, for say, so then I would start
15 snorting them, and when you would snort them it
16 would just kind of -- there is -- in pills there is
17 a time release, which is -- if you take a general
18 pain pill, it usually lasts over four hours -- like
19 you get the effect over four hours. It's to relieve
20 pain. But, when you snort it, you get the effect
21 over a lot less a period of time because it's
22 just -- it just hits you instantly -- well, not
23 instantly, but it hits you a lot faster and it goes
24 away a lot faster. It's just a lot stronger when
25 you snort them.

1 Q. Other than snorting and swallowing,
2 were there any other ways that you administered
3 pills to yourself?

4 A. Injecting, when I started on heroin.

5 Q. We'll talk about heroin in a moment.
6 I wanted to stay on the prescription pills for a
7 moment.

8 Was there ever a time when you
9 actually intravenously took prescription pills?

10 A. Yes.

11 Q. Okay.

12 Describe for us that process and how
13 that worked.

14 A. It's basically the same way that you
15 would snort it. You would crush it up -- well, for
16 example, you would get an Oxy 40 -- an Oxycontin 40
17 milligrams. It has a coating on them -- most pills
18 nowadays, they have a coating on them, which is a
19 time release coating or a gel coating or whatever.
20 Then the inside would be the powder pill.

21 Well, what you would do is you would
22 stick the pill in your mouth, you would lick the
23 coating off and you would wipe it off on like a
24 napkin or something, and then the pill -- you could
25 tell the coating would be gone, it's a time release

1 or the -- something to coat your stomach. I'm not
2 sure exactly what it was, but it's not good to shoot
3 up. You would lick that off and then you would
4 crush the pill down into powder and you would add
5 water and then you would just heat it up in like a
6 spoon or a capsule and then you would see it turning
7 clear and you'd see like white stuff floating around
8 the edges. The white stuff would be the cut and the
9 clear milky water would be the actual Oxycontin and
10 you would put a piece of cotton in and suck it up
11 and shoot it in your vein.

12 Q. How long did it take you through your
13 addiction to move from swallowing the pills to
14 taking them intravenously like you just described?

15 A. Two years. About that.

16 Q. Well, describe for us -- you told us
17 that, by snorting the pills, you received a more
18 intense high. Do you receive an even more intense
19 high than that if you shoot pills?

20 A. Yes.

21 Q. At the peak of your pill addiction,
22 about how many pills were you consuming a day?

23 A. About 800 milligrams, on an average.
24 I mean, at the peak of my addiction, it was just --
25 I was taking so many pills that I was dead, I was a

1 zombie. I was just taking them to stay not sick and
2 to keep my mind in the present.

3 At the peak of my addiction on pills,
4 it was just to the point where I was not getting
5 high. It doesn't matter how many I would take. I
6 would try to take so many pills -- I just couldn't
7 get high. I was taking Xanax, which Xanax is -- it
8 comes by .5 milligrams, one milligrams and two
9 milligrams. I mean, there is smaller -- the biggest
10 one is a two milligram and it's called a Xanax bar,
11 and I was taking -- just to wake up sometimes I was
12 taking four -- four Xanax bars and then I would end
13 up taking 20 some Xanax bars over the day and, you
14 know, who knows how many Oxycontin. It was just a
15 big blackout.

16 Q. How did you fund this relatively
17 expensive habit?

18 A. Dealing drugs.

19 Q. What did you sell?

20 A. Weed at that point, pills -- pills
21 and weed. Sometimes cocaine.

22 Q. How old were you at this point?

23 A. Fourteen.

24 Q. Where did you sell the pills?

25 A. School, mainly. I wouldn't sell in

1 school, but I would sell to people at school. Sell
2 them -- you know, coming in to school sometimes I'd
3 sell them. I wouldn't keep pills on me in school,
4 though, besides my head stash.

5 Q. What's a head stash? Your personal
6 stash?

7 A. Yes, my personal stash. Like, you
8 know, I'd keep like five pills on me for the day.

9 Q. When you were selling pills, about
10 how many pills were you selling a week?

11 A. 500 at the peak. I mean, it was to
12 the point where I would never have enough. I would
13 never have enough for myself and I would never have
14 enough for everybody else, because I wasn't just
15 selling single pills, like -- like, for example, Oxy
16 40s were going for \$25 apiece, and that was a good
17 price. I mean, it was a dollar a milligram for some
18 people, but some people would sell them for 25.

19 Now, I would sell bulk -- semi-bulk I
20 would sell like, you know, 30 pills, 20 pills. I
21 would sell them for, you know, \$15, \$18, to other
22 dealers, mid-level dealers, that would go out and
23 hand them out singly.

24 So, I never had enough. As many
25 scripts as I can get is how much I would sell in a

1 week.

2 Q. And, when you were selling this many
3 pills, you weren't selling them to the majority of
4 adults; you were selling them mostly to high school
5 students, right?

6 A. Yes. I mean, high school students --
7 I would sell them to high school students, I would
8 sell them to adults, but the big crowd was just the
9 high school students.

10 Q. How prevalent was prescription pill
11 abuse in your high school?

12 A. Pretty prevalent. I couldn't give
13 you a number. One in eight, one in five.

14 Q. So what you mean by that is like one
15 in eight students or one in five students --

16 A. Yes.

17 Q. -- were abusing prescription pills?

18 A. Yes. I mean, abusing or used -- used
19 at one time or another.

20 Q. How long before you stopped abusing
21 pills and graduated to heroin? How old were you?

22 A. Fourteen. Fourteen and a half, going
23 on 15.

24 Q. Why did you start using heroin?

25 A. It was cheaper.

1 Q. So, heroin became your cheaper
2 alternative?

3 A. Yes. Cheaper -- I was able to make
4 more money by just doing the heroin, because my pill
5 addiction was just through the roof at that point.
6 I mean, I wasn't even able to get enough pills for
7 myself half the time, so...

8 Q. So it's safe to say that, based on
9 what you've told us about your prescription pill
10 addiction, that prescription pills, you know, the
11 Oxies, the Roxies, the Xanax, were your gateway into
12 your heroin addiction?

13 A. Definitely, yes.

14 Q. Let's talk about heroin now. Did you
15 go through the same progression you did -- with
16 heroin as you did with the prescription pills. You
17 started snorting it and then shooting it? Or tell
18 us how that -- how that occurred.

19 A. I actually snorted heroin probably
20 when I was 13, and I really didn't touch it -- I
21 snorted it once, but it didn't really do that much
22 to me just because I was high on Xanax or pills at
23 the time, so -- but, when I started picking it up
24 around 14, it progressed quick -- really quick. I
25 mean, it took probably six months -- I started

1 snorting it, probably took six months until I
2 started shooting it -- six months to year at most.

3 And then, once I started shooting it,
4 there was no going back to the snorting it. I mean,
5 pills -- even at that point, when I started snorting
6 heroin, pills were just a waste. It was a waste of
7 my time, a waste of my money.

8 Q. So you focused your money on feeding
9 your heroin addiction?

10 A. Oh, yeah. Focused my money on
11 feeding my heroin addiction and selling heroin, just
12 because that was the new thing. I mean, once I --
13 once I turned to heroin I started hanging around
14 with heroin addicts. And a lot of people that
15 bought pills off me, sad to say, but, you know, once
16 I stopped selling pills, a lot of the people that
17 were addicted on the pills, you know, switched to
18 heroin also around the same time I did, just because
19 they seen, you know -- I mean, I don't know if it
20 was my uncle or my cousins again, you know, got me
21 on it and everybody else seen, you know, oh, he's
22 not doing bad, you know.

23 That's the way I looked at it at
24 least. I looked at it as -- like my cousin started
25 first, and I was like, well, you know, he's not

1 doing bad, he looks good. I mean, why can't I feel
2 like that, you know? That's how it turned out for
3 me.

4 Q. So there was almost a stigma
5 associated with heroin use that, once you saw
6 another person use heroin and be all right, that
7 went away?

8 A. Yes. At that point it was -- it was
9 desperation, it was complete desperation to the
10 point where, wow, I'm not getting high. Like my
11 favorite thing -- at that point in my life my
12 favorite thing was getting high, and it would --
13 just pills were not doing it for me, so I finally
14 seen somebody -- you know, seen somebody close to
15 me, you know, high -- completely high and, you know,
16 I was like, wow, why can't I be like that, and his
17 life didn't fall apart, so I eventually just went
18 along with it.

19 Q. How bad was your heroin -- your
20 heroin addiction at its worst?

21 A. Fifty bags easy a day. Selling five
22 bricks a day on the worst day.

23 Q. Fifty bags a day?

24 A. Fifty bags a day. Five bundles.

25 Q. How many bags is one dose of heroin?

1 A. It depends what your habit is. Let's
2 say, for example, when I started, two bags around
3 South Jersey, but -- can get you pretty high, you
4 know, and that was two bags snorting, and then two
5 weeks down the road it was three bags, four bags,
6 then a month down the road it was ten bags, and then
7 it just progressed and progressed, and then finally
8 snorting them was just out of the question.

9 And, again, there is a stigma. The
10 stigma is, I'll never shoot dope, you know, I'll
11 never shoot heroin, and that went right out the
12 window.

13 Q. You would agree with me if I said
14 that your prescription pill addiction led to your
15 subsequent heroin abuse?

16 A. Absolutely.

17 Q. Do you think that high school
18 students and the types of people that you were
19 selling to understood that their popping pills could
20 subsequently lead to a life of intravenous heroin
21 abuse?

22 A. I think it's in everybody -- it's
23 in -- no. Actually, no, because at that point, when
24 you start pills, you never touch heroin. That's
25 disgusting, you know. It's just -- it never crosses

1 your mind until you get to that point and, once you
2 get to that point, and which everybody will --
3 eventually everybody will, you know, it's just --
4 and it's -- you know, that stigma is gone.

5 A lot of kids nowadays are doing
6 pills and just doing all kinds of crap that they
7 have no idea what the hell is in them. Like there
8 is a lot of drugs even nowadays -- you've heard
9 about this like K2 and all these manufactured drugs
10 that are coming out and it's just going to keep on
11 getting worse and worse like -- I've said this
12 before. Let's say, for example, all the parents are
13 getting smarter, you know, stealing -- kids like
14 will steal from their parents' medicine cabinet or
15 whatever, and then, when they finally get caught or
16 the parents finally figure out what's going on, they
17 cut them off. I mean, where are they going to go,
18 you know? It's not -- there is nowhere for them to
19 go.

20 If there is heroin around and you
21 can't get the pills, they are going to go for the
22 heroin quickly and without question. Nobody wants
23 to stay sick.

24 Q. What would you say to people who are
25 occasionally popping pills, in light of what you've

1 been through?

2 A. Stop. It's not worth it at all.
3 It's definitely not worth it. I mean, there is
4 help -- there is a lot of help out there. It's just
5 people got to go about it the right way. Nobody
6 really cares about the consequences once you feel
7 that -- I mean, that's the best feeling in the world
8 to certain people. You know, it's comparable to
9 sex, it's comparable to everything. So you really
10 can't say nothing to anybody like that. Like, how
11 can something that good be that bad, you know? It's
12 really hard to compare it.

13 Q. Are you clean now?

14 A. Yes.

15 Q. How long have you been clean?

16 A. Since May 12th of last year. Almost
17 a year.

18 MR. LACKEY: I have no further
19 questions and, on behalf of the Commission, thank
20 you.

21 THE WITNESS: Thank you.

22 MR. LACKEY: At this time the
23 Commission would like to call its next panel. This
24 is actually a two-person panel. The Commission
25 would like to call Detective Sergeant James Scoppa

1 and Detective Sergeant Brian Jernick.

2 Can you remain standing, gentlemen,
3 and be sworn.

4 JAMES SCOPPA and BRIAN JERNICK, after
5 having been first duly sworn, are examined and
6 testify as follows:

7 MR. LACKEY: Commissioners, this
8 panel is going to explore further the growing link
9 between prescription pill abuse and heroin, similar
10 to the testimony we've heard.

11 Good morning, gentlemen.

12 MR. SCOPPA: Good morning.

13 MR. JERNICK: Good morning.

14 MR. LACKEY: Detective Sergeant
15 Jernick, please state your full name for the record.

16 MR. JERNICK: Brian Jernick.

17 MR. LACKEY: Where are you employed,
18 sir?

19 MR. JERNICK: Vernon Township in
20 Sussex County.

21 MR. LACKEY: You are a police
22 officer?

23 MR. JERNICK: Yes.

24 MR. LACKEY: Tell us about your
25 professional background.

1 MR. JERNICK: I was a patrol officer
2 in Nutley in Essex County for six years and after
3 that transferred up to Vernon. I was a new face in
4 the county, so I was sent out in the narcotics task
5 force, where I spent three and a half years as an
6 undercover. And then, after that, I was a juvenile
7 officer in the high school slash criminal detective
8 for the past 12 years.

9 MR. LACKEY: What is the population
10 of Vernon?

11 MR. JERNICK: It's under 30,000.

12 COMMISSIONER MARTIN: But it's big
13 township.

14 THE WITNESS: Big territory. About
15 26,000, but we have a lot of visitors.

16 MR. LACKEY: Detective Sergeant
17 Scoppa, please state your full name for the record.

18 MR. SCOPPA: James Nicholas Scoppa,
19 Jr.

20 MR. LACKEY: And where are you
21 employed?

22 MR. SCOPPA: The Atlantic County
23 Prosecutor's Office.

24 MR. LACKEY: Tell us about your
25 professional background.

1 MR. SCOPPA: I started my career in
2 law enforcement as a patrol officer in Margate City
3 Police Department in April, 2000. During that time
4 I was tasked to work undercover in a high school in
5 Atlantic County. I was undercover in a high school
6 for seven weeks.

7 In September, 2001 I was hired by the
8 Atlantic County Prosecutor's Office, where I worked
9 approximately the past eight years doing narcotics
10 investigations.

11 MR. LACKEY: And, gentlemen, is it
12 fair to say that narcotics and narcotics
13 investigations are both of your specialties?

14 MR. SCOPPA: Yes.

15 MR. JERNICK: Yes.

16 MR. LACKEY: Today I'd like to
17 address a couple of issues, a couple of trends.
18 First let's talk about pills and pill abuse in your
19 areas, then we'll talk about this link between
20 heroin and pill abuse, and then we'll focus
21 ourselves on heroin, asking ourselves the question,
22 is it more prevalent, is it cheaper, based on your
23 experiences on the street.

24 Is that clear?

25 MR. JERNICK: Yes.

1 MR. SCOPPA: Yes.

2 MR. LACKEY: All right. Let's start
3 with you, Sergeant Scoppa.

4 Based on your experience, are you
5 seeing an increase in the abuse of prescription
6 pills in your area?

7 MR. SCOPPA: Yes. A large increase.

8 MR. LACKEY: What pills are abusers
9 using?

10 MR. SCOPPA: Valiums, Roxicets,
11 Oxycontin, Percocets, Xanax.

12 MR. LACKEY: Where are the abusers
13 getting their pills?

14 MR. SCOPPA: They are getting them
15 through a majority of ways, some of which have been
16 mentioned already. We have a big problem with dirty
17 doctors, doctors who -- some of them -- knowingly
18 giving out prescriptions, knowing that the
19 individual is not -- doesn't really have an injury.
20 We also have doctors that just don't care and
21 they'll just turn their head and, oh, okay, yeah,
22 this kid's got an injury but maybe he doesn't, and
23 will still give him a prescription.

24 We have several large Oxy/Roxicet
25 dealers in the county where kids know they can go

1 get the supply. We have kids that are getting it
2 from their own parents, friends, friends in school.
3 There is a majority of ways to get it and they do
4 get it however they can.

5 MR. LACKEY: Let's actually follow-up
6 on a couple of things. When you say dealers, do you
7 mean pain management clinics, some type of
8 legitimized dealer, or do you mean street level
9 dealers where they can get cocaine and heroin from?

10 MR. SCOPPA: Street dealers, and then
11 you have the pain management doctors who are -- some
12 of them decide that they'll make as much money as
13 possible and they are pretty much a drug dealer.
14 They are no different than a street dealer.

15 MR. LACKEY: Let's follow up on the
16 dealers you were just talking about, those street
17 dealers.

18 How much on the street do the pills
19 that you mentioned, the Oxies, the Roxies -- how
20 much do those cost?

21 MR. SCOPPA: Like the informant said
22 on the video, the going rate is usually a dollar per
23 gram, so if you have a 40 milligram Oxy, about \$40.
24 Eventually supply and demand and cutting deals with
25 people, you know, you can get like a 40 milligram

1 for \$25. Roxicets -- depending on the milligrams,
2 between ten and \$20 you can get a Roxicet.

3 MR. LACKEY: What's been particularly
4 disturbing thus far that we've heard is the impact
5 that this is having on youth and teens.

6 At what age are you seeing people
7 getting involved with prescription pill abuse?

8 MR. SCOPPA: As early as junior high.
9 It's more prevalent in high school. As soon as kids
10 are getting into school and going to parties and
11 getting the peer pressure more and more, they start
12 using pills, because they believe it's not a big
13 problem and it's not a big deal, because it's just a
14 pill.

15 MR. LACKEY: So you are actually
16 seeing what is consistent with the national data,
17 that kids are trying these pills before the age of
18 15?

19 MR. SCOPPA: Yes.

20 MR. LACKEY: What factors do you
21 think are involved with youth getting involved with
22 these prescription pills? If they are not using
23 hard drugs this early, why prescription pills?

24 MR. SCOPPA: Because they believe --
25 I mean, I remember being back in high school years

1 their pills in your area?

2 MR. JERNICK: I believe in the high
3 school it would generally start out in the medicine
4 cabinets at home, and if one particular person liked
5 Xanax and their parents didn't have Xanax in the
6 medicine cabinet, well, they can surely find a
7 friend of theirs who did, and they would switch off
8 and deal with each other and trade off.

9 MR. LACKEY: Let's focus -- I know
10 Detective Sergeant Scoppa mentioned it. Let's talk
11 about pain management clinics for a moment.

12 Do you have any pain management
13 clinics first in your county? Let's focus first on
14 your county.

15 MR. JERNICK: Yes, we have them
16 throughout the county and recently one has also been
17 opened in Vernon.

18 MR. LACKEY: Tell us about that.

19 MR. JERNICK: I first found out about
20 it because there is a bank located in the same
21 building and one of the tellers came up and
22 expressed concern for her own safety. She said,
23 "When I open up or I close the bank," she said, "you
24 wouldn't believe the type of people that are lining
25 up to go into this store."

1 I later found out that it was a pain
2 clinic.

3 MR. LACKEY: Are your abusers getting
4 their pills from street dealers as well?

5 MR. JERNICK: I would say mostly the
6 pills are not from the street dealers. Mostly it's
7 going to be from the pain clinics and the doctors
8 just issuing bad scripts, or dealing with each
9 other. If you want it, it's there.

10 MR. LACKEY: How about cost? Are the
11 costs what the witness testified to and Mr. Scoppa
12 testified to as well?

13 MR. JERNICK: Basically the same
14 price that everyone has mentioned, depending on the
15 size of the pill.

16 MR. LACKEY: Now let's look at age.
17 The national data shows that kids are using before
18 the age of 15. What are you seeing in your area?

19 MR. JERNICK: I see that high school
20 seems to be a breaking point with most of the kids.
21 Occasionally you'll see a middle school student
22 start. Generally that's going to be because they
23 have an older brother or sister in the high school,
24 but it's definitely in the high school.

25 MR. LACKEY: So that would be a

1 turning point, ninth, tenth grade?

2 MR. JERNICK: Correct.

3 MR. LACKEY: Sergeant Scoppa, let's

4 now move from just prescription pills -- now let's

5 talk about that link between the pills and heroin.

6 Are you seeing an increased presence

7 of heroin because of the prescription pill abuse?

8 MR. SCOPPA: Absolutely.

9 MR. LACKEY: Tell us about that.

10 MR. SCOPPA: Once -- like the

11 informant mentioned on the video, and what I've

12 dealt with over the years, interviewing hundreds of

13 teenagers and people in their early 20s, they

14 started off most of the time not just using heroin.

15 They started off popping Oxies, popping Roxicets --

16 doing Xanax and Vicodin and then getting into Oxies,

17 and they built up such a tolerance level to the

18 pills that they'd have to turn to heroin and, like

19 the video said, you don't care about anything other

20 than getting your high. You need to get your fix so

21 you don't get sick. So the kids -- the juveniles

22 may think that "I'll never do heroin," but, when it

23 comes to that point, they have to go to heroin

24 because it's that much cheaper.

25 MR. LACKEY: So two factors. The

1 first is tolerance. Just like the witness said,
2 this witness has taken pills, taken pills, taken
3 pills, and pretty soon they can't get high anymore,
4 correct?

5 MR. SCOPPA: Yes.

6 MR. LACKEY: And also cost?

7 MR. SCOPPA: Yes.

8 MR. LACKEY: Talk to us a little bit
9 more about cost and how much cheaper heroin is in
10 your area.

11 MR. SCOPPA: Back in 2003, when I
12 started narcotics and I was doing a lot of
13 undercovers, the average bundle of heroin, which is
14 ten bags, was going for -- anywheres from \$100 to
15 \$150.

16 Now you can get a bundle of heroin
17 for as low as \$40 in our area. We have several
18 active investigations right now. The average price
19 we got going right now is about \$60 in our area. So
20 the price is cut down more than half the price, and
21 it's several factors that contribute to that.
22 Supply and demand.

23 MR. LACKEY: Let's go to you,
24 Sergeant Jernick.

25 Are you seeing the same thing, where

1 kids are moving from those pills to the heroin?

2 MR. JERNICK: Yes.

3 MR. LACKEY: Tell us about that.

4 MR. JERNICK: I keep track of the
5 kids that I knew in the high school, and through
6 communication with the substance abuse council in
7 the high school, I would, a lot of times, you know,
8 interview these kids behind closed doors. I find
9 out who was using what pill, where they were getting
10 it, who was making runs to the city, and what I find
11 is, these numerous students that I knew from the
12 high school, just one or two years out of high
13 school, the next thing you know they are making
14 daily runs for heroin.

15 MR. LACKEY: Where are your addicts
16 getting their heroin?

17 MR. JERNICK: Paterson. I'd say
18 probably 80 percent of them are choosing Paterson
19 over Newark, which are about the same distance, 45
20 minutes from Paterson, maybe an hour from Newark,
21 but apparently, according to them, the dope is
22 stronger in Paterson and it's little bit safer in
23 Paterson, less of a chance of getting robbed by
24 someone.

25 MR. LACKEY: Isn't it true that you

1 were actually involved in some investigations where
2 you actually were following people down to Paterson?
3 Tell us about that.

4 MR. JERNICK: Yes. Seeing as we
5 don't really have street sales in Vernon, to our
6 benefit, heroin addicts are extremely predictable
7 and very routine. You can almost -- by your watch
8 you can say when someone is going to make their
9 daily run. And I followed the car and -- followed
10 them down to Paterson, and on the way back I had a
11 patrol car stop them and we arrested them.

12 MR. LACKEY: In your experience, has
13 heroin become cheaper and more prevalent?

14 MR. JERNICK: Yes.

15 MR. LACKEY: I want to stay with you
16 and I want to follow up on what you were talking
17 about in the high schools.

18 Tell us about the unintentional --
19 the overdose deaths. Have you been doing any
20 surveys, discussion, investigation associated with
21 that? And, if so, tell us about that.

22 MR. JERNICK: Yes. I try to do a
23 yearly presentation for the juniors and seniors for
24 drug awareness, and we put together some statistics
25 and what we found was that, during a four-year

1 period, there were 14 recent high school graduates
2 who had died. Nine of those were either pill or
3 heroin overdoses.

4 I was actually present at a number of
5 those overdose deaths and what I found was there was
6 a common link between a number of them where it
7 wasn't just the heroin; it wasn't here is someone
8 who is a five-bag-a-day user and all of a sudden
9 that five bags killed them. But what we found out
10 was that they were also using Xanax. So it was the
11 combination effect of the pills and the heroin that
12 was causing the overdose.

13 MR. LACKEY: Before we talk about any
14 combination, I'm still kind of amazed at that
15 statistic. You don't have a big population there in
16 Vernon Township, yet we are talking about nine
17 deaths?

18 MR. JERNICK: Correct.

19 MR. LACKEY: Agent Scoppa, are you
20 seeing anything akin to that, where kids are mixing
21 prescription pills and heroin in doses?

22 MR. SCOPPA: Yes. It's common.
23 They'll crush up Oxies and other pills and shoot it
24 right up with the heroin.

25 MR. LACKEY: If you had to venture a

1 guess, Detective Scoppa, how much heroin is coming
2 through Atlantic County on a weekly basis, what
3 would your guess be?

4 MR. SCOPPA: Based upon some
5 investigations we've done in the past two years and
6 how much we know certain sellers are selling, I
7 would say at least 50,000 bags of heroin are coming
8 in a week in Atlantic County.

9 MR. LACKEY: Now, you may have the
10 opposite problem that Detective Sergeant Jernick
11 has. People leave his jurisdiction to go buy their
12 heroin.

13 Do people actually come in to
14 Atlantic County to buy heroin?

15 MR. SCOPPA: Yes. We get people from
16 Cape May County and Ocean County coming down.

17 MR. LACKEY: I know you talked a
18 little bit about pricing, but, just so I'm clear,
19 you are about five or \$10 a bag?

20 MR. SCOPPA: Yes.

21 MR. LACKEY: And then, when you
22 compare that to how much an Oxycontin pill costs,
23 like an 80 milligram Oxycontin cost \$80, based on
24 what you testified to earlier, there is a
25 significant cost difference, correct?

1 MR. SCOPPA: Yes, sir.

2 MR. LACKEY: Looking historically
3 from the time you started -- and I know you
4 mentioned it, but let's go into a little bit more
5 detail. You talked about how the price has
6 decreased. Go into a little more detail associated
7 with that. I know that you had done some
8 undercovers and had extensive experience.

9 Why don't you talk about the prices
10 and some of the factors that you think may be
11 leading to the decrease in price.

12 MR. SCOPPA: Like I said, when I
13 first started in '03 doing undercovers, the prices
14 were between 100 and \$150. Back then cocaine was
15 the main drug around Atlantic County and most of our
16 big drug dealers around were selling cocaine. Once
17 they went into prison over the years, about 2006,
18 2007 is when everything changed. The price of
19 cocaine went up. A kilo of cocaine when I first
20 started could get about \$20,000. Now a kilo of
21 cocaine is over \$30,000.

22 Drug dealers, when they come back out
23 of prison and -- everything changed over. They knew
24 that they could make more money doing heroin and
25 selling heroin because their profits are gone when

1 the cost of cocaine went up.

2 Also adding to that is the amount of
3 prescription pills that have been abused. They knew
4 that more and more people are using heroin because
5 of the prescription pills. So now we have probably
6 75, 80 percent of our larger drug dealers are
7 selling heroin compared to, back in '03, where 75 or
8 80 percent were selling cocaine, because they know
9 they can make the profits off of it.

10 And then the prices have gone down
11 because of, of course, supply and demand, and
12 several factors have added to that. In 2003,
13 probably 99 percent of our heroin came from
14 Philadelphia, and everything was stamped the same.
15 It was all White House heroin, and it was all the
16 same bags, blue bags stamped White House, and
17 everybody knew -- every single bag contained .03
18 grams of actual heroin in it.

19 Starting in about '06, '07, we
20 started seeing heroin come from North Jersey, from
21 Newark, from Paterson, also from New York, and these
22 drug dealers were packaging their own heroin and
23 getting bricks and bundles of heroin from up there
24 already packaged and they were getting it at a
25 cheaper price.

1 So everything has changed in the past
2 eight years.

3 MR. LACKEY: Let's talk about the
4 addiction itself. I know Detective Sergeant Jernick
5 mentioned it in talking about how he could set his
6 watch to when heroin addicts are making their runs.

7 When you testified in private session
8 you told us that heroin looked like no other drug
9 that you ever dealt with.

10 Why?

11 MR. SCOPPA: Heroin makes people do
12 things that they, their family members, what
13 themselves in their own mind and how they were
14 raised -- that they would ever do in their life.
15 They do things -- once they become dependent upon
16 it, every day that a heroin addict wakes up, all he
17 cares about is getting his heroin high, and nothing
18 else in the world matters. They'll steal from their
19 own family members, they'll steal from their own
20 grandfather. They'll go burglarize a home, they'll
21 go rob a bank, they'll go rob a pharmacy to steal
22 prescription pills so they can get their high.

23 It makes people do things that they
24 would never imagine they would have done.

25 MR. LACKEY: As a result, are you

1 seeing an increase in other types of crimes,
2 burglaries, robberies, as it relates to these heroin
3 addicts?

4 MR. SCOPPA: Absolutely. We have a
5 big problem with like copper thefts, scrap metal,
6 and burglaries, and I would say the majority of them
7 are coming from people dependent upon heroin and
8 prescription pills.

9 MR. LACKEY: Sergeant Jernick, are
10 you seeing the same thing?

11 MR. JERNICK: Absolutely.

12 MR. LACKEY: Tell us about it.

13 MR. JERNICK: If we have a string of
14 burglaries in town, all we have to do is find our
15 nearest heroin addict and that's going to be our
16 person.

17 Like Jim was saying, they will steal
18 from their own grandmother, they will take their
19 grandmother's ring and they'll take it and they'll
20 sell it at a pawn store for \$50. Nothing else
21 matters to them. They are the most destructive
22 people on the streets at this time. They will go
23 into a house and they will strip every piece of
24 copper that is in that house and they will take it
25 to a scrapyard.

1 MR. LACKEY: In closing, is what you
2 are experiencing in Vernon consistent with what you
3 are hearing from other officers in your area?

4 MR. JERNICK: Yes. It's everywhere.

5 MR. LACKEY: Thank you very much. I
6 have no further questions.

7 Chair?

8 CHAIRMAN HOBBS: Sergeant Jernick, is
9 it fair to say, then, that, for a lot young people
10 who pass through addiction, whether it's pills or
11 heroin, it starts in the parents' medicine cabinet?

12 MR. JERNICK: Definitely.

13 CHAIRMAN HOBBS: And I accept what
14 you say, I don't know what the percentage is, but,
15 if you go into a hundred suburban homes, the chances
16 are a fair number of them are going to have leftover
17 prescriptions for Oxycontin or Percocets because
18 there was an operation in the family, something like
19 that. It's just my sense that there is very little
20 warning given by doctors -- I mean, these are drugs
21 that are very important, they have very important
22 uses and legitimate uses to control pain for folks,
23 but you rarely hear somebody saying "My doctor said
24 you really got to watch this because the kids out
25 there today love this stuff, so protect it and get

1 rid of it as soon as you are done." I don't hear
2 that being said.

3 And, so, you've got this situation
4 going on where really I think, above a certain
5 generational level, there is no sense that the
6 demand for this is just skyrocketing right now, and
7 that it is a path into -- because you might think,
8 well, what's the harm with a kid taking one
9 Oxycontin or something like that, but what you are
10 seeing in your experience is -- I mean, this --
11 there is almost a predictable path from the parents'
12 medicine cabinet to addiction for a lot of young
13 people today.

14 MR. JERNICK: Yes, definitely.

15 CHAIRMAN HOBBS: I mean, what's the
16 warning that should be out there?

17 MR. JERNICK: Well, we attempt to
18 educate -- even at the high school level we'll
19 hold -- well, first of all, we educate the students
20 on the dangers and then we'll try and have the
21 parents come in, but you know what kind of parents
22 show up. It's not the parents that need to hear it
23 generally.

24 So we do attempt to educate the
25 people involved.

1 CHAIRMAN HOBBS: And Sergeant Scoppa
2 said that ten years ago about 75 percent of the
3 dealers were really focusing on distribution of
4 cocaine and now you are saying that's switched over
5 to heroin.

6 Are you seeing similar changeover?

7 MR. JERNICK: Yes, definitely.

8 CHAIRMAN HOBBS: So heroin in
9 suburban communities is becoming, for the migrating
10 drug user, the drug of choice?

11 MR. JERNICK: Yes.

12 CHAIRMAN HOBBS: Thank you.

13 COMMISSIONER MARTIN: When you talked
14 about the pain management centers and the fact that
15 there is bad docs, it's my understanding that, with
16 these prescriptions, the pads that they use are
17 licensed -- they are numbered and there is supposed
18 to be some form of screening to provide some
19 protection that doctors or patients will not steal
20 them or overprescribe, in the case of physicians or
21 others who are licensed to do so.

22 Do you have any sense that there is
23 sufficient regulation of the way in which these
24 prescriptions lead to apparently an overusage of the
25 prescriptions themselves? In other words, the

1 licensing path?

2 MR. SCOPPA: I don't believe that
3 it's being monitored properly. I don't know how
4 pharmacies work and if they are all interconnected
5 through computer systems. I don't believe they are,
6 because I know that one drug user can go to one
7 doctor to get a prescription, they can get another
8 prescription from their friend and then go fill it
9 at that CVS and then that Rite Aid, and they are
10 getting several hundred, if not a thousand Oxy
11 pills, you know, in a month when they should only
12 have 30 for that month, and that's a big problem.

13 And these doctors, I don't think
14 anything is being regulated with how much they are
15 giving out, because the amount of Oxies and Roxicets
16 that are being given out to these patients is an
17 absurd amount. Something that should be looked at
18 in detail, and I think, when you look into how many
19 people actually have pain and deserve to have that
20 Oxy -- because an Oxy I believe was created for
21 cancer patients, for the pain that they have, and
22 now they are getting Oxies for a little pain in
23 their back.

24 I take Motrin for pain in my back.
25 These kids are going in and telling them "I got a

1 pain in my back," and they are getting 80 milligram
2 Oxies. So that's another big problem.

3 COMMISSIONER MARTIN: I think that
4 one of the things that we will maybe take away from
5 this hearing is that we need to look further into
6 the supply, because one of the things that's
7 different, it seems to me, with these prescription
8 drugs, is that it's not like the Colombians and
9 Mexicans that you referred to before who were
10 bringing in illegal drugs; these are prescription
11 drugs made by pharmaceutical companies, supposedly
12 from the pharmaceutical company itself, to whoever
13 is able to process and distribute and license that.

14 There seems to be some failure to
15 allow for this misuse and oversupply. So that's one
16 thing I'll put in the back of my mind to try and
17 follow up with to see if there is something more
18 that should be done in New Jersey or even
19 nationally.

20 MR. JERNICK: Absolutely.

21 COMMISSIONER MARTIN: The only other
22 thing I want to say is, I'd like to commend both of
23 you. I know in some cases it's difficult for a
24 community like Bergen County or the County of
25 Atlantic to come and admit issues like this that

1 seem to be, you know, a reflection on both society
2 as well as even law enforcement itself, and I
3 appreciate the fact that you've been candid with us
4 and have been willing to come forward and testify
5 about problems.

6 I mean, nine deaths in Vernon
7 Township is mind boggling to me, especially as it's
8 related to young people and this abuse. I don't
9 think the message has gotten out as much as it
10 should, but I thank you for helping us to air this
11 problem.

12 MR. JERNICK: Thank you for having us
13 here.

14 CHAIRMAN HOBBS: Commissioner
15 Caliguire?

16 COMMISSIONER CALIGUIRE: Thank you,
17 Mr. Chairman.

18 Pain management centers, do they
19 actually dispense drugs or only prescriptions?

20 MR. SCOPPA: As far as I know, just
21 the scripts. They fill out the scripts and then
22 they'll go to the pharmacy to fill the scripts.

23 COMMISSIONER CALIGUIRE: So they are
24 licensed doctors working the pain management centers
25 giving out prescriptions and then the recipient

1 takes it to a pharmacy to have it filled?

2 MR. SCOPPA: Yes. One of the largest
3 problem doctors we have in Atlantic County was
4 recently arrested by the DEA. He actually was part
5 owner of a pharmacy, too, so he had a big scam going
6 with filling out the prescription and they would go
7 to his own pharmacy and fill the scripts.

8 COMMISSIONER CALIGUIRE: You heard
9 one of the previous witnesses mention that another
10 avenue of obtaining prescription drugs is through
11 the Internet.

12 Have you seen any evidence of that?
13 Do you have any sense of how prevalent that might
14 be?

15 MR. SCOPPA: I've never dealt with
16 that. The only other way that I can think of also,
17 to just add to, is we have a big problem with people
18 going down to Florida. I know Florida has a -- I
19 think their laws are much more lenient and they have
20 a huge problem with dirty doctors down there.

21 They'll fly down to Florida and we've
22 intercepted them coming off an airplane in Atlantic
23 City several times. But, with the Internet, I
24 haven't seen it personally.

25 MR. JERNICK: I've heard quite a bit

1 about the increase in the use of the Internet and
2 the mail transporting drugs. It's definitely up and
3 coming.

4 COMMISSIONER CALIGUIRE: It seems to
5 me, based on what the previous witness said, that
6 anybody with a credit card can get them over the
7 Internet.

8 MR. JERNICK: Correct.

9 COMMISSIONER CALIGUIRE: That sounds
10 like it could be a significant problem going
11 forward, if it's that easy to get prescription
12 drugs, or at least what's advertised as prescription
13 drugs over the Internet, and abusers can get them
14 without any questions asked?

15 MR. JERNICK: Correct. If we tighten
16 up on the doctors and the pain clinics, they are
17 going to find another way. It's just -- that's
18 definitely the next step.

19 COMMISSIONER CALIGUIRE: One final
20 question. You heard the video witness mention that
21 it was his impression that as many as one in eight
22 or one in five kids in high school were abusing
23 prescription drugs.

24 Do you think that's a reasonable
25 number, based on your experience?

1 MR. JERNICK: I'd say definitely.

2 Actually, might even be more severe than that.

3 COMMISSIONER CALIGUIRE: More severe
4 than one in five?

5 THE WITNESS: You said one in eight?

6 COMMISSIONER CALIGUIRE: Well, I
7 think he said either one in eight or one in five.

8 THE WITNESS: Yes, I think that's
9 consistent.

10 COMMISSIONER CALIGUIRE: Thank you,
11 Mr. Chairman.

12 CHAIRMAN HOBBS: Just one last
13 question, because, again, in talking about this, we
14 do recognize the very extensive use of pain
15 medication, and particularly in the elderly
16 community, people with the severe arthritis use
17 these Oxycontins and things like that to control
18 pain. We talked about robberies and the like.

19 Are you seeing an increase in
20 robberies in elderly communities, old-age homes?
21 Are there things like that happening where you are
22 getting reports from those folks, or there is just
23 such a ready supply in your home cabinets that you
24 haven't seen that yet?

25 I ask that to either of you.

1 MR. SCOPPA: I haven't seen that.

2 MR. JERNICK: I haven't.

3 CHAIRMAN HOBBS: Sergeant Scoppa,
4 Sergeant Jernick, thank you very much.

5 MR. JERNICK: You're welcome.

6 MR. LACKEY: Thank you.

7 Our next witness is going to appear
8 by video again to protect their identity. This is a
9 former heroin addict who began their use in middle
10 school.

11 At this time the Commission calls
12 Video Witness 2.

13 EXAMINATION

14 BY MR. LACKEY:

15 Q. For our purposes today, I will refer
16 to you as Confidential Source 579. Is that okay?

17 A. Yes.

18 Q. How old are you?

19 A. Eighteen.

20 Q. Where are you from -- well, you are
21 originally from the Midwest, correct?

22 A. Yes.

23 Q. And you've lived in South Jersey for
24 a little less than a decade, correct?

25 A. Yes.

1 Q. And you -- but you went to high
2 school in South Jersey, correct?

3 A. Yes, it is.

4 Q. You are here today to tell us about
5 your prescription pill addiction, which led you to
6 become a heroin addict, correct?

7 A. Yes.

8 Q. Let's begin with pills. How did you
9 begin abusing prescription pills?

10 A. I was about maybe ten or 11 and my --
11 one of my relatives had offered me some pills that
12 he was taking and he said felt really good, so I
13 took a few of them and I felt good, and at that
14 point I -- you know, I always wanted to take them
15 after that, so it just became really bad.

16 Q. You were only ten or 11 at the time?

17 A. Yes.

18 Q. Which prescription pills were you
19 taking at the beginning of your addiction?

20 A. Xanax.

21 Q. As your addiction progressed, did you
22 take different prescription pills?

23 A. Yes.

24 Q. Tell us what you took.

25 A. I started taking Oxycontin, Roxies,

1 Percocet and a -- you know, a lot of different
2 narcotics.

3 Q. Did you ever take them in
4 combinations or did you primarily take them -- just
5 Oxies or just Xanax?

6 A. No. I took them in combinations.

7 Q. Give us an example.

8 A. If I had, you know, a Roxy and a
9 Xanax, I would take one, and then, if I wasn't
10 feeling good enough, I would take another one in
11 just a small period of time.

12 Q. Did using them -- using the pills in
13 combinations aid your high?

14 A. Yes.

15 Q. Did the using them in combination
16 also kind of help you come down off your high as
17 well?

18 A. Yes.

19 Q. Walk us through some of the methods
20 that you used to obtain your pills.

21 A. I would get money from my parents
22 sometimes. I would also steal from friends, family,
23 anyone who was around, and also my friends would,
24 you know, offer -- offer drugs, if they had them --
25 prescription pills.

1 Q. So, in order to get the money to buy
2 drugs, you would use your spending money --

3 A. Um-hum.

4 Q. -- or you would steal to be able to
5 get money to be able to buy -- to buy your
6 prescription pills?

7 A. Yes.

8 Q. When you first began taking the
9 pills, did you swallow them like how we commonly
10 think of those pills?

11 A. Yes, when I first started, and then I
12 ended up sniffing them and, when that didn't work so
13 well, the ones that you could do intravenously, I
14 would do that.

15 Q. How long did it take you to go from
16 swallowing the pills to taking them -- or shooting
17 the pills?

18 A. Maybe two or three years with the
19 pills.

20 Q. Now, you told us that you began using
21 pills when you were ten or 11. Did you use them
22 through the time you were in high school?

23 A. Yes.

24 Q. Were you ever high on prescription
25 drugs in high school?

1 A. Yes.

2 Q. Tell us about that. Where would you
3 take them, how would it work? Explain it to us.

4 A. I would either bring -- bring them to
5 school with me or my friends would have them there
6 and, you know, in the middle of class, get up and go
7 to the bathroom and tell my friends, "Meet me in the
8 bathroom." We'd all do some of the pills in the
9 bathroom and then go back to class.

10 Q. How would being high on prescription
11 pills evidence itself while you sat in class?

12 A. Falling asleep in the middle of
13 class, just the way that you look, your eyes, you
14 know, being glassy and -- you can -- you know, you
15 are just distorted every time you look at someone.

16 Q. Did any of your teachers, when you
17 were falling asleep, you had glassy eyes, you
18 looked, as you described it, distorted -- did any of
19 your teachers ever comment or say anything to you
20 about whether or not you were high?

21 A. No, they never did. They never --
22 didn't seem like they ever caught on.

23 Q. You said there were other kids in the
24 bathroom with you when you were taking these pills.
25 How prevalent was prescription pill abuse in your

1 high school?

2 A. It was a pretty big thing. A lot
3 of -- a lot of different kids, even in -- even in
4 groups that I didn't hang out with I knew that they
5 were doing drugs as well.

6 Q. We've heard estimates that at the
7 time that you were at your high school, that that
8 school had about 300 kids that were using -- or, I'm
9 sorry, abusing prescription pills at that time.

10 Do you think that's a fair estimate?

11 A. At least. There was about two to
12 3,000 kids in the school at that time, and that's
13 the least that I could say about that.

14 Q. Do you think school administration
15 and the teachers are aware of how significant the
16 prescription pill problem is in high school?

17 A. No, I don't think that it is at all.
18 I think that they look past it and they don't do
19 enough to -- to find out who's doing it, who is
20 supplying it and where it's coming from.

21 Q. Give us a sense of how many pills you
22 were consuming when your pill habit was at its
23 worst. On a daily basis tell us first the
24 milligrams -- like what types of pills you were
25 taking and then the amounts.

1 A. When my addiction was at its worst I
2 was taking Oxies, Oxycontin, and I was taking 30 --
3 30 to 80 milligrams a day -- well, in a pill, and I
4 was taking maybe four or five pills a day.

5 Q. Some addicts have told us that, if
6 they don't take their pills, they feel sick.

7 Have you ever experienced being sick?

8 A. Yes, with the withdrawal symptoms.
9 It's a pretty bad feeling.

10 Q. Describe it for us.

11 A. Your bones ache. In my case, I
12 would, you know, get the cold sweats. You know, you
13 just feel -- it's like the flu, but maybe 20 times
14 intensified.

15 Q. And, in order to feel well or better,
16 you need to consume prescription pills again, the
17 Oxies, the Percocets, the ones you listed off for
18 us, so you become even again, correct?

19 A. Yes.

20 Q. What ultimately happened to lead you
21 into using heroin?

22 A. My friends -- I was with my friends
23 one day and they had -- they had heroin and they
24 were all doing it and I saw them. They asked me,
25 "Hey, do you want a bag," and first I was kind of

1 like, "No, I'm all right." Then I see them all, you
2 know, feeling good, so I'm like, I guess I'll try
3 one, and I did it ever since then and it made me
4 feel good, so I just kept doing it.

5 Q. Compare the good feelings you felt on
6 prescription pills to the good feelings you felt
7 high on heroin.

8 A. I preferred heroin just because it --
9 you needed less of it to get higher, and it was less
10 expensive as well.

11 Q. You told us how much -- how many
12 prescription pills you were consuming when your
13 addiction was at its worst. What was the cost
14 associated with buying that many prescription pills?

15 A. It was anywhere from 50 to a hundred
16 dollars a day.

17 Q. So one of the reasons why you
18 graduated to heroin was because heroin was just a
19 lower cost alternative?

20 A. Yes.

21 Q. How much heroin would you have to buy
22 to have a significant high and not feel sick?

23 A. When I had started doing heroin and I
24 ended up getting hooked on it, when I would go
25 through the withdrawal I would need maybe -- maybe

1 two bags just to feel well again.

2 Q. And how much would two bags cost?

3 A. \$15.

4 Q. So \$15 versus, you know, a little bit

5 under a hundred.

6 A. Yes.

7 Q. Did you ever think, when you were

8 taking prescription pills, that those pills would

9 actually lead you into a heroin addiction?

10 A. No, I never thought it would get that

11 bad.

12 Q. How old were you when you first tried

13 heroin?

14 A. I believe I was 15 or 16.

15 Q. When you first tried it, were you

16 snorting heroin?

17 A. Yes.

18 Q. Did you subsequently graduate to

19 shooting heroin?

20 A. Yes, I did.

21 Q. How long did it take you from

22 snorting heroin to shooting it with a needle?

23 A. It was about a year.

24 Q. Why did you start using a needle?

25 A. I wasn't getting the same high as I

1 would when I first started. My friend was using a
2 needle and she asked me if she wanted her to do it
3 for me, and I was kind of hesitant, but, again, I
4 just went for it, and I liked the feeling, so I
5 continued to do it.

6 Q. At the peak of your heroin addiction,
7 how much heroin were you using?

8 A. A little over a bundle a day. Ten to
9 12 bags.

10 Q. How long did it take you to go from
11 the snorting a couple of bags to shooting ten to 12
12 bags?

13 A. A matter of three or four months.

14 Q. How much was your heroin habit
15 costing you a day?

16 A. At my worst it was maybe, you know,
17 80, \$90 a day. If I had more money that day, the
18 more drugs I would get.

19 Q. How were you getting your 80, \$90 a
20 day?

21 A. When my addiction was at its worst, I
22 was -- I had a job and that was supplying my money,
23 and I would steal from the job or wait for my
24 paycheck, whatever it was, just to get high.

25 Q. Where were you getting your heroin?

1 A. From friends and one of my relatives.

2 Q. Did you ever use heroin while you
3 were on school grounds?

4 A. Yes.

5 Q. Tell us about that.

6 A. Just like with the prescription
7 pills, I would bring it to school and -- either I
8 would bring it to school or my friends would bring
9 enough for me and the rest of my friends and we'd
10 all meet up in the bathroom and do what we had to do
11 and then go back to class.

12 Q. So this was during school hours?

13 A. Yes.

14 Q. About how many times did you get high
15 in school?

16 A. Majority of my sophomore year.

17 Q. So I guess the better question would
18 have been, how many days weren't you high in school,
19 right?

20 A. Not many times was I not high. There
21 was only maybe a couple weeks out of the year that I
22 didn't use.

23 Q. When you were high on heroin, how did
24 it evidence itself outwardly? You know, what did
25 you look like?

1 A. Nodding out. I looked really, you
2 know, ghostly and pale. You know, my face would
3 break out and I would be picking at myself and --
4 you know, you could just -- you could just tell by
5 looking at someone if they are -- if they are okay
6 or not, you know.

7 Q. And, from what you are describing,
8 you just didn't look okay?

9 A. No.

10 Q. Did teachers or administrators stop
11 you, ask you what was going on, if you were feeling
12 ill, anything?

13 A. No.

14 Q. Based on what you've told us today,
15 there is a clear link between your prescription pill
16 abuse and your heroin addiction, correct?

17 A. Yes, that's true.

18 Q. Do you think that the average high
19 school student that is popping Oxies or taking
20 Percocets on an occasional basis -- do you think
21 they think about the fact that this could lead them
22 into a life of intravenous heroin use?

23 A. No, I don't think they realize that
24 at all. You know, even when they go through the
25 withdrawal symptoms and have to get well again, I

1 don't think that they -- I don't think that they
2 think at this moment that it will lead to heroin.

3 Q. What would you say to them?

4 A. That it will and that it only gets
5 worse. You know, one day you are just going to be
6 sick and the next day -- you know, and you are going
7 to need something, you can't find any pills, find a
8 bag of heroin, and there you go, your sickness is
9 over, and that will lead you down the path of taking
10 heroin every single day.

11 Q. How are you doing now?

12 A. I'm doing good.

13 Q. Are you clean?

14 A. Yes, sir.

15 Q. How long have you been clean?

16 A. Three months.

17 Q. Congratulations.

18 A. Thank you.

19 MR. LACKEY: On behalf of the
20 Commission, thank you so much for telling us your
21 story.

22 I have no further questions for this
23 witness.

24 Thank you very much.

25 At this time the Commission calls

1 Detective Sergeant Barry Graves, Monmouth County
2 Prosecutor's Office, and also Lieutenant Dombroski
3 from the Bergen County Prosecutor's Office.

4 Gentlemen, please come forward and
5 remain standing so you can be sworn.

6 BARRY GRAVES and THOMAS DOMBROSKI,
7 after having been first duly sworn, are examined and
8 testifies as follows:

9 MR. LACKEY: As they get seated,
10 Commissioners, what we would like to present is kind
11 of moving forward into heroin and directing our
12 attention as to how it moves, how it's processed,
13 but, before we do that, I'd like take a moment to
14 ask these gentlemen some follow-up questions about
15 what they are seeing relating to prescription pills.

16 Good morning.

17 MR. GRAVES: Good morning, sir.

18 MR. DOMBROSKI: Good morning.

19 MR. LACKEY: Detective Sergeant
20 Graves, would you please state your full name.

21 MR. GRAVES: Barry Graves.

22 MR. LACKEY: And where are you
23 employed, sir?

24 MR. GRAVES: I'm employed by the
25 Monmouth County Prosecutor's Office in the Narcotics

1 Strike Force Unit.

2 MR. LACKEY: Tell us about your
3 professional background.

4 MR. GRAVES: I started as a Marine.
5 September of '85 I was discharged. December of '85
6 I was hired as a patrolman by Tinton Falls Police
7 Department. After the academy -- I graduated the
8 academy in May of '86 -- I conducted patrol duties
9 for approximately four years for the Monmouth County
10 Prosecutor's Office as a loaner to work undercover.
11 I did that for approximately two and a half, three
12 years.

13 I proceeded back to Tinton Falls,
14 where I was the DARE officer, and then I was hired
15 by Tinton Falls permanently in 1984, August. I was
16 then assigned back to narcotics. I stayed there
17 until I was promoted in 2005. I was then assigned
18 to the courthouse in charge of juvenile fugitives
19 and trial team. I did that for approximately nine
20 months.

21 I was then reassigned back to the
22 Narcotics Strike Force Unit where I'm currently
23 supervisor for the Narcotics Strike Force Unit.

24 MR. LACKEY: Sounds like a vast
25 majority of your substantive law enforcement

1 experience involves narcotics.

2 MR. GRAVES: Yes.

3 MR. LACKEY: Tell us a little bit
4 about your narcotics training.

5 MR. GRAVES: I've attended numerous
6 schools sponsored by local, county, state and
7 federal agencies. I also instruct now at the
8 Monmouth County Police Academy, Division of Criminal
9 Justice, in the field of narcotics investigation
10 identification. Myself, along with Lieutenant
11 Dombroski were also, I guess you'd say, directors of
12 tactics and undercover operations for the Top Gun
13 Narcotics School, and I also had that same position
14 with the Undercover and Narcotics Investigative
15 Training School, which consists of a unit which
16 instructs strictly on undercover operations.

17 MR. LACKEY: One last point on your
18 background. You have been certified as an expert
19 over 50 times for trial?

20 MR. GRAVES: Yes, I am qualified as
21 an expert in superior court.

22 MR. LACKEY: Lieutenant Dombroski,
23 let's focus on you for the moment.

24 Please state your full name for the
25 record.

1 MR. DOMBROSKI: Thomas Dombroski.

2 MR. LACKEY: And you are with the
3 Bergen County Prosecutor's Office, correct?

4 MR. DOMBROSKI: Yes, I'm currently
5 with the Bergen County Prosecutor's Office.

6 MR. LACKEY: Tell us about your
7 professional background.

8 MR. DOMBROSKI: I began my career in
9 1986 as a patrol officer with the Borough of Dumont.
10 Among my responsibilities there I was also a DARE
11 officer. In 1989 I was hired by the Bergen County
12 Prosecutor's Office.

13 My 22 years that I've spent there
14 have ranged between the homicides, major crimes
15 squad, and about 15 years in the narcotics unit.
16 During my time in the narcotics unit I've been
17 fortunate enough to spend time on loan with federal
18 agencies. I was assigned for three years to a
19 DEA/IRS criminal investigation unit that targeted
20 mid-range and upper range cartel members, seizing
21 their assets.

22 I spent a year with the New York City
23 Police Department in the intel unit, and I've spent
24 a year with the DEA as recently as 2008.

25 MR. LACKEY: Detective Sergeant

1 Graves mentioned Top Gun, and you are also an
2 instructor with Top Gun, is that correct?

3 MR. DOMBROSKI: Yes. Sergeant Graves
4 and I have been involved with Top Gun almost since
5 it's inception. We've worked our way up the ranks
6 in Top Gun and we've become permanent faculty
7 members. Most of our responsibilities are
8 overseeing, as Sergeant Graves has said, critiquing
9 raid training and making sure the day-to-day
10 operations of the administration of the class pretty
11 much go as planned.

12 MR. LACKEY: Just as a point of
13 information for you, Commissioners, Top Gun is
14 considered one of the best training for narcotics
15 programs in the northeastern seaboard and, so, the
16 fact that both of these men are involved in that is
17 impressive. Thank you very much for your time and
18 effort involved with that.

19 Now I want to focus our attention on
20 prescription pills. You've been here for the entire
21 hearing, so you've heard what some of the folks have
22 said about pills, but we want to focus on what you
23 are seeing in your area.

24 Let's start with you, Detective
25 Sergeant Graves. Are you seeing an increase in the

1 use of prescription pills in the area?

2 MR. GRAVES: Yes, absolutely. Pretty
3 much consistent with what everybody else has talked
4 about. Pretty much in our affluent areas we are
5 seeing a big rise.

6 MR. LACKEY: We've heard about bad
7 doctors, we've heard about the pain management
8 clinics.

9 Are there any methods that abusers
10 are getting their pills that you are seeing that
11 haven't been mentioned here today?

12 MR. GRAVES: Well, one of the biggest
13 things is stolen scripts. That's a big problem in
14 Monmouth County. We have people who are obtaining
15 scripts -- either stealing from doctors' offices or
16 working for doctors' offices and they have someone
17 in there who are selling them. We did have one case
18 where the son of a doctor was stealing his father's
19 scripts and, in turn, selling them out to people.

20 We also have the crews in Monmouth
21 County that come through Monmouth County from other
22 areas. They have a leader who gathers up a van full
23 of people, he has illegal scripts. He will --

24 COMMISSIONER MARTIN: Did you say
25 "legal" or "illegal"?

1 MR. GRAVES: Illegal scripts, usually
2 stolen. They'll pass them out the people. They
3 will pretty much go along a certain corridor and go
4 to all these pharmacies and try to have these
5 scripts filled. Sometimes they get caught,
6 sometimes they don't.

7 MR. LACKEY: And are you also seeing
8 diversion in certain types of pharmacies, mostly the
9 moms and pops?

10 MR. GRAVES: Yes. We recently shut
11 down one pharmacy, but they were able to re-open,
12 whereas everyone knew you can go to this one
13 pharmacy, which has two locations, one in Monmouth
14 County, one in Middlesex County, to fill out -- get
15 their prescriptions filled, and it was a constant
16 thing. Even the township cops knew about it, but it
17 was just hard to kind of control at a certain point.

18 Then we finally were able to get the
19 one and, along with state agencies, we were allowed
20 to close them down for I think a day or two and they
21 were re-opened.

22 MR. LACKEY: In your county, as a
23 result of this increase in prescription pill use,
24 are you seeing also an increase in the use of
25 heroin?

1 MR. GRAVES: Yes. What usually
2 happens, like everyone else testified before me, is
3 that usually, because of the cost of the pills,
4 which in Monmouth County is usually 25 to \$80, once
5 they run out of that type of money, they can go buy
6 a bag of heroin in Monmouth County for usually \$7.

7 MR. LACKEY: Let's direct ourselves
8 to you, Lieutenant Dombroski. What are you seeing
9 as it relates to the issue of prescription pills?

10 MR. DOMBROSKI: I would actually
11 concur with Sergeant Graves in the types of
12 investigations that they've had experience in.
13 Although we haven't really delved into that venue of
14 targeting the pharmacies that have been dispensing
15 the medication, we have had luck targeting
16 individuals who do go to the pharmacies with I guess
17 what would appear to be legitimate scripts, but,
18 again, when the scripts are filled -- I don't know
19 if there is a connection between pharmacies where
20 they are able to identify individuals who
21 consistently go to, say -- you know, from one end of
22 the county to the other and pass these scripts.

23 MR. LACKEY: What types of pills are
24 you seeing abused in your area?

25 MR. DOMBROSKI: Again, we still get a

1 lot of ecstasy that we buy, but we do see a
2 tremendous increase in the Oxycontin, Oxycodone,
3 same thing with the Percocets, Percodan, and it's no
4 different in Bergen County than it is for most other
5 counties.

6 MR. LACKEY: What about the heroin?
7 Are you seeing an increase in the cases that you are
8 investigating associated with heroin as well?

9 MR. DOMBROSKI: Right. Our focus
10 obviously is more or less on the sellers of the
11 drugs, the heroin. We really don't get too much
12 involved, because of our agency's focus on the
13 users, but we have seen a significant increase in
14 our purchases, and I'm talking about purchases
15 anywhere from prepackaged, you know, bundled heroin,
16 to even grams of raw heroin that we're buying.

17 MR. LACKEY: Do you think pills have
18 a role in the increase you are seeing?

19 MR. DOMBROSKI: Undoubtedly so. It
20 does.

21 MR. LACKEY: All right.

22 Now let's focus our attention on
23 heroin. I want to talk about how it's processed,
24 how it's packaged. We've thrown around some terms
25 associated with that, but let's get some

1 clarification so we are all on the same page.

2 Detective Sergeant Graves, when I say
3 "cutting heroin," what does that mean?

4 MR. GRAVES: Pretty much cutting
5 heroin is taking the raw heroin and mixing it with
6 another substance in order to increase it, make more
7 of it, and that way you can make more money, of
8 course, if you have more of the substance.

9 MR. LACKEY: What do they cut it
10 with?

11 MR. GRAVES: They have several
12 items -- they use mannitol, which is a diuretic;
13 they have baby laxatives. Lactose, glucose, stuff
14 like that, that is consistent with the look of
15 heroin.

16 MR. LACKEY: In the distribution
17 chain, where is the heroin cut? Is it cut later in
18 the process, earlier in the process?

19 MR. GRAVES: It depends. You get
20 some wholesalers who will do it right then and
21 there. They'll cut it, have it bagged up and ready
22 to go. Then you'll have others who are buying it
23 raw in gram form, and then they'll take it and cut
24 it themselves and dispense it themselves. That way
25 they can cut it the way they want to instead of

1 buying it precut.

2 MR. LACKEY: Are you seeing various
3 criminal groups working together through the
4 distribution process, either in the cutting process
5 or in the retail process? Are you seeing different
6 groups working together?

7 MR. GRAVES: Yes, you do see
8 different factions working together when it comes to
9 extending the heroin. Also, of course, when it
10 comes to making the money.

11 MR. LACKEY: Describe for us how
12 heroin is actually packaged for sale.

13 MR. GRAVES: In Monmouth County we
14 have -- they usually sell it in a glassine baggie
15 with a stamp on it. A stamp is usually something
16 popular. I guess whatever movie is out, like -- I
17 guess X-Men is out, we'll probably start seeing
18 X-Men stamps or Green Hornet stamps. Whatever is
19 popular is usually on the stamp.

20 Then they'll have it usually in
21 bundles, which are -- ten glassine bags of heroin is
22 considered one bundle, and then from there you sell
23 it in bricks. Fifty bags of heroin equals a brick.

24 We've also seen our dealers going in
25 and buying it in raw form, gram form, and then

1 packaging it themselves.

2 MR. LACKEY: Let's focus ourselves
3 and make sure we can understand the size of some of
4 these things.

5 When we are talking about a bag of
6 heroine, how big is a bag of heroin?

7 MR. GRAVES: A glassine bag?

8 MR. LACKEY: Yes.

9 MR. GRAVES: It's very small. It's
10 usually -- now it's the size of a stamp, I guess you
11 can say. It's not that big. I would say no more
12 than an inch and a half in length, and width -- an
13 eighth or a half inch in width.

14 MR. LACKEY: We heard that the bags
15 that are used to bag the individual doses of heroin
16 are the same things that stamp collectors put stamps
17 in. So it's very small bag that we are talking
18 about?

19 MR. GRAVES: Yes.

20 MR. LACKEY: Now, moving up, you
21 mentioned bundles. So a bundle is a bunch of those
22 little bags?

23 MR. GRAVES: Ten.

24 MR. LACKEY: Ten bags connected
25 together in a bundle?

1 MR. GRAVES: Usually wrapped in a
2 rubber band.

3 MR. LACKEY: And then, if I use the
4 term "brick," what would you say that term means?

5 MR. GRAVES: A brick is -- well, when
6 I first started working undercover in 1990, a brick,
7 you could get two, 300 bags of heroin. Now it's
8 decreased to 50 bags of heroin, and it's usually
9 wrapped in pornographic magazine paper, taped up.
10 That's usually how all the bricks come. For some
11 reason, I guess, they use pornographic magazines,
12 but it's usually 50 bags in a brick.

13 MR. LACKEY: Size-wise, how big is a
14 brick of heroin?

15 MR. GRAVES: I would say the length
16 of one and a half, two inches, but it's a little
17 thicker now. You are talking maybe as thick as, I
18 would say, an inch, maybe.

19 MR. LACKEY: If I used just my
20 fingers here on my one hand, is that about the size
21 of a brick of heroin? Is that a good estimate?

22 MR. GRAVES: I would think it would
23 be smaller. A brick would probably be a little
24 smaller.

25 MR. LACKEY: So even this is a little

1 large for a brick?

2 MR. GRAVES: Yes.

3 MR. LACKEY: And, Lieutenant
4 Dombroski, we were talking about heroin processing,
5 and Detective Sergeant Graves talked about how it's
6 being cut.

7 Are you seeing processing moving from
8 the urban areas into some of the suburban areas that
9 you are responsible for?

10 MR. DOMBROSKI: Absolutely. As
11 recently as last month there was an investigation in
12 Bergen County where a house -- a search warrant was
13 executed on a house. Approximately five kilos of
14 heroin was in the process of being cut in the
15 basement apartment. Ten individuals were arrested
16 and there was a tremendous amount of packaging
17 material and stamping equipment to identify at least
18 three or four different brands that would be put out
19 on the street.

20 I mean, heroin -- back in 2008, when
21 I was assigned to DEA, we were involved in an
22 investigation where we seized what we believed to be
23 150 kilos of cocaine, which at the time really, in
24 DEA standards, was not a tremendous seizure.
25 However, once the drug came back from the lab, we

1 found out that 75 kilos of that was actually
2 Colombian heroin, which turned out to be the third
3 largest seizure in the county.

4 So heroin is here and there is a lot
5 of it.

6 MR. LACKEY: And when they are moving
7 heroin from the cutting places, the places where
8 it's cut, to retail sale, how are they doing it?

9 MR. DOMBROSKI: There is numerous
10 different ways. I mean, they can bulk carry it,
11 they use commercial vehicles, as far as, you know,
12 maybe a limo they rent, a taxi.

13 We've seen an increase in vehicles
14 that are equipped with very sophisticated traps that
15 are used in the transportation of drugs and money --
16 the money associated with the sale of the drugs.

17 MR. LACKEY: What about rental cars?
18 Have you seen that?

19 MR. DOMBROSKI: Yes. We run into
20 that occasionally where rental cars are used. If
21 trips are being made to pick up, say, a bulk amount
22 of drugs, or a trip is being taken down to, say,
23 Florida, they are renting a car for the week and, in
24 addition to renting the car, we run into a problem
25 where identification really isn't consistent with

1 the operator of the vehicle who is renting the car.

2 So, it makes it difficult to really
3 identify the person behind this operation.

4 MR. LACKEY: It also makes sense for
5 them to rent a car to be able to move narcotics
6 because one of the great tools that you have is the
7 forfeiture laws.

8 MR. DOMBROSKI: Right.

9 MR. LACKEY: And those forfeiture
10 laws, it doesn't matter if it's a rented car,
11 correct?

12 MR. DOMBROSKI: Well, we run into
13 problems with the rental cars and then -- which is
14 more prevalent in the leased vehicles, too. They'll
15 put a little bit of money down, they'll lease a car
16 for two years, and, when it comes time, if involved
17 in an investigation, if we seize that vehicle, we
18 really don't have a right to take the vehicle and
19 forfeit it, and I think that the individuals know
20 that.

21 I mean, they are getting -- it's to a
22 point, in a recent investigation, where they are
23 going as far as spending ten to \$12,000 installing a
24 very sophisticated trap in a leased vehicle,
25 realizing that, you know, whatever they move through

1 that, they'll make their money up, and, once the
2 lease is up, they are putting the vehicles back in
3 service with the leasing company, not really being
4 concerned about the trap still being in the vehicle.

5 MR. LACKEY: So they'll invest ten to
6 \$12,000 putting traps in a leased vehicle, a car
7 that they don't even own?

8 MR. DOMBROSKI: Yes.

9 MR. LACKEY: Before we start talking
10 about traps, let me ask you one follow up on the
11 rental cars.

12 In one of the areas that we looked at
13 in South Jersey there was one specific dealer that
14 the drug dealers knew to go to to be able to get
15 their vehicle -- to be able to rent a car.

16 Do you see that kind of phenomenon in
17 your area?

18 MR. DOMBROSKI: Well, there are a lot
19 of rental companies in Bergen County along the
20 highways. We are not really seeing one in
21 particular. I mean, we do see the big companies
22 which have smaller companies around the county, you
23 know, Enterprise and certain other companies, but
24 it's not just one location that consistently these
25 individuals would go to.

1 MR. LACKEY: Now let's focus on
2 traps. You've talked about it before. Let's define
3 it.

4 What is a trap?

5 MR. DOMBROSKI: A trap -- my
6 definition of a trap is purposely altering a vehicle
7 to install some type of a hidden compartment that
8 can be accessed to secrete, I guess, something other
9 than a legitimate item. I mean, you have a glove
10 box to put most of your possessions in the car. A
11 trap would be to secrete something you wouldn't want
12 anybody to find.

13 MR. LACKEY: What are some of the
14 common areas that dealers are using to put traps in?

15 MR. DOMBROSKI: Well, they are all
16 over a vehicle. You can get them in the front
17 dashboard, you can actually get them installed
18 behind air bags if an air bag is removed. The seats
19 themselves can be utilized. We've had them in rear
20 seats, in trunks of vehicles. I guess it's up to
21 the imagination of the individual who basically
22 builds the trap.

23 MR. LACKEY: Let's actually look at
24 an example, and this is an example that your agency
25 and you were actually very kind enough to provide to

1 the Commission. So, first, thank you for that.

2 What are we looking at here? Let me
3 direct your attention to GF-22.

4 And, Commissioners, there are
5 photographs in your book, if you want to refer to
6 them, or you can refer to the screen. GF-22 is an
7 exhibit that was actually prepared by the Commission
8 staff.

9 Could you tell us a little bit about
10 the car that we are looking at.

11 MR. DOMBROSKI: That's an Infinity, I
12 think it's an i45. This is, in my mind, a pretty
13 unique investigation, if you'd like me to get into
14 that now.

15 MR. LACKEY: Please do.

16 MR. DOMBROSKI: We had information
17 from an informant that an individual in one of our
18 towns -- I'm going to be somewhat vague about it,
19 it's somewhat ongoing -- but an individual in one of
20 our towns was moving quantities of marijuana and
21 money and had a vehicle that had a trap in it.

22 At a particular time in the
23 investigation, detectives conducted a surveillance,
24 and it was the first time they went out to conduct
25 surveillance on this individual. While they were

1 out there, they noticed this suspicious vehicle
2 within the area that they were conducting
3 surveillance on.

4 To make a long story short, it turns
5 out that that suspicious vehicle had two individuals
6 in it that had a history of home invasions and
7 robberies. The vehicle left, he was stopped by
8 local police who were working with us, was found to
9 be in possession of items that are consistent with
10 home invasion tools, duck tape, there was a bat, pry
11 bar, and other possessions in the vehicle.

12 When we went back to speak to the
13 owner, the owner basically informed us that, yes, he
14 was involved in the marijuana trade and he -- we
15 were granted permission from the individual to
16 search the vehicle. I don't think he knew that we
17 knew that there was a trap in the vehicle. We were
18 able to access it and open it and in the trap was
19 \$10,000, which we seized along with the vehicle.

20 MR. LACKEY: So there was \$10,000 in
21 that car?

22 MR. DOMBROSKI: Yes.

23 MR. LACKEY: How did you find the
24 trap?

25 MR. DOMBROSKI: We had detectives

1 as that seat opens, you are looking at the back of
2 the seat and then there was a manufactured piece of
3 metal that was placed in there by the trap maker to
4 make a compartment that you wouldn't see from the
5 trunk looking in. It was actually piston operated,
6 where you can hear that piston push the seat back
7 and a locking mechanism to keep it in place so it
8 wouldn't accidentally open.

9 MR. LACKEY: And that piston you are
10 talking about is kind of that little silver cylinder
11 that we see there?

12 MR. DOMBROSKI: Yes.

13 MR. LACKEY: We can go to the next
14 one.

15 Now we are looking actually with it
16 fully opened and looking down into the area,
17 correct?

18 MR. DOMBROSKI: Yes.

19 MR. LACKEY: And this is actually the
20 storage area that they had created with this trap,
21 correct?

22 MR. DOMBROSKI: Yes.

23 MR. LACKEY: Where was the \$10,000?

24 MR. DOMBROSKI: It was just laying in
25 the bottom of the trap.

1 MR. LACKEY: And, Commissioners, you
2 can see how they hollowed out these rear seats to be
3 able to form that trap.

4 Let's actually look at how it works.
5 Go on to the next slide. That's that piston you
6 were talking about actually -- and that opens it up
7 and then that's a picture of it closing.

8 That was very creative for them to be
9 able to put that there, wasn't it, detective?

10 MR. DOMBROSKI: Yes.

11 MR. LACKEY: When we talked the other
12 day, you said recently you found additional traps in
13 cars.

14 MR. DOMBROSKI: An investigation was
15 concluded last week with, so far, three vehicles:
16 One of them being owned; two of them being leased.
17 There were very sophisticated traps in the center
18 consoles of the vehicles. So far, in two of those
19 three vehicles, we located two guns, and in the
20 third vehicle a pound of marijuana, and they were
21 all part of the same organization.

22 MR. LACKEY: Detective Sergeant
23 Graves, are you seeing the same type of things in
24 your area?

25 MR. GRAVES: Yes, we have. It's a

1 prevalent thing, all of the drug dealers are very
2 aware of traps. Like he said, they usually have a
3 main go-to guy, in our case is in Newark. Guys were
4 going in there, getting traps made for several
5 thousand dollars and they just transport back and
6 forth.

7 MR. LACKEY: Let's talk about retail
8 distribution. What role do street gangs play in
9 retail distribution in Monmouth County?

10 MR. GRAVES: They play some role, but
11 it's not a major role. We have a lot of free
12 agents, as you call them, in Monmouth County. We
13 may have some guys who are members of gangs, but
14 they are working for themselves, not necessarily for
15 the gang itself, guys who grew up with gang members
16 and they are doing their own thing, but we have a
17 lot of free agents in Monmouth County.

18 MR. LACKEY: And you'd agree with me
19 if I were to say the counties -- we have 21 counties
20 in New Jersey -- that the 21 counties, each would
21 probably operate a little bit differently as far as
22 how successful gangs have been in penetrating those
23 various counties in the drug distribution?

24 MR. GRAVES: Yes.

25 MR. LACKEY: And when we talk about

1 retail distribution, let's talk about your suburban
2 buyers. Are your suburban buyers coming into places
3 like Asbury Park to buy their heroin, or how are
4 they getting their heroin?

5 MR. GRAVES: They kind of changed
6 over the years. When I first starting going into
7 the urban areas, Asbury Park, I'd see the open-air
8 drug trafficking all over the place.

9 Due to enforcement and technology,
10 now they are moving out to suburbia, which -- they
11 are going along -- we have Route 66 corridor, which
12 is a link to the Parkway, and what they are doing --
13 most of our customers are coming from Ocean County
14 and they are just meeting right off of 66 and 33,
15 which you have the outlets, you have the Home
16 Depots, the Walmarts, McDonald's, areas like that,
17 and shopping centers. They are just meeting there,
18 make a phone call, the dealer comes out to them and
19 make the sale right there. Kind of, you know, get
20 away from going into Asbury Park and the potential
21 of getting robbed or being a target of law
22 enforcement.

23 MR. LACKEY: Are you seeing the same
24 thing, Lieutenant?

25 MR. DOMBROSKI: I'd say 90 percent of

1 our deals will take place in public areas, shopping
2 malls, right out in public they'll meet and conduct
3 their transactions.

4 Again, there is comfort in the fact
5 that there is a lot of people around. I mean, we've
6 had instances where our undercover was robbed or an
7 attempted robbery by armed individuals who didn't
8 really concern themselves with who was around. They
9 just -- they were looking at a quick grab, they knew
10 that the undercover had at least \$5,000, obviously
11 had no idea who they were, and their efforts really
12 didn't pan out.

13 MR. LACKEY: Our last area will be
14 technology. One of the things that we talked about
15 in consistently looking at different counties was
16 the impact of prepaid cell phones, cell phones where
17 you don't have a contract, but you pay money to be
18 able to use the phone.

19 How is that technology impacting what
20 you do? Let's start with you, Sergeant Graves.

21 MR. GRAVES: Pretty much that's what
22 all the narcotic dealers use right now, so-called
23 throw-away phones or, you know, buy -- you can
24 pretty much -- we even do it as undercovers. We go
25 out and buy a prepaid phone -- we go into a location

1 that sells prepaid phones and purchase them
2 ourselves. You then can pretty much make up any
3 identity you want, because that's how they do it.

4 At a certain point then, after a
5 certain time period, you want to change the number,
6 you can. You can get any extension throughout the
7 country. You can put down any address wherever you
8 want. So a lot of times, if we are up on the phone,
9 we'll get certain names, they may sound familiar,
10 but usually it's -- it may be one of the guys we
11 dealt with before, but it could be a movie star or
12 an athlete's name or whatever name. They use that
13 name to hide and conceal their identity.

14 MR. LACKEY: So, when they purchase
15 the phone, they don't have to give their own name;
16 they can give any name that they want and that will
17 be the name on the phone?

18 MR. GRAVES: As a matter of fact, in
19 my case, I went in to buy one of the boost phones
20 and the guy said, "Well, what name do you want," and
21 I was like, "What do you mean," because I was ready
22 to give him my undercover ID. He said, "Well, I'll
23 give you John Gotti," and he gave me John Gotti's
24 name and made it a New York address and a New York
25 extension and everything else. So that's pretty

1 much how they operate.

2 MR. LACKEY: What are you seeing in
3 Bergen County?

4 MR. DOMBROSKI: Well, there is two
5 approaches to this. We have -- a large
6 percentage -- again, we talked about the pills and
7 everything before. A large percentage of our
8 juveniles that we arrest -- and they probably
9 incorporate about maybe 25 to 28 percent of the bulk
10 of our cases -- a lot of times, when you get a phone
11 number and you run subscriber information, you are
12 coming back with the parent's name. Those are kids
13 that are part of the community, easily identifiable.

14 But, when we come to wiretap
15 investigations, they are more, I guess, an advanced
16 organization or a more intelligent organization.
17 None of these people are going to have a phone in
18 their name. And, again, as Sergeant Graves just
19 said, the names that come back, depending on what
20 company they use, it's either a default name or they
21 come up with a fictitious name that they put.

22 There is really no requirement or no
23 law that says, when you buy a cell phone, you've got
24 to show identification and that's got to be the
25 identification associated with that phone.

1 MR. LACKEY: Would you guys consider
2 this an obstacle in your ability to investigate
3 narcotics cases?

4 MR. GRAVES: In some cases. We
5 usually -- in a lot of cases we overcome it due to
6 surveillance and stuff like that, but it has become
7 an obstacle. Depends on what they use.

8 MR. DOMBROSKI: Just like they adapt
9 when they get the phones, we adapt on our end, but
10 it does make it more difficult, it makes it more
11 time involved, but we will get the results that we
12 need.

13 MR. LACKEY: Thank you very much,
14 gentlemen. Thank you.

15 CHAIRMAN HOBBS: Thank you,
16 gentlemen.

17 My question to both of you -- you've
18 both been at it for a very long time. From your
19 perspective through the years, how has this changed?

20 MR. GRAVES: Technology, that's one
21 of the ways, but it's -- actually, it's pretty much
22 the same. Things go up and down, prices and people
23 and the amounts you get, but, to me, from the
24 beginning until now it's pretty much stayed
25 consistent.

1 CHAIRMAN HOBBS: And one of the
2 previous witnesses, and I think, Lieutenant
3 Dombroski, you said it as well, the movement into
4 heroin versus cocaine, that the mix is changing, and
5 you see that as well?

6 MR. DOMBROSKI: You mean by purity?

7 CHAIRMAN HOBBS: The mix, in terms of
8 what drugs are being sold versus what was being sold
9 ten years ago, and I guess purity as well.

10 MR. DOMBROSKI: The thing about
11 purity, and I don't know if your labs do it, but
12 when we send our drugs to the State Police lab, they
13 are -- I mean, they are tremendously overburdened.
14 They really don't put an effort into a qualitative
15 and quantitative analysis to let us know what the
16 purity is. If specifically asked, they would, but
17 it's really not required by us.

18 But the types of drugs, I would say,
19 you know, marijuana has always been the bulk drug.
20 I mean, if I showed you my stats, an overwhelming
21 amount of it is marijuana, whether it's bulk
22 seizures or individual sales, and, you know, cocaine
23 and heroin -- cocaine still outpaces heroin by us,
24 but there is definitely a trend toward more and more
25 heroin being available.

1 And, again, we are looking at it from
2 a point where we are buying it from the seller.
3 It's not so much we are getting involved in the
4 users. But we can go out and follow people that
5 make runs into Paterson, Newark, or even the city,
6 come either back to Bergen or through Bergen and
7 it's available.

8 CHAIRMAN HOBBS: And you are
9 seeing -- well, in your testimony the description is
10 there is, I guess, a high level of sophistication at
11 the wholesale level, and you talked about kind of
12 how sole proprietors get in, but that the retail
13 street level is still fairly unsophisticated, with
14 the exception of using some of the cell phones, I
15 guess, to connect to their clientele.

16 Is that fair?

17 MR. DOMBROSKI: I would say
18 unsophisticated, because we have an opportunity to
19 arrest a lot of them, but, when you look at the
20 higher end where you are talking about millions and
21 millions of dollars worth of product that somebody
22 is responsible for to an organization, they are
23 going to do everything that they can, and they are
24 ingenious with their ways.

25 I mean, they really put a lot of

1 effort into -- I mean, think about being able to
2 build a submarine in the middle of the jungle,
3 launch it in a river, and load it up with Colombian
4 heroin and send it out to the Caribbean where it
5 meets up with a ship. I mean, that's ingenuity.

6 CHAIRMAN HOBBS: And then puts it in
7 traps like we've seen demonstrated?

8 THE WITNESS: Absolutely.

9 MR. GRAVES: In Monmouth County we've
10 seen heroin overtaking the other drugs and it's
11 pretty much the Number 1 drug sold in Monmouth
12 County.

13 CHAIRMAN HOBBS: Heroin is?

14 MR. GRAVES: Yes.

15 MR. HOBBS: Thank you.

16 Commissioner Martin?

17 COMMISSIONER MARTIN: We've been
18 emphasizing the pills and heroin. I think, if I'm
19 understanding some of the testimony that you
20 provided as well as the previous witnesses, it seems
21 like, at the pill level, with the kids and so forth,
22 before they switch or graduate, if you want to use
23 that word, to heroin, that that seems relatively
24 unsophisticated and, at least at the distribution
25 end, is not so much gang-related, and even the

1 dealers are oftentimes kids themselves.

2 What you've been describing with
3 heroin seems to me is a much more sophisticated
4 process with the traps, but also, even if you have
5 these street dealers, they are not the kids so much.

6 I guess what I'm trying to make a
7 point is, it seems like there is the one set of
8 circumstances about how pills are -- have grown and
9 are being distributed, which is largely almost
10 self-involvement and through the doctors and some of
11 the ways we've heard earlier, but the heroin is a
12 different process that involves maybe submarines
13 initially and then eventually gangs.

14 One question I had was, have you seen
15 gangs, either, you know, the traditional organized
16 crime or the street gangs, get involved with the use
17 of pills very much?

18 MR. DOMBROSKI: In Bergen County you
19 are speaking of?

20 COMMISSIONER MARTIN: Yes.

21 MR. DOMBROSKI: Well, I'm not going
22 to say -- please understand this. I'm not going to
23 say that there are no gangs in Bergen County. I
24 would be foolish to say that.

25 However, from our focus and what our

1 undercovers are being presented with and who they
2 are dealing with, a lot of that is -- with the pills
3 cases, a lot of them are your local kids. And,
4 again, I've given you a statistic of about between
5 25 to 28 percent of the total number of arrests that
6 we made in 2010 deal with the age range of, say, 17
7 to 21 or 22. Again, unsophisticated.

8 But, on the other end of that, there
9 is a level of sophistication that exists with a
10 bigger organization, a bigger organization that's
11 responsible for a lot more money and has a lot more
12 assets to put into their operation.

13 COMMISSIONER MARTIN: It just strikes
14 me that, if there is money to be made in
15 prescription drugs, that either street gangs or
16 traditional organized crime would make some effort
17 to move into that.

18 In Monmouth and Bergen Counties, you
19 haven't seen that kind of movement?

20 MR. DOMBROSKI: We haven't come --
21 from the level that we are involved in, no. But,
22 again, I know that last year DEA was involved in a
23 case in Fairview, New Jersey, where there was a
24 house that was on the border of I believe Fairview
25 and Cliffside Park. A patrol officer was driving by

1 and noticed that there was an extremely strong smell
2 of what he believed to be lighter fluid, so much so
3 that it was overpowering him, and he investigated --
4 he investigated, which brought him to the door of a
5 house that he knocked on. There were three
6 individuals in the house and the smell of the
7 lighter fluid was actually lighter fluid, and they
8 were using it to take off the cover labels on
9 prescription bottles. There was probably upwards of
10 five to \$6 million in prescription drugs in the
11 house, but it wasn't your traditional -- what we are
12 talking about here. It was heart medication, other
13 types of medications that are actually sold on the
14 black market.

15 So there is probably some type of
16 organization that at some point claims
17 responsibility and is making money off of this, but
18 it's probably at a level that we are not
19 investigating. I mean, our responsibilities are
20 mostly to the municipalities within our community.

21 MR. GRAVES: And we do have organized
22 groups, but I wouldn't call them so-called gangs or
23 Mafia type groups. Just a bunch of individuals who
24 get together. You can have a leader and a bunch of
25 individuals they may pass out illegal scripts to and

1 they go and try to fill them.

2 COMMISSIONER MARTIN: I have one
3 other unrelated question. I think, like many of us,
4 I'm intrigued by these traps. Is there -- somebody
5 who can put together something like what strikes me
6 as pretty skilled mechanics, has there been some
7 attempt to try to find these guys who are making
8 these adaptations?

9 MR. DOMBROSKI: Yes, I would say that
10 those attempts have been successful.

11 MR. GRAVES: We do track them back
12 sometimes. Most of them are body shops or these
13 shops that install stereos. Those are usually the
14 people they go to in order to have traps installed.

15 MR. DOMBROSKI: And it takes a level
16 of sophistication, but, again, if you work in a body
17 shop or if you install stereos and radios, you have
18 a good understanding of how a car is constructed,
19 and it's really -- it just takes a little bit of
20 ingenuity to figure out how you are going to put a
21 device in there that somebody is going to pay you a
22 lot of money for.

23 COMMISSIONER MARTIN: Well,
24 especially, as you mentioned, the wiring. It's not
25 just hiding pot. Like in the old days you'd just

1 rip out padding or something. You are talking about
2 a series of sequential electronics.

3 MR. DOMBROSKI: Right, but -- I mean,
4 if you think about it, for the most part, a routine
5 patrol stop is not going to get a police officer,
6 again with the difficulties of doing certain things,
7 to rip up carpets and pull off a dashboard. Again,
8 they are so good that, to the untrained eye, there
9 are certain things that you don't see, as far as
10 your perception of what lines are off in a vehicle.

11 So there is a difficulty and, unless
12 you know -- or, again, in cases that we work we may
13 have more information than they realize and we are
14 able to locate or even bypass the sequential order
15 to activate a trap.

16 And, again, that's how I think we did
17 this in this specific instance on the video.

18 COMMISSIONER MARTIN: Thank you.

19 CHAIRMAN HOBBS: In a typical stop,
20 if you want to open the trunk, you go right ahead,
21 the trunk is not an issue, right?

22 MR. DOMBROSKI: Yes, if you can get
23 somebody to give you consent to look in a trunk, and
24 you can get it in writing, I would say, then, yes,
25 go ahead and take a look.

1 CHAIRMAN HOBBS: Very good.

2 Commissioner Caliguire?

3 COMMISSIONER CALIGUIRE: Just a quick
4 question. We heard some numbers mentioned about the
5 prevalence of prescription drug abuse among high
6 school students. Do you have any sense of what that
7 statistic is in Bergen or Monmouth Counties?

8 MR. DOMBROSKI: Speaking on behalf of
9 Bergen, I really -- I couldn't really get into that
10 with you, because I'm not sure what those statistics
11 are. Again, from our perspective as enforcement, we
12 do take a role in the high schools with lectures.
13 We will do drug identification lectures for the
14 students as well as the teachers -- actually, not so
15 much drug ID for the students, but it's for the
16 teachers and the faculty, you know. And, when we
17 talk to the students, we will go there with, you
18 know, issues regarding drug laws and speak to them
19 on behalf of stuff you see here. You know, what
20 problems you have associated with drug use.

21 So there is an educational process,
22 but to know what the statistics are in the schools,
23 I wouldn't be able to tell you.

24 MR. GRAVES: And the same with
25 Monmouth County. We know it's high with young and

1 young adults, but I couldn't give you a specific
2 number.

3 COMMISSIONER CALIGUIRE: Thank you.

4 CHAIRMAN HOBBS: Gentlemen, thank you
5 very much for your testimony.

6 MR. LACKEY: At this time the
7 Commission calls it's next witness. Again, for
8 security purposes, this witness will testify via
9 video to protect her identity.

10 This witness is a Bloods street gang
11 leader and he will testify -- or she will testify
12 about the structure and operation of their criminal
13 organization. The witness will also discuss the
14 gang's wholesale and retail narcotics activity,
15 including the purchase, processing and distribution
16 of heroin.

17 At this time the Commission calls
18 Video Witness 3.

19 EXAMINATION

20 BY MR. LACKEY:

21 Q. As part of our agreement for you to
22 testify today, I will only refer to you as
23 Confidential Source 554.

24 Is that consistent with our
25 agreement, sir?

1 A. Yes.

2 Q. You are a member of the Bloods street
3 gang, correct?

4 A. Yes.

5 Q. How long have you been a Blood?

6 A. Probably going on 16 years now.

7 Q. Through your 16 years as a member of
8 the Bloods, you ultimately rose through that
9 organization, correct?

10 A. Yes.

11 Q. As a matter of fact, you ended up
12 with a significant senior management position,
13 didn't you?

14 A. Yes.

15 Q. Currently how many members does your
16 particular set have?

17 A. It's hard to say, because it's
18 growing every day. Every time somebody new go to
19 jail that is not a Blood, they run to the Bloods for
20 protection, depending on -- on where you get housed
21 at. And it's like a feeding system in jail. If you
22 are not one, everybody trying to snatch you up for
23 numbers, so this group don't get bigger than the
24 next group. So it's really hard to say right now,
25 but it's -- it's growing.

1 Q. Well, let's just use Trenton, for
2 example. Would you agree that there is over 500
3 members of your set just here in Trenton?

4 A. More than that.

5 Q. A thousand?

6 A. I'd say about a thousand.

7 Q. Let's talk a little bit about how the
8 gang itself is structured. At the top of that
9 structure there is something that we are going to
10 call the committee, correct?

11 A. Yes.

12 Q. Okay. What is the role of the
13 committee?

14 A. The committee is the one that we --
15 enforces all the rules and regulations. Anybody
16 that do anything wrong, we make sure they get
17 disciplined. We pass out drugs, the guns. That's
18 basically our role.

19 Q. Do you also get involved in the
20 strategic direction of the gang, kind of deciding
21 what types of criminal activity we are going to get
22 involved in, what types of drugs we are going to
23 sell, things of that nature?

24 A. Somewhat we do. Certain people in
25 the committee may have a -- a connection with the

1 heroin or -- or weed or various E pills. Whoever
2 has the biggest connection, they basically is in
3 charge of that, and we don't step on his toes
4 because that's what he do and -- you know, we try
5 not to step on each other toes because we always try
6 to work together.

7 Q. The committee itself is only made up
8 of a handful of people, correct?

9 A. Yes.

10 Q. It seems like the management
11 structure for the committee is very similar to that
12 of the Mafia. Is that correct?

13 A. Yes. That's basically where
14 everything come from.

15 Q. What is the primary money making
16 activity for the organization?

17 A. Drugs and guns. Some -- some -- some
18 brothers mess with the -- the women -- pimping
19 women, but I really ain't into that one.

20 Q. Let's just focus in taking up that
21 point you made a moment ago about the committee and
22 certain people having connections related to drugs.

23 Could you explain to us what role the
24 committee has in the gang's drug distribution?

25 A. Okay. Say I'm in charge of the --

1 the cocaine. I know somebody that gives it to me on
2 a -- on -- we call it a front, where you don't have
3 to put no money up. He may get you a key of coke
4 and, you know, a key of coke is a thousand grams.
5 So what you'll do is, you know, you'll cook it up --
6 some of us cook it up -- we leave it hard or we
7 leave it soft, and, you know, you can stretch it.

8 What I mean by stretching it, you can
9 add more baking soda to it where it's not that
10 potent, or you can do it what we call one for one,
11 where it's the same amount of coke, same amount of
12 baking soda, so it's really powerful, or, you know,
13 if you -- like, if you want to stretch it, we sell
14 that for like nickels. It's really not that good.
15 But the good stuff, the good quality, is strictly
16 one for one.

17 Q. And does it work the same way for
18 heroin?

19 A. Yes. The reason why he's in charge
20 of that, we don't -- if he has that heroin, you
21 don't want to step on his toes. He -- he control
22 the heroin all over, for the whole family, and the
23 coke is controlled by one individual for the whole
24 family, the E pills is controlled by one person for
25 the whole family, and then the marijuana is

1 controlled by one person for the whole family.

2 We don't try to step on each other
3 toes.

4 Q. Before we -- in the previous
5 conversation that we had, we were talking a little
6 bit about heroin and it's purchase and processing.

7 Let's walk through that and describe
8 for us how a committee member would buy the heroin
9 and kind of the process that the organization uses
10 to be able to process it so that it can ultimately
11 be sold.

12 A. You can get the heroin from somebody
13 in a -- in a powder form, whereas we put it
14 together, and what we do is, you know, you have your
15 scales, you have your blenders and you have your
16 cutter. What I mean -- your cutter is what you add
17 to the heroin to make it stronger or weaker. And
18 what you do is, you know, you get certain people and
19 they -- they bag it up for you. What I mean by
20 bagging up is -- the person on the committee only
21 deals with the big man, he fronts it, and I give it
22 to a certain group and that called the -- the
23 package people, and what they do is they know how --
24 we showed them how we want it cut and bagged and
25 what stamp we want, and they'll bag it all together,

1 and then we'll distribute throughout the family, you
2 know, give it to certain people in certain blocks,
3 and you tell them they got to bring you back, you
4 know, a certain number, and we get our cut and we
5 give it back to our consignment man, he get his cut.
6 As long as he's getting his money, he constantly
7 keep feeding us.

8 Q. In our example, how much heroin
9 generally do you buy wholesale?

10 A. It depends. You can get a key, key
11 and a half, and they -- they just front you it. And
12 then once you -- say he may charge us maybe 50,000
13 for the key of -- for the key of heroin. Once we
14 get that 50,000, we give it to him and he give us
15 more stuff. As long as we give him the money, he
16 just keeps supplying us.

17 Q. We've heard before that the raw
18 heroin actually looks like an egg. Is that
19 consistent with your experience?

20 A. Yes. It comes in an egg form, it's
21 real yellow, and it's so hard you can throw it on
22 the concrete and it won't crack, so you got to get a
23 special blender for it. We get it from New York,
24 the smoke -- we call them smoke shops. You go
25 there, ask for, you know, a heroin blender, and they

1 give you a blender for that. Pay about \$50 for it,
2 \$75 for it. And you buy the blender and you buy the
3 bags and go to any stationery store and they have --
4 tell them what type of stamper you want and you can
5 stamp your name on it and that's how we do it.

6 Q. What is a stamp?

7 A. It's like -- like, you know, say, you
8 know, how you stamp your name or your business code
9 on your paperwork? Same that we do. We may want
10 like, you know, red or blue for our stamper and,
11 once every bag is bagged and packaged and get to
12 the -- get a piece of tape to seal it so it don't
13 spill out, they just stamp it red and put ten in
14 there with a rubber band, and it's five -- five
15 bundles, which is ten, comes to 50, and you just put
16 it in -- like normally we put it in a piece of
17 newspaper, like comic newspaper, where regular
18 newspaper, it will sweat. So you get like a piece
19 of like comic newspaper or a book where it got
20 that -- like that little silky form -- any book in
21 there, we just wrap it up, tape it up, give you a
22 brick, and that's 50 bags right there.

23 Q. Are there people in the gang that
24 specialize in the processing of heroin?

25 A. Yes.

1 Q. Do they have a title or a position in
2 the gang?

3 A. We -- basically the whip-up man. You
4 got to know how to whip. If you don't know how to
5 whip, man, your game in the gutter, because the
6 reason why we say that is you can serve -- it's the
7 old hedge, really. They know how to stretch it and,
8 if they know how to stretch it, you got a good whip
9 man.

10 Q. And, when you mean stretch it, that
11 means put enough cut in it so that the heroin is
12 profitable, but yet not so weak that it doesn't
13 sell?

14 A. Right. You do that with cocaine,
15 also. You stretch it, too. But you have -- you
16 basically -- we basically have like two forms of
17 everything, of coke and the heroin. You have
18 your -- you have your real strong heroin and you
19 have your weak heroin.

20 Q. Why would you want to have the weak
21 version?

22 A. That's where the stretch -- that's
23 how you make your money. You know, you going to
24 make your money regardless, even if it's strong, but
25 you make more profit if it's weaker.

1 Q. When we talk about processing heroin,
2 we've heard consistently from a number of sources
3 that processing is moving from the urban areas to
4 the suburbs.

5 Is that consistent with your
6 experience?

7 A. Yes.

8 Q. Why?

9 A. They want it, we got it.

10 Q. We were talking about the wholesale
11 purchases of heroin and we'll stay with heroin for a
12 moment. How does that heroin get transported from
13 the wholesaler to you for processing?

14 A. Like -- okay, this is how it goes.
15 The consignment man, we'll meet him at a certain
16 location, he'll give it to us, and we have certain
17 places -- like a driver, he'll drive it to the
18 location and, basically, once I get to the location
19 where I don't got to get caught up, it's already
20 there, so I just basically tell them what I want per
21 gram in every bag and things of that nature.

22 So, once he do that and everything
23 is -- is done up, you have somebody that -- we call
24 him drop-off man. He know who to drop it off, on
25 what corner, and things of that nature, so we don't

1 get caught up, and all we do, basically, those that
2 sit up the top -- all we basically do is get the
3 money to give to the consignment man, so we
4 basically don't get caught up in nothing.

5 Q. When the drop man and the consignment
6 man are moving the heroin, do they most often move
7 it by car?

8 A. Basically, or sometime we use, you
9 know, public transportation, now that it's starting
10 to be better. You know, a cab -- if the cab driver
11 gets us, we can put it underneath the back seat and
12 say, "How many people drive this cab?" Once we go
13 to court, it's so true, he'd have been driving his
14 cab, a million people could have been in and out of
15 there, so it's behind -- underneath the seat. You
16 can't say I did it, unless you follow me from my
17 spot, but we constantly keep changing spots up.

18 Q. Let's stay with the cars just for a
19 moment. What are some of the means that you are
20 aware of that gang members get cars to be able to
21 transport the heroin?

22 A. We get -- we get something called
23 like stash spot. Like you can go anywhere and get
24 somebody to build you a stash spot. That's easy.
25 What I mean by stash spot is, go to -- like a car

1 place that put radios or TVs in the car and you ask
2 them to build you a stash spot in the car, and
3 normally everybody stash spot is big enough to hold,
4 you know, a key -- a key of heroin or a key of coke,
5 plus a gun.

6 And, you know, it's hard for the
7 police -- if you search the car, you can put a dog
8 in it, the dog still can't smell it because it's --
9 it's proofed out for us where we don't have to worry
10 about it. We can travel up and down the highway
11 with that and -- and it's hard for the police to --
12 to know what a stash car is because the radio got to
13 be on a certain station, then you got to have the
14 AC, the window got to be down, or the car got to be
15 in neutral or drive, or, you know, your foot got to
16 be on the brake. There are so many different
17 methods that the police can't really, you know,
18 track us down by using these stash cars.

19 Only way you can really do it, if you
20 strip the car, and you strip it down to the metal,
21 then you got it, but if you just search the car and
22 put a dog in it, you're not going to find it, so we
23 good.

24 Q. We've been talking about heroin
25 processing and we talked about the wholesale

1 purchase.

2 Now could you take a moment and
3 describe for us the retail operations? Explain to
4 us how a typical drug corner works, who the players
5 are and -- and how it works. And focus yourself on
6 the distribution of heroin.

7 A. Basically, the -- the lower level
8 Bloods work the corners. And what I mean by low
9 level, they just soldiers, we consider them nobody.
10 We consider the Bloods like a chess game. The
11 fronts are nothing but the pawns. We sacrifice them
12 to protect the kings, the queens, the bishops. So,
13 basically, the lower level ones are the soldiers --
14 we consider them soldiers. So they the pawns. They
15 work the corner.

16 You have a lookout man that let us
17 know Bail Bail or Cherry Top -- everybody got
18 different terminologies -- you know, we always say
19 "Bail Bail coming," and then, you know -- so you got
20 the corner watcher.

21 Then you got the people that's up in
22 the apartment. Well, you got the hallway guy, we
23 call him the doorman. You are not coming up in that
24 hallway unless you are purchasing something. So,
25 basically, we run the building. Everything in that

1 building is -- belong to the Bloods. So we got the
2 corner watcher, the fiends will come and ask us
3 where it's at. Take them to the doorman, the
4 doorman will send them upstairs, you get it right
5 there and then you go back downstairs.

6 Q. Sounds like, in that scenario, that's
7 a location where the drug sales actually occur in an
8 apartment.

9 A. Yes.

10 Q. So the fiends come up to the --
11 through the apartment into -- through the apartment
12 building into a specific apartment to be able to buy
13 the heroin?

14 A. Right. That's -- that's the way the
15 big boys do. Now, he just want to talk to the lower
16 level ones, they stand on the corners and they have
17 their stuff over there in a lot, so when they got to
18 run back and forth it's -- can't hustle like that no
19 more because police got so much surveillance now,
20 whereas -- you know, they seen us run over there to
21 that lot. They just got to go over there to that
22 lot and get it and we busted.

23 So now we done stepped our game up,
24 we in an apartment building. You want to come in
25 the apartment building and get us, by the time the

1 corner watcher -- yes, we -- you know, we got
2 walkie-talkies. They -- even if you grab me, he hit
3 his walkie-talkie, boom, we know to flush it. So,
4 either we -- we don't really have that much stuff in
5 there -- we only have enough in there that we know
6 we can move.

7 So, if you hit the door, we flushing
8 it. I take that loss. That ain't nothing. We
9 going to get it right back. So you done -- you done
10 wasted, you know, a warrant for nothing because you
11 didn't get nothing. Everything flushed.

12 Q. How about prescription pills?

13 A. Oh, you can get -- you can get
14 them -- we give patches of heroin, too, from
15 regular -- there is a lot of drug spots where the
16 fiends go to, they get their little package where
17 they are trying to get off the dope, 50 milligrams,
18 a hundred milligrams, and we buy them and we sell
19 them for more.

20 Same thing with the needles. They --
21 they got spots in the town where you just send the
22 fiends to -- to get -- you give them 20 dirty
23 needles, they give you 20 clean needles. So, we buy
24 the needles, too, from people. So, you know, you
25 want to get high, we got the dope right there and we

1 got the needle for you. Buy a needle off us with
2 \$2. A clean needle that never been touched.

3 Q. Do you guys also sell Oxycontin and
4 Percocet?

5 A. Them the best drugs to get. You use
6 that also to cut your -- your heroin up.

7 Q. Explain that to us.

8 A. Same thing like I said with the --
9 with the heroin. You -- you crush it up with the
10 blender -- you use the pills to crush it up and then
11 you just add it together.

12 Q. So you use the Oxies and the Perc to
13 mix in --

14 A. Depending on who is the lab man.
15 Like, everybody use different methods to cut the
16 dope up with. When the drug goes into them, them
17 Oxycontin, take two of them, you feel good all
18 night.

19 It's easy to get them. Like I said,
20 people -- the fiends -- the dope fiends, doctors
21 give you -- you got doctors that write them any kind
22 of prescription you want. You know, go get us these
23 Percocets. They go get us Percocets. They
24 addicted, we need them. You know, you want to feel
25 good. Friday night, you done hustled all week long,

1 now it's time to party, take a couple Oxycontins.

2 Q. Let's talk money for a moment. We
3 were talking about processing heroin and you
4 mentioned bricks. A brick of heroin has got about a
5 gram in it, which is -- it's got 50 bags and it's
6 about a gram of heroin.

7 How much profit is in that for you on
8 a good batch? Let's assume that it's not been
9 stepped on and that you don't step on it yourself.
10 The maximum profit you can make on that is?

11 A. Off a brick -- off a -- off a key of
12 heroin, you -- if you do it properly, you can make
13 about maybe 75 to a hundred thousand.

14 Q. Dollars?

15 A. Yes.

16 Q. If you can make a hundred thousand
17 dollars on a kilo, then on each individual brick
18 from that kilo the profit has got to be at least a
19 hundred dollars?

20 A. About 150, because what we do, we'll
21 sell a brick of dope for 250. We'll sell it for
22 250. We get back 150. They keep a hundred -- the
23 sellers for us, they keep a hundred and they give us
24 150 back.

25 Q. You mentioned how kids are attracted

1 to the gang life because it seems glamorous.

2 A. Yes. You know, you get the fancy
3 cars. You know, you ride around Mercedes coups and
4 Cadillac trucks with 24s on it, TVs and systems, you
5 ride them by and your rims are shining. Kids look
6 at you, oh, that's such and such. They think that's
7 cute.

8 Instead -- and like I said, we -- we
9 try and tell the kids not to do this. You walking
10 around with True Religion jeans that cost \$200,
11 \$250, T-shirt, \$75. Kids love that -- kids -- the
12 drugs we sell, either the kid's mother's on it or
13 their father is in jail, so they look up to us. We
14 like their fathers, you know, and they want -- they
15 don't -- you can't go to school looking bummy, so
16 you got to sell drugs, because the kids will pick on
17 you. Oh, look at your sneakers or look at -- you
18 ain't got name brand jeans on. So the kids pick on
19 you.

20 So I think what the school systems
21 are doing now, making them wear a uniform, I think
22 that's good. Now everybody is -- is dressed the
23 same, so we don't got -- the kids don't have to
24 worry about what kind of jeans or what kind of
25 sneakers you have on.

1 So the uniforms, to me, is a good --
2 is a good method to keep these kids in schools.

3 Q. One of the things that you mentioned
4 while we were talking earlier was jails and jails
5 being almost a breeding ground helping grow the
6 Bloods. The Commission has done some investigations
7 related to this and found exactly what you said.

8 How would you change sentencing to
9 stop that from occurring?

10 A. First thing you do is, if you a high
11 ranking Blood, put him in something we call
12 isolation, whereas he has no contact with the rest
13 of the prison. He can't write no letters out to the
14 streets. We not allowed no phone calls unless it's
15 to our lawyer, and some lawyers you got to be
16 careful because -- because we pay them enough where
17 they will transport the message to somebody.

18 So, if it's not to a lawyer or your
19 mother or your father, where you call them once a
20 month or something like that, you got to get hard on
21 us, you got to take these -- and -- and another
22 thing that I disagree with, you leave us in one
23 prison too long. I been there ten years. I run
24 that whole prison. I run the guards. The guards
25 scared of me. So they going to get me the cell

1 phones and they going to make sure -- say I got a
2 package of drugs coming in. The guards are going to
3 make sure it slip through. This inmate has, you
4 know, boofed it for me. You know what boof means,
5 right? They boofed it for me, so the guard ain't
6 going to make him spread because he know he got
7 something for me.

8 So, therefore, you got to start --
9 New York is good for that. New York move prisoners
10 around. You at Clinton one -- one month and next
11 month you somewhere or other where you can't really
12 grow power. So, why keep this guy in the same
13 prison for so long? If he in this prison, move him
14 to B prison. He there two, three months, then you
15 move him again, you move him again. So really,
16 therefore, he's not that powerful.

17 Our power is decreasing because we
18 not sitting there letting it build, and I'm there
19 every month, every year, so every new person come
20 in, oh, he run the prison, so -- well, he got this,
21 he got -- I run the prison, I run the guards. And
22 the guards can't say -- dispute it, because we
23 overpopulate the guards.

24 If I want a guard popped, he going to
25 get popped. The younger Bloods got to do it -- pop

1 that guard for us. He will pop that guard for us.
2 So it's nothing. So we run the prison. So I think
3 move them around or keep them in isolation whereas
4 he has no movement. He got one hour. We -- you
5 call it lockup. We call it isolation. Put him in
6 isolation. He got 15 minutes to use the shower, ten
7 minutes to go to rec by hisself with nobody. That
8 gives us a lot of time to think.

9 So, then, now we like, man, nobody
10 wants to be in isolation all their life, but that's
11 how the feds do it. They got the high ranking ones,
12 you know, Bloods and all of them underneath --
13 underground where they can't even touch their
14 letters. They ran over to screen it. You got to
15 get harder. I mean, you really got get harder and,
16 you know -- you know that you a Blood.

17 So, once we commit a crime, the crime
18 should be -- double their time. Because now we
19 sending a message to the younger ones like, okay,
20 such and such Blood just got ten years for a joint.
21 Even though I'm just exaggerating, but you have to
22 pass the word down to the younger Bloods, no -- you
23 know, like, man, these niggers not playing with us
24 no more, they burning us. Once that message start
25 getting out, then everybody -- it's still going to

1 be there, but it's going to decrease instead of
2 increase.

3 We ain't getting no time. We got
4 lawyers. I'm getting money up -- you know, I can
5 post a high bail. I can go get the top notch lawyer
6 in town. That's nothing. All right. Normally
7 anybody does without a lawyer, they going to get ten
8 years. I'm going to get three years maybe --

9 Q. You do --

10 A. -- because I got a high priced
11 lawyer.

12 Q. And you do your three years and you
13 do it in the same prison where you build power, you
14 can recruit, you can grow your organization, so,
15 when you walk back out on the street --

16 A. I'm more powerful.

17 Q. -- you're stronger?

18 A. Yes.

19 MR. LACKEY: Thank you so much for
20 telling us your story and testifying before the
21 Commission.

22 I have no further questions for this
23 witness.

24 Chair, I have one final panel I'd
25 like to call. At this time the Commission calls

1 Agents Anthony Cacace and Philip Massa.

2 Please stand and be sworn, gentlemen.

3 PHILIP MASSA and ANTHONY CACACE,
4 after having been first duly sworn, are examined and
5 testifies as follows:

6 MR. LACKEY: Commissioners, as our
7 final panel, what we were asked to look at is the
8 level of sophistication that the gangs have as it
9 relates to their financial affairs. We want to see
10 if their sophistication trickles down into the use
11 of legitimate or seemingly legitimate businesses.

12 Good afternoon, gentlemen.

13 MR. MASSA: Good afternoon, sir.

14 MR. LACKEY: Agent Cacace, state your
15 name for the record.

16 MR. CACACE: Anthony Cacace.

17 MR. LACKEY: And you are currently
18 employed with the State Commission of Investigation,
19 correct?

20 MR. CACACE: Yes, I am.

21 MR. LACKEY: Tell us about your
22 professional background.

23 MR. CACACE: Sure. For 32 years as
24 special agent, Internal Revenue Service's criminal
25 investigation unit. As special agent, I conducted

1 criminal tax investigations of individuals involved
2 in narcotics trafficking, money laundering. I
3 conducted investigations of organized crime figures,
4 narcotics traffickers, corrupt government officials,
5 corrupt politicians.

6 MR. LACKEY: And, Agent Massa, please
7 state your full name for the record.

8 MR. MASSA: Philip Massa.

9 MR. LACKEY: And you are an SCI
10 employee as well?

11 MR. MASSA: That's correct, sir.

12 MR. LACKEY: Tell us about your
13 professional background.

14 MR. MASSA: Prior to my service with
15 the SCI, I served with the North Arlington Police
16 Department for 25 years. Left that agency with the
17 rank of detective captain. Eighteen of those years
18 I spent as a supervisor or command level officer,
19 and my investigative experience includes both
20 administrative and criminal investigations.

21 MR. LACKEY: How did this portion of
22 the investigation begin, Agent Massa?

23 MR. MASSA: The Commission sought to
24 determine whether or not organized street gangs were
25 utilizing the methods more commonly used by

1 traditional organized crime to disguise or hide
2 their activities, particularly in order to better
3 shield their narcotics activity.

4 MR. LACKEY: What did the Commission
5 find?

6 MR. MASSA: The Commission did, in
7 fact, find that the organized street gangs were
8 replicating the activities used by traditional
9 organized crime in setting up businesses which
10 allowed them to distribute heroin, as well as
11 launder money.

12 MR. LACKEY: Why would a successful
13 drug dealer or gang member get involved with a
14 business front?

15 MR. MASSA: Well, sir, what happens
16 is, a gang member who establishes a legitimate
17 business to mask the non-legitimate activities, he
18 will be able to take the proceeds from the
19 legitimate activities -- that's the key -- whereas
20 the monies that's taken in from illegal activities
21 are distributed among the gang members. Again, it
22 also provides a very good cover from law
23 enforcement.

24 MR. LACKEY: What type of businesses
25 are they using?

1 MR. MASSA: The businesses that we
2 found that were involved were used car lots,
3 clothing stores, beauty parlors, barber shops and
4 liquor stores, also.

5 MR. LACKEY: What, if anything, do
6 these types of businesses have in common?

7 MR. MASSA: These businesses
8 primarily are located on gang territory -- in gang
9 territory, and these types of businesses see a lot
10 of cash transactions. Also, there is a significant
11 volume of customer traffic which sometimes makes
12 surveillance by law enforcement difficult or
13 challenged.

14 And, in addition, with the exception
15 of the liquor stores, most of the businesses are
16 subjected to limited or no government oversight or
17 regulation.

18 MR. LACKEY: You mentioned, when you
19 went through your list of businesses, used car
20 businesses. What did the Commission find in this
21 particular area?

22 MR. MASSA: We found that gang
23 members were involved in smaller used car
24 businesses, which allowed them to distribute
25 narcotics as well as launder money, but also

1 provided a ready-made fleet -- readily available
2 fleet for the transportation of narcotics, and,
3 again, a very good business cover.

4 MR. LACKEY: Agent Cacace, let's go
5 to you. Before we discuss our findings for that
6 specific business, let's talk about some of these
7 concepts.

8 Why would gang members be using small
9 businesses to launder money?

10 MR. CACACE: When criminals have
11 large amounts of money, they have a basic problem:
12 They have to do something with it. They have to
13 hide this money from law enforcement agencies, and
14 particularly the IRS. The ultimate goal for them is
15 to conceal the true source of the funds, and they
16 need to clean it up and engage in money laundering.

17 By doing this, they have to make it
18 look like it appears that it came from a legitimate
19 source and not an illegal activity. By doing this,
20 this allows them to spend this money on houses,
21 second homes, luxury cars, jewelry, things like
22 that.

23 MR. LACKEY: So, in essence, these
24 drug dealers have a unique problem. Their problem
25 is that they have too much cash --

1 MR. CACACE: Correct.

2 MR. LACKEY: -- and they have to do
3 something with it, correct?

4 What is money laundering?

5 MR. CACACE: Basically, money
6 laundering is defined as any attempt by criminals,
7 or anyone else for that matter, to conceal the true
8 source of the money or the funds to make it appear
9 that it came from a legitimate enterprise and that
10 it was not derived from criminal illegal activity.

11 MR. LACKEY: Describe for us some of
12 the ways that criminals are using to launder money.

13 MR. CACACE: Since much of the money
14 generated by illegal activity is in the form of
15 cash, particularly that which is generated by
16 narcotics trafficking, criminals many times try to
17 conduct a financial transaction in amounts less than
18 \$10,000 to prevent the Internal Revenue Service from
19 worrying about them.

20 They also engage in another area
21 where they try to invest in businesses which they
22 may own or confederates may own, where they can
23 launder the money through these businesses by
24 co-mingling the funds to make it appear that the
25 funds that were generated from illegal activity are,

1 in fact, the proceeds from, say, the sale of liquor,
2 groceries, used cars, clothing businesses, things
3 like that.

4 They are only limited by their
5 imagination. These are just two of the ways that
6 criminals can launder money.

7 MR. LACKEY: You mentioned that
8 \$10,000 threshold. That's from the Bank Secrecy
9 Act, correct?

10 MR. CACACE: Yes, it is. United
11 States Code, Title 31, which is also known as the
12 Bank Secrecy Act, requires that financial
13 institutions file currency transaction reports any
14 time a customer conducts a currency transaction in
15 excess of \$10,000.

16 This means that, when a customer goes
17 to a bank and deposits more than \$10,000 cash,
18 cashes a check for \$10,000 or more, exchanges large
19 bills for small bills, what happens is the bank is
20 obligated by the Bank Secrecy Act to file currency
21 transaction reports, notifying the IRS that this
22 customer conducted that transaction.

23 MR. LACKEY: So criminals are
24 attempting to conduct their financial transactions
25 under that \$10,000 ceiling?

1 MR. CACACE: Again, because much of
2 the funds, especially narcotics trafficking, arrive
3 in the form of cash, criminals have to find a way to
4 conceal it from the IRS. One of the ways they do
5 it, they try to break down large currency
6 transactions into amounts under \$10,000, so as to
7 prevent the bank from filing this form.

8 An example would be, instead of an
9 individual going into a bank and, say, making a
10 \$15,000 cash deposit, what they would do is, they
11 might go on three separate days, make three separate
12 \$5,000 deposits in incremental amounts.

13 What they've done is structured this
14 transaction, made it appear that it was three
15 smaller transactions as opposed to one larger one
16 which would have been reportable to the Internal
17 Revenue Service.

18 MR. LACKEY: Does owning or having
19 access to a cash business help a criminal launder
20 their money?

21 MR. CACACE: Any time you have access
22 to a cash business where you can comingle or deposit
23 illicit funds generated from, say, the trafficking
24 of drugs, it makes it much easier to launder this
25 money.

1 An example would be an individual
2 owns a grocery store and he was able to put a
3 hundred thousand dollars in cash deposits into an
4 account. It would be difficult for law enforcement
5 agencies or the IRS to identify that this money was,
6 in fact, derived from narcotics trafficking. It
7 also gives them the -- relieves them of the burden
8 of not having to file a currency transaction report.

9 MR. LACKEY: Just so I'm clear,
10 Number 1, they use the business to comingle funds to
11 make it easier for them to hide their assets, and
12 Number 2 is, they'll try to conduct transactions
13 under \$10,000, correct?

14 MR. CACACE: Absolutely.

15 MR. LACKEY: Now, let's focus
16 ourselves on one of the examples and let's focus on
17 a used car dealership here in Trenton.

18 Tell us about the business owner.

19 MR. CACACE: The owner of this used
20 car lot is an associate of the Bloods street gang.
21 Although he was not a Blood, his partner in the
22 business was, as were members of his family. From
23 our investigation, we learned that they used this
24 car dealership to facilitate and conceal criminal
25 activities.

1 MR. LACKEY: When you looked at these
2 transactions as part of your investigation, when you
3 started to peel this business apart, what was
4 interesting about the purchase price?

5 MR. CACACE: What we found was that,
6 in the particular time -- we had gotten the records
7 and found that, in the year 2008, this company had
8 sold approximately 230 vehicles. Most of these cars
9 were sold for less than \$3,000. What we found was
10 that at least 21 percent of these vehicles were
11 listed as being -- having sold for the exact same
12 amounts of \$2,000.

13 MR. LACKEY: How was this viewed as
14 facilitating a criminal activity?

15 MR. CACACE: What we learned is, when
16 gang members came up and they purchased drugs or
17 sold drugs, same with guns or other forms of
18 contraband, the owners of this dealership created
19 fictitious paperwork to make it appear that a
20 legitimate sale transaction or purchase transaction
21 took place. Many times these same individuals who
22 trapped either guns or drugs were paid with the
23 vehicle. And, again, they created this paperwork to
24 make it appear that this was a legitimate car sale
25 transaction.

1 We also learned that the
2 dealership -- that they allowed gang members or
3 other individuals to purchase and title cars in the
4 names of fronts or nominees, many times who were
5 young women who were either their girlfriends or
6 family members. I can tell you that, by having a
7 car or assets in the name of a known front or
8 nominee, it deflects unwanted attention from law
9 enforcement who is the true owner of the car.

10 MR. LACKEY: Let's look at an example
11 of what you described in your first point there.
12 Let's go to GF-23.

13 Walk us through this exhibit and
14 explain to us what we see here.

15 MR. CACACE: We analyzed the records
16 of this particular dealership. We took a look at
17 all the car sales. We found that, in one particular
18 instance, this individual, the same party from North
19 Carolina, Raleigh, had traveled on 19 separate
20 occasions to purchase 21 different cars from the
21 dealer -- from this dealership. He traveled in
22 excess of 900 miles.

23 What's odd about this is all of these
24 cars were older cars, they had extremely high
25 mileage, and they sold -- all sold for an amount

1 under \$3,000. In one instance one of these cars was
2 a 1998 Dodge Caravan that had 181,000 miles. It
3 seemed highly improbable that an individual would
4 travel in excess of 900 miles to buy cars of this
5 type and quality, when they would probably be
6 readily available down in Raleigh, North Carolina.

7 MR. LACKEY: That's the point I was
8 going to make. We know that, because it's not
9 logical for a person to drive 900 miles to buy a car
10 with a 180,000 miles on it. What do you think was
11 really going on here?

12 MR. CACACE: Here is what we learned.
13 That many times individuals who were coming up from
14 Georgia or from North Carolina, okay, was there for
15 the purpose to sell guns or drugs, and that, in
16 doing so, what happened was that we believe that
17 these vehicles were actually nothing but subterfuge
18 to conceal the fact that it's an illegal transaction
19 and that guns or drugs have been trapped up to New
20 Jersey and sold to this dealership, and the
21 paperwork on these deals was nothing more than
22 concealing or facilitating this activity.

23 MR. LACKEY: Let's look at another
24 example. Agent Massa, let's go to you.

25 Talk to us about another instance

1 where this occurred.

2 MR. MASSA: Commission investigators
3 were able to find that one woman had purchased six
4 cars in a six-month period. In addition, two New
5 Jersey Temporary Registration Certificates were
6 issued in her name for two additional other
7 vehicles. When the final analysis was completed, we
8 actually found that only one of these vehicles
9 showed proof of valid insurance.

10 MR. LACKEY: Sounds like eight
11 transaction in her name, but only one actual car
12 purchase.

13 MR. MASSA: That's correct, sir.

14 MR. LACKEY: What did the Commission
15 find when it looked into that particular person's
16 finances?

17 MR. MASSA: This particular person
18 had little or no legitimate income during that
19 period of time.

20 MR. LACKEY: What did the person
21 close to the dealership tell us about these
22 transactions?

23 MR. MASSA: Sources informed
24 investigators that many of these transactions really
25 didn't exist. They existed on paper. There might

1 be a deal jacket written for a particular vehicle,
2 but that vehicle was -- in essence, was not sold.

3 MR. LACKEY: Was the dealership
4 involved in any other criminal activity?

5 MR. MASSA: This particular
6 dealership was involved in supplying drugs as well
7 as guns to members of the Bloods street gang. We
8 had also found out that the dealership was selling
9 New Jersey Temporary Registration Certificates for
10 \$150 apiece.

11 Now, this would allow someone who
12 wanted to operate a vehicle which wasn't street
13 legal to, in fact, operate it for 20 days, under the
14 appearance that it was a legally registered vehicle.

15 In addition, sources also advised us
16 that this particular dealership, the principal
17 involved in this dealership, was involved in the
18 distribution of counterfeit currency. A subsequent
19 tax seizure operation conducted on that premises did
20 recover some counterfeit currency there.

21 MR. LACKEY: This dealership was
22 involved in a lot of different types of illicit
23 activities. What systems are in place to oversee
24 used car lots like that?

25 MR. MASSA: Used car lots in the

1 State of New Jersey are regulated by the New Jersey
2 Motor Vehicle Commission. In order to become a used
3 car dealer, you have to file an application with the
4 MVC, you have to have the proper -- first of all,
5 you have to have a set location, a physical
6 location, to operate out of. You also have to have
7 the proper insurance, the proper tax certifications,
8 but, most importantly, you have to be deemed to be
9 what's called a -- termed a proper person to have
10 that license.

11 MR. LACKEY: What is a proper person?

12 MR. MASSA: A proper person would be
13 an individual without a criminal history or
14 background.

15 MR. LACKEY: Did the actual owner of
16 this dealership have a criminal history?

17 MR. MASSA: Yes, sir, he did.

18 MR. LACKEY: How did he circumvent
19 the rules?

20 MR. MASSA: Well, in this particular
21 case this individual had a nominee secure the
22 license who did not have a criminal background, in
23 essence, putting the dealership in the nominee's
24 name, but the de facto owner was the gang member or
25 gang associate.

1 MR. LACKEY: Let's move to the
2 Commission's findings related to another business.
3 Let's talk about a retail clothing store, again
4 located in Mercer County.

5 Tell us about the original owner and
6 what the business was in business to do.

7 MR. MASSA: There was a small
8 business located in Mercer County that -- it was a
9 clothing store and it catered to urban youth,
10 selling shirts, jeans, t-shirts and accessories. It
11 existed on a premises of about a thousand square
12 feet. It was moderately -- very well -- it was
13 actually a very successful business.

14 This business was located in gang
15 territory. There was a burglary at that location,
16 which resulted in a \$25,000 loss of inventory.

17 MR. LACKEY: Who do the police
18 believe conducted the burglary?

19 MR. MASSA: The police were convinced
20 that the Bloods street gang was responsible for the
21 commission of that particular crime.

22 MR. LACKEY: What happened to the
23 owner?

24 MR. MASSA: Shortly after the
25 burglary, the owner was physically assaulted in a

1 public place by ten to 15 members of the Bloods
2 street gang, which required hospitalization.

3 MR. LACKEY: Any theories by law
4 enforcement as to why the owner was beaten?

5 MR. MASSA: The theory by -- the
6 theory that law enforcement had in this particular
7 incident was that the owner was assaulted because he
8 had refused to share his business knowledge or
9 expertise with members of the street gang who wanted
10 to set up a business. However, confidential sources
11 told Commission investigators that there was a
12 belief that the Bloods were, in fact, extorting
13 money or trying to push him out completely.

14 MR. LACKEY: What ultimately happened
15 to the owner?

16 MR. MASSA: Following his release
17 from the hospital, which lasted several months, he
18 moved the business out of the city and out into a
19 suburban area.

20 MR. LACKEY: What happened to the
21 business?

22 MR. MASSA: The business was -- the
23 particular store was then rented to a member of the
24 Bloods street gang who started the business and
25 actually used the same business name by the previous

1 owner.

2 MR. LACKEY: You said rented. Did
3 the landlord know that they were renting to a gang
4 member?

5 MR. MASSA: It was well known in that
6 neighborhood, and the landlord told the Commission
7 investigator, quote, "His money is as green as
8 anybody else's."

9 MR. LACKEY: How long was the gang
10 member in the clothing business?

11 MR. MASSA: Just over a year.

12 MR. LACKEY: How was the business
13 used by the gang?

14 MR. MASSA: The business was serving
15 as a meeting point for the gang and also as a place
16 to stash weapons.

17 MR. LACKEY: While the business was
18 owned by the Bloods gang member the business was
19 raided by police. Tell us about that.

20 MR. MASSA: That's correct. The
21 police had received information that this location
22 was serving as a large narcotics distribution point
23 and were able to obtain a search warrant. When they
24 executed the search warrant they recovered a rifle,
25 a nine millimeter handgun, nine millimeter

1 hollow-point ammunition, 30 rounds of assorted
2 shotgun ammunition, as well as photos -- gang
3 paraphernalia and photos and, in addition, in a drop
4 ceiling, a shoe box containing \$6,539 in cash.

5 MR. LACKEY: Agent Cacace, did you
6 conduct a financial analysis of this business?

7 MR. CACACE: Yes. What we did was we
8 subpoenaed the bank records of this institution --
9 of this financial -- of this entity, and what we
10 found was that, deposited into --

11 MR. LACKEY: Let me direct your
12 attention to GF-24. Let's talk about the deposits,
13 the disbursements, and where the money was actually
14 flowing through this business.

15 MR. CACACE: We did a deposit
16 analysis and found that, in a 17-month period, from
17 December of 2005 to April of 2007, approximately
18 \$114,000 had been deposited into this account. What
19 we found was, of this amount, approximately \$89,000
20 was made in the form of cash.

21 MR. LACKEY: Did you find any unusual
22 deposits when you looked at the deposit records?

23 MR. CACACE: We found a number of
24 unusual ones. The first one was a \$3,900 check that
25 had been issued by a law firm in Philadelphia

1 specializing in criminal defense. The second one
2 was a \$9,000 check which had been issued by a bail
3 bond company that had been issued as part of an
4 attempt to raise bail for a prominent leader of the
5 Bloods Sex Money Murder set.

6 MR. LACKEY: There was a third
7 unusual deposit. Tell us about that as well.

8 MR. CACACE: What we found was that
9 there was a check that had been deposited into this
10 account by the New Jersey Department -- that had
11 been issued by the New Jersey Department of
12 Corrections.

13 MR. LACKEY: Why was that check
14 unusual?

15 MR. CACACE: We interviewed the
16 inmate who requested that the check be issued, and
17 what he told us was that this money represented
18 protection money that he had paid to prevent the
19 Bloods street gang from physically harming him while
20 he was incarcerated.

21 MR. LACKEY: Again, you found all of
22 these deposits in this specific business account?

23 MR. CACACE: Correct.

24 MR. LACKEY: Let's focus on the other
25 side. Let's look at the disbursements. What did

1 you find when you looked at the disbursement side?

2 MR. CACACE: We found that in the
3 same time frame there were approximately \$114,000 in
4 funds that had been disbursed from this account.
5 What we had found was that -- the analysis showed
6 that most of the money had been withdrawn in the
7 form of cash, had been withdrawn by ATMs or by debit
8 card withdrawals. We found that most of these debit
9 card withdrawals were being used for expenditures --
10 for subsistence type expenditures, such as food,
11 gasoline, home telephone service, things like that.

12 We also found in the same time frame
13 only 22 checks had been written -- had been drawn on
14 this account, and in that we found that only five
15 appeared to have been written for the purchase of
16 goods which would be consistent with the operation
17 of a clothing store.

18 MR. LACKEY: Let me just make sure we
19 are clear. So we looking back at GF-24.

20 You have \$110,000 or so on one side
21 that was spent for subsistence and other expenses,
22 correct?

23 MR. CACACE: Yes.

24 MR. LACKEY: Yet, when we looked at
25 the business-related expenses, you only found five

1 checks, and those were for about \$4,000, correct?

2 MR. CACACE: Correct.

3 MR. LACKEY: Agent Massa, let's go to
4 you. Not only were retail stores used to launder
5 funds, they were also used as drug distribution
6 points, correct?

7 MR. MASSA: Yes, sir.

8 MR. LACKEY: Let's talk about some of
9 the surveillances that the Commission staff
10 conducted. What did we observe?

11 MR. MASSA: Commission staff, through
12 contact with local law enforcement, had learned of
13 various retail establishments that were suspected of
14 being drug distribution points and either being
15 controlled or owned by gang members.

16 MR. LACKEY: Let's walk through some
17 of the examples.

18 MR. MASSA: One particular location
19 in northern New Jersey that we conducted a
20 surveillance of was a grocery store, and local law
21 enforcement was convinced that it was a significant
22 heroin distribution point.

23 Upon conducting the surveillance, our
24 agents observed that in a two and a half hour period
25 there were approximately 24 customers who entered

1 and exited the store rather quickly. The only
2 person coming out holding any kind of a package or
3 bag was a small, elderly gentleman.

4 MR. LACKEY: Twenty-four customers
5 in, only one person leaves with a shopping bag?

6 MR. MASSA: Right. I'll point out
7 that was a grocery store. The items were somewhat
8 sized.

9 MR. LACKEY: Let's go to Newark and
10 look at a clothing store that we looked at as well.
11 Describe the location for us and tell us why we
12 directed our attention to this specific location.

13 MR. MASSA: This particular clothing
14 store was a small store located in a strip mall of
15 about five to six stores. Again, local law
16 enforcement had reason to believe it was a
17 distribution point for narcotics and was gang
18 affiliated.

19 Our agents conducted surveillances of
20 the location and did find, first of all, that there
21 were lookouts posted both inside the store and
22 outside the store, many on the street. There were
23 some as far as half a block away.

24 In addition, the store itself did
25 not -- it appeared to be somewhat in disarray, it

1 was not an orderly structured store. There was an
2 observation of people who would come up to the
3 store, would be driven to the store, and usually the
4 scenario was, a passenger would exit a vehicle, go
5 into the store, come back out while the driver
6 waited, and then drive off.

7 Now, during a five-hour surveillance,
8 we had noticed that the people entering and exiting
9 the store left rather quickly. For example, 14 of
10 these people were in that store under three
11 minutes -- they were in and out of the store in
12 under three minutes, and in many cases came out
13 holding either an extremely small bag in their hand
14 or holding nothing at all.

15 We also had done some follow up on
16 the vehicles that came into the area, and what we
17 found was many of the vehicles were not from the
18 immediate area; some were from even neighboring
19 counties, and many of the individuals, when we
20 looked at the vehicles, also at ownership and
21 operators, we found that some had narcotics-related
22 criminal records.

23 MR. LACKEY: Let's look at our final
24 location. This is a little bit different example,
25 because this is more -- the business is kind of an

1 empty shell as opposed to a lot of traffic going
2 through it. Why don't you tell us about this
3 location.

4 MR. MASSA: This was an establishment
5 that had drawn the attention of the local police
6 because of the lack of business. I'd like to point
7 out, too, that the owner of the store was a member
8 of the Crips street gang.

9 Commission personnel maintained
10 surveillance and, over several days for 11 hours,
11 observed at the most five people enter this
12 establishment. At one point a Commission agent
13 entered the establishment but had to be buzzed in.
14 You couldn't just walk into this particular store;
15 you were buzzed in or -- an electrical release on
16 the door that was activated by the counter person.

17 The agent did make the observation
18 that the inventory was very sparse inside. It was a
19 clothing store, and there were approximately five
20 people in the store and, besides the agent, it
21 appeared that one other person might be a customer.

22 I'd like to point out that the
23 individual who did own this store, because it's now
24 closed, had a criminal arrest record, criminal
25 history spanning 16 years, the majority of which

1 were drug-related offenses. Subsequent to our
2 surveillance, this individual was convicted of
3 distribution of cocaine and heroin, as well as
4 distribution near school property.

5 MR. LACKEY: Agent Cacace, you looked
6 at the finances of both the business and the owner,
7 correct?

8 MR. CACACE: Yes. We subpoenaed the
9 financial records of both this business and the
10 owner of this establishment, the purpose of which
11 was to determine, first, if this business was
12 actually in the sale of -- legitimately in the sale
13 of goods and services, and determine if they had any
14 purchase -- any large, expensive assets at this
15 home; luxury cars, things of that nature.

16 MR. LACKEY: What did you find when
17 you looked?

18 MR. CACACE: In this analysis we
19 learned that in a five-year period the owner of this
20 business had deposited approximately \$257,000 into
21 his bank account. Interestingly enough, what we
22 found was that, while there were various payments to
23 parties -- third-parties for rent, insurance,
24 utilities, phone bills, that virtually no checks had
25 been issued to merchandisers or suppliers of goods

1 for resale in this business.

2 What we found was in this five-year
3 period there appeared to have been a total of
4 approximately five checks that had been issued where
5 you can construe that the purpose of the purchase
6 was for some sort of clothing for resale.

7 MR. LACKEY: So there were only five
8 checks in this example as well, correct? How much
9 were those checks worth?

10 MR. CACACE: Approximately \$1500.

11 MR. LACKEY: Based on your expertise,
12 what's your opinion regarding the operation of this
13 business?

14 MR. CACACE: There is no doubt that
15 the business physically existed, but it's from my
16 financial analysis and the observations made by
17 Commission personnel and agents that this business
18 was most likely a front.

19 From my analysis that we did, we
20 could see that there were virtually no purchases or
21 expenditures made for the purchase of goods that
22 they could sell in the business. Physical
23 observations made by personnel -- Commission
24 personnel, found that there was little evidence of
25 any inventory for resale or any evidence -- or

1 little evidence of customers coming in and
2 patronizing the establishment.

3 MR. LACKEY: Now let's talk about the
4 owner's financial affairs. Did you see any
5 financial -- did you see any problems with his
6 financials when you looked?

7 MR. CACACE: What we found was that
8 he had purchased a luxury automobile from a Trenton
9 area car dealer for \$65,000.

10 MR. LACKEY: Let me go to GF-25.
11 Walk us through how he conducted the transaction.

12 MR. CACACE: What we found was that
13 he had purchased this car for \$65,000. We contacted
14 the dealer to learn the details of the transaction
15 and found that in the deal jacket he had conducted
16 this transaction in a manner that appeared to have
17 been specifically designed to prevent the IRS from
18 learning that he had conducted this transaction in
19 purchasing this car.

20 MR. LACKEY: Let's walk through and
21 make sure we understand the exhibit. In the middle
22 of the exhibit we see the three 9500s. What do
23 those reflect?

24 MR. CACACE: What he did was, making
25 a down payment, he had purchased three separate

1 cashier checks on separate days in amounts each of
2 \$9500. What he did was he structured this
3 transaction so that it appeared that, instead of
4 making a \$28,500 down payment at one time, he went
5 to a banking institution on three separate days, he
6 went on a Thursday, a Monday and a Tuesday, and
7 purchased checks for \$9500 which he brought to the
8 dealership. This is willful conduct on his part to
9 prevent the IRS from learning that he had conducted
10 this transaction.

11 MR. LACKEY: As we wrap up, it's
12 clear that gangs are using legitimate businesses
13 similar to their LCN predecessors, correct?

14 MR. CACACE: Correct. This allows
15 gang members or any other individuals who are
16 involved in illegal activity to conduct this
17 activity with impunity and allows them to conduct
18 this activity under the air of legitimacy, and gives
19 them an opportunity to launder the funds from this
20 activity that they earn.

21 The bigger problem is that it's very
22 difficult for law enforcement agencies to pierce
23 this veil and follow the money trail.

24 MR. LACKEY: Agent Massa, what are
25 the ramifications of this activity?

1 MR. MASSA: I think what we are
2 seeing here is an evolution on the part of the
3 street gangs from the street corner operation, in
4 fact, into the business arena, similar to their --
5 similar to what we've seen with traditional
6 organized crime.

7 What's happening is, we've attempted
8 to examine that evolution as a Commission, and one
9 of the benchmarks that we've used is their -- is the
10 financial aspect of these gangs and how they are
11 attempting to launder their money or disguise the
12 activity that's bringing that money in, because, as
13 these gangs become more sophisticated, they are
14 going to become involved in more complex criminal
15 activities. More complex criminal activity is going
16 to mean more money, and it's obvious that what they
17 are going to do is look for additional ways to
18 launder that money through whatever business
19 organizations they set up.

20 And, as Agent Cacace said, this is
21 going to be a significant challenge for law
22 enforcement.

23 MR. LACKEY: Thank you so much --
24 both of you, thank you very much for your testimony.

25 Chair, your witness.

1 CHAIRMAN HOBBS: Thank you,
2 gentlemen. I guess our take-away is drugs are still
3 very profitable and they are still trying to find a
4 place to move their money.

5 In an era of dwindling resources even
6 on the legitimate side of business, we hear about
7 very, very low audit numbers, you know, 1 percent of
8 returns being audited. It's pretty daunting.

9 Can you respond?

10 MR. CACACE: I have some hearing
11 impairment, so it's hard for me to pick up what you
12 are saying.

13 CHAIRMAN HOBBS: Mr. Massa?

14 MR. MASSA: I believe that one of the
15 problems that we've seen, and hoping I'm answering
16 your question, from our contact with law enforcement
17 throughout the state, is -- I hate to say they are
18 not equipped, but traditionally they are not set up
19 to look at these matters on a financial level or to
20 look at it from a business aspect.

21 In my own experience -- my only
22 experience in looking at money was with the
23 Alcoholic Beverage Control and examining the origins
24 of money, you know, to verify if they were
25 legitimate sources and whatever. But you'll find

1 that most local and maybe even county agencies don't
2 have the resources to look at this from that
3 financial side, that audit side, to follow the
4 money, so to speak.

5 I hope that answered your question.

6 CHAIRMAN HOBBS: Absolutely. Thank
7 you. Any more?

8 Mr. Caliguire?

9 COMMISSIONER CALIGUIRE: Do you find
10 that most of these front businesses exist in urban
11 areas? Do you see any evidence of them also
12 existing in suburban areas?

13 MR. MASSA: For the most part, we are
14 seeing them in urban areas because they are located
15 in what we call gang territory, where gang
16 activity -- where the gangs feel safe, neighborhoods
17 that they may have a particular -- I don't want to
18 say control over, but their presence is there.

19 And, as of now, we are not aware of
20 anything in the suburban area, but, as I have said,
21 I would not put it past the gangs to branch out,
22 because gang activity is quite -- it's out there in
23 the suburbs. It may not be as prevalent as we might
24 see in an urban area where it's pronounced, but, in
25 the course of our investigations, we noticed various

1 gang members have left the City of Newark to head
2 out to Somerset County where they thought it was
3 safer. And I would think that that -- I don't -- as
4 you have more gang members maybe in that area, and
5 there is the opportunity to invest in a business,
6 and these are businesses that you can open basically
7 anywhere, clothing, you may see it. You could
8 possibly see it. It's, again, another means to hide
9 that money.

10 COMMISSIONER CALIGUIRE: Thank you.

11 CHAIRMAN HOBBS: Counsel, does that
12 conclude the testimony?

13 MR. LACKEY: That does conclude the
14 testimony.

15 CHAIRMAN HOBBS: Before we adjourn,
16 just a couple things. First, I want to thank the
17 entire staff of the SCI for their hard work and
18 dedication in driving this inquiry. I also want to
19 thank the various law enforcement bodies, federal,
20 local, state, and school officials, drug center
21 treatment staff, who have assisted us, both in this
22 public hearing and behind the scenes.

23 I want to make a special thanks to
24 folks from the Atlantic County Prosecutor's Office,
25 Bergen County Prosecutor's Office, Monmouth County

1 Prosecutor's Office, and Vernon Township Police
2 Department for their testimony and for their
3 assistance.

4 What we've heard this morning and
5 into this afternoon is really an extraordinary tale
6 and extraordinary picture. Perhaps most
7 frightening, I guess, is the part where we see young
8 people in high schools who are seemingly oblivious
9 to the dangers of popping a couple of pills and the
10 path that that sends them down which, for many of
11 them, ends up using some of the hardcore drugs, the
12 heroin. And, lastly, in our high schools legitimate
13 pills are feeding future users of the more hardcore
14 criminal element.

15 Then, as we've heard in the latest
16 testimony, these operations are becoming
17 increasingly sophisticated, they are using
18 technology better and in more interesting ways than
19 they ever have before, so it's becoming much, much
20 more difficult for our law enforcement folks to
21 control these drugs. And the money is there, the
22 money is infiltrating legitimate businesses, so the
23 cycle continues.

24 So we see that, after four decades of
25 the war on drugs, drugs are plentiful, drugs are

1 profitable, and drugs are still hurting people out
2 there and continue to do so until we find different
3 answers.

4 This is an important first step in
5 this investigation. The SCI will continue to look
6 at this and, in time, bring forward recommendations
7 in the hope that we can finally, for at least some
8 of the population of the state, end the pain and the
9 cycle on these drugs.

10 So, with that, we conclude our
11 hearing this morning. We stand adjourned. Thank
12 you all very much.

13 (1:01 p.m.)

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C E R T I F I C A T E

I, Sean M. Fallon, a Certified Court Reporter and Notary Public of the State of New Jersey, do hereby certify that prior to the commencement of the examination, the witness and/or witnesses were sworn by me to testify to the truth and nothing but the truth.

I do further certify that the foregoing is a true and accurate computer-aided transcript of the testimony as taken stenographically by and before me at the time, place and on the date hereinbefore set forth.

I do further certify that I am neither of counsel nor attorney for any party in this action and that I am not interested in the event nor outcome of this litigation.

Certified Court Reporter
XI00840
Notary Public of New Jersey
My commission expires 4-29-13

Dated: _____