

INTRODUCTION

In 1992, the Commission conducted a two-day public hearing on the control of bars by organized crime and issued a report. The Commission identified several such establishments and the organized crime members and associates holding interests in them. Most of the owners of record and all of the organized crime figures invoked their Fifth Amendment right against self-incrimination at the hearing and refused to answer questions. The hearing and report featured the testimony of a former made member and a former associate of the Southeastern Pennsylvania-South Jersey Family of La Cosa Nostra. In striking testimony, former captain Thomas “Tommy Del” DelGiorno and a former associate, whose identity had to be concealed for his protection, explained why organized crime gravitates toward liquor-licensed establishments — from use of the business to launder money to use of the premises as a safe haven to meet and conduct illegal business, including the plotting of murders. They also identified numerous members and associates from seven different La Cosa Nostra families who have held undisclosed interests in or exerted influence over bars throughout New Jersey.

During its investigation, the Commission sought access to a former, high-ranking La Cosa Nostra member who, at the time, was in federal custody and was testifying in numerous federal prosecutions of organized crime figures in New York, Connecticut and Pennsylvania. Philip Leonetti served as underboss and confidant to his uncle Nicodemo Scarfo, the boss of the Southeastern Pennsylvania-South Jersey Family of La Cosa Nostra, commonly referred to as the Scarfo Family during his reign from March 1981 to early 1991.¹ Leonetti was at his uncle’s side as meetings were held and decisions made. His intimate knowledge of the Family’s activities and operations ranks next to that of Scarfo himself.

To date, Leonetti has testified in eight federal trials, plus three re-trials, and three state trials in prosecutions of the Pittsburgh La Cosa Nostra and the Patriarca, Genovese, Gambino/Gotti, Lucchese, Colombo and Bruno/Stanfa Families. His testimony has led to the convictions of more than 15 made members and 23 associates, including Nicholas Bianco, who was elevated from underboss to boss of the Patriarca Family of New England following his indictment and prior to his conviction, together with virtually the entire hierarchy of the Patriarca Family; Charles “Chucky” Porter, underboss of the Pittsburgh La Cosa Nostra; Venero “Benny Eggs” Mangano, consigliere of the Genovese/Gigante Family in New York; Benedetto Aloï, consigliere of the Colombo Family in New York; Santo Idone, a captain of the Bruno/Scarfo Family, and acting captain Michael Taccetta and soldiers Anthony “Tumac” Accetturo,² Martin Taccetta and Thomas Ricciardi, all of the New Jersey branch of the Lucchese Family. Leonetti also testified at the sentencing hearing of Patriarca boss Raymond J. Patriarca, Jr.

Leonetti proved valuable to the federal government in areas beyond criminal prosecutions. He provided a 20-page declaration that formed the basis for the federal government’s 1990 civil racketeering suit resulting in the court ordered takeover of Local 54 of the Hotel Employees Restaurant Employees International Union and the ultimate removal of its key officials, who were Bruno/Scarfo associates. Leonetti also provided information that contributed to the 1993 federal indictment of Vincent “The Chin” Gigante, boss of the Genovese/Gigante Family in New York. In addition, the prospect of Leonetti’s testimony has been credited, in part, with causing underboss Salvatore “Sammy the Bull” Gravano to cooperate with federal authorities against his boss, John Gotti, the head of the Gambino/

¹After his incarceration in January 1987, Scarfo initially ran the Family through Leonetti, until his imprisonment in April 1987, and then through Anthony Piccolo until early 1991, when John Stanfa became the boss.

²In February 1971, Accetturo was the caporegime in charge of the New Jersey branch of the Lucchese Family and fled the state to avoid a subpoena issued by the Commission.

Gotti Family in New York. When Leonetti was resented on his federal convictions in May 1992, the court recognized him as “the most significant crime figure who chose to cooperate” at that time and termed his cooperation “extraordinary” and “outstanding.” Leonetti’s sentence was reduced from 45 years to six and one-half years.

This report, a follow-up to the Commission’s 1992 report, is the culmination of numerous and extensive interviews with Leonetti over the past two and one-half years, as access to him was arranged by federal authorities. It sets forth Leonetti’s account of events as related to a Commission special agent. The quoted material that appears in this report is the agent’s summary of those interviews.

Leonetti disclosed to the Commission startling new information about nine of the bars previously identified by the Commission and the organized crime figures who have owned or controlled the liquor licenses. Two of the bars — Jerry Blavat’s Memories in Margate City and the Coral Reef in Bellmawr — continue to operate. Leonetti also linked organized crime to 14 additional bars in New Jersey, as well as numerous ones in Philadelphia. These bars include two that the Gambino Family had operated in south Jersey. One of the organized crime bars newly revealed by Leonetti is still licensed — Maynard’s in Margate City. In the course of preparing this report, the Commission uncovered a fourth active license that has been utilized by an organized crime associate, who was known to Leonetti, in his operation of Hooty Moo’s Beef & Ale in Waterford Township. A fifth active license — Frog Rock Country Club in Hammonton — has as one of its owners an individual known to Leonetti as a prior owner of another restaurant and bar. Leonetti also established the organized crime ownership of a retail distribution liquor license, which was held by attorney Harold Garber and real estate salesperson/broker Alvin Lippman until April 1995 and had been used by them to operate A.C. Discount Liquors in Atlantic City.

Equally compelling were Leonetti’s accounts of Scarfo’s own involvement with bars. He outlined Scarfo’s ownership of several New Jersey bars, his use of fronts to conceal his ownership interests, his use of bars as the sites for murders, the tribute that he received from bar owners and his frequenting of bars both to socialize and to discuss his organized crime business.

In relating his knowledge about organized crime’s involvement in bars, a subject that had heretofore never been explored with him, Leonetti exposed many of the Scarfo Family’s day-to-day activities and shed new light on the operation of organized crime. He intertwined the role of bars in detailing the actions of both Scarfo and the Commission of La Cosa Nostra in the wake of the murders of bosses Angelo Bruno and Philip Testa. He also chronicled the “making,” or induction, ceremonies; the Family’s relationship with attorneys; its dealings with politicians; its extortion of “street tax”; its involvement with labor unions, and its “sit-downs” with other La Cosa Nostra families to resolve disputes. Leonetti revealed the sit-downs and meetings that he and Scarfo attended with Gambino Family boss John Gotti and his predecessor, Paul Castellano, to settle a dispute involving a New Jersey bar.

Leonetti’s revelations underscore once again the ease with which organized crime has been able to pierce New Jersey’s alcoholic beverage licensing system. It is evident from the facts disclosed by Leonetti that particular liquor licenses passed without government interference from one organized crime member to another and that certain organized crime members became involved in one bar after another. For example, a bar in Atlantic City was operated by four different groups of organized crime figures utilizing the same liquor license, and one Scarfo Family associate, Sy Hoeflich, owned bars in Atlantic, Gloucester and Camden Counties. Accordingly, the conclusions and recommendations made by the Commission in 1992 are reiterated in this report.

PHILIP LEONETTI

Philip Michael Leonetti was born on March 27, 1953, in Philadelphia, Pennsylvania. His childhood was influenced, and his young adult life controlled, by his uncle Nicodemo Scarfo. Leonetti's indoctrination at an early age into the ways of La Cosa Nostra insured his complete acceptance of a life in organized crime upon attaining adulthood. Scarfo's molding of Leonetti provided him with a blood relationship who, he believed, would deliver absolute fidelity to him and the Family. No one was more trusted than Leonetti. At age 27, he became a made member, reporting to his uncle. At age 28, he was elevated by Scarfo to captain and at age 32, to underboss. However, Leonetti disavowed *omerta*, organized crime's oath of secrecy, in 1988 when he faced a 45-year sentence in federal prison at the age of 36 and chose, instead, to cooperate with the federal government against the very individuals who had constituted his universe. Leonetti became, and remains to this day, the highest-ranking Southeastern Pennsylvania-South Jersey Family member to cooperate with law enforcement authorities against La Cosa Nostra.

Leonetti summarized for the Commission his life in organized crime:

Leonetti indicated that La Cosa Nostra had an effect on his life many years before he even knew what it was. He grew up in a family where five of his relatives were La Cosa Nostra members. His uncle, Nicodemo Scarfo, was a La Cosa Nostra member and so were three great uncles and a second cousin. When he was about five years old, in approximately 1958, Leonetti and his mother moved from Philadelphia to Atlantic City to live in an apartment building that was

owned by his grandparents, who were Scarfo's parents. His grandparents also lived in an apartment in that building. In approximately 1964, when Leonetti was about eleven years old, Scarfo moved from Philadelphia into the same apartment building. After Scarfo moved in, Leonetti was around his uncle almost daily for approximately the next 25 years.

Leonetti's mother and father were separated or divorced by the time he and his mother moved to Atlantic City. As a result, Scarfo had a big influence on Leonetti's life, especially since they lived in the same building. Scarfo was the father figure in his life. As Leonetti grew up, he saw how Scarfo made a living from illegal activities. He also saw how Scarfo operated and the people that Scarfo associated with. By the time Leonetti graduated from high school, it seemed natural for him to follow Scarfo into a criminal career.

When Leonetti was about nine years old, Scarfo drove to Atlantic City one day and took Leonetti for a ride in a pick-up truck that had just been used in a murder. Scarfo told Leonetti that day that he had "killed a very bad man" and that Scarfo needed Leonetti to ride with him in the truck because a little boy in the truck would make Scarfo seem less suspicious in case he was stopped by the police....³

In the summer of 1971, when Leonetti graduated from high school, Scarfo was incarcerated at the New

³The murder is detailed at pages 6 through 8 of this report.

Jersey State Prison at Yardville, N.J., for refusing to testify before the New Jersey State Commission of Investigation. Scarfo was there for approximately two years until his release in the summer of 1973. Scarfo was incarcerated in the same section at Yardville as Angelo Bruno, who also refused to testify before the State Commission of Investigation. Bruno was the boss of the Family at the time.

During the two years that Scarfo was incarcerated, Leonetti carried messages back and forth between Scarfo and Salvatore "Chuckie" Merlino. Merlino then carried the messages to and from Philip Testa. At the time, Testa was the underboss of the Family and Merlino was an associate. They were both close friends of Scarfo's and lived in Philadelphia. Also during this period, Leonetti collected weekly payments for Merlino on a loanshark debt in Atlantic City. After Scarfo's release from the State Prison at Yardville in the summer of 1973, Leonetti was involved with Scarfo and Scarfo's criminal activity on a daily basis until approximately November of 1988, when Leonetti was convicted on federal RICO charges.

On June 8, 1980, Leonetti became a made member in the Bruno Family of La Cosa Nostra. At that time, Philip Testa was the boss of the Family and Scarfo was his consigliere. Prior to being made, Leonetti was an associate and proposed member. During May or June of 1981, after becoming boss, Scarfo elevated Leonetti to the position of captain. When Scarfo was incarcerated in federal prison on a firearms violation from August of 1982 to January of 1984, Leonetti was one of five members that Scarfo left in charge of running the Family for him. The others were Salvatore "Chuckie" Merlino, Salvatore "Salvie" Testa, Lawrence "Yogi" Merlino and Leonetti's great uncle, Nicholas "Nicky Buck" Piccolo. Salvatore Merlino was the

underboss of the Family at the time and he had the final say on all matters. In January of 1986, Scarfo elevated Leonetti to the position of underboss. Scarfo officially announced this to members of the Family at a La Cosa Nostra induction ceremony that his uncle held in Philadelphia in March of that year.

Scarfo, Leonetti and others were indicted on federal racketeering charges in January of 1988. In November of that year, along with Scarfo and several other members of the Scarfo Family, Leonetti was convicted in federal court in Philadelphia of violating the federal RICO statute. At the sentencing in May of 1989, Leonetti received a 45-year prison term.

From the early 1970s until he began cooperating with federal law enforcement authorities in June of 1989, Leonetti was involved in numerous criminal activities, including murder, attempted murder, assault, extortion, loansharking, gambling, labor racketeering, bribery, corruption and tax evasion.

In Leonetti's world, constant precautions had to be taken to avoid the omnipresent eyes of law enforcement. Scarfo operated under the assumptions that his premises were bugged and that his movements were under surveillance. A frequent place for meetings was his apartment at 26 North Georgia Avenue in Atlantic City. Leonetti outlined the safeguards:

Any sensitive conversations about illegal activities or La Cosa Nostra matters that Leonetti participated in at Scarfo's apartment were always conducted in a guarded manner. Most of the time, Scarfo, Leonetti and others used code words to disguise the true meaning of their conversations. Such conversations were usually held either outside or in Scarfo's kitchen, where voices were kept low while the volume on two television sets and a radio was turned

up. That was done to avoid being overheard by law enforcement authorities who were always suspected of having Scarfo's apartment bugged.

Leonetti emphasized that he did not like the moniker "Crazy Phil." He explained that it was assigned to him by the media and not his associates in organized crime:

The nickname "Crazy Phil" was given to Leonetti around 1978 by a news reporter with an Atlantic City radio station. Some newspapers then picked up on it. Leonetti was never called by this nickname by anyone in the Family. He didn't like the name, but Scarfo did. Scarfo said that guys would pay a lot of money to have that kind of nickname and reputation.

As a backdrop for his declarations on the Scarfo Family's involvement with bars, Leonetti provided a synopsis of the history of the Scarfo Family and a brief description of La Cosa Nostra and its structure:

From the late 1950s until the early 1980s, the Family was called the Bruno Family, after the boss, Angelo Bruno. In March of 1980, Bruno was murdered in a Family power struggle. Philip Testa, who had been Bruno's underboss from the early 1970s, became boss in approximately May of 1980. After becoming boss, Testa made Scarfo his consigliere. In another power struggle, Testa was murdered when a bomb exploded at his house in south Philadelphia in March of 1981. Scarfo became the boss approximately one week after Testa's death. The Family has operated primarily in the southeastern Pennsylvania and south Jersey area, with operations reaching throughout New Jersey. Its members have had regular contact with other La Cosa Nostra families throughout the country.

The Scarfo Family was part of La Cosa Nostra, a national organization made up of organized crime "families" from cities throughout the United States. La Cosa Nostra is governed by the "Commission," a group of bosses of the most powerful families. The Commission performs several functions, such as resolving disputes between families and approving the "making" of family bosses.

Each family consists of members who have undergone a formal initiation, or "making," ceremony in order to be inducted into La Cosa Nostra. A member who has been inducted into La Cosa Nostra is referred to as a "made" member. Members hold positions of varying rank and authority. There is a boss, an underboss and an advisor to the boss, known as the consigliere. There are caporegimes, who are also known as capos or captains. The caporegimes supervise soldiers, who are divided into groups known as regimes or crews. Associates, who are not made members, are recruited by and accountable to the members. Associates work with members to make money in a variety of ways, including extortion, loansharking and gambling. Members may sponsor associates for membership into La Cosa Nostra. Generally, each member under the boss must obtain permission from the next higher level within the family in order to participate in illegal money-making schemes or crimes. If disputes develop between members of different families or members within the same family, a meeting is held to resolve the problem. This type of meeting is referred to as a "sit-down."

In 1992, Leonetti commenced a new life with a different identity under the Federal Witness Protection Program. He exists under constant threat of a "contract" that was placed on his life.

THE ROLE OF BARS IN SCARFO'S LIFE

Bars in both south Jersey and Philadelphia were integral to Nicodemo Scarfo's life in organized crime. Leonetti explained how they played a key role in Scarfo's induction as a La Cosa Nostra member, succession to boss of the Family, planning and execution of killings and induction of others into La Cosa Nostra.

Scarfo became a made member of La Cosa Nostra at the Sans Souci, a restaurant and cocktail lounge that operated in Cherry Hill (Camden County) from the 1950s to the 1970s.⁴ Leonetti recounted the story related to him by his uncle:

Scarfo told Leonetti on a few occasions over the years that he was inducted into La Cosa Nostra at the old Sans Souci, which was a restaurant and bar near the race track traffic circle in Cherry Hill, N.J. Scarfo said that he was "made" in 1954 or 1955, when he was 25 years old, and that he was initiated by Joe Ida, the boss of the Family at the time. Scarfo's cousin, Anthony "Tony Buck" Piccolo, and two uncles, Michael "Mike Buck" Piccolo and Joseph "Joe Buck" Piccolo, were also inducted into La Cosa Nostra at the same ceremony. Scarfo told Leonetti that another uncle, Nicholas "Nicky Buck" Piccolo, was inducted into La Cosa Nostra about five years before them. Nicholas, Joseph and Michael Piccolo are brothers. The Piccolo brothers are Leonetti's great uncles and Anthony Piccolo and Leonetti are second cousins.

Scarfo's first captain, Felix DiTullio, was a bar owner. Because of criminal convictions, DiTullio had his partner, Family member Alfred Iezzi, hold the liquor license for the Friendly Tavern at 1039 South 8th Street in Philadelphia. Iezzi owned the license from December 1955 to December 1966, when it was transferred to DiTullio's wife. The bar still operates with her license. Leonetti reported:

Scarfo told Leonetti that the first captain that he was assigned to after being inducted into La Cosa Nostra was Felix "Skinny Razor" DiTullio. Scarfo said that DiTullio took him all over when he travelled around and introduced him to a lot of people involved in La Cosa Nostra. DiTullio used to own a bar, which was known as the Friendly Tavern, near 8th and Washington Streets in south Philadelphia. Scarfo told Leonetti that the Friendly Tavern was used to murder people when DiTullio was still alive.

In the early 1960s, Scarfo led a group that was assembled by boss Angelo Bruno to murder an individual who "showed disrespect" to the Family's consigliere, Joseph Rugnetta, who was himself a bar owner.⁵ The brutal slaying was carried out in a bar in the area of the City of Vineland (Cumberland County). Leonetti narrated the episode for the Commission:

In approximately 1962, when Angelo Bruno was boss, Scarfo and some associates of the Family used a bar in the Vineland, N.J., area to kill a man named "Reds" Caruso. Leonetti learned about his murder from sev-

⁴The Commission is unable to provide specific time periods for some of the older bars appearing throughout this report because of an absence of official records.

⁵Rugnetta's ownership of the South Philly Grill is discussed at page 96 of this report.

eral conversations that he had with Scarfo and others over the years. Salvatore Merlino and Santo Idone also told Leonetti about the killing. One of the times that Leonetti heard about the "Reds" Caruso murder was in approximately the summer of 1986 at a meeting in Atlantic City on the Boardwalk, between the Enclave condominiums and the Golden Nugget Casino. The meeting was attended by Scarfo, Leonetti and a captain in the Family named Santo Idone.

Caruso was killed because he showed disrespect to Joseph "Joe The Boss" Rugnetta, who was the consigliere of the Family. Caruso tried to shake down Rugnetta for money and also slapped him. Until his death in the 1970s, Rugnetta lived near 12th Street and Snyder Avenue in south Philadelphia. After Caruso showed Rugnetta disrespect, Angelo Bruno ordered his murder.

The conspiracy to kill Caruso involved Family members and associates, including Scarfo, Santo Idone, Santo Romeo, Anthony Casella and Salvatore Merlino, as well as others, whom Leonetti did not know, but who helped dispose of the body. Scarfo, Romeo, Casella and Merlino lived in south Philadelphia at the time and Idone lived in the Chester, Pennsylvania, area.

Scarfo, who was already friendly with Caruso, started to "romance" him in order to set him up. On the day of the murder, Salvatore Merlino went to Caruso's house in south Philadelphia and told Caruso that Scarfo was waiting for Caruso in a nearby car. Scarfo then gave Caruso a fabricated story about how he needed Caruso to go with him to a bar in Vineland. Caruso agreed to go.

Because the bar was closed on the day that Caruso was killed, those involved in the murder got the keys from its owner. The plan was for Scarfo

to bring Caruso to the bar and for Anthony Casella and Santo Romeo to hold him while Santo Idone choked him to death. Angelo Bruno wanted Caruso choked. However, Idone arrived late and Scarfo had to shoot Caruso instead. Scarfo shot him five times with a handgun that was wrapped in a scarf and concealed in his coat pocket. Scarfo thought Caruso was dead, but Caruso said, "You got me, Nick." Scarfo then took an ice pick and kept stabbing him in the back. The ice pick got stuck in Caruso's back and Scarfo had to break it off.

After Caruso was dead, there was a knock at the door and the killers got scared because they thought it was a police officer who used to stop at the bar at about that time of day to pick up beer. It turned out to be Santo Idone. After Idone arrived, they put a rope around Caruso's neck to make it look like he had been choked. This was done to satisfy Bruno because of his instruction that Caruso was to be choked. Caruso's body was then wrapped in blankets or plastic and put in the back of a pick-up truck. The body was driven to a grave that had already been dug somewhere in the Vineland area.

Bruno gave instructions that Caruso's body was to be left next to the grave site because others who had been assigned to dig the grave would then return to bury the body after it had been dropped off. Bruno set it up so that those involved in murdering Caruso and those involved in digging the grave and burying Caruso did not know each other's assignment.

Scarfo later found out that those who had dug the grave, later filled it in and buried Caruso's body in a grave that they had dug elsewhere. Bruno did that as a safeguard in case one of those involved in killing Caruso at the bar decided to cooperate with law enforcement authorities. If someone took the police to the original grave

to dig up the body and it wasn't there, that person would look like a liar.

After Caruso's body was dropped off at the original grave, Scarfo drove the pick-up truck to his parents' apartment building in Atlantic City where Leonetti lived. Leonetti was about nine years old at the time. Scarfo picked up Leonetti and took him for a ride to Philadelphia to use him as a decoy. Scarfo figured that if anybody saw the killers using the truck in the murder and reported it to the police, the police would never think that a truck with a little kid in it had been used in a murder. Scarfo told Leonetti on the day of the murder that he had just "killed a very bad man" and explained to Leonetti why he wanted Leonetti to ride with him to Philadelphia. Scarfo drove the truck to Philadelphia for it to be destroyed so that it could never be used as evidence.

The bar where Caruso was murdered was owned by either a member of the Family named Anthony "King Kong" Perella or a relative of his. Perella was from the Vineland area. He died in an auto accident sometime around the mid-1960s. Over the years, a few members of the Family lived in the Vineland and Bridgeton area. Besides Perella, they included Joseph "Joe" Scafidi and his son, Samuel Scafidi. For many years, Joseph Scafidi was the captain for the members who lived in that area....

In the latter 1970s and early 1980s, when Scarfo and Leonetti went to the 9M Bar to meet with Salvatore Merlino, they often used to see the brother of "Reds" Caruso there. Scarfo, who knew the brother as far back as he knew "Reds," always talked to him at the bar. Leonetti did

not remember the first name of "Reds" Caruso's brother.

Dominick "Reds" Caruso was reported missing by his wife on January 30, 1962. As of this date, Caruso's body has not been found.

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Both Angelo Bruno and his successor, Philip Testa, met violent deaths in internecine power struggles. Each was slain after leaving an organized crime-owned bar — Bruno had been at Cous' Little Italy and Testa had left his bar, Virgilio's.⁶ Leonetti recounted the events following each murder, as reported to him by his uncle. Bars played a prominent role as events unfolded. With respect to Bruno, Leonetti delineated the actions taken by the Commission of La Cosa Nostra following the unsanctioned killing, the interplay between Scarfo and the Commission, and Scarfo's rejection of the Commission's offer for him to become boss in favor of Testa:

After Bruno was murdered, the Commission of La Cosa Nostra started an investigation to identify the people who were responsible for Bruno's death so that they could be killed. This was done because the Bruno "hit" was not sanctioned by the Commission. The Genovese Family was given the job of conducting the investigation, which was headed by Vincent "The Chin" Gigante, Anthony "Fat Tony" Salerno and Bobby Manna. All three held high-ranking positions in the Genovese Family at the time.

Scarfo made several trips to New York to meet with Gigante, Salerno and Manna to discuss Bruno's death. Scarfo was assisting them in trying to find out who murdered Bruno and used to tell Leonetti what occurred at the meetings.

Anthony "Tony Bananas"

⁶Cous' Little Italy appears at pages 96 through 98 of this report. Virgilio's appears at pages 9 through 11.

Caponigro, who was the consigliere of the Family at the time of Bruno's murder, was the main suspect in Bruno's death. At one of the meetings that Scarfo attended, about a month after Bruno's death, Bobby Manna told Scarfo that the Commission had Caponigro and his brother-in-law, Alfred "Freddie" Salerno, killed. Salerno was a member of the Family. Manna also said that \$20 bills had been stuffed up Caponigro's rectum to indicate that he had been killed because of his greed. Caponigro's and Salerno's bodies were found in the Bronx around April of 1980. Manna also told Scarfo that the Commission determined that John "Johnny Keys" Simone was involved in Bruno's murder and that he was going to be killed. Simone was a member of the Family from the Trenton, N.J., area.

At another meeting, Manna told Scarfo that the Commission wanted him to be the new boss of the Family, but Scarfo turned it down because he felt that Philip Testa deserved it more. Around May of 1980, Testa and Scarfo were called to New York to meet with Gigante, Salerno and Manna. Testa was informed that the Commission had approved him as the new boss and wanted Testa to make Scarfo either the underboss or consigliere. Testa agreed. He made Peter Casella the underboss and Scarfo the consigliere. Leonetti believed that that was the only meeting concerning Bruno's murder that Testa attended. Testa never felt comfortable going to meetings in New York because he didn't know many New York La Cosa Nostra members. Since Scarfo had connections in New York, Testa had him take care of most matters with La Cosa Nostra families there.

After Testa became the boss, Scarfo continued to go to New York concerning Bruno's murder. Scarfo was told to continue having the Family investigate Bruno's death. Scarfo dis-

cussed with Gigante the problems that the Family was having with killing Simone because Simone wouldn't obey orders to "come in." Scarfo and Gigante also decided that a member of the Family, named Frank Sindone, should be killed for his involvement in Bruno's death.

Scarfo later met with Paul Castellano in New York and explained to him the problem that the Family was having with killing Simone. Castellano was the boss of the Gambino Family at the time. He told Scarfo that he would see to it that Simone was killed. Simone was murdered by the Gambino Family and his body was found in Staten Island in the summer of 1980.

In the fall of 1980, Frank Sindone was murdered by Family members Salvatore "Chuckie" Merlino, Frank Monte and Salvatore "Salvie" Testa. Testa lured Sindone to a south Philadelphia house owned by Testa associate Virgil Mariutti. Mariutti was not living in the house at the time and was not present when the murder took place. Monte and Merlino were already present when Testa and Sindone arrived. Once Testa and Sindone were inside, Merlino shot Sindone as he was shaking hands with Monte. Shortly after the murder, Merlino and Testa drove to Margate, where they met Leonetti at his condominium in the Margate Towers on Atlantic Avenue in Margate. Soon after, Merlino, Testa and Leonetti met Scarfo and they all went to the Easy Street Pub, where Merlino and Testa gave Scarfo and Leonetti the details of Sindone's murder. The Easy Street Pub was located on Florida Avenue between Atlantic and Pacific Avenues in Atlantic City.

Philip Testa used Virgilio's, his Philadelphia bar and restaurant at 5 Bank Street, as the office for his illegal activities. Testa and his son, Salvatore "Salvie" Testa, owned the property. After Philip Testa acceded to boss of the Family, Virgilio's became his headquar-

ters and the hub of the Family's operations. Law enforcement surveillances of Virgilio's between March 1980 and March 1981 captured most high-ranking members and numerous associates entering and leaving the bar. Leonetti recalled the following about Virgilio's:

From the late 1970s until his murder in March of 1981, Philip Testa owned a restaurant and bar that he used as his headquarters and office for his illegal activities and La Cosa Nostra matters. The restaurant was on Bank Street near Market Street in Philadelphia. When Testa originally opened the business in the late 1970s, it was known as the Bank Street Restaurant. In approximately 1979 or 1980, he changed the name to Virgilio's. From approximately May of 1980, when Testa became boss shortly after Bruno's death, until Testa's murder in March of 1981, Virgilio's was the center of operations for the Family. Leonetti did not know whose name was on the liquor license, but knew from dealings with Philip Testa, his son, Salvatore "Salvie" Testa, Scarfo and others that Philip Testa owned and controlled the business.

Scarfo and Testa were close friends who met regularly through the years. Scarfo, Leonetti and Lawrence Merlino travelled from their homes in the Atlantic City area to meet with Testa and others at Testa's restaurant on many occasions. The only time that they restricted their trips was between January and October of 1980, when they were placed on bail restrictions after their indictment for Vincent Falcone's murder. They were prohibited from travelling outside of Atlantic County until they were acquitted in October of 1980.

There were times when Scarfo, Leonetti and Merlino violated the bail condition confining them to Atlantic County. One occasion was on June 8, 1980, when Philip Testa held a La Cosa Nostra initiation ceremony in the south Philadelphia home of John Cappello, who was a captain in the

Family. Testa inducted Leonetti, Merlino and several others into La Cosa Nostra at that time. Scarfo was also present. Others who were initiated were Salvatore "Salvie" Testa, Salvatore "Chuckie" Merlino, Robert "Bobby" Lumio, Anthony "Blonde Babe" Pungitore, Salvatore "Wayne" Grande, Frank Narducci, Jr., and Anthony "Tony" Casella.

Later that same summer, Scarfo, Leonetti and Merlino again violated the bail condition when they travelled to Virgilio's in Philadelphia. At the time, Leonetti and Family captain Santo Idone were formally introduced to each other as fellow La Cosa Nostra members. The introduction was made at Virgilio's because Idone had not been present for Leonetti's induction at John Cappello's house. Other Family members present at Virgilio's that day were Philip Testa, Salvatore Merlino and Salvatore Testa.

Virgilio's also provided employment for Family members and associates:

Some of the individuals associated with the Family worked at Testa's restaurant. Frank Monte, who was a member of the Family and good friends with Philip Testa and Scarfo, worked there and spent a great deal of time there. In the fall of 1980, Monte and Family members Salvatore "Chuckie" Merlino and Salvatore "Salvie" Testa murdered Family member Frank Sindone. At the time of the murder, Virgilio's was serving as headquarters for Family boss Philip Testa. Monte was involved in murder and illegal gambling activities....

Monte was employed at another bar prior to working at Testa's. Leonetti recalled that, in the early 1970s, he and Scarfo travelled to a bar in Cinnaminson, N.J., to see Monte, who was working as a bartender there.

Leonetti did not recall the name of the bar, but knew it was in Cinnaminson....⁷

Virgil Mariutti, who was a close friend of Salvatore Testa's, managed Philip Testa's restaurant during part of the time that Testa owned it. Testa named Virgilio's after Mariutti. It was at a south Philadelphia house owned by Mariutti that Frank Monte, Salvatore Merlino and Salvatore Testa murdered Frank Sindone in the fall of 1980. Mariutti did not occupy the house at the time and was not present when the murder occurred....

John Varalli managed Testa's bar and restaurant when it was known as The Bank Street Restaurant, prior to Virgil Mariutti becoming the manager. In approximately 1979, at Philip Testa's request, Scarfo got Varalli a job at an Atlantic City restaurant that was owned by Vince Sausto, an associate of the Family....

Joseph Erace also held a position at Testa's restaurant. Erace was an associate of the Family who was involved originally with Testa and Monte and later with Scarfo, Leonetti, Frank Gerace and Johnny Palumbo. In 1979 or 1980, Leonetti was present when Scarfo and Frank Gerace discussed giving Erace a job at Local 54 and Scarfo gave his approval. The discussion took place at one of the regular meetings that Scarfo and Gerace held to discuss Local 54 at Gerace's mother's apartment at 26 North Georgia Avenue in Atlantic City.

In 1977, the liquor license for Virgilio's was held by ETTENAEJ Corporation, whose officers were Testa's son-in-law, Robert Sheeran, and Frank "Chickie" Narducci's sister-in-law, Jeanette Hearn. Joseph Erace was listed in the license application as the manager. In

1978, Testa's daughter, Maria Sheeran, became the sole corporate officer. The license was sold approximately seven months after Testa's death.

Following Testa's murder on March 15, 1981, Scarfo, who had been Testa's consigliere, began maneuvering to become the next boss of the Family. A Philadelphia bar served as his base of operations. Leonetti revealed Scarfo's actions in consolidating support within the Family, confronting the opposing faction and obtaining the approval of the Commission of La Cosa Nostra in his bid to become the boss:

In the days after Philip Testa's murder in mid-March of 1981, Scarfo used the 9M Bar at 9th Street and Moyamensing Avenue in south Philadelphia as a kind of headquarters for his attempt to become the new boss of the Family. The 9M Bar was a "safe" place to meet and conduct business because it was operated by a friend of Salvatore "Chuckie" Merlino's.

From the latter 1970s until the mid-1980s, Merlino used the 9M Bar as a hangout and also as his headquarters to conduct his illegal activities and to meet with his associates. Scarfo and Leonetti often met Merlino there during that period. During those years, the bar was known as the 9M Bar. The name was later changed to Anthony's Bar. One of the people who operated the bar during those years was a numbers writer who turned his action into Merlino. The Family also had an illegal video gambling machine there.

As soon as Testa was murdered, Scarfo began meeting with the captains of the Family to try to get their support for him to become boss. Scarfo wanted to be able to go to the Commission of La Cosa Nostra in New York and say that he had the support of the captains in the Family and

⁷Monte worked as a bartender at the Cinnaminson Country House and also used the premises to further the Family's illegal gambling activities. The business was sold in January 1973 and, on February 13, 1973, the premises were destroyed by arson.

that he would like to be the next boss. Scarfo was the consigliere at the time. The captains were Santo "Big Santo" Idone, Joseph "Joe" Scafidi, John "Johnny" Cappello, Alfred "Freddie" Iezzi, Frank Monte and Frank "Chickie" Narducci.

. . .

After Philip Testa was murdered and while Scarfo was contacting the captains of the Family to get their support for him to become boss, he met with Alfred "Freddie" Iezzi at a bar that Iezzi owned in Philadelphia. The bar was known as the Old Timers Tavern and was located on Wharton Street, near Broad Street.⁸ Iezzi had been a captain in the Family for many years and was Scarfo's captain for several years until Testa made Scarfo his consigliere in 1980.

Scarfo and Iezzi met at the Old Timers Tavern because it was a "safe" place where Scarfo could talk to Iezzi about becoming the boss. Iezzi agreed to support Scarfo for that position. Leonetti, Lawrence Merlino and Salvatore Merlino also attended the meeting and were present for the conversation between Scarfo and Iezzi. Leonetti had been to the Old Timers Tavern many times over the years with Scarfo for various meetings since Scarfo reported to Iezzi at one time. Iezzi used the Old Timers Tavern as his headquarters for his illegal activities.

. . .

A couple of days after Testa's death, Scarfo met with captains Santo Idone and Frank Monte at the 9M Bar and got their support for him to become boss. Leonetti, Salvatore Merlino

and Lawrence Merlino were also present at the meeting. Idone said that he would support Scarfo if Scarfo agreed to try to get along better with his relatives who were La Cosa Nostra members in the Family. For many years, Scarfo had not been on very good terms with his uncles, Nicholas, Joseph and Michael Piccolo, and a cousin, Anthony Piccolo. Scarfo agreed. Scarfo didn't have to try and convince Monte to support him because they were friends and Monte would have automatically backed Scarfo.

At the same time, the underboss of the Family, Peter Casella, was also attempting to become the boss. Casella was close with captain Frank "Chickie" Narducci, Sr. Another member of the Family, Harry "The Hump" Riccobene, also wanted to be the boss.

At Philip Testa's wake, Frank "Chickie" Narducci told Scarfo that Peter Casella wanted to meet Scarfo afterward at John Cappello's house. The wake and Cappello's house were both in south Philadelphia. Scarfo was almost certain by then that Casella and Narducci were behind Testa's murder. Because Scarfo was concerned that he was being set up to be killed, he took Ralph "Blackie" Napoli aside at the wake and told Napoli to immediately drive to north Jersey and let Bobby Manna know that Scarfo wanted to meet with him the next day about becoming boss of the Family. Manna was a member of the Genovese Family of La Cosa Nostra. Napoli told Scarfo that he would meet with Manna and then drive right back to Philadelphia to tell him what Manna had said. Scarfo and Napoli agreed to meet at the 9M

⁸The bar, which was located at 1304 Wharton Street in south Philadelphia, had also been a meeting place for boss Angelo Bruno. From 1941 to 1956, Alfred Iezzi held the liquor license and operated the business as Ticket Grill. He held another license and ran the bar as Old Timers Tavern from January 1971 until 1978, when he transferred the license to his wife. The license was sold in November 1983.

Bar as soon as Napoli returned.

Scarfo then told Leonetti, Lawrence Merlino, Frank Monte and Santo Idone to go to the 9M Bar after the wake and wait for him and Salvatore Merlino to return from the meeting with Casella. Fearing for Scarfo's safety, Leonetti took John Cappello to the 9M Bar as insurance against Scarfo's being killed. Cappello was Peter Casella's brother-in-law, but was not really worth much as insurance because Casella had never gotten along very well with him. Leonetti told Cappello that night that he was going to kill him if anything happened to Scarfo.

Leonetti, Santo Idone, Frank Monte, Lawrence Merlino and John Cappello went to the 9M Bar to wait for Scarfo. When Scarfo and Salvatore Merlino arrived, Scarfo told them that Peter Casella, Anthony "Tony" Casella, John "Coo Coo" Grande, Joseph "Joey" Grande, Frank "Chickie" Narducci and Rocco "Rocky" Marinucci had all been at Cappello's house for the meeting. At the time, all were members of the Family, except Joseph Grande and Rocco Marinucci. John Grande was the father of Joseph Grande and Anthony Casella was Peter's brother. Scarfo said that when he and Merlino arrived at Cappello's house, Marinucci was listening to a police scanner and the rug in the room where they were meeting had been rolled up. Scarfo said that he felt that they were going to try to kill him and Merlino. Peter Casella told Scarfo that he had found out from somebody in New York that Philip Testa had been murdered by John Berkery, who was an associate of the Family. Casella then said that he wanted Scarfo to kill Berkery to retaliate for the Testa murder. Scarfo told Casella and the others that he didn't believe it. Scarfo also told them that he would be meeting with Bobby Manna the next day to explain what he thought was happening.

At about 2:00 a.m., Ralph Napoli arrived at the 9M Bar, where everyone who had gone there previously was still waiting for him. Napoli told Scarfo that he had talked to Manna and arranged for a meeting that day. Scarfo and Napoli both had to miss Testa's funeral in order to attend the meeting. Early in the day, Scarfo and Napoli went to the New York City area where Scarfo met with Manna. Scarfo told Manna what had happened the night before when he met with Peter Casella and the others and said that he felt that Casella and some of the others were responsible for Testa's murder. After talking to Scarfo, Manna decided to set up an appointment for Scarfo to meet with Vincent "The Chin" Gigante and Anthony "Fat Tony" Salerno. Gigante was the boss of the Genovese Family and Salerno was a high-ranking member. After Manna scheduled the meeting, he got word to Scarfo about the arrangements and told Scarfo to tell Peter Casella that he had to attend. Because Testa's death had not been sanctioned by the Commission of La Cosa Nostra, it conducted an investigation to determine who was responsible. The Genovese Family was in charge of conducting the investigation. As boss of the Genovese Family, Gigante sat on the Commission.

About a week after his meeting with Manna, Scarfo travelled to New York and met with Gigante, Salerno and Manna. Peter Casella and Rocco Marinucci also attended the meeting, but showed up about three hours late. After hearing from both Scarfo and Casella, Scarfo was told by Gigante, Salerno and Manna that he was the new boss. He was also told to kill all those who were involved in the Testa murder. Casella was instructed by Gigante, Salerno and Manna to retire to Florida. Scarfo told Leonetti what occurred at the meetings when he returned from them.

Of the five individuals involved in Testa's murder, two were killed on Scarfo's orders. Leonetti described the fate of the conspirators, with the Buckeye Club, a Philadelphia bar that was located at 1226 South Eighth Street, providing the location for one of the slayings:

Within a year of the meetings and on Scarfo's orders, Frank "Chickie" Narducci and Rocco Marinucci were killed for their involvement in Testa's murder. Scarfo also wanted to kill Anthony Casella, but those assigned were never able to get him in a position to do it without taking a big risk of getting caught. Teddy DiPretoro, who was another person involved in the conspiracy to murder Philip Testa, became a protected government witness and was never killed either.

In March of 1982, Rocco Marinucci was murdered by Frank Narducci, Jr., Joseph Grande and Salvatore "Wayne" Grande at a private club and bar, known as the Buckeye Club, on 8th Street, near Wharton Street, in south Philadelphia. Salvatore Testa was in charge of planning the murder. At the time of the murder, Testa, Salvatore Grande and Narducci were members of the Family.

The plan to kill Marinucci called for Frank Narducci, Jr., to become friendly with him in order to make it easier to set him up. On the day of the killing, Marinucci was lured by Narducci to the Buckeye Club, where Salvatore Grande and Joseph Grande were waiting for them. While at the Buckeye Club, Joseph Grande shot Marinucci to death. Salvatore Grande and Joseph Grande are brothers. Marinucci's body was left at the Buckeye Club until nighttime, when it was taken out and dumped in south Philadelphia. Leonetti learned about the details of the Marinucci murder from Joseph Grande, Frank Narducci, Jr., and Salvatore Testa.

Those involved in the Marinucci killing were able to murder him at the Buckeye Club because it was controlled by Frank Narducci, Jr., and Philip Narducci at the time. The Narducci brothers inherited the Buckeye Club from their father, Frank "Chickie" Narducci, who had been murdered just a few months before, in January of 1982, for his involvement in Philip Testa's death. Chickie Narducci had operated the Buckeye Club for many years. He used it as a hangout and to conduct his illegal activities, which included gambling and loansharking. Leonetti had been there with Scarfo on many occasions over the years for meetings and to socialize. Chickie Narducci was murdered near his home in south Philadelphia by Salvatore Testa, Joseph "Joey Pung" Pungitore and Eugene "Gino" Milano.

Frank J. Narducci, Jr., owned the property where the Buckeye Club was situated.

* * * *

Leonetti divulged that Scarfo held two making ceremonies at Merighi's Savoy Inn, a restaurant and cocktail lounge in Buena Vista Township (Atlantic County):

Merighi's Savoy Inn was a restaurant and bar located in the Vineland area. It was owned by brothers Ernie and Tom Merighi.... [Ernie] had been friendly with Scarfo for many years. Scarfo told Leonetti that...[Ernie] placed bets with the illegal gambling business that Scarfo controlled. From approximately the mid-1960s until approximately 1970, Scarfo had a gambling operation in the Atlantic County and Cumberland County area and had a lot of action in the Vineland area.... Joe and Samuel Scafidi, who were father and son, operated an illegal gambling business in the Vineland and Bridgeton area. The Scafidis were members of the Family from Bridgeton. There was a busi-

ness relationship between Scarfo's gambling operation and the Scafidi's gambling operation.

In June 1968, brothers Thomas and Ernest Merighi were placed on the liquor license in addition to their parents, who had held the license since July 1954. In 1979, the license was transferred to the brothers, who held the license jointly until approximately 1989, when 100% interest was transferred to Thomas. Since 1994, Thomas Merighi and his son have held the license.

Leonetti detailed the two making ceremonies:

While Scarfo was the boss of the Family, he held two La Cosa Nostra induction ceremonies at Merighi's Savoy Inn. Neither Merighi was aware that the ceremonies were conducted there. In May or June of 1981, Scarfo held the first of the two ceremonies and inducted one individual named Anthony and another named Pete. Leonetti did not remember their last names. However, when shown a photograph of Peter Caprio, Leonetti identified him as the person named "Pete" that Scarfo inducted. When shown a photograph of Anthony "Tony" Capozzi, Leonetti identified him as the person named "Anthony" that Scarfo inducted.

Capozzi and Caprio were both from the northern New Jersey crew of the Family. Capozzi was a union official with either the Electrical Workers Union or the Iron Workers Union. In approximately 1985, Leonetti attended the wedding of Pete Caprio's daughter in northern New Jersey with Lawrence Merlino, Phillip "Moe" McFillin and Leonetti's great uncle, Nicholas "Nicky Buck" Piccolo.

At the same making ceremony, Scarfo elevated Lawrence Merlino and Leonetti to the positions of captain. He also "took down" John "Johnny" Cappello and Joseph "Joe" Scafidi from the positions of captain and

made them soldiers. Scarfo "took down" Scafidi because of his age and because Scarfo had recently become the boss and wanted to fill the positions with people he was close to and could trust.

The second induction ceremony that Scarfo had at Merighi's Savoy Inn was held in June of 1986 and was the last induction ceremony that he held as boss. Those inducted at that ceremony were Joseph Ligambi, Salvatore "Torre" Scafidi, Anthony "Tony" Pungitore, Jr., Joseph "Scoops" Licata, Anthony "Slicker" Attanasio and Ralph "Junior" Staino.

In an interview by Commission staff, Ernest Merighi admitted to placing bets on sports events and horse races from the 1960s into the 1970s, but stated that he did not know that the bookmakers he used were aligned with Scarfo's gambling operation. He also advised that he placed some of the bets from the licensed premises and knew that patrons were placing bets from the pay phone inside the premises. In addition, Merighi stated that Scarfo, Leonetti and their associates were regular patrons and that he knew of their reputations and Scarfo's criminal conviction. Merighi had first met Scarfo at Scarfo's bar in Atlantic City, The Penguin Club.

By allowing Scarfo and his associates to frequent the restaurant and hold affairs there, at a time when Scarfo's criminal and organized crime reputation was notorious, Ernest Merighi violated N.J.A.C. 13:2-23.5(a), which reads:

No licensee shall allow, permit or suffer in or upon the licensed premises the habitual presence of any known prostitute, gangster, racketeer, notorious criminal, or other person of ill repute.

Ernest Merighi currently holds an interest in a liquor license. He is a one-third partner in DEW, Inc., which has owned the liquor license for Frog Rock Country Club in Hammonton (Atlantic County) since November 29, 1994.

* * * *

In a 1977 federal wiretap,⁹ Scarfo, then a soldier, was captured in conversation with underboss Philip Testa, captain Frank “Chickie” Narducci and soldier Harry Riccobene about the use of fronts in owning a liquor license. The discussion followed their learning that the ABC denied the liquor license application of Testa’s son, Salvatore, and Narducci’s son, Frank, Jr. An investigation by the Atlantic City Task Force of the ABC, created in 1977 to uncover front arrangements, established that the sons did not have the independent resources to finance the \$250,000 purchase of the license, business and property of Le Bistro, at 2201 Pacific Avenue in Atlantic City, and were fronting for their fathers, who were precluded from having any interest in a liquor license. The wiretap revealed:

Testa: Well, they got to get a clean name. Harry, you know that! (all laugh). Isn’t that right - Marron! This is so ridiculous. These two kids, these two kids here: How clean do you want guys, for Christ sake! They are babies yet.

Riccobene: Right.

Testa: One guy is twenty-one. One guy is twenty-three, twenty-four.

Scarfo: Fa bingo (Ph) Phil. Phil you gotta go fight this. You gotta wind up; forget about relief in the state court!

Testa: It’s a four or five year thing.

Scarfo: That’s it.

. . .

(Discussion about appealing the decision to federal court.)

Narducci: It’s up on the appeal and so they can’t take the license. Am I right Harry?

Riccobene: No, no, you’d still have to renew [the liquor license] every year.

Testa: No, we didn’t get it yet.

Narducci: Yeah, I’m gonna do that.

Testa: But we didn’t get it yet. We’re still fighting for it.

Narducci: Well, it’s still up in escrow, and we still didn’t get it yet; but we still will keep it that way [by appealing]. We’ll pay on it.

Riccobene: Right.

Narducci: And we bring it to the 3rd Circuit Court.

Scarfo: Yeah, but it ain’t yours to pay [on]; it’s hers [the licensee’s]. That’s the thing Chick! You ain’t got the license! She’s got the license.

Testa: That’s right. We don’t have it. She’s got it.

Scarfo: You just bought the property.

Narducci: Right.

Scarfo: And she’s still got the license. She and -

Narducci: Yeah, but we bought everything off her, but they. They won’t they (New Jersey authorities) won’t release the license.

Scarfo: They won’t release but they have separated-ah-the real estate from the license.

Riccobene: Well then it’s still hers.

Scarfo: That’s what they did to make the deal for the real estate guy.

⁹Excerpts of the wiretap, including the one appearing in this report, were introduced at the 1982 federal RICO prosecution of the Bruno Family.

Riccobene: Yeah, that's still her license then.

Scarfo: That's still her license.

Narducci: Well, can't you do that-ah-pending-ah-

Scarfo: Well that could be an argument there that you -

Narducci: Don't tell my argument there. Now we bought this whole place. You stopped us from getting the license. We bought it. So can't you bring that to the 3rd Circuit Court on appeal?

Riccobene: Sure.

Scarfo: I got -

Testa: Sure, that's what's gonna happen anyway.

Scarfo: I got the newspapers. And listen I sent them to Bobby with the "Master Plan."

Testa: See, they are killing me with the mortgage.

Narducci: Right.

Testa: See every year. Now at the end of the year, we ran out of money. So now we can't go to that source no more. You run out of sources. Guys get scared of you. So now we got to pay out of our own pockets. As soon as we make a payment we're dead. Now it's infiltration.

Narducci: Yeah right.

Testa: And on and on and that's the end of that.

Riccobene: Uh huh.

Narducci: That just keeps them off our back, you know what I mean? Where in the f___ are you gonna get nice guys that are gonna get involved in your - in your business.

Testa: You burn guys [fronts] up. Look at this poor guy [who provided Narducci with a \$72,500, unsecured loan as the down payment for the property], he was a nice fellow. Burned him right up. He's getting investigated. They start subpoenaing him. Geez, they scare guys away.

Narducci: Yeah, he got in a lot of trouble himself, you know.

Scarfo: And they are probably looking -

Testa: We were gonna use his name!

Scarfo: - into his building (Ph) business.

Testa: We were gonna use his name! He recommended we don't use his name.

Narducci: Don't use it no more.

Scarfo: Sure, what?

Testa: He's scared out?

Riccobene: Well, you can't blame the guy in a way.

Narducci: Now, they [know] who he is. He never had no trouble in his whole life and -

Testa: All of a sudden, Task Force, FBI on him, everybody - (laughs).

Testa: Yeah, he thought it was a joke.

Riccobene: He didn't realize it at the beginning, Chickie. If he would have realized it, he probably would have told you. Like he said, "Don't use my name, put on this act."

. . .

Riccobene: Well, that's what we have to be careful of now, because anybody we involve; he's gonna get it. They [law enforcement] are gonna scare the s___ out of them.

Scarfo: Yeah.

*Narducci: Yeah, yeah. I - unless we -
unless we got somebody they can't
scare.*

THE SCARFO FAMILY AND BARS

Leonetti listed the numerous and varied purposes that liquor-licensed establishments served for the Scarfo Family:

Bars and restaurants with liquor licenses are very important to the criminal activities of La Cosa Nostra. Both members and associates of the Family used bars as places to plan their criminal activities, commit crimes and hold celebrations. At times, bars were used by the Family as places to induct proposed members into La Cosa Nostra and hold Family meetings. Of the seven induction ceremonies that Scarfo had when he was the boss, three were held at bars and one was held at the home of a bar owner. Bars were even used to provide jobs for some members and associates. They were also places that members and associates of the Family used to hang out and party with each other. Bars also provided a means for the owners to show legitimate sources of income and to launder money from illegal activities.

In La Cosa Nostra, all family business and illegal activity is done in secret; therefore, members and associates have to have places where private meetings can be conducted. For that reason, it was important to have members and associates of the Family who owned "friendly bars" where meetings could take place. Leonetti described bars as the "offices" of La Cosa Nostra. The advantage in having bars that are owned by members and associates is that you can control who comes and goes when you need to use them. For example, the bar can be shut down to hold a meet-

ing or the meeting can be held after it closes. Sections of the bar can also be closed off during business hours in order to meet privately.

As a result of the importance of bars, Scarfo exerted influence over those owned by his associates and even became the owner of several bars himself:

Scarfo held a hidden ownership interest in four bars and influenced or controlled several others at different times between the mid-1960s and approximately November of 1988, when he was convicted on federal RICO charges. The bars that Scarfo controlled or influenced were owned by Family members or associates who were "with" Scarfo. In La Cosa Nostra, the word "with" is used to indicate that a La Cosa Nostra associate is accountable to a certain La Cosa Nostra member.

Scarfo enjoyed a symbiotic relationship with Scarfo Family members and associates who owned bars. One benefit that Scarfo bestowed upon the bar owners stemmed from his control of Local 54 of the Bartenders and Hotel Workers Union. Scarfo's dominance of Local 54's officers, which has been well-documented by law enforcement authorities, helped to insure his control and influence over the bar owners. Leonetti elaborated:

In approximately 1977, Scarfo gained control of Local 54 of the Bartenders and Hotel Workers Union. Local 54 was located in Atlantic City and became very powerful when casino gambling started. Scarfo controlled Local 54 through its officials,

who were associates of the Family and included Frank "Percy" Gerace, Robert "Bobby" Lumio, Albert Daidone, Frank Materio, Roy Silbert, Anthony "Weasel" Viesti, Joseph "Joe" Erace, Frank Lentino, Eli "Big Kirk" Kirkland, Daniel Daidone, Anthony Staino and Felix Bocchicchio. Frank Gerace was president of Local 54. Lumio became a member of the Family in June of 1980, when he was Secretary-Treasurer of the union. Lumio and Leonetti were inducted into La Cosa Nostra at the same ceremony. Lumio was a cousin of Angelo Bruno's.

Scarfo used Local 54 to influence and control the bar owners that were "with" him and also to help them. Through Scarfo's control of Frank Gerace and other union officials, Scarfo saw to it that there was little or no union involvement by Local 54 at bars owned by Family associates who were "with" him. The union was kept entirely out of some bars, while others were given sweetheart union deals where the owners paid a limited amount to the union for employee benefits. Some of the bar owners who either did not have their businesses unionized or who were given sweetheart deals were Gerald "Jerry" Blavat, Sy Hoeflich, Saul Kane, Andrew Cornaglia and Vince Sausto. They were all associates of the Family.

The effect of Scarfo's control over both Local 54 and numerous liquor-licensed establishments was clear:

By controlling several bars and a large and powerful union like Local 54, Scarfo was able to have a great deal of influence over a portion of New Jersey's bar and restaurant industry.

Leonetti recited an example of how Scarfo utilized his control of Local 54 in an attempt to extort money from the owners of a bar and restaurant in Atlantic City:

In 1981 or 1982, Scarfo used his control over Local 54 of the Bartenders and Hotel Workers Union to attempt to extort money from the owners of...a restaurant and bar...in Atlantic City....

To try and get some money...Scarfo ordered Frank Gerace, the president of Local 54, to put up a picket line at the [establishment].... Scarfo, Leonetti and Lawrence Merlino sat in a parked car near the bar to watch the picket line being set up. Al Daidone and Eli "Big Kirk" Kirkland organized the picket line. A short time later, Scarfo sent Leonetti to see [one of the owners]. Leonetti told [him] that he could see that [he] was having some union problems and that if he gave Scarfo and Leonetti \$200 a week, they would see to it that Local 54 did not unionize the [establishment].... However, [the owner] told Leonetti that he would just go ahead and allow the union to unionize his restaurant if they wanted to.

Daidone and Kirkland were both associates of the Family. Scarfo told Gerace to hire both of them at Local 54. Daidone was a close associate of Raymond "Long John" Martorano, who was a member of the Family. Daidone had helped Martorano arrange for the December 1980 murder of John McCullough, who was the head of Roofers Local 30. In the summer of 1981, Bobby Lumio, who was a member of the Family and the secretary-treasurer of Local 54, died of leukemia. Not long after Lumio's death, Scarfo proposed Daidone for membership into the Family. Scarfo did that because he wanted to reward him for his involvement in the McCullough murder and also because he wanted to have another Family member in Local 54. However, Scarfo, who went to jail in August of 1982, never got around to making him. Daidone and Martorano were convicted of McCullough's murder sometime around 1984.

During at least part of the 1960s and 1970s, Eli Kirkland was an Atlantic City-area numbers runner. From approximately the mid-1960s until approximately 1970, when Scarfo operated a gambling business in the same area, Kirkland and Scarfo were involved with each other in illegal gambling activities. During the late 1970s, Kirkland asked Scarfo for a job and Scarfo instructed Frank Gerace to hire him at Local 54. In approximately 1983, while Scarfo was in prison on a firearms violation, he sent word to Leonetti to tell Gerace to fire Kirkland because Scarfo and Leonetti had learned that Kirkland was again involved in drug trafficking. Scarfo did that to protect the union from bad publicity.

Leonetti described how Scarfo emerged in control of Local 54. He explained that when casino gambling was approved for Atlantic City in 1976 by voter referendum, Scarfo realized the significance of the service industries and the power that would inure to those who controlled Local 54. Already one of the largest labor unions in south Jersey, Local 54 was to become the most powerful union in Atlantic City. Leonetti revealed Scarfo's steps in wrestling and cementing control of the union through a direct challenge to boss Angelo Bruno, invoking the Genovese Family's influence over a national leader of the union and even resorting to murder. Again, a bar provided the secure location for Scarfo's high-level meetings. According to Leonetti:

In 1976, around the time that casino gambling was approved in New Jersey, Scarfo became interested in controlling Local 54 of the Bartenders and Hotel Workers Union. He knew that Local 54 would become large and powerful when the casinos were built in Atlantic City and that he could make a lot of money. In 1977, Scarfo succeeded in gaining control of the union through his relationship with Frank Gerace, the head of Local 54. Scarfo and Gerace knew each other from when they both lived in the same south Philadelphia neighborhood many years earlier.

Angelo Bruno, who was the boss of the Family at the time, also knew that Local 54 would be a big money-maker when the casinos started and also wanted to control the union. Bruno wanted Ralph Natale, an associate of the Family who was "with" Bruno, to run Local 54. Bruno was already using Natale to control Local 170 of the Bartenders and Hotel Workers Union, which had its offices in the Cherry Hill area. In the early part of the 1970s, Natale killed Joseph "Joey" McGreal, who tried to take over Local 170 from Natale. The killing was done with Bruno's permission.

Around 1977, Scarfo went to see Bruno in Philadelphia to "register" Frank Gerace and Local 54 as being "with" him. Bruno was very upset and told Scarfo that he wanted to control both Local 170 and Local 54 through Natale. In approximately 1978, Bruno and Scarfo had a sit-down in Philadelphia, at which time Bruno told Scarfo that he wanted Scarfo to back off and let Natale run Local 54. Scarfo didn't listen to Bruno and told Gerace not to meet with anyone from the Family except him.

In approximately 1978, after the sit-down with Bruno, Scarfo had a sit-down with Natale in Atlantic City. Natale told Scarfo that he wanted to control Local 54, but Scarfo said that he would not step aside and that he would protect his control over Local 54 through Frank Gerace.

In about 1979, Natale was arrested on arson and drug trafficking charges and went to prison soon afterward. Bruno then got help from another union official named John McCullough, who was friendly with Bruno and protected by him. McCullough was the head of Local 30 of the Roofers Union in Philadelphia. Bruno wanted someone who was friendly with McCullough to try

and take control of Local 54, as Natale had been trying to do.

In about 1979, the national leaders of the Bartenders and Hotel Workers Union split Local 54 into two locals, Local 54 and Local 491. They left Frank Gerace in charge of Local 54 and appointed Tom Kissick to run Local 491. Ernie Potts and "Goonie" Walsh were appointed to help Kissick. Both Potts and Walsh were associates of John McCullough's. After Potts and Walsh started at Local 491, they threatened Gerace and Gerace told Scarfo that he felt that Potts and Walsh were going to try and take control of Local 54 away from Gerace. Scarfo wanted Local 491 merged back into Local 54.

After Angelo Bruno was murdered and Philip Testa became the boss of the Family around May of 1980, Testa made Scarfo consigliere. Testa supported Scarfo in his fight to merge Local 491 back into Local 54 and to control Local 54. During this period, Scarfo took several steps to accomplish these goals. He met with Genovese Family consigliere Bobby Manna to ask for his assistance in merging the two locals. The Genovese Family had influence over the Chicago La Cosa Nostra Family which controlled Ed Hanley, who was one of the national leaders of the Bartenders and Hotel Workers Union. Also, Scarfo told Gerace, who was going to see Hanley at a national union meeting, to tell Hanley to merge Local 491 back into Local 54. In addition, Scarfo had Gerace tell Tom Kissick that he would be killed if he didn't resign as head of Local 491. Not long after Scarfo took these steps, Local 491 was merged back into Local 54. Gerace then got Kissick a job in one of the casinos.

Even after Bruno's death and the merging of the two locals, John McCullough still challenged Gerace and interfered with Local 54. In the

fall of 1980, Scarfo made arrangements for him and Testa to meet McCullough at Virgilio's in an attempt to get McCullough to stop causing problems at Local 54. This meeting took place soon after Scarfo, Leonetti and Lawrence Merlino were acquitted for the murder of Vincent Falcone in October of 1980. Leonetti and Merlino were present when Scarfo and Testa met with McCullough, but they did not sit in on the meeting. After the meeting ended, Scarfo informed Leonetti and Merlino that he told McCullough that Local 54 belonged to him and Gerace and that McCullough should leave the union alone. Scarfo said that McCullough was polite, but thought that he might still cause problems.

After that meeting, McCullough continued to interfere with Local 54. Scarfo then called for a second meeting at Virgilio's, but McCullough didn't show up. Scarfo was furious and said that he wanted McCullough killed.

After McCullough failed to appear at the meeting, Scarfo got Testa's permission to kill McCullough and informed Gerace that he would be killed. Soon after, Scarfo made arrangements to meet Raymond "Long John" Martorano at Virgilio's. At the time, Martorano was an associate of the Family. He had been very close with Angelo Bruno for many years. At the meeting, which took place in approximately November of 1980, Scarfo told Martorano to kill McCullough. Leonetti was present for that conversation and heard Scarfo give Martorano the order.

In December of 1980, McCullough was shot to death by Willard Moran, who was an associate of Martorano's. Moran murdered McCullough while posing as a delivery man dropping off Christmas flowers at McCullough's house in northeast Philadelphia. Martorano told Scarfo and Leonetti that it was his idea to have Moran pose that way.

On the night that McCullough was shot, Leonetti was at Virgilio's with Scarfo, Philip Testa, Salvatore Merlino, Lawrence Merlino, Frank Monte, Salvatore Testa

and an attorney who had represented Angelo Bruno for many years, Jake Kossman. While there, it was reported on the television news that McCullough had been shot to death. Because Kossman was in their presence, Scarfo indicated how sorry he was that McCullough had been murdered. After Kossman left, Scarfo talked openly about how glad he was that McCullough was dead and how much trouble McCullough had caused them.

About a week or two after McCullough's killing, Martorano went to Atlantic City and met with Scarfo to discuss the murder. Leonetti was present when Martorano gave Scarfo the details. Scarfo told Martorano that his arranging McCullough's death would help him become a member of La Cosa Nostra. Martorano told Scarfo that he had used Willard Moran to shoot McCullough. Scarfo was upset because he didn't know Moran and was concerned whether he could be trusted.

In approximately 1981, about a year after McCullough's murder, Willard Moran was arrested for the McCullough murder and was later convicted. After his conviction, Moran cooperated with the police and testified against Martorano and Albert Daidone of Local 54. Martorano and Daidone were good friends and Martorano used him to help with the McCullough "hit." Martorano and Daidone were convicted of the McCullough murder in approximately 1984.¹⁰

After McCullough was killed, Steve Traitz and Michael "Nails" Mangini were called to Virgilio's to meet with Philip Testa and Scarfo. Traitz had

taken over as head of Roofers Local 30 after McCullough's death. Mangini was also an officer of Local 30 and a close friend of Traitz's. Leonetti, Salvatore "Chuckie" Merlino, Lawrence Merlino and Salvatore "Salvie" Testa were present at Virgilio's when Scarfo and Philip Testa met with Traitz and Mangini, but they were not involved in the conversation. Philip Testa, Scarfo, Traitz and Mangini sat at a table and Leonetti, the Merlino and Salvatore Testa sat at the bar. Scarfo told Leonetti later that he and Testa had laid the law down to Traitz and Mangini and explained to them that Local 30 was "with" the Family. Traitz said that he didn't want to wind up like McCullough and wanted to know about any problems that the Family was having with Local 30 so that he could straighten them out right away. Local 30 had been under the Family's control for many years. From that point on, Traitz became the main person that Scarfo and Leonetti contacted when they needed help with something that involved unions in the construction industry.

In depicting Scarfo's dominance of Local 54 and its effect on bars, Leonetti disclosed the locations for Scarfo's and Gerace's surreptitious meetings, with the apartment of Gerace's mother providing the primary site:

Scarfo, Gerace and Leonetti held many meetings over several years at Lillian Gerace's apartment. In approximately 1978, they began meeting there at least once a month to discuss Local 54. Initially, the meetings were held at Frank Gerace's Linwood, N.J., home or at an apartment that his mother owned on Mississippi Avenue in Atlantic City. In

¹⁰The convictions were overturned in February 1992. Martorano and Daidone are awaiting re-trial. Leonetti, who was not cooperating at the time of the original trial, is expected to testify against them at the second trial.

late 1978 or early 1979, when Lillian Gerace moved to an apartment in the same Atlantic City apartment building where Scarfo and his mother...lived, the meetings began to be held there. Scarfo urged Frank Gerace to have his mother move into that apartment house so that he, Leonetti and Gerace would have a place to meet secretly, undetected by law enforcement authorities or the public. The layout of the apartment building made it possible for Scarfo and Leonetti to enter Lillian Gerace's apartment through the rear of . . . Scarfo's mother's apartment and meet with Frank Gerace without being observed from the street.

Bar owners received benefits in addition to preferential treatment by Local 54 and, in return, paid tribute to Scarfo:

The bar owners who were "with" Scarfo gave him some kind of "tribute." None of them charged him for meals or drinks at their establishments. Some gave him weekly cash payments. One paid for extensive work on a house that Scarfo owned in Florida. The tribute given to Scarfo was in return for the benefits the bar owners received from being under his protection, such as limited involvement by Local 54 at their bars. These bar owners were also able to use Scarfo's name and reputation to impress or intimidate people. They knew that they had Scarfo behind them if they needed help with a problem or wanted a favor.

The bar owners also gave Scarfo tribute because of their friendship with him. Plus, they knew "to do the right thing." In La Cosa Nostra, this term means to show a La Cosa Nostra member respect by being polite to him and giving him money or gifts. Scarfo had been friendly with most of these bar owners for several years.

Leonetti distinguished the tribute given to Scarfo by bar owners who were "with" him from the street tax that Scarfo exacted from loansharks, drug dealers and others conducting illegal businesses within his territory, a practice that had not been routine under prior bosses Angelo Bruno and Philip Testa:

In late 1981 or early 1982, after Scarfo became the boss, he ordered that certain members and associates of the Family begin collecting cash extortion payments from drug dealers, loansharks, bookmakers and other racketeers. The only ones excused from making these extortion payments were members and some close associates of the Family. Lists were kept to account for who was making the payments and how much was being paid. Members and associates of the Family referred to the extortion payments as "the elbow" and "the shakes." These payments were collected on a large scale and under the threat of harm. Those who didn't make the payments were assaulted or killed. Several "shake-down crews" were set up to go around and target who should pay and then collect the extortion payments from them. The first shake-down crew was headed by Pasquale "Pat the Cat" Spirito, who was inducted into La Cosa Nostra by Scarfo in January of 1982. Spirito's extortion activities were overseen by Joseph "Chickie" Ciancaglini, who was a captain in the Family. The crew was comprised of Spirito, Nicholas "Nicky Crow" Caramandi, Charles "Charlie White" Iannece and Ralph "Junior" Staino. When they first started making collections, Caramandi, Iannece and Staino were associates, but they were later inducted into La Cosa Nostra by Scarfo. Over time, the make-up of the crew and the captains who oversaw its activities changed. In 1983, Ciancaglini went to prison and Spirito was murdered by the Family. Thomas "Tommy Del" DelGiorno and Francis "Faffy" Iannarella began directing the crew in November

of 1984, when Scarfo elevated them to acting captains. They were inducted into La Cosa Nostra by Scarfo in January of 1982.

The tribute that the bar owners gave to Scarfo was different from the extortion payments that Scarfo had collected from drug dealers, loansharks and bookmakers. The tribute that the bar owners gave to Scarfo was based on their friendship and the bar owners received benefits in return for that tribute. However, the collection of extortion payments from drug dealers, loansharks and bookmakers was done with the threat of harm and little if anything was received in return.

When Scarfo and Leonetti were incarcerated during 1987 and 1988, Scarfo's son, Nicky, oversaw the collection of street tax and tribute and reported on the collections when he visited Scarfo and Leonetti in prison:

In January of 1987, Scarfo was arrested and held without bail for his involvement in an attempt to extort

\$1 million from Philadelphia developer Willard Rouse III. In April of 1987, Scarfo, Leonetti and other Scarfo Family members were arrested, charged and held without bail for the murder of Scarfo Family captain Salvatore "Salvie" Testa. As a result of the Rouse and Testa matters, as well as other charges brought by state and federal authorities, Scarfo and Leonetti were confined in the Philadelphia prison system during most of 1987 and 1988. During this period, Scarfo's son, Nicky Scarfo, who is also Leonetti's cousin, visited Scarfo and Leonetti at least once a week at the prison. Sometimes, Scarfo and Leonetti both met with Nicky and other times, they met Nicky separately. During each visit, Nicky showed and discussed with Scarfo and Leonetti a "collection sheet," which laid out the extortion payments, tribute and other profits that Scarfo and Leonetti were making from their various illegal activities. If Scarfo or Leonetti met with Nicky separately, Scarfo and Leonetti later discussed with each other what the collection sheet showed.

THE BARS AND THEIR OWNERS

SCARFO'S BARS

Leonetti confirmed for the Commission that Scarfo was the part owner of bars in New Jersey. Leonetti disclosed that at various times between 1967 and 1976, Scarfo held an undisclosed ownership interest in four bars in New Jersey. Scarfo, who was barred from holding any interest in a liquor license because of criminal convictions, was able to conceal his interests by having “*trusted associates of the Family front for him in the bars where he held a hidden interest.*” Scarfo’s hidden ownership of one of the bars, the Stanley Restaurant, is discussed at pages 60 and 61 of this report.

From approximately 1967 to 1970, Scarfo and an associate of the Family owned The Penguin Club, a bar that featured erotic dancers in Atlantic City:

Between approximately 1967 and 1970, Scarfo was a part-owner of The Penguin Club, which was located on Atlantic Avenue, near Virginia Avenue, in Atlantic City. Scarfo’s partner in the bar was a friend of his named Thomas “Tommy Butch” Bucci, who was an associate of the Family. They operated the bar during the years that Leonetti was in high school. Leonetti knew about The Penguin Club from being around Scarfo and Bucci when they operated it and from talking to his uncle about it over the years.

Around the mid-1960s, Bucci moved from Philadelphia to Atlantic City, where he lived at several different rental properties over the years. At times, he lived with his grandmother on South Georgia Avenue, only a few houses away from the apartment building where Scarfo and Leonetti lived. Like Scarfo, Bucci operated

gambling and loanshark businesses in the Atlantic City area. While Scarfo was in the New Jersey State Prison at Yardville between the summer of 1971 and the summer of 1973, Bucci broke his ties to Scarfo. He told Scarfo that he wanted to be a “freelancer” and didn’t want to be affiliated with anyone anymore. Around the time that Scarfo got out of Yardville in the summer of 1973, Bucci moved back to Philadelphia. Scarfo and Leonetti later heard that Bucci began working with Funzie Marconi and his brother Marc Marconi in illegal activities after he moved back to Philadelphia. The Marconi brothers were both made members of the Family from Philadelphia. Scarfo and Leonetti also found out that Bucci became involved in drug trafficking sometime after he cut his ties to Scarfo. Bucci died around 1983 when Scarfo was at a federal prison in La Tuna, Texas, serving time for a firearms conviction.

The liquor license was held in the name of the associate, Thomas Bucci, from June 22, 1967, to July 15, 1971:

Scarfo and Bucci leased the building where The Penguin Club was located. Leonetti knew that Scarfo was not on the liquor license for the club because he had a criminal record, but was not certain about Bucci. Scarfo told Leonetti that he and Bucci had to pay off the police to keep The Penguin Club open because of the type of op-

eration that it was. When there got to be too much heat from the law, Scarfo and Bucci had to close the club down.

Alfredo Ferraro, who was an associate of the Family, worked as a janitor and watchman at The Penguin Club for Scarfo and Bucci. In 1977, Ferraro murdered Guiseppi “Pepe” Leva at Scarfo’s direction.

Leonetti described the nature of The Penguin Club when his uncle owned it:

The Penguin Club was a “bust out” bar where strippers worked the bar and tables and tried to hustle the male customers. The strippers sat and flirted with the customers and tried to get them to buy over-priced bottles of champaign and drinks.

On August 10, 1970, the license was suspended for 100 days on charges that the female entertainers solicited drinks from patrons. Bucci was represented in the matter by attorney Edwin H. Helfant.¹¹

* * * *

Over the course of approximately seven years, Scarfo held an undisclosed interest in The Haunted House in Atlantic City during two different periods — from September 1969 to June 29, 1972, and from June 29, 1972, to April 1, 1976. Woven throughout Leonetti’s statements about Scarfo’s concealed interest in the bar are accounts of murder, including that of then Municipal Court Judge Edwin H. Helfant.

According to Leonetti, Scarfo acquired The Haunted House from brothers Allison and Clifford Williams. The Williams brothers later developed extensive criminal records, including federal convictions for operating a major methamphetamine laboratory, were

charged in three execution-style murders, of which Allison was convicted, and were suspects in several other killings. According to Leonetti:

Cliff and Al Williams were brothers who were associates of the Family. The Williams brothers, especially Al, were friendly with Scarfo during the late 1960s and the 1970s. During the mid and late 1960s, Cliff and Al Williams owned The Haunted House, which was a bar on Pacific Avenue between California and Texas Avenues in Atlantic City. Leonetti knew about the ownership from conversations with Scarfo and the Williams brothers, but didn’t know who was on the liquor license.

Before Cliff and Al Williams became friendly with Scarfo in the late 1960s, they had been involved with Angelo Bruno and Frank Sindone. Bruno was the boss of the Family during that period and Sindone was a member. Some of the illegal activities that the Williams brothers were involved in were murder, drug trafficking, theft and bribery. Leonetti knew from many conversations with Cliff and Al Williams and Scarfo that the Williams brothers were responsible for a few murders.

The Williams brothers used 2705 Pacific Corp. as the front on the liquor license. The partners in the corporation were Allison Williams’ wife, Nancy Williams, Scarfo Family associate Richard “Dickie” Wells and a third individual. During the period that the Williams brothers owned the bar, Allison Williams owned the property.

Scarfo and Alvin Feldman, who was both a Family associate and Scarfo’s business associate, were the undisclosed owners of The Haunted House for a brief period of time. During that period, Feldman’s father owned the property. Because of criminal convictions, neither Scarfo nor his partner could hold a license. As a

¹¹Helfant’s relationship with Scarfo is detailed at pages 29 through 31, 33 and 34 of this report.

result, they continued the license under the name of 2705 Pacific Corp. Leonetti reported:

The first time that Scarfo had a hidden interest in the bar was from approximately 1969 until at least the fall of 1971.

Scarfo's first partner in The Haunted House was Alvin Feldman, who was also a hidden owner. Feldman, who was an associate of the Family, was a business associate of Scarfo's in the 1960s and early part of the 1970s. Scarfo and Feldman used The Haunted House as a meeting place to conduct their loansharking, gambling and other illegal activities. Although Leonetti knew that Scarfo and Feldman had a hidden interest in the business and liquor license, he didn't know whether they purchased or leased the building where the bar was located. Leonetti also did not know who fronted for them on the liquor license. Leonetti knew that Scarfo's and Feldman's names weren't on the license from hearing them talk about the bar. Leonetti indicated that Feldman and Scarfo both had criminal records and bad reputations which would have prohibited them from holding a liquor license.

Scarfo and Feldman sold their interest in The Haunted House not too long after Scarfo was incarcerated at the New Jersey State Prison at Yardville for refusing to testify before the New Jersey State Commission of Investigation. Scarfo was incarcerated from the summer of 1971 until the summer of 1973 for refusing to testify about his involvement in La Cosa Nostra. Leonetti graduated from high school the same summer that Scarfo was sent to Yardville. During that summer, Leonetti worked at The Haunted House checking identification and collecting cover charges at the door with Feldman.

. . .

In approximately 1972, Scarfo and

Feldman sold their interests in The Haunted House to an associate of the Family named Joseph "Cadillac Joe" Carey, who operated the bar until late 1976. During at least part of the time that Carey owned the bar, it was known as Harlow's Haunted House. The bar was the first disco in Atlantic City when disco music became popular. Carey's criminal associates included Scarfo, Feldman, Jake Rosen, Anthony "The Dog" DiPasquale, Dickie Wells, Al Williams and Cliff Williams. Carey had a very large loanshark business.

When Carey purchased the business, he also acquired the property.

Leonetti furnished the following background on Feldman:

Leonetti knew from his contact with Feldman that he was involved with Scarfo in loansharking, gambling, the sale of pornographic materials and the hidden ownership of The Haunted House. Scarfo also told Leonetti during many conversations over the years that Feldman was involved in arsons, bombings and murder. Feldman had many friends who were associates of the Family, including Anthony "The Dog" DiPasquale, Joseph "Cadillac Joe" Carey, Jack "Rocky" Rackover, Richard "Dickie" Wells, Judge Eddie Helfant, Al Williams, Cliff Williams, James "Jimmy" Parsells, Jake Rosen and Sammy Wise. Feldman was also friendly with Carl "Pappy" Ippolito, who was a member of the Family.

During the late 1960s and early 1970s, Scarfo and Feldman were partners in the operation of three Atlantic City book stores which sold pornographic materials. One of the book stores was on Atlantic Avenue near Chelfont Avenue, only a couple of doors away from the Stanley Restaurant. Another was located on Kentucky Avenue. A third store was

located on South Tennessee Avenue near Atlantic Avenue. Dickie Wells, who was a close associate of Scarfo's and also friendly with Feldman, worked in those stores for Scarfo and Feldman.

Scarfo's relationship with Feldman deteriorated to the point that Scarfo sought boss Angelo Bruno's permission to kill him. In reciting one of Scarfo's reasons, Leonetti narrated the events that also led to the murder of Edwin H. Helfant, an attorney and municipal court judge who was shot four times on February 15, 1978, for betraying the Scarfo Family:

Shortly before Scarfo's incarceration at the State Prison at Yardville, he received information that made him want to kill Feldman. Shortly before Scarfo was sent to Yardville, Scarfo told Leonetti that Dickie Wells found out that Feldman had a spare set of keys made for Scarfo's Cadillac when Feldman had recently borrowed the car. Wells told Scarfo and from that point on, Scarfo was extremely suspicious of Feldman because he felt that Feldman was going to try to kill him. Scarfo believed that Feldman wanted the keys to his car to plant a bomb in it. Scarfo knew that Feldman and Anthony "The Dog" DiPasquale were knowledgeable about explosives and had either killed or at least tried to kill people in the past with car bombs. Scarfo told Leonetti that Feldman had once paid DiPasquale to kill someone with a car bomb. Scarfo always wanted to kill DiPasquale, but never got around to it. He was suspicious of DiPasquale because of DiPasquale's relationship with Feldman and always figured that DiPasquale would have helped Feldman with any attempt to kill him. After Scarfo found out that Feldman had a set of keys made to his Cadillac, he went to see Angelo Bruno, the boss of the Family. He asked Bruno for permission to murder Feldman and Bruno agreed. Scarfo and Nicholas "Nick the Blade" Virgilio made a couple of attempts to kill Feldman in

front of the apartment building where Scarfo and Leonetti lived on North Georgia Avenue in Atlantic City, but were unsuccessful. Virgilio was an associate of the Family at the time, but he was later inducted into La Cosa Nostra by Scarfo.

Scarfo's other reason for wanting to kill Feldman occurred not long after Scarfo went away to Yardville. Feldman and Eddie Helfant had double-crossed Scarfo concerning a criminal case that Scarfo was attempting to get fixed for Nicholas Virgilio. Helfant, who was an attorney with offices in Atlantic City, was a municipal court judge in Somers Point. Helfant was an associate of the Family who was friendly with Scarfo and many of his criminal associates.

In approximately 1970, Virgilio shot a man to death on the corner of Sovereign and Atlantic Avenues in Atlantic City. He killed him in front of two Atlantic City policemen who were in an unmarked police car. Virgilio told Leonetti that he was drunk when he saw the man standing on the corner and that he crossed the street and shot him with a handgun. Virgilio killed him because he was always beating up his step-daughter, who Virgilio was dating. Virgilio used the defense that the killing was in self-defense. He said that the man attacked him, that the man's gun fell on the ground, and that he picked up the gun and shot the man because he kept hitting him.

After Virgilio was charged, Scarfo went to see Helfant about fixing the case, because Helfant had been involved in fixing cases before. Sometime after Scarfo approached him, Helfant told Scarfo that he knew the Superior Court judge who had Virgilio's case and that he would be able to get the judge to go easy on Virgilio at sentencing. Helfant also told Scarfo that it would be necessary to pay off the judge. Helfant claimed that he could arrange for the

judge to give Virgilio a light sentence of only about two to three years if Scarfo came up with about \$6,000 for Helfant to pay off the judge.

Scarfo, Leonetti and Virgilio raised about \$4,000 of the \$6,000 in pay-off money by taking up a collection from their associates who were friendly with them. Leonetti got another \$2,000 from Virgilio's brother. After the money was collected, Leonetti delivered it to Helfant.

After paying the money to Helfant, Scarfo and Leonetti expected a light sentence for Virgilio. However, the judge sentenced Virgilio to twelve to fifteen years. Virgilio was sentenced not long after Scarfo was incarcerated at Yardville in the summer of 1971. When Scarfo found out that Virgilio received such a long prison term, he was extremely angry. Soon after Virgilio's sentencing, Scarfo found out from Dickie Wells that Helfant and Feldman had split the pay-off money between themselves and had not passed it on to the judge. Helfant and Feldman were very friendly. This betrayal made Scarfo want to kill Feldman even more. Scarfo also decided that he wanted Helfant killed.

Scarfo was in Yardville for about two years. During that time, he was housed in the same section of the prison as Angelo Bruno. Bruno was also at Yardville for refusing to testify before the State Commission of Investigation. While they were there, Scarfo constantly complained to Bruno about Feldman and asked Bruno to have Feldman killed. Bruno agreed.

Feldman was murdered in 1974 after a long delay. The hold-up occurred because Feldman had borrowed about \$60,000 from Carl "Pappy" Ippolito and it took awhile for Ippolito to get his money back. Ippolito, who was a member of the Family from the Trenton, N.J., area,

wanted to make certain that he got his money before Feldman was killed.

Feldman was murdered by Santo Idone, Joseph Scalleat, Frank "Chickie" Narducci and Joseph "Chickie" Ciancaglini. All were La Cosa Nostra members in the Family at the time except for Ciancaglini who was made later. Scalleat set up Feldman by telling him that he wanted Feldman to look over a warehouse that he wanted torched. Scalleat used that excuse because it seemed like a logical request since Feldman was an arsonist. Feldman was picked up by Scalleat at a location where Feldman was living with a girlfriend named Rene. Idone, Narducci and Ciancaglini were waiting at the warehouse for Feldman and Scalleat to arrive. Once Feldman and Scalleat got there, Idone grabbed and held Feldman while Narducci started stabbing him with an ice pick. Narducci stabbed Idone accidentally in the arm and Idone couldn't hold onto Feldman. When Feldman broke free, he started to run away, but Ciancaglini caught him and Narducci finished stabbing him. Feldman's body was buried and, as far as Leonetti knew, has never been found. Leonetti didn't know where the warehouse was located or where Feldman was buried.

Right after Feldman was killed, Frank Sindone took Scarfo and Leonetti aside at Frank's Cabana Steaks at 10th Street and Moyamensing Avenue in south Philadelphia and told them about Feldman's murder. Sindone was a member of the Family who was involved in loansharking and gambling. He used Frank's Cabana Steaks as his headquarters to conduct illegal activities. Sindone knew that Scarfo would be happy to hear about Feldman's death. Sindone learned about Feldman's murder from Joseph "Chickie" Ciancaglini, who was under Sindone at the time. Even though Leonetti wasn't made then, Sindone

described Feldman's murder to Scarfo in Leonetti's presence because Sindone knew how close Leonetti was with Scarfo and that Leonetti could be trusted. As time went on, Leonetti learned more about the Feldman murder from Scarfo.

Scarfo decided to wait to have Helfant killed until after "Nick the Blade" Virgilio was released from prison so that Virgilio could have the personal satisfaction of murdering him, since he double-crossed Virgilio. Virgilio was released from prison in approximately 1977.

Helfant was murdered in early 1978, about a year after Virgilio was released from prison. Scarfo, Virgilio and Leonetti were involved in the murder and its planning. Virgilio shot Helfant to death in the bar of a motel that Helfant owned. Helfant's motel was known as the Flamingo Motel, which was located on Pacific Avenue, near Chelsea Avenue, in Atlantic City. Virgilio wore a ski mask and carried a snow shovel when he shot Helfant. He used the ski mask and shovel to disguise himself and blend into the area. There had been a large snow storm just before the murder. After Virgilio shot Helfant, he ran to a get-away car driven by Scarfo and they left the area. Leonetti provided the snow shovel to Virgilio. Leonetti also helped plan the route that Virgilio used to and from the murder scene, which they took a dry run of prior to the murder. The Flamingo Motel was used because they knew that Helfant was at the bar every night and also because they knew the area and felt safe killing him there. John "Johnny" Palumbo, who was an associate of the Family, provided them with the handgun that Virgilio used to shoot Helfant.

Scarfo asked Angelo Bruno for permission to kill Helfant only about a week before he was killed. Scarfo did that because he liked to show Bruno that when he had a job to do, he got

it done quickly. Scarfo did the same thing when he got Bruno's permission to murder Guiseppi "Pepe" Leva and Louis DeMarco. DeMarco was shot to death in Atlantic City by Vincent Falcone and Leonetti in 1976 because he was robbing the offices of bookmakers who worked for Frank "Chickie" Narducci in Philadelphia.

The Helfant murder was one of the crimes that Scarfo and Virgilio were convicted of in the 1988 federal RICO trial that resulted in convictions for Scarfo, Virgilio, Leonetti and several other members of the Family. Leonetti wasn't charged with Helfant's murder because the government didn't have enough evidence at the time. Leonetti admitted to his involvement in Helfant's murder when he began cooperating with the federal government.

Leonetti described Helfant as "*an associate of the Family*":

Helfant was close not only with Scarfo, but also with several associates of the Family, including Leonetti, Alvin Feldman, Harold Garber and "Stumpy" Orman, who was a former big-time . . . racketeer from Atlantic City. Leonetti knew from talking to Scarfo that Helfant had been involved in fixing court cases, illegal gambling and fixing horse races.

Helfant owned horses and the Green Lantern Stables, which, Leonetti believed, was located in the Atlantic County area. Helfant was involved in fixing races at the Atlantic City Race Course during the late 1960s and early 1970s. When Helfant fixed a race, he let Scarfo know in advance what the winning horse would be so that Scarfo could go to the track and bet on that horse.

When Scarfo obtained a hidden ownership interest in The Haunted House for the second time, his partners were an attorney, Harold Garber, and a liquor

salesman, Alvin Lippman, both Family associates. Because Lippman's solicitor's permit barred him from holding a retail liquor license, Garber held the license in the name of 781-AIG Corp. Garber also purchased the property. The bar was re-named Harold's Haunted House. Scarfo, Garber and Lippman acquired the bar after their interest in opening a restaurant and bar at the Deptford Mall had been discouraged by boss Angelo Bruno:

In approximately 1975 or 1976, Scarfo, Harold Garber and Alvin Lippman attempted to operate a restaurant and bar at the Deptford Mall in Deptford, N.J., but the Family boss, Angelo Bruno, told Scarfo not to. Shortly after Bruno turned down Scarfo's idea, Sy Hoeflich and Sonny Gutin opened the Deptford Tavern at the same location.

. . .

After Bruno stopped them from opening a bar at the Deptford Mall, Scarfo, Garber and Lippman found out that "Cadillac Joe" Carey was interested in selling Harlow's Haunted House. In 1976, sometime before the casino gambling referendum passed in November, Scarfo, Garber and Lippman agreed to purchase Harlow's Haunted House from Carey for a certain amount of money. Leonetti was not sure of the amount.

After casino gambling passed, Carey went to Scarfo and said that he wanted more than the original sale price because the bar was worth more after casino gambling passed. A dispute developed and a sit-down was needed to settle the matter.

The sit-down took place in Philadelphia in 1976 and was attended by Bruno, Scarfo and Carey. Scarfo and Leonetti made the trip from Atlantic City to Philadelphia for the sit-down, but Leonetti did not participate in the discussion. After the sit-down, Scarfo told Leonetti that Bruno had sided with him and had told Carey that he had to accept the original sale price.

Scarfo, Garber and Lippman paid Carey around \$150,000 for the liquor license, business and building. They were equal partners, with each holding a one-third interest, but Garber and Lippman "fronted" for Scarfo's interest on the liquor license and property. Scarfo could not be on the liquor license because of his bad reputation and criminal record and because he couldn't show enough legitimate income to make the purchase. Leonetti learned these things from conversations with Scarfo, Garber and Lippman.

After Scarfo, Garber and Lippman purchased the bar, they changed the name from Harlow's Haunted House to Harold's Haunted House. Vincent Falcone and Leonetti worked at the bar as managers. They rotated the nights that they worked there.

When it came time to open Harold's Haunted House, Scarfo, Garber and Lippman had to stock the bar, but instead of purchasing the liquor, they stole it. Lippman, who was a liquor salesman at the time, took Garber, Falcone and Leonetti to an Atlantic City liquor store where they got cases of alcohol. They cleared out almost the entire store of some kinds of liquor. After taking what they wanted, they just left without paying the owner. Lippman had told them before he took them there that they were not going to pay for the liquor. Over the years, they all joked about how they just took the liquor. After the incident, Leonetti saw the owner of the store around the Atlantic City area once or twice, but he never said anything to Leonetti. Leonetti has forgotten the owner's name.

Scarfo's second ownership interest in the bar was also of brief duration:

Scarfo, Garber and Lippman had Harold's Haunted House for only about a year. They sold the liquor license, business and building for

about \$175,000 to an individual from the Atlantic City area named "Johnny Patches." Scarfo told Leonetti that he, Garber and Lippman made about \$30,000 over what they paid for Harold's Haunted House and that they split the \$30,000 equally.

Leonetti revealed the disreputable character of Scarfo's two partners:

Garber was a good friend and attorney of Scarfo's and Leonetti's during the 1970s and 1980s. He was also an associate of the Family who was "with" Scarfo. He represented several other members and associates of the Family and was friendly with many of them. During the years that he was involved with Scarfo and Leonetti, he was involved in theft, obstructing justice, the unethical practice of law and "fronting" for Scarfo on a liquor license. In the mid-1980s, Garber was suspended from practicing law because he represented a state witness in the case charging Leonetti with the murder of Guiseppe "Peppe" Leva in 1977, after previously representing Leonetti in a couple of cases.

Alvin Lippman was an associate of the Family who was "with" Scarfo. Leonetti had been friendly with Lippman for about ten years or so and Scarfo had been friendly with him even longer. Lippman was a former liquor salesman who later became a real estate broker. Scarfo got to know Lippman through Harold Garber. During the years that Leonetti knew him, he was involved in the theft of liquor with Leonetti and others and in the "fronting" of a liquor license for Scarfo. In the mid-1980s, Scarfo had Kenny Shapiro, who was a real estate developer and associate of the Family, steer his Atlantic City-area real estate deals to Alvin Lippman for Lippman to get the commissions from the sale of the properties. Lippman then kicked back approximately 20

percent of each commission to Scarfo and Leonetti. Lippman used to give Leonetti the money and Leonetti passed it on to Scarfo. Scarfo and Leonetti split the money, but Scarfo kept Leonetti's half for him. Scarfo and Leonetti made about \$100,000 from this arrangement. Lippman gave Scarfo and Leonetti the kick-backs because Scarfo arranged for him to get Shapiro's business and because he was "with" Scarfo.

Garber assisted Scarfo in an attempt to suborn the perjury of a witness against Judge Helfant, who was himself indicted in January 1973 for obstructing justice, misconduct in office, false swearing and conspiracy:

In the 1970s, Scarfo and Harold Garber tried to help Judge Helfant beat a criminal case. In the early 1970s, Judge Helfant was indicted in New Jersey for attempting to fix a court case for a man named Johnny Cantoni. Cantoni and another man involved in the case, named Shelly Kravitz, wound up cooperating and testifying against Judge Helfant. The case dragged on for a long time before it went to trial in early 1978. Helfant was on trial at the time that Scarfo, "Nick the Blade" Virgilio and Leonetti killed him.

Sometime in 1976, Helfant asked Scarfo if he and Garber would try to get Shelly Kravitz to recant his statements against Helfant in order to weaken the case. Scarfo agreed and he and Garber flew to Atlanta, where Kravitz had moved after he began cooperating. Scarfo agreed to help Helfant even though Scarfo knew at that point that he would probably kill Helfant in a few years for what he had done to Nicholas Virgilio. Scarfo told Leonetti that it would be a good idea to try and help Helfant because law enforcement authorities might not look at Scarfo so hard as a suspect in Helfant's murder when they determined that Scarfo had played a part in getting Kravitz to recant in order

to help Helfant.

In Atlanta, Garber met with Kravitz at a bar or restaurant. They sat at a table and Garber tried to convince Kravitz to change what he had said earlier about Helfant. Scarfo sat at a nearby table. In order to intimidate Kravitz during their conversation, Garber pointed to Scarfo and indicated that Scarfo was concerned about Helfant and would not be pleased if he was convicted. The intimidation worked because Kravitz gave Garber a statement that recanted his earlier statement implicating Helfant. To make it seem like Scarfo didn't plan the trip just to intimidate Kravitz, Scarfo and Garber said that Scarfo went to keep Garber company because either his wife or girlfriend didn't want to go. Scarfo and Garber discussed with Leonetti what happened with Kravitz many times.

When the prosecutors found out that Kravitz recanted and that Scarfo had made the trip to Atlanta, they called Scarfo before a state grand jury in Trenton to ask him questions about what had happened in Atlanta. However, Scarfo refused to testify even after a judge ordered him to. He was then held in contempt and incarcerated in the Mercer County Jail for about two weeks. When Scarfo was incarcerated, the Family boss, Angelo Bruno, went to the apartment where Leonetti was living and told Leonetti... [who would] represent Scarfo. That took place in the summer of 1976, around the time that Harold's Haunted House opened for business. During the time that Scarfo was in jail, Vincent Falcone and Leonetti made several trips to visit Scarfo. After Scarfo was in prison for about two weeks, he testified before the grand jury, but didn't say anything that hurt anyone. He testified only after getting permission from Bruno. No charges were ever brought against Scarfo or Garber. In early 1978, about a year and a half

after Scarfo appeared before the grand jury, Judge Helfant went on trial. Before the trial began, Kravitz agreed to testify to what he originally told law enforcement authorities about Helfant. Both Kravitz and Johnny Cantoni testified for the prosecution, but Virgilio killed Helfant before the trial ended.

Garber also proved instrumental to Scarfo when he represented him in the Vincent Falcone murder case. After Scarfo's arrest for the murder in December 1979 and his release on bail the following month, his travel was restricted to Atlantic County. Garber concocted an argument that won Scarfo court approval to travel outside of Atlantic County. Leonetti explained why the bail condition was onerous for Scarfo and Garber's ruse to circumvent it:

In December of 1979, Leonetti shot Vincent Falcone to death in Margate. Scarfo and Lawrence Merlino also took part in the murder. About a week after the killing, Scarfo, Leonetti and Merlino were arrested for Falcone's murder and held in the Atlantic County Jail. They remained in jail for about two weeks until they made bail....

Scarfo, Leonetti and Merlino were out on bail from January of 1980 until their acquittal in early October of that year. As a condition of bail, they were not allowed to leave Atlantic County. That became a problem for them because in March of 1980, the Family boss, Angelo Bruno, was murdered. Because of Bruno's murder, there was a lot going on in the Family and it was important for Scarfo to meet with the underboss, Philip Testa, and other members of the Family. Many of them lived in Philadelphia and other places that were outside the area where Scarfo, Leonetti and Merlino were allowed to travel. Another reason why the restriction on their travel became a problem was because Testa was having Scarfo go to New York to meet with La Cosa Nostra members for him. Testa did

that because Scarfo had developed a lot of contacts with New York La Cosa Nostra members over the years. Testa sent Scarfo to New York to push for Testa to become the new boss of the Family. Scarfo also had to go to New York to meet with representatives of the Commission of La Cosa Nostra, which was investigating Bruno's unsanctioned killing. The Commission representatives had Scarfo help them to try and find out who in the Family murdered Bruno so that they could be killed....

Harold Garber, who represented Scarfo in the Falcone murder case, developed ways to get around the bail restriction. Garber gave the court false reasons why Scarfo, Leonetti and Merlino had to travel outside of Atlantic County. He told the court that they needed to meet with investigators and attorneys, such as Bobby Simone in Philadelphia, to prepare their defense. Simone represented Merlino. They often used that excuse when they had to meet with La Cosa Nostra members and associates outside of Atlantic County. However, there were also occasions when they had to attend important Family meetings when they did not have Garber arrange an excuse because they did not want to run the risk of law enforcement authorities finding out where they were going and following them.

To make Scarfo's trips to New York appear legitimate, Garber set up a scheme with an attorney in New York City. Garber arranged for the attorney to have Scarfo sign some kind of document to indicate that Scarfo had been at the attorney's office each time he needed to go to New York. When Scarfo made the trips to the attorney's office, he left right after signing the document and then attended the meetings with other La Cosa Nostra members. Garber made some of these trips to New York with Scarfo.

Garber and Lippman also acquired an interest in another bar, the Purple Villa, in Egg Harbor Township (Atlantic County). They became 50% partners with the owner in approximately the beginning of 1974. Lippman's solicitor's permit again precluded him from appearing in the records of ownership. In February 1975, the license was transferred to Scarfo Family associate Andrew Cornaglia. Garber and Lippman did not include Scarfo in the bar's ownership. According to Leonetti:

During the early to mid-1970s, Harold Garber and Alvin Lippman also owned the Purple Villa, a bar located on the Longport-Somers Point Boulevard in Egg Harbor Township. Garber and Lippman struck a business deal with a man named Don Dunleavy for them to operate the Purple Villa. Leonetti did not remember any of the specifics of the deal. Before Garber and Lippman opened the Purple Villa, Dunleavy operated a bar at the same site which was known as The Mug. Leonetti knew that Garber and Lippman owned the Purple Villa from conversations he had with Scarfo, Garber, Lippman and Dunleavy.

Scarfo was upset with Garber and Lippman because they didn't include him in their Purple Villa plans. He let them know that he was angry about being left out.

Garber and Lippman operated the Purple Villa for only about a year or two. Andrew Cornaglia bought the business and building and operated the bar under the name of Mother's for a few years.¹²

In May 1990, Garber, Lippman, who was no longer a liquor salesman, and a third individual acquired a retail distribution liquor license to operate A.C. Discount Liquors, a liquor store at 1098 Albany Avenue in Atlantic City. In June 1992, Garber and Lippman became sole owners of the license. In the summer of 1992, Garber and Lippman individually filed for bankruptcy.

¹²Mother's appears at pages 76 and 77 of this report.

in frequent and close contact with numerous Bruno/Scarfo Family members and associates, including bosses Angelo Bruno and Nicodemo Scarfo. Nevertheless, Blavat was able to obtain a liquor license in March 1974 under the corporate name of New Gold, Inc., and open a night club called Memories in Margate City (Atlantic County). The initial background investigation for Blavat's purchase of the license was conducted by the municipality, which also approved the renewal of his license every year thereafter. Despite the Commission's extensive information on Blavat, which was released during the 1992 public hearing and provided to the municipality, the Council of Margate City nevertheless chose to renew Blavat's liquor license in July 1992, July 1993 and July 1994. The Commission also provided the information, as well as extensive supporting documentation acquired during its investigation, to the Division of Alcoholic Beverage Control [ABC]. To date, no charges have been filed against the licensee.

Leonetti knew Jerry Blavat very well. He painted a chilling picture of "the Geator" meeting with Nicodemo Scarfo at regular Sunday meetings at Scarfo's Atlantic City apartment, entreating Scarfo for favors to promote his career, bestowing favors upon Scarfo, eagerly fulfilling requests by Scarfo to benefit other La Cosa Nostra members and associates, engaging in loanshark activities, and even discussing murder with Scarfo. Blavat not only provided assistance in the planning of an intended "hit," but also requested Scarfo to eliminate a competitor. Leonetti's declarations demonstrate Blavat's successful intermingling of his careers in both the entertainment industry and organized crime.

Leonetti labelled Blavat "an associate of the Scarfo Family of La Cosa Nostra":

Blavat was directly accountable to Nicodemo Scarfo from the spring of 1981, when Scarfo became the boss of the Family, until at least June of 1989, when Leonetti began cooperating with federal law enforcement authorities. During that time, Blavat was "with" Scarfo. Although Blavat wasn't "with" Scarfo until he became the boss of the Family, they had known each other since approximately the mid-1970s. Before Scarfo, Blavat was "with" Philip Testa and, before that, Angelo Bruno. From the mid-1970s until Leonetti began cooperating, Leonetti knew Blavat to be the owner of a night club in

Margate, N.J., known as Memories. Leonetti knew this from direct conversation with Blavat.

Memories

Certain responsibilities devolved upon Blavat because he was "with" Scarfo. They included Scarfo's expectation that Blavat pay tribute for his Memories operation:

In 1981, shortly after becoming the boss, Scarfo sent Leonetti and Scarfo Family associate Saul Kane, on separate occasions, to inform Blavat that he had to give Scarfo a \$500 payment every week during the summer months when Memories was open full time for business. This was a tribute payment. After Leonetti and Kane spoke to Blavat, Scarfo called Blavat to his apartment at 26 North Georgia Avenue in Atlantic City and, in Leonetti's presence, told Blavat that he would have to make payments for the privilege of being "with" Scarfo. Scarfo stated that he didn't know how Angelo Bruno and Philip Testa dealt with Blavat, but if Blavat wanted to be associated with Scarfo, he would have to show his gratitude. Scarfo explained that if Blavat liked the idea of being under his protection, wanted favors done and wished to use Scarfo's name and reputation in his travels, then Blavat would have to pay the \$500 a week in tribute.

Scarfo also informed Blavat:

"I don't live on oxygen alone. I need money."

Leonetti detailed Blavat's payments to Scarfo:

Blavat began making the weekly payments of \$500 for Memories in the summer of 1981 and made them for at least eight years. He normally

gave the money to Scarfo at Scarfo's Atlantic City apartment on Sundays when he visited Scarfo and Leonetti. The three of them met at Scarfo's apartment on most Sundays of the year. Blavat continued making the payments in the same manner during the summer of 1982 until approximately August of that year, when Scarfo began serving a federal prison sentence for illegally possessing a handgun. For the remainder of the summer of 1982 and the entire summer of 1983, while Scarfo was in prison, Leonetti collected the tribute from Blavat every week at Memories.

When Leonetti made the collections during Scarfo's incarceration, Blavat sometimes turned over less than the required \$500:

When Scarfo was in prison and Leonetti was collecting the payments from Blavat during the summers of 1982 and 1983, Blavat "shorted" Leonetti on a couple of occasions. Instead of the required \$500, Blavat gave Leonetti only about \$350. On these few instances, Leonetti asked Blavat why the full payment was not made. Blavat told Leonetti that he took the weekly payments out of the cover charge fees collected from patrons at Memories and blamed payments of less than \$500 on reductions in the fees because of low attendance.

Following Scarfo's release from prison in January 1984,

Blavat again started making the payments personally to him at the Sunday meetings at Scarfo's apartment. The payments continued to be made in this fashion during the summers of 1984, 1985 and 1986.

During the summers of 1987 and 1988, when both Scarfo and Leonetti were incarcerated in the Philadelphia prison system on federal and state charges,

Scarfo assigned the collection of Blavat's tribute payments to his son, Nicky. Scarfo's son recorded Blavat's payments on collection sheets that he presented to his father and Leonetti during prison visits:

From viewing and discussing the collection sheets, Leonetti knew that Blavat continued to make the weekly \$500 tribute payments during the summers of 1987 and 1988 and that Nicky collected the money from Blavat.

Leonetti revealed that Scarfo expected more than weekly summer payments from Blavat's Memories operation:

In approximately 1985, Scarfo decided that if Blavat ever sold Memories, he wanted a third of the profit from the sale. Scarfo used the same method to notify Blavat about his interest in a share of the profit from a sale of Memories that he used when he notified Blavat of the \$500 weekly tribute payment. Scarfo first sent Family associate Saul Kane to tell Blavat what he wanted and later sent Leonetti. Scarfo often used this method to plant a seed in someone's mind or to determine if someone objected to his plan. Shortly after Saul Kane and Leonetti had contacted Blavat, Scarfo told Blavat in person that he wanted a third of the profit if Memories was ever sold. Scarfo's conversation with Blavat took place at Scarfo's apartment in Leonetti's presence.

Scarfo also exacted weekly payments from Blavat when he operated Memories West, a night club featuring Blavat and his "oldies" program at the Betsy Ross Inn in Pennsauken (Camden County). Memories West was open from the spring of 1986 to the fall of 1987. The owner of the hotel was a close associate of Genovese/Gigante Family member Anthony "Fat Tony" Salerno. Leonetti related to the Commission:

In approximately 1985, Blavat

opened a night club, called Memories West, in the Camden County area. Leonetti was present at different times at Scarfo's Atlantic City apartment when Scarfo, Blavat and Leonetti discussed Memories West. Blavat rented space for Memories West from Edward "Biff" Halloran, who owned the hotel where the club was located. Blavat, who was friendly with Halloran, told Scarfo and Leonetti that when he was in Manhattan, he occasionally met with Halloran at the Doral Inn. Blavat informed Scarfo and Leonetti that Halloran was close to Anthony "Fat Tony" Salerno, a high-ranking La Cosa Nostra member in the Genovese Family. Leonetti did not know Halloran and did not believe that Scarfo did either.

Normally, Blavat gave Scarfo a portion of each week's profits from Memories West. The amount of money varied from week to week. When Blavat handed the money to Scarfo, he often remarked whether it was a good or bad week in terms of profits. Blavat always passed the payments directly to Scarfo, usually at the weekly Sunday meetings at Scarfo's Atlantic City apartment.

Blavat informed Scarfo and Leonetti, during one of their conversations, that he and Halloran were having a financial disagreement over the operation of Memories West at Halloran's hotel. Leonetti did not know the specifics of the disagreement.

According to Leonetti, it was Blavat who informed Scarfo and him that

Halloran and Anthony "Fat Tony" Salerno were indicted in New York on federal racketeering charges involving the concrete industry. Halloran was a concrete supplier in New York.

* * * *

Because Blavat was a trusted associate of Scarfo's, Scarfo and other Family members and associates felt comfortable in his night club not only to socialize, but also to discuss their illegal activities. Those who frequented Memories provided a "who's who" of organized crime figures of the Scarfo Family:

Scarfo and Leonetti, as well as other members and associates of the Scarfo Family, used Memories as a place to socialize. While there, they often discussed their criminal activities. Among the La Cosa Nostra members of the Scarfo Family that Leonetti saw at Blavat's bar, over the years, were Lawrence "Yogi" Merlino, Salvatore "Salvie" Testa, Joseph "Joey Pung" Pungitore, Anthony "Tony" Pungitore, Jr., Thomas "Tommy Del" DelGiorno, Francis "Faffy" Iannarella, Salvatore "Wayne" Grande, Joseph "Joey" Grande, Charles "Charlie White" Iannece, Salvatore "Chuckie" Merlino, Joseph Ligambi, Nicholas "Nick the Blade" Virgilio, Philip Narducci, Frank Narducci, Jr., Eugene Milano and Nicholas "The Whip" Milano. Leonetti also used to see associates of the Scarfo Family there, including Salvatore "Chuckie" Merlino's son, Joseph "Joey" Merlino, Saul Kane, Ralph Pungitore, Rick Casale, Phillip "Moe" McFillin, Martin Angelina and the sons of Steve Traitz, Joe and Stevie.

. . .

When Scarfo was the boss, he socialized at Memories approximately ten nights a summer, except when he was in prison. At times during the summers, Scarfo also visited Blavat at his night club during the day when it wasn't open to the public. Leonetti went to Memories at least one, and often two, nights a week during the summer. Any time that Scarfo went there, Leonetti always accompanied him. Scarfo and Leonetti always visited with Blavat whenever either or both of them were there.

During the rest of the year, Memories was closed during the week, although Blavat usually opened it on most weekends. During the off-season, Leonetti didn't go there as often as in the summer, but he did go approximately one night of every other weekend. Scarfo only went there occasionally during the off-season and if he did, it was always with Leonetti.

When Scarfo patronized Memories, he did not have to pay for his drinks:

During all the years that Scarfo went to Memories, Blavat always made sure that Scarfo was not charged for drinks. Leonetti paid for his drinks because he ran a bar tab because he bought a lot of drinks for friends.

Blavat clearly enjoyed the nature of his clientele:

Blavat never tried to hide the fact that Memories was frequented by members and associates of the Scarfo Family. He often took photographs of the patrons at Memories, had them developed as slides and showed them inside the night club when the music was playing. Blavat included in the slide show pictures of Scarfo, Leonetti and other Family members and associates.

However, Blavat was not pleased with the fist-fights that broke out between his organized crime customers and the other patrons and constantly sought Scarfo's assistance to restrain them:

Scarfo also helped Blavat by controlling members and associates of the Scarfo Family who caused disturbances and fights while frequenting Memories. Among the members and associates involved in fights at Memories were Salvatore "Wayne" Grande, Martin Angelina, Salvatore

"Chuckie" Merlino, his son Joseph "Joey" Merlino and Leonetti. Scarfo also minimized the fights and property damage occasionally caused by Margate roofing contractor Rick Casale and his workers and friends. Scarfo was able to do that because of the influence he had over Casale, who was an associate of the Scarfo Family.

Following disturbances at Memories, when Blavat knew that the troublemakers were associated with Scarfo, Blavat went to see Scarfo at his apartment to complain about them. During the period that Scarfo was boss, Blavat complained about Casale or his people approximately four times and about Scarfo Family members and other associates about 15 times. Scarfo usually sent word to the people involved in a fight or disturbance that he was not pleased with their conduct. However, on a couple of occasions, Scarfo told Blavat to forget about the incident. Blavat told Scarfo and Leonetti that he was fearful of losing his liquor license if word got out that a lot of Scarfo's people were involved in fights at his night club.

* * * *

It was not uncommon for Scarfo to find legitimate employment for the members and associates of his Family. In one case, Scarfo found work at Memories for Family member Sam Scafidi, who died in October 1990. At Scarfo's request, Blavat employed Scafidi, and later Scafidi's son-in-law, not only at Memories, but also at some of his night club acts at other locations. However, Blavat knowingly placed his liquor license in jeopardy when he hired Sam Scafidi, who had criminal convictions. Regulations promulgated by the ABC prohibit employment of convicted felons on licensed premises and require suspension of the licensee when such employment is discovered. Leonetti reported:

Either shortly before Scarfo went to prison in August of 1982 or soon after he was released in January of 1984, Samuel "Sam" Scafidi visited

Scarfo at his apartment and, in Leonetti's presence, asked Scarfo to help him find a job. Scafidi was a La Cosa Nostra member in the Scarfo Family who lived in the Bridgeton, N.J., area. When Leonetti was made a captain in May or June of 1981, Scafidi was one of the members of the Family that was assigned to Leonetti. In January of 1986, when Leonetti was elevated to underboss, he officially had to give up Scafidi and the other members that were assigned to him as a captain because the underboss is technically prohibited from having his own crew. Scafidi was then assigned to Scarfo, who formed his own crew. However, unofficially, Scafidi continued to be accountable to Leonetti because Scarfo had Leonetti handle his crew. Scafidi's father, Joseph Scafidi, who was also from the Bridgeton area, was at one time a captain in the Family. Joseph Scafidi was "taken down" as a captain by Scarfo around May or June of 1981 because he was very old. Scarfo made Leonetti a captain when he took Joseph Scafidi down and Scafidi then reported to Leonetti until his death in the mid-1980s.

After Samuel Scafidi saw Scarfo about a job, Scarfo asked Blavat to hire him at Memories. Scarfo informed Blavat that Scafidi had a criminal record, which meant that Scafidi wasn't permitted to work at a place with a liquor license. Blavat said that Scafidi's record would not be a problem and agreed to give him a job at Memories. Scarfo's conversation with Blavat took place at Scarfo's Atlantic City apartment in Leonetti's presence. Scafidi became a doorman and floor manager, collecting cover charges and directing bouncers. Scafidi told Leonetti that Blavat paid him \$100 in cash each time he worked at Memories. Scafidi had been convicted of gambling many years before he began working at Memories. Also, Blavat employed Scafidi at Memories even though he had been convicted of state perjury

charges, in approximately 1983 or 1984, as a result of lying before a New Jersey state grand jury about an assault that involved Family associates Salvatore "Torre" Scafidi and Joseph "Joey" Merlino, whose father was the Family underboss at the time. The assault took place at an Atlantic City bar known as the Lido Restaurant, where Samuel Scafidi was employed at the time. Scafidi was still working at Memories when Leonetti went to prison in early 1987.

Some time in the mid-1980s, after Scarfo got Scafidi his job at Memories, Scafidi went to Scarfo's apartment with his son-in-law, John Hansen, and asked Scarfo to help Hansen get a job because he was unemployed. At Scarfo's direction, Leonetti later asked Blavat to give Hansen a job, which Blavat did. Scarfo and Leonetti used to see Scafidi and Hansen working at Memories. Leonetti saw Hansen acting as a bouncer and helping Scafidi collect cover charges at the door.

. . .

Both Blavat and Samuel Scafidi told Leonetti that Scafidi also worked for Blavat at Memories West in the same capacity as he did at Memories in Margate, N.J.

Scafidi also asked Scarfo to secure membership for his son-in-law in Roofers Local 30. Scarfo's control of the union insured Hansen's membership:

On another occasion in the mid-1980s, Scafidi brought Hansen to Scarfo's Atlantic City apartment and, in Leonetti's presence, asked Scarfo if he could arrange for Hansen to become a member of Roofers Local 30. At Scarfo's direction, Leonetti contacted Family associate Saul Kane within a few days, gave him Hansen's name and asked him to arrange with Steve Traitz to make Hansen a member of Local 30. Kane later informed Leonetti that Traitz made Hansen a

member and arranged work for him.

In relating these events, Leonetti recalled the following:

In June of 1982, Leonetti attended Hansen's wedding reception, which, Leonetti believed, was held at a Moose Lodge in Bridgeton, N.J. The reception was on the same day that Scarfo held a making ceremony to induct Anthony "Tony Meats" Ferrante and Nicholas "Nick the Blade" Virgilio into La Cosa Nostra. During the induction ceremony, Scarfo announced that his uncle, and Leonetti's great uncle, Nicholas "Nicky Buck" Piccolo, was now the Family's consigliere. The Family's previous consigliere, Frank Monte, had been killed by a rival faction in the Family. The making ceremony was held at a house belonging to an uncle of Robert "Toro" Locicero in or near Vineland, N.J. Locicero was an associate of the Family. Leonetti, Lawrence "Yogi" Merlino, Virgilio and others attended Hansen's reception. They travelled from the making ceremony to Hansen's reception in Bridgeton. Scarfo did not attend the reception because it was outside of Atlantic County. At the time, Scarfo's travel was limited to Atlantic County as a condition of bail following his firearms conviction.

The Benefits for Blavat

Blavat benefitted greatly from his close alliance with Scarfo and his payment of tribute. Leonetti offered the following example of the variegated favors that Scarfo bestowed upon Blavat:

In approximately 1981 or 1982, Scarfo arranged for Blavat to work as a disc jockey at the Deptford Tavern, which was located in the

Deptford Mall in Deptford, N.J. The Deptford Tavern was owned by Sy Hoeflich and Sonny Gutin, who were associates of the Family. Scarfo asked Hoeflich to give Blavat the job as a favor to Scarfo. Scarfo made the request after Blavat asked him to do so. Leonetti was not certain how long Blavat worked at the Deptford Tavern, but recalled seeing Blavat perform there on at least a couple of occasions.

Leonetti cited three significant benefits that inured to Blavat because of his relationship with Scarfo. One advantage was

the recognition that he derived from being so closely associated with Scarfo. When Blavat travelled locally or to cities such as New York City, everybody knew that he was "with" Scarfo and, as a result, he was treated with respect. Blavat used to mention Scarfo's name to people that he wanted to impress.

The second advantage described by Leonetti related to Blavat's Memories operation:

Another major benefit that Blavat received from making the payments was that Scarfo insured that Local 54 of the Bartenders and Hotel Workers Union in Atlantic City did not unionize Memories. Scarfo was able to keep Local 54 out of Blavat's bar because he controlled the union.

The third benefit, and one that enhanced Blavat's career and profits, pertained to "Blavat's use of Scarfo's contacts in La Cosa Nostra." The first example given by Leonetti illustrated the depth of Blavat's relationship with Scarfo, as well as the interaction between the Scarfo Family and the Genovese/Gigante Family:

In the early 1980s, Blavat wanted to produce an "oldies" record album featuring the famous songs of past rock and roll artists. To do this,

Blavat needed releases from the artists, giving him permission to use their songs on his album. Blavat contacted Morris Levy, a major recording industry executive in New York, for assistance in obtaining the releases. Levy was an associate of the Genovese Family of La Cosa Nostra who was "with" Vincent "The Chin" Gigante. Levy told Blavat that he could not help him obtain the releases unless Levy had the approval of "The Chin." Gigante, who lived in New York City, was the boss of the Genovese Family. After Levy refused Blavat's request, Blavat went to Scarfo's apartment and, in Leonetti's presence, told Scarfo what Levy had said. Blavat then asked Scarfo to pave the way with "The Chin." Scarfo agreed and relayed a request to "The Chin" through Scarfo Family captain Ralph "Blackie" Napoli and Genovese Family consigliere Bobby Manna. Napoli and Manna both resided in northern New Jersey. At the time, Napoli was the captain who oversaw the Family's northern New Jersey crew. Scarfo knew both Manna and Napoli well because they had all served time in the same section of the State Prison at Yardville in the early 1970s for refusing to testify before the New Jersey State Commission of Investigation.

Scarfo was notified through Manna and Napoli that "The Chin" approved Scarfo's request and directed that Levy assist Blavat in obtaining the releases. In addition, "The Chin" demanded that Blavat give Scarfo one half of any profits from the sale of the record. "The Chin" insisted on a split of the proceeds as a gesture of respect and friendship towards Scarfo.

After Scarfo received the message from "The Chin," he informed Blavat that "The Chin" approved the idea and told him to contact Levy again. Levy then helped Blavat obtain the releases and the record was produced.

In 1987 or 1988, while in the Philadelphia prison system, Leonetti read that Levy had been convicted of federal racketeering charges in a case involving the recording industry.

According to Leonetti, Blavat knew the extent of Scarfo's assistance in facilitating production of the record. His recounting of events also evinced Blavat's familiarity with the nicknames of organized crime figures:

Blavat was completely aware of the steps taken in obtaining the blessing of "The Chin" because he participated in conversations about the matter with Scarfo and Leonetti at Scarfo's Atlantic City apartment. Whenever Scarfo, Leonetti or any of their associates wanted to mention "The Chin," the person tugged on his chin instead of taking the chance of being overheard saying his name. It was a code that everyone used when referring to "The Chin," including Blavat.

Following production of the record, Blavat made a second request of Scarfo and, this time, Scarfo utilized his union contacts to fulfill it:

After the record was produced, Blavat went to Scarfo's apartment to give Scarfo and Leonetti a few copies of it. Blavat then asked Scarfo for another favor. He asked Scarfo to arrange for labor unions under Scarfo's control to purchase the records to sell to their memberships as a way of increasing record sales. Scarfo agreed to help Blavat and told Frank Gerace, who was president of Local 54, to purchase a large quantity of records to sell to Local 54's members. Scarfo told Gerace to buy the records during a meeting in Lillian Gerace's apartment at 26 North Georgia Avenue, Atlantic City. Leonetti was also present at the meeting. Lillian Gerace was Frank Gerace's mother...

Gerace did not balk at purchasing Blavat's "oldies" records because he did whatever Scarfo told him to do. Blavat told Scarfo and Leonetti that he delivered the records to the offices of Local 54 in Atlantic City for Gerace to purchase.

Scarfo also had Steve Traitz, the head of Local 30 of the Roofers Union, purchase a large number of records. This was arranged through Leonetti meeting with Family associate Saul Kane and directing him to deliver the message to Traitz. Kane was often used by Scarfo and Leonetti to get messages to Traitz. Kane later told Leonetti that he delivered the message and that Traitz did not object to buying the records. Blavat later told Scarfo and Leonetti that he had dropped off the records at the Philadelphia headquarters of Roofers Local 30 for Traitz's members to purchase. Traitz was an associate of the Family who was directly "with" Scarfo. Through Traitz, Scarfo was able to control not only Local 30, but also other trade unions that Traitz had influence over.

As instructed, Blavat shared with Scarfo the profits from the sale of his "oldies" record:

At some point after the record had been on the market for awhile, Blavat met with Scarfo and gave him approximately \$10,000 in cash, which Blavat said was Scarfo's share of the profits from the record. Blavat gave the money to Scarfo, in Leonetti's presence, in the kitchen of Scarfo's apartment.

Leonetti related a second incident that demonstrated not only Blavat's favorable use of Scarfo's position, but also his successful integration of a music career with his involvement in organized crime. As a result of Blavat's intervention, the Strawberries chain of record stores, was able to open a store on Chestnut Street in Philadelphia in June 1986. Blavat became instrumental in facilitating the rehabilitation of the building where

Strawberries was located when he solicited and obtained Scarfo's assistance on behalf of an associate of the Genovese/Gigante Family. Scarfo's control over Roofers Local 30 was critical to the building's renovation. The incident, which revealed Scarfo's hidden ownership of a construction company, also illustrated the interplay between Scarfo and the Genovese/Gigante Family:

In 1986, Blavat went to Scarfo's apartment to see Scarfo and Leonetti about a matter that involved the Genovese La Cosa Nostra Family. He brought blueprints from a building on Chestnut Street in Philadelphia that was going to be rehabilitated. Blavat informed Scarfo and Leonetti that he had been in contact with Morris Levy in New York City and that Levy wanted to rehabilitate the building to open a record store known as Strawberries. Levy owned a chain of record stores under that name. Blavat said that Levy gave him the blueprints to give to Scarfo and Leonetti. Blavat also informed Scarfo and Leonetti that Levy would make sure that they got the concrete work for the project if they wanted it. Scarfo and Leonetti owned a concrete finishing business known as Scarf, Inc., which did work in the southern New Jersey and Philadelphia area. Levy also had Blavat ask Scarfo and Leonetti to see to it that there was no union involvement in the Strawberries project in order to keep construction costs down. Blavat informed Scarfo and Leonetti that Levy wanted them to know that Vincent "The Chin" Gigante was aware of the situation and had approved everything. The conversation was another instance where Scarfo, Leonetti and Blavat met in Scarfo's kitchen and protected their conversation by lowering their voices and playing two televisions and a radio loudly. It was also another instance where Scarfo, Leonetti and Blavat tugged on their chins when they referred to "The Chin" instead of speaking his name.

Shortly after Blavat's visit, Scarfo

and Leonetti drove to Manhattan to meet with Bobby Manna in order to discuss the Levy matter and confirm that "The Chin" had given his approval. Scarfo and Leonetti met with Manna and his driver on the corner of 59th Street and Second Avenue. Leonetti and Manna's driver were not present for the conversation between Scarfo and Manna. However, as soon as Scarfo and Leonetti left, Scarfo related the conversation to Leonetti. Scarfo discussed with Manna, who indicated that he was familiar with the situation, the fact that Blavat had relayed Levy's message to Scarfo and Leonetti and brought them the blueprints. Manna said that Levy's request concerning the unions was legitimate and that "The Chin" had given his approval.

Just prior to the start of the Strawberries construction project, Levy became upset because he felt that many of the subcontractors were charging too much. As a result, Triangle Builders, Inc., completed much of the work. Scarfo, Leonetti and Scarfo Family associate John "Johnny" Palumbo each had a one-third interest in Triangle Builders, Inc., although Palumbo was the owner of record. Scarfo and Leonetti owned 50 percent of the business and Palumbo owned 50 percent. Palumbo "fronted" the business for Scarfo and Leonetti. Scarf, Inc., completed the concrete work on the project. Scarfo and Leonetti each owned 50 percent of Scarf, Inc., although Scarfo's interest was hidden.

Scarfo and Leonetti made sure that the unions were kept away from the Strawberries project. At Scarfo's direction, Leonetti arranged that by meeting with Family associate Saul Kane in the Atlantic City area. Leonetti directed Kane to tell the head of Roofers Local 30, Steve Traitz, that there was to be no union involvement on the job. After Kane contacted Traitz, Kane and Leonetti again met in the Atlantic City area.

Kane advised Leonetti that Traitz assured him that he would contact other unions and that there would be no unions on the Strawberries project.

Scarfo usually had Leonetti deliver messages to Saul Kane in order to limit the occasions when Scarfo and Kane were seen together. Scarfo knew that he was under constant surveillance by law enforcement authorities and didn't want to bring any more attention than necessary to Kane or himself. Also, there were periods when Kane and Scarfo were forbidden from seeing each other because of bail and parole restrictions. Kane met with Leonetti at many different places in the Atlantic City area in order to relay messages to Scarfo.

Once the Strawberries job was completed, Levy refused to pay Triangle Builders, Inc., the remaining \$5,000 or so. In an attempt to get the money from Levy, Scarfo and Leonetti made another trip to Manhattan to meet with Bobby Manna. Scarfo and Leonetti again met Manna and his driver on the corner of 59th Street and Second Avenue. As before, Leonetti and Manna's driver were not part of the discussion between Manna and Scarfo, but Scarfo informed Leonetti about the conversation after they left. Scarfo explained the situation to Manna, but Manna told Scarfo to forget about the money that Levy owed. Scarfo and Leonetti became even more angry at Levy as a result of that meeting. It was obvious to them from Manna's position that Levy must have lied to Manna about the money and that Manna believed Levy.

In May 1987, Morris Levy, a Genovese/Gigante associate, was convicted in a federal RICO case of conspiracy to extort \$1.25 million from a Pennsylvania wholesale record distributor and, in October 1988, was sentenced to 10 years in prison. Also convicted was Genovese/Gigante member Dominick "Baldy Dom" Canterino. Morris Levy sold Strawberries Records in

June 1989. The Chestnut Street location is still open.

The Benefits for Scarfo

Just as Scarfo wielded his position and power in organized crime to benefit Blavat, Blavat utilized his stature and contacts in the entertainment world to assist Scarfo. One example presented by Leonetti was Blavat's arrangement of a hotel suite at a considerable discount whenever Scarfo visited New York City:

On a few occasions during the period when Scarfo was boss, Blavat obtained a two-bedroom suite for him at a discounted rate at the Doral Inn at 49th Street and Lexington Avenue in Manhattan. With the discount, Scarfo paid only about \$100 a night for the suite. Whenever Scarfo travelled to New York City and used the suite, Leonetti was with him. On a few occasions, Lawrence "Yogi" Merlino accompanied them.

Blavat told Scarfo and Leonetti that he used a contact at the hotel to obtain the discount. Blavat offered to get the suite for Scarfo any time that he wanted. He did that as a favor to Scarfo because he was "with" Scarfo. Blavat informed Scarfo and Leonetti that he also received the discount whenever he stayed at the Doral Inn.

Blavat also utilized his contacts in the entertainment industry to enable Scarfo to grant a favor requested by Joseph "Joe Black" Gorgone, a member of the Colombo Family. According to Leonetti, "Gorgone resided in New York City, where he was involved in gambling and loansharking." The incident exemplified the interaction of La Cosa Nostra families. Leonetti's account began with background information on how he and Scarfo were introduced to Gorgone and the relationship that developed:

In January of 1986, while Scarfo and Leonetti were vacationing at Scarfo's Fort Lauderdale home, they had

lunch at The Diplomat Resort and Country Club in Hollywood, Florida, with Joseph Todaro, Todaro's son and Joseph "Joe Black" Gorgone. Joseph Todaro was the boss of the La Cosa Nostra Family in the Buffalo, N.Y., area and Gorgone was a member of the Colombo Family of La Cosa Nostra. Joseph Todaro introduced Scarfo and Leonetti to Gorgone at that lunch, which occurred on the day that the space shuttle exploded in Florida.

From the time of their introduction to Gorgone until they were incarcerated in early 1987, Scarfo and Leonetti frequently socialized with Gorgone. Scarfo, Leonetti and other members and associates of the Family met with Gorgone in various places, including Fort Lauderdale, Philadelphia, New York City and the Atlantic City area.

Leonetti reported that "Blavat was one of the associates of the Scarfo Family that became friendly with Gorgone." In fact, "Scarfo and Leonetti took Gorgone to visit Blavat at Memories on a couple of occasions."

Leonetti then related the request that Gorgone made of Scarfo and Blavat's role in its fulfillment:

During 1986, Gorgone asked Scarfo, in Leonetti's presence, if Scarfo had any contacts to help his son get a job in a New York City stagehand union. Gorgone said that Vincent "The Chin" Gigante usually got his son a job with the stagehand union when his son needed work, but he didn't want to ask Gigante for help this time because of a minor disagreement. Gorgone informed Scarfo and Leonetti that he and Gigante were usually on very good terms and had been friendly since their youth.

After Gorgone asked for Scarfo's help, Scarfo and Leonetti asked Blavat if he had any contacts in the

entertainment industry to get Gorgone's son into the stagehand union. Blavat indicated that he did. Scarfo told Blavat that, before Blavat arranged a job, he wanted to touch base with "The Chin" to make sure it was alright. Scarfo didn't want to take a chance of going over Gigante's head if there was some reason why Gigante didn't want to help Gorgone. Because of this concern, Scarfo had Gorgone get the approval of "The Chin."

After Gorgone informed Scarfo that he had received approval from "The Chin," Scarfo talked to Blavat in Leonetti's presence at Scarfo's apartment. Scarfo informed Blavat that "The Chin" gave his approval and that Blavat could now go ahead and arrange a job. Blavat was successful in getting a job for Gorgone's son. Gorgone was impressed that Blavat had the necessary contacts to do that and let Blavat know how much he appreciated his efforts.

* * * *

Blavat assisted Scarfo in other ways, too. When Scarfo decided to purchase a house in Florida, he demonstrated his financial ability to do so with the aid of Blavat and others:

Soon after his release from federal prison in January of 1984, Scarfo decided that he wanted to buy a house in Florida. He hoped to spend much of the winter in Florida and the remainder of the year in Atlantic City. Blavat, along with several other members and associates of the Scarfo Family, helped with a scheme that made it possible for Scarfo to purchase an expensive home in Florida.

The events leading to Scarfo's purchase of the Florida house revealed another example of the use of fronts by organized crime:

In early 1984, not long after Scarfo was released from prison, Leonetti travelled to the Fort Lauderdale area of Florida with Scarfo Family member Salvatore "Salvie" Testa to visit "Stumpy" Orman. Orman was an old-time Atlantic City racketeer who retired to Florida. After visiting with Orman, Leonetti and Testa were driven to the airport for a return flight to Philadelphia by Jake Rosen, a loanshark who had been friends with Orman for years. Because Leonetti and Testa had some time before their flight left, Rosen showed them a beautiful Fort Lauderdale residence that Rosen owned and was interested in selling.

When Leonetti returned, he told Scarfo that Rosen's residence was for sale and how nice it was. Scarfo subsequently made a trip to Florida to look at houses, including Rosen's, during 1984. He may have been accompanied by underboss Salvatore "Chuckie" Merlino. Scarfo was so impressed with Rosen's house that he began negotiations with Rosen to purchase it.

When Scarfo was negotiating with Rosen, he learned that even though Rosen actually owned the house, it was in the name of real estate businessman Leonard Mercer. Mercer acted as a front for Rosen because, as a loanshark, Rosen was not able to demonstrate sufficient legal income to own it. Rosen and Mercer were both associates of the Scarfo Family.

In the summer of 1985, Scarfo bought the house from Rosen for approximately \$450,000 in cash. Leonetti delivered a large bag containing the cash to Rosen outside of a restaurant, known as Dear's Place, in the Margate Towers on Atlantic Avenue in Margate, N.J. When Rosen pulled up to the restaurant in a car, Leonetti handed him the bag and

Rosen drove off. The cash that was used to purchase the Florida house came from illegal activities of the Scarfo Family. Scarfo called the Florida house "Casablanca South" and had a plaque with this name put on the front of the house.

Assisted by his attorney Robert Simone, Scarfo then crafted a scheme to establish a trail of "legitimate" income to support the purchase:

Even though Scarfo actually bought the house, it was impossible for him to document the purchase due to his lack of legitimate income. Scarfo knew that he would have a problem showing where he got the money to buy the house if law enforcement authorities investigated the deal. As a result, Scarfo came up with a scheme to make it appear as though he could legally afford to purchase the house. Scarfo had his attorney, Robert "Bobby" Simone, who was an associate of the Family directly accountable to Scarfo, draw up the necessary documents. In the summer of 1985, Scarfo had Simone create a corporation known as Casablanca South Leasing Company, Inc., which was controlled by Scarfo. Around the same time, Simone drew up a lease-purchase agreement, which called for Casablanca South Leasing Company, Inc., to purchase the house from Rosen's "front," Leonard Mercer. The lease-purchase agreement was a sham used to create the appearance that Scarfo was purchasing the house from Mercer. To make it seem as though the company had the funds to make monthly lease-purchase payments and operate the house, two steps were taken. First, \$50,000 was borrowed from Scarfo Family associate Robert "Bobby" Stone to show that the company had operating funds. Scarfo later returned most, if not all, of the money to Stone. Then, to show that the company was generating income, Scarfo had several individuals act as though they were

paying the company a yearly rental fee of \$12,000 for use of the house and a boat. These individuals gave Scarfo checks made payable to Casablanca South Leasing Company, Inc., and received the cash back from Scarfo. The checks were then deposited by Scarfo or Leonetti into the company checking account.

Blavat was one of the individuals who gave Scarfo a \$12,000 check for the yearly rental fee and was subsequently given back that amount in cash. Others who took part in the scheme were Scarfo Family associates Anthony "Tony" DiSalvo, Tyrone DeNittis, Peter Pelullo and Robert "McGoo" McGowan. Both DiSalvo and McGowan were loansharks. Nicholas "Nicky Crow" Caramandi, a Scarfo Family member who later became a government witness, got...the owner of a Philadelphia luncheonette ...to provide a check. Pasquale "Patty Specs" Martirano, who at the time was the captain of the northern New Jersey branch of the Scarfo Family, got Scarfo Family associates Joseph "Scoops" Licata and Nicholas Olivieri to furnish checks for the scheme. In 1986, Scarfo inducted Licata into La Cosa Nostra. Phillip "Moe" McFillin, who was also called "Phil Disney" and was an associate of the Family, got Joseph "Joe Seaside" Rocco, another associate of the Family, to provide a check. Rocco's family owned pizza parlors at the New Jersey shore around Seaside. McFillin and Rocco were good friends. They were involved in illegal gambling together and began operating a sports betting business in the Philadelphia area in the late 1970s. They were still operating it when Leonetti was incarcerated in April of 1987. Rocco used the code name "Sugar" for the bookmaking business. Scarfo never made McFillin and Rocco pay any shake-down payments because McFillin was "with" Scarfo. Besides being a bookmaker,

Rocco was also a school teacher in Philadelphia. McFillin and Rocco visited Scarfo and Leonetti at Scarfo's Florida house on a few occasions during 1985 and 1986. One of the last times that Leonetti talked to Rocco was at Christine Lee's, a restaurant and bar where La Cosa Nostra members and associates used to meet and socialize. Christine Lee's was located in the Thunderbird Hotel around Hallandale, Florida.

With the financial purchase of the house documented, Scarfo endeavored to create the appropriate appearance:

Scarfo wanted those who acted as renters to appear at the house from time to time because he knew law enforcement authorities had the house under surveillance. Scarfo thought that if their presence at the house was documented, the rental scheme would seem more believable. Blavat and some of the other renters visited the house for that reason. Most individuals who visited Scarfo, including the renters, visited during the day, but slept at nearby hotels. Blavat, who visited Scarfo at the house on a few occasions, actually slept there once or twice.

Within a few days of New Year's Day in 1986, Scarfo held a New Year's party at the Florida house for his Family. Blavat was among the guests invited by Scarfo:

A few days after New Year's Day of 1986, Scarfo threw a New Year's party at his Florida home. Blavat attended the party and socialized with the other guests. He also stayed overnight at the house on the night of the party. La Cosa Nostra members of the Scarfo Family who attended the party included Leonetti, Salvatore "Chuckie" Merlino, Joseph Grande, Francis "Faffy" Iannarella, Charles "Charlie White" Iannece, Joseph

"Joey Pung" Pungitore, Salvatore "Wayne" Grande, Thomas "Tommy Del" DelGiorno and Lawrence "Yogi" Merlino. Also in attendance at the party were Scarfo Family associates Nicholas "The Whip" Milano, Philip Narducci, Ralph "Junior" Staino and Anthony "Tony" Pungitore, Jr. At the time of the party, these three were not yet members of the Scarfo Family, but were inducted by Scarfo into La Cosa Nostra later that year. Other Scarfo Family associates at the party included Joseph "Joey" Merlino, Saul Kane, Tyrone DeNittis, Sy Hoeflich, Salvatore "Sam the Barber" LaRussa, Phillip "Moe" McFillin, Robert "Bobby" Stone and Anthony "Spike" DiGregorio.

* * * *

Scarfo again called upon Blavat when he wanted to acquire a boat. He solicited Blavat to front in the purchase of a 40-foot Silverton. Whereas Scarfo was unable to substantiate legitimate income for the boat's purchase, Blavat was able to do so:

During the latter half of 1984 and the beginning of 1985, Scarfo was interested in purchasing a boat. Scarfo and Leonetti visited boat dealerships in New Jersey and Florida. While Scarfo was in Florida to look for a house, Anthony "Tumac" Accetturo took Scarfo and Leonetti shopping for a boat. Accetturo, who was a member of the Lucchese Family of La Cosa Nostra, resided in Hollywood, Florida, at the time.

In the spring of 1985, Blavat allowed Scarfo to use him as a front in the purchase of a boat. Blavat was used for this purpose because he could substantiate enough income to purchase a boat, while Scarfo could show little legitimate income.

In approximately May of 1985, Scarfo and Leonetti travelled to Stevens Cruiser Sales in Bricktown,

N.J., to look at boats. Scarfo liked a 1985, 40-foot Silverton, with a list price of approximately \$107,000. A few days later, Scarfo, Blavat and Leonetti returned to the boat dealership to discuss the details of the purchase. Blavat gave the salesman the impression that he was making the purchase.

As with the purchase of the house in Florida, Scarfo shrewdly cloaked the financing of the boat in an appearance of legitimacy:

Shortly after that, at Scarfo's apartment, Scarfo gave Blavat approximately \$35,000 in cash to use as a down payment towards the purchase of the boat. Blavat then made a down payment of approximately \$35,000 by check. The money for the down payment came from illegal activities of the Scarfo Family.

The balance of the purchase price was financed through a loan which Blavat arranged with a bank. The loan payments were about \$800 a month. Usually, Scarfo gave Blavat the cash for the loan payment and Blavat paid the bank. Payment of the loan was normally handled in this way for several months from the time of the boat's purchase until some time after Casablanca South Leasing Company, Inc., was created.

...

Some time in late 1985 or early 1986, after Casablanca South Leasing Company, Inc., had been created, Scarfo and his company entered into a lease-purchase agreement to buy the boat. Scarfo had Casablanca South Leasing Company, Inc., assume the monthly payments on the boat loan that Blavat had arranged. Scarfo felt that his company could document enough bogus income at that point to afford the purchase of a boat. From then on, Scarfo usually had checks issued from the checking

account of Casablanca South Leasing Company, Inc., directly to Blavat, who used the money to make the monthly boat payments. Payment of the boat loan was normally handled in this fashion from about the time that the lease-purchase agreement was created until Scarfo and Leonetti entered the Philadelphia prison system in early 1987.

Leonetti knew from conversations with Scarfo that Scarfo paid the majority of the monthly boat payments from the time the boat was purchased until Scarfo and Leonetti were incarcerated in early 1987. However, Blavat did make some of the monthly boat payments out of his own pocket.

Scarfo and Blavat met at various locations to pass the cash and checks for the boat. The exchanges often took place at the Sunday meetings that Scarfo, Leonetti and Blavat held at Scarfo's Atlantic City apartment, but also occurred at Scarfo's Florida residence a few times. Leonetti personally observed the transactions.

Scarfo undertook all necessary steps to reinforce the appearance that Blavat purchased and owned the boat:

After Blavat acted as the front in the purchase of the boat, he and Scarfo took steps to continue the appearance that Blavat owned it. The boat was registered with the State of New Jersey under Blavat's name and Blavat's nickname, "Geator," was painted on the back of the boat. Also, a slip was rented under Blavat's name at Farley State Marina in Atlantic City, N.J., where the boat was first kept during the spring and summer of 1985. Scarfo told Blavat that if law enforcement authorities asked about the boat, to tell them that Blavat owned it and that Leonetti piloted it for Blavat because Leonetti was the only one who knew how to operate it. Scarfo also said that if Blavat was

asked why Scarfo, Leonetti and their friends spent so much time on the boat, Blavat was to say that he let them use the boat as a favor because Leonetti piloted the boat for Blavat whenever Blavat wanted.

Leonetti also disclosed the movement of the boat and the reason for its change of name:

When the boat was first purchased in May or June of 1985, James "Dukie" Dilemno drove Leonetti and Lawrence "Yogi" Merlino from Atlantic City to Stevens Cruiser Sales in Bricktown to pick up the boat. Leonetti and Merlino, together with a hired captain, then took it to Farley State Marina in Atlantic City. The boat was kept there during the summer of 1985, when Scarfo changed the name of the boat to "Casablanca" because he didn't like the sound of the original name, "Geator." Underneath the name Casablanca, Scarfo had painted "Usual Suspects." In the fall of 1985, Leonetti paid a captain to pilot the boat to Scarfo's Fort Lauderdale residence, where it remained until Scarfo and Leonetti were imprisoned in early 1987. Not long after their incarceration, the bank repossessed the boat.

Scarfo's name for both the Florida house and his boat stemmed from his penchant for the movie *Casablanca*:

Because Scarfo liked the movie Casablanca, he named his Florida house "Casablanca South" and his boat "Casablanca." On the back of the boat, under the name "Casablanca," Scarfo had "Usual Suspects" painted, which referred to the line in the movie, "Round up the usual suspects." Scarfo liked that phrase because it reminded Scarfo of himself and Leonetti, who were suspects in so many crimes.

Blavat's Loanshark Activities

When Blavat wanted to go into the loanshark business with the grandson of Angelo Bruno, he requested and received Scarfo's permission:

Once, while Scarfo and Leonetti were at Memories in the early 1980s, Blavat asked Scarfo if it would be alright for him and Angelo Bruno's grandson, Marc Puppo, to go into the loanshark business. Blavat had become friendly with Puppo as a result of Blavat's relationship with Angelo Bruno. The conversation occurred after Scarfo became boss in March of 1981 and before he went to federal prison for a firearms conviction in August of 1982. Blavat explained to Scarfo and Leonetti that Puppo and another individual were involved in a loanshark business and that Puppo was in a position to take over the entire business. Blavat said that Puppo had asked him to become a partner in the business. Puppo was present at Memories when Blavat was speaking to us, but did not participate in the conversation. At the time, Puppo was young and may have been only in his late teens or early twenties.

Scarfo told Blavat that it would be alright for him to become partners with Puppo, but that he was to oversee Puppo's loanshark activity. Scarfo also told Blavat that Puppo, Blavat and Scarfo were each to receive one third of the profits from the loanshark business. After obtaining Scarfo's approval, Puppo and Blavat did engage in loansharking. Leonetti was present at Scarfo's apartment on a few occasions when Blavat discussed his loanshark business and gave Scarfo his share of the profits.

Talk of Murder

Leonetti related three episodes when Blavat participated in conversations with Scarfo about killing people. The first concerned the murder of Scarfo Family associate Frank "Frankie Flowers" D'Alfonso, who was targeted by Scarfo because of his refusal to show loyalty by paying street tax. Leonetti recited Blavat's offer to Scarfo to set up D'Alfonso for a beating. In doing so, he again exposed Scarfo's predilection toward murder and the protocol followed by La Cosa Nostra families:

Within a month or two of becoming the boss, Scarfo sent Scarfo Family consigliere Frank Monte to tell Frank "Frankie Flowers" D'Alfonso that Scarfo wanted a portion of D'Alfonso's profits from his business interests. D'Alfonso, who was friendly with Blavat, was an associate of the Scarfo Family. Scarfo knew that D'Alfonso was a moneymaker who had been close with Angelo Bruno. Scarfo thought that Monte might be able to get D'Alfonso to make extortion payments to Scarfo because Monte and D'Alfonso had known each other for many years, but D'Alfonso resisted. D'Alfonso kept making excuses, even after Scarfo had Monte make additional trips in an attempt to persuade him to make the payments.

By the fall of 1981, Scarfo decided that he wanted D'Alfonso killed for ignoring his demand.

Before killing D'Alfonso, Scarfo sought the approval of the boss of the Genovese/Gigante Family because of the potential impact of D'Alfonso's death on a member of that Family:

Scarfo and Leonetti travelled to New York City to discuss the matter with Bobby Manna. Scarfo explained the situation to Manna and informed him that he wanted to have D'Alfonso killed. Manna told Scarfo to first give

D'Alfonso a beating to try to convince him to pay attention to Scarfo. Instead of immediately killing D'Alfonso, Scarfo discussed the matter with Manna because D'Alfonso was partners with Genovese Family member "Benny Eggs" Mangano in carnival amusement games at the annual Feast of San Gennaro in the Little Italy section of Manhattan. Soon after Scarfo and Leonetti returned from meeting with Manna, Scarfo held a meeting in the Atlantic City area and assigned Salvatore "Salvie" Testa to give a beating to D'Alfonso. The meeting was attended by Scarfo Family members Salvatore "Chuckie" Merlino, Lawrence "Yogi" Merlino, Joseph "Chickie" Ciancaglini, Scarfo, Testa and Leonetti.

However, Blavat unwittingly interfered with Testa's attempts to inflict the beating:

After tracking D'Alfonso for only a few days, Testa contacted Scarfo and informed him, in Leonetti's presence, that Blavat was making it difficult for Testa to beat up D'Alfonso. Testa told Scarfo that Blavat was getting in the way because he was always with D'Alfonso. D'Alfonso did business from an office, which used to be a flower shop, located near the Italian Market in south Philadelphia.

As a result, Scarfo spoke with Blavat:

After receiving Testa's information about Blavat, Scarfo called Blavat to his Atlantic City apartment, where Scarfo and Leonetti spoke to him. Scarfo told Blavat that he was trying to have D'Alfonso beaten and that Blavat was getting in the way. Scarfo instructed Blavat to stay away from D'Alfonso. When Scarfo explained the situation to Blavat, Blavat offered to set up D'Alfonso for the beating. Blavat said that he could "walk" D'Alfonso some place where it would

be easy for Scarfo's people to beat him. Scarfo turned down Blavat's offer and told Blavat to just stay away from D'Alfonso because Scarfo already had people working on it.

Blavat apparently complied with Scarfo's order to avoid D'Alfonso and the beating was administered:

In October of 1981, a few weeks after Scarfo and Leonetti met with Manna, Salvatore Testa and a friend of his, Eugene "Gino" Milano, severely beat D'Alfonso a short distance from D'Alfonso's residence. At the time of the beating, Milano was an associate of the Scarfo Family. In January of 1982, a few months after the beating, Milano was inducted into La Cosa Nostra by Scarfo. Within a few days of the beating, Testa travelled to the Atlantic City area to report to Scarfo and Leonetti about the beating. Among other things, Testa told them that he used a baseball bat and Milano used a metal pipe or bar.

About six months after the beating, Scarfo called for D'Alfonso to meet with him. D'Alfonso and Frank "Blinky" Palermo travelled to Margate, N.J., where they met with Scarfo, Leonetti and underboss Salvatore "Chuckie" Merlino at a restaurant. Scarfo and Merlino told D'Alfonso that, in the future, they wanted a portion of the profits from all the business deals he became involved in. During the meeting, D'Alfonso stated that he wasn't sure what caused his injuries, but thought that he had been hit by a truck. D'Alfonso said that to let Scarfo, Leonetti and Merlino know that he had not said anything to law enforcement authorities about the beating.

Although D'Alfonso initially yielded to the mes-

sage delivered by the beating, he failed to make regular payments to Scarfo and Scarfo once again sought to have him killed. This time, however, the Genovese/Gigante Family approved the "hit":

Some time during the year after the beating, D'Alfonso turned over \$50,000 in cash to Scarfo. Scarfo told Leonetti that the \$50,000 came from D'Alfonso's profits from setting up the showing of a closed-circuit telecast of the World Heavy Weight Championship fight between Gerry Cooney and Larry Holmes.

After D'Alfonso gave Scarfo the \$50,000, he never turned over any more money to Scarfo. By the middle of 1985, Scarfo was so angered by the D'Alfonso matter that he again decided to have D'Alfonso killed. Scarfo and Leonetti again travelled to New York City to see Manna. Scarfo explained that D'Alfonso had not given Scarfo any more money since D'Alfonso turned over the \$50,000 two or three years earlier and that Scarfo was tired of not receiving respect from D'Alfonso. Manna told Scarfo that he didn't object to the killing. Manna also said that he would advise "Benny Eggs" Mangano of the situation and have him wrap up his business dealings with D'Alfonso. Shortly after he and Leonetti returned, Scarfo made plans to have D'Alfonso murdered. D'Alfonso was shot to death near his south Philadelphia home in July of 1985.¹⁴

* * * *

Blavat also discussed a killing with Scarfo when he requested the murder of a competing Philadelphia disc jockey:

During the year following Scarfo's release from prison in January of

¹⁴On April 5, 1989, six Scarfo members and associates were convicted for their involvement in D'Alfonso's murder. The convictions were overturned on appeal and a re-trial is scheduled. Leonetti is expected to testify.

1984, Blavat went to Scarfo's apartment on at least two occasions to complain about Philadelphia disc jockey Hy Lit. Leonetti was present at Scarfo's apartment during these conversations. The first time that Blavat went to Scarfo, Blavat complained that Lit was taking business away from him by competing with Blavat's rock and roll "oldies" business and radio show and asked Scarfo to have Lit killed. Scarfo told Blavat that he was "crazy" and that he couldn't just kill Lit because Lit was competing with Blavat. Blavat then asked if Scarfo could have Lit beaten. Scarfo didn't want to do that either, so he put Blavat off by telling him that he wanted to think about Blavat's request and learn more about the situation.

Within a couple of months of asking Scarfo to kill Lit, there was at least one other time, at Scarfo's apartment, when Blavat brought up the Lit situation. On that occasion, Blavat told Scarfo and Leonetti that he and Marc Puppo were considering damaging a car or other property owned by Lit.

* * * *

The final incident concerned Scarfo's plan to kill Kenneth Shapiro, a Family associate, Philadelphia businessman and owner of an Atlantic City real estate development company. Shapiro was targeted in the 1982-1983 federal probe of the activities of then Atlantic City Mayor Michael J. Matthews. When Shapiro was subpoenaed before a federal grand jury, Scarfo dispatched Blavat to warn him against implicating the Scarfo Family in his prior dealings with Matthews. When Scarfo feared that Shapiro was going to cooperate with the federal government, he plotted his murder with Blavat's assistance. Leonetti set the stage for Shapiro's early involvement with Matthews:

In late 1981 or early 1982, Local 54 president Frank Gerace sent word for Scarfo and Leonetti to meet him at his mother's Atlantic City apartment. There, Gerace told Scarfo and Leonetti that he had been contacted

by Michael Matthews, who advised him that he wanted to run for mayor of Atlantic City. Matthews informed Gerace that if the Scarfo Family provided him with campaign financing and support, he would assist the Family if elected. Scarfo thought that it was an idea that would pay off in the future. Scarfo told Gerace to do whatever he could at Local 54 to support Matthews' run for mayor. He also told Gerace to meet with Matthews and tell him to contact Kenneth "Kenny" Shapiro, who would provide Matthews with money and support. Shapiro, an associate of the Scarfo Family, was a businessman from Philadelphia and the owner of a real estate development company, known as Sea Tex Associates, on Atlantic Avenue in Atlantic City. Gerace told Scarfo and Leonetti that he would get Local 54 to endorse Matthews for mayor and would arrange for the union to pay for campaign materials, such as signs and flyers. Gerace also said that he could have the union hold a rally or parade for Matthews.

Scarfo delegated Leonetti to make the appropriate arrangements with Shapiro:

The day after Scarfo and Leonetti met with Gerace, Scarfo sent Leonetti to meet with Shapiro at Sea Tex Associates and explain the situation to him. Leonetti told Shapiro that Matthews would be contacting him and that Scarfo wanted Shapiro to provide Matthews with financial assistance and any other help that he needed. Leonetti explained to Shapiro that Matthews had agreed to help the Scarfo Family if he got elected and that if Matthews was elected, the Scarfo Family could make a big score and influence things like city contracts, zoning and land deals. Shapiro was in full agreement. After speaking to Shapiro, Leonetti then met with Gerace on the same day to inform Gerace that he had spoken to Shapiro

and that it was alright for Gerace to have Matthews contact Shapiro. Not long after Leonetti contacted Shapiro about Matthews, Scarfo and Leonetti both went to Sea Tex Associates to discuss the matter further with Shapiro.

As intended, Shapiro became the conduit of monies for Matthews' campaign:

In the early 1980s, Leonetti visited Sea Tex Associates several times a week to see Shapiro, including the periods when Matthews was campaigning for mayor and while he was mayor. Shapiro often talked to Leonetti about Matthews' campaign. Shapiro told Leonetti about the campaign expenses that he was paying for, such as advertising, signs, hand-outs, bands, as well as personal and entertainment costs for Matthews. Shapiro complained more than once about how much money it was costing him and that Matthews was wasting money on personal expenses. Matthews was elected mayor of Atlantic City a couple of months before Scarfo went to federal prison in August of 1982 on his firearms conviction. Shortly after Matthews was elected, Shapiro told Leonetti that he had funneled about \$150,000 into Matthews' campaign.

After he was elected mayor, Matthews acted in the interest of the Scarfo Family and Shapiro continued to be involved with him:

After Matthews became mayor, he used his influence to lobby for certain land deals, city contracts and real estate development projects for the Scarfo Family. Shapiro, Leonetti and Frank Lentino, an associate of the Scarfo Family, were in regular contact with Matthews about matters that he was pushing for the Scarfo Family.

Several different locations were used to meet with Matthews, including Shapiro's condominium at the Island House on Atlantic Avenue in Margate, N.J. Leonetti met with Matthews and others at Shapiro's condominium at least two different times. On one of those occasions, Leonetti met with Matthews, Shapiro, Bobby Simone and Stanley Branche. Simone was an associate of the Scarfo Family and an attorney who represented Scarfo and Leonetti. Branche was a Philadelphia businessman who was friendly with Simone. Branche was at the meeting to obtain Matthews' support for a grand prix auto race in Atlantic City. Leonetti was there to get Matthews to push for the sale of some city-owned property that Leonetti thought, at the time, might financially benefit him, Scarfo and members and associates of the Scarfo Family. As it turned out, the city-owned property was related to an FBI investigation that later resulted in the conviction of Matthews and Scarfo Family associate Frank Lentino. On another occasion, Leonetti met with Matthews, Shapiro and a Scarfo Family associate named Arthur "Artie" Pelullo. Leonetti arranged for the meeting because he wanted Pelullo to apologize to Matthews for threatening him. During 1982 or 1983, when the Scarfo Family was involved with Matthews, Pelullo asked Matthews to help him get some type of license so that his limousine company could operate in Atlantic City. When Pelullo was having trouble getting the license, he threatened to kill Matthews, who contacted Leonetti for help. Leonetti set up a meeting at Shapiro's condominium to settle the matter and made Pelullo apologize to Matthews. Leonetti also met Matthews at the Mars Restaurant, a bar and restaurant owned by Pelullo on South Street in Philadelphia.¹⁵

¹⁵The Mars Restaurant appears at pages 99 through 101 of this report.

The relationship between Matthews and the Scarfo Family abruptly ended when the federal investigation into Matthews' activities with organized crime became known:

In late 1983, a month or two before Scarfo was released from prison in January of 1984, Leonetti found out that the FBI was investigating the illegal activities between the Scarfo Family and Matthews. Leonetti learned about the investigation a day or two before it made the news. At first, Matthews decided to help the FBI and gave them a confession, but shortly thereafter decided against cooperating.

When the federal government turned its attention to Shapiro, Scarfo became concerned about his loyalty and selected Blavat, who resided in the same complex as Shapiro and was friendly with him, to deliver a message. During Scarfo's meeting with Blavat, Blavat offered to kill Shapiro:

After Scarfo's release from prison in January of 1984, he and Leonetti learned that Shapiro was called before a federal grand jury concerning the Matthews investigation. Because Scarfo and Leonetti were worried that Shapiro might give information to the grand jury that would hurt them and their people, they met with Blavat at Scarfo's apartment. Scarfo told Blavat to contact Shapiro to tell him not to say anything to the grand jury that would implicate anyone associated with the Scarfo Family. Scarfo also directed Blavat to inform Shapiro that Scarfo wanted \$100,000 to pay for Leonetti's expected legal expenses from the federal investigation. After Scarfo explained what he wanted Blavat to do, Blavat offered to murder Shapiro by poisoning his coffee. Blavat told Scarfo and Leonetti that he and Shapiro often had coffee in the morning. They both lived in the Society Hill Towers, which were high-rise condominiums in the Society Hill section of Philadelphia.

Scarfo told Blavat to just deliver the message to Shapiro and not worry about killing him.

A short time later, Blavat met with Scarfo and Leonetti at Scarfo's Atlantic City apartment and told them that he had spoken to Shapiro. Blavat explained that Shapiro agreed not to say anything damaging in the grand jury, but wanted to talk directly to Scarfo about the \$100,000 for Leonetti's expected legal fees. Scarfo and Leonetti never received the \$100,000 because Scarfo didn't trust Shapiro enough at that point to meet with him.

Scarfo then began making plans for Shapiro's murder, but later abandoned them. However, when Scarfo was plotting the murder, he again turned to Blavat for assistance:

Right after Blavat came back from meeting with Shapiro, Scarfo started making plans to have Shapiro killed. Scarfo told Blavat that he might have to kill Shapiro. He also told Blavat that he had Thomas "Tommy Del" DelGiorno and Francis "Faffy" Iannarella checking out the area around the Society Hill Towers for a possible location to kill Shapiro. DelGiorno and Iannarella were made members of the Scarfo Family. Blavat agreed to assist Scarfo in any way that he could. Blavat helped Scarfo make plans for the possible "hit" by feeding Scarfo information about Shapiro's condominium, habits and movements around the Society Hill Towers.

Scarfo and Leonetti met with Scarfo Family captains Thomas "Tommy Del" DelGiorno and Francis "Faffy" Iannarella at the Saloon Restaurant on South 7th Street in Philadelphia to tell them to begin making plans for a possible "hit" on Shapiro. Scarfo told them to check out the area around the Society Hill Towers be-

cause they might have to kill him there. Scarfo also said that Blavat was informing him about Shapiro's movements. Scarfo later became satisfied that it was not necessary to kill Shapiro.

Michael Matthews and Frank Lentino both pleaded guilty to federal charges and were sentenced to federal prison. Leonetti was indicted in the same case, but the charges against him were later dismissed.

In November 1984, Matthews pled guilty to extortion by a public official and, in January 1985, was sentenced to 15 years in federal prison.

LIDO RESTAURANT/MAYNARD'S

Albert A. Troiano is the current owner of Maynard's in Margate (Atlantic County) and the former owner of the Lido Restaurant in Atlantic City (Atlantic County). In February 1966, Troiano and a relative obtained the liquor license for Maynard's. In September 1968, Troiano obtained 100% interest in the license and presently holds the license under the name of Maynard's, Inc. Troiano held the liquor license for the Lido Restaurant under the name of Cotroy, Inc., from January 1974 until November 1982, when he sold the restaurant and license. However, in 1983, Troiano resumed controlling interest in the license when the corporate owner filed for bankruptcy and Troiano was appointed the receiver. The license was ultimately sold in January 1985.

Leonetti disclosed information about Troiano that bears upon his qualifications to hold a liquor license. He related that one of Troiano's bars was frequented by Scarfo Family associates and members:

Scarfo, Leonetti and several other made members of the Family often gathered at the Lido Restaurant to socialize and discuss Family business. Some of the Family members who went there were Lawrence "Yogi" Merlino, Salvatore "Chuckie" Merlino, Thomas "Tommy Del"

DelGiorno and Francis "Faffy" Iannarella. Associates of the Family who were regular customers were Saul Kane, Rick Casale, Phillip "Moe" McFillin, Joseph "Joey" Merlino and Joseph "Joe" Ligambi. Ligambi was later inducted as a La Cosa Nostra member in the Family by Scarfo.

In fact, in January 1982, the Lido Restaurant was the site of a celebration party that was held following one of Scarfo's induction ceremonies:

In January of 1982, Scarfo held a La Cosa Nostra induction ceremony at the Vineland, N.J., home of Family associate Robert "Toro" Locicero and inducted several proposed members into the Family. Among those inducted were Thomas "Tommy Del" DelGiorno, Francis "Faffy" Iannarella and Pasquale "Pat the Cat" Spirito. After the ceremony, Scarfo, Leonetti, DelGiorno, Spirito, Iannarella and Lawrence Merlino travelled from Locicero's house to the Lido Restaurant to celebrate. Scafidi was working at the Lido Restaurant that night and talked with Scarfo, Leonetti and the others.

Leonetti also provided an example of a favor that Scarfo requested of Troiano. The favor related, once again, to obtaining employment for Family member Sam Scafidi:

In 1980 or 1981, Scarfo Family member Samuel Scafidi went to Scarfo's Atlantic City apartment and asked Scarfo, in Leonetti's presence, to find him a job. Scarfo told Leonetti to see Albert "Al" Troiano about giving Scafidi a job. At the time, Troiano owned a bar and restaurant known as the Lido Restaurant on Atlantic Avenue in Atlantic City and a bar known as Maynard's on Amherst Avenue in Margate. Leonetti knew Troiano from going to the Lido Restaurant with other members and as-

sociates of the Family. Scarfo also knew Troiano from occasionally going to the Lido Restaurant.

When Leonetti went to see Troiano, he took Rick Casale with him because he and Scarfo knew that Casale was very friendly with Troiano. Casale was an associate of the Family who was a big customer at both of Troiano's bars. As soon as Leonetti asked Troiano if he could put Scafidi to work, Troiano offered to give him a job as a cook at the Lido. Leonetti told Troiano that Scafidi had a past conviction for gambling, because Leonetti knew that a person with a criminal record wasn't allowed to work in a bar. Leonetti wanted Troiano to know that Scafidi had a criminal record so as not to cause him any problems. Troiano indicated that he wasn't concerned about Scafidi's conviction. Troiano gave Scafidi a job as a favor to Scarfo, Casale and Leonetti.

Soon after Troiano agreed to hire him, Scafidi began working at the Lido Restaurant as a cook at night. Scarfo and Leonetti used to visit him there frequently. During part of the time that Scafidi worked there, Leonetti was his captain. As a result, they had regular contact.

Leonetti described an altercation that occurred at the Lido Restaurant in 1982 and involved the stabbing of two individuals by a Scarfo Family associate and the son of an underboss. The incident represented another attempt by the Scarfo Family to subvert the criminal justice system:

In approximately 1982, Joseph "Joey" Merlino and Salvatore "Torre" Scafidi stabbed and beat two men at the Lido Restaurant one night. Salvatore "Torre" Scafidi was distantly related to Samuel Scafidi. Salvatore Scafidi, who was an associate of the Family at the time of the incident, later became a made member in 1986. Joey Merlino is the son of Salvatore "Chuckie" Merlino,

who at the time was the underboss of the Family. Samuel Scafidi was at the Lido on the night of the assault. The next day, Samuel Scafidi related the incident to Scarfo and Leonetti at Scarfo's apartment. They discussed how to cover up Merlino's and Salvatore Scafidi's involvement so that they wouldn't be charged. Samuel Scafidi told Scarfo and Leonetti that he got rid of a knife and bar stool that were used to stab and beat the victims. He wiped their fingerprints from things in the bar that they touched, like glasses, as well as the knife and bar stool before he got rid of them. He also told Scarfo and Leonetti that he helped Salvatore Scafidi and Merlino get out of the restaurant quickly after the stabbings. Since Leonetti was Samuel Scafidi's captain, he kept Leonetti aware of everything that happened. Merlino was later convicted of the stabbings, but Salvatore Scafidi was never charged.

Samuel Scafidi stopped working at the Lido Restaurant after the assault. Since he was at the restaurant when the stabbings happened, he was subpoenaed to testify as a witness before the New Jersey state grand jury that was investigating the matter. Scafidi contacted Leonetti when he was subpoenaed and they discussed what he could tell the grand jury to make it appear that Merlino wasn't involved. Scafidi was later convicted of perjury for lying to the grand jury to protect Merlino.

Jerry Blavat continued to employ Scafidi at his bar, Memories, even after Scafidi's perjury conviction in November 1984. It is further noted the Stephen Troiano, Albert's son, was convicted in March 1985 of two counts of tampering with a witness in connection with the investigation of the assaults at the Lido Restaurant. Despite the fact that Troiano's perjury conviction stemmed from organized crime-related stabbings on liquor-licensed premises where he was the manager, the ABC allowed him to resume employment at licensed premises by approving his applications for a Temporary Work Letter and then a Rehabilitation Employment Permit and, in Sep-

tember 1990, granting him a Disqualification Removal.

WINSLOW TOWNSHIP BAR/ HOOTY MOO'S BEEF & ALE

Leonetti identified Anthony "Weasel" Viesti as an associate of the Scarfo Family, an officer of Local 54 and the owner or manager of a bar in Winslow Township during the mid-1980s:

Anthony "Weasel" Viesti was an associate of the Family, who Scarfo and Leonetti got to know through Robert "Bobby" Lumio. Viesti and Lumio were cousins. Lumio and Leonetti were inducted into La Cosa Nostra at the same ceremony in 1980.

Scarfo and Leonetti met with Viesti a few times in the late 1970s and early 1980s. They usually met him at Lumio's apartment, which was in the same apartment building as Scarfo's apartment. They first met him there in about 1978 or 1979. During one of the first times that Scarfo and Leonetti met Viesti there, he told them that he had a bookmaking operation in Philadelphia. Leonetti heard in the early 1980s that Viesti had a conviction for arson.

. . .

The last time that Leonetti saw Viesti was in 1984 or 1985 at a motel around Winslow Township, N.J., where he was operating a bar and restaurant. The motel was near where Route 73 and the Atlantic City Expressway meet.

In February 1979, Scarfo placed Viesti in the position of business agent for Local 54:

At Scarfo's direction in 1978 or 1979, Frank Gerace appointed both Lumio and Viesti to positions at Local 54 of the Bartenders and Hotel Workers Union. Gerace, Lumio and Viesti were just three of the members and associates of the Family that Scarfo used to control Local 54 during the late 1970s and 1980s.

Viesti has a history of involvement in criminal activities and association with organized crime. He has been involved in loansharking and illegal gambling. In 1969 and 1989, Viesti was convicted of ABC-related offenses. In November 1982, he pled guilty to a federal charge arising from the arson of a building in Oaklyn Borough (Camden County), where he operated a deli on the ground floor and lived on the second floor. According to one of the conspirators, who cooperated with federal authorities, the arson was ordered by Ralph Natale as part of a plan for Viesti to collect the insurance proceeds in order to pay a debt owed to Natale. Viesti is a close associate of Natale's, who is reputed to be the current boss of the Southeastern Pennsylvania-South Jersey Family of La Cosa Nostra. In the late 1970s, Viesti and Natale were partners in the operation of Oop's Disco for teenagers in Ocean City (Cape May County). Viesti was also a partner with Family member Joseph "Mousie" Massimino in the Casa Nonna Seafood Italiano, which was located at 1080 Fries Mill Road in Washington Township (Gloucester County). The restaurant, which did not have a liquor license, was open from April 1991 to 1993. Viesti and Massimino had their wife and girlfriend, respectively, front as the corporate owners of the business. Massimino has nine convictions for various offenses, including distribution of drugs. He is currently serving a 10-year New Jersey State Prison term for his conviction on a racketeering charge related to loansharking and bookmaking.¹⁶

The Commission recently uncovered Viesti's hidden ownership of Hooty Moo's Beef & Ale at 173 White Horse Pike in Waterford Township (Camden County). The bar and restaurant opened in September 1994 and has been closed since mid-March 1995. To operate Hooty Moo's, Viesti used the liquor license held by

¹⁶Massimino is also discussed at page 70 and 71 of this report.

ate; Scarfo's use of Local 54 to direct construction work to Toro Construction and his and Leonetti's company, Scarf, Inc.; Scarfo's control of Local 54 through its president, Frank Gerace, and Scarfo's role in the selection of Roy Silbert as Gerace's successor when Gerace was ordered to surrender the position.

* * * *

Leonetti explained how Scarfo and Hoeflich first met:

A year or two before Scarfo went to prison in 1971 for refusing to testify before the New Jersey State Commission of Investigation, he agreed to collect a loanshark debt for a New York loanshark. Scarfo collected the debt from Sy Hoeflich and passed on the payments to the loanshark. As a result of collecting the debt, Scarfo and Hoeflich developed a relationship that lasted at least until Scarfo's November 1988 federal racketeering conviction. Hoeflich was an associate of the Family.

The Stanley Restaurant first opened in 1936, perhaps under a different name. In the late 1960s, Hoeflich began operating the restaurant. In late 1973 or early 1974, when Hoeflich decided to include a bar in the restaurant, his plans included Scarfo:

Hoeflich, who had moved from New York to Atlantic City, operated the Stanley Restaurant on Atlantic Avenue in Atlantic City with his brother-in-law, Sonny Gutin. In mid-1973, after Scarfo was released from prison for his refusal to testify before the State Commission of Investigation, Hoeflich informed him of his plan to open a bar in the Stanley Restaurant and asked Scarfo to act as an unofficial host. Hoeflich knew that Scarfo would be good for business because he had a lot of friends who would frequent the bar to see him. Hoeflich told Scarfo that he would make him a hidden partner in the bar if he

agreed to be the host. Scarfo agreed to take the position only if his friend, Richard "Dickie" Wells, became the bartender and also a hidden partner. As a bartender, Wells had a large following and made big tips, which Scarfo told Hoeflich would be split among them. Hoeflich agreed to the arrangement. Hoeflich, Scarfo and Wells each held a one-third interest in the bar business and split the profits and Wells' tips three ways. Hoeflich, Scarfo and Wells were there almost nightly. Hoeflich held the liquor license for the bar. It was Leonetti's belief that Sy Hoeflich and Sonny Gutin held the liquor license.

However, the business was of short duration:

The bar business at the Stanley Restaurant lasted for about a year. In approximately 1974 or 1975, a fire totally destroyed the building where the bar and restaurant were located. The Stanley Restaurant never reopened. Wells was charged with setting the fire, but the charges were later dismissed. Wells told Scarfo that he didn't have anything to do with the fire.

* * * *

With the destruction of the Stanley Restaurant on November 9, 1974, Hoeflich searched for another location to operate a restaurant and bar and decided upon the Deptford Mall. Scarfo happened to be interested in the same location for a bar and restaurant and intended on using others to front for him in the ownership of the business. However, he was dissuaded from proceeding by boss Angelo Bruno, who had a different objective in mind. Leonetti recounted:

In approximately 1975 or 1976, shortly after the fire destroyed the Stanley Restaurant, Sy Hoeflich and Sonny Gutin began making plans to open a restaurant and bar at the Deptford Mall in Deptford, N.J. Dur-

ing the same time, Scarfo was also looking into the possibility of operating a restaurant and bar at the same location with Harold Garber and Alvin Lippman. Garber and Lippman were associates of the Family. Their plan was for Scarfo, Garber and Lippman to be equal partners, with Garber and Lippman “fronting” for Scarfo. However, when Scarfo asked the Family boss, Angelo Bruno, to approve the plan, Bruno told Scarfo not to get involved because it was a bad deal. Scarfo later found out that soon after his plan had been turned down, Bruno sent a relative involved in real estate to attempt to obtain the restaurant and bar operation for himself.

Bruno’s efforts proved unsuccessful because Hoeflich’s plan to acquire the location had progressed too far.

Hoeflich, together with his brother-in-law, then opened the Deptford Tavern:

In approximately 1975 or 1976, about a year after the fire destroyed the Stanley Restaurant, Hoeflich and Gutin opened a restaurant and bar at the Deptford Mall. They named it the Deptford Tavern. The restaurant and bar were still operating at the time of Leonetti’s November 1988 conviction on federal racketeering charges.

From the outset, Hoeflich made weekly payments to Scarfo and, in return, received the usual benefits:

At about the time that the Deptford Tavern opened, Hoeflich began paying Scarfo \$150 a week in tribute. Hoeflich was an associate of the Family who was directly “with” Scarfo. He had to make these payments for the right of being under Scarfo’s protection. In addition, Hoeflich and Scarfo were friendly and, out of respect for Scarfo’s position in the Family, Hoeflich wanted

“to do the right thing” for Scarfo.

By making the tribute payments, Hoeflich was able to use Scarfo’s name to let people know that he had Scarfo’s power behind him. After Scarfo gained control of Local 54 of the Bartenders and Hotel Workers Union, the payments also insured that Hoeflich received sweetheart union arrangements for the Deptford Tavern.

After the Deptford Tavern had been open for a couple of years, Scarfo raised the weekly payment to \$200, which was still rather low. Scarfo kept Hoeflich’s payment on the low side because Hoeflich had made Scarfo and Dickie Wells partners in the bar at the Stanley Restaurant. Also, Hoeflich had treated Scarfo well over the years.

Leonetti delineated Hoeflich’s payment of tribute:

From the time that the Deptford Tavern opened in approximately 1975 or 1976 until Scarfo began serving the sentence for his federal firearms conviction in August of 1982, either Scarfo or Leonetti collected the payments at the Deptford Tavern. When Scarfo picked up the payments, Leonetti always accompanied him. During the period of Scarfo’s incarceration from August of 1982 until January of 1984, Leonetti picked up the payments. Soon after his release from prison, Scarfo turned the job over to Family associate Saul Kane.

During the time that Leonetti went by himself or with Scarfo to make collections at the Deptford Tavern, the tribute payments were usually made by Sy Hoeflich or Sonny Gutin. However, the payments were also turned over fairly often by one of the managers, Jack “Rocky” Rackover. Rackover, whom Scarfo knew for many years, was often present when

Hoeflich made the payments. From conversations that Leonetti had with Rackover when Rackover turned over the payments, it was clear that Rackover knew what the money was for and that it went to Scarfo. It was also clear from those conversations that Rackover knew a lot about Hoeflich's illegal activities and that Hoeflich trusted Rackover. Scarfo had known Rackover at least since the mid-1960s. Rackover used to be friendly with a former associate of Scarfo's, named Alvin Feldman, who ultimately was killed on Scarfo's order. Leonetti knew that Rackover had a criminal record, but was not sure for what. Steve Love, another business partner with Hoeflich and Gutin in the Deptford Tavern, also knew about the payments. On occasion, Leonetti received the payments in Love's presence. Hoeflich introduced Leonetti to Love at the Deptford Tavern sometime after it opened.

When Leonetti picked up the payments at the Deptford Tavern, he usually accompanied the person to the office while that person removed the cash from a safe. Hoeflich made the payments appear as though they were the wages for an employee of the business. Each payment, which was always in cash, was contained in a payroll envelope with the name of a fake employee on it. The person who gave Leonetti the envelope often made fun of the situation by calling Leonetti the name of the fake employee. It became a running joke between Leonetti and whoever gave him the money. When Leonetti went with Scarfo to the Deptford Tavern so that Scarfo could pick up the payments, Scarfo also received them in a payroll envelope with the fake employee's name on it.

Around the time that Scarfo was released from prison in January of 1984, Saul Kane was also released from federal prison. Kane and two Teamsters had been convicted of attempting to extort money from a

McKee City, N.J., bakery owner in return for labor peace. Kane was sentenced to probation and served about a year in federal prison for violating his probation. Soon after Scarfo's release from prison, he assigned Kane to pick up the payments at the Deptford Tavern. When Kane began collecting the payments, Scarfo gave him one third of each \$200 payment. Scarfo and Leonetti each received one third also. Kane collected the payments until September of 1986, when he was arrested and held for trial on federal drug trafficking charges. Kane was later convicted of those charges and sentenced to a long prison term. Scarfo had Kane pick up the payments because Kane and Hoeflich were good friends and because the stops were convenient on Kane's regular trips between his home in Margate, N.J., and Philadelphia.

Kane often travelled to Philadelphia because a lot of his illegal activities, such as loansharking, gambling, extortion and labor racketeering, took place in the Philadelphia area, where several of his criminal associates lived. Because Scarfo, Kane and Leonetti were equal partners in the illegal businesses that Kane operated, the profits were split three ways. Kane's associates included Harry Joseph, Alfonso Parisse, Steve Traitz and Michael "Nails" Mangini, who were all associates of the Scarfo Family.

After his arrest in September of 1986, Kane had Harry Joseph make the collections not only for the gambling, loansharking and extortion businesses that Kane ran, but also from the Deptford Tavern. This was done with Scarfo's permission. Leonetti used to meet Joseph outside of Bobby Simone's law office in Philadelphia, where Joseph gave Leonetti the Deptford Tavern payments and Scarfo's and Leonetti's share of Kane's illegal activities. Joseph continued to give Leonetti these pay-

ments until April of 1987, when Leonetti was arrested and held for trial with other members of the Scarfo Family for the September 1984 murder of Salvatore Testa. Joseph was an associate of the Family who had been close friends with Kane for years. Joseph had his own gambling business.

Scarfo and Leonetti were in the Philadelphia prison system from early 1987 until shortly after they were convicted on federal racketeering charges in November of 1988. During that period, Scarfo's son, Nicky, visited Scarfo and Leonetti in prison at least once a week and reviewed the collection sheet with them. Leonetti knew from seeing and discussing the collection sheets that Hoeflich continued to make the tribute payments for the Deptford Tavern at least until Scarfo and Leonetti were convicted of federal racketeering charges in November of 1988.

* * * *

While operating the Deptford Tavern, Hoeflich opened a second restaurant and bar:

In approximately 1983, when Scarfo was in federal prison serving a sentence for illegally possessing a firearm, Sy Hoeflich opened a bar in Bellmawr, N.J. The bar was known as the Coral Reef, which was still in business at the time that Leonetti and Scarfo were convicted on federal racketeering charges in November of 1988.

Hoeflich purchased not only the liquor license for the Coral Reef, but also the building, which needed extensive work done to it.

As a loyal Scarfo Family associate, Hoeflich referred the construction work to Leonetti, who brought in another Family-related construction company:

Hoeflich steered the construction work to Leonetti because he knew that Leonetti was in the construction business and would appreciate the opportunity to make legitimate income.

Leonetti passed the project on to Robert "Toro" Locicero, the owner of Toro Construction, which was located in the Vineland, N.J., area. Toro Construction became the general contractor for the project. Scarfo and Leonetti worked closely in the construction industry with Locicero, who was an associate of the Family. Since Leonetti referred the project to Locicero, Locicero had Scarfo's and Leonetti's concrete finishing business, Scarf, Inc., complete the concrete work. Leonetti stopped by the Coral Reef on a couple of occasions to check on his workers. Because Leonetti gave the construction job to Locicero, Locicero gave Leonetti "a piece" of his profit.

Over the years, Locicero often provided Scarf, Inc., with concrete work on construction projects where Toro Construction was the general contractor.

Leonetti disclosed the following about Robert Locicero and his company, Toro Construction:

In the late 1970s, when Local 54 renovated an Atlantic City building for use as offices, Scarfo and Frank Gerace, the president of Local 54 and an associate of the Family, made sure that Toro Construction was the general contractor. Scarf, Inc., was given the concrete work on the job. Locicero told Leonetti that he skimmed money from the Local 54 renovation funds on the Atlantic City building project.

In January of 1982, Scarfo inducted several individuals into the Family at Locicero's residence in the Vineland, N.J., area. Inducted at that making ceremony were Thomas "Tommy Del" DelGiorno, Francis "Faffy"

Iannarella, Pasquale “Pat the Cat” Spirito, Felix “Little Felix” Bocchino, Joseph “Joey Pung” Pungitore, Eugene “Gino” Milano, Albert “Reds” Pontani, Michael “Micky” Ricciardi, “Jerry” Fusella, Joseph Sodano and “Happy” Bellina. Salvatore “Salvie” Testa was elevated to a captain by Scarfo at that ceremony.

In December of 1979, when Scarfo, Leonetti and Lawrence “Yogi” Merlino were arrested for the murder of Vincent Falcone, Locicero posted \$45,000 in cash from Toro Construction to help them make bail. Falcone was an associate of the Family.

Hoeflich also paid Scarfo tribute for his operation of the Coral Reef:

When the Coral Reef opened for business, Hoeflich began making tribute payments of \$200 a week, just as he had been doing for the Deptford Tavern. As with the Deptford Tavern, Hoeflich made payments for the Coral Reef because he was under Scarfo’s protection. With the added payments from the Coral Reef, Hoeflich was able to use Scarfo’s influence and reputation even more. Since Scarfo was in firm control of Local 54, Hoeflich also got a sweetheart union deal for the Coral Reef. Hoeflich began making the tribute payments for the Coral Reef without being asked for them because he knew “to do the right thing.” Leonetti never had to ask Hoeflich to make the payments for the Coral Reef and neither did Scarfo, who was in federal prison at the time it opened.

Leonetti again outlined Hoeflich’s weekly payment of tribute:

Leonetti collected the Coral Reef payments from the time it opened in approximately 1983 until shortly after

Scarfo’s release from prison in January of 1984. Hoeflich and Jack “Rocky” Rackover were the only two people who turned over the payments to Leonetti there. They used to remove the money from a safe in the office at the Coral Reef in Leonetti’s presence and give it to him. To Leonetti’s knowledge, Scarfo never picked up any payments at the Coral Reef by himself or when Leonetti was present.

During the period that Leonetti collected the tribute payments from the Coral Reef, Leonetti continued to pick up the payments from the Deptford Tavern. Normally, Leonetti stopped at both the Coral Reef and the Deptford Tavern and collected separate payments. On a few occasions, however, the payments for both bars were left for him at the Deptford Tavern. Payments were not always collected every week from either bar because it was not something that was scheduled. The payments were usually collected every couple of weeks to a month. If payments were not collected, they just accumulated until picked up. Soon after Scarfo was released from prison in January of 1984, he gave Saul Kane the job of collecting the payments from both the Coral Reef and the Deptford Tavern.

Just as Scarfo allowed him to do with the Deptford Tavern payments, Scarfo allowed Kane to keep a third of each \$200 payment from the Coral Reef. The other two thirds was again split between Scarfo and Leonetti. Kane collected the Coral Reef payments until September of 1986, when he was arrested on federal drug trafficking charges.

After Kane was arrested and held for trial in September of 1986, Harry Joseph began picking up the tribute payments from both the Coral Reef and the Deptford Tavern. Joseph also began making the collections for the gambling, loansharking and extortion businesses that Kane operated.

Kane obtained Scarfo's permission for Joseph to make the collections. The profits from Kane's illegal activities were split equally among Scarfo, Kane and Leonetti because they were partners. Joseph used to give Leonetti the money from the collections outside of Bobby Simone's law office in Philadelphia. The Coral Reef and Deptford Tavern payments, as well as Scarfo's and Leonetti's share of Kane's illegal businesses, continued to be turned over to Leonetti by Joseph until April of 1987, when Leonetti and other members of the Scarfo Family were arrested and held for the 1984 murder of Salvatore Testa.

Scarfo and Leonetti were in the Philadelphia prison system from early 1987 until shortly after their convictions on federal racketeering charges in November of 1988. During that period, Scarfo's son, Nicky, visited them regularly in prison and showed them the collection sheets. From seeing and discussing the collection sheets, Leonetti knew that Hoeflich continued to make the \$200 weekly tribute payments for the Coral Reef and for the Deptford Tavern at least until the federal racketeering convictions of Scarfo and Leonetti in November of 1988.

Scarfo and Leonetti were regular visitors at both the Deptford Tavern and Coral Reef, where Hoeflich allowed them to eat and drink without charge:

After Saul Kane and Harry Joseph began collecting the payments at the Coral Reef and Deptford Tavern, Scarfo and Leonetti still visited regularly with Hoeflich at his bars. Scarfo and Leonetti stopped by the Deptford Tavern more often because it was just off Route 42, which they usually took when travelling between Atlantic City and Philadelphia. Because the Coral Reef was a little out of their way, they stopped there less often.

Whenever Scarfo and Leonetti went to the Coral Reef or Deptford Tavern, they never paid for what they ate or drank. If Leonetti went alone to either bar, when his uncle was in prison for instance, he usually paid for his food and drinks. There were many bars and restaurants where Leonetti and others didn't have to pay for the food and drinks if they were with Scarfo because the owners knew of Scarfo's reputation and that he was the boss.

Leonetti reported that Hoeflich was a guest at Scarfo's Florida home on several occasions and was also invited by Scarfo to Family parties:

Sy Hoeflich visited Scarfo at his Ft. Lauderdale, Florida, house a few times after Scarfo purchased the home in the summer of 1985 and before his incarceration in January of 1987. On a couple of occasions, Scarfo invited Hoeflich to the house when Scarfo and Leonetti stopped at the Coral Reef or Deptford Tavern to see him. Hoeflich was at the house with several other members and associates of the Family in January of 1986, when Scarfo threw a New Year's party shortly after New Year's Day. Scarfo decided who was invited to the party. Once, when Hoeflich was at the Florida house, he told Scarfo, in Leonetti's presence, that he was interested in buying a restaurant in the Ft. Lauderdale area. Hoeflich showed Scarfo one restaurant that he was interested in buying in Ft. Lauderdale at Commercial Boulevard and the beach. When Hoeflich was in Ft. Lauderdale, he usually stayed at the Irelands Hotel.

In December of 1984 and December of 1985, Scarfo held Christmas parties for the Family at a bar and restaurant known as LaCucina on South Street, near Second Street, in Philadelphia. Scarfo approved all the members and associates of the Fam-

ily who attended. Hoeflich was among the associates that Scarfo invited. He was at one of the parties in the company of Jack "Rocky" Rackover. LaCucina was owned by an associate of the Family named Salvatore "Sam the Barber" LaRussa.¹⁹

Leonetti disclosed two of Hoeflich's vices — drugs and gambling:

Scarfo and Leonetti knew that Hoeflich had a drug abuse problem, which was a big concern especially to Scarfo. Scarfo didn't like to have people around that were directly involved with handling or using drugs. Scarfo and Leonetti first became aware of Hoeflich's drug problem in approximately the late 1970s when Hoeflich's close friends, including Saul Kane and Jack "Rocky" Rackover, told Scarfo and Leonetti about it.

In approximately 1985, Scarfo and Leonetti found out that the New Jersey State Police arrested Hoeflich at the Coral Reef for having cocaine in his office. Shortly after the arrest, Scarfo and Leonetti went to the Coral Reef to question him about it. Hoeflich told them that he did have the drugs, but tried to make it sound as though he was holding them as favor for someone else. Scarfo was very upset with Hoeflich and strongly reprimanded him.

Hoeflich was a heavy gambler and borrowed extensively from Scarfo and Leonetti to pay his losses:

From the contact that Scarfo and Leonetti had with Hoeflich over the years, they knew that he bet large amounts of money on sports events

with bookmakers. From conversations with Hoeflich, Leonetti knew that it was nothing for Hoeflich to bet \$1,000 on one game.

Sometime in 1984 or 1985, when Scarfo and Leonetti were visiting Hoeflich at the Deptford Tavern, Hoeflich indicated that he needed another bookmaker and asked if Scarfo and Leonetti knew anyone who could take his gambling action. Leonetti then contacted Joseph "Joey Pung" Pungitore and told him to have a bookmaker from one of his gambling offices call Hoeflich and supply him with a telephone number to that office. Pungitore was a member of the Family. From talking to Hoeflich about his gambling, Leonetti knew that he placed bets with gambling operations in addition to Pungitore's operation.

Because Hoeflich ran up big gambling debts from his sports betting, he had to borrow loanshark money to pay the bookmakers. Between approximately 1979 and 1986, Scarfo and Leonetti loansharked money to Hoeflich on about five or six occasions. These loans ranged from approximately \$10,000 to \$25,000, with the average loan about \$15,000. Scarfo and Leonetti ran a loanshark business, which they used to lend money to people who were close to them. Either Scarfo or Leonetti used to give the loan money to Hoeflich at either the Deptford Tavern or the Coral Reef. The weekly "juice" payments that Hoeflich had to make on the loans were given to Scarfo or Leonetti in a couple of different ways. When Scarfo and Leonetti were picking up the weekly tribute payments from Hoeflich's two bars, they also collected any "juice" payments that Hoeflich had to make. There were

¹⁹LaCucina appears at pages 95 and 96 of this report.

also loans where Scarfo had Tyrone DeNittis, a Family associate, collect the "juice" payments from Hoeflich and drop them off to Scarfo or Leonetti at Scarfo's Atlantic City apartment. Scarfo had DeNittis make the collections because DeNittis often stopped at Hoeflich's bars on trips between his home near Philadelphia and Scarfo's apartment. DeNittis used to stop at Scarfo's apartment because Scarfo, DeNittis and Leonetti were partners in a business involving video jukeboxes. Scarfo and Leonetti were silent partners. The business never made any money. DeNittis spent a lot of time at Hoeflich's bars because he was friendly with Hoeflich and also because he was a booking agent that Hoeflich used to line up bands for his bars.

Leonetti recalled the following episode regarding one of Hoeflich's loanshark debts:

Scarfo and Leonetti had a problem with one of the loans that they made to Hoeflich. In 1984 or 1985, they loaned Hoeflich \$15,000, which was given to Hoeflich at either the Deptford Tavern or the Coral Reef. After Hoeflich received the money, he began paying them \$300 a week in interest, which was to continue until he paid the \$15,000 in principal. Scarfo had Tyrone DeNittis collect the \$300 weekly "juice" payments and drop them off at Scarfo's Atlantic City apartment.

DeNittis dropped off the weekly \$300 interest payments for about six months, when Scarfo began to wonder why Hoeflich had not yet repaid the \$15,000 in principal. Scarfo was concerned because, on other occasions, Hoeflich always paid back the principal within two or three months. As a result, when Scarfo and Leonetti were at the Coral Reef one day visiting Hoeflich, Scarfo asked him when he was going to pay off the loan.

Hoeflich was surprised and told Scarfo and Leonetti that he had given DeNittis the \$15,000 months ago.

After talking to Hoeflich, Scarfo spoke with DeNittis about the matter. DeNittis admitted that Hoeflich had given him the \$15,000 to pay off the loan a few months earlier, but he decided to keep the money and continue making the \$300 weekly interest payments as if they were still coming from Hoeflich. Scarfo yelled at DeNittis, who told Scarfo that he needed the money for the video jukebox business. Scarfo told DeNittis to forget about paying the money back until the business began making money.

One of the loansharks from whom DeNittis had borrowed money, for which Hoeflich agreed to be responsible, was William Pulcinello, the individual who later purchased the Coral Reef from Hoeflich. When DeNittis and Hoeflich experienced difficulty in repaying the loan, they were compelled to apprise Scarfo and Leonetti of the problem and seek their assistance:

Hoeflich and DeNittis got involved in another loanshark arrangement, without the knowledge of Scarfo and Leonetti, where a problem occurred. Although Hoeflich and DeNittis originally tried to hide the problem from Scarfo and Leonetti, they finally had to tell them because a loanshark got upset when Hoeflich and DeNittis weren't paying back a \$50,000 loan. Hoeflich told Leonetti about the problem in approximately 1986 at the Coral Reef. Hoeflich said that DeNittis borrowed \$50,000 from a loanshark named Billy, who worked as a manager or bartender at the Coral Reef. Hoeflich added that Billy loaned the money to DeNittis only after Hoeflich agreed to be responsible for the loan if DeNittis didn't repay it. Hoeflich explained that the loan had been out for awhile and that Billy was complaining that DeNittis wasn't making the weekly interest payments or paying back anything on

the principal. Billy wanted Hoeflich to pay off DeNittis's debt because Hoeflich "stood" for it, but Hoeflich told Billy that he didn't have the money to do that. Hoeflich informed Leonetti that it had reached the point where Billy was pushing to meet with Scarfo in the hope that Scarfo would force DeNittis or Hoeflich to pay the debt. After talking to Hoeflich, Leonetti told Scarfo about the matter.

Not long after Hoeflich informed Leonetti of the problem, DeNittis met Leonetti in the Atlantic City area and told Leonetti the same thing that Hoeflich had. When Leonetti told Scarfo what DeNittis had to say about the problem, Scarfo wanted a meeting. Shortly after that, Scarfo, Hoeflich, DeNittis and Leonetti met at the Coral Reef and discussed the matter. When they met, DeNittis and Hoeflich explained the situation to Scarfo and told him that neither of them had the money to repay Billy. Scarfo told Hoeflich and DeNittis to tell Billy that Scarfo didn't want to meet with him. Scarfo never liked to discuss the Family's activities with people he didn't know. Scarfo yelled at DeNittis for getting into the situation with Billy. Scarfo also told Hoeflich and DeNittis to tell Billy to forget about getting his money back because he was loansharking without being "with" someone in the Family and without making shake-down payments to the Family. However, Hoeflich told Scarfo that he would work something out with Billy because Hoeflich had "stood" for the loan and wanted to remain friendly with Billy. Hoeflich explained that he wanted to stay on good terms with Billy because he was hopeful of selling the Coral Reef to Billy. Hoeflich told Scarfo and Leonetti that he would work something out between himself, DeNittis and Billy and would pay back the money if DeNittis couldn't. Hoeflich said that if he was able to sell the Coral Reef to Billy, he would deduct DeNittis' loanshark

debt from the sale price and if he sold to someone else, he would pay off DeNittis' debt out of his profit. Leonetti assumed that Hoeflich reached an agreement with Billy because he didn't have any further involvement in the matter.

As a result of its investigation, the Commission reported in 1992 that Pulcinello was unable to document a substantial portion of the \$100,000 down payment made to Hoeflich for the business and license.

The Commission's recent investigation and surveillances of the Coral Reef disclosed that Pulcinello has employed two Family associates — Felix Bocchicchio and Anthony Zanghi — and has violated the tax laws in doing so. The Commission notes that despite their documented involvement in organized crime, no ABC regulation prohibits their employment by a licensee in the absence of a criminal conviction. Ironically, although their employment is technically proper, they are prohibited from patronizing the premises under N.J.A.C. 13:2-23.5(a).

Pulcinello's records disclose that Bocchicchio was employed as a bartender from August 1993 until January 1994. The Commission's investigation established that he also worked there during the latter part of 1994 and beginning of 1995, but was not listed in Pulcinello's business records. In March 1995, when Commission staff questioned Pulcinello about Bocchicchio's employment status, Pulcinello admitted to paying him off the books since June or July 1994 and indicated that he may not be working there much longer. In addition, Pulcinello failed to produce the employment list (ABC Form E-141-A) required to be maintained by all licensees.

Bocchicchio was one of the Local 54 officers whose resignations were prompted by the federal government's 1990 civil RICO suit against Local 54 and its officials. The government's complaint included the following about Bocchicchio:

Felix Bocchicchio, Jr.,... is the Vice President of Local 54. He has held this position since 1984, when he was appointed by Gerace with the approval of Nicodemo Scarfo to replace Silbert. He had previously served as Vice President in 1982. Prior to 1982, Bocchicchio was Local 54's Business

Agent for Great Adventure Amusement Park. Bocchicchio is a long-time associate of defendants Albert Daidone and Raymond "Long John" Martorano and other organized crime members and associates.

More specifically, the complaint stated:

In September 1982, Albert Daidone was indicted for the murder of John McCullough. Frank Gerace removed Albert Daidone as Local 54 Vice President and replaced him with Felix Bocchicchio, Jr.

In September 1982, in connection with an investigation into racketeering in Local 54, Felix Bocchicchio, Jr. refused to cooperate with federal law enforcement authorities. Bocchicchio was, however, retained as Local 54 Vice President.

. . .

On December 8, 1984, immediately after his resignation as Local 54 President, Frank Gerace was appointed by Local 54's Executive Board as a consultant to the union regarding "non-casino matters."

...Roy Silbert and Local 54's Executive Board (which at the time included...Felix Bocchicchio, Jr.) continued to pay \$48,000 per year to Gerace, the amount of his salary when Gerace was Local 54's President, for Gerace's new position as "consultant." In fact, Gerace continued to run the union through Silbert and Hilferty, at the direction of and for the benefit of Nicodemo Scarfo. In early 1985, the same Local 54 Executive Board voted to award as a "gift" an automobile valued at \$15,000 to Gerace.

. . .

On numerous occasions, Roy Silbert,

Thelma Hilferty, Felix Bocchicchio, Jr. and Dan Daidone have improperly used union funds for their personal benefit and for the benefit of family members and friends.

Following Scarfo's arrest in 1987 on federal and state charges, Albert Daidone and Raymond Martorano sought to usurp Scarfo's control of Local 54 by ousting Gerace from the union. Daidone and Martorano, who were incarcerated at the time for the murder of John McCullough, endeavored to effectuate the ouster through Bocchicchio, the union's Vice President. In his declaration filed in the federal civil RICO suit, Leonetti related Scarfo's response to their plan:

In 1988, during our racketeering trial, Gerace sent word to Scarfo that Al Daidone had sent for Gerace. Gerace visited Daidone in prison where Daidone told him that Daidone and Martorano would be taking over Local 54. Daidone told Gerace to leave the union or be killed. Scarfo sent Shotsie Sparachio [sic] to see Felix Bocchicchio, who had always been with Daidone and Martorano. Scarfo told Sparachio [sic] to tell Bocchicchio to leave the union. Scarfo later told Sparachio [sic] to kill Bocchicchio.

Shortly after this incident, Scarfo, Merlino and I were convicted in the federal racketeering trial.

Investigation by the Commission revealed that Anthony Zanghi was working at the Coral Reef as a bartender/host during 1992 and 1993. However, by Pulcinello's own admission to Commission staff, Zanghi never appeared in any business records. Although Pulcinello claimed that Zanghi was not an employee, but only worked there without pay "just to get out of the house," Zanghi is deemed to have been an employee under ABC regulations. Further, Pulcinello only admitted to Zanghi's working at the Coral Reef from March 1993 to November 1993. Pulcinello stated that he and Zanghi have been friends for approximately 30 years and became acquainted when Pulcinello patronized a south Philadelphia speakeasy that Zanghi was operating at 7th and Carpenter Streets.

Zanghi is a long-time gambling operative for the Southeastern Pennsylvania-South Jersey Family. In recent years, he was involved with Family member Joseph "Mousie" Massimino in illicit gambling activities. Massimino has numerous state and federal drug-related convictions, including a federal conviction in 1987 for his involvement in a drug trafficking network controlled by the Bruno/Scarfo organization. In February 1993, Massimino was imprisoned in the New Jersey State Prison for a racketeering conviction related to loansharking and bookmaking. Prison records document visits by Zanghi once or twice every month in 1993 and numerous times in 1994. On a visit in January 1994, Zanghi was accompanied by Joseph Ciancaglini, underboss to then boss John Stanfa. A 1977 federal wiretap, later disclosed at the 1982 RICO prosecution of the Bruno Family, revealed a conversation by Zanghi with then soldiers Harry Riccobene and Joseph "Chickie" Ciancaglini. In 1978, 1983, 1984, 1986, 1987, 1993 and 1994, law enforcement surveillances placed Zanghi in the company of many members and associates of the Family and at known organized crime gambling locations.

MY WAY LOUNGE²⁰

Leonetti revealed new information about Family associate and bar owner Saul Kane. Kane was the principal owner of the My Way Lounge in Atlantic City from April 1977 to September 1981, when the Pageant Hotel in which it was located was sold to casino interests. At first, his partner was Family associate Sy Hoeflich and, later, Family associate Andrew Cornaglia became a partner. Kane's interest was properly disclosed on the license application until December 1979, when the ABC forced his removal because of a criminal conviction. Although he appeared to transfer his 50% interest to his sole partner, he retained a hidden interest in the ownership. In February 1987, Kane was convicted on federal drug-trafficking charges and, in May 1987, was sentenced to 95 years in prison. In March 1989, the sentence was reduced to 25 years.

Kane generated a great deal of money for Scarfo from his illegal businesses involving extortion, loansharking and bookmaking. Scarfo and Leonetti each

received average monthly payments of \$3,000 from Kane's illicit activities. Kane also headed one of Scarfo's shake-down crews for the collection of street tax and, when directed by Scarfo, collected the tribute payments from bar owners. Kane began collecting extortion payments from racketeers in his area even before Scarfo formally instituted the practice as boss. Leonetti reported:

Saul Kane put together a shake-down crew around the time in early 1982 when Scarfo ordered that drug dealers, loansharks, bookmakers and other racketeers start making cash extortion payments to the Family. Kane's crew was one of several that were formed to collect the extortion payments. Kane's crew, which operated in the northeast Philadelphia area, was made up of himself, Harry Joseph and Alfonso Parisse. Although Kane lived in Margate, N.J., he operated his illegal businesses primarily in northeast Philadelphia. Kane also took Andrew Cornaglia under his wing and occasionally used him to help collect the extortion payments, as well as the payments from Kane's gambling and loansharking businesses. Kane had Scarfo's permission to use Joseph, Parisse and Cornaglia....

Besides collecting "the shakes," Joseph and Parisse had their own illegal businesses in northeast Philadelphia where they lived. Joseph had a gambling business and Parisse had a gambling business and also a loansharking business.

Saul Kane started collecting extortion payments in northeast Philadelphia as early as 1978, with Scarfo's approval. Back then, Kane made the collections by himself and it was done in a very limited fashion. Between 1978 and 1982, Kane collected only

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about \$400 or \$500 a week, which he split with Scarfo. It was during this period that he was a part owner in the My Way Lounge. Then, in 1982, about a year after Scarfo became the boss, Kane formed his shake-down crew when Scarfo had the other crews set up to collect the extortion payments on a large scale.

In late 1982, Kane went to federal prison for about a year for extorting a McKee City, N.J., bakery owner for labor peace. Kane was originally sentenced to probation, but was sent to prison after he violated probation. He remained there until approximately December of 1983, which was just before Scarfo was released from federal prison in January of 1984 for his firearms violation.

While Kane was in prison, he had Joseph, Parisse and Cornaglia make the collections for the loanshark, gambling and shake-down businesses that he operated. Because Scarfo, Kane and Leonetti were equal partners in the illegal activities that Kane operated, they split the profits three ways. Cornaglia used to travel from his home in Somers Point, N.J., to northeast Philadelphia to make the extortion collections and to pick up the money that Joseph and Parisse collected. Cornaglia held Kane's share of the profits and turned over Scarfo's and Leonetti's share of the profits to Leonetti. Leonetti assumed that Kane probably gave Cornaglia a share of his profits for making the collections. Cornaglia used to give Leonetti the money at Shoobie's, which was a bar located on the traffic circle in Somers Point, N.J., near the bridge to Ocean City. When they met, Cornaglia went over a list and explained to Leonetti the collections that he, Joseph and Parisse had made.

Cornaglia only made the collections for about six months of the year or so that Kane was in prison. Leonetti decided that it was best if Cornaglia

didn't continue making the collections because he wasn't dependable. From that point until Kane got out of prison in late 1983, Leonetti usually met Joseph and Parisse once a month to pick up Scarfo's and his share of the profits. They used to meet outside of the Philadelphia law office of Bobby Simone, where Joseph showed Leonetti a list and explained what collections had been made. Once Leonetti began meeting Joseph and Parisse, Joseph started holding Kane's share of the profits. Leonetti continued to pick up the money from Joseph and Parisse until Kane got out of prison.

When Kane was released from federal prison for the extortion conviction in late 1983, he resumed making the collections from his loansharking, bookmaking and shake-down businesses. Joseph and Parisse continued to assist Kane with "the shakes" collections. After his release, Kane gave Scarfo's and Leonetti's share of the profits to Leonetti. Things operated that way until September of 1986, when Kane was arrested by the FBI and held on federal drug trafficking charges. Kane was never released prior to being convicted on the drug charges. He was later sentenced to a lengthy prison term.

When Kane was arrested in September of 1986, Joseph and Parisse began making the collections from Kane's bookmaking and loanshark businesses again and continued making the collections for "the shakes." Leonetti again started meeting Joseph and Parisse outside the Philadelphia law office of Bobby Simone about once a month to receive his and Scarfo's shares. This went on until Leonetti was arrested and held for Salvatore Testa's murder and other state and federal charges in April of 1987.

The average amount in profits that Scarfo and Leonetti each received from all of Kane's illegal operations

was approximately \$3,000 a month. The most that they ever received for one month was \$8,000 each. At Scarfo's request, Leonetti oversaw Kane's illegal activities beginning in 1982. At that point, Leonetti began receiving a third of the profits from Kane's illegal businesses.

Under ABC regulations, Saul Kane's May 1978 federal conviction for conspiracy and extortion triggered his disqualification from holding an interest in the My Way Lounge. Nevertheless, Kane continued his ownership by arranging for a "paper" transfer of his interest to his partner:

In approximately 1978, Saul Kane was convicted with two Teamsters officials for attempting to extort money from the owner of a McKee City, N.J., bakery in exchange for labor peace. Because of his conviction, New Jersey Alcoholic Beverage Control authorities filed charges against Kane because he remained on the My Way Lounge liquor license as an owner. After the charges were filed, Kane took his name off the liquor license and "sold" his interest in the My Way Lounge to Andrew Cornaglia, who was already Kane's partner at the time. Leonetti knew from conversations that he and Scarfo had with Kane that although Kane made it appear on paper as though he had sold his interest in the liquor license, he actually kept a hidden interest in the My Way Lounge until it closed.

Scarfo exerted significant influence over the My Way Lounge because he controlled Kane and the other owners, who were also associates of the Family:

At various times between approximately 1977 and 1981 or 1982, Saul Kane, Sy Hoeflich, Sonny Gutin and Andrew Cornaglia were owners of the My Way Lounge, which was a bar located in the Pageant Motel on Pacific Avenue in Atlantic City. Kane's ownership in the My Way Lounge re-

mained constant from the time it opened until it closed. Kane, Hoeflich, Gutin and Cornaglia were all associates of the Family. Although Scarfo was never a partner in the My Way Lounge, he had a great deal of influence over its operation because all of the owners were "with" him.

Kane gave Scarfo the expected tribute payments from the My Way Lounge operation and received the usual benefits in return:

Scarfo got "a piece" of the My Way Lounge. He received tribute payments of between \$200 and \$500 a week from Saul Kane during all the years that the My Way Lounge was open for business. The amount varied from week to week depending on how good business was. Leonetti always accompanied Scarfo when he collected the weekly payments from Kane at the My Way Lounge.

The tribute payments were made to Scarfo because the owners of the My Way Lounge were "with" Scarfo, which entitled them to his protection and the use of his name and reputation. The payments insured that the My Way Lounge, just like the Coral Reef and the Deptford Tavern, received a sweetheart union arrangement from Local 54 of the Bartenders and Hotel Workers Union. The tribute payments were made to Scarfo out of friendship and respect for his position.

The My Way Lounge provided another safe haven for the members and associates of the Scarfo Family:

The My Way Lounge was another spot where members and associates of the Family met to socialize. They often discussed their criminal activities and Family matters there. Among the members and associates of the Family that gathered at the My Way

Lounge were Scarfo, Leonetti, Lawrence "Yogi" Merlino, Salvatore "Chuckie" Merlino, Nicholas "Nick the Blade" Virgilio, Rick Casale, Phillip "Moe" McFillin, Frank Gerace, Joseph Salerno, Vincent Falcone and Alfredo Ferraro.

There were so many members and associates of the Family that went to the My Way Lounge that Saul Kane once placed an advertisement in the Atlantic City Press that said, "Join the Mob at the My Way Lounge." Although Scarfo was a little upset at Kane for running the advertisement, he also thought it was funny. Scarfo told Kane that he was crazy to run it.

Scarfo ate and drank for free at the My Way Lounge, as he did at the Deptford Tavern, the Coral Reef and other bars and restaurants where he had influence. Scarfo and Leonetti went there a few times a week. Every time that Scarfo went to the My Way Lounge, Leonetti was with him. Leonetti also went there without Scarfo.

In fact, Leonetti felt so secure there that he used the bar to create an alibi in a murder case:

In the summer of 1977, Leonetti used the My Way Lounge to create an alibi to show that he was not at the murder scene of a person that the Family had killed. Leonetti made his presence known at the My Way Lounge so that everyone could see him at the time that an Atlantic City tailor, named Guiseppi "Pepe" Leva, was murdered. Leva was shot to death near a dump in Egg Harbor Township, N.J., by Alfredo Ferraro, an associate of the Family at the time. Scarfo, Leonetti, Ferraro, Lawrence Merlino and Vincent Falcone took part in the conspiracy to murder Leva. Leonetti used the My Way Lounge as an alibi because he had beaten Leva about a week earlier and had been arrested for it after Leva reported the incident

to the police. Leonetti beat Leva outside the Flamingo Motel in Atlantic City, where Leva had been drinking. Leonetti figured that if he had an alibi, he would not be suspected of being the triggerman. On the night that Leva was killed, Ferraro and Leva went to the My Way Lounge for some drinks. When Ferraro and Leva arrived, Leonetti was already there socializing with Salvatore "Salvie" Testa and Vincent Falcone to set up his alibi. While at the My Way Lounge, Leonetti, Testa and Falcone discussed that Ferraro was going to kill Leva later that night.

Leonetti was indicted for Leva's murder, but the charges were later dismissed. The Leva murder was a sanctioned "hit." Scarfo got permission from the Family boss, Angelo Bruno, to kill Leva because Leva was shaking down old Italian people from Scarfo's neighborhood for money. Also, Leva had borrowed money from Vincent Bancheri and didn't pay Bancheri back. Bancheri was Scarfo's and Leonetti's partner in Scarf, Inc., when they first started the business. The reason why Leonetti beat Leva shortly before his murder was because Leva wasn't paying Bancheri the money he owed him.

According to Leonetti, "Not only were all the owners accountable to Scarfo, but so were many of the employees." He continued:

Scarfo controlled who was employed at the My Way Lounge. He instructed Saul Kane to hire Robert "Bobby" Lumio and gave his approval for the hiring of others, including James "Jimmy" Lang, Roy Silbert and Michael Fornaro. Lumio, a bartender at the My Way Lounge, was an associate of the Family and was directly "with" Scarfo. Lang, Silbert and Fornaro were all bartenders who were associates of the Family and close to Saul Kane. Because of Scarfo's close relationship with Kane,

Scarfo had influence over them. Lang and Fornaro were involved in drug trafficking with another associate of Scarfo's, Richard "Dickie" Wells. Scarfo and Leonetti knew that Lang and Fornaro were involved in drug trafficking from discussions they had with Saul Kane. Wells informed Scarfo that he was going to get involved in drug dealing because he needed to do it to make a living. Scarfo then told Wells that he would have to keep his distance from Wells from then on.

Employment at the My Way Lounge frequently led to positions at Local 54 of the Bartenders and Hotel Workers Union:

Roy Silbert and Robert "Bobby" Lumio were employees of the My Way Lounge who were chosen by Scarfo for high-level positions with Local 54. One reason why Scarfo knew that he could trust Lumio was because they had been involved in committing a murder together. In 1979, Salvatore "Chuckie" Merlino, Salvatore Testa, Lumio and Scarfo all took part in the murder of Michael "Coco" Cifelli. He was killed because he was selling drugs to the son of Frank Monte, a member of the Family. The murder was approved by Angelo Bruno. Cifelli was killed while he was talking on a telephone just inside the front door of a south Philadelphia bar, known as Priori's, at 10th and Wolf Streets. Merlino and Testa were the shooters and Scarfo drove the getaway car. Lumio set up Cifelli by calling him on the telephone at the bar and talking to him. This made it easier for Merlino and Testa to locate Cifelli to shoot him. Scarfo also knew that he could trust Lumio at Local 54 because they had been friends since the time that they both lived in Philadelphia many years earlier and because Lumio worked at the My Way Lounge without causing the owners or Scarfo any problems. Lumio lived in the same apartment building in At-

lantic City as Scarfo.

Bobby Lumio was placed in the position of secretary/treasurer of Local 54:

In approximately 1978 or 1979, Scarfo and Local 54 president Frank Gerace met to discuss who should hold certain positions at Local 54 to make certain that their control over the union continued. Leonetti was present at the meeting, which was one of the regular monthly meetings that Scarfo, Leonetti and Gerace began holding in 1978 to discuss Local 54 matters.... Scarfo wanted Gerace to appoint Robert "Bobby" Lumio as the vice president, but Gerace thought that he should be the secretary-treasurer. After talking it over, it was decided that Lumio would be made secretary-treasurer. Lumio, who was already working at Local 54, was then appointed to that position.

Shortly thereafter, Lumio became a made member of La Cosa Nostra:

Soon after becoming the boss in May of 1980, Philip Testa held a making ceremony at the south Philadelphia home of John Cappello, a captain in the Family at the time, and inducted Lumio, Leonetti and seven others into La Cosa Nostra. Also inducted were Salvatore "Chuckie" Merlino, Lawrence "Yogi" Merlino, Salvatore "Salvie" Testa, Salvatore "Wayne" Grande, Frank Narducci, Jr., Anthony "Blonde Babe" Pungitore, Sr., and Anthony Casella.

Scarfo's control of Local 54 was not interrupted in 1984 when Frank Gerace was ordered by the state to relinquish the presidency because of ties to organized crime:

In approximately 1984, the New Jersey Casino Control Commission ordered Frank Gerace to resign as president of Local 54 because of his

relationship with Scarfo. After that decision, Scarfo, Leonetti and Gerace met at the apartment of Scarfo's mother to discuss the matter. At the meeting, Gerace suggested that he remain at Local 54 as a consultant so that he and Scarfo could continue to control the union. Gerace proposed that they make Roy Silbert the president and control the union through him. At first, Scarfo didn't like the idea because, even though Scarfo knew Silbert from the My Way Lounge, he wasn't certain that Silbert could be completely trusted.

After the meeting with Gerace, Scarfo spoke to Saul Kane about Silbert. Kane then went to Silbert and told him that if he agreed to do what Gerace told him to do and didn't interfere with Gerace's control of the union, he would be appointed as president. Kane also warned Silbert that he would be killed if he didn't do as he was told. After meeting with Silbert, Kane informed Scarfo that Silbert agreed to the conditions. Scarfo then approved the appointment of Silbert as president of Local 54.

The agreement reached between Scarfo and Gerace was implemented. Silbert became the president of Local 54 in December 1984. Gerace continued his association with the union as a paid consultant for non-casino matters until 1988, when he became a business agent. He even retained the office that he had occupied as president. Both Gerace and Silbert were completely ousted from the union in April 1991, when they resigned as part of the settlement in the federal civil RICO suit brought against Local 54 and its officials.

MOTHER'S/BOTTOM LINE/ ANCHORAGE TAVERN²¹

Over the course of 28 years, Andrew Cornaglia

owned three liquor licenses in three different municipalities, in addition to his ownership interest in the My Way Lounge from August 1978 to September 1981. Cornaglia owned Mother's, a bar in Egg Harbor Township (Atlantic County) from February 10, 1975, until 1978, when he sold the liquor license and business. From December 1976 to June 1978, he owned and operated the Bottom Line, a restaurant and bar on Pacific Avenue in Atlantic City. Cornaglia owned the Anchorage Tavern in Somers Point (Cape May County) from 1965 until he sold it in September 1993.

Leonetti characterized Cornaglia as an associate of the Scarfo Family and provided the following organized crime profile:

Cornaglia was an associate of the Family who was "with" Scarfo and under his protection. Cornaglia and Scarfo were friends as well. Cornaglia was a close friend of Saul Kane's.

According to Leonetti, "Cornaglia assisted Saul Kane in the collections for his loanshark, gambling and shake-down businesses."²² Cornaglia and Kane were also involved in extorting money from a contractor in exchange for labor peace:

In the summer of 1986, Cornaglia and Kane were planning to extort money from a contractor involved on a construction project to build a new Longport-Somers Point Bridge and roadway. Kane set up a scheme to collect a \$1,000 a week from the contractor in exchange for labor peace. Cornaglia had known the contractor and introduced him to Kane. Before Cornaglia made the introduction, he laid the foundation so that the contractor knew that Kane was going to demand money from him.

When they were introduced, Kane told the contractor that he would

²¹The

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Cornaglia's close association with Saul Kane and his involvement in Kane's collection of street tax for Scarfo are detailed at pages 71 and 72 of this report.

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make certain that the contractor had no problems with the Teamsters Union, but it would cost him \$1,000 a week. The contractor agreed to the arrangement, but before Kane collected any money, he was arrested by the FBI and held on drug trafficking charges in September of 1986.

Scarfo and Leonetti had the power to control the Teamsters Union through associates of the Family that were Teamsters officials. Any union problems that the contractor might have had would have been taken care of by contacting Jack Miller, who was the head of Teamsters Local 331 and an associate of the Family. Local 331 covered the Atlantic City area. Frank Lentino, who was an associate of the Family, was an official of Teamsters Local 158 in Philadelphia until the early 1980s, but still had influence over the Teamsters even after he left. After leaving Local 158, Lentino held positions with Local 54 of the Bartenders and Hotel Workers Union in Atlantic City. Also, Joseph Cimino of Teamsters Local 107 in Philadelphia was an associate of the Family.

Shortly after Kane was arrested and held on the drug trafficking charges, Leonetti was contacted by Cornaglia for some advice concerning the contractor. Cornaglia told Leonetti that the contractor had reached out for him on several occasions to try and give the payments to Cornaglia, since Kane was in prison. Cornaglia was a little suspicious of the contractor because he seemed too anxious to make the payments and Cornaglia felt that the contractor might be setting him up. Leonetti told Cornaglia that Cornaglia knew the contractor and if he felt comfortable with collecting the payments to go ahead, but if he felt that something was at all wrong, to just drop it. After discussing it more, Leonetti told Cornaglia not to collect the payments and they

walked away from the situation.

* * * *

Leonetti's recollection of Mother's was brief:

During the mid to late 1970s, Andrew Cornaglia owned a bar, which was known as Mother's, on the Longport-Somers Point Boulevard in Egg Harbor Township, N.J. Leonetti socialized there with friends a few times, but it wasn't a regular stop. Mother's was a biker hangout during some of the years that it was open.

However, he clearly recalled that Mother's was "torched":

Leonetti knew from conversations that he had over the years with Scarfo, Saul Kane and Cornaglia that Cornaglia "torched" Mother's. Leonetti believed that the fire took place in the late 1970s. Cornaglia needed money for something and was hoping to collect the insurance money from the fire. Leonetti did not remember if Cornaglia actually set the fire or if he had someone else start it. Cornaglia was never charged with the arson.

* * * *

Leonetti knew of Cornaglia's ownership of the Bottom Line:

During the mid to late 1970s, Andrew Cornaglia owned the Bottom Line, a bar and restaurant on Pacific Avenue in Atlantic City. The Bottom Line was located across the street from the My Way Lounge.

As an associate who was “with” Scarfo, Cornaglia allowed Scarfo to enjoy the food and drink at the Bottom Line free of charge and, concomitantly, enjoyed a sweetheart contract with Local 54:

The Bottom Line was another location where Scarfo used to eat and drink for free. When Leonetti was with Scarfo, he never had to pay either. Scarfo and Leonetti used to eat and drink there once or twice a week.

Scarfo made sure that Cornaglia got a sweetheart union arrangement for the Bottom Line from Local 54 of the Bartenders and Hotel Workers Union. Cornaglia also got to use Scarfo’s name and reputation to impress or intimidate people when he needed to, since he was under Scarfo’s protection.

Cornaglia’s Bottom Line provided another means of employment for Family members and associates. Despite a prior conviction for murder in 1952 and a plea of non vult to murder in July 1971, Nicholas “Nick the Blade” Virgilio was hired by Cornaglia at Scarfo’s request. When ABC authorities discovered his employment in April 1977, they required his dismissal and imposed a fine against the licensee. According to Leonetti:

At Scarfo’s request, Cornaglia gave Nicholas “Nick the Blade” Virgilio a job as a maitre’d at the Bottom Line. At the time, Virgilio was an associate of the Family. In June of 1982, Scarfo inducted Virgilio into La Cosa Nostra. Virgilio worked at the Bottom Line until the New Jersey Alcoholic Beverage Control authorities forced him to give up the job because of his criminal record. At the time, Virgilio had two convictions for homicide.

While Virgilio was working at the Bottom Line, he told Leonetti that he used to make at least \$1,000 a week. He said that Cornaglia gave him \$100 a night and that he made the

rest in tips. He told Leonetti that, one night, he made \$1,000 in tips only. Virgilio used to get big tips from people that knew he was connected to Scarfo.

Virgilio never paid income tax on his earnings from the Bottom Line. His employment there exemplifies the diversion of income tax revenue that typically occurs when organized crime members work at bars.

Leonetti disclosed that the Bottom Line was considered as the site for the murder of tailor Guiseppi Leva:

Scarfo and Leonetti considered murdering Guiseppi “Pepe” Leva inside the Bottom Line when they were first trying to decide who they were going to use to kill Leva and where it would be done. They originally thought about using the Bottom Line because they knew it would be no problem to get inside when it was closed, since Nick Virgilio worked there and had a key. They decided against using the Bottom Line because it had a large window in the front of the building, which faced the street. They didn’t want to take the risk that someone might see the murder take place through the window. Cornaglia did not know that Scarfo and Leonetti were considering this plan.

* * * *

The Anchorage Tavern was owned and operated by Cornaglia’s family from May 10, 1956. In 1965, following the death of his father, Andrew Cornaglia became the controlling shareholder of the corporate licensee, with his mother and sister also holding interests. Cornaglia sold the license and premises in September 1993. Leonetti

knew Andrew Cornaglia to be the owner of the Anchorage Tavern in Somers Point, N.J., from the time that they met in the mid-1970s until Leonetti was arrested and held on

various state and federal charges in early 1987.

Cornaglia played a significant role in the acquittal of Scarfo, Leonetti and Lawrence Merlino in 1980 for the 1979 murder of Vincent Falcone, a Family associate. Prior to becoming boss, Scarfo had targeted Falcone for murder because of his lack of respect. Along with others, including two other bar owners, Cornaglia perjured himself at the trial by fabricating an alibi for Scarfo, Leonetti and Merlino. Leonetti described the murder and related Scarfo's reasons for ordering it:

On December 16, 1979, Leonetti shot and killed an associate of the Family named Vincent Falcone. The "hit" was done on Scarfo's order, but it had not been sanctioned by the Family boss, Angelo Bruno. The murder took place in a Margate, N.J., beach house apartment of Phillip "Moe" McFillin, who was an associate of the Family and "with" Scarfo.

Scarfo, Lawrence "Yogi" Merlino and Joseph "Joe" Salerno were present when Leonetti shot Falcone. Each helped in various ways, such as luring Falcone to the apartment, moving his body, discarding the gun and cleaning the apartment after the murder. At the time, Merlino and Leonetti were proposed members and Salerno was an associate.

Scarfo wanted both Vincent Falcone and Alfredo Ferraro killed because Scarfo learned from Salvatore "Chuckie" Merlino that they were criticizing him. Merlino told Scarfo that Falcone and Ferraro felt that they should each get \$500 a week for being Scarfo's associates and helping him. They also told Merlino that when Leonetti was charged with the murder of Leva, Scarfo should have gotten Leonetti a better lawyer. Scarfo was extremely angry when he learned what Falcone and Ferraro had been saying to Merlino. Scarfo had to back off his plan to kill Ferraro because of the heat brought on them after they killed Falcone. Falcone

and Ferraro had been voicing the same criticisms to Leonetti as far back as the Leva murder, but Leonetti never told Scarfo because he knew that Scarfo would be furious.

An organized crime-owned bar provided Scarfo with the safe atmosphere necessary to plan one of the details of Falcone's murder and a second such bar was the site of a conversation following the murder. Joseph Salerno, one of the participants to the killing, testified about the conversations at each bar at the 1988 federal RICO prosecution of Scarfo and his cohorts. Virgilio's,²³ Philip Testa's bar in Philadelphia, was the site of Scarfo's selection of the gun to be used in the shooting:

Q. All right, where did that conversation take place?

A. It took place in a restaurant in Philadelphia, Virgilio's Restaurant.

Q. And who was present during that conversation?

A. Myself, Philip Leonetti, Lawrence Merlino, Chuck Merlino and Nick Scarfo.

Q. And what was said during the conversation?

A. Nicky Scarfo asked me, he says, "Do you have any guns, Joe," so I says, "Yeah, I got some guns." And he asked me what kind they were and I described these guns to him that I had.

Q. What guns did you describe to Nicodemo Scarfo at that time?

A. I had an old .32 handgun and I had a 30 aught 6 rifle.

Q. And after you described those guns to Nicodemo Scarfo what if anything else was said?

A. He said, "Somebody," he says, "bring them things around," he says, "I want to look at them."

Q. And what did you say?

A. I says, "Okay, I will; I'll do

²³Virgilio's appears at pages 9 through 11 of this report.

that.”

Q. Now, at that time where were those guns being kept?

A. They were at my father’s house in Philadelphia.

Q. And where did you take those guns after you picked them up in Philadelphia?

A. Back to Scarf, Incorporated, on Georgia Avenue.

Q. And when you arrived back at Georgia Avenue was it day or nighttime?

A. Nighttime.

Q. And who was there, if anyone?

A. Philip Leonetti, Nicky Scarfo, Lawrence Merlino and myself.

Q. And what if anything was said about the guns or done with the guns?

A. They were passed around the room, they looked at them, they said they were nice, back and forth, and Nicky says, “Well, what we’re gonna do is we’re going to stash these guns for you.”

Q. And did you leave the guns with Nicodemo Scarfo at that time?

A. Yes.

. . .

Q. What gun did Phil Leonetti use to shoot Vincent Falcone?

A. It was the gun that I brought over to Scarf, Inc.’s, the .32 revolver; he used that.

about the possible tracing of the gun to him:

I called Scarf, Inc.’s office from Brigantine and I wanted to know where Nicky was or Philip and I talked to Philip’s mother and she said they were at Scanucchio’s [sic] Restaurant. So I went to the restaurant and I was worried about the gun, because the gun was an old style gun and eventually this man’s body was going to be found with bullets in it. And I don’t know - didn’t know too much about guns, this and that and the other thing, and I was afraid if my father read this thing in the paper, okay, he would get suspicious and I was worried about it and I needed answers.

So I went down there and talked to Nicky about it. He said, “Just don’t even ask me anything about that.”

Q. You talked to Nicky about what?

A. About the gun.

Q. Who was present during that conversation?

A. Philip Leonetti and Nicky Scarfo.

Q. And when Nicky Scarfo said, “Don’t ask me anything about it,” what happened after that?

A. After that Nicky left, okay? And I eventually got to talk to Philip by myself and he said, “You should have never asked my uncle that, you got him worried.”

Q. What was Philip referring to when he said, “You never should have asked my uncle that”? What was he talking about?

A. My trust anymore, he was

Scannichio’s²⁴ in Atlantic City was the location where Salerno attempted to speak to Scarfo after the murder

²⁴Scannichio’s appears at pages 89 through 91 of this report.

worried about my trust probably.

Q. And what did he mean that you should not have asked about?

A. The gun, "You never should have asked him about the gun."

Q. Do you know who owns Scanucchio's [sic] Restaurant?

A. Yes, I do.

Q. Who?

A. Vince Salsto [sic].

Scarfo, Leonetti and Merlino were indicted for Falcone's murder in January 1980. At a meeting at the Anchorage Tavern, they crafted an alibi defense that won them acquittals at the trial in October of that year:

About a week after the Falcone killing, Joe Salerno decided to cooperate with the Atlantic County Prosecutor's Office. Scarfo, Leonetti and Merlino were then arrested and charged with the murder. They made bail about two weeks after their arrests. From that point until their trial in September of 1980, they worked on their defense. Shortly after getting out on bail, they contacted several Family associates and friends to provide false alibis for them. Scarfo lead the effort.

Andrew Cornaglia was one of the associates of the Family who agreed to give a fake alibi. Scarfo, Leonetti, Merlino and Saul Kane met with Cornaglia at the Anchorage Tavern, not long after making bail, to ask him if he would be an alibi witness. Cornaglia didn't balk at doing that. While they were at his bar, they came up with a bogus story that Cornaglia could testify to. They didn't actually tell Cornaglia that they were involved in Falcone's murder, but Leonetti indicated that it had to be obvious to Cornaglia that they were, since they asked him to lie about their whereabouts at the time of the murder.

Cornaglia gave an alibi statement to the defense and also testified as an

alibi witness at their trial. He testified that he stopped at the office of Scarfo, Inc., in Atlantic City and wished Merlino and Leonetti a "Merry Christmas" at the time that they were actually involved in murdering Falcone in Margate. Scarfo, Leonetti and Merlino were acquitted at the trial.

In February 1991, when Cornaglia was subpoenaed before the Commission regarding his ownership of bars and involvement in organized crime, he displayed an utter lack of recall about the Falcone homicide:

Q. And in connection with [the Falcone murder], charges were brought against Scarfo, Leonetti and Merlino. Do you recall that?

A. Yeah, but I blacked out that whole situation, ma'am. That was an incident that I don't even think about any longer.

Q. If I can just delve into it a little bit. At that time you testified at Scarfo's trial for the murder of Vince Falcone. His co-defendants were Leonetti and Merlino. You appeared as an alibi witness. Do you recall that?

A. I recall that, yeah, vaguely.

Q. Did you give an alibi for Scarfo as well as Leonetti, Merlino or just Scarfo?

A. Ma'am, I don't remember any of that incident. I blacked that out of my mind.

Q. Since then?

A. Yes. I don't recall any of that - those statements.

Q. At the time you testified at the trial, did you testify truthfully?

A. I don't recall anything about that situation, Miss.

Q. Who asked you to give them an alibi?

A. No one asked me to do anything. If I recall, I mean - I just don't

recall that. That's 13, 14 years ago.

Q. Were you rewarded in any way for having given them an alibi?

A. Ma'am, I don't - I wasn't rewarded by anybody at any given time in my whole life.

According to Leonetti, Cornaglia was not the only individual to provide Scarfo, Leonetti and Merlino with a phony alibi:

...Scarfo also asked for help from bar owners besides Andrew Cornaglia. Scarfo got James "Jimmy the Brute" DiNatale,...a couple of DiNatale's employees [and another individual] to provide false alibis for them. DiNatale was an associate of the Family and [the other individual] was a good friend of his. DiNatale owned a couple of bars and [his friend] owned one bar in the Atlantic County area....

A few hours before they killed Falcone, Scarfo, Leonetti and Merlino ate lunch at the Country Squire Diner, which was located on the Cardiff Traffic Circle in Egg Harbor Township, N.J. While there, they saw and spoke with DiNatale, [his friends and] a few of his workers.... After leaving the diner, Scarfo, Leonetti and Merlino went back to the office of Scarf, Inc., in Atlantic City and prepared to murder Falcone.

Shortly after they were released on bail, Scarfo and Leonetti went to see DiNatale at his construction supply company in Egg Harbor Township. Merlino may have gone with them also. They asked DiNatale to lie about the time that he actually saw them at the Country Squire Diner in order to give them an alibi for the time frame of the Falcone murder. They also asked DiNatale to arrange for [his friend] and the workers who saw them at the diner to do the same. DiNatale agreed. DiNatale, at least one of his workers and [his friend] then provided a defense team inves-

tigator with statements that they saw Scarfo, Leonetti and Merlino at the diner later in the afternoon than they actually did. Scarfo, Leonetti and Merlino then had an alibi for part of the time that they were involved in committing the murder. DiNatale and [his friend] also testified at the trial and lied about the time that they saw them at the diner. Everyone provided the false statements and testimony willingly when they were asked.

A private investigator, who was hired by Bobby Simone, took the false statements at the Silly Gator Bar in Hammonton, N.J. The bar was owned by [DiNatale's friend]. Scarfo, Leonetti and Merlino were present when the statements were given. Simone represented Merlino and Harold Garber represented Scarfo in the Falcone homicide trial. Both attorneys were associates of the Family. Neither the attorneys nor the private investigator knew that Scarfo, Leonetti and Merlino had arranged for DiNatale, [his friend] and the others to lie in their statements and when testifying.

In discussing DiNatale, Leonetti unmasked Scarfo's scheme to channel his money from illicit activities into legitimate areas:

In the very late 1970s and early 1980s, Scarfo was planning on purchasing many of the businesses and properties that DiNatale owned. Scarfo wanted to invest the money that he and Leonetti were making from their illegal activities into legitimate areas. At the same time, DiNatale was getting old and wanted to sell off his assets. Scarfo handled almost all of the money that Leonetti made from their illegal activities. They were going to purchase DiNatale's businesses and properties in the name of their concrete company, Scarf, Inc. Scarfo and Leonetti liked dealing with DiNatale because he knew their background and was

willing to accept cash without asking any questions. Among the things that Scarfo and Leonetti planned to buy from DiNatale were his bars, a fuel oil company, a vending business, apartment buildings, a construction supply company and various other properties. He also owned a car dealership, but they weren't interested in that. Leonetti knew from his conversations with DiNatale and Scarfo that DiNatale used the money he had made from bootlegging during his younger years to invest in legitimate businesses and real estate in the Atlantic County area.

Shortly after Scarfo became boss, he and Leonetti started to make a lot of money and Scarfo wanted to begin buying DiNatale's assets. However, the only thing they ever purchased was one piece of property because Scarfo went to federal prison only a year and a half after becoming boss. While Scarfo was in prison from August of 1982 until January of 1984, DiNatale died. Leonetti attended DiNatale's wake with Lawrence Merlino and Harold Garber. The property that Scarfo and Leonetti bought was approximately four acres of land in Galloway Township, N.J., which they purchased in the name of Scarf, Inc. Although they paid DiNatale \$40,000 for the property, it was documented as though they had paid only \$30,000. Leonetti gave DiNatale \$10,000 in cash.

GAMBINO FAMILY BARS

One of the most compelling areas revealed by Leonetti was the interplay between the Scarfo Family and the Gambino Family, which has operated primarily in the New York area. In the early 1970s, a number of

members and associates of the Gambino Family and Sicilian Mafia relocated to the southern New Jersey-Philadelphia area. At the time, boss Angelo Bruno extended a warm welcome, although his apparent friendship angered his own members and associates and eventually contributed to his murder. Later, during Scarfo's reign as boss, Gambino Family members and associates created serious problems that had to be addressed in sit-downs between the two families. Some of the problems related to bars. Leonetti accompanied his uncle to sit-downs with Gambino boss Paul Castellano and with Castellano's successor, John Gotti. Among the businesses that the Gambinos established in southern New Jersey were two restaurants with cocktail lounges.

Leonetti outlined the migration of the Gambino Family and Sicilian Mafia to the south Jersey and Philadelphia area and their reception by Bruno:

In the early part of the 1970s, several people associated with the Gambino Family of La Cosa Nostra and the Sicilian Mafia began moving to the southern New Jersey and Philadelphia area. They were mostly Sicilian immigrants who had been living in New York. Among those who moved into the area from New York were Rosario "Sal" Gambino, Emanuel "Matty" Gambino, Giuseppe "Joe" Gambino, Dominick Adamita and Lenny Soccolich. John Gambino was another person who was involved with this group, but Leonetti believed that he continued to live in New York. John, Joe and Sal Gambino are brothers and distant relatives of former Gambino Family boss Carlo Gambino. Joe and Sal Gambino lived in the Cherry Hill area after moving down from New York.²⁵

Leonetti learned from Scarfo that John Gambino was a La Cosa Nostra member in the Gambino Family. Gambino and Leonetti were later introduced to each other as "amico nostra" by Nicholas "Nick" Russo at

²⁵In 1984, Sal Gambino was convicted on federal drug trafficking charges. In 1992, Matty Gambino was convicted on similar charges. In 1993, John and Joe Gambino pled guilty to similar charges. All cases involved trafficking in heroin.

a sit-down at an Atlantic City restaurant in approximately 1983. Russo was a member of the Gambino Family who lived in the Trenton, N.J., area. The words "amico nostra" mean "friend of ours." If a La Cosa Nostra member introduces two people as "amico nostra," it lets each know that the other is a La Cosa Nostra member. The words are only used when introducing La Cosa Nostra members to each other. Sal Gambino was a member of the Sicilian Mafia. Scarfo told Leonetti that sometime in the 1970s, he was introduced to Sal Gambino as "amico nostra" by Angelo Bruno. Because of the way that Bruno introduced Sal Gambino to Scarfo, Scarfo and Leonetti always thought that he was a member of La Cosa Nostra. It wasn't until January or February of 1986, when Scarfo and Leonetti first met John Gotti after he became the boss of the Gambino Family, that they found out that Sal Gambino wasn't a member of La Cosa Nostra. Gotti informed Scarfo and Leonetti that Gambino was a member of the Sicilian Mafia, not La Cosa Nostra.

Angelo Bruno was the boss of the Family when the Gambino brothers and their associates started moving into the area of southern New Jersey and Philadelphia. They moved to the area with Bruno's blessing, but it worked against him. Many members and associates in the Family felt that Bruno was showing the Gambinos more respect than his own people. Because of that, and the way that Bruno handled other problems, a split occurred in the Family. The split played a part in Bruno's murder in 1980.

Leonetti identified Valentino's Supper Club and Casanova Disco as the two liquor-licensed establishments owned and operated by the Gambino Family in southern New Jersey. Valentino's was open at 512-16 Haddonfield Road in Cherry Hill (Camden County) from

November 1976 until October 1982, when it was destroyed by arson. Valentino's, Inc., held the liquor license from July 1976 until June 1986, when it was sold. The corporation was formed in April 1976 by its sole stockholder, Guiseppe "Joe" Gambino. Casanova Disco operated during 1977 and 1978 at 2415 Pacific Avenue in Atlantic City. Dominick Adamita held the license in the name of 2415 Pacific Corporation, trading as Casanova's, and owned the business and property under the name of Casanova, Inc., which was formed in March 1977. Leonetti reported:

When the Gambino brothers and their associates began operating in the southern New Jersey and Philadelphia area, some of them also ran bars and pizza parlors. One of the bars was Valentino's in Cherry Hill. Leonetti was not certain who held the liquor license or if there was any hidden ownership involved. However, it was his understanding from conversations with Scarfo and other members and associates of the Family that Joe and Sal Gambino owned Valentino's. It was common knowledge among the people that Leonetti dealt with.

Valentino's was open during the late 1970s and early 1980s. Scarfo told Leonetti that Joe and Sal Gambino were giving some of their profits from Valentino's to Angelo Bruno. They gave Bruno "a piece" of Valentino's out of respect.

In the late 1970s and early 1980s, there was a bar and restaurant, known as Casanova, on Pacific Avenue in Atlantic City. It was Leonetti's understanding from conversations with Scarfo and other members and associates of the Family that Joe and Sal Gambino and Dominick Adamita owned Casanova. Their ownership was common knowledge among the people that Leonetti associated with. Leonetti was not sure who held the liquor license or if there was any hidden ownership involved.

In August 1977, the Commission's four-day public hearing on organized crime in Atlantic City featured one full day of testimony on the Gambino Family's hidden ownership of Casanova Disco. In its report²⁶ on the hearing, the Commission cited the restaurant and bar as an example of "the unorthodox and mysterious juggling of finances that are commonplace in the purchase or sale of many mob-targeted businesses such as bars, restaurants and pizza parlors." Also noted was the absence of any background investigation when the liquor license was issued. The report included excerpts from the public hearing on the examination of boss Angelo Bruno concerning his placement of cigarette vending machines in both Casanova and Valentino's and his meeting with Gambino Family boss Paul Castellano at Valentino's. After acknowledging that he knew the Gambino brothers, Bruno was asked:

Q. Do you know them to be the owners of Valentino's Restaurant in Cherry Hill?

A. I don't know them to be the owners. I know they're there. Whether they own it, whether they rent it, what their - I know they're there. They seem to have some authority there. But I don't know whether they own it because I never saw any documents. I don't know.

Q. Did you discuss with them putting in one, a vending machine in their location, Valentino's?

A. Probably did, yes.

Q. Do you have that location, Valentino's Restaurant in Cherry Hill?

A. Yes.

Q. Do you have a location of their's [sic] in Atlantic City, also?

A. Yes.

Q. Do you have a vending machine in another location of their's [sic] in Atlantic City?

A. Right. You see, the same answer there. Oh, I'm sorry. Same answer there. I don't know what they own. I don't know if they own it or

not. I don't know exactly. I haven't been to Atlantic City in about a year, approximately a year. Now, you know, I might assume that they have something to do with it, but I never saw them there. I never went there and I, I don't know what they're really - you know, what they've got to do with it.

Q. Did Giuseppe Gambino ever mention to you that they were going to open a bar in Atlantic city?

A. I can't recall. I can't recall any conversation like that.

Q. Do you have a vending machine in their location, in a location in Atlantic City?

A. Yes.

Q. What is the location that we're speaking of?

A. Well, I think we're talking about Casanova. Aren't you?

Q. Casanova.

Q. Did Carlo Gambino introduce you to Paul Castellano?

A. Yes.

Q. Do you recall when he introduced you to Paul Castellano?

A. No.

Q. Is it more than ten years ago? Did you hear the question, Mr. Bruno?

A. Yes. I don't remember if it was before I went to Yardville or after Yardville. I don't remember.

Q. Have you met Mr. Castellano in the past six months?

A. In the past six months. Well, I think in that vicinity I did meet him.

Q. Would it be approximately April or May of 1977?

²⁶Ninth Annual Report of the Commission.

A. *It could be, yes.*
Q. *Where did you meet him?*
A. *I met him at Valentino's Restaurant.*

Q. *In Cherry Hill?*
A. *Yes.*

Q. *That is the Gambinos' restaurant that we were referring to before?*
A. *That's the restaurant.*

Q. *Did you have dinner with him there?*
A. *Yes.*

Q. *In Valentino's?*
A. *Yes. Not - I had no appointment to have dinner with him.*

Q. *But you did have dinner with him?*
A. *I had dinner with him, yes.*

Q. *What did you discuss at that time?*
A. *General conversation. I don't remember.*

Q. *Did you discuss Atlantic City?*
A. *I don't remember. He may have asked me what I thought of Atlantic City. General conversation.*
I have nothing to do with Paul Castellano in anything in Atlantic City or any business anywhere. This way you got the whole answer.

Q. *Your answer is you do not conduct any business -*
A. *No.*

Q. *- with Mr. Castellano?*
A. *No business of any kind.*

Q. *Did you discuss in Valentino's doing business separately in Atlantic City?*
A. *I don't know what you mean by "separately."*

Q. *Well, did he tell you what business he was going to go in, perhaps, and you tell him what business*

you were going to go in?
A. *I don't recall it, but I don't know what his intentions are. I have a pretty good feeling about what my intentions are with Atlantic City. Would you want me to tell you that?*

Q. *What are your intentions with Atlantic City, Mr. Bruno?*
A. *Stay away from it. That's my intentions.*

Q. *Were the Gambino brothers present when you talked to Mr. Castellano, at the same table?*
A. *Well, it's only natural they would come, they would go away. They take care of other customers. You know, I don't remember exactly what.*

Q. *They may have sat down and chatted with you?*
A. *It's possible.*

* * * *

In 1983, an incident occurred at Sy Hoeflich's Deptford Tavern that became a topic at a meeting and two separate sit-downs between the Scarfo Family and the Gambino Family. It involved the assault, at gunpoint, of Hoeflich's bouncers by Sal Gambino and his cohorts. The episode was but one of many problems caused by brothers Sal and Joe Gambino and their associates. Leonetti recounted:

During the years that Scarfo was the boss of the Family, he had problems with the Gambino brothers and their associates on a few occasions and Scarfo was forced to complain about them a couple of times to the boss of the Gambino Family in New York. Also, Scarfo did not like the involvement of the Gambino brothers in drug trafficking because it was against the rules of La Cosa Nostra. When Scarfo and Leonetti heard that they were involved in drugs, they confirmed it by talking to Joseph "Joe" Farinella and Nicholas "Nick" Russo, who were two Gambino Family mem-

bers from the Trenton, N.J., area.

A few months before Scarfo was released from federal prison in January of 1984, Tyrone DeNittis told Leonetti about a disturbance that occurred at the Deptford Tavern involving Rosario "Sal" Gambino. DeNittis informed Leonetti about the incident a month or so after it happened. Right after learning about it, Leonetti went to see Sy Hoeflich at the Deptford Tavern to discuss the matter. Hoeflich explained that Sal Gambino and a few of his associates entered the Deptford Tavern just after it closed for business one night, beat up a couple of Hoeflich's bouncers and caused some damage. Hoeflich said that Sal Gambino jumped up on the bar or a table with a handgun in each hand and ordered Hoeflich's bouncers to line up as his people beat them. Gambino said that the beatings were in retaliation for the beating given by some of Hoeflich's bouncers to one of Gambino's relatives or friends at the Deptford Tavern. Hoeflich was scared by the incident and didn't want to tell Leonetti about it right away because he thought it would lead to more trouble at the Deptford Tavern or his other bar in Bellmawr, the Coral Reef. Because Scarfo was being released soon from prison, Leonetti didn't do anything about the matter right away and waited until Scarfo got home to discuss it with him. Leonetti knew that a sit-down between the Scarfo Family and the Gambino Family would be required to straighten the matter out. When Scarfo got out of prison, Leonetti told him about the problem and Scarfo was very upset that Hoeflich, who was under Scarfo's protection, was treated in that manner.

The incident so infuriated Scarfo that he raised it at a sit-down that was held shortly thereafter:

In the spring or summer of 1984, the

Scarfo Family had a sit-down with the Gambino Family at a house in Staten Island. Scarfo had instructed Leonetti to make the arrangements for a sit-down, which Leonetti did through Joseph "Joe" Farinella. The main purpose of the meeting was to settle a "beef" involving money between a member of the Gambino Family from north Jersey, named Mike Mandaglio, and a member of the Scarfo Family from Hazleton, Pennsylvania, named Jack Parisi. La Cosa Nostra members from the Scarfo Family who attended the sit-down were Scarfo, Leonetti, Leonetti's great uncle, Nicholas "Nicky Buck" Piccolo, Lawrence "Yogi" Merlino, Ralph "Blackie" Napoli, Santo "Big Santo" Idone and Joseph "Joe" Scalleat. La Cosa Nostra members from the Gambino Family who attended were Paul Castellano, Aniello "Neil" Dellacroce, Frank DeCicco, Salvatore "Sammy the Bull" Gravano, Thomas "Tommy" Bilotti, Mike Mandaglio, Nicholas "Nick" Russo and Joe Farinella. At the time of the meeting, Castellano was the boss of the Gambino Family and Dellacroce was the underboss.

After the situation over the money dispute was taken care of, Scarfo took Castellano aside to discuss the problem involving Sal Gambino's actions at the Deptford Tavern.... Although Leonetti was not part of the conversation, Scarfo told him about it later. Scarfo stated that Castellano apologized for his people's behavior and said that he would straighten them out.

In early 1986, Scarfo and Leonetti paid their respects to John Gotti as the new boss of the Gambino Family. In their initial meeting, Scarfo apprised Gotti of the problems caused by the Gambino brothers in his area and specifically cited the beatings at the Deptford Tavern:

In approximately December of 1985, John Gotti, a member of the

Gambino Family, had Paul Castellano killed and then took over as boss. A short time later, Gambino member Salvatore "Sammy the Bull" Gravano travelled to Atlantic City to meet with Scarfo and Leonetti. They met Gravano at a bar, known as Angelo's Fairmount Tavern, on Fairmount and Mississippi Avenues. Gravano told Scarfo and Leonetti that Gotti, as the new boss of the Gambino Family, would like to meet them. Scarfo told Gravano that he would also like to meet Gotti and that he would make contact with Joe Farinella to schedule a meeting. Scarfo and Leonetti then contacted Farinella in Trenton shortly afterward and made arrangements to meet with Gotti.

A month or so after Gotti became boss, Scarfo and Leonetti met him for the first time. The meeting took place in approximately January or February of 1986 at a town house in Staten Island that was owned by a brother-in-law of Gravano's. Other members of the Gambino Family who were at the meeting were Gravano, Frank DeCicco, Joseph "Joe" Gallo, Angelo Ruggiero, Joe Farinella and Joseph "Joe Butch" Corrao. Scarfo and Leonetti were the only members of the Scarfo Family who went to the meeting. One of the areas discussed were the problems that the Scarfo Family was having with the Gambino brothers and their associates, including the incident with Sal Gambino at the Deptford Tavern. Gotti said that he was sorry that the incidents occurred.

Shortly after Scarfo's and Gotti's first meeting, a sit-down was convened when a Gambino Family associate brandished a gun and threatened a Scarfo Family member in a fight over a woman at a Cherry Hill bar. Leonetti narrated the facts that prompted the sit-down over the persistent problems with the Gambinos:

Within a month or two of the first

meeting with Gotti, another problem occurred with the Gambino group from the southern New Jersey and Philadelphia area. It involved Emanuel "Matty" Gambino, who was friendly with John, Joe and Sal Gambino. Matty Gambino, who lived in the southern New Jersey area, was somehow related to the Gambino brothers. He and Philip Narducci had an argument over a woman at a Cherry Hill bar, known as Franchin's. Gambino made threatening remarks and pulled a gun on Narducci. Narducci was a La Cosa Nostra member in the Scarfo Family and Gambino was an associate in the Gambino Family. After the incident took place, Narducci went to see Leonetti in Atlantic City at the office of Scarf, Inc., to tell him what had happened. They took a walk outside while Narducci, who was accountable to Leonetti at the time, explained the situation. When Leonetti told Scarfo about the incident, Scarfo was furious.

Around March of 1986, Scarfo and Leonetti again met Gotti at the Staten Island town house of Salvatore "Sammy The Bull" Gravano's brother-in-law. Gotti had Joe Farinella contact Scarfo and Leonetti to arrange a second meeting because Gotti wanted to further discuss the problems with the Gambino brothers and their associates. Scarfo and Leonetti were the only members from the Scarfo Family who attended the sit-down. The Gambino Family members that attended the first meeting with Gotti were the same members who were present for the second meeting.

The meeting resolved the issue to Scarfo's satisfaction:

Scarfo and Leonetti explained to Gotti what Matty Gambino had done to Narducci. Scarfo then told Gotti that he was so angry that he wanted

Matty Gambino killed. The incidents regarding Sal Gambino's actions at the Deptford Tavern...[was] also brought up again. Scarfo told Gotti that he was tired of all the problems caused by the Gambino brothers and their associates. Gotti apologized for the problems and asked Scarfo to give him a little more time to take care of the situation. Gotti indicated that since he had only been boss of the Gambino Family for a few months, he needed time to get things in order. Gotti said that if he couldn't straighten out the situation, then he would have Matty Gambino killed. After the meeting with Gotti, the Scarfo Family never had any more problems with the Gambino group from the southern New Jersey and Philadelphia area.

SCANNICHIO'S

Scannichio's opened in Atlantic City in June 1978. The liquor license was held by Boardwalk-California Corp., which was wholly owned by James Portock. Leonetti disclosed that Portock had a hidden partner in the business — an associate of the Scarfo Family:

Scannichio's was a restaurant and bar owned by Vince Sausto, an associate of the Family who was "with" Scarfo, and Jimmy Portock. It was located on South California Avenue, near the Boardwalk, in Atlantic City. Scannichio's opened in approximately 1979 and was still open for business when Leonetti was arrested and held on several state and federal charges in early 1987.

Although Leonetti did not remember whose name was on the liquor license, he recalled Sausto telling him and Scarfo that Sausto and Portock were partners in the business. Sausto also told them the percentage of the business that each owned, but Leonetti did not now recall the percentages. The conversation took place at

Scannichio's soon after it opened.

Sausto gave Scarfo the required tribute, although he was excused from making weekly monetary payments, and received the related benefits:

From the time that Scannichio's opened in approximately 1979 until around 1982, Scarfo and Leonetti usually ate and drank there a couple of times a week. Scarfo and Leonetti, as well as others who happened to be with them, never had to pay for the food and drinks. Scarfo and Leonetti were never even given a check. It was obvious to Leonetti that Sausto told Portock and a manager, named John Varalli, not to charge them. Varalli was in charge of running Scannichio's on most of the nights that Scarfo and Leonetti were there, but there were many other times when Sausto or Portock were there.

In the weeks before the trial in Atlantic County for the Vincent Falcone murder, Scarfo, Leonetti, Lawrence Merlino and members of their defense team ate and drank for free at Scannichio's on several nights. During the actual trial in September and October of 1980, all of them went there almost every night and ate and drank for free. The defense team included three attorneys and an investigator.

The free food and drinks at Scannichio's was tribute that Sausto gave to Scarfo because of their friendship and the respect that Sausto had for Scarfo's position. Scarfo and Leonetti had been friendly with Sausto for many years. In return for the tribute, Sausto was under Scarfo's protection and could use Scarfo's power and reputation. He received certain benefits from Scarfo, including protection from Local 54 of the Bartenders and Hotel Workers Union. Through Frank Gerace, Scarfo arranged for the union to go easy on Scannichio's. It either received a sweetheart deal with Local 54 or may not have been unionized at all. Also,

Scarfo, Leonetti and some of their relatives gave their insurance business to Sausto, who owned an insurance business in the Chelsea section of Atlantic City. Scarfo and Leonetti also steered a lot of insurance business from their friends and associates to Sausto.

Sausto knew Philip Testa and was friendly with his son, Salvatore Testa. Scarfo sent Salvatore Testa to Sausto when he needed insurance. Philip and Salvatore Testa got to know Sausto through Scarfo and Leonetti.

In approximately 1981 or 1982, Scarfo talked to Sausto about receiving a regular tribute payment or a "piece" of the profits from Scannichio's. Scarfo had mentioned it to Leonetti on a few occasions before discussing it with Sausto. Leonetti did not know exactly what Sausto told Scarfo about the tribute payments, but thought that Sausto said he just didn't have the money to make such payments. Scarfo wouldn't have let Sausto get away with any other excuse. Scarfo never got any tribute payments out of Sausto.

Scannichio's provided Scarfo with another licensed establishment for the dispensing of jobs. Scarfo arranged for Sausto to employ an associate of the Family and to hire a manager who had been working at the Philadelphia bar owned by boss Philip Testa:

In 1981 or 1982, Scarfo spoke to Sausto and got Joseph "Joe" Ligambi a job as a bartender at Scannichio's. He was an associate of the Family at the time, but was later inducted by Scarfo into La Cosa Nostra after taking part in the murder of Frank D'Alfonso in 1985. Ligambi was close with Lawrence Merlino....

Scarfo also got a job for John Varalli at Scannichio's. Varalli had been

working as a manager for Philip Testa at Testa's Philadelphia bar and restaurant, which was first known as the Bank Street Restaurant and later as Virgilio's. Scarfo and Leonetti knew Varalli from going to Testa's restaurant to meet with Testa and other members and associates of the Family. One day in approximately 1979, when Scarfo and Leonetti were at Virgilio's, Testa asked Scarfo if he could get Varalli a job in an Atlantic City restaurant because he wanted to move to the shore. Varalli had asked Testa to make the request. Scarfo told Testa that he would arrange for a job at Sausto's restaurant. After speaking with Testa, Scarfo called Varalli over to discuss the matter and told him that he would get him a job at a restaurant that a friend of his owned in Atlantic City....

Shortly after talking to Varalli, Scarfo and Leonetti went to see Sausto about giving Varalli a job at Scannichio's. Scarfo told Sausto that Varalli was a good manager and that he was working at Virgilio's for Philip Testa, who Sausto knew. Scarfo said that Varalli would be an asset to Sausto's business. Sausto agreed to hire Varalli as a manager and made room for him by firing the manager who was already working there.

When Varalli moved to Atlantic City, he lived on South Florida Avenue in an apartment located in a house owned by John "Johnny" Palumbo. Palumbo was an associate of the Family and a business partner of Scarfo's and Leonetti's.

In April 1991, the business and liquor license were sold to Varalli, who applied for transfer of the license from Boardwalk-California Corp. to John Varalli & Sons, Inc., in which he was sole officer and stockholder. In September 1991, Varalli withdrew the application when it became apparent that ABC concluded that Varalli had operated the business as an undisclosed owner for a number of years and used the business' profits to acquire the license and business. Thereafter, one of Varalli's sons replaced him as the sole corporate officer and

stockholder. His application for transfer of the license was withdrawn because the license had statutorily lapsed. In January 1993, an application was filed with ABC for the transfer of another liquor license. In September 1993, ABC denied the application on the ground that Varalli continued to be the true owner. That denial is presently being contested. The restaurant still operates, but without a liquor license.

LACOSTA PACKAGE GOODS AND COCKTAIL LOUNGE

Leonetti identified Frank Materio, an associate of the Scarfo Family, as the undisclosed owner of LaCosta Package Goods and Cocktail Lounge in Sea Isle City (Cape May County) for a period of time:

On a couple of occasions between approximately 1978 and 1982, Scarfo and Leonetti met with Frank Materio at a bar and liquor store known as LaCosta in Sea Isle City. Materio was an associate of the Family who was "with" Scarfo. Materio told Scarfo and Leonetti that he had an ownership interest in the bar and liquor store business. Materio never indicated if he had any partners, whether he was on the liquor license or who owned the building that the bar and liquor store were in.

Materio had a bookmaking operation in the Atlantic City area that turned its gambling action into a gambling business that Scarfo controlled. Scarfo operated his gambling business from approximately the mid-1960s until approximately 1970.

In 1979, Materio obtained a Disqualification Removal for a 1967 bookmaking conviction.

Leonetti named Materio as one of the individuals who assisted in posting bail for him, Scarfo and Merlino following their arrests for Vincent Falcone's murder:

When Scarfo, Leonetti and Lawrence Merlino were arrested in December of 1979 for the murder of Vincent Falcone and held in the Atlantic County Jail, they were able to make bail about two weeks after their arrests with the help of a few people. One of the individuals who helped them was Materio, who put up his Ventnor house as security for their bail. Toro Construction, which was owned by Robert "Toro" Locicero, put up \$45,000 towards their bail. Frank Gerace also contributed a large amount of money, but did it through his mother, Lillian Gerace, to put some distance between himself and Scarfo, Leonetti and Merlino.

In 1979, at Scarfo's direction, Materio became an Executive Board member and business agent for Local 54:

In about 1978 or 1979, Scarfo directed Frank Gerace, the president of Local 54 of the Bartenders and Hotel Workers Union, to make Materio an officer of that union so that Scarfo would have more control over it. In approximately 1984, the New Jersey Casino Control Commission forced Gerace and Materio out of Local 54 because of their relationship with Scarfo. The Casino Control Commission didn't want associates of Scarfo's and the Family's involved with a union that represented casino workers.

Despite his forced resignation from Local 54 in 1984 on the ground that he was closely allied with Scarfo and other organized crime figures, Materio was permitted to acquire an ownership interest in Estelle Manor, a restaurant and bar that was located on Route 50 in Estelle Manor City (Atlantic County). He and five others were equal partners in the business and held the liquor license in the name of Magi, Inc., from February 1985 to May 1986.

In declarations filed in the 1990 federal civil RICO suit against Local 54 and its officials, Leonetti and Lawrence D. Merlino, a Scarfo Family member who

also cooperated with the federal government, disclosed other aspects of Materio's relationship with Scarfo. Leonetti reported:

Scarfo received money from...sweetheart deals that were made through the union. Frank Materio was involved in a maintenance contract at Caesar's Casino. Materio received kickbacks from the contract that Scarfo split with Gerace.

Merlino stated:

Frank Materio... periodically came to Scarf, Inc. to talk to Scarfo about union business or shaking down bars. In August 1985, at a dinner at the Lobster Loft, Materio approached Scarfo to find out if Al Zurzolo of the Coliseum Restaurant was "with" me. I told Scarfo he was not and Scarfo told Materio to do whatever he wanted to do with Zurzolo. I understood that Materio was shaking Zurzolo down.

As part of the 1991 settlement agreement in the federal civil RICO suit, Materio consented to a permanent bar from any direct or indirect involvement in Local 54. From January 1991 to March 1994, Materio worked as a bartender on a part-time basis at the Days Inn on Morris Avenue and the Boardwalk in Atlantic City. Materio died in March 1995.

T.K.'S PUB

From April 1977 to July 1984, the bar at 3426 Atlantic Avenue in Atlantic City was known as T.K.'s Pub. Toward the end of that period, Frank Kelly was the manager. Leonetti knew both the bar and Kelly:

In approximately 1983 and 1984, Frank Kelly ran T.K.'s, which was a bar on Atlantic Avenue in Atlantic City. Although Scarfo and Leonetti

didn't deal with Kelly that much, Kelly was involved with members and associates of the Family who were friendly with Scarfo and Leonetti.

. . .

At about the time that Kelly was at T.K.'s, or shortly after he left, Phillip "Moe" McFillin considered purchasing T.K.'s, but never did. If he had, Scarfo and Leonetti would have gotten a "piece" of it because McFillin was an associate of the Family who was "with" Scarfo. During at least one conversation with Leonetti, which took place at T.K.'s, McFillin expressed an interest in purchasing the bar.

In March 1995, McFillin pled guilty to a federal racketeering conspiracy charge stemming from his involvement with Scarfo in a series of fraudulent real estate scams in south Jersey, including a \$2.68 million construction loan for a North Wildwood condominium project.

T.K.'S was another bar that provided employment for the Scarfo Family:

When Kelly ran T.K.'s, Lawrence Merlino got Kelly to hire Joseph Ligambi as a bartender. Merlino was a captain in the Family at the time and Ligambi was a good friend of Merlino's and a Family associate. Ligambi was later inducted as a La Cosa Nostra member into the Family.

Because of Kelly's contacts with the Scarfo Family, he was able to affect Local 54's involvement with his bar:

In approximately 1983, Frank Lentino told Leonetti that Kelly had asked him to keep Local 54 of the Bartenders and Hotel Workers Union from unionizing T.K.'s, or at least to keep union benefit contributions low. Lentino, who was an associate of the Family, was then an official of Local 54. Scarfo had approved the hiring

of Lentino.

At the time that Lentino contacted Leonetti about Kelly, Leonetti was helping to run the Family because Scarfo was in prison. Leonetti gave Lentino his approval either to keep Local 54 out of T.K.'s or to limit its involvement. Leonetti learned later from Lentino that he had helped Kelly with his union problem. Leonetti didn't know whether Lentino kept Local 54 out of T.K.'s all together or if he arranged to keep the benefit payments low.

Following Kelly's departure as manager, ABC Form E-141-A listed Gary Tavella as the manager of the bar, which was renamed Club Atlantic, from July 1984 to August 1985. Tavella is an associate and gambling operative of the Family. During an ABC inspection of the bar in July 1985, two handguns were discovered in the office safe and Tavella was charged with their possession. In December 1985, Tavella pled guilty to one count of unlawful possession of a handgun. In 1994, he was included in the federal RICO indictment of the Stanfa Family.

time, Martin Casella was in the same prison. Between January and approximately March of 1989, Leonetti was housed in the same unit at Ottisville as Bobby Manna, Marty Casella and Bocci DeSciscio. Manna was the consigliere of the Genovese Family and Casella and DeSciscio were associates of the Genovese Family who were very close with Manna. Joe Massino, who was the boss of the Bonanno Family of La Cosa Nostra, was also in the same unit. Manna, Casella and DeSciscio left Ottisville in approximately March of 1989 to go on trial for a RICO case that the federal government had against the Genovese Family. While Casella and Leonetti were in prison, they conversed regularly and Casella told Leonetti that he owned a restaurant in northern New Jersey. Casella said that the FBI had bugged the restaurant and that some of the recordings that were made from the bug were going to be used as evidence in the RICO case.

CASELLA'S RESTAURANT²⁷

One of the organized crime bars highlighted in the Commission's 1992 public hearing and report was Casella's Restaurant in Hoboken (Hudson County). Martin "Motts" Casella held a 90% interest in the liquor license from August 1962 to October 1990. Despite Casella's close association with Genovese Family consigliere Louis "Bobby" Manna, who used the establishment as his headquarters, Casella's 1988 indictment on federal RICO charges, his subsequent 1989 conviction, and his incarceration on an 80-year sentence, the municipality continued to renew the liquor license every year. Leonetti became acquainted with Casella while they were both incarcerated in federal prison:

Leonetti was in federal prison at Ottisville, N.Y., from November of 1988 until May of 1989. During that

MEDFORD VILLAGE RESORT AND COUNTRY CLUB²⁸

In 1992, the Commission identified the Medford Village Resort and Country Club in Medford Township (Burlington County) as a location utilized by the Scarfo Family to further its illegal gambling activities. Leonetti had the following to say about Scarfo Family member Salvatore "Shotsie" Sparacio and associate Blase Salvatore, who were linked by the Commission to the gambling activities at the country club:

Blase Salvatore was an associate of the Family who lived and operated a pizza parlor in the Cherry Hill area. Salvatore and a member of the Family, Salvatore "Shotsie" Sparacio, were cousins. When Leonetti became a captain in May or June of 1981,

²⁷ Casella's Restaurant in Hoboken (Hudson County). Martin "Motts" Casella held a 90% interest in the liquor license from August 1962 to October 1990. Despite Casella's close association with Genovese Family consigliere Louis "Bobby" Manna, who used the establishment as his headquarters, Casella's 1988 indictment on federal RICO charges, his subsequent 1989 conviction, and his incarceration on an 80-year sentence, the municipality continued to renew the liquor license every year. Leonetti became acquainted with Casella while they were both incarcerated in federal prison:

²⁸ Medford Village Resort and Country Club in Medford Township (Burlington County) as a location utilized by the Scarfo Family to further its illegal gambling activities. Leonetti had the following to say about Scarfo Family member Salvatore "Shotsie" Sparacio and associate Blase Salvatore, who were linked by the Commission to the gambling activities at the country club:

²⁹ Blase Salvatore was an associate of the Family who lived and operated a pizza parlor in the Cherry Hill area. Salvatore and a member of the Family, Salvatore "Shotsie" Sparacio, were cousins. When Leonetti became a captain in May or June of 1981,

Sparacio was one of the soldiers in the Family that was put under Leonetti. Sparacio continued to report to Leonetti when Leonetti was elevated to underboss in January of 1986. From Leonetti's dealings with Sparacio over the years, he knew that Blase Salvatore worked as a book-maker in a sports betting business operated by Sparacio in the southern New Jersey and Philadelphia area. When Leonetti became Sparacio's captain, he gave Leonetti certain telephone numbers to reach him and one of the numbers was for Blase Salvatore's pizza parlor.

The Commission also revealed at its 1992 public hearing that Anthony "Tony Buck" Piccolo held an ownership interest in the club from January 7, 1974, to December 4, 1985. At the hearing, Piccolo invoked his Fifth Amendment privilege against self-incrimination in response to questioning about his ownership interest. It was Anthony Piccolo to whom Scarfo turned in 1987 to run the Family when he and Leonetti were facing substantial prison time:

When two members of the Family, Thomas "Tommy Del" DelGiorno and Nicholas "Nicky Crow" Caramandi, decided to become government witnesses in approximately November of 1986, Anthony "Tony Buck" Piccolo began to play an important role in the Family. Scarfo and Leonetti realized that with everything that DelGiorno and Caramandi knew about their illegal activities, they would soon be going to jail and Scarfo would need someone to run the Family. At the time, Scarfo was the boss and Leonetti was the underboss. The next highest-ranking member was their consigliere, Nicholas Piccolo, but he was old and sickly. Shortly after DelGiorno and Caramandi began cooperating, Scarfo made Anthony Piccolo the acting consigliere. Scarfo then informed the captains of the Family that Piccolo was the acting consigliere and would be running the Family after

Scarfo and Leonetti were incarcerated. Leonetti knew that Piccolo oversaw the day-to-day activities of the Family from the time that Leonetti was incarcerated in April of 1987 until Leonetti began cooperating in June of 1989. When anything major came up, Piccolo always sent messages to Scarfo in prison to ask what he wanted done. Scarfo selected Piccolo to run the Family because he was a blood relative. Scarfo felt that Piccolo would be loyal to him and that he would be able to keep control of the Family through Piccolo.

Piccolo ran the Family until John Stanfa became the boss in early 1991. In 1994, Piccolo was named as a defendant in the federal RICO indictment of the Stanfa Family. Later that year, he was convicted in state court of conspiracy to commit racketeering and being a leader of organized crime and, in January 1995, was sentenced to 10 years.

The Commission notes that in August 1994, the Director of the Division of Alcoholic Beverage Control upheld the decision of the administrative law judge to revoke the club license of Medford Village Resort and Country Club. Although the ruling did not impose a two-year restriction against the premises from having another liquor license, the individuals who held the revoked license were so barred. The opinion and findings of the Director were bottomed extensively on testimony taken before the Commission during its investigation.

PHILADELPHIA BARS

Leonetti discussed a series of bars in Philadelphia that were owned by Bruno/Scarfo Family members or associates. The bars provided convenient and safe locations for celebrations, making ceremonies, the plotting of murders and the luring of unsuspecting targets to their deaths. The Buckeye Club, 9M Bar, Virgilio's, Old Timers Tavern and Friendly Tavern were Philadelphia bars previously discussed in this report.

LaCucina

Family associate Salvatore “Sam The Barber” LaRussa operated La Dolce Vita, a liquor-licensed social club at 117-123 South Street, from at least 1980 until February 1984, when he remodeled the premises, obtained a retail liquor license and reopened the restaurant and bar as LaCucina Ristorante Extrordinaire. On July 30, 1987, following a series of federal and state arrests and indictments of Family members and associates, including Scarfo, LaRussa transferred the liquor license to his son. The restaurant and bar presently operate under the name of the Back Porch, with an application pending to transfer the license to another of LaRussa’s sons.

LaCucina exemplified the role played by bars in organized crime’s way of life. In exchange for a myriad of benefits, LaRussa bestowed upon Scarfo various forms of tribute. In addition, the restaurant and bar provided one of the locations for Scarfo’s meetings, celebration parties and making ceremonies. Leonetti disclosed:

LaCucina was a restaurant and bar located on South Street, near Second Street, in Philadelphia. It was owned by an associate of the Family named Salvatore “Sam The Barber” LaRussa, who was “with” Scarfo. Prior to being known as LaCucina, LaRussa called the restaurant La Dolce Vita. The Family used LaCucina for several functions during the years that Scarfo was the boss.

LaRussa paid for approximately \$50,000 in renovations for Scarfo’s Ft. Lauderdale, Florida, home. Also, when the Family held gatherings at LaCucina, LaRussa never charged for the food and drinks that he served. That was LaRussa’s way of paying tribute to Scarfo. LaRussa did so out of friendship and respect for Scarfo. LaRussa was under Scarfo’s protection, which allowed him to use Scarfo’s name, reputation and power. LaRussa could also go to Scarfo for help with any problems that he had. Scarfo also helped LaRussa by keeping Family members and associates, who drank at LaCucina, under con-

trol. For example, Joseph “Joey” Merlino, who was the son of underboss Salvatore Merlino, caused disturbances at LaCucina on a couple of occasions. After learning that, Scarfo made sure that Merlino was reprimanded and brought under control.

In April of 1981, about a month after Scarfo became boss, he held his first La Cosa Nostra induction ceremony in the basement of LaCucina. At the time, LaRussa’s bar was known as La Dolce Vita. At the ceremony, Scarfo “made” Salvatore “Shotsie” Sparacio and Raymond “Long John” Martorano. Scarfo also announced that Salvatore Merlino was the underboss, that Frank Monte was the consigliere and that Joseph “Chickie” Ciancaglini and Ralph “Blackie” Napoli were elevated to captains.

LaRussa’s house in Whitemarsh, Pennsylvania, was also used to hold a making ceremony in November of 1984. At the ceremony, Scarfo inducted Nicholas “Nicky Crow” Caramandi, Charles “Charlie White” Iannece and Joseph “Joey” Grande into La Cosa Nostra. Also, Scarfo announced that Thomas “Tommy Del” DelGiorno and Francis “Faffy” Iannarella were acting captains and that Pasquale “Patty Specs” Martirano replaced Ralph “Blackie” Napoli as the captain in charge of the Family’s northern New Jersey regime. A celebration party was held after the ceremony and LaRussa provided all the drinks and food for free.

In March of 1986, Scarfo used LaRussa’s bar for a celebration party after holding a making ceremony on the second floor of a pizza parlor, which was located about two blocks away from LaCucina. The pizza parlor, which was owned by an associate of the Family, Phillip “Moe” McFillin, was located on South Street near Fourth Street. At the ceremony, Scarfo “made” Nicholas “The

Whip” Milano and Philip Narducci and announced some changes in the Family’s leadership positions. Salvatore Merlino was “taken down” as the underboss and Lawrence Merlino was “taken down” as a captain. Scarfo also announced that Leonetti was the new underboss and that Thomas DelGiorno and Francis Iannarella were full captains.

In the late summer of 1986, Scarfo held a meeting in the office of LaCucina with Leonetti, Nicholas Piccolo, Francis Iannarella, Santo Idone, Alfred Iezzi and several others. Scarfo announced that he had “taken down” DelGiorno from the position of captain and that anyone who used to report to DelGiorno should now report to Iannarella.

In December of 1984 and in December of 1985, Scarfo held Christmas parties for the Family at LaCucina. The parties were attended by almost all of the members of the Family and many associates of the Family. A few people from other families also attended. Michael Taccetta and Michael Perna of the Lucchese Family were at the 1984 Christmas party.

LaRussa attended the New Year’s party that Scarfo threw at his Ft. Lauderdale, Florida, home a few days after New Year’s Day in 1986. The party was attended by many members and associates of the Family.

South Philly Grill

The South Philly Grill, which has operated since 1935 at 2026-28 South 12th Street in south Philadelphia, was passed from one Family member to a related Family member. Family consigliere Joseph “Joe the Boss” Rugnetta owned the liquor license and property from June 1935 to July 1969. At that time, the license and property were transferred to his nephew, Family member Dominic Rugnetta. Since 1988, the license has

been held by Dominic’s son, Rocco Rugnetta. Leonetti was aware of the South Philly Grill when Dominic owned it:

The South Philly Grill, which was located at 12th Street near Snyder Avenue in South Philadelphia, was owned by Family member Dominic Rugnetta. Leonetti first became aware of the South Philly Grill and of Rugnetta’s ownership of it in approximately the mid-1970s. Rugnetta still owned it at the time that Leonetti was arrested and held on various state and federal charges in April of 1987.

Dominic Rugnetta was the nephew of Joseph “Joe the Boss” Rugnetta, who was the consigliere of the Family until his death in the 1970s. Dominic Rugnetta was in a crew headed by Family Captain Santo Idone. Other members of that crew were Joseph Scalleat, Santo Romeo and Nino Sciglitano.... In December of 1984 and December 1985, Scarfo held Family Christmas parties at LaCucina in Philadelphia. The parties were attended by many members and associates of the Family. Dominic Rugnetta was present at both parties.

Cous’ Little Italy

One restaurant and bar in south Philadelphia, at 901-903 South 11th Street, was in the hands of organized crime for approximately 40 years. The bar underwent three name changes. From the 1950s until 1977, it was known as Piccolo’s 500. The bar operated as Cous’ Little Italy from approximately 1977 until 1982, when it became Torano’s. Since September 23, 1993, the liquor license has been “in safe keeping,” Pennsylvania’s equivalent of a pocket license.

The Bruno/Scarfo members and associates who have been involved in the bar’s ownership include Thomas “Tommy Del” DelGiorno, Frank “Frankie Flowers” D’Alfonso, Frank Sindone, Joseph “Chickie” Ciancaglini, Frank Monte, Raymond “Long John” Martorano, Nicholas “Nicky Buck” Piccolo, Joseph “Joe

Buck” Piccolo and Michael “Mike Buck” Piccolo. Typically, the license was placed in the names of wives, relatives or other fronts. At the Commission’s 1992 public hearing, former Scarfo Family captain Thomas DelGiorno testified about his ownership of Cous’ Little Italy from approximately 1975 to 1982 and identified his partners, all fellow mobsters. He explained how he had financed the purchase of the bar and how Scarfo had received a portion of the proceeds when he sold the business:

Q. What money did you use to purchase Cous’ Little Italy?

A. It was money I had saved from my gambling business and loanshark business.

. . .

Q. Did he buy all three partners [DelGiorno, Joseph Ciancaglini and Frank Monte] out?

A. Yes, he did.

Q. How much was paid?

A. He paid 600,000. 300 he -- 3,000 he gave me under the table and I took \$300,000 mortgage back.

Q. Did Scarfo get a portion of that?

A. Of the first 300,000 I took 150 and the other 150 was split up between Scarfo, Chuckie Merlino, Joe Ciancaglini and Monte.

Leonetti knew the bar as Cous’ and outlined his recollection of the bar’s history of mob ownership:

DelGiorno purchased Cous’ from Leonetti’s great uncles, Nick, Joe and Mike Piccolo, in the late 1970s. When they owned the bar, it was known as Piccolo’s 500. They started operating the bar in the 1950s. Sometime in the early 1980s, DelGiorno sold Cous’ to Raymond “Long John” Martorano, who changed the name to Torano’s. Scarfo inducted Martorano into La Cosa Nostra in April of 1981.

Leonetti revealed how Cous’ Little Italy was used to set up an associate to be killed. In 1981, Scarfo ordered the “hit” on John Calabrese,

an associate of the Family at the time. Calabrese was also an associate of the Family who was “with” Anthony “Tony Bananas” Caponigro until Caponigro was murdered in the spring of 1980. Caponigro was from northern Jersey and was the consigliere of the Family when he was killed.

Not long after Scarfo became the boss of the Family in March of 1981, he ordered a “hit” on Calabrese. One reason was that he felt that Calabrese had tried to set him up to be murdered in the late 1970s when Scarfo, Testa and some others in the Family were not getting along with Angelo Bruno. Calabrese approached Scarfo at Scarf, Inc., out of the blue one day and gave him some line about opening a building cleaning business in Atlantic City and wanting to bring him in on it. Scarfo thought that was very strange because he and Calabrese were never all that friendly. Scarfo felt that Calabrese was just trying to get close to him for an opportunity to kill him. Another reason why Scarfo ordered Calabrese’s death was because right after Philip Testa was murdered, Calabrese went to see Testa’s son, Salvatore Testa, and tried to shake him down. Calabrese told Salvatore Testa that he found out that Testa’s father had been killed by a motorcycle gang and that the gang wanted \$250,000 or they would also kill Salvatore Testa and others in the Family. Scarfo knew that was not true and figured that it was just an attempt by Calabrese to shake down the Family.

Scarfo assigned Joseph “Chickie” Ciancaglini to supervise the “hit” on Calabrese and approved the use of DelGiorno, Francis “Faffy” Iannarella and Pasquale “Pat the Cat” Spirito to be on the “hit” team.

Ciancaglini was a member of the Family who Scarfo had recently elevated to the position of captain. DelGiorno, Iannarella and Spirito were associates of the Family at the time. They tried for several months to kill Calabrese, but didn't have any luck. Then they came up with a plan to have Ciancaglini lure Calabrese to a meeting at Cous'. After the meeting, Ciancaglini walked Calabrese past a little alleyway near Cous', where DelGiorno and Iannarella were laying for him. DelGiorno and Iannarella shot Calabrese as he walked by with Ciancaglini and then they ran to a get-away car driven by Spirito. Calabrese was murdered in the fall of 1981. A few months later in January of 1982, Scarfo inducted DelGiorno, Iannarella and Spirito into La Cosa Nostra.

Pushcart Saloon

In addition to owning Torano's (formerly Cous' Little Italy), Scarfo Family member Raymond "Long John" Martorano owned a second bar at 1156 South 9th Street, the Pushcart Saloon, from March 1981 to July 1989. Martorano acquired the bar from another Family member, Domenick "Mickey Diamond" DeVito, who used his girlfriend and sister as fronts on the license. DeVito was killed on Scarfo's order in February 1982. The Pushcart Saloon provided one of Scarfo's meeting places:

In the early 1980s, Raymond "Long John" Martorano owned a bar known as the Pushcart, which was located in the Italian Market on Ninth Street in south Philadelphia. During that time, Scarfo and Leonetti met with Martorano and others there. Martorano was inducted into La Cosa Nostra by Scarfo in April of 1981.

In March 1981, surveillances by various law enforcement agencies, including the Commission, placed Scarfo, Martorano, Frank D'Alfonso, Mario "Sonny" Riccobene, Roy Stocker and Michael Forte in the bar.

Elsmore Club

The Elsmore Club was a social club on the second floor of 1801 East Passyunk Avenue. It was acquired by Scarfo Family members Thomas DelGiorno, Salvatore Testa and Joseph Pungitore in approximately 1982 or 1983. At the Commission's 1992 public hearing, DelGiorno admitted to his ownership and identified his partners. According to DelGiorno, they sold the business shortly after Testa's murder in September 1984. The liquor license became inactive in October 1992.

Leonetti was familiar with the Elsmore Club. He revealed that when Scarfo went to war in 1982 against a small, rebellious faction of the Family, the Elsmore Club provided a safe location to orchestrate one of the killings:

The Elsmore Club was a private club and bar at Passyunk and Moore Streets in south Philadelphia. It was owned by Salvatore Testa, Thomas DelGiorno and Joseph Pungitore, who were members of the Family at the time. They owned the club for a couple of years in the early part of the 1980s. In 1983, Leonetti and other members of the Family used the Elsmore Club on two occasions to discuss plans to kill someone.

In the spring of 1982, Scarfo gave an order to kill Harry Riccobene, who had been a member of the Family for many years, because Scarfo felt that Riccobene was not showing him enough respect as boss. Another reason why Scarfo wanted Riccobene killed was because he refused to share the profits from his illegal activities with Scarfo. Plus, Scarfo heard that Riccobene was drug trafficking, which was against La Cosa Nostra rules.

Because of the "hit" that Scarfo put out on Riccobene, a war developed between the Family and a small faction led by Riccobene. Scarfo was in jail for most of the war, which lasted about two years. Salvatore Testa oversaw the efforts of the Family to murder approximately ten people that

made up the Riccobene group. Testa had several young, aggressive Family members and associates that were suited for that type of work. Riccobene's people killed Frank Monte, who was the Family's consigliere. The Family then murdered Riccobene's brother, Robert "Bobby" Riccobene, and an associate of theirs named Salvatore "Sammy" Tamburrino. There were also several attempted murders on both sides.

One of the Riccobene people that the Family was trying to kill was a guy known as "Tommy Spats." Around the fall of 1983, Robert "Bobby" Rego agreed to have a couple of his people attempt to kill "Tommy Spats." Rego, who was an associate of the Family, was originally aligned with the Riccobene group but decided to assist Testa and the Family in their efforts against the Riccobene faction. Rego's people were having trouble killing "Tommy Spats" because he never left his south Philadelphia apartment. They got so frustrated that they shot his car in the hope that it would make him come out to see what happened, but that didn't work either. After his car was shot, "Tommy Spats" got scared and fled the area.

Salvatore Testa found out that "Tommy Spats" was hiding in Hazleton, Pennsylvania, with his girlfriend or ex-wife. Leonetti and Testa then asked Salvatore "Chuckie" Merlino, the Family underboss at the time, to contact Family captain Santo Idone, who had a soldier in his crew, named Joseph Scalleat, living in Hazleton, and have him ask Scalleat to find out if "Tommy Spats" was actually living there. Merlino contacted Idone and a meeting was held at the Elsmore Club. At the meeting, Testa and Leonetti spoke to Idone about trying to find the whereabouts of "Tommy Spats." Idone agreed to have Scalleat try to find out if "Tommy Spats" was living in the

Hazleton area. Salvatore Merlino, Thomas DelGiorno, Lawrence Merlino and Eugene Milano were also present at the Elsmore Club, but did not take part in the discussions. Lawrence Merlino and Milano were also members of the Family.

About a week after the first meeting, Testa and Leonetti again met with Idone at the Elsmore Club. Idone told Testa and Leonetti that Scalleat found out that "Tommy Spats" had been living in Hazleton, but left. Idone said that Scalleat would watch for "Tommy Spats" and if he was located, Idone and Scalleat would kill him.

Shortly after the Robert Riccobene "hit" in December of 1983, Salvatore Merlino instructed Leonetti and Testa not to kill anyone else in the Riccobene faction. Most of the people of that group were already killed, in jail or were in hiding. Merlino's order came about a month before Scarfo was released from federal prison in January of 1984 after serving a sentence for the illegal possession of a handgun.

Mars Restaurant

The Mars Restaurant, which was located at 712-714 South Street, was another location where Scarfo Family members and associates gathered for business and social purposes. It also served as a meeting place for Leonetti and then Atlantic City Mayor Michael J. Matthews. The Mars Restaurant was owned by Family associate Arthur Pelullo from April 1982 until 1986. The liquor license was held in the name of Caraway, Inc., which was owned by Carousel Group, Inc., in which Michael Vosbikian held 100% of the stock. Pelullo and Vosbikian were officers of Caraway and Vosbikian was the sole officer of Carousel. Following denial by Pennsylvania authorities of the application of Arthur Pelullo's brother, Leonard, to become sole officer of Caraway, Leonard's wife became its sole officer in 1986. The license was sold in December 1988. Leonetti related the following about the Mars Restaurant and the Pelullo brothers:

The Mars Restaurant was owned by Arthur "Artie" Pelullo, who was an associate of the Family and a New Jersey resident. Between approximately 1983 and early 1987, the Mars Restaurant, which was located on South Street near Eighth Street in Philadelphia, was a place where members and associates of the Family used to meet to discuss Family business and to socialize. Leonetti was at the restaurant on numerous occasions during that period and always ate and drank for free. Leonetti knew from his conversations with Pelullo at the restaurant that he owned the Mars Restaurant. He did not know if any of Pelullo's relatives or anyone else had an ownership interest in the business or whose name was on the liquor license.

. . .

Arthur Pelullo had two brothers, Peter and Leonard, who were also associates of the Family. Their uncle, Frank Nicoletti, was a La Cosa Nostra member in the Family. The Pelullo brothers were "with" Salvatore Testa until the time that Scarfo had Testa killed in September of 1984. After Testa's death, the Pelullo brothers were "with" Leonetti.

Arthur Pelullo and the Mars Restaurant played roles in the Scarfo Family's dealings with former Atlantic City Mayor Matthews:

During 1982 and 1983, Scarfo, Leonetti and others from the Family were involved in illegal activities with then Atlantic City Mayor Michael Matthews. During that period, Leonetti once had Arthur Pelullo meet with him and Matthews in Margate, N.J., to have Pelullo apologize to Matthews for threatening to kill him. Pelullo was angry because he didn't feel that Matthews was helping him enough to acquire an Atlantic City license for a limousine company Pelullo owned.

In 1983, during the period that the Family was involved with Mayor Matthews, Leonetti met Matthews once at the Mars Restaurant. Scarfo Family members Lawrence "Yogi" Merlino and Salvatore "Salvie" Testa were also present.

The Pelullo brothers were guests at Scarfo's Christmas parties and at his Fort Lauderdale house:

In December of 1984 and December of 1985, Scarfo held Christmas parties for members and associates of the Family at a restaurant known as LaCucina, which was located on South Street near Second Street in Philadelphia. The restaurant was owned by an associate of the Family named Salvatore "Sam the Barber" LaRussa. Only those approved by Scarfo or invited by him were allowed to attend. Arthur Pelullo attended both Christmas parties. Frank Nicoletti attended the 1985 party and Peter Pelullo attended at least one of the parties.

. . .

In the summer of 1985, Scarfo bought a Fort Lauderdale, Florida, vacation home, which he, Leonetti and other Family members and associates visited periodically from the time that it was purchased until January of 1987, when Scarfo was arrested and held on extortion charges. During that period, Arthur, Leonard and Peter Pelullo all visited.

In 1985, the Mars Restaurant was offered in satisfaction of Leonard Pelullo's loanshark debt:

In December of 1985, Scarfo, Leonetti and Family associate and attorney Bobby Simone got involved in collecting a loanshark debt where the Mars Restaurant was offered as payment for the debt. Leonard Pelullo owed \$200,000 to a Family associ-

ate and loanshark named Anthony “Tony” DiSalvo, who was having trouble getting Pelullo to repay the money. Scarfo and Leonetti met with Pelullo at Scarfo’s Florida house shortly after Christmas of 1985. Pelullo and Scarfo reached an agreement, which called for Pelullo to pay \$120,000 of the \$200,000 debt. However, time passed without Pelullo paying off the debt. In approximately February of 1986, Leonetti met with Arthur Pelullo at the Mars Restaurant and informed him that his brother, Leonard, had not yet repaid the loan. Arthur Pelullo told Leonetti that he would talk to his brother and attempt to get the money. He also offered the Mars Restaurant to Leonetti in settlement of the debt, but Leonetti turned down the offer because considerable money was owed on it. Leonetti then went to see Peter Pelullo, who helped in collecting the debt.

In an affidavit submitted to the Commission, Peter Pelullo denied that he was an associate of the Scarfo Family. He also stated that he “paid approximately \$6,000 for the season” to rent Scarfo’s Fort Lauderdale house “one time in or about 1985,” but was unable to provide any corroboration of a rental. In fact, Pelullo signed a \$12,000 check dated March 13, 1986, and made payable to Scarfo’s sham company, Casablanca South Leasing Company. The Commission also notes the following: Leonetti testified at the 1992 federal prosecution of Robert F. Simone, Esq., and Anthony DiSalvo about the loanshark debt owed by Leonard Pelullo and the involvement of Peter in its repayment; Peter Pelullo’s telephone number was found among the personal effects of Salvatore Testa when he was shot numerous times on July 31, 1982, in an internal Family power struggle; Peter Pelullo attended Testa’s wake in September 1984, and the 1990 Annual Report of the Pennsylvania Crime Commission profiled the organized crime involvement of Peter Pelullo.

Joe Dickie’s Pub

Scarfo Family member Joseph Pungitore, who was a partner in the Elsmore Club, became the undisclosed owner of Joe Dickie’s Pub, a south Philadelphia

bar at 1500 Wolf Street, in approximately 1985. In the early 1990s, the liquor license became inactive and was eventually terminated. Leonetti elaborated:

In the mid-1980s, Joseph “Joey Pung” Pungitore owned a south Philadelphia bar known as Joe Dickie’s. Pungitore was involved in murder, gambling, loansharking and extortion. He was inducted into La Cosa Nostra in January of 1982 by Scarfo.... Pungitore used a friend to front for him in the ownership of Joe Dickie’s. Leonetti knew the friend’s first name as Joe, but could not recall his last name. Leonetti met Joe on a couple of occasions and knew his wife, Helene, who was a niece of Nicholas “Nick the Blade” Virgilio’s wife. Virgilio was inducted into La Cosa Nostra by Scarfo in June of 1982. Leonetti did not know if Pungitore had any partners or who owned the building where the bar was located. Leonetti never had occasion to go to Joe Dickie’s.

Leonetti provided the following background on Pungitore:

In September of 194, Pungitore lured Salvatore “Salvie” Testa to a store in south Philadelphia so that Testa could be killed. Testa and Pungitore had been very close friends since their youth, which assisted Pungitore in setting up Testa. At the time, Testa was a captain in the Family. Testa was shot to death by Salvatore “Wayne” Grande, who was a member of the Family. Other members of the Family who were involved in the murder were Scarfo, Leonetti, Salvatore “Chuckie” Merlino, Thomas “Tommy Del” DelGiorno and Francis “Faffy” Iannarella. Associates of the Family who took part in Testa’s murder were Nicholas “Nicky Crow” Caramandi, Charles “Charlie White” Iannece and Joseph “Joey” Grande. Approximately two months after Testa’s murder, Caramandi,

Iannece and Grande were inducted into La Cosa Nostra by Scarfo. Scarfo decided to have Testa killed because he saw him as a threat to Scarfo's position and existence. Also, Scarfo generally did not like Testa's attitude. Scarfo was concerned that Testa had several young and aggressive members and associates under him and feared that Testa might use them to challenge him one day.

In January of 1982, Pungitore, Testa and Eugene "Gino" Milano took part in the murder of Frank "Chickie" Narducci. Narducci was a member of the Family. Pungitore and Testa shot Narducci to death near his home in south Philadelphia....

Pungitore also took part in the murder of Robert Riccobene in 1983, along with Francis "Faffy" Iannarella and Charles "Charlie White" Iannece. Riccobene was shot to death by Iannarella at the south Philadelphia residence of Riccobene's mother. Pungitore and Iannece drove the getaway cars. Scarfo, Leonetti

and several other Family members were indicted as conspirators. Riccobene was killed because of a war between Scarfo and his people, and a small faction led by Robert Riccobene's older brother, Harry Riccobene....

Joseph Pungitore's father, Anthony "Blonde Babe" Pungitore, was inducted into La Cosa Nostra by Philip Testa in June of 1980. Leonetti was inducted into La Cosa Nostra at the same ceremony. One of Joseph Pungitore's brothers, Anthony "Tony" Pungitore, was inducted into La Cosa Nostra by Scarfo in June of 1986. Another brother, Ralph "Ralphie" Pungitore, was an associate of the Family. He was being considered for membership in the Family at the time that Scarfo and Leonetti were incarcerated in early 1987 on various state and federal charges. The Pungitores lived in south Philadelphia and also had a house in Margate.

RECOMMENDATIONS

1. STATE'S ABILITY TO INVESTIGATE SUSPECTED FRONTS MUST BE ENHANCED:

Leonetti's statements, as well as the recent examples of infiltration uncovered by the Commission, demonstrate again the pernicious reach of organized crime into liquor-licensed premises. The use of fronts by organized crime is all too easily accomplished. Accordingly, the Commission urges implementation of the following:

A. In order to enhance the ability of the State Division of Alcoholic Beverage Control to ferret out attempts to utilize fronts, the Commission recommends the reinstatement of a specialized unit within the ABC Enforcement Bureau to conduct investigations of suspected front situations. Such a unit existed until 1991.

B. It is further recommended that ABC Enforcement Bureau personnel be provided with an essential tool — electronic computer access to ABC's automated licensing files — to obtain promptly all current and past information on a particular licensee or license.

2. STATE MUST ASSUME RESPONSIBILITY OF BACKGROUND INVESTIGATIONS OF PROSPECTIVE LICENSEES:

As emphasized by the Commission in 1992, the municipalities, which are vested with the responsibility to conduct background investigations when licenses are acquired and to evaluate the licensees at annual renewals, often lack the resources and expertise to conduct the type of investigation necessary to identify organized crime figures, disclose hidden interests or uncover the use of proceeds from illicit activities in the purchase of the license or business. The Commission's conclusions in this regard are equally apposite today. Accordingly, the Commission again recommends that the State assume responsibility for the background investigations of

licensure applicants and for the granting of licenses, with the municipalities retaining authority over purely local issues, such as zoning.

The Commission recognizes the fiscal constraints under which the State is operating and the scrutiny of public expenditures that is thereby necessitated. Therefore, in order to provide adequate funding for the augmented role of the ABC Enforcement Bureau under this recommendation, the Commission also reiterates its 1992 recommendation that the State assess to the liquor industry the cost of the Bureau through increased fees and penalties and to the individual licensees the cost of contested administrative proceedings. In this way, the State will be able to meet not only its enforcement responsibilities to detect and eradicate incursions of organized crime into the liquor industry, but also its fiscal responsibilities to the public.

In the interim, municipalities must effectively meet their responsibility to conduct thorough background investigations. Investigation into the sources of funds used to purchase the license and licensed business, together with any additional financing attendant to the purchase, as required under N.J.A.C. 13:2-2.9(b)3 and N.J.A.C. 13:2-7.7(b)3, is critical in detecting an undisclosed interest by organized crime in the license or business. Where a municipality suspects organized crime involvement, but lacks the expertise to conduct a proper inquiry, it should refer the case to the ABC Enforcement Bureau. In addition, as the Commission found in its 1992 survey of municipalities, there is a lack of uniformity in the investigative steps utilized by municipalities. The Commission urges the Director of ABC to promulgate regulations requiring that investigations of all applicants include, at a minimum, fingerprinting, photographing and a criminal record check.

3. CERTAIN MUNICIPALITIES MUST INVESTIGATE THE CURRENT LICENSES IDENTIFIED BY THE COMMISSION AS HAVING ORGANIZED CRIME INVOLVEMENT:

Even when municipalities are presented with evidence of organized crime involvement, some fail to act upon it. In addition to examples cited by the Commission in its prior report, such inaction was again demonstrated in July 1992 when certain municipalities renewed liquor licenses after receiving information from the Commission on the licensees' organized crime involvement. In fact, the Medford Township Council renewed the license of Medford Village Resort and Country Club even after a recommendation to deny renewal was made by the Township's own police department, which conducted an investigation based upon the Commission's findings.

In this report, the Commission reveals additional information on two licensees previously linked to organized crime — Memories in Margate City and the Coral Reef in Bellmawr, identifies organized crime involvement in an additional two, active licenses — Maynard's in Margate City and Hooty Moo's Beef & Ale in Waterford Township, and discloses the prior organized crime involvement of a current licensee — Frog Rock Country Club in Hammonton. The Commission urges the municipalities where these licenses are located to examine the qualifications of the licensees and take appropriate action. The Commission will also forward the information to the ABC for its review and action. In light of current proceedings before an administrative law judge contesting ABC's denial of a liquor license transfer to Scannichio's in Atlantic City, the Commission will furnish to ABC the relevant information on the restaurant and its owner.

4. ADDITIONAL REFERRALS:

A. The material on Harold Garber will be forwarded to the Office of Attorney Ethics of the New Jersey Supreme Court for review of his license to practice law.

B. The data on Alvin Lippman will be provided to the New Jersey Real Estate Commission for review of his salesperson/broker's license.

C. The information concerning the active Pennsylvania liquor licenses will be referred to the Pennsylvania Liquor Control Board.

5. ABC SHOULD PROHIBIT EMPLOYMENT ON LIQUOR-LICENSED PREMISES OF PERSONS WITH DOCUMENTED INVOLVEMENT IN ORGANIZED CRIME OR CRIMINAL ACTIVITY:

A glaring omission in ABC's regulations is the absence of any prohibition against a licensee's employment of individuals with documented associations with organized crime or involvement in criminal activity. Although ties to organized crime triggered Frank Materio's removal from the casino industry by the Casino Control Commission and from Local 54 by the federal government, ABC regulations did not bar him from working on liquor-licensed premises. Similarly, Felix Bocchicchio has been employed at the Coral Reef even though his involvement in organized crime prompted his ouster from Local 54. The ABC regulations are anomalous in that they prohibit such persons from patronizing licensed premises under N.J.A.C. 13:2-23.5(a), but not from being employed there. Accordingly, the Commission urges the ABC either to promulgate regulations prohibiting the employment, at any level, of such individuals or to extend N.J.A.C. 13:2-23.5(a), which prohibits "the habitual presence" of patrons of ill-repute, to employees of the licensee. At the same time, the Commission recommends the vigorous enforcement of N.J.A.C. 13:2-23.5(a).

6. INCORPORATION OF 1992 RECOMMENDATIONS:

The Commission continues the following recommendations from its 1992 report, which remain viable:

A. [T]he Division of ABC should provide for presumptive minimum penalties such as license suspensions for those regulatory offenses most likely to hide organized crime involvement in the industry. Deviations from the presumptive penalties, such as fines in lieu of suspensions, should be permitted only with an explanatory statement from the Director.

B. Two areas the Commission staff has identified as being used continuously to hide organized crime involvement in licensed premises are those involving hidden interests in businesses and failure to maintain true books and records. Inadequate or phony books are often used to hide undisclosed interests. The Commission reviewed the records submitted by licensees under investigation and found many serious deficiencies. To the extent that the Division relies on such records to calculate fines, it is being deceived and shortchanged.

C. [T]he Division similarly should impose a minimum period of suspension for persons with criminal records or associations who desire to be employed in licensed beverage establishments. And it should develop criteria for lifting disqualifications.

D. Regulations should be amended so that licensees such as Jerry Blavat, whose conduct has caused other licensees to be cited for violations, are subject to disciplinary action themselves.

E. Licensees should be subject to discipline, perhaps even to the extent of license revocation, when they invoke their Fifth Amendment privilege in response to questions about matters affecting their suitability for

licensure.

F. The Attorney General should require that county prosecutors notify the Division of all cases involving gambling and narcotics activity in licensed premises so that appropriate administrative penalties may be imposed on the licensees.

G. The Division must establish a follow-up inspection procedure to make sure that licensees take appropriate corrective action after there has been a finding of administrative violations.

The infiltration by organized crime into New Jersey's liquor industry, first reported by the Commission three years ago, continues to pose a threat to the integrity of the State's licensing system and contribute to the underground economy that undermines the State's economic growth and stability. In order to detect and thwart the spread of organized crime in the State's million-dollar industry, both the State and the municipalities must vigorously enforce the laws and regulations that are available, as well as undertake implementation of those measures necessary to strengthen the system of

This investigation was conducted by Counsel Ileana N. Saros and Special Agent Michael R. Hoey. Assistance was also provided by Special Agent Grant F. Cuzzupe, now retired.