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

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Wednesday, June 15, 2011

PUBLIC HEARING

BEFORE:

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

APPEARANCES:

CHADD W. LACKEY, ESQ.
Counsel to the Commission

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CHAIRMAN HOBBS: Good morning, everyone.

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

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

The SCI has demonstrated how these criminal syndicates readily exploit weak laws regulating access to firearms ammunition, including hollow-point cop-killer bullets. We showed how and why gang-connected inmates are able to manipulate financial systems and communications technologies to further their criminal enterprises while locked up
behind bars in New Jersey's prisons.

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

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

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

Heroin use is on the rise. That fact is disturbing in its own right, but it takes on a sharper and far more chilling edge when you consider
that for many young people the path into heroin use
is the abuse -- the rampant abuse -- of prescription
painkillers. To put it bluntly, today's young
teenagers, starting with Percocet, Vicodin,
Oxycontin, are becoming tomorrow's heroin junkies.

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

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

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

I now invite SCI counsel, Chadd
Lackey, to call the first panel.

MR. LACKEY: Thank you very much, Chair.

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

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

MR. LACKEY: Good morning.

MR. TORRES: Good morning.

MS. DENNO: Good morning.

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

MS. DENNO: Rachel Denno.

MR. LACKEY: Where are you currently employed?

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

MR. LACKEY: Tell us about your professional background.

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

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

MR. TORRES: Edwin Torres.

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

MR. TORRES: With the State
Commission of Investigation.

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

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

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

MR. TORRES: Yes.

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

MS. DENNO: Last year.

MR. LACKEY: Tell us about the
investigation.

MS. DENNO: It was a thorough
investigation into all areas of the state's drug problem, from distribution to consumption. We looked at the various drugs being used, who was using them, new methods of distribution. We looked at the use of businesses to facilitate distribution and money laundering, as well as the problems that law enforcement faces when monitoring drug traffickers and dealers.

MR. LACKEY: How was the investigation conducted?

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

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

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

MS. TORRES: Well, as the investigation unfolded, it was clear that prescription pill abuse and the spread of heroin were the emerging trends.
MR. LACKKEY: What did these trends show?

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

MR. LACKKEY: Agent Denno mentioned gang-related businesses. What trends did we find in that area?

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

MR. LACKKEY: Agent Denno, you mentioned prescription pills. What specifically are you referring to?

MS. DENNO: Prescription pills are
controlled prescription drugs. It's licensed medication that you can get only with a prescription and it's regulated through legislation.

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

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

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

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

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

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

MS. DENNO: Yes.
MR. LACKKEY: Describe the use of prescription drugs by adolescents in New Jersey.

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

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

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

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

MS. DENNO: Data from 2007 show that every day 2,500 teens use a prescription pain reliever for the very first time. This counter began when this hearing began and illustrates the number of teens per minute that have taken a pain reliever without a prescription for the very first
time. Essentially, if your teen isn't misusing prescription drugs, they know kids who are.

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

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

MR. LACKEY: Before 15?

MS. DENNO: Before.

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

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

Data that was collected in 2007 shows that over half of teens think that prescription drugs are easier to get than street drugs. 2 to 5 percent think that prescription drugs are much safer...
than your illegal street drugs. They think that
they can't get addicted to prescription pain
relievers like they can to street drugs.

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

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

MR. LACKEY: What is Oxycontin?

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

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

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

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

MR. LACKEY: What are the street
costs of prescription pills?

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

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

       MR. TORRES: Yes, it did.

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

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

       MR. LACKEY: And this was confirmed
by the law enforcement at the school, basically the
school resource officer, and officers in some of
those communities, correct?

MR. TORRES: Yes, it was.

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

MR. TORRES: Yes, we did.

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

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

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

MR. TORRES: Well, they had a couple
different reasons that they pointed to. Most common
is that there is no social stigma seemingly attached
to prescription pill addiction. It's not the same
stigma attached to, say, an IV heroin user, the
classic image of the junkie on the street or on the
corner with a needle stuck in their arm.

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

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

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

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

MR. TORRES: Well, again, as I said earlier, alcohol and marijuana still remain to be Number 1. What we are seeing now, one of the newer trends emerging is what we call garage chemists, individuals that make drugs -- synthetic drugs that
mimic the street drugs that are out there in their
own garage, and they are selling these items and
they are not necessarily covered at all times by
federal statutes or state statutes.

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

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

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

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

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

MS. DENNO: Drug trafficking
organizations, or DTOs, that operate out of Colombia
are most responsible for moving heroin through the
eastern part of the United States and into our area.
DTOs that operate out of Mexico have recently been
making significant headway into heroin operations in
the eastern U.S. and are aiding in the movement of
heroin into our area.

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

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

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

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

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

MR. TORRES: No, they're not, but --
however, it's becoming increasingly more difficult
for someone to deal drugs in the State of New Jersey and not be either affiliated or associated with a gang on some level.

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

MR. TORRES: Yes, it is.

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

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

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

Some drug dealers, while most of -- a lot of stuff is done on the streets or in apartments, storefronts, along those lines, we've
seen that some drug dealers have become much more sophisticated, operating solely by use of cell phones or text messaging, using the Internet, using the virtual worlds that are available on the Internet. Also using gaming consoles that have communications capability as well.

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

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

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

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

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

MR. LACKEY: Let's go into some more detail. Let me direct your attention to GF-21, and
walk us through this organizational chart and kind of compare for us how a structured gang organization relates to a business structure.

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

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

Taking that exact same business model, but turning it over into the hands of a gang structure, all you have to do is replace the titles. You are not doing anything significant or any major changes. So, where the president would be would be the OG, the godfather, their leader. The vice-president would be their lieutenant, capo or some sort of substructure. They have different names, each gang will have different titles, if you
will. You'll have the foot -- the sergeants, who
are like our lieutenants who are like their
day-to-day supervisors, and then you'll have
sergeants. And then you'll go all the way down the
ladder until you hit what they call their soldiers,
which would be their retail representatives on the
street.

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

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

MR. TORRES: Yes, sir.

MR. LACKEY: Now, let's actually look
at the bottom. You talked about the street level
dealers and the soldiers. We know that in a
business there is a business location, there is a
place where people go to work at that big box store.

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

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

They will definitely look for a place that has a lack of law enforcement monitoring. They know where law enforcement may not patrol regularly. And then what will happen is that area will become well-known within the drug world as the go-to place. So, when the drug-using culture, the people who are using drugs, will speak among themselves and say, this is the place to go to, this is the corner, this is the avenue, this is where you need to go, and that will spread out throughout the entire state and through other states, because that will be the go-to place for that person's particular habit, where they need to go.
MR. LACKEY: If a gang needs to maintain control of a location, how do they do it?

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

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

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

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

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

How has drug distribution been impacted by the increasing level of technology in our life?
MS. DENNO: The advances in technology, particularly in the areas of cell phones, has made it a lot easier for traffickers and dealers to operate, as well as a lot more difficult for law enforcement to track and monitor them.

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

MR. LACKEY: What advances have we noticed?

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

MR. LACKEY: So it sounds like that's an obstacle that law enforcement faces in the narcotics war.
MS. DENNO: Yes, it is.

MR. LACKEY: What are other obstacles?

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

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

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

MR. LACKEY: Give us an example.
One example is an app that allows a user to pick a phone number, any phone number with any area code, and use that number to make outgoing calls and receive incoming calls on. Because that phone number is not registered and it's not associated with a particular carrier, law enforcement -- it's difficult for law enforcement to locate that phone number and then track and monitor calls that are being made with that number.

So what you are saying is you can have one cell phone with two phone numbers?

Yes.

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

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

What we found was that the drug dealers and the gangs were using business fronts, seemingly legitimate business fronts, to launder the proceeds that they made through the drug trade. They were also using it to facilitate where
they would sell their drugs, actually the storefront
to sell these narcotics, and they were also using
this front not only to sell, but sometimes stash
their supply.

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

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

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

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

It also allows the drug organization
and the drug dealers to actually hide in plain
sight, to give them a front, give them an
opportunity to pretend that they are some sort of a
legitimate businessperson, and actually someone that contributes to the community, and it helps them explain away the assets that they have from the drug trade, which are usually pretty large.

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

MR. TORRES: Yes, it does.

MR. LACKEY: Thank you very much. At this time, Chair, I have no further questions for these witnesses.

CHAIRMAN HOBBS: Any questions?

COMMISSIONER CALIGUIRE: One question.

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

MS. DENNO: There are a number of basically rogue Internet sites. A lot of them require only a credit card number, an E-Mail address and a mailing address, and you don't need a prescription, you don't need any kind of documentation. You put in, you know, your mailing address and an E-Mail address and your credit card
information, you put in an order for the pills that
you want, and they get shipped to you.

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

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

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

COMMISSIONER CALIGUIRE: Thank you.

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

In other words, what happens if you
are a teenager who wants to be taking pills like
Oxycontin and you are concerned because there is --
either you've exhausted the supply or you are
concerned that you are taking too many so your
parents or relatives find out.

Where else can you acquire these drugs?

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

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

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

Once they start paying for the pills, they start getting involved with a dealer, that's when it leads to -- we've seen lead to, in some cases, the use of heroin, because the pills are so
much more expensive than the actual -- a deck of heroin is much cheaper than a pill, more than 50 percent -- like 75 percent cheaper.

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

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

COMMISSIONER MARTIN: Just one other point. I think it will come up later, but it struck me in previous -- you mentioned it earlier, so I just want to confirm something. You indicated the problem is not especially an urban problem, it's a greater problem in suburbia, at least among teenagers and young adults using drugs, in part because they can afford it, but it's -- it just fascinated me, because I tended to think that drugs were mostly centered in the most troubled urban areas, and this problem is even worse in many suburban, sort of affluent communities, as urban
areas, where they -- they may use other drugs because they can't afford this high priced prescription drug use.

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

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

COMMISSIONER MARTIN: Thank you.

MR. HOBBS: Just to kind of sum up a little bit what you were saying earlier, in terms of the stigma, for much of the drug history, you might have hesitation getting into the use of drugs because there was a stigma associated with even starting marijuana, smoking a joint, but a lot of these young people that we are seeing today, they may have received their first prescription legitimately because of a sports injury, some knee surgery, something that they had to deal with, or even a parent may say, well, what's the harm of giving a half of an Oxycontin because we are dealing
with this twisted ankle or something like that, so there is no stigma with the initial use of it. They like the high and then they begin down the path.

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

        CHAIRMAN HOBBES: Thank you very much.

        MR. LACKEY: Thank you.

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

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

        First, Commissioner Martin, pay particular attention to how much narcotics this person was actually selling at school, so this specific witness had a large business of selling prescription pills in school, so pay particular close attention to that, and also to -- this particular witness will tell you that their addiction began with prescription pills and quickly moved to heroin and, when it moved to heroin, it
escalated very, very quickly.

So at this time the Commission calls Video Witness 1.

EXAMINATION

BY MR. LACKEY:

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

Do you understand?

A. I do.

Q. How old are you, sir?

A. Twenty-one.

Q. Where are you originally from?

A. South Jersey.

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

A. I have.

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

A. Correct.

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

A. Yes, sir.

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

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

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

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

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

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

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

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

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

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

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

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

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

One of the things that you mentioned was getting sick. What do you mean by that?
A. Well, at first, when you start an addiction, I mean, it's -- you are in it to get high. At least I was. I was in it to get high, just to have fun. You know, I started getting high with my family, cousins and uncles, and then it gradually progressed to where I was taking it every day before school, during school, and after a while, after taking them for a few months, and then a few days not having them, which is not -- you know, not having any prescription pills or any drugs at all, I would get sick, meaning I would get like withdrawals, go through dope withdrawals. It would just make me go and try and find ways to get more.

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

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

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

A. Exactly, yes.

Q. Tell the Commission how you were able
to obtain or what are some of the ways that you were able to obtain prescription pills?

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

And just from being around -- you know, when you are around getting drugs and doing every -- you associate with people that are getting drugs, if they are not getting high or if they are not doing drugs, they are not really, you know, any good to you, so -- I would get them from friends at first, and then eventually I started finding people that wanted to sell their scripts, because I started selling more and more in school and just to everybody -- everybody that I know was buying off me, and, so, people started coming to me to sell their scripts because, you know, I was buying everybody else's, so word of mouth got around and
it's just -- it was a big chain reaction where I was buying a lot of scripts a week and selling a lot and doing just as much.

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

A. Freshman year, sophomore year.

Q. So, ninth and tenth grade?

A. Yes.

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

A. Correct.

Q. Were these doctors in New Jersey?

A. Yes.

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

A. There is a few different ways. Some people have insurance and go to the doctor and they are supposed to be getting their pills, you know, their prescribed Percocet or Oxycontin, because they
actually have pain, they actually have reasons for needing them, so they actually have insurance, so they will just get their script filled and they want extra money, so they would sell them to me.

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

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

Q. Other than obtaining the pills through the methods you just outlined for us, did you also purchase pills on the street from drug
dealers, gang members, and the like?

A. Yes.

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

A. Yes.

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

A. Before I had a heroin addiction, I would snort them. I started off swallowing them and then, after a while, swallowing them really wasn't getting me high, for say, so then I would start snorting them, and when you would snort them it would just kind of -- there is -- in pills there is a time release, which is -- if you take a general pain pill, it usually lasts over four hours -- like you get the effect over four hours. It's to relieve pain. But, when you snort it, you get the effect over a lot less a period of time because it's just -- it just hits you instantly -- well, not instantly, but it hits you a lot faster and it goes away a lot faster. It's just a lot stronger when you snort them.
Q. Other than snorting and swallowing, were there any other ways that you administered pills to yourself?

A. Injecting, when I started on heroin.

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

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

A. Yes.

Q. Okay.

Describe for us that process and how that worked.

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

Well, what you would do is you would stick the pill in your mouth, you would lick the coating off and you would wipe it off on like a napkin or something, and then the pill -- you could tell the coating would be gone, it's a time release
or the -- something to coat your stomach. I'm not sure exactly what it was, but it's not good to shoot up. You would lick that off and then you would crush the pill down into powder and you would add water and then you would just heat it up in like a spoon or a capsule and then you would see it turning clear and you'd see like white stuff floating around the edges. The white stuff would be the cut and the clear milky water would be the actual Oxycontin and you would put a piece of cotton in and suck it up and shoot it in your vein.

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

A. Two years. About that.

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

A. Yes.

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

A. About 800 milligrams, on an average. I mean, at the peak of my addiction, it was just -- I was taking so many pills that I was dead, I was a
zombie. I was just taking them to stay not sick and
to keep my mind in the present.

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

Q. How did you fund this relatively
expensive habit?

A. Dealing drugs.

Q. What did you sell?

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

Q. How old were you at this point?

A. Fourteen.

Q. Where did you sell the pills?

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

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

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

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

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

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

So, I never had enough. As many
scripts as I can get is how much I would sell in a
Q. And, when you were selling this many pills, you weren't selling them to the majority of adults; you were selling them mostly to high school students, right?

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

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

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

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

A. Yes.

Q. -- were abusing prescription pills?

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

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

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

Q. Why did you start using heroin?

A. It was cheaper.
Q. So, heroin became your cheaper alternative?

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

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

A. Definitely, yes.

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

A. I actually snorted heroin probably when I was 13, and I really didn't touch it -- I snorted it once, but it didn't really do that much to me just because I was high on Xanax or pills at the time, so -- but, when I started picking it up around 14, it progressed quick -- really quick. I mean, it took probably six months -- I started
snorting it, probably took six months until I
started shooting it -- six months to year at most. 
And then, once I started shooting it, 
there was no going back to the snorting it. I mean, 
pills -- even at that point, when I started snorting 
heroin, pills were just a waste. It was a waste of 
my time, a waste of my money. 
Q. So you focused your money on feeding 
your heroin addiction?
A. Oh, yeah. Focused my money on
feeding my heroin addiction and selling heroin, just 
because that was the new thing. I mean, once I -- 
once I turned to heroin I started hanging around 
with heroin addicts. And a lot of people that 
bought pills off me, sad to say, but, you know, once 
I stopped selling pills, a lot of the people that 
were addicted on the pills, you know, switched to 
heroin also around the same time I did, just because 
they seen, you know -- I mean, I don't know if it 
was my uncle or my cousins again, you know, got me 
on it and everybody else seen, you know, oh, he's 
not doing bad, you know. 
That's the way I looked at it at 
least. I looked at it as -- like my cousin started 
first, and I was like, well, you know, he's not
doing bad, he looks good. I mean, why can't I feel
like that, you know? That's how it turned out for
me.

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

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

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

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

Q. Fifty bags a day?

A. Fifty bags a day. Five bundles.

Q. How many bags is one dose of heroin?
A. It depends what your habit is. Let's say, for example, when I started, two bags around South Jersey, but -- can get you pretty high, you know, and that was two bags snorting, and then two weeks down the road it was three bags, four bags, then a month down the road it was ten bags, and then it just progressed and progressed, and then finally snorting them was just out of the question.

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

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

A. Absolutely.

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

A. I think it's in everybody -- it's in -- no. Actually, no, because at that point, when you start pills, you never touch heroin. That's disgusting, you know. It's just -- it never crosses
your mind until you get to that point and, once you
get to that point, and which everybody will --
eventually everybody will, you know, it's just --
and it's -- you know, that stigma is gone.

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

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

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

   A. Stop. It's not worth it at all.

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

Q. Are you clean now?

A. Yes.

Q. How long have you been clean?

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

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

THE WITNESS: Thank you.

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

Can you remain standing, gentlemen,

and be sworn.

JAMES SCOPPA and BRIAN JERNICK, after

having been first duly sworn, are examined and

testify as follows:

MR. LACKEY: Commissioners, this

panel is going to explore further the growing link

between prescription pill abuse and heroin, similar

to the testimony we've heard.

Good morning, gentlemen.

MR. SCOPPA: Good morning.

MR. JERNICK: Good morning.

MR. LACKEY: Detective Sergeant

Jernick, please state your full name for the record.

MR. JERNICK: Brian Jernick.

MR. LACKEY: Where are you employed, sir?

MR. JERNICK: Vernon Township in

Sussex County.

MR. LACKEY: You are a police

officer?

MR. JERNICK: Yes.

MR. LACKEY: Tell us about your

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

MR. LACKEY: What is the population of Vernon?

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

COMMISSIONER MARTIN: But it's big township.

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

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

MR. SCOPPA: James Nicholas Scoppa, Jr.

MR. LACKEY: And where are you employed?

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

MR. LACKEY: Tell us about your professional background.
MR. SCOPPA: I started my career in law enforcement as a patrol officer in Margate City Police Department in April, 2000. During that time I was tasked to work undercover in a high school in Atlantic County. I was undercover in a high school for seven weeks.

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

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

MR. SCOPPA: Yes.

MR. JERNICK: Yes.

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

Is that clear?

MR. JERNICK: Yes.
MR. SCOPPA: Yes.

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

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

MR. SCOPPA: Yes. A large increase.

MR. LACKEY: What pills are abusers using?

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

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

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

We have several large Oxy/Roxicet dealers in the county where kids know they can go
get the supply. We have kids that are getting it from their own parents, friends, friends in school. There is a majority of ways to get it and they do get it however they can.

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

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

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

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

    MR. SCOPPA: Like the informant said on the video, the going rate is usually a dollar per gram, so if you have a 40 milligram Oxy, about $40. Eventually supply and demand and cutting deals with people, you know, you can get like a 40 milligram
for $25. Roxicets -- depending on the milligrams, between ten and $20 you can get a Roxicet.

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

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

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

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

MR. SCOPPA: Yes.

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

MR. SCOPPA: Because they believe -- I mean, I remember being back in high school years
ago, pills weren't a big deal. You know, people
would drink, go to parties, you pop a Xanax, you pop
a Percocet, it will make you feel better. Kids
believe that it's not a big deal because it's just a
pill. It's not like I'm doing cocaine, it's not
like I'm going out on the street and doing heroin or
meth.

They see it no different than
probably marijuana, because everybody believes
marijuana is not a big deal, so -- it's taking a
pill, it's just not a big deal in their mind, and
they get peer pressure to do it and think it's a
cool thing.

MR. LACKEY: Let's go to you,
Sergeant Jernick. I'll ask you some of the same
questions. Based on your experience in your area,
are you seeing an increase in prescription pill
abuse?

MR. JERNICK: Absolutely.

MR. LACKEY: What pills?

MR. JERNICK: Mainly started out with
the Oxies, and then after that occasionally
Percocets. Xanax has also become big, and Roxies
most recently.

MR. LACKEY: How are abusers getting
their pills in your area?

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

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

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

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

MR. LACKEY: Tell us about that.

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

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

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

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

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

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

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

MR. LACKEY: So that would be a
turning point, ninth, tenth grade?

MR. JERNICK: Correct.

MR. LACKEY: Sergeant Scoppa, let's now move from just prescription pills -- now let's talk about that link between the pills and heroin.

Are you seeing an increased presence of heroin because of the prescription pill abuse?

MR. SCOPPA: Absolutely.

MR. LACKEY: Tell us about that.

MR. SCOPPA: Once -- like the informant mentioned on the video, and what I've dealt with over the years, interviewing hundreds of teenagers and people in their early 20s, they started off most of the time not just using heroin. They started off popping Oxies, popping Roxicets -- doing Xanax and Vicodin and then getting into Oxies, and they built up such a tolerance level to the pills that they'd have to turn to heroin and, like the video said, you don't care about anything other than getting your high. You need to get your fix so you don't get sick. So the kids -- the juveniles may think that "I'll never do heroin," but, when it comes to that point, they have to go to heroin because it's that much cheaper.

MR. LACKEY: So two factors. The
first is tolerance. Just like the witness said, this witness has taken pills, taken pills, taken pills, and pretty soon they can't get high anymore, correct?

MR. SCOPPA: Yes.

MR. LACKEY: And also cost?

MR. SCOPPA: Yes.

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

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

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

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

Are you seeing the same thing, where
kids are moving from those pills to the heroin?

MR. JERNICK: Yes.

MR. LACKEY: Tell us about that.

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

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

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

MR. LACKEY: Isn't it true that you
were actually involved in some investigations where
you actually were following people down to Paterson?
Tell us about that.

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

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

MR. JERNICK: Yes.

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

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

MR. JERNICK: Yes. I try to do a
yearly presentation for the juniors and seniors for
drug awareness, and we put together some statistics
and what we found was that, during a four-year
period, there were 14 recent high school graduates who had died. Nine of those were either pill or heroin overdoses.

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

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

MR. JERNICK: Correct.

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

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

MR. LACKEY: If you had to venture a
guess, Detective Scoppa, how much heroin is coming
trough Atlantic County on a weekly basis, what
would your guess be?

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

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

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

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

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

MR. SCOPPA: Yes.

MR. LACKEY: And then, when you
compare that to how much an Oxycontin pill costs,
like an 80 milligram Oxycontin cost $80, based on
what you testified to earlier, there is a
significant cost difference, correct?
MR. SCOPPA: Yes, sir.

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

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

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

Drug dealers, when they come back out of prison and -- everything changed over. They knew that they could make more money doing heroin and selling heroin because their profits are gone when
the cost of cocaine went up.

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

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

Starting in about '06, '07, we started seeing heroin come from North Jersey, from Newark, from Paterson, also from New York, and these drug dealers were packaging their own heroin and getting bricks and bundles of heroin from up there already packaged and they were getting it at a cheaper price.
So everything has changed in the past eight years.

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

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

Why?

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

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

MR. LACKEY: As a result, are you
seeing an increase in other types of crimes, burglaries, robberies, as it relates to these heroin addicts?

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

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

MR. JERNICK: Absolutely.

MR. LACKEY: Tell us about it.

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

Like Jim was saying, they will steal from their own grandmother, they will take their grandmother's ring and they'll take it and they'll sell it at a pawn store for $50. Nothing else matters to them. They are the most destructive people on the streets at this time. They will go into a house and they will strip every piece of copper that is in that house and they will take it to a scrapyard.
MR. LACKLEY: In closing, is what you
are experiencing in Vernon consistent with what you
are hearing from other officers in your area?

MR. JERNICK: Yes. It's everywhere.

MR. LACKLEY: Thank you very much. I
have no further questions.

Chair?

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

MR. JERNICK: Definitely.

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

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

MR. JERNICK: Yes, definitely.

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

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

So we do attempt to educate the people involved.
CHAIRMAN HOBBS: And Sergeant Scoppa said that ten years ago about 75 percent of the dealers were really focusing on distribution of cocaine and now you are saying that's switched over to heroin.

Are you seeing similar changeover?

MR. JERNICK: Yes, definitely.

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

MR. JERNICK: Yes.

CHAIRMAN HOBBS: Thank you.

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

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

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

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

I take Motrin for pain in my back. These kids are going in and telling them "I got a
pain in my back," and they are getting 80 milligram
Oxies. So that's another big problem.

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

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

MR. JERNICK: Absolutely.

COMMISSIONER MARTIN: The only other
thing I want to say is, I'd like to commend both of
you. I know in some cases it's difficult for a
community like Bergen County or the County of
Atlantic to come and admit issues like this that
seem to be, you know, a reflection on both society as well as even law enforcement itself, and I appreciate the fact that you've been candid with us and have been willing to come forward and testify about problems.

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

MR. JERNICK: Thank you for having us here.

CHAIRMAN HOBBS: Commissioner Caliguire?

COMMISSIONER CALIGUIRE: Thank you, Mr. Chairman.

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

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

COMMISSIONER CALIGUIRE: So they are licensed doctors working the pain management centers giving out prescriptions and then the recipient
takes it to a pharmacy to have it filled?

    MR. SCOPPA: Yes. One of the largest

problem doctors we have in Atlantic County was
recently arrested by the DEA. He actually was part
owner of a pharmacy, too, so he had a big scam going
with filling out the prescription and they would go
to his own pharmacy and fill the scripts.

    COMMISSIONER CALIGUIRE: You heard

one of the previous witnesses mention that another
avenue of obtaining prescription drugs is through
the Internet.

    Have you seen any evidence of that?

    Do you have any sense of how prevalent that might
be?

    MR. SCOPPA: I've never dealt with

that. The only other way that I can think of also,
to just add to, is we have a big problem with people
going down to Florida. I know Florida has a -- I
think their laws are much more lenient and they have
a huge problem with dirty doctors down there.

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

    MR. JERNICK: I've heard quite a bit
about the increase in the use of the Internet and
the mail transporting drugs. It's definitely up and
coming.

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

MR. JERNICK: Correct.

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

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

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

Do you think that's a reasonable
number, based on your experience?
MR. JERNICK: I'd say definitely.

Actually, might even be more severe than that.

COMMISSIONER CALIGUIRE: More severe than one in five?

THE WITNESS: You said one in eight?

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

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

COMMISSIONER CALIGUIRE: Thank you, Mr. Chairman.

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

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

I ask that to either of you.
MR. SCOPPA: I haven't seen that.

MR. JERNICK: I haven't.

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

MR. JERNICK: You're welcome.

MR. LACKEY: Thank you.

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

At this time the Commission calls Video Witness 2.

EXAMINATION

BY MR. LACKEY:

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

A. Yes.

Q. How old are you?

A. Eighteen.

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

A. Yes.

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

A. Yes.
Q. And you -- but you went to high school in South Jersey, correct?
A. Yes, it is.
Q. You are here today to tell us about your prescription pill addiction, which led you to become a heroin addict, correct?
A. Yes.
Q. Let's begin with pills. How did you begin abusing prescription pills?
A. I was about maybe ten or 11 and my -- one of my relatives had offered me some pills that he was taking and he said felt really good, so I took a few of them and I felt good, and at that point I -- you know, I always wanted to take them after that, so it just became really bad.
Q. You were only ten or 11 at the time?
A. Yes.
Q. Which prescription pills were you taking at the beginning of your addiction?
A. Xanax.
Q. As your addiction progressed, did you take different prescription pills?
A. Yes.
Q. Tell us what you took.
A. I started taking Oxycontin, Roxies,
Percocet and a -- you know, a lot of different narcotics.

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

A. No. I took them in combinations.

Q. Give us an example.

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

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

A. Yes.

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

A. Yes.

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

A. I would get money from my parents sometimes. I would also steal from friends, family, anyone who was around, and also my friends would, you know, offer -- offer drugs, if they had them -- prescription pills.
Q. So, in order to get the money to buy drugs, you would use your spending money --
A. Um-hum.
Q. -- or you would steal to be able to get money to be able to buy -- to buy your prescription pills?
A. Yes.
Q. When you first began taking the pills, did you swallow them like how we commonly think of those pills?
A. Yes, when I first started, and then I ended up sniffing them and, when that didn't work so well, the ones that you could do intravenously, I would do that.
Q. How long did it take you to go from swallowing the pills to taking them -- or shooting the pills?
A. Maybe two or three years with the pills.
Q. Now, you told us that you began using pills when you were ten or 11. Did you use them through the time you were in high school?
A. Yes.
Q. Were you ever high on prescription drugs in high school?
Q. Tell us about that. Where would you take them, how would it work? Explain it to us.

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

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

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

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

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

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

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

Q. We've heard estimates that at the time that you were at your high school, that that school had about 300 kids that were using -- or, I'm sorry, abusing prescription pills at that time. Do you think that's a fair estimate?

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

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

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

Q. Give us a sense of how many pills you were consuming when your pill habit was at its worst. On a daily basis tell us first the milligrams -- like what types of pills you were taking and then the amounts.
A. When my addiction was at its worst I was taking Oxies, Oxycontin, and I was taking 30 -- 30 to 80 milligrams a day -- well, in a pill, and I was taking maybe four or five pills a day.

Q. Some addicts have told us that, if they don't take their pills, they feel sick. Have you ever experienced being sick?

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

Q. Describe it for us.

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

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

A. Yes.

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

A. My friends -- I was with my friends one day and they had -- they had heroin and they were all doing it and I saw them. They asked me, "Hey, do you want a bag," and first I was kind of
like, "No, I'm all right." Then I see them all, you
know, feeling good, so I'm like, I guess I'll try
one, and I did it ever since then and it made me
feel good, so I just kept doing it.

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

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

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

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

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

A. Yes.

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

A. When I had started doing heroin and I
ended up getting hooked on it, when I would go
through the withdrawal I would need maybe -- maybe
two bags just to feel well again.

Q. And how much would two bags cost?

A. $15.

Q. So $15 versus, you know, a little bit under a hundred.

A. Yes.

Q. Did you ever think, when you were taking prescription pills, that those pills would actually lead you into a heroin addiction?

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

Q. How old were you when you first tried heroin?

A. I believe I was 15 or 16.

Q. When you first tried it, were you snorting heroin?

A. Yes.

Q. Did you subsequently graduate to shooting heroin?

A. Yes, I did.

Q. How long did it take you from snorting heroin to shooting it with a needle?

A. It was about a year.

Q. Why did you start using a needle?

A. I wasn't getting the same high as I
would when I first started. My friend was using a
needle and she asked me if she wanted her to do it
for me, and I was kind of hesitant, but, again, I
just went for it, and I liked the feeling, so I
continued to do it.

Q. At the peak of your heroin addiction,
how much heroin were you using?
A. A little over a bundle a day. Ten to
12 bags.

Q. How long did it take you to go from
the snorting a couple of bags to shooting ten to 12
bags?
A. A matter of three or four months.

Q. How much was your heroin habit
costing you a day?
A. At my worst it was maybe, you know,
80, $90 a day. If I had more money that day, the
more drugs I would get.

Q. How were you getting your 80, $90 a
day?
A. When my addiction was at its worst, I
was -- I had a job and that was supplying my money,
and I would steal from the job or wait for my
paycheck, whatever it was, just to get high.

Q. Where were you getting your heroin?
A. From friends and one of my relatives.
Q. Did you ever use heroin while you were on school grounds?
A. Yes.
Q. Tell us about that.
A. Just like with the prescription pills, I would bring it to school and -- either I would bring it to school or my friends would bring enough for me and the rest of my friends and we'd all meet up in the bathroom and do what we had to do and then go back to class.
Q. So this was during school hours?
A. Yes.
Q. About how many times did you get high in school?
A. Majority of my sophomore year.
Q. So I guess the better question would have been, how many days weren't you high in school, right?
A. Not many times was I not high. There was only maybe a couple weeks out of the year that I didn't use.
Q. When you were high on heroin, how did it evidence itself outwardly? You know, what did you look like?
A. Nodding out. I looked really, you know, ghostly and pale. You know, my face would break out and I would be picking at myself and -- you know, you could just -- you could just tell by looking at someone if they are -- if they are okay or not, you know.

Q. And, from what you are describing, you just didn't look okay?
A. No.

Q. Did teachers or administrators stop you, ask you what was going on, if you were feeling ill, anything?
A. No.

Q. Based on what you've told us today, there is a clear link between your prescription pill abuse and your heroin addiction, correct?
A. Yes, that's true.

Q. Do you think that the average high school student that is popping Oxies or taking Percocets on an occasional basis -- do you think they think about the fact that this could lead them into a life of intravenous heroin use?
A. No, I don't think they realize that at all. You know, even when they go through the withdrawal symptoms and have to get well again, I
don't think that they -- I don't think that they think at this moment that it will lead to heroin.

Q. What would you say to them?

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

Q. How are you doing now?

A. I'm doing good.

Q. Are you clean?

A. Yes, sir.

Q. How long have you been clean?

A. Three months.

Q. Congratulations.

A. Thank you.

MR. LACKEY: On behalf of the Commission, thank you so much for telling us your story. I have no further questions for this witness.

Thank you very much.

At this time the Commission calls
Detective Sergeant Barry Graves, Monmouth County Prosecutor's Office, and also Lieutenant Dombroski from the Bergen County Prosecutor's Office.

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

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

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

Good morning.

MR. GRAVES: Good morning, sir.

MR. DOMBROSKI: Good morning.

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

MR. GRAVES: Barry Graves.

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

MR. GRAVES: I'm employed by the Monmouth County Prosecutor's Office in the Narcotics...
Strike Force Unit.

MR. LACKEY: Tell us about your professional background.

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

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

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

MR. LACKEY: Sounds like a vast majority of your substantive law enforcement
experience involves narcotics.

MR. GRAVES: Yes.

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

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

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

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

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

Please state your full name for the record.
MR. DOMBROSKI: Thomas Dombroski.

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

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

MR. LACKEY: Tell us about your professional background.

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

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

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

MR. LACKEY: Detective Sergeant
Graves mentioned Top Gun, and you are also an
instructor with Top Gun, is that correct?

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

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

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

Let's start with you, Detective
Sergeant Graves. Are you seeing an increase in the
use of prescription pills in the area?

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

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

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

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

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

COMMISSIONER MARTIN: Did you say "legal" or "illegal"?
MR. GRAVES: Illegal scripts, usually stolen. They'll pass them out the people. They will pretty much go along a certain corridor and go to all these pharmacies and try to have these scripts filled. Sometimes they get caught, sometimes they don't.

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

MR. GRAVES: Yes. We recently shut down one pharmacy, but they were able to re-open, whereas everyone knew you can go to this one pharmacy, which has two locations, one in Monmouth County, one in Middlesex County, to fill out -- get their prescriptions filled, and it was a constant thing. Even the township cops knew about it, but it was just hard to kind of control at a certain point. Then we finally were able to get the one and, along with state agencies, we were allowed to close them down for I think a day or two and they were re-opened.

MR. LACKEY: In your county, as a result of this increase in prescription pill use, are you seeing also an increase in the use of heroin?
MR. GRAVES: Yes. What usually happens, like everyone else testified before me, is that usually, because of the cost of the pills, which in Monmouth County is usually 25 to $80, once they run out of that type of money, they can go buy a bag of heroin in Monmouth County for usually $7.

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

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

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

MR. DOMBROSKI: Again, we still get a
lot of ecstasy that we buy, but we do see a
tremendous increase in the Oxycontin, Oxycodone,
same thing with the Percocets, Percodan, and it's no
different in Bergen County than it is for most other
counties.

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

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

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

MR. DOMBROSKI: Undoubtedly so. It
does.

MR. LACKEY: All right.

Now let's focus our attention on
heroin. I want to talk about how it's processed,
how it's packaged. We've thrown around some terms
associated with that, but let's get some
clarification so we are all on the same page.

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

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

MR. LACKEY: What do they cut it with?

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

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

MR. GRAVES: It depends. You get some wholesalers who will do it right then and there. They'll cut it, have it bagged up and ready to go. Then you'll have others who are buying it raw in gram form, and then they'll take it and cut it themselves and dispense it themselves. That way they can cut it the way they want to instead of
MR. LACKEY: Are you seeing various criminal groups working together through the distribution process, either in the cutting process or in the retail process? Are you seeing different groups working together?

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

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

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

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

We've also seen our dealers going in 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?
MR. GRAVES: Usually wrapped in a rubber band.

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

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

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

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

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

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

MR. LACKEY: So even this is a little
large for a brick?

MR. GRAVES: Yes.

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

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

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

I mean, heroin -- back in 2008, when I was assigned to DEA, we were involved in an investigation where we seized what we believed to be 150 kilos of cocaine, which at the time really, in DEA standards, was not a tremendous seizure.

However, once the drug came back from the lab, we
found out that 75 kilos of that was actually
Colombian heroin, which turned out to be the third
largest seizure in the county.

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

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

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

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

MR. LACKLEY: What about rental cars?

Have you seen that?

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

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

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

MR. DOMBROSKI: Right.

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

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

I mean, they are getting -- it's to a point, in a recent investigation, where they are going as far as spending ten to $12,000 installing a very sophisticated trap in a leased vehicle, realizing that, you know, whatever they move through
that, they'll make their money up, and, once the lease is up, they are putting the vehicles back in service with the leasing company, not really being concerned about the trap still being in the vehicle.

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

MR. DOMBROSKI: Yes.

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

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

Do you see that kind of phenomenon in your area?

MR. DOMBROSKI: Well, there are a lot of rental companies in Bergen County along the highways. We are not really seeing one in particular. I mean, we do see the big companies which have smaller companies around the county, you know, Enterprise and certain other companies, but it's not just one location that consistently these individuals would go to.
MR. LACKEY: Now let's focus on traps. You've talked about it before. Let's define it.

What is a trap?

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

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

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

MR. LACKEY: Let's actually look at an example, and this is an example that your agency and you were actually very kind enough to provide to
the Commission. So, first, thank you for that.

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

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

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

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

MR. LACKEY: Please do.

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

At a particular time in the
investigation, detectives conducted a surveillance,
and it was the first time they went out to conduct
surveillance on this individual. While they were
out there, they noticed this suspicious vehicle within the area that they were conducting surveillance on.

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

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

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

MR. DOMBROSKI: Yes.

MR. LACKEY: How did you find the trap?

MR. DOMBROSKI: We had detectives
that had gone to school and -- it's about traps, where a good place to put traps are and how to basically bypass -- some of these traps have very, very sophisticated means by which they have to operate them. You know, we've come across traps that you have to push a sequence of buttons, have a specific cell phone by the radio and it activates the trap.

However, they were able to locate certain wires that weren't manufactured with the vehicle, they were able to bypass them by applying power to these wires to open the trap.

MR. LACKEY: Can you move forward in here?

The area we are talking about in the car is that back seat area, correct?

MR. DOMBROSKI: Yes. It's the rear seat, right where the rear seat would basically kind of dive into the trunk area.

MR. LACKEY: And this is actually -- we have pictures of the trap actually opening, and you can see it almost in sequence photography. Now we see the seat opening. Describe for us what we are looking at here.

MR. DOMBROSKI: You are looking at --
as that seat opens, you are looking at the back of
the seat and then there was a manufactured piece of
metal that was placed in there by the trap maker to
make a compartment that you wouldn't see from the
trunk looking in. It was actually piston operated,
where you can hear that piston push the seat back
and a locking mechanism to keep it in place so it
wouldn't accidently open.

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

MR. DOMBROSKI: Yes.

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

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

MR. DOMBROSKI: Yes.

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

MR. DOMBROSKI: Yes.

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

MR. DOMBROSKI: It was just laying in
the bottom of the trap.
MR. LACKEY: And, Commissioners, you can see how they hollowed out these rear seats to be able to form that trap.

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

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

MR. DOMBROSKI: Yes.

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

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

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

MR. GRAVES: Yes, we have. It's a
prevalent thing, all of the drug dealers are very aware of traps. Like he said, they usually have a main go-to guy, in our case is in Newark. Guys were going in there, getting traps made for several thousand dollars and they just transport back and forth.

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

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

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

MR. GRAVES: Yes.

MR. LACKEY: And when we talk about
retail distribution, let's talk about your suburban buyers. Are your suburban buyers coming into places like Asbury Park to buy their heroin, or how are they getting their heroin?

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

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

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

MR. DOMBROSKI: I'd say 90 percent of
our deals will take place in public areas, shopping
malls, right out in public they'll meet and conduct
their transactions.

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

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

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

MR. GRAVES: Pretty much that's what
all the narcotic dealers use right now, so-called
throw-away phones or, you know, buy -- you can
pretty much -- we even do it as undercovers. We go
out and buy a prepaid phone -- we go into a location
that sells prepaid phones and purchase them
ourselves. You then can pretty much make up any
identity you want, because that's how they do it.

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

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

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

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

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

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

There is really no requirement or no law that says, when you buy a cell phone, you've got to show identification and that's got to be the identification associated with that phone.
MR. LACKEY: Would you guys consider this an obstacle in your ability to investigate narcotics cases?

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

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

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

CHAIRMAN HOBBS: Thank you, gentlemen.

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

MR. GRAVES: Technology, that's one of the ways, but it's -- actually, it's pretty much the same. Things go up and down, prices and people and the amounts you get, but, to me, from the beginning until now it's pretty much stayed consistent.
CHAIRMAN HOBB: And one of the previous witnesses, and I think, Lieutenant Dombroski, you said it as well, the movement into heroin versus cocaine, that the mix is changing, and you see that as well?

MR. DOMBROSKI: You mean by purity?

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

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

But the types of drugs, I would say, you know, marijuana has always been the bulk drug. I mean, if I showed you my stats, an overwhelming amount of it is marijuana, whether it's bulk seizures or individual sales, and, you know, cocaine and heroin -- cocaine still outpaces heroin by us, but there is definitely a trend toward more and more heroin being available.
And, again, we are looking at it from a point where we are buying it from the seller. It's not so much we are getting involved in the users. But we can go out and follow people that make runs into Paterson, Newark, or even the city, come either back to Bergen or through Bergen and it's available.

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

Is that fair?

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

I mean, they really put a lot of
effort into -- I mean, think about being able to
build a submarine in the middle of the jungle,
launch it in a river, and load it up with Colombian
heroin and send it out to the Caribbean where it
meets up with a ship. I mean, that's ingenuity.
CHAIRMAN HOBBS: And then puts it in
traps like we've seen demonstrated?
THE WITNESS: Absolutely.
MR. GRAVES: In Monmouth County we've
seen heroin overtaking the other drugs and it's
pretty much the Number 1 drug sold in Monmouth
County.
CHAIRMAN HOBBS: Heroin is?
MR. GRAVES: Yes.
MR. HOBBS: Thank you.
Commissioner Martin?
COMMISSIONER MARTIN: We've been
emphasizing the pills and heroin. I think, if I'm
understanding some of the testimony that you
provided as well as the previous witnesses, it seems
like, at the pill level, with the kids and so forth,
before they switch or graduate, if you want to use
that word, to heroin, that that seems relatively
unsophisticated and, at least at the distribution
end, is not so much gang-related, and even the
dealers are oftentimes kids themselves.

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

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

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

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

COMMISSIONER MARTIN: Yes.

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

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

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

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

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

MR. DOMBOSKI: We haven't come -- from the level that we are involved in, no. But, again, I know that last year DEA was involved in a case in Fairview, New Jersey, where there was a house that was on the border of I believe Fairview and Cliffside Park. A patrol officer was driving by
and noticed that there was an extremely strong smell of what he believed to be lighter fluid, so much so that it was overpowering him, and he investigated -- he investigated, which brought him to the door of a house that he knocked on. There were three individuals in the house and the smell of the lighter fluid was actually lighter fluid, and they were using it to take off the cover labels on prescription bottles. There was probably upwards of five to $6 million in prescription drugs in the house, but it wasn't your traditional -- what we are talking about here. It was heart medication, other types of medications that are actually sold on the black market.

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

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

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

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

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

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

COMMISSIONER MARTIN: Well, especially, as you mentioned, the wiring. It's not just hiding pot. Like in the old days you'd just
rip out padding or something. You are talking about a series of sequential electronics.

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

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

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

COMMISSIONER MARTIN: Thank you.

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

MR. DOMBROSKI: Yes, if you can get somebody to give you consent to look in a trunk, and you can get it in writing, I would say, then, yes, go ahead and take a look.
CHAIRMAN HOBBS: Very good.

Commissioner Caliguire?

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

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

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

MR. GRAVES: And the same with Monmouth County. We know it's high with young and
young adults, but I couldn't give you a specific
number.

COMMISSIONER CALIGUIRE: Thank you.

CHAIRMAN HOBBES: Gentlemen, thank you
very much for your testimony.

MR. LACKEY: At this time the
Commission calls its next witness. Again, for
security purposes, this witness will testify via
video to protect her identity.

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

At this time the Commission calls
Video Witness 3.

EXAMINATION

BY MR. LACKEY:

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

Is that consistent with our
agreement, sir?
A. Yes.

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

A. Yes.

Q. How long have you been a Blood?

A. Probably going on 16 years now.

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

A. Yes.

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

A. Yes.

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

A. It's hard to say, because it's growing every day. Every time somebody new go to jail that is not a Blood, they run to the Bloods for protection, depending on -- on where you get housed at. And it's like a feeding system in jail. If you are not one, everybody trying to snatch you up for numbers, so this group don't get bigger than the next group. So it's really hard to say right now, but it's -- it's growing.
Q. Well, let's just use Trenton, for example. Would you agree that there is over 500 members of your set just here in Trenton?

A. More than that.

Q. A thousand?

A. I'd say about a thousand.

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

A. Yes.

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

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

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

A. Somewhat we do. Certain people in the committee may have a -- a connection with the
heroin or -- or weed or various E pills. Whoever
has the biggest connection, they basically is in
charge of that, and we don't step on his toes
because that's what he do and -- you know, we try
not to step on each other toes because we always try
to work together.

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

Q. It seems like the management
structure for the committee is very similar to that
of the Mafia. Is that correct?
A. Yes. That's basically where
everything come from.

Q. What is the primary money making
activity for the organization?
A. Drugs and guns. Some -- some -- some
brothers mess with the -- the women -- pimping
women, but I really ain't into that one.

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

Could you explain to us what role the
committee has in the gang's drug distribution?
A. Okay. Say I'm in charge of the --
the cocaine. I know somebody that gives it to me on
a -- on -- we call it a front, where you don't have
to put no money up. He may get you a key of coke
and, you know, a key of coke is a thousand grams.
So what you'll do is, you know, you'll cook it up --
some of us cook it up -- we leave it hard or we
leave it soft, and, you know, you can stretch it.
What I mean by stretching it, you can
add more baking soda to it where it's not that
potent, or you can do it what we call one for one,
where it's the same amount of coke, same amount of
baking soda, so it's really powerful, or, you know,
if you -- like, if you want to stretch it, we sell
that for like nickels. It's really not that good.
But the good stuff, the good quality, is strictly
one for one.
Q. And does it work the same way for
heroin?
A. Yes. The reason why he's in charge
of that, we don't -- if he has that heroin, you
don't want to step on his toes. He -- he control
the heroin all over, for the whole family, and the
coke is controlled by one individual for the whole
family, the E pills is controlled by one person for
the whole family, and then the marijuana is
controlled by one person for the whole family.

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

Q. Before we -- in the previous conversation that we had, we were talking a little bit about heroin and its purchase and processing.

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

A. You can get the heroin from somebody in a -- in a powder form, whereas we put it together, and what we do is, you know, you have your scales, you have your blenders and you have your cutter. What I mean -- your cutter is what you add to the heroin to make it stronger or weaker. And what you do is, you know, you get certain people and they -- they bag it up for you. What I mean by bagging up is -- the person on the committee only deals with the big man, he fronts it, and I give it to a certain group and that called the -- the package people, and what they do is they know how -- we showed them how we want it cut and bagged and what stamp we want, and they'll bag it all together,
and then we'll distribute throughout the family, you
know, give it to certain people in certain blocks,
and you tell them they got to bring you back, you
know, a certain number, and we get our cut and we
give it back to our consignment man, he get his cut.
As long as he's getting his money, he constantly
keep feeding us.

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

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

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

A. Yes. It comes in an egg form, it's
real yellow, and it's so hard you can throw it on
the concrete and it won't crack, so you got to get a
special blender for it. We get it from New York,
the smoke -- we call them smoke shops. You go
there, ask for, you know, a heroin blender, and they
give you a blender for that. Pay about $50 for it, $75 for it. And you buy the blender and you buy the bags and go to any stationery store and they have -- tell them what type of stamper you want and you can stamp your name on it and that's how we do it.

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

Q. Are there people in the gang that specialize in the processing of heroin?
A. Yes.
Q. Do they have a title or a position in the gang?
A. We -- basically the whip-up man. You got to know how to whip. If you don't know how to whip, man, your game in the gutter, because the reason why we say that is you can serve -- it's the old hedge, really. They know how to stretch it and, if they know how to stretch it, you got a good whip man.

Q. And, when you mean stretch it, that means put enough cut in it so that the heroin is profitable, but yet not so weak that it doesn't sell?
A. Right. You do that with cocaine, also. You stretch it, too. But you have -- you basically -- we basically have like two forms of everything, of coke and the heroin. You have your -- you have your real strong heroin and you have your weak heroin.

Q. Why would you want to have the weak version?
A. That's where the stretch -- that's how you make your money. You know, you going to make your money regardless, even if it's strong, but you make more profit if it's weaker.
Q. When we talk about processing heroin, we've heard consistently from a number of sources that processing is moving from the urban areas to the suburbs. Is that consistent with your experience?

A. Yes.

Q. Why?

A. They want it, we got it.

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

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

So, once he do that and everything is -- is done up, you have somebody that -- we call him drop-off man. He know who to drop it off, on what corner, and things of that nature, so we don't
get caught up, and all we do, basically, those that
sit up the top -- all we basically do is get the
money to give to the consignment man, so we
basically don't get caught up in nothing.

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

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

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

A. We get -- we get something called
like stash spot. Like you can go anywhere and get
somebody to build you a stash spot. That's easy.
What I mean by stash spot is, go to -- like a car
place that put radios or TVs in the car and you ask
them to build you a stash spot in the car, and
normally everybody stash spot is big enough to hold,
you know, a key -- a key of heroin or a key of coke,
plus a gun.

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

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

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

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

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

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

Then you got the people that's up in the apartment. Well, you got the hallway guy, we call him the doorman. You are not coming up in that hallway unless you are purchasing something. So, basically, we run the building. Everything in that
building is -- belong to the Bloods. So we got the
corner watcher, the fiends will come and ask us
where it's at. Take them to the doorman, the
doorman will send them upstairs, you get it right
there and then you go back downstairs.

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

A. Yes.

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

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

So now we done stepped our game up,
we in an apartment building. You want to come in
the apartment building and get us, by the time the
corner watcher -- yes, we -- you know, we got walkie-talkies. They -- even if you grab me, he hit his walkie-talkie, boom, we know to flush it. So, either we -- we don't really have that much stuff in there -- we only have enough in there that we know we can move.

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

Q. How about prescription pills?
A. Oh, you can get -- you can get them -- we give patches of heroin, too, from regular -- there is a lot of drug spots where the fiends go to, they get their little package where they are trying to get off the dope, 50 milligrams, a hundred milligrams, and we buy them and we sell them for more.

Same thing with the needles. They -- they got spots in the town where you just send the fiends to -- to get -- you give them 20 dirty needles, they give you 20 clean needles. So, we buy the needles, too, from people. So, you know, you 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,
now it's time to party, take a couple Oxycontins.

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

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

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

Q. Dollars?

A. Yes.

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

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

Q. You mentioned how kids are attracted
to the gang life because it seems glamorous.

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

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

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

is a good method to keep these kids in schools.

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

How would you change sentencing to stop that from occurring?

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

So, if it's not to a lawyer or your mother or your father, where you call them once a month or something like that, you got to get hard on us, you got to take these -- and -- and another thing that I disagree with, you leave us in one prison too long. I been there ten years. I run that whole prison. I run the guards. The guards scared of me. So they going to get me the cell
phones and they going to make sure -- say I got a
package of drugs coming in. The guards are going to
make sure it slip through. This inmate has, you
know, boofed it for me. You know what boof means,
right? They boofed it for me, so the guard ain't
going to make him spread because he know he got
something for me.

So, therefore, you got to start --

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

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

If I want a guard popped, he going to
get popped. The younger Bloods got to do it -- pop
that guard for us. He will pop that guard for us.

So it's nothing. So we run the prison. So I think
move them around or keep them in isolation whereas
he has no movement. He got one hour. We -- yous
call it lockup. We call it isolation. Put him in
isolation. He got 15 minutes to use the shower, ten
minutes to go to rec by hisself with nobody. That
gives us a lot of time to think.

So, then, now we like, man, nobody
wants to be in isolation all their life, but that's
how the feds do it. They got the high ranking ones,
you know, Bloods and all of them underneath --
underground where they can't even touch their
letters. They ran over to screen it. You got to
get harder. I mean, you really got get harder and,
you know -- you know that you a Blood.

So, once we commit a crime, the crime
should be -- double their time. Because now we
sending a message to the younger ones like, okay,
such and such Blood just got ten years for a joint.
Even though I'm just exaggerating, but you have to
pass the word down to the younger Bloods, no -- you
know, like, man, these niggers not playing with us
no more, they burning us. Once that message start
getting out, then everybody -- it's still going to
be there, but it's going to decrease instead of increase.

We ain't getting no time. We got lawyers. I'm getting money up -- you know, I can post a high bail. I can go get the top notch lawyer in town. That's nothing. All right. Normally anybody does without a lawyer, they going to get ten years. I'm going to get three years maybe --

Q. You do --
A. -- because I got a high priced lawyer.

Q. And you do your three years and you do it in the same prison where you build power, you can recruit, you can grow your organization, so, when you walk back out on the street --
A. I'm more powerful.
Q. -- you're stronger?
A. Yes.

MR. LACKEY: Thank you so much for telling us your story and testifying before the Commission.
I have no further questions for this witness.
Chair, I have one final panel I'd like to call. At this time the Commission calls
Agents Anthony Cacace and Philip Massa.

Please stand and be sworn, gentlemen.

PHILIP MASSA and ANTHONY CACACE, after having been first duly sworn, are examined and testifies as follows:

MR. LACKEY: Commissioners, as our final panel, what we were asked to look at is the level of sophistication that the gangs have as it relates to their financial affairs. We want to see if their sophistication trickles down into the use of legitimate or seemingly legitimate businesses.

Good afternoon, gentlemen.

MR. MASSA: Good afternoon, sir.

MR. LACKEY: Agent Cacace, state your name for the record.

MR. CACACE: Anthony Cacace.

MR. LACKEY: And you are currently employed with the State Commission of Investigation, correct?

MR. CACACE: Yes, I am.

MR. LACKEY: Tell us about your professional background.

MR. CACACE: Sure. For 32 years as special agent, Internal Revenue Service's criminal investigation unit. As special agent, I conducted
criminal tax investigations of individuals involved
in narcotics trafficking, money laundering. I
conducted investigations of organized crime figures,
narcotics traffickers, corrupt government officials,
corrupt politicians.

    MR. LACKEY: And, Agent Massa, please
state your full name for the record.
    MR. MASSA: Philip Massa.
    MR. LACKEY: And you are an SCI
employee as well?
    MR. MASSA: That's correct, sir.
    MR. LACKEY: Tell us about your
professional background.
    MR. MASSA: Prior to my service with
the SCI, I served with the North Arlington Police
Department for 25 years. Left that agency with the
rank of detective captain. Eighteen of those years
I spent as a supervisor or command level officer,
and my investigative experience includes both
administrative and criminal investigations.
    MR. LACKEY: How did this portion of
the investigation begin, Agent Massa?
    MR. MASSA: The Commission sought to
determine whether or not organized street gangs were
utilizing the methods more commonly used by
traditional organized crime to disguise or hide
their activities, particularly in order to better
shield their narcotics activity.

MR. LACKEY: What did the Commission
find?

MR. MASSA: The Commission did, in
fact, find that the organized street gangs were
replicating the activities used by traditional
organized crime in setting up businesses which
allowed them to distribute heroin, as well as
launder money.

MR. LACKEY: Why would a successful
drug dealer or gang member get involved with a
business front?

MR. MASSA: Well, sir, what happens
is, a gang member who establishes a legitimate
business to mask the non-legitimate activities, he
will be able to take the proceeds from the
legitimate activities -- that's the key -- whereas
the monies that's taken in from illegal activities
are distributed among the gang members. Again, it
also provides a very good cover from law
enforcement.

MR. LACKEY: What type of businesses
are they using?
MR. MASSA: The businesses that we found that were involved were used car lots, clothing stores, beauty parlors, barber shops and liquor stores, also.

MR. LACKKEY: What, if anything, do these types of businesses have in common?

MR. MASSA: These businesses primarily are located on gang territory -- in gang territory, and these types of businesses see a lot of cash transactions. Also, there is a significant volume of customer traffic which sometimes makes surveillance by law enforcement difficult or challenged.

And, in addition, with the exception of the liquor stores, most of the businesses are subjected to limited or no government oversight or regulation.

MR. LACKKEY: You mentioned, when you went through your list of businesses, used car businesses. What did the Commission find in this particular area?

MR. MASSA: We found that gang members were involved in smaller used car businesses, which allowed them to distribute narcotics as well as launder money, but also
provided a ready-made fleet -- readily available fleet for the transportation of narcotics, and, again, a very good business cover.

MR. LACKEY: Agent Cacace, let's go to you. Before we discuss our findings for that specific business, let's talk about some of these concepts.

Why would gang members be using small businesses to launder money?

MR. CACACE: When criminals have large amounts of money, they have a basic problem: They have to do something with it. They have to hide this money from law enforcement agencies, and particularly the IRS. The ultimate goal for them is to conceal the true source of the funds, and they need to clean it up and engage in money laundering.

By doing this, they have to make it look like it appears that it came from a legitimate source and not an illegal activity. By doing this, this allows them to spend this money on houses, second homes, luxury cars, jewelry, things like that.

MR. LACKEY: So, in essence, these drug dealers have a unique problem. Their problem is that they have too much cash --
MR. CACACE: Correct.

MR. LACKEY: -- and they have to do something with it, correct?

What is money laundering?

MR. CACACE: Basically, money laundering is defined as any attempt by criminals, or anyone else for that matter, to conceal the true source of the money or the funds to make it appear that it came from a legitimate enterprise and that it was not derived from criminal illegal activity.

MR. LACKEY: Describe for us some of the ways that criminals are using to launder money.

MR. CACACE: Since much of the money generated by illegal activity is in the form of cash, particularly that which is generated by narcotics trafficking, criminals many times try to conduct a financial transaction in amounts less than $10,000 to prevent the Internal Revenue Service from worrying about them.

They also engage in another area where they try to invest in businesses which they may own or confederates may own, where they can launder the money through these businesses by co-mingling the funds to make it appear that the funds that were generated from illegal activity are,
in fact, the proceeds from, say, the sale of liquor, groceries, used cars, clothing businesses, things like that.

They are only limited by their imagination. These are just two of the ways that criminals can launder money.

MR. LACKEY: You mentioned that $10,000 threshold. That's from the Bank Secrecy Act, correct?

MR. CACACE: Yes, it is. United States Code, Title 31, which is also known as the Bank Secrecy Act, requires that financial institutions file currency transaction reports any time a customer conducts a currency transaction in excess of $10,000.

This means that, when a customer goes to a bank and deposits more than $10,000 cash, cashes a check for $10,000 or more, exchanges large bills for small bills, what happens is the bank is obligated by the Bank Secrecy Act to file currency transaction reports, notifying the IRS that this customer conducted that transaction.

MR. LACKEY: So criminals are attempting to conduct their financial transactions under that $10,000 ceiling?
MR. CACACE: Again, because much of the funds, especially narcotics trafficking, arrive in the form of cash, criminals have to find a way to conceal it from the IRS. One of the ways they do it, they try to break down large currency transactions into amounts under $10,000, so as to prevent the bank from filing this form.

An example would be, instead of an individual going into a bank and, say, making a $15,000 cash deposit, what they would do is, they might go on three separate days, make three separate $5,000 deposits in incremental amounts.

What they've done is structured this transaction, made it appear that it was three smaller transactions as opposed to one larger one which would have been reportable to the Internal Revenue Service.

MR. LACKEY: Does owning or having access to a cash business help a criminal launder their money?

MR. CACACE: Any time you have access to a cash business where you can comingle or deposit illicit funds generated from, say, the trafficking of drugs, it makes it much easier to launder this money.
An example would be an individual owns a grocery store and he was able to put a hundred thousand dollars in cash deposits into an account. It would be difficult for law enforcement agencies or the IRS to identify that this money was, in fact, derived from narcotics trafficking. It also gives them the -- relieves them of the burden of not having to file a currency transaction report.

MR. LACKEY: Just so I'm clear, Number 1, they use the business to comingle funds to make it easier for them to hide their assets, and Number 2 is, they'll try to conduct transactions under $10,000, correct?

MR. CACACE: Absolutely.

MR. LACKEY: Now, let's focus ourselves on one of the examples and let's focus on a used car dealership here in Trenton.

Tell us about the business owner.

MR. CACACE: The owner of this used car lot is an associate of the Bloods street gang. Although he was not a Blood, his partner in the business was, as were members of his family. From our investigation, we learned that they used this car dealership to facilitate and conceal criminal activities.
MR. LACKEY: When you looked at these transactions as part of your investigation, when you started to peel this business apart, what was interesting about the purchase price?

MR. CACACE: What we found was that, in the particular time -- we had gotten the records and found that, in the year 2008, this company had sold approximately 230 vehicles. Most of these cars were sold for less than $3,000. What we found was that at least 21 percent of these vehicles were listed as being -- having sold for the exact same amounts of $2,000.

MR. LACKEY: How was this viewed as facilitating a criminal activity?

MR. CACACE: What we learned is, when gang members came up and they purchased drugs or sold drugs, same with guns or other forms of contraband, the owners of this dealership created fictitious paperwork to make it appear that a legitimate sale transaction or purchase transaction took place. Many times these same individuals who trapped either guns or drugs were paid with the vehicle. And, again, they created this paperwork to make it appear that this was a legitimate car sale transaction.
We also learned that the dealership -- that they allowed gang members or other individuals to purchase and title cars in the names of fronts or nominees, many times who were young women who were either their girlfriends or family members. I can tell you that, by having a car or assets in the name of a known front or nominee, it deflects unwanted attention from law enforcement who is the true owner of the car.

MR. LACKEY: Let's look at an example of what you described in your first point there. Let's go to GF-23.

Walk us through this exhibit and explain to us what we see here.

MR. CACACE: We analyzed the records of this particular dealership. We took a look at all the car sales. We found that, in one particular instance, this individual, the same party from North Carolina, Raleigh, had traveled on 19 separate occasions to purchase 21 different cars from the dealer -- from this dealership. He traveled in excess of 900 miles.

What's odd about this is all of these cars were older cars, they had extremely high mileage, and they sold -- all sold for an amount
under $3,000. In one instance one of these cars was a 1998 Dodge Caravan that had 181,000 miles. It seemed highly improbable that an individual would travel in excess of 900 miles to buy cars of this type and quality, when they would probably be readily available down in Raleigh, North Carolina.

MR. LACKEY: That's the point I was going to make. We know that, because it's not logical for a person to drive 900 miles to buy a car with a 180,000 miles on it. What do you think was really going on here?

MR. CACACE: Here is what we learned. That many times individuals who were coming up from Georgia or from North Carolina, okay, was there for the purpose to sell guns or drugs, and that, in doing so, what happened was that we believe that these vehicles were actually nothing but subterfuge to conceal the fact that it's an illegal transaction and that guns or drugs have been trapped up to New Jersey and sold to this dealership, and the paperwork on these deals was nothing more than concealing or facilitating this activity.

MR. LACKEY: Let's look at another example. Agent Massa, let's go to you.

Talk to us about another instance
where this occurred.

MR. MASSA: Commission investigators were able to find that one woman had purchased six cars in a six-month period. In addition, two New Jersey Temporary Registration Certificates were issued in her name for two additional other vehicles. When the final analysis was completed, we actually found that only one of these vehicles showed proof of valid insurance.

MR. LACKEY: Sounds like eight transaction in her name, but only one actual car purchase.

MR. MASSA: That's correct, sir.

MR. LACKEY: What did the Commission find when it looked into that particular person's finances?

MR. MASSA: This particular person had little or no legitimate income during that period of time.

MR. LACKEY: What did the person close to the dealership tell us about these transactions?

MR. MASSA: Sources informed investigators that many of these transactions really didn't exist. They existed on paper. There might
be a deal jacket written for a particular vehicle,
but that vehicle was -- in essence, was not sold.

MR. LACKEY: Was the dealership
involved in any other criminal activity?

MR. MASSA: This particular
dealership was involved in supplying drugs as well
as guns to members of the Bloods street gang. We
had also found out that the dealership was selling
New Jersey Temporary Registration Certificates for
$150 apiece.

Now, this would allow someone who
wanted to operate a vehicle which wasn't street
legal to, in fact, operate it for 20 days, under the
appearance that it was a legally registered vehicle.

In addition, sources also advised us
that this particular dealership, the principal
involved in this dealership, was involved in the
distribution of counterfeit currency. A subsequent
tax seizure operation conducted on that premises did
recover some counterfeit currency there.

MR. LACKEY: This dealership was
involved in a lot of different types of illicit
activities. What systems are in place to oversee
used car lots like that?

MR. MASSA: Used car lots in the
State of New Jersey are regulated by the New Jersey Motor Vehicle Commission. In order to become a used car dealer, you have to file an application with the MVC, you have to have the proper — first of all, you have to have a set location, a physical location, to operate out of. You also have to have the proper insurance, the proper tax certifications, but, most importantly, you have to be deemed to be what's called a — termed a proper person to have that license.

MR. LACKEY: What is a proper person?

MR. MASSA: A proper person would be an individual without a criminal history or background.

MR. LACKEY: Did the actual owner of this dealership have a criminal history?

MR. MASSA: Yes, sir, he did.

MR. LACKEY: How did he circumvent the rules?

MR. MASSA: Well, in this particular case this individual had a nominee secure the license who did not have a criminal background, in essence, putting the dealership in the nominee's name, but the de facto owner was the gang member or gang associate.
MR. LACKEY: Let's move to the Commission's findings related to another business. Let's talk about a retail clothing store, again located in Mercer County.

Tell us about the original owner and what the business was in business to do.

MR. MASSA: There was a small business located in Mercer County that -- it was a clothing store and it catered to urban youth, selling shirts, jeans, t-shirts and accessories. It existed on a premises of about a thousand square feet. It was moderately -- very well -- it was actually a very successful business.

This business was located in gang territory. There was a burglary at that location, which resulted in a $25,000 loss of inventory.

MR. LACKEY: Who do the police believe conducted the burglary?

MR. MASSA: The police were convinced that the Bloods street gang was responsible for the commission of that particular crime.

MR. LACKEY: What happened to the owner?

MR. MASSA: Shortly after the burglary, the owner was physically assaulted in a
public place by ten to 15 members of the Bloods street gang, which required hospitalization.

    MR. LACKEY: Any theories by law enforcement as to why the owner was beaten?

    MR. MASSA: The theory by -- the theory that law enforcement had in this particular incident was that the owner was assaulted because he had refused to share his business knowledge or expertise with members of the street gang who wanted to set up a business. However, confidential sources told Commission investigators that there was a belief that the Bloods were, in fact, extorting money or trying to push him out completely.

    MR. LACKEY: What ultimately happened to the owner?

    MR. MASSA: Following his release from the hospital, which lasted several months, he moved the business out of the city and out into a suburban area.

    MR. LACKEY: What happened to the business?

    MR. MASSA: The business was -- the particular store was then rented to a member of the Bloods street gang who started the business and actually used the same business name by the previous
MR. LACKEY: You said rented. Did the landlord know that they were renting to a gang member?

MR. MASSA: It was well known in that neighborhood, and the landlord told the Commission investigator, quote, "His money is as green as anybody else's."

MR. LACKEY: How long was the gang member in the clothing business?

MR. MASSA: Just over a year.

MR. LACKEY: How was the business used by the gang?

MR. MASSA: The business was serving as a meeting point for the gang and also as a place to stash weapons.

MR. LACKEY: While the business was owned by the Bloods gang member the business was raided by police. Tell us about that.

MR. MASSA: That's correct. The police had received information that this location was serving as a large narcotics distribution point and were able to obtain a search warrant. When they executed the search warrant they recovered a rifle, a nine millimeter handgun, nine millimeter
hollow-point ammunition, 30 rounds of assorted shotgun ammunition, as well as photos -- gang paraphernalia and photos and, in addition, in a drop ceiling, a shoe box containing $6,539 in cash.

MR. LACKEY: Agent Cacace, did you conduct a financial analysis of this business?

MR. CACACE: Yes. What we did was we subpoenaed the bank records of this institution -- of this financial -- of this entity, and what we found was that, deposited into --

MR. LACKEY: Let me direct your attention to GF-24. Let's talk about the deposits, the disbursements, and where the money was actually flowing through this business.

MR. CACACE: We did a deposit analysis and found that, in a 17-month period, from December of 2005 to April of 2007, approximately $114,000 had been deposited into this account. What we found was, of this amount, approximately $89,000 was made in the form of cash.

MR. LACKEY: Did you find any unusual deposits when you looked at the deposit records?

MR. CACACE: We found a number of unusual ones. The first one was a $3,900 check that had been issued by a law firm in Philadelphia
specializing in criminal defense. The second one was a $9,000 check which had been issued by a bail bond company that had been issued as part of an attempt to raise bail for a prominent leader of the Bloods Sex Money Murder set.

MR. LACKEY: There was a third unusual deposit. Tell us about that as well.

MR. CACACE: What we found was that there was a check that had been deposited into this account by the New Jersey Department -- that had been issued by the New Jersey Department of Corrections.

MR. LACKEY: Why was that check unusual?

MR. CACACE: We interviewed the inmate who requested that the check be issued, and what he told us was that this money represented protection money that he had paid to prevent the Bloods street gang from physically harming him while he was incarcerated.

MR. LACKEY: Again, you found all of these deposits in this specific business account?

MR. CACACE: Correct.

MR. LACKEY: Let's focus on the other side. Let's look at the disbursements. What did
you find when you looked at the disbursement side?

MR. CACACE: We found that in the
same time frame there were approximately $114,000 in
funds that had been disbursed from this account.
What we had found was that -- the analysis showed
that most of the money had been withdrawn in the
form of cash, had been withdrawn by ATMs or by debit
card withdrawals. We found that most of these debit
card withdrawals were being used for expenditures --
for subsistence type expenditures, such as food,
gasoline, home telephone service, things like that.

We also found in the same time frame
only 22 checks had been written -- had been drawn on
this account, and in that we found that only five
appeared to have been written for the purchase of
goods which would be consistent with the operation
of a clothing store.

MR. LACKEY: Let me just make sure we
are clear. So we looking back at GF-24.
You have $110,000 or so on one side
that was spent for subsistence and other expenses,
correct?

MR. CACACE: Yes.

MR. LACKEY: Yet, when we looked at
the business-related expenses, you only found five
checks, and those were for about $4,000, correct?

MR. CACACE: Correct.

MR. LACKNEY: Agent Massa, let's go to you. Not only were retail stores used to launder funds, they were also used as drug distribution points, correct?

MR. MASSA: Yes, sir.

MR. LACKNEY: Let's talk about some of the surveillances that the Commission staff conducted. What did we observe?

MR. MASSA: Commission staff, through contact with local law enforcement, had learned of various retail establishments that were suspected of being drug distribution points and either being controlled or owned by gang members.

MR. LACKNEY: Let's walk through some of the examples.

MR. MASSA: One particular location in northern New Jersey that we conducted a surveillance of was a grocery store, and local law enforcement was convinced that it was a significant heroin distribution point.

Upon conducting the surveillance, our agents observed that in a two and a half hour period there were approximately 24 customers who entered
and exited the store rather quickly. The only person coming out holding any kind of a package or bag was a small, elderly gentleman.

MR. LACKEY: Twenty-four customers in, only one person leaves with a shopping bag?

MR. MASSA: Right. I'll point out that was a grocery store. The items were somewhat sized.

MR. LACKEY: Let's go to Newark and look at a clothing store that we looked at as well. Describe the location for us and tell us why we directed our attention to this specific location.

MR. MASSA: This particular clothing store was a small store located in a strip mall of about five to six stores. Again, local law enforcement had reason to believe it was a distribution point for narcotics and was gang affiliated.

Our agents conducted surveillances of the location and did find, first of all, that there were lookouts posted both inside the store and outside the store, many on the street. There were some as far as half a block away.

In addition, the store itself did not -- it appeared to be somewhat in disarray, it
was not an orderly structured store. There was an observation of people who would come up to the store, would be driven to the store, and usually the scenario was, a passenger would exit a vehicle, go into the store, come back out while the driver waited, and then drive off.

Now, during a five-hour surveillance, we had noticed that the people entering and exiting the store left rather quickly. For example, 14 of these people were in that store under three minutes -- they were in and out of the store in under three minutes, and in many cases came out holding either an extremely small bag in their hand or holding nothing at all.

We also had done some follow up on the vehicles that came into the area, and what we found was many of the vehicles were not from the immediate area; some were from even neighboring counties, and many of the individuals, when we looked at the vehicles, also at ownership and operators, we found that some had narcotics-related criminal records.

MR. LACKEY: Let's look at our final location. This is a little bit different example, because this is more -- the business is kind of an
empty shell as opposed to a lot of traffic going through it. Why don't you tell us about this location.

MR. MASSA: This was an establishment that had drawn the attention of the local police because of the lack of business. I'd like to point out, too, that the owner of the store was a member of the Crips street gang.

Commission personnel maintained surveillance and, over several days for 11 hours, observed at the most five people enter this establishment. At one point a Commission agent entered the establishment but had to be buzzed in. You couldn't just walk into this particular store; you were buzzed in or -- an electrical release on the door that was activated by the counter person.

The agent did make the observation that the inventory was very sparse inside. It was a clothing store, and there were approximately five people in the store and, besides the agent, it appeared that one other person might be a customer.

I'd like to point out that the individual who did own this store, because it's now closed, had a criminal arrest record, criminal history spanning 16 years, the majority of which
were drug-related offenses. Subsequent to our surveillance, this individual was convicted of distribution of cocaine and heroin, as well as distribution near school property.

    MR. LACKEY: Agent Cacace, you looked at the finances of both the business and the owner, correct?

    MR. CACACE: Yes. We subpoenaed the financial records of both this business and the owner of this establishment, the purpose of which was to determine, first, if this business was actually in the sale of -- legitimately in the sale of goods and services, and determine if they had any purchase -- any large, expensive assets at this home; luxury cars, things of that nature.

    MR. LACKEY: What did you find when you looked?

    MR. CACACE: In this analysis we learned that in a five-year period the owner of this business had deposited approximately $257,000 into his bank account. Interestingly enough, what we found was that, while there were various payments to parties -- third-parties for rent, insurance, utilities, phone bills, that virtually no checks had been issued to merchandisers or suppliers of goods...
for resale in this business.

What we found was in this five-year period there appeared to have been a total of approximately five checks that had been issued where you can construe that the purpose of the purchase was for some sort of clothing for resale.

MR. LACKEY: So there were only five checks in this example as well, correct? How much were those checks worth?

MR. CACACE: Approximately $1500.

MR. LACKEY: Based on your expertise, what's your opinion regarding the operation of this business?

MR. CACACE: There is no doubt that the business physically existed, but it's from my financial analysis and the observations made by Commission personnel and agents that this business was most likely a front.

From my analysis that we did, we could see that there were virtually no purchases or expenditures made for the purchase of goods that they could sell in the business. Physical observations made by personnel -- Commission personnel, found that there was little evidence of any inventory for resale or any evidence -- or
little evidence of customers coming in and patronizing the establishment.

MR. LACKEY: Now let's talk about the owner's financial affairs. Did you see any financial -- did you see any problems with his financials when you looked?

MR. CACACE: What we found was that he had purchased a luxury automobile from a Trenton area car dealer for $65,000.

MR. LACKEY: Let me go to GF-25. Walk us through how he conducted the transaction.

MR. CACACE: What we found was that he had purchased this car for $65,000. We contacted the dealer to learn the details of the transaction and found that in the deal jacket he had conducted this transaction in a manner that appeared to have been specifically designed to prevent the IRS from learning that he had conducted this transaction in purchasing this car.

MR. LACKEY: Let's walk through and make sure we understand the exhibit. In the middle of the exhibit we see the three 9500s. What do those reflect?

MR. CACACE: What he did was, making a down payment, he had purchased three separate
cashier checks on separate days in amounts each of
$9500. What he did was he structured this
transaction so that it appeared that, instead of
making a $28,500 down payment at one time, he went
to a banking institution on three separate days, he
went on a Thursday, a Monday and a Tuesday, and
purchased checks for $9500 which he brought to the
dealership. This is willful conduct on his part to
prevent the IRS from learning that he had conducted
this transaction.

MR. LACKEY: As we wrap up, it's
clear that gangs are using legitimate businesses
similar to their LCN predecessors, correct?

MR. CACACE: Correct. This allows
gang members or any other individuals who are
involved in illegal activity to conduct this
activity with impunity and allows them to conduct
this activity under the air of legitimacy, and gives
them an opportunity to launder the funds from this
activity that they earn.

The bigger problem is that it's very
difficult for law enforcement agencies to pierce
this veil and follow the money trail.

MR. LACKEY: Agent Massa, what are
the ramifications of this activity?
MR. MASSA: I think what we are seeing here is an evolution on the part of the street gangs from the street corner operation, in fact, into the business arena, similar to their -- similar to what we've seen with traditional organized crime.

What's happening is, we've attempted to examine that evolution as a Commission, and one of the benchmarks that we've used is their -- is the financial aspect of these gangs and how they are attempting to launder their money or disguise the activity that's bringing that money in, because, as these gangs become more sophisticated, they are going to become involved in more complex criminal activities. More complex criminal activity is going to mean more money, and it's obvious that what they are going to do is look for additional ways to launder that money through whatever business organizations they set up.

And, as Agent Cacace said, this is going to be a significant challenge for law enforcement.

MR. LACKEY: Thank you so much -- both of you, thank you very much for your testimony.

Chair, your witness.
CHAIRMAN HOBBS: Thank you, gentlemen. I guess our take-away is drugs are still very profitable and they are still trying to find a place to move their money.

In an era of dwindling resources even on the legitimate side of business, we hear about very, very low audit numbers, you know, 1 percent of returns being audited. It's pretty daunting.

Can you respond?

MR. CACACE: I have some hearing impairment, so it's hard for me to pick up what you are saying.

CHAIRMAN HOBBS: Mr. Massa?

MR. MASSA: I believe that one of the problems that we've seen, and hoping I'm answering your question, from our contact with law enforcement throughout the state, is -- I hate to say they are not equipped, but traditionally they are not set up to look at these matters on a financial level or to look at it from a business aspect.

In my own experience -- my only experience in looking at money was with the Alcoholic Beverage Control and examining the origins of money, you know, to verify if they were legitimate sources and whatever. But you'll find
that most local and maybe even county agencies don't
have the resources to look at this from that
financial side, that audit side, to follow the
money, so to speak.
I hope that answered your question.
CHAIRMAN HOBB: Absolutely. Thank
you. Any more?
Mr. Caliguire?
COMMISSIONER CALIGUIRE: Do you find
that most of these front businesses exist in urban
areas? Do you see any evidence of them also
existing in suburban areas?
MR. MASSA: For the most part, we are
seeing them in urban areas because they are located
in what we call gang territory, where gang
activity -- where the gangs feel safe, neighborhoods
that they may have a particular -- I don't want to
say control over, but their presence is there.
And, as of now, we are not aware of
anything in the suburban area, but, as I have said,
I would not put it past the gangs to branch out,
because gang activity is quite -- it's out there in
the suburbs. It may not be as prevalent as we might
see in an urban area where it's pronounced, but, in
the course of our investigations, we noticed various
gang members have left the City of Newark to head out to Somerset County where they thought it was safer. And I would think that that -- I don't -- as you have more gang members maybe in that area, and there is the opportunity to invest in a business, and these are businesses that you can open basically anywhere, clothing, you may see it. You could possibly see it. It's, again, another means to hide that money.

COMMISSIONER CALIGUIRE: Thank you.

CHAIRMAN HOBBS: Counsel, does that conclude the testimony?

MR. LACKEY: That does conclude the testimony.

CHAIRMAN HOBBS: Before we adjourn, just a couple things. First, I want to thank the entire staff of the SCI for their hard work and dedication in driving this inquiry. I also want to thank the various law enforcement bodies, federal, local, state, and school officials, drug center treatment staff, who have assisted us, both in this public hearing and behind the scenes.

I want to make a special thanks to folks from the Atlantic County Prosecutor's Office, Bergen County Prosecutor's Office, Monmouth County
Prosecutor's Office, and Vernon Township Police Department for their testimony and for their assistance.

What we've heard this morning and into this afternoon is really an extraordinary tale and extraordinary picture. Perhaps most frightening, I guess, is the part where we see young people in high schools who are seemingly oblivious to the dangers of popping a couple of pills and the path that that sends them down which, for many of them, ends up using some of the hardcore drugs, the heroin. And, lastly, in our high schools legitimate pills are feeding future users of the more hardcore criminal element.

Then, as we've heard in the latest testimony, these operations are becoming increasingly sophisticated, they are using technology better and in more interesting ways than they ever have before, so it's becoming much, much more difficult for our law enforcement folks to control these drugs. And the money is there, the money is infiltrating legitimate businesses, so the cycle continues.

So we see that, after four decades of the war on drugs, drugs are plentiful, drugs are
profitable, and drugs are still hurting people out there and continue to do so until we find different answers.

This is an important first step in this investigation. The SCI will continue to look at this and, in time, bring forward recommendations in the hope that we can finally, for at least some of the population of the state, end the pain and the cycle on these drugs.

So, with that, we conclude our hearing this morning. We stand adjourned. Thank you all very much.

(1:01 p.m.)
CERTIFICATE

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: ________________