



State of New Jersey
Commission of Investigation

CORRUPT **COMMERCE**

**Heroin, Thievery and the
Underground Trade in Stolen Goods**

June 2018

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Underground Trade in Stolen Goods*

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June 2018

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President Stephen M. Sweeney and Members of the Senate
Speaker Craig J. Coughlin and Members of the General Assembly

The State Commission of Investigation, pursuant to N.J.S.A. 52:9M, herewith formally submits the final report of findings and recommendations stemming from an investigation into the corrupt intersection of heroin, thievery and the underground trade in stolen goods in New Jersey.

Respectfully,

Joseph F. Scancarella
Chair

Robert J. Burzichelli
Commissioner

Frank M. Leanza
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Executive Summary

In two years, he burned through an \$800,000 inheritance, lost his home and allowed his family business to die. Desperate and broke, he found a lucrative new way to fund the heroin addiction that consumed his fortune and his life: stolen metal. He tore wire and copper pipe from buildings. He heaved manhole covers from the streets, ripped storm drains from parking lots, pulled heavy metal pins from construction barriers. Then, in an old sedan weighed down nearly to the pavement, he routinely took his haul to a booming scrap yard linked to organized crime in Hillsborough, Somerset County. There, the owner and employees readily bought the stolen metal for cash, no questions asked, not a word to the police.

A hundred miles to the south, a young woman hit upon her own way to remedy the dope-sickness that dictated her daily rhythms. She led a crew that shoplifted more than \$100,000 in goods from major retail chains, then returned the items for gifts cards in the amount of the stolen merchandise. She sold those cards for 50 cents on the dollar to willing businesses across South Jersey. Again, no questions asked, no alert about suspicious behavior.

The State Commission of Investigation has found that these circumstances are emblematic of a corrupt and enduring commerce in New Jersey's lightly regulated and often lawless world of scrap yards, pawn shops, cash-for-gold outlets and secondhand goods operations. Driven largely by the heroin and opioid epidemic, this shadowy underground economy is being exploited for profit across the state by convicted felons and elements of organized crime.

In business after business, Commission investigators identified owners and employees with extensive criminal histories, including convictions for fraud, burglary, receiving stolen

property, assault, firearms violations, narcotics distribution and racketeering. The SCI found evidence of drug-dealing directly from the counter at one shop, the illegal sale of handguns at another and links to a mob-related loansharking scheme at a third. At those locations and others, investigators found that owners and employees regularly accepted stolen goods, from jewelry to power tools, and in some cases directed customers to steal in-demand items likely to maximize profits upon resale. Collectively, the Commission estimates, the businesses have bought and sold tens of millions of dollars in stolen goods in recent years.

This thriving marketplace, operating with little oversight or accountability, incentivizes theft and promotes destructive acts against both public and private infrastructure, putting residents in jeopardy. The widespread plundering of copper wiring and heavy-duty backup batteries from cell phone towers undermines cellular service during power outages. The theft of wire that transmits signals along train tracks delays commuters, requires costly repairs and strains an already overtaxed transit system. The removal of electricity-conducting wire from utility substations compromises the power grid. Little is off limits. Scrap hunters have ripped the risers from bleachers at schools, made off with aluminum street lamps from highways and stolen bronze vases from graves.

The enormous costs of the illicit bargain between thieves and unscrupulous owners are borne by all New Jerseyans: the ratepayers who see higher bills for cell service and electricity; the consumers who pay more for goods at retail stores; the taxpayers ultimately responsible for replacing infrastructure that has vanished in the night. By providing an easy route for drug addicts and opportunists to cash in on stolen metal and merchandise, these enterprises have helped

spawn an endless cycle of theft, one that law enforcement cannot keep pace with, much less end, without a muscular response from the State.

The Commission carried out this investigation in keeping with its 50-year-old statutory mandate to identify and expose corruption, to highlight government laxity and gaps in oversight, to determine the effectiveness of New Jersey's laws and to inform the Governor, the Legislature, the Attorney General and the public about the influence and intrusion of organized crime. In particular, the findings set forth in this report build upon groundbreaking investigative work dating back nearly a decade when the SCI became one of the first agencies of government to identify the burgeoning opioid and heroin epidemic.¹

Over the course of this inquiry, SCI investigators issued scores of subpoenas, analyzed banking records and conducted more than 100 interviews with law enforcement officers, metal recyclers, state and municipal officials, representatives of the telecommunications and retail industries, and the owners and employees of outfits engaged in suspect or illegal behavior. Just as significantly, the SCI interviewed those with the clearest view of interactions with these businesses: the addicts and former addicts who carried out thefts for drug money.

SCI agents also conducted surveillance at suspect establishments and, in cooperation with police departments and confidential sources, participated in sting operations at scrap yards and secondhand goods stores. In those cases, items purchased by the Commission or lawfully obtained from utilities, phone companies and retail stores were sold to owners or employees with the fictive understanding the items had been stolen.

¹ The Commission held a public hearing on the opioid crisis in June 2011, featuring testimony from SCI investigators, other law enforcement authorities and confidential informants, who offered first-person accounts of their descents into addiction. A comprehensive SCI report, bolstered by additional investigation, was published in July 2013.

The inquiry found that state and municipal regulations governing these businesses are scattershot, inadequate and unevenly enforced. The State licenses traditional pawn shops, which provide collateral-based loans, while municipalities license cash-for-gold shops, secondhand goods stores and scrap yards.² Ordinances vary widely in strength and effectiveness from municipality to municipality. Laws governing some aspects of the businesses have proven to be window dressing, too minimal in scope and so erratically enforced they have failed to deter the prodigious flow of stolen goods. Equally troubling, SCI investigators found that many owners regularly flout the few rules that apply to them with little or no consequence. In some towns, the Commission found, law enforcement officials were unaware their governing bodies had passed ordinances giving police the means to crack down on the businesses – a breakdown in communication and coordination that has sapped accountability.

The Commission is mindful that pawn outlets, secondhand goods stores and scrap metal recyclers contribute to the tax base in their communities and provide services helpful to the public. Local scrap yards are building blocks in the international commerce of recycled metal. In addition, not all owners and employees operate flagrantly outside the bounds of decency and the law. But in the absence of meaningful oversight, far too many of these operations have been subverted by criminal activity.

The Commission recommends the State take the lead in licensing and regulating these industries. As the Legislature in recent decades has moved to root out organized crime from New

² Scrap yards, pawn shops and secondhand goods stores equipped with scales also are subject to inspection by the state Office of Weights and Measures or by that agency's county or local counterparts. Inspectors typically check to ensure that scales are accurate, that prices are prominently posted and that sales records are maintained in accordance with state and local laws.

Jersey's trash-hauling companies and casinos, so, too, should the State ban mob associates and those with extensive criminal records from trades that remain obvious and attractive pathways for the disposal of stolen property. Further, the Commission recommends requiring owners and employees to record all transactions in an online database accessible by law enforcement. Two such databases are already in use in neighboring states and in a minority of New Jersey municipalities, allowing investigators to more efficiently track sales, identify trends, find stolen merchandise and hold dishonest owners and employees accountable.³

The electronic records also provide a grim snapshot of the manner in which these businesses contribute to the opioid crisis – perhaps the gravest public health emergency in generations – by serving as *de facto* cash machines for addicts. In Gloucester County, more than 35 percent of those who suffered fatal overdoses in 2016 had conducted transactions with scrap yards, pawn shops or secondhand goods stores at least once and in some cases dozens of times. The SCI determined the percentage by comparing death records with names and addresses that appeared in the Regional Automated Property Information Database (RAPID), one of the programs monitored by law enforcement. It is important to note the 35 percent figure is likely artificially low because not all communities in Gloucester County require the database's use.

A second analysis in Ocean County, where the RAPID system is mandated countywide, yielded even starker results. There, nearly four in 10 overdose victims who were treated with the

³ In communities where such databases are in use, employees of scrap yards and secondhand goods shops are required to upload information about each purchase, including the name and address of the seller, the type and amount of merchandise purchased, the time and date of the sale, the amount paid and photographs of the merchandise and of the seller's identification. Law enforcement can then mine the data to search for stolen property, identify individuals who sell large amounts of material and spot trends suggestive of theft.

life-saving drug naloxone, more commonly known under the brand name Narcan, appeared in the RAPID system, records show.

A detailed look at the Commission's core proposals for reform, along with other common-sense recommendations, can be found at the end of this report.

Without unifying and strengthening New Jersey's fragmented oversight, without creating new barriers to the intrusion of criminals and without appropriate punishment for those who violate the law, corrupt proprietors of scrap yards, pawn shops and secondhand goods stores will continue to inspire and abet thefts that feed the heroin trade, damage infrastructure and raise costs for us all.

‘Watch How Easy It Is’

Before he reinvented himself as a crooked scrap metal dealer, before he placed organized crime members on a payroll studded with Social Security numbers pilfered from the dead, before he brazenly trafficked in stolen metal, Richard Santaniello had another dubious occupation. He ran the boiler room-style call center in what federal prosecutors at the time described as one of the largest health care scams in America.

Santaniello and his partners, including a mob-connected New Jersey businessman, a convicted killer and a former assistant state health commissioner who resigned under an ethical cloud in the 1990s, worked for a Marlboro-based company that brokered patients like cattle. Under the scheme, Medicare and Medicaid recipients seeking help for a variety of ailments, from alcohol and drug addiction to obesity, were lured to fly-by-night treatment programs and psychiatric hospitals in Florida and other states with promises of free flights, spa-like amenities and flash cures. In some cases, patients were held against their will in psychiatric wards, all while the federal government – and ultimately taxpayers – picked up the tab. Santaniello’s cut came in the form of illegal kickbacks the treatment facilities and hospitals paid to his company for filling beds.

Santaniello, one of dozens of people charged in the case, was sentenced to four months in prison and ordered to pay \$450,000 in restitution for conspiring to defraud the United States. More than 15 years later, Santaniello is barred from participation in health care ventures that involve state or federal funding, but he’s not done helping himself at the expense of others. His

bustling Hillsborough scrap yard, Klein Recycling, has been described to the Commission as a “breeding ground” for drug addicts who sold stolen metal there as often as five times a day.⁴

The business is all too typical of what the SCI found at the scrap yards it examined across New Jersey over several years. At Klein and other metal recycling operations, cars and pickup trucks rolled in with copper pipes removed from the basements of vacant homes, catalytic converters sawed from vehicles and large spools of copper wire stolen from Lowe’s or The Home Depot. The Commission found that scrap yards have become an especially lucrative conduit for thieves who strip metal from cell phone towers, which have been burglarized by the thousands in recent years. One Verizon official told the Commission that thefts were so common, costly and damaging to cellular networks they amounted to a threat to national security. Copper plates and copper wire provide towers with vital protection from disabling lightning strikes, while backup batteries are designed to allow for seamless cell service during outages.

Across the country, the theft of copper and other metals costs industry nearly \$1 billion a year, the U.S. Department of Energy estimates. And New Jersey is in the thick of the crisis. The National Insurance Crime Bureau (NICB), a nonprofit that works with the insurance industry to combat high-cost crime and fraud, found New Jersey ranked second in the nation for metal theft insurance claims, behind Ohio and ahead of Pennsylvania.⁵ When ranked by metropolitan region, the area encompassing New York, Jersey City and Newark led the country in such claims, while Philadelphia, Camden and Wilmington, Del., ranked second, the NICB found. Too many scrap

⁴ Santaniello operates Klein through a parent company, RickSant LLC. All Klein employees are paid through RickSant.

⁵ The NICB’s most recent study tracked metal theft insurance claims from 2014 through Dec. 31, 2016. The agency issued its findings in November 2017.

yards are complicit in these crimes, blind to the obvious signs displayed by addicts and others who show up with stolen metal day after day.

Ross L. learned the value of metal after exhausting his own prodigious inheritance in pursuit of the next high.⁶ In sworn testimony before the Commission, Ross described in painstaking detail his path to addiction – from marijuana in his suburban high school to pain pills and heroin afterward – and his swift descent to homelessness and desperation. Now 34 and sober, he said his addiction to heroin became all-consuming after the death of his father, a second-generation business owner. Left with the company and more than \$800,000 in cash in a safe, Ross squandered it all.

“I would just grab whatever envelope was next on the pile and go to Newark,” he said. “Sometimes it might have been two hundred bucks, sometimes it was, like, \$10,000. And so that’s how I got – in under two years I had lost the business, the house where I grew up, all that money.”

Ross testified that a fellow addict introduced him to a sustainable route to drug money: stealing metal.

We didn't have any money, and he just showed me how to get money through bringing metal to the scrap yard, and I quickly learned that there is just so many different ways. As the cell phone companies became bigger, there was abandoned AT&T buildings or abandoned phone buildings which was so full of copper and wire. ... So people, including myself, would go in there and do everything from cut copper pipes, clip the wiring inside drop ceilings ... because of the nature of the building, I guess, and what they did there – the communications or whatever – there is just bales of copper wire, like, very thick copper wire. And the amount of money to be paid when you find a place like that, it blew my mind. Like, we took a Chevy Impala, and the amount of wire from above the ceiling that just fit in the trunk making a couple trips a day, we'd make a couple thousand dollars.

⁶ Not his real name. His identity is protected because he served as a confidential source during the Commission’s inquiry, providing sworn testimony in executive session.

Ross' friend knew precisely where to take their daily haul without fear that someone would alert the police. That place was Klein Recycling, which Santaniello, now 48, purchased in 2005. Ross said Klein's employees never questioned the source of hundreds of pounds of metal brought there multiple times a day by disheveled, twitchy young men aching for their next fix. Even when Ross and his friends resorted to stealing manhole covers and storm grates, leaving road gaps large enough to damage cars, no one at Klein so much as raised an eyebrow.

"I was nervous going into the scrap yard with that stuff, because I thought they are going to see what this is, plain and simple, and call the cops, you know?" Ross said. "And my friend who's more experienced said, 'No, watch how easy it is.'"

Though he was paid just 10 cents a pound for manhole covers and storm grates, Ross made up for it with volume. He said he and his friends stalked suburban neighborhoods late at night, when the streets were quiet, and took as many sewer grates and manhole covers as their car could carry. At their most desperate, they did it in broad daylight, leading eventually to Ross' arrest.

"It was so heavy, the Impala would be, like, dragging on the ground," he testified of his trips to Klein. "That always surprised me, too. They didn't say, 'Where are you getting this much heavy metal from?' It's got to be from somewhere it's not supposed to be, because we make three or four trips a day with your car scraping the ground on the way in, and you're just some kids."

Ross and his friends hardly stood out among the clientele at Klein. He said it was crystal clear to him that many of the customers there were fellow addicts.

“I would say out of every five cars, three of them were people that obviously had stolen something or other, and drugs are sold right outside or traded or – even scrap metal stuff was traded, like, right outside before going in,” he testified. “It’s very common, like, a breeding ground, I would call it. It seemed to me like ... it was all people with drug problems with a few companies peppered in.”

Another habitual metal thief told the Commission he likewise came to appreciate Klein’s accommodating no-questions-asked policy. The man, a 31-year-old resident of Monroe Township, Middlesex County, once made a living installing security cameras in convenience stores. He said he turned to stealing metal after his addiction to oxycodone outstripped his ability to pay for the pills. In an interview with Commission agents, the man said he stole catalytic converters from the exhaust systems of commercial vehicles because of the valuable platinum in the pollution-control devices. Armed with a reciprocating saw and a generator to power it, he hit a U-Haul truck yard, a vehicle repair shop and a state Department of Transportation yard. Each time, he said, he went to Klein, adding his stolen catalytic converters to a large pile already there.

Hillsborough does not have an ordinance regulating the operation of scrap yards, ceding oversight to the state Office of Weights and Measures, which is responsible for inspecting businesses with scales capable of weighing loads greater than 1,000 pounds.⁷ The agency, operating on a mandate of consumer protection, works to ensure that scales are accurate and registered with the State, but its inspectors are not tasked with differentiating stolen metal from

⁷ Scales that weigh loads under 1,000 pounds, such as those in cash-for-gold shops, are the purview of county Weights and Measures inspectors or town inspectors. Municipalities with populations greater than 60,000 are required to have a Weights and Measures superintendent.

metal that has been lawfully obtained. In addition, the agency employs fewer than two dozen inspectors, including supervisors, to cover all of New Jersey.

Separately, a state law signed by former Gov. Jon Corzine in 2009 requires scrap metal dealers to report suspicious transactions to authorities, yet police in Hillsborough said they did not hear from Santaniello unless they approached him first about a report of stolen metal. The same law mandates that scrap yard employees confirm a seller's identity with a valid, government-issued photo ID and make a copy of the ID. Yet Ross said employees at Klein only occasionally checked ID, and even then from just one person in his group. Moreover, to his recollection, he and his friends didn't always present identification with a photo.

Authorities in Hillsborough told the Commission Santaniello's operation has long been suspected of accepting stolen metal, including vehicles without salvage titles, batteries from cell phone towers and even his competitors' Dumpsters. With so little oversight, however, Klein Recycling has operated in a virtual vacuum, shipping out metal to larger distributors almost as soon as it comes in and enriching its mob-connected owner. Records obtained through SCI subpoenas for two bank accounts used by Santaniello's company show the scale of its dealings: In three-and-a-half years, more than \$165 million flowed into and out of the accounts.⁸

Santaniello – who owns a home in Howell, a half-million dollar vacation house on a Toms River inlet and a 32-foot boat named “No Hassle” – had little to say about his business practices. When questioned by the Commission under oath, he invoked his Fifth Amendment right against self-incrimination 101 times.

⁸ The records cover a period beginning Jan. 31, 2012, and ending July 31, 2015.

Some examples:

Q: *Let's talk a little bit about the items that you purchased. Is it true that Klein purchases manhole covers?*

A: *I am invoking my Fifth Amendment privilege against self-incrimination.*

Q: *Is it true that Klein purchases sewer grates?*

A: *I'm invoking my Fifth Amendment privilege against self-incrimination.*

Q: *Is it true that Klein purchases other infrastructure-related metals with the city or municipality's name on it?*

A: *I'm invoking my Fifth Amendment privilege against self-incrimination.*

Q: *Is it true that Klein infrequently reports suspicious purchases to law enforcement?*

A: *I'm invoking my Fifth Amendment privilege against self-incrimination.*

Q: *Is it true that Klein Recycling has accepted for scrap metal new items such as Home Depot wire or copper on a spool?*

A: *I'm invoking my Fifth Amendment privilege against self-incrimination.*

There is more Santaniello declined to discuss. The Commission found during its investigation that Louis "Big Lou" Fazzini and Nicholas "Nicky O" Olivieri Jr. – both convicted racketeers and made members of the Philadelphia organized crime family's New Jersey faction – have been on Santaniello's payroll for years, collecting money for work that is unclear or unexplained.

Fazzini, 51, of Essex County, accepted regular payments from Santaniello as far back as 2012, the year he pleaded guilty to running a mob-backed bookmaking operation and to operating a scheme in which he fraudulently obtained health insurance through a no-show job. Fazzini would continue to receive payments from Santaniello during his stay at a halfway house and after his release in 2015. Department of Labor records show Fazzini took in at least \$113,790

from 2012 through the third quarter of 2017. Like Santaniello, Fazzini declined to answer questions under oath, citing his right against self-incrimination.

Olivieri, 71, of Ocean County, pleaded guilty to federal racketeering charges in 1999, along with Fazzini and a third man who oversaw operations as a *capo* in the New Jersey crew. Beyond those convictions, Olivieri's membership in the mob was confirmed decades earlier, when a turncoat gangster working with the New Jersey State Police secretly recorded his induction ceremony.

In testimony before the Commission, Olivieri said he had been a "life partner" to Santaniello's mother for nearly 40 years and that he thought of Santaniello as a son. And while he told the Commission he worked at the scrap yard, he cited his Fifth Amendment privilege repeatedly when asked about his job duties, his pay, his co-workers, the purchase of stolen metal and his organized crime affiliation. Records show Olivieri was paid at least \$158,000 by Klein's parent company between 2014 and early 2017.

There were other peculiarities with Santaniello's payroll. Commission investigators found that five of his employees were fraudulently using Social Security numbers that had been legally assigned to men in Florida, North Carolina and Pennsylvania. Four of the five men were dead. It is not uncommon for undocumented immigrants to use the Social Security numbers of others, typically the deceased, to obtain work. That was the case with at least one of the five employees, who told the SCI he is an undocumented native of Guatemala and that a friend provided him with the Social Security number he used to find work at Klein Recycling. The number traces back to a living resident of Jacksonville, Fla. It should be noted that of the five employees, not one had ever filed a New Jersey tax return.

From the Cell Tower to the Scrap Yard

On a fall day several years ago, a 22-year-old woman drove into a Haddon Township scrap yard, her Ford Explorer laden with more than a quarter ton of copper wire encased in distinctive rubber sheathing. The coating indicated the wire belonged to Public Service Electric & Gas (PSE&G), New Jersey's largest utility, which had begun marking its property to counter widespread thefts at its facilities across the state. Though the woman wasn't wearing a PSE&G uniform and wasn't driving one of the utility's vehicles, employees of the company, Sgt. Scrap, paid her \$1,567 without questioning the wire's source. As it happens, the copper was, indeed, stolen from PSE&G, and Sgt. Scrap's owner, Fred Vangeldren, later acknowledged to authorities he suspected as much all along.

The woman was charged with receiving stolen property. Yet Vangeldren, because his employees ostensibly followed the rules by making a copy of her driver's license and because he cooperated with investigators when they came calling, continued to operate as usual. The transaction and its outcome illustrate a fundamental weakness in New Jersey's oversight of scrap yards, many of whose owners and employees routinely accept stolen goods with little fear of punishment. And Vangeldren serves as a prime example of the dealer who benefits from a broken system.

Vangeldren, 47, opened Sgt. Scrap's Haddon Township yard in 2013. Since then, he has launched a mobile scrap pickup service and opened additional yards in Pennsauken, Glassboro and Freehold Township. That budding empire has been built, at least in part, on the fruits of theft. SCI investigators found episode after episode in which Sgt. Scrap employees bought marked

metal without reporting it, failed to follow basic rules on record-keeping and regularly did business with addicts who burglarized hundreds of homes and cell towers.

John Tracy was one of those addicts. He was also a highly prolific thief. Previously a construction manager for a company that serviced cell phone towers in New Jersey and surrounding states, Tracy was seriously injured in a fall from a tower, breaking several bones and damaging his cervical spine. Oxycodone tamped down the pain, but soon he grew addicted, leading him to supplement his prescriptions with loose pills he bought off the street. To meet the cost, Tracy told the Commission, he began looting job sites of metal, mainly copper wire and copper bus bars, solid metal components used in the distribution of power at electrical substations and other high-voltage environments.⁹ Even after he lost his job over suspicions of theft, Tracy found it easy to continue stripping towers; his former employer hadn't changed the access codes to gated areas and buildings. He grew so flagrant he once stole copper from a cell tower on the property of the Cinnaminson Police Department, directing an unsuspecting officer to move a K-9 trailer because it would interfere with his purported maintenance work.

Tracy had no doubts about where to unload the metal. Years earlier, he had briefly worked with Vangeldren at a scrap yard that operated under the name Dr. Copper. Vangeldren was a manager at the time. Now, at Sgt. Scrap, he was the boss. In just seven months, records show, Vangeldren paid Tracy more than \$100,000 for copper cable and bus bars stolen from scores of towers in New Jersey, Pennsylvania and Delaware. If some of that metal was marked, it didn't trouble Vangeldren, Tracy said. He told the Commission Vangeldren complained to him it was taking his employees too long to grind off telephone company names from bus bars. In the

⁹ In the power industry, these items are also known as busbars, buss bars or bussbars.

future, Tracy said Vangeldren told him, he should remove the markings before bringing them in. Further, when Haddon Township detectives began building a case against Tracy – questioning employees at Sgt. Scrap in the process – Vangeldren tipped his friend off, investigators told the Commission.

Tracy wasn't the only cell tower technician drawn by the company's lax manner of doing business. He said that during his many visits to Sgt. Scrap, he recognized more than two dozen tower maintenance workers who, like him, were there to sell copper wire and bus bars he surmises were stolen. In a show of sympathy for one of those workers, a fellow addict, Tracy shared access codes with him. That man was later arrested while burglarizing a tower shared by AT&T, T-Mobile and Sprint. It sits less than two miles from Sgt. Scrap.

Vangeldren, a Gloucester County resident, denied in sworn testimony that he instructed Tracy to rid metal of identifying marks. He also cast himself as an honest businessman who abides by all laws and regulations. In addition, he said he instructs his employees not to accept materials that are clearly the property of utilities. Facts gathered by the SCI, however, show recurring problems with the company:

- On two occasions in 2016, Sgt. Scrap purchased metal marked "PSE&G" from a confidential source working with the SCI and the Haddon Township Police Department. In the first case, the source brought to the Haddon yard copper wire bearing the utility's name and other scrap metal totaling 396 pounds. He was paid \$155. Months later, again under SCI and law enforcement supervision, the source returned, selling copper bus bars stamped "PSE&G" and other items totaling 401 pounds. He was paid \$170. One of Vangeldren's employees examined the metal and

signed off on each purchase. The employee did not inquire about the metal's source or alert police. PSE&G voluntarily provided the material for both undercover operations.

- Sgt. Scrap did extensive business with numerous individuals purportedly working for a private company, Shamong Construction, at both the Haddon Township and Pennsauken scrap yards. Not once, however, did Sgt. Scrap employees check any of the individuals' identification or record their names and addresses, as required by state law and local ordinances, Vangeldren acknowledged. Instead, he testified, he and his employees accepted at face value business cards the men carried. The Commission found only one Shamong Construction in New Jersey. That company has long been defunct, its headquarters a vacant office building in Bellmawr, its 90-year-old owner retired and living in Pennsylvania. Asked to explain why Sgt. Scrap had purchased so much metal from unidentified individuals claiming to be affiliated with a phantom company, Vangeldren replied, "I'm surprised." He further acknowledged he had not done even the most basic research, such as an internet search, to verify the company's authenticity. As a result, Sgt. Scrap's records of those transactions were incomplete, listing "N/A," or not available, in the name field. Other required information, including addresses and telephone numbers for the sellers, also was not provided. Each transaction with the defunct Shamong Construction, therefore, marked a violation of the ordinances in Haddon Township and Pennsauken.

- An SCI analysis of records uploaded by Sgt. Scrap to the RAPID system – the database accessible by law enforcement – showed additional record-keeping irregularities. The analysis examined cash purchases of \$12,000 or more. In one case, the Commission found that a Maryland address attributed to a customer and uploaded to RAPID came back to a supermarket. Another transaction involved a customer with an almost identical name as in the first example but with a different address in Straton, Pa. There is no municipality in Pennsylvania with that name, nor is there a Stratton, Pa. Giving every benefit of the doubt, the Commission ran the address in Scranton, Pa. There, it came back to a bank. A third transaction listed an address in the New Jersey town of “Randolf.” There is no such town. In Randolph, Morris County, the address uploaded to RAPID does not exist.
- Sgt. Scrap paid more than \$38,000 to a South Jersey couple suspected of burglarizing scores of vacant and foreclosed houses in six New Jersey counties, stripping the basements of copper water pipes and leaving the residences prone to serious flooding and expensive repairs. In their confessions to police, the couple cited their daily routine: find homes for sale through real estate websites, scout them, burglarize them and bring the proceeds to Sgt. Scrap the next morning. They would then use the money Vangeldren paid them to buy heroin in nearby Camden. When arrested, the couple had a ledger listing 330 possible targets, 130 of which had been crossed out. In his testimony, Vangeldren said he proactively notified law enforcement about the couple, whom he suspected were stealing based on their unkempt appearance, their daily visits and the tremendous volume of copper they brought in. A Haddon

Township detective told the Commission in sworn testimony that Vangeldren did, indeed, offer him the names of the couple, but only after the detective asked him for help in identifying possible suspects in a burglary spree. The husband and wife were subsequently charged.

The Commission found the couple's narrative repeated time and again during its investigation. One Sgt. Scrap customer, a 31-year-old man, confessed to police in Egg Harbor Township he burglarized at least 75 homes throughout Atlantic County, stealing copper pipes and air conditioner condensers to fund his heroin habit. A Camden County woman, also 31, sold to Sgt. Scrap more than three tons of stolen communications wire, copper and other metal, ferrying it to the Haddon Township yard in a compact Mazda as often as three times a day. The woman, who used the money for heroin, told the SCI it should have been obvious to anyone at Sgt. Scrap she was dealing in stolen items. She said it was clear to her the workers didn't care. Another former tower maintenance worker who became addicted to pain pills after a workplace injury echoed the woman's assessment, telling the Commission he brought in so many stolen bus bars and backup batteries marked as telephone carrier property it would be impossible not to suspect illegal activity.

Despite evidence that untold tons of stolen metal have flowed through his scrap yards, Vangeldren complained in his testimony about regulatory overreach. Scrap recyclers should maintain internal, on-premises databases open to inspection by law enforcement, he allowed, but searchable online databases that authorities use to flag suspicious transactions and identify trends amount to intrusive "fishing expeditions" and are "crossing boundaries they shouldn't be crossing."

Were Klein Recycling and Sgt. Scrap merely unscrupulous outliers in an otherwise reputable industry, the need for legislative remedies would perhaps not be so acute. But through its own investigation and through interviews with law enforcement agencies that have brought charges against metal thieves, the Commission found that corrupt and illicit practices are deeply ingrained and widespread.

The investigation determined, for example, that some of the same people who frequented Sgt. Scrap routinely sold stolen metal at other scrap yards with an equal measure of ease. One of those customers – the man who confessed to burglarizing 75 homes throughout Atlantic County – also sold stolen copper pipes and air conditioner condensers to American Recycling in Mays Landing.

Other metal thieves brought their wares to EMR Recycling, previously known as Camden Iron and Metal, a buyer and seller of scrap metal with reach around the globe. EMR's New Jersey headquarters, on South 6th Street in Camden, sits on a lot the size of five football fields, mountains of metal rising from the pavement, tractor-trailers and passenger vehicles alike flitting in and out.

One customer, a 36-year-old Pennsauken man, once installed cell tower antennas for a living. Arrested at a tower mid-theft, pipe cutters still in hand, he confessed to authorities in Ocean County that he'd been burglarizing towers up to three times a week for six months. He said he brought the copper wire to Camden Iron and Metal and Sims Metal Management, also in Camden. None of the transactions drew scrutiny. Like so many other metal thieves, the man said the fear of withdrawal from heroin drove his behavior. "I hate being like this," he said in the videotaped confession. "I do it when I'm basically getting sick and need heroin."

In another case, four people who stole a spool of copper wire weighing 1,150 pounds from an Atlantic City Electric maintenance yard scrapped it at Camden Iron's South 6th Street site, taking home \$4,800. They were caught not because the operators reported suspicious activity but because police investigating the theft canvassed scrap yards. All of those charged had criminal records for drugs and theft, and one of them, according to investigators, had overdosed three times in the previous two years. Each time he was revived with Narcan.

Farther north, as an SCI surveillance team kept watch at Federal Metals and Alloys in South Plainfield on a September afternoon, two men carried bundles of what appeared to be new copper pipes into the South Clinton Avenue scrap yard. The investigators found that the men had returned stolen electric circuit-breakers to a Lowe's home improvement store, obtaining a gift card in the amount of the merchandise, and used the gift card to buy the copper pipes at the same store. They then walked to The Home Depot nearby, stole a cart and used it to carry the copper to Federal Metals and Alloys, abandoning the cart not far away. They sold that shiny copper, still taped and bundled as it had been inside Lowe's, without incident. Both men had a history of arrests for drugs and theft.

The costs associated with these hand-in-glove relationships – with both thieves and scrap yards benefiting – cannot be overstated. In the cellular industry alone, burglaries at towers and storage facilities across the United States have resulted in losses amounting to hundreds of millions of dollars, industry officials told the Commission. Consider the damage wrought by just one thief. The 38-year-old Philadelphia resident, a former contractor for the telecommunications company Ericsson, confessed to stealing more than 4,300 backup batteries from towers in New

Jersey, Pennsylvania, Maryland and Delaware. Collectively, the batteries weighed 200 tons. A Philadelphia scrap yard, Greendog Recycling, paid the man \$122,000 for his efforts.

Utilities and railroads have reported smaller losses, ranging from tens of thousands to hundreds of thousands of dollars annually, but those burglaries carry other risks. Thieves who break into electrical substations typically cut through locks or fencing, leaving the dangerous sites unsecured and open to the curious. When copper wiring used to carry signals is stolen from railroad tracks, workers must replace it. That repair work can only be completed when train speeds are greatly reduced or when lines are taken out of service entirely, leading to delays for commuters along one of the busiest rail systems in the nation. Municipalities have not been spared. In South Brunswick, after 63 manhole covers were stolen in 2013, the local government paid \$10,000 for new ones. Town by town, city by city, the costs of ignoring indifference to rules and outright criminality in the scrap industry will continue to mount, with taxpayers footing the bill.

Turning Vacuum Cleaners into Heroin

The Facebook page for Richard Gabbay's secondhand goods business, Blackwood Cash for Gold, offers a wealth of glowing reviews.

"Best place ever!" a 35-year-old Clementon woman wrote. "Rich is a great guy. He makes you feel comfortable and welcome and you always leave happy. I wouldn't go anywhere else."

The woman had every reason to approve. An admitted heroin addict with multiple convictions for theft, she was one of many customers who found Gabbay to be an eager

accomplice, a man who bought shoplifted merchandise on the cheap and who sometimes directed his partners to steal specific high-end items, from laptops to blenders, likely to fetch him a tidy return on eBay.

Gabbay's behavior is hardly unusual among owners and employees of New Jersey's ubiquitous secondhand goods shops and cash-for-gold stores.¹⁰ At every turn in its investigation, the Commission found evidence of pervasive rot: connections to organized crime and street gangs; proprietors with long criminal histories; an open contempt for regulation meant to curb illegal activity; and a belief among many owners that drug addicts are the ideal clientele, malleable enough to take direction and desperate enough to accept pennies on the dollar for stolen goods. In this unsavory subculture, the addict is a commodity to be milked for profit and to be replaced when he or she overdoses and dies.

When she was arrested in Mantua Township, the woman who raved about Gabbay on Facebook told detectives she shoplifted to support a 10-bag-a-day heroin habit. Focusing primarily on Target stores, she stole vacuum cleaners, laptops and advanced calculators, among other items. She confessed to investigators she took many of her hauls to Blackwood Cash for Gold, situated in a strip mall in the Blackwood section of Gloucester Township. There is nothing subtle about Gabbay's operation. Its broad windows pop with neon. A sign on the roof depicts a

¹⁰ Cash-for-gold establishments are, by their nature, secondhand goods businesses because they buy and sell used items. Some cash-for-gold stores deal only in precious metals, such as gold and silver jewelry, but the majority today also purchase and sell a broad array of items, including gift cards, power tools, gaming systems, computers and small appliances. Hundreds of secondhand goods stores are in operation across the state. These businesses are to be differentiated from traditional pawn shops, which provide loans in return for collateral. If a customer does not repay the loan, along with preset interest, the pawn shop is free to sell the item. Pawn shops, which number fewer than 100 in New Jersey, are regulated by the state Department of Banking and Insurance. Secondhand goods stores are regulated by municipalities.

hand holding \$100 bills. Additional signs are planted on the small lawn out front, promising cash for gift cards from the likes of Walmart, Best Buy, Sears and The Home Depot.

A 33-year-old Camden County woman who frequented the shop told police Gabbay directed her and other members of a theft ring to bring him Dyson vacuum cleaners, which sold briskly on his eBay account. The crew's 11 members, with at least 93 previous arrests among them, complied, walking out of national retail chains with Dyson vacuums more than 50 times over four weeks before they were charged. Some sales were made at Blackwood Cash for Gold. At other times, the woman told investigators, the members met Gabbay, a 33-year-old Burlington County resident, in the parking lot of a Cherry Hill convenience store, collecting cash they then used to buy heroin.

Joanne Coll had a far more personal and regrettable interaction with Gabbay. Coll's stepson, Jonathan, had become hooked on heroin. As his addiction worsened, he began to steal from his family. In an interview with the Commission, Joanne Coll said she approached Blackwood Cash for Gold, not far from her home, on a hunch, showing Gabbay a picture of her stepson and asking if he knew him. Jonathan Coll had sold more than a dozen items there, Gabbay told her, describing jewelry she recognized as her own or her family's. Joanne Coll said she asked Gabbay not to conduct business with her stepson in the future – that whatever Jonathan Coll brought in would almost certainly be stolen.

"I asked him if he does come back, please give me a call," Joanne Coll said. "I hoped when I left he would just say no (to Jonathan)."

In the months that followed, Gabbay continued to make purchases from Jonathan Coll despite the stepmother's plea. On three successive days in September 2016, records show, Coll

sold Gabbay a watch, a gift card and a laptop. Weeks later, Jonathan Coll was dead of a heroin overdose, his body discovered on the slope of a dry retention pond adjacent to a housing complex. He was 30.

Personal accountability must be considered in the death of any addict. Jonathan Coll made the decision to take the heroin that killed him. But the Commission has amassed ample evidence that unethical owners of secondhand goods businesses, like their counterparts in the scrap industry, are enabling drug users by freely paying them for stolen items. These practices amplify an epidemic that killed more than 65,000 Americans – and more than 2,200 New Jerseyans – last year alone.

Joanne Coll was one of several relatives of overdose victims to express frustration over the ease with which their loved ones traded stolen goods for cash. William Furman Jr.'s son, William Furman III, fatally overdosed on heroin in March 2017. The younger Furman, who grew up in Pine Hill, Camden County, was 38 when he died. For years, he had partially funded his habit by selling stolen jewelry and other items to four secondhand goods stores, including Blackwood Cash for Gold, records show. His father contends owners and employees of such stores “turn a blind eye” to the problem and should face increased scrutiny and more serious consequences for knowingly accepting stolen goods. “They know,” Furman told the Commission. “The people that have these stores, they know.”

The Gift Card Hustle

Alicia Blackburne ran her operation like a chief executive, finding a niche to exploit, putting the right people in the right place at the right time, ensuring she had customers lined up to buy her products.

Blackburne's business was theft – coordinated, systematic retail theft. Her niche was gift cards; namely, transforming her stolen merchandise into store gift cards through fraudulent returns. Her motivation was heroin, enough for her and for the 12-member crew she oversaw. By selling the gift cards to cash-for-gold shops for 50 cents on the dollar, Blackburne found the means to buy that heroin. The arrangement worked for everyone involved, particularly the secondhand goods dealers who profited from Blackburne's audacious scheme.

Until her arrest by the State Police, Blackburne and her crew stole tens of thousands of dollars' worth of merchandise from Marshalls and TJ Maxx stores throughout South Jersey.¹¹ After returning the items and obtaining gift cards, they sold those cards to at least four secondhand goods stores in Atlantic, Ocean, Cape May and Camden counties.

Blackburne detailed the theft operation in her confession, describing how she assigned lookouts, drivers and shoplifters. A select few members sold the gift cards, Blackburne said. There was little pretense about the transactions. The owners and employees of the shops, she said, knew the cards resulted from theft and sometimes made jokes about it.

"You been busy again. Looks like a good day's work," Blackburne said an employee of North End Thrift, a store in Villas, Cape May County, told her whenever she came in. Blackburne

¹¹ Blackburne was sentenced to six years in prison in 2016 after pleading guilty to leading an organized retail theft ring, a second-degree charge.

said she also sold gift cards to Fast Cash, with locations in Toms River and Forked River, both in Ocean County, and to the Cherry Hill Treasure Exchange in Camden County.

Such gift cards have become the currency of retail theft, a function of evolving return policies in the industry. Many retailers previously refused to accept returns without receipts or limited those returns to exchanges of merchandise, a practice that guarded against fraud but proved alienating to consumers in an ultracompetitive marketplace. The shift to gift cards for receipt-less returns appeared to strike a balance. Customers who did not have receipts for a legitimate reason would no longer be penalized, and retailers ensured the money on the cards would come to them eventually, whether spent in stores or online.

The Commission found, however, that these policies have been abused and exploited relentlessly by both individual shoplifters and organized theft rings. The racket is successful because secondhand goods stores provide a ready and immediate market for gift cards even when it is clear the cards have been obtained through fraud. The RAPID database, still in very limited use across the state, provides a glimpse into this flourishing trade. An SCI analysis of RAPID data from 2016 shows that secondhand goods dealers who are required to upload sales information to the system paid more than \$1.4 million for gift cards in thousands of transactions that year.¹² Purchases ranged from the tiny – \$2 for a \$5 gift card, for example – to payments of more than \$1,500 for multiple gift cards from Lowe’s, The Home Depot, Marshalls or Best Buy.

¹² The \$1.4 million figure should be considered a bare minimum and is likely higher by multiples because of the haphazard manner in which dealers record gift card sales: Some purchases are listed by store name, others with the generic phrase “gift card,” and still others with personal shorthand or misspellings, making accurate queries in the RAPID system difficult.

One store, Cash Now in Toms River, paid individuals approximately \$152,000 for gift cards in 2016, while Richard Gabbay's Blackwood Cash for Gold paid customers more than \$100,000 for gift cards during the same period, records show.¹³ Criminal history checks conducted on sellers of gift cards in the RAPID system reveal a common background: arrests for drug possession, burglary, theft, receiving stolen property and other counts.

In one case, a 57-year-old Burlington City woman charged with stealing the identities of more than 70 people around the country used fraudulently obtained credit cards to obtain high-value gift cards she then sold to cash-for-gold shops, including the Cherry Hill Treasure Exchange. Another Treasure Exchange customer, a 39-year-old woman, was charged in a fraudulent return scheme at the Moorestown Mall. She later died of a heroin overdose. In a third case, a 33-year-old Newark woman charged in a series of burglaries received nearly \$6,000 for gift cards, mainly from Cash Now in Toms River.

As telling as the RAPID transactions are, they provide only a partial picture of the fraud rippling through secondhand goods stores because the database's use is not mandated across most of New Jersey. By the end of 2017, approximately 79 of the State's 565 municipalities, or just under 14 percent, required RAPID, according to data compiled by the State Police. A handful of municipalities required secondhand goods dealers and scrap yard operators to upload information to a competing database, LeadsOnline. A full accounting of gift card sales to

¹³ Gabbay also is believed to have paid thousands of dollars more for gift cards he failed to document in RAPID, a discovery made when State Police broke up a Cumberland County-based shoplifting ring. The investigators found that the group's leader, who has since pleaded guilty, sold Gabbay dozens of gift cards at a time in convenience store parking lots. In the first six months of 2016, the crew stole more than \$100,000 in merchandise from retailers and converted the goods into gift cards, investigators found.

secondhand goods dealers almost certainly would run into the tens of millions of dollars, a significant portion of it derived from theft.

The dealers, in turn, profit from the illegal activities of their customers by reselling the cards at a markup. Some cards are sold in-store, others on eBay. A remarkable number are purchased by internet resellers that deal strictly in gift cards. One such company, Lakewood-based Cardcash.com, does extensive business with secondhand goods stores across the country, the Commission found.¹⁴ The company then offers the cards to the public at a higher price. Such online resellers, through a blanket partnership with these stores, represent another step in the liquidation of stolen goods.

One Atlantic County store that bought gift cards from Alicia Blackburne's retail theft crew was paid more than \$317,000 by Cardcash in little more than two years, bank records show. A search of RAPID, meanwhile, shows that many of the transactions at that same shop involved repeat customers, a clear signal of something amiss. One regular, a 45-year-old Millville woman peddling gift cards from Best Buy, TJ Maxx, CVS and other stores, had been arrested for shoplifting at least three times, the Commission found.

Asked why he continued to buy gift cards from repeat customers given the likelihood those customers were engaged in theft, the shop's owner offered a practical response: If he didn't buy their gift cards, the next cash-for-gold shop surely would. The resale profit, therefore, would go elsewhere.

¹⁴ The owners of Cardcash.com also operate abcgiftcards.com, a website identical to Cardcash.com.

Money Mike, the Mob and the Suspected Loanshark

As consistently as New Jersey's secondhand goods dealers disregard rules, break laws and bring into their businesses the baggage of criminal records, few of those dealers can match the persistently troubling behavior of Michael Kiszka, 53, who has been convicted of aggravated assault, burglary, credit card theft, receiving stolen property, theft by deception and leading a criminal network that trafficked in stolen cars. The owner of Money Mike's, a cash-for-gold store in Union Township, Union County, Kiszka has been fined by the State for committing insurance fraud. He allowed a career criminal wanted on attempted murder charges to place a house in his name to shield it from government seizure. He has purchased property he believed to be stolen – but which was legally obtained by the SCI – and directed a Commission confidential source to steal power tools and a central air conditioning unit on his behalf.¹⁵

In Kiszka's world, no perceived slight is too small for vengeance. Angered by a clerk at a Verizon store in East Hanover, Morris County, he returned with a rock and smashed the window, police records show. Other acts were potentially more serious. During a kidnapping-in-progress, he warned an associate that law enforcement was lying in wait for him, allowing the associate to evade immediate arrest and to maintain control of his captive.¹⁶ And despite the fact that hundreds of thousands of dollars have flowed through Kiszka's bank accounts in recent years, he told the Commission under oath that he files neither personal nor business tax returns. Moreover, he said he could not recall with any specificity how he made that money.

¹⁵ The confidential source did not carry out Kiszka's directive to steal the items.

¹⁶ The victim later escaped by jumping from the vehicle while stopped at a traffic light.

His Springfield Avenue shop serves as an occasional hangout for mob affiliates and a beacon for addicts and drug traffickers. His employees included a career grifter expert in cons and a former municipal prosecutor convicted of taking bribes in exchange for lenient treatment. One of his closest companions, Alesio Politi, 68, is a suspected loan shark who admitted under oath before the Commission that he forged checks and operated a PNC bank account in the name of a female acquaintance to hide money from the government. That account, the SCI found, served as the hub of Politi's suspected loansharking operation.

Both men acknowledged socializing with organized crime figures who have served time for crimes ranging from conspiracy to commit murder to drug distribution. Pursuant to a Commission recommendation found later in this report, Kiszka and those with whom he associates should be barred immediately from an industry that by its very nature is susceptible to fraud.

The Origin of Money Mike's

Money Mike's, in Union Township's Vauxhall section, marks Kiszka's second venture in the cash-for-gold business. Released from state prison in 2008 after serving seven years for leading a sophisticated stolen car operation, Kiszka first opened M&R Jewelry Exchange three doors down from the spot where he would eventually establish Money Mike's. His partner in M&R, Ralph Pio, 50, had a sordid history of his own. In 2003, Pio was among 20 people charged in a scheme described by state prosecutors at the time as a cash cow for the Genovese crime family. Led by a Genovese *capo*, the operation included at least four other made members of the group, along with various associates, and focused on illegal gambling, drug distribution and

loansharking. Pio, who had a previous conviction for robbery, would plead guilty to making usurious loans.

Years later, Pio was arrested at a Garden State Parkway rest stop for snorting heroin in a vehicle with the son of another Genovese *capo*. At the time, the son was wanted by authorities for allegedly heading an international gambling operation that processed millions of dollars in illegal bets through a wire room in Costa Rica. The son was ultimately indicted on charges including racketeering, money laundering, promoting gambling and tax evasion.

After a split with Pio, Kiszka opened Money Mike's in 2014, incorporating it under the name of a relative, though Kiszka acknowledged in sworn testimony he operates the business. He said he declines to conduct transactions with known drug users who bring him stolen property because he does not want the "headache," and he said he works "hand in hand" with the Union Township Police Department, maintaining records he claims to have scrupulously kept on every purchase. If there have been any problems at Money Mike's, Kiszka claims, it is the fault of a former employee who did "unethical things."

The Commission found Kiszka's declarations of professional rectitude to be baseless. SCI agents conducting surveillance on three separate occasions found that individuals with convictions for drug and theft offenses regularly conducted transactions at Money Mike's. Moreover, a confidential source working with the SCI had several conversations with Kiszka in which the source explicitly made clear he could provide stolen items. Kiszka then directed the source to bring him Dewalt and Milwaukee brand power tools, along with Cadillac wheel rims and bulk household supplies.

The Commission purchased from The Home Depot two sets of Dewalt drill/impact power tools, each for \$199, and had the source deliver them to Kiszka at Money Mike's. Kiszka paid \$160 for both items – less than half their combined value – and instructed the source to bring him a central air conditioning unit, a plasma torch designed to slice through steel and a specific type of welding equipment. During that same meeting, Kiszka introduced the source to a longtime friend who sometimes manned the counter at Money Mike's. The friend – a 60-year-old Clifton man whose criminal history includes convictions for attempted forgery, receiving stolen property, fraud, theft and assault – told the source to obtain a generator and 10 50-gallon hot water heaters. Before the meeting ended, Kiszka told the source he could supply him with prescription oxycodone for as little as \$8 per pill.

Bank records, meanwhile, undermine Kiszka's claim of careful cooperation with authorities. The Union Township Police Department told SCI agents that Kiszka did not report a single purchase of precious metals in 2015, as required by local government. That same year, however, Kiszka's company received more than \$36,000 from a smelting firm in exchange for precious metals. That figure is a fraction of the hundreds of thousands of dollars in unreported income that has moved through Kiszka's bank accounts, the SCI found. He testified that he has borrowed heavily from his mother and made some money by flipping properties in Essex County, where he lives, yet he was repeatedly vague when asked about the source of all his cash. Asked to account for \$173,000 in deposits one year, Kiszka responded: "It's coming from, probably, real estate transactions. I don't recall. I don't."

Kiszka's questionable activities extend beyond the secondhand goods business. Other individuals have told law enforcement officers and SCI agents he provided them with stolen credit

cards and instructed them to purchase specific items, including food for his dogs. In a separate arrangement, he created a company, Lightning Leasing, ostensibly to sell used cars. In reality, Kiszka told the Commission, it served as a means for him to obtain dealer license plates, which allowed him to legally operate unregistered vehicles with lapsed inspections. A dealer license, issued by the state Motor Vehicle Commission, also provides authorization to buy vehicles for wholesale prices at auctions. Kiszka told the Commission that while he did not buy cars at auctions, he permitted a Monmouth County man to do so under the Lightning Leasing dealer license. That man, a 58-year-old resident of Toms River, was sentenced to seven years in prison in 2015 for evading state taxes on the sale of high-end vehicles. The man claimed the sales would benefit a cancer charity. Instead, the profits went into his pocket. It is unclear if Kiszka benefited financially from his dealings with the man.

So toxic is the atmosphere around Kiszka that a one-time mobster with a long criminal history sought to distance himself from the shop owner, suggesting Kiszka seemed a bad influence. The man had previously been affiliated with the ultra-violent Campisi faction of the Genovese family, committing crimes in New Jersey and other states. In one case, he served as the middleman in a failed murder-for-hire plot, for which he was imprisoned in Maryland in 1997. Now in his 60s and living in Monmouth County, the former organized crime figure told SCI agents that while he once socialized with Kiszka and visited him at Money Mike's, he no longer does so because, he said, he was not comfortable with Kiszka's conduct. The man said he remains in contact with Alesio Politi, the suspected loan shark and a longtime friend, but insisted he is no longer interested in a life of crime.

Others with long criminal histories continue to associate with Kiszka. One of those men, Jerome DiGiovanni, 70, often visited Money Mike's during the course of this investigation. DiGiovanni, a Monmouth County resident, has amassed 20 criminal convictions in New Jersey on counts ranging from aggravated assault to weapons possession to the distribution of narcotics. Based on evidence collected by the Commission, he also appears to be involved in loansharking activity with Politi. Both men, witnesses told the SCI, used threats of physical harm to collect outstanding debts.

In one case, a former New Jersey man told SCI agents that threats and harassment by DiGiovanni and Politi over an unpaid loan became so pervasive he moved out of state for his family's safety. The man said he had personally vouched for a cousin who borrowed money from DiGiovanni. The cousin repaid that loan but borrowed from DiGiovanni a second time, the man said. When the cousin died suddenly, the man said, the loan transferred to him because he had spoken up on the cousin's behalf on the first occasion. Politi, he said, enforced payment for DiGiovanni, visiting the man's workplace with a younger, larger associate known only as Muhammad and shouting profanities. When he found another job, the man said, Politi and his associate tracked him down there, too. The man said he labored to keep pace with the payments, even signing over his paychecks, but continued to fall behind. Ultimately, he said, DiGiovanni and Politi met with him together. DiGiovanni, the man said, warned of "dire consequences" for failure to pay. After he fled New Jersey, the man said, Politi left a voicemail on his cell phone warning that "people" were looking for him.

In an unrelated case, a man who said he borrowed money from Politi at usurious rates played for SCI agents a profanity-laced voicemail in which Politi threatened him for missing

payments. “See the aggravation you’re causing me?” Politi said in the message. “I’m aggravated. ... Your day’s coming, you (expletive). Your day’s coming.” Politi also told the debtor that Kiszka, DiGiovanni and a third man would come looking for him. Commission agents identified the third man as a Union Township bail bondsman who has convictions for drug distribution, weapons offenses and racketeering.

Alesio Politi’s Criminal History

Politi, who lives in an Ocean County home owned by an uncle, is not believed to be a made member of the mob, but he has traveled in organized crime’s orbit for decades. He told the Commission his late father-in-law, Anthony DePasque, a Genovese family associate known as “Masher,” introduced him to John Gotti and other mob figures in the years before Gotti seized control of the Gambino crime family. Politi said he later grew close with no fewer than three ranking Lucchese crime family members, one of whom is serving life in prison for murder and racketeering. The other two were recently released from prison.

Politi testified openly about his history of violence. He spent 18 years in prison for kidnapping, beating and threatening to kill DePasque, his former father-in-law, after a dispute about the family business. “We had a little beef, and he owed me some money, and I grabbed him and gave him a little beating...” Politi said. DePasque suffered a gash to his head, a broken nose and two broken fingers in the attack. He managed to escape by phoning police, who traced the call and rescued him.

A quarter century later, Politi would again resort to kidnapping when a Money Mike’s employee who owed him thousands of dollars repeatedly wrote him checks that bounced. The man told the SCI Politi lured him to a Maplewood home under false pretenses. There, Politi

emerged from a back room with a baseball bat and a rope. At his side was Muhammad, Politi's intimidating companion. As Politi described it in his sworn testimony before the Commission: "I confronted him, and he got a little nasty and we had a confrontation. ... We had a little fight and that was it."

It was, instead, just the beginning. Under threat, the employee told Politi he would find the cash and began calling contacts. He then told Politi he had arranged for an associate to bring the money to a TD Bank branch in East Hanover. In reality, the employee, seeking help, had reached a law enforcement official. Politi, Muhammad and the employee drove to the bank, but Politi spotted an unmarked cruiser parked in front of the branch and continued to drive. Fearing a trap, Politi needed someone to scout the premises. He turned to his old friend Michael Kiszka. In his testimony, Kiszka acknowledged receiving instruction from Politi to check the bank for police presence and then to report back.

Q: Tell us about that. What happened?

A: Mr. Politi called me, I live in East Hanover. He called to see if there is any police presence, and there was. They were huddled, like, ten of them huddled in, like, a football huddle.

Q: At the bank?

A: Yeah, little obvious, in a circle discussing.

Q: Why would Mr. Politi ask you to see if there were police at the bank?

A: I don't know. He asked me, and I live there, and that's my bank, and I would do that for any of my friends if they asked me for anything, like, can you drive by and see if so and so?

Kiszka acknowledged he knew his employee owed Politi money – that there was, in his words, a "situation" – and that he willingly helped his friend skirt authorities. With Kiszka's

reconnaissance in hand, Politi headed south. The employee, who knew of Politi's previous kidnapping conviction and feared he would be killed, jumped from the vehicle while stopped at a traffic light on Route 36 in Hazlet and shouted for help. Politi drove off but was later arrested. Ultimately, Politi received minimal punishment – a year of probation – after the employee told prosecutors the incident was a “personal matter” and that he had “overreacted.”¹⁷ The employee told the Commission in sworn testimony he sought to downplay the kidnapping at the behest of Jerome DiGiovanni, who, the employee said, asked him to withdraw his complaint. The employee said his outstanding debt to Politi was later transferred to DiGiovanni, whom he continued to pay once a week.

But Politi wasn't quite done with the man. In June of 2017, Politi directed an associate to smash the window of the man's car as it sat in a parking lot in Hanover, Morris County. The associate then proceeded to foul the interior with a bucket of excrement. Kiszka, too, was initially charged in the case. The counts against him were dismissed months later when Politi pleaded guilty to criminal mischief in Superior Court. He was sentenced to probation.

Alesio Politi's Suspected Loansharking Scheme

The checking account at PNC Bank in Orange, Essex County, was in the name of a West Caldwell woman who received no statements and who told the Commission she had no knowledge of the thousands of dollars deposited in it each month. She could not identify a parade of individuals captured by surveillance cameras as they submitted checks in her name. Indeed, she said she had nothing to do with the account beyond the fact that she had opened it in 2011

¹⁷ Politi was initially charged with kidnapping but pleaded guilty to a lesser charge, third-degree criminal coercion, and was sentenced to probation in January 2016.

as a favor to a longtime family friend she referred to affectionately as “Uncle Al” – Alesio Politi. The woman told the Commission Politi claimed he had bad credit and needed someone to open the account in trust for him, meaning its assets would pass to him if she died. She also agreed to pre-sign a box of checks for Politi, she said.

In sworn testimony, Politi said he asked the woman to open the account on his behalf because he wanted to hide his money from the government lest it try to collect on old tax liens. He claimed it was otherwise legitimate. The Commission believes the account was used to facilitate Politi’s suspected loansharking operation. Though he has no stated source of income other than \$800 per month in Social Security benefits and handouts from family members, Politi loaned out tens of thousands of dollars – if not hundreds of thousands – to various friends, associates and acquaintances. Those people repaid him by depositing cash or checks made out to him or to the West Caldwell woman who opened the account. Total deposits were significant, amounting to \$266,000 in 2016, \$175,000 in 2015 and \$136,000 the year before, records show.¹⁸

Asked why he loaned money to so many individuals, Politi responded: “I try to help people out.” Asked about the source of the money he provided to others, he said repeatedly it came from cash advances he took on various credit cards and from friends and relatives. An analysis of the account, however, could find no checks written by Politi’s family. To this, Politi offered the tortured explanation that tens of thousands of dollars from one of his brothers first went to a middleman, an attorney, who then distributed some of the money to Politi and the rest of it directly to people to whom Politi had agreed to lend money. Those people, Politi said, then repaid him by depositing cash or checks into the PNC account at branches across northern and central

¹⁸ Of the \$266,000 in deposits in 2016, \$100,000 represented an insurance settlement.

New Jersey. Records show the attorney has been reprimanded twice and admonished on another occasion by the New Jersey Supreme Court's Disciplinary Review Board for unethical behavior and for practicing law when he was ineligible to do so.

Politi claimed he charged no interest on the loans. One went to a friend recently released from prison, another to a friend of Kiszka and another to a man Politi said he knew only as "Jerry Lunch," a nickname bestowed on him because he owned a lunch truck. Additional loans, Politi said, went to contractors who needed cash for materials and to a friend with whom he claimed to "juggle money back and forth." Politi was shown bank surveillance photos of people depositing money into the account. In several cases, he could not identify the individuals, suggesting they might be relatives of those who owed him money. Politi also was shown checks purportedly endorsed by the woman who opened the account. Under questioning, he admitted forging her signature on some of them.

The Commission's inquiry into Politi uncovered circumstances suggestive of fraud in an unrelated matter that should be of interest to regulators of New Jersey's trash-hauling industry. One of Politi's loans went to Angelo Di Iura, 54, who described himself as a friend of the lender. That loan was repaid with corporate checks issued by Advantage Services LLC, a trash-hauler based in Orange.¹⁹ The business is owned – on paper – by Di Iura's brother-in-law. The Commission, however, uncovered evidence suggesting Di Iura is the company's true owner and that he placed it in his brother-in-law's name to avoid the scrutiny of regulators. Di Iura's criminal history includes convictions for aggravated assault, receiving stolen property and theft by

¹⁹ Between 2013 and September 2016, the company paid Politi more than \$33,000, records show.

unlawful taking – counts that almost certainly would have barred him from an ownership interest in a sanitation company under New Jersey’s stringent laws.

Missed Opportunities

Union Township adopted an ordinance regulating secondhand goods dealers in December 2011, when Kiszka was operating M&R Jewelry Exchange with former partner Ralph Pio. The measure includes provisions the Commission has found to be standard where such ordinances exist around the state. It requires dealers to maintain certain records, to obtain photo identification from sellers and to report all purchases to the police department. Notably, it also allows the township’s police director to deny an annual license to any applicant who has been convicted of a crime of “moral turpitude involving dishonesty, fraud, deceit or misrepresentation.”²⁰

Kiszka, having spent more than seven years in state prison for crimes directly related to fraud and theft, should have been barred from operating a secondhand goods operation, if not at M&R Jewelry, then certainly when he opened Money Mike’s in 2014, three years after the ordinance’s passage. It turns out he never applied for a license, and no one seemed to notice.

While the police department aggressively monitored Kiszka’s shop over the years, advocated for the adoption of the RAPID system and provided substantial assistance to the Commission during its investigation, commanders said they were not aware the 2011 ordinance gave them legal authority to force Kiszka from the secondhand goods business in Union Township. When informed of the ordinance’s breadth, the department swiftly told Kiszka he

²⁰ If the applicant is a corporation, a license may be denied if officers, board members and shareholders holding at least 10 percent of stock have been convicted of similar crimes.

would be required to seek a license. He has yet to submit an application. Money Mike's, meanwhile, remains in business.

The disconnect between an ordinance's intent and its application is not isolated. The Commission found additional communities where secondhand goods dealers with extensive criminal records continued to operate businesses despite ordinances giving local governments or police departments the authority to shut them down. In Deptford, Gloucester County, Nicholas LePore Jr. runs Cash Out Check Cashing, which, in addition to cashing checks, deals in jewelry and gift cards. LePore's criminal convictions range from arson to theft by unlawful taking to federal tax evasion, a crime for which he spent a year in prison in 2014 and 2015. The theft charge emerged from a 2011 law enforcement operation in which LePore and a Cash Out employee – also with an extensive criminal record – bought gift cards they believed were stolen. LePore's gift card business was not insignificant. In a two-year period, the Commission found, he was issued checks totaling more than \$305,000 from Cardcash.com, the national gift card reseller.

An ordinance passed by the township council in 2013 seemingly should have put LePore out of the secondhand goods business. The measure gives the chief of police authority to deny an annual permit after investigating the "moral character and business responsibility" of all owners and on-site managers "for the protection of the public welfare." The ordinance also requires dealers to upload the details of their purchases to the RAPID system. While Deptford police did inform LePore about the RAPID requirement, the Commission found, no background check on LePore was conducted, and both he and police agree he was not informed of the need to apply each year for a permit. He remains in business.

In October 2017, after interviewing Deptford police, SCI agents visited Cash Out Check Cashing. There, they observed a woman, later identified as a 31-year-old Blackwood resident, selling 35 gift cards to a cashier. A check of the RAPID system showed she had conducted transactions at the shop six times in the previous three months, receiving \$636 for jewelry and gift cards she sold for 50 cents on the dollar. A criminal history inquiry, meanwhile, turned up arrests for shoplifting, robbery, possession of narcotics and possession of a hypodermic needle.

The Criminals Behind the Counter

As it found in the scrap metal industry, the Commission's investigation of secondhand goods businesses and pawn shops revealed that it is not just a few bad actors who stain the reputation of all. Instead, SCI agents found evidence of corruption and dealers with long criminal histories in town after town, county after county, from the Atlantic coast to the Delaware River. Some examples follow.

Gold, Gift Cards and Guns

In Stafford Township, Ocean County, the owner of Shore Discount Furniture and Bedding/Shore Gold and Pawn was charged with multiple gun counts, fencing stolen property and possession of anabolic steroids following an undercover operation mounted by the Stafford Police Department and the Ocean County Prosecutor's Office. The owner, Dennis P. Ayala, 59, sold a loaded Beretta handgun to an undercover detective. He also purchased from the detective an Xbox gaming system and a Lowe's gift card – both lawfully obtained but that Ayala believed to be stolen – and failed to document the transactions, authorities charged. At Ayala's home,

investigators found three more handguns, all owned illegally. Further investigation showed one of the weapons had been stolen by the opioid-addicted son of the handgun's lawful owner. The son told police he sold the gun to Ayala, who pleaded guilty in June 2017 to unlawful possession of a weapon. In January 2018, he was sentenced to a five-year prison term.

Profiting from the Evasion of Taxes

Not far from Michael Kiszka's shop in Union Township, Ian Woloshin operated The Pawn Shop on busy Route 22. It was both a secondhand goods store and a traditional pawn operation, offering loans against collateral, typically jewelry. But Woloshin had bigger ideas. He soon expanded into check-cashing, and, according to an interview with a local news organization, he had plans to offer insurance and financial services. The operation came crashing down in December 2015, when the Manhattan District Attorney's Office uncovered an elaborate scheme in which multiple contractors for the Port Authority of New York and New Jersey evaded payroll taxes by illegally funneling \$17 million in employee checks through Woloshin's Union Township shop. The contractors' employees were then paid a smaller amount in cash, allowing their bosses to skim from the top. Woloshin, 52, of Union County, and two partners took a 5 percent commission on all check-cashing transactions, raking in at least \$838,000 before their arrests. Woloshin pleaded guilty to charges of conspiracy and identity theft in June 2016. Separately, a confidential source developed by the SCI said he sold Woloshin three electric generators that the shop owner believed to be stolen merchandise.

Criminal Past, Criminal Present

Michael Bucca and his sister, Malissa, certainly weren't ideal candidates to run a secondhand goods outfit. Michael Bucca, 47, had spent time in prison as the leader of a burglary

ring in central and northern New Jersey. Malissa Bucca, 42, was once jailed for her role in a drug ring that pushed oxycodone pills supplied by a crooked Bloomfield doctor. In the absence of meaningful regulation, the Bucca siblings opened two shops, both named Quick Cash, in Toms River and Beachwood.²¹ Connected to the Toms River operation was a small scrap metal business, also run by Michael Bucca.

Michael Bucca proved less than discriminating in what he accepted. In 2011, Toms River police, acting on a citizen's tip, arrested three men who had hauled two garbage cans full of bronze vases into Quick Cash, intending to sell the metal. The vases, each valued at \$300, had been stolen from a nearby cemetery. Bucca acknowledged he had purchased similar vases from the men, all admitted heroin addicts, on two previous occasions. Because he provided receipts for those purchases, he was not charged.

That would change four years later, when a belligerent Bucca was arrested for buying stolen food processors and coffee makers, along with pricey Lego sets shoplifted from Toys "R" Us. Both Michael Bucca and his sister were convicted at trial of receiving stolen property and fencing stolen property.²² Malissa Bucca received two years' probation. Michael Bucca was sentenced to 60 days in jail and three years' probation. Banking records show the siblings also did a brisk business buying and selling gift cards before their arrests. In little more than two years, the Commission found, the Buccas' stores took in more than \$407,000 from Cardcash.com.

²¹ Toms River and Beachwood had not yet passed secondhand goods ordinances requiring criminal background checks on dealers. Beachwood did so in 2011, Toms River in 2014.

²² The convictions marked the first in Ocean County in which detectives used the RAPID database to trace stolen items, according to the prosecutor's office. RAPID is required throughout the county.

The Quick Cash shops have been shuttered, but the Commission found that Michael Bucca, once released from jail, opened a new scrap metal business at Quick Cash's Toms River location, rebranding it 3M Metals. He did not obtain a license, as required by the township's scrap metal ordinance. That measure bars convicted felons from the scrap industry.²³ Notified about the new business by SCI agents, Toms River officials said they would investigate.

A Decades-Old Blight on Vineland

When she was still burglarizing homes to fund her heroin addiction, Sarah H. learned swiftly from other drug users where to unload stolen jewelry.²⁴ It was a shop with no surveillance cameras, a place where the owner and employees never asked for identification, never took photos of sellers and never questioned the jewelry's source, no matter how many days in a row Sarah and her friends returned, she said. K&H Coins, Sarah said, was the "go-to" establishment for instant cash. "Every time I went in there, they never gave us a problem," Sarah, now clean and working as a drug counselor, told the Commission in sworn testimony. "They never asked any questions. Just took merchandise, gave us our money, and we walked out."

K&H, situated on a busy commercial strip in Vineland, Cumberland County, has been a blight on this small city for nearly four decades. What began as a rare-coin shop in 1979 evolved into a pawn shop, offering loans against collateral, and a cash-for-gold operation in which the owner and employees purchased items to melt down or resell. Year after year, burglars arrested by Vineland police have confessed to bringing their stolen jewelry to K&H. Owner Phillip Kaslon

²³ While the ordinance bars convicted criminals, it lacks a provision requiring a background check for all license applicants. The measure should be amended to mandate criminal history checks.

²⁴ Not her real name. Her identity is protected because she served as a confidential source during the Commission's inquiry, providing sworn testimony in executive session.

and his employees have been cited repeatedly for violating the township's secondhand goods ordinance by failing to document purchases or to check identification. Kaslon's son, Michael, who frequently worked at K&H, was once featured on Cumberland County's list of most wanted fugitives and has convictions for armed robbery, burglary, receiving stolen property and selling heroin directly from the store's counter. Another employee, an associate of the Nine Trey Gangster Bloods, was convicted of helping an imprisoned leader of the gang communicate with subordinates on the outside.

Phillip Kaslon, 69, has twice been arrested for receiving stolen property. The first time, in 1980, he was admitted into New Jersey's Pre-Trial Intervention program for first-time offenders. The count was ultimately dismissed. The second time, in 2004, the charge was downgraded to an ordinance violation under a plea agreement. But Kaslon seemed not to have learned his lesson. In a separate deal to keep his shop open after one of his son's many arrests, Kaslon pledged to the city that Michael Kaslon would no longer work there. Yet SCI agents conducting surveillance found that the younger Kaslon remained a regular presence, a fact Phillip Kaslon had trouble explaining in his testimony before the Commission.

Q: What is his role in K&H now?

A: He doesn't have one.

Q: Does that mean he's not at the store or he's ...

A: He's not allowed in the store.

Q: Can you explain to us why he was at the store on the day we served you the subpoena to be here today?

A: He was?

Q: Yes.

A: No. Oh, wait a minute. If he was in the store, he was not there working. He visits me on occasion.

Q: You just told us he wasn't allowed in the store.

A: I'm sorry, I didn't mean that.

A short time later, Kaslon sought to clarify his testimony, saying that when his son does visit, it's for a short time, perhaps a half hour. Told that SCI agents observed Michael Kaslon at the shop over the course of a full day, the father responded, "I don't know what you are talking about."

Phillip Kaslon's disdain for rules can be seen in other areas. Vineland's secondhand goods ordinance, revised in 2013, requires that shops like K&H Coins enter information about all transactions into an online database, in this case the RAPID system. A dozen cash-for-gold businesses in Vineland complied, registering with RAPID, city police said. Kaslon refused to do so. In the face of threats by the city to pull his secondhand goods license, Kaslon ultimately relinquished the license on his own. But he did not shut his doors. He remains a pawn broker licensed by the state Department of Banking and Insurance (DOBI), permitted only to make loans on merchandise at a state-dictated interest rate and to sell items from his store. The signage on his shop, however, remains reflective of a cash-for-gold business, guaranteeing the "highest prices paid" for gold, coins and diamonds.

A Vineland police detective who has conducted numerous investigations into K&H told the Commission he implored DOBI in writing not to renew Kaslon's pawn license after Michael Kaslon's 2013 drug arrest, calling it the latest in a long line of transgressions by the business. The detective said he never heard back.

A Flood of Stolen Goods

The corruption in the secondhand goods business knows no borders, of course. In Bucks County, Pa., just across the river from Trenton, two stores allegedly served as the hub of a massive retail theft ring involving dozens of professional shoplifters. According to charges brought by the Pennsylvania Attorney General's Office in March of this year, the group stole \$700,000 in merchandise from national retailers in that state and in New Jersey, then sold the items for a third of their value to Morrisville Loan & Pawn and Levittown Quick Cash Trading Post, both owned by the same man. As in the New Jersey cases investigated by the Commission, the owner and employees of the two Pennsylvania shops knew the material was stolen and profited by reselling it at a markup on eBay and other sales sites, authorities said. Along with the owner, police charged four employees and 27 alleged shoplifters. The overwhelming motivation for the thefts, authorities said, was the need to earn cash for opioids.

The Serial Scammer

George Funkhouser's criminal acts ran to the intricate and the bizarre. In one scam, according to press accounts and court records, he hollowed out silver bars, replacing the interior with lead, and sold them to unwitting investors. In another racket, he and a partner used fraudulent checks to buy \$1 million worth of rare coins at a Florida coin show, then claimed they had been stolen from him in a robbery at Philadelphia International Airport. In reality, Funkhouser had melted down some of the coins and buried the rest in his back yard, according to the accounts. For more than five years, prosecutors said, he bilked an insurance company out of more than \$500,000 by feigning a disability. When he at last faced justice in 1994, Funkhouser infuriated the federal judge overseeing his case by supplying a bogus letter extolling his good

character. The judge, according to a Philadelphia Inquirer account of the sentencing, called Funkhouser a pathological liar likely to “commit other crimes.” Court records show the judge sentenced Funkhouser to 10 years in federal prison.

Today, Funkhouser, 65, operates D&Y Trading, a secondhand goods operation with locations in Bridgeton, Cumberland County, and Pennsville, Salem County. And all these years later, there’s little indication Funkhouser has chosen to play it straight. An SCI confidential source told the Commission Funkhouser has instructed his employees to cheat naïve customers with a variety of scams. In one ploy, the source said, employees placed the most expensive jewelry in a “junk” pile, then offered a reasonable price for jewelry that was not as valuable. As a seeming afterthought, the employees offered a small amount of cash for the “junk” jewelry, which the customers eagerly accepted, believing it to be nearly worthless.

The source said Funkhouser also routinely directed his employees to transport large numbers of handguns and rifles he procured to a Pennsylvania auction, where they were then sold by a third party. At Funkhouser’s direction, the source said, the third party paid for the firearms with checks made out in the names of the employees, who then endorsed them and turned them over to Funkhouser. The arrangement had the practical effect of keeping Funkhouser’s name out of the firearms transactions.

Employees at Funkhouser’s Pennsville shop are believed to have regularly purchased stolen jewelry and other items. One former customer told SCI agents he previously supported a \$100-a-day heroin habit by selling stolen goods, mostly jewelry, to D&Y nearly every day. He said he was given a receipt only when other customers were in the store.

Funkhouser hasn't entirely avoided scrutiny in recent years. The superintendent of Cumberland County's Office of Weights and Measures told the Commission the shop owner has been cited for several violations, including the discovery of a hidden spring in a scale used to weigh jewelry. Such springs are typically used to make precious metals appear lighter, cheating the customer. Funkhouser was fined, his scale seized. Yet his doors remain open to the public, in part because of inadequate local regulations.

Bridgeton's secondhand goods ordinance, adopted in 2010, does not require dealers to obtain a license or undergo a background check. Such a requirement clearly would have flagged Funkhouser as a risk. Moreover, the measure contains no explicit provision for shuttering a business even after repeated violations of rules on in-house record-keeping or on the regular production of detailed sales records to police.²⁵ Pennsville's ordinance is fairly comprehensive and offers more protections from unscrupulous dealers. Notably, it allows for the revocation of a secondhand goods license if a dealer engages in fraudulent business behavior or is convicted of a crime involving moral turpitude. It does not, however, explicitly require a criminal background check at the outset, when a dealer initially applies for a license.²⁶

The Commission believes a more aggressive, uniform approach to the regulation of secondhand goods stores across New Jersey would drive criminals from the industry, curtail fraudulent practices and choke off an easy pathway to drug money.

²⁵ Under the ordinance, violations may be punishable by a fine ranging from \$100 to \$2,000 or by a term of imprisonment not to exceed 90 days.

²⁶ The Pennsville ordinance does require applicants to provide to the chief of police the applicant's name and home address, the place of business and a valid permit from the township.

State and Local Laws Today

Secondhand Goods Dealers

As it now stands, state law imposes certain minimum requirements on the purchase of secondhand jewelry. Dealers must record the name, address and telephone number of each seller and photocopy the seller's valid government-issued identification.²⁷ The jewelry must be described in writing, photographed and held for 10 business days before it can be resold or melted.²⁸ A separate statute requires secondhand goods dealers and pawn brokers to deliver to police daily, except Sunday, a list of their transactions and a description of goods pawned or purchased.²⁹ State law does not specifically address the fact that many cash-for-gold stores now deal in a wide array of merchandise, from gift cards and gaming systems to power tools and small appliances.

Municipalities, which license secondhand goods shops and which are chiefly responsible for enforcement, may impose additional regulations. The Commission found that some towns have narrow ordinances that mirror the basic state rules on record-keeping and identification. Other municipalities, among them the Borough of Pine Beach in Ocean County, have passed more expansive ordinances that require background checks on owners alone or on owners, shareholders and employees.³⁰ In those cases, convictions involving fraud, deceit or stolen property – along with other serious criminal activity – are typically disqualifying factors for

²⁷ N.J.S.A. 2C:21-36 *et seq.*

²⁸ N.J.S.A. 2C:21-36 *et seq.*

²⁹ N.J.S.A. 45:22-34 *et seq.*

³⁰ A copy of the Pine Beach ordinance is appended to this report. While it holds secondhand goods dealers strictly accountable, it also provides some protections for those who unwittingly purchase stolen goods.

licensure. Some towns require background checks only upon application for a license. Others require criminal history checks annually as a condition of license renewal.

Ordinances that are more sweeping include provisions limiting the number of cash payments dealers may make to the same individual per week or month. In Brooklawn, Camden County, for example, a dealer must pay for jewelry with a bank check after two cash transactions with an individual in a seven-day period. The policy's aim is to make it more difficult for habitual thieves to turn stolen goods into instant cash.

As stated earlier in this report, fewer than one in six municipalities in New Jersey require secondhand goods dealers to upload details of their transactions to databases such as RAPID or LeadsOnline.³¹ In towns where the databases are in use, law enforcement officials have called them valuable tools that aid in the recovery of stolen property, help identify thieves and greatly speed investigations. An investigation that once might have taken days or weeks as detectives canvassed shops across the region for stolen material can now be accomplished in minutes or hours online. An annual \$250 fee imposed on secondhand goods dealers funds the cost of the RAPID system. Police departments pay for the use of LeadsOnline.

Currently, Ocean County remains the only New Jersey county where RAPID is required in every municipality. While the number of communities that use the database continues to grow, an effort to mandate it statewide has stalled. In August 2016, former Gov. Chris Christie signed a bill authorizing the creation of a task force to study whether a database like RAPID would help law enforcement and improve the tracking of secondhand jewelry, watches and precious metals

³¹ By contrast, Delaware and Maryland require the use of RAPID statewide. Law enforcement officials in those states have credited the database with aiding in thousands of arrests and in recovering millions of dollars in stolen property. RAPID's application in Pennsylvania, as in New Jersey, is piecemeal. LeadsOnline is in very limited use in New Jersey.

acquired through theft. The law's language did not include the broader business of secondhand goods stores – items such as vacuum cleaners, blenders and gift cards. The task force was to issue a report with its findings and recommendations within six months of its first meeting. Despite broad bipartisan support for the measure, which passed unanimously in both houses of the Legislature, the task force's work never came to fruition. In the absence of its research, the SCI's investigation appears to be the most far-reaching examination of the usefulness of such databases in this state.

Pawn Brokers

New Jersey's pawn shops are licensed as business entities, not as individuals, by the state Department of Banking and Insurance (DOBI). The department conducts criminal background checks on all "controlling persons," which include partners, shareholders, directors, officers and members. Because pawn brokers offer loans against the value of merchandise, DOBI also conducts financial reviews of the business entities and controlling persons. In testimony before the Commission, a DOBI investigator said pawn shop employees who have no ownership interest are exempt from the criminal and financial reviews. The exemption illustrates how, as described in an earlier section of this report, employees with long criminal histories continued to work at K&H Coins in Vineland, where they routinely accepted stolen goods and, in the case of the owner's son, sold heroin from the counter. The policy stands in contrast to how DOBI regulates check-cashing establishments, where owners and employees alike must submit to criminal background checks.

Pawn licenses must be renewed every two years. Those renewals are typically approved without further review if license-holders attest in writing that they have not been charged with

a crime and have not engaged in other potentially disqualifying acts, such as declaring bankruptcy or failing to pay child support. As to inspections and examinations of records, a second DOBI official told the Commission that “most” pawn shops are examined approximately every three years. “And that’s a manpower thing as much as anything, unless we have cause for some reason to go look at them all, which we could do,” the official said. In addition to overseeing pawn shops and check-cashing establishments, DOBI regulates financial service firms, mortgage brokers, mortgage lenders, insurance firms and companies in related sectors.

As in the secondhand goods industry, pawn shops also are subject to inspection by the state Office of Weights and Measures or by its county or local counterparts. These inspections focus on whether scales are accurate, registered with the State and located in full view of customers. Inspectors also may examine records to ensure that details of loans are properly maintained. Here, too, manpower is an issue. The acting superintendent of the state Office of Weights and Measures told the Commission his entire staff of 38 includes fewer than two dozen inspectors who have a broad portfolio of responsibilities. Some county Offices of Weights and Measures, particularly in southern New Jersey, are small operations, with as little as one inspector. The inspectors examine scales and meters in pharmacies, supermarkets, gas stations and highway weigh stations, among other venues. The various agencies also are responsible for testing laser guns and tuning forks used in speed enforcement. Pawn brokers must open their books and permit examination of pawned items to law enforcement officers whenever requested.

Scrap yards

New Jersey's scrap yards are licensed by municipalities but are governed by both state and local laws. The state law, as signed by former Gov. Jon Corzine in 2009, requires scrap yard employees to examine and make a copy of a seller's government-issued identification and to record basic information about the transaction and the metal purchased, including its type and amount.³² Employees also must obtain the signature of the seller and maintain records for five years.³³ The measure places the onus on scrap yard employees to alert police "under circumstances that would cause a reasonable person to believe the scrap metal was probably stolen" and provides civil immunity to the employees who make such law enforcement referrals.

The Commission found that the requirement to inform authorities of questionable transactions had been flouted repeatedly without repercussions. It is difficult to see how scrap yard owners or employees would not suspect the involvement of theft when sellers bring in manhole covers, storm grates or copper bus bars stamped with the name of a utility or telephone company day after day.

Legislators have made several attempts to strengthen regulations. The most ambitious and comprehensive measure, A3222, passed 37-1 in the Senate and 47-23 in the Assembly in 2013. It would have required the use of an electronic database like RAPID and allowed for a fine up to \$10,000 for every failure to upload transaction information. Dealers would have had to photograph all scrapped items and pay by check – to be sent by mail – unless the seller agreed to certain conditions, among them allowing the dealer to take a photo of the seller and to obtain

³² N.J.S.A. 45:28-1 *et seq.*

³³ These requirements apply to purchases of more than 100 pounds or \$50, whichever is less.

a digital thumbprint. Notably, the bill also barred scrap dealers from accepting marked wire or metal and a wide variety of other items, including guard rails, light poles, bleachers, burial vases and marked beer kegs. In September 2013, former Gov. Chris Christie vetoed the measure, writing in an accompanying message:

Deterring scrap metal theft in New Jersey is a laudable objective. However, I am concerned that significantly increasing record-keeping and reporting requirements on scrap metal businesses will impose substantial expenses and administrative burdens on operators in this state. Businesses that abide by the law, especially our state's small business community, should not be penalized with overly burdensome requirements. Imposing additional hurdles on legitimate small businesses may deter law-abiding scrap metal businesses that contribute to our state's economy from operating in New Jersey.

Lawmakers mounted a second effort in 2014 with passage in the Assembly of a new bill, A2074, which maintained many of the regulations seen in A3222 the year before, including the requirement for an online database, but reduced the time frame to preserve records from five years to 18 months and eliminated the thumbprint requirement for cash purchases.³⁴ Approved 48-18 in the Assembly, it was referred in the Senate to the Budget and Appropriations Committee. No further action was taken.

Some municipalities have enacted stringent ordinances of their own, requiring scrap employees to upload sales information to a database, to photograph all sellers and to hold metal in a segregated spot for at least 48 hours before reselling it. Other communities provide little or no oversight of scrap yards.

³⁴ The bill still would have required sellers paid in cash to be photographed.

In both the scrap and secondhand goods industries, the Commission has found that this patchwork approach to regulation, the absence of robust state laws, spotty enforcement efforts and punishments that lack real teeth have combined to embolden dealers looking for the quick score on stolen goods. It is simply too easy in New Jersey for convicts to plant a flag in these industries and for the criminal-minded to ignore rules that already exist. It is likewise too easy for thieves and addicts to dispose of stolen items, whether laptops or copper piping, on the road to the next fix. No single solution is foolproof, but a unified approach and practical measures will go far toward reducing corrosive, unethical practices that have become all too common.

Referrals and Recommendations

The Commission refers the findings of this investigation to the following agencies of government for whatever action is deemed appropriate:

- Office of the Attorney General of New Jersey
- New Jersey Department of the Treasury, Division of Taxation
- New Jersey Division of Consumer Affairs
- New Jersey Department of Banking and Insurance
- United States Internal Revenue Service
- United States Attorney for the District of New Jersey
- New Jersey Department of Environmental Protection

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During the course of this inquiry, representatives of law enforcement agencies, telecommunications companies, utilities and retailers expressed frustration at the ease with which scrap yards, secondhand goods stores and pawn shops facilitated the liquidation of stolen metal and merchandise. Certainly more can be done to combat the problem, and not just by the State. Retailers and telecommunications companies, for example, can and should take steps to limit thefts. Yet it is the State that holds the greatest leverage to make meaningful change. The Commission makes the following recommendations for statutory and regulatory reform.

1. Shift Licensure to the State

The Commission has found that municipal officials who license secondhand goods stores and scrap yards are not always in sync with police departments and other agencies empowered to vet dealers and to enforce state and local laws. In addition, as stated earlier in this report, licensing requirements vary widely from town to town. This has, in some cases, created a vacuum in which criminals and unethical dealers thrive. The Commission recommends shifting licensure to the State Police, which would share enforcement authority with county and local law enforcement agencies. These duties are best served in the framework of a new task force whose members would include law enforcement officials from all levels of government.³⁵ Municipal police departments would designate liaisons to the task force for purposes of information-sharing and training. The state Office of Weights and Measures also would designate a liaison to ensure seamless coordination. That agency, along with its county and municipal counterparts, would continue to inspect pawn shops, secondhand goods stores and scrap yards.

Licensing Recommendations:

- Upon application for a license, the task force should conduct criminal background checks on all owners, partners, shareholders, officers, members and employees. Many municipalities now exempt employees from such checks. The Commission has found, however, that even when licensed dealers do not have criminal backgrounds, felons or organized crime figures have been hired to work at some establishments, undercutting efforts to clean up these businesses.

³⁵ Alternatively, these duties could be absorbed into the State Police's Interstate Theft Units. The agency has an Interstate Theft North Unit and an Interstate Theft South Unit. Both are under the umbrella of the Intelligence and Criminal Enterprise Section.

- Certain criminal convictions should be a disqualifying factor for licensure. They include first-degree felonies, along with crimes involving fraud, theft, deceit and receiving or selling stolen property. Offenses indicative of organized crime activity – such as racketeering, loan-sharking and facilitating illegal gambling operations – also should preclude individuals from receiving licenses. Because rehabilitation is possible for anyone convicted of a crime, the Commission recommends a 10-year lookback period for disqualifying offenses.

- Municipalities typically require licenses to be renewed annually. The Commission recommends a renewal period of three years, with the State Police again conducting background checks on all relevant figures, including employees. It is crucial to repeat these checks because, once licensed, a dealer can be convicted of a crime or hire individuals with disqualifying criminal histories. While it would be ideal to run background checks annually, the Commission believes it could place too great a burden on the State Police given the number of businesses involved. Renewals should be staggered throughout the year to avoid bottlenecks.

- Because pawn shops offer loans to the public, they should remain under the auspices of the state Department of Banking and Insurance. The agency now conducts criminal and financial background checks on prospective owners and other key figures but not on employees who have no financial interest in the shops. To avoid confusion between agencies, the Commission recommends that DOBI continue to run its own background checks. Those checks, however, should

be extended to employees for the reasons stated above. Moreover, DOBI should conduct new background checks on all relevant figures, including employees, when it renews licenses every two years. Where it finds evidence of possible criminality, the agency should make referrals to the State Police task force.

Funding for Licensure and Enforcement

The Commission sees three funding options for the State. First, it can draw revenue from licensing and renewal fees, as municipalities now do. Those fees vary greatly. In Gloucester Township, secondhand goods dealers pay just \$100 for an initial license and \$10 for annual renewals. In Atlantic City, the annual fee is \$2,500, the higher end of municipal charges. Vineland charges \$750 per year. Given that the Commission has recommended a three-year renewal period, the state-imposed licensing and renewal fee on secondhand goods stores and scrap yards should be no less than \$1,000.

Second, the State could impose a small tax on every transaction. Even with a fee as little as a few pennies per purchase, the sheer volume of transactions should provide a funding stream that matches or surpasses the amounts collected by licensing and renewal fees.³⁶ Third, the State could take some combination of both actions, with revenue from a tax allowing for lower licensing and renewal fees. While municipalities will lose some revenue with a shift to state licensure, the amount is unlikely to have a significant impact on their finances.

³⁶ Atlantic City imposes a \$2 fee on each transaction, according to the city's secondhand goods ordinance.

2. Craft Uniform State Regulations

The State should modernize and strengthen its regulations on scrap yards and secondhand goods stores, borrowing elements from comprehensive local ordinances and from the scrap bill vetoed by former Gov. Christie in 2013. As it relates to the sale of secondhand goods and precious metals, an ordinance in Pine Beach, Ocean County, serves as a model that has been adopted in other communities. It is appended to this report.

- Local ordinances now require dealers and employees at both secondhand goods stores and scrap yards to document a seller's name and address, along with a physical description of the seller. Ordinances also require sellers to provide a driver's license or other government-issued identification. In addition to those measures, the State should require purchasers to take a clear photograph of the seller, of his or her identification and of all items purchased. These should be maintained with other records, including a numbered receipt and a description of the items purchased, for at least three years.

- Video surveillance should be required at all locations, with penalties for equipment that is inoperable or for failure to maintain footage for a period of the State's choosing. Video cameras are known to have some deterrent effect on criminal activity. Beyond that, however, a county Weights and Measures official told the Commission that cameras can be an invaluable tool for rooting out fraud. By comparing footage with records of purchases, inspectors or law enforcement officers can determine when dealers have failed to document purchases.

- Cash payments should be limited to two transactions in a seven-day period, with the third purchase payable by bank check. Sellers who make five transactions in any 30-day period should be paid by check exclusively until the 30-day period ends.

- It is clear that existing penalties for violations of regulations have not deterred dealers of scrap metal or secondhand goods from acting unethically or criminally. The State should impose escalating fines for non-criminal record-keeping violations and more doggedly pursue criminal prosecutions when dealers knowingly buy stolen property or direct individuals to steal items on their behalf. In addition, the State should set guidelines for license suspension or revocation for repeat violators.

- Specific to scrap yards, the State should adopt much of the regulation in A3222, the bill overwhelmingly supported by the Legislature – but vetoed by former Gov. Christie – in 2013.³⁷ In addition to mandating comprehensive record-keeping requirements, the bill barred scrap dealers from buying metal marked as the property of telecommunications companies, public utilities and government entities. It also barred the purchase of items such as manhole covers, guardrails,

³⁷ The bill's primary sponsors included Assembly members Shavonda E. Sumter and Benjie E. Wimberly, both D-Passaic, along with then-Assembly members Celeste M. Riley, D-Cumberland, and Angel Fuentes and Gilbert L. Wilson, both D-Camden. Sen. Shirley Turner, D-Mercer, and then-Sen. Donald Norcross, D-Camden, co-sponsored the bill.

burial vases, bleachers and metal benches.³⁸ The Commission does not support a provision in the bill that would require scrap dealers to obtain a thumbprint from sellers who want to be paid in cash. Much of the measure, however, provides common-sense solutions to a problem that has cost the State and its businesses many millions of dollars.

3. Require the Use of an Online Database

Pawn shops, secondhand goods stores and scrap yards should be required to upload details of all transactions – including copies of sellers’ identification and photos of merchandise – to an online database of the State’s choosing. New Jersey law enforcement officials familiar with such databases overwhelmingly support their use, saying in interviews with the Commission that the systems have made their jobs easier, saved them valuable time and helped them identify habitual thieves whose names appear in the databases repeatedly.

That contention is shared by authorities in Maryland, which mandated the use of RAPID statewide in October 2009. The Maryland State Police later reported that from 2010 through the end of 2017, the database had helped lead to the recovery of nearly \$44 million in stolen property and to the arrests of more than 8,700 suspects. In neighboring Delaware, State Police reported that just two months after mandating RAPID’s use in 2012, authorities had recovered \$150,000 in stolen property and solved 40 burglary cases. In an unexpected finding, the Delaware State Police said the database also helped lead to the arrests of registered sex offenders who had failed

³⁸ Exceptions to this provision were made for certain industries, government entities or contractors that generate or manage those metals in the ordinary course of business.

to notify law enforcement when they moved to new residences. Investigators discovered the violations by comparing the offenders' addresses in RAPID with those on file.

In addition to uploading information about the seller and details of the transaction, secondhand goods dealers should be required to upload clear photos of serial numbers on items that carry them. When dealers buy boxed merchandise, they should upload a clear photo of the item's barcode, a unique identifier that law enforcement and retailers can use to determine if merchandise is stolen. Advances in technology now allow barcodes to be scanned directly from computer screens and phones. As an alternative, the State could require dealers to purchase barcode scanning systems and to upload the identifying information of scanned items.

For all their benefits, databases such as RAPID and LeadsOnline are effective only when dealers or their employees follow directives to accurately document purchases. Throughout its inquiry, the Commission found numerous instances in which pawnbrokers, secondhand goods dealers and scrap yard owners or employees failed to upload records altogether or uploaded false or incomplete information. To discourage under-the-table purchases and inaccurate reporting, the Commission recommends imposing escalating fines on stores and scrap yards that fail to comply with reporting requirements. Those who repeatedly violate requirements should be subject to license suspension or revocation pending an appeals process.

While fully supportive of a database requirement, the Commission identified inconsistencies in the way some information is entered, thus making electronic searches more difficult for law enforcement. In RAPID, for example, some scrap dealers identified copper piping with the description "cpr." In other cases, the Commission found entries for gift cards with misspelled or abbreviated names of retailers. A database that limits the likelihood of errors –

with a series of boxes to check, for instance – would be ideal. At the least, the State should consider vendors that require standardized language in describing merchandise, making electronic searches more efficient and accurate.

The Commission recommends that businesses – not law enforcement agencies or the taxpayers who support them – bear the cost of any database. As stated earlier, where RAPID is in use in New Jersey, scrap yards and secondhand goods stores pay an annual \$250 fee to take part in the system. In the Commission’s view, that amount does not represent an undue burden.

4. Retailers Should Tighten Return Policies

The Commission is mindful of the competitive pressures faced by big-box retailers amid the continuing expansion of online commerce. It is understandable that retailers, in fighting for survival, would be as accommodating to consumers as possible. Yet it is also true that organized theft rings and individual shoplifters have exploited return policies to obtain gift cards that are then sold at secondhand goods stores and other venues.³⁹

In the spring of 2017, The Home Depot and Lowe’s – chronic targets of shoplifters – significantly tightened their return policies. While the businesses continue to provide gift cards in exchange for merchandise returned without a receipt, those cards are now non-transferrable and are tied to an individual’s driver’s license or other valid form of identification. In other words, only the person making the return may use the gift card. In addition, gift cards acquired through

³⁹ Retailers refer to cards obtained through returns as store credits, but they are identical to gift cards for sale at checkout.

returns may not be used for online purchases, and the cards' balances may be checked in stores only. Previously, balances on those cards could be checked over the phone or online.

The new practices are meant to reduce theft and choke off the market for gift cards obtained through fraud. Anecdotal evidence suggests the changes are making a significant difference. The SCI analyzed RAPID data for 2016, when the more permissive policies were in place, and 2017, when the two companies tightened the policies. Year over year, sales of Lowe's gift cards to secondhand goods stores fell by more than 69 percent, while sales of cards from The Home Depot dropped by 68 percent, the analysis found. The Commission suspects that if other retailers follow suit, the secondary market for illegally obtained gift cards will swiftly wither.

5. Improve Security at Cell Towers

Former cell tower technicians who turned to theft after developing addictions to pills or heroin told the Commission they had little difficulty entering sites and stripping copper and backup batteries from dozens or scores of towers. The telecommunications industry should take measures to make these facilities more secure. A primary culprit has been the use of access codes shared by large numbers of employees and contractors. The Commission found these codes remained active long after workers had been fired for theft or for reasons related to their addictions, leaving sites vulnerable to people who are desperate for cash and who have the expertise to plunder them. The industry should invest in technology that provides each employee or contractor a unique access code that can be terminated when a technician leaves

employment. The industry also should consider better lighting and the wider installation of video surveillance at towers.

APPENDIX

PINE BEACH SECONDHAND GOODS ORDINANCE

Chapter 124 PRECIOUS METALS AND GEMS DEALERS (SECONDHAND)

- § 124-1. Compliance required.**
- § 124-2. Definitions.**
- § 124-3. License required, application requirement, advertising.**
- § 124-4. Application process for dealers; approval or denial; appeal.**
- § 124-5. Identification of seller; recordkeeping requirements for dealers.**
- § 124-6. Retention; revocation; other restrictions.**
- § 124-7. Bond.**
- § 124-8. Fees; period of license validity.**
- § 124-9. Violations and penalties.**
- § 124-10. Time limit for conformance; repealer; severability.**

[HISTORY: Adopted by the Mayor and Council of the Borough of Pine Beach 3-14-2012 as Ord. No. 12-01-695. Amended in entirety 3-11-2015 by Ord. No. 15-04-728. Amendments noted where applicable.]

§ 124-1. Compliance required.

No person shall use, exercise or carry on the business, trade or occupation of the buying, selling or pawning of precious metals or other secondhand goods without complying with the requirements of this chapter.

§ 124-2. Definitions.

ACCEPTABLE IDENTIFICATION – A current valid New Jersey Driver’s License or Identification Card, a current valid photo driver’s license issued by another US state, a valid United States Passport, or other verifiable US Government issued identification, which will be recorded on the receipt retained by the dealer and subsequently forwarded to the local Police Department on request.

DEALER – Any person, partnership, limited liability company, corporation or other entity who, either wholly or in part, advertises for and/or engages in or operates any of the following trades or businesses: the buying for purposes of resale of precious metals, jewelry, or other secondhand goods as defined herein; pawnbrokers as defined herein; itinerate businesses as defined herein. For the purposes of this chapter, transient buyers, as defined herein, are subject to the same licensing and reporting requirements as any other dealers.

ITINERANT BUSINESS – Any business conducted intermittently within the Borough of Pine Beach at varying locations.

PAWNBROKER – Any person, partnership, association or corporation: lending money on deposit or pledge of personal property, other than choses in action, securities, or printed evidences of indebtedness; purchasing personal property on condition of selling it back at a stipulated price; or doing business as furniture storage warehousemen and lending money on goods, wares or merchandise pledged or deposited as collateral security.

PRECIOUS METALS – Gold, silver, platinum, palladium and their alloys as defined in N.J.S.A. 51:5-1 et seq. and N.J.S.A. 51:6-1 et seq.

PUBLIC – Individuals and retail sellers, not to include wholesale transactions or transactions between other merchants.

REPORTABLE TRANSACTION – Every transaction conducted between a dealer and a member of the public in which precious metals, jewelry, or any other secondhand goods as defined herein are purchased or pawned.

SECONDHAND GOODS – Used goods such as antiques, gold, silver, platinum, or other precious metals, jewelry, coins, gemstones, gift cards, any tools, telephones, typewriters, word processors, GPS devices, computers, computer hardware and software, television sets, radios, record or stereo sets, electronic devices, musical instruments, sporting goods, automotive equipment, collectibles, game cartridges, DVDs, CDs, and other electronically recorded material, firearms, cameras and camera equipment, video equipment, furniture, clothing, and other valuable articles. For the purposes of this chapter, secondhand goods shall not include goods transacted in the following manner: i) judicial sales or sales by executors or administrators; ii) occasional or auction sales of household goods sold from private homes; iii) auctions of real estate; iv) the occasional sale, purchase, or exchange of coins or stamps by a person at his permanent residence or in any municipally-owned building who is engaged in the hobby of collecting coins or stamps and who does not solicit the sale, purchase, or exchange of such coins or stamps to or from the general public by billboard, sign, handbill, newspaper, magazine, radio, television, or other form of printed or electronic advertising.

SELLER – A member of the public who sells or pawns used goods such as precious metal, jewelry, or other secondhand goods to a dealer.

TRANSIENT BUYER – A dealer, as defined herein, who has not been in a registered retail business continuously for at least six (6) months at any address in the Borough where the dealer is required to register or who intends to close out or discontinue all retail business within six (6) months.

§ 124-3. License required, application requirement, advertising.

- A. No person, partnership, Limited Liability Company, corporation or other entity shall engage in the business of buying, selling, or pawning of precious metals or other secondhand goods as defined above, within the Borough of Pine Beach without having first obtained a license therefor from the Municipal Clerk, which license shall bear a number issued by the Municipal Clerk.
- B. The application for a license shall set forth the name, date of birth and address of the dealer, whether or not he or she is a citizen of the United States and whether or not he or she has ever been convicted of any crime(s), disorderly persons offense(s) or municipal ordinance violation(s) and the date(s) thereof.

- C. No person, partnership, Limited Liability Company, corporation or other entity shall place or cause to be placed any advertisement for purchase of such articles or goods without stating in the advertising the license number issued to a person or entity by the Borough. In any print advertisement the license number shall appear in type no smaller than eight point in the lower right-hand corner of the advertisement. In any advertisement in electronic media, the license number shall be visually or audibly stated. Failure to state or indicate the license number shall be a violation of this chapter and shall be subject to the penalties established in Section 124-9. Licenses granted under this chapter are not transferable or assignable.

§ 124-4. Application process for dealers; approval or denial; appeal.

- A. Applications for licensure under this chapter shall be referred by the Municipal Clerk to the Chief of Police, who shall make an investigation of the prospective licensee, pursuant to this chapter for the purpose of determining the suitability of the applicant for licensing. The investigation shall include but shall not be limited to the following:
 - (1) The experience of the applicant in the business of purchase and sale of those articles or goods referred to in Section 124-2 above, although nothing in this section shall be construed to warrant denial of a license solely on the basis of lack of experience;
 - (2) The reputation of the applicant for fair dealing in the community, which shall be made among credible sources, which sources shall be disclosed to the applicant in the event of a denial of any license;
 - (3) Any criminal record of the applicant including any past convictions for any crime(s), disorderly persons offense(s), or municipal ordinance violation(s) within this or any other jurisdiction. The Chief of Police may, as part of the application process, require a fingerprint criminal background check through the Federal Bureau of Investigation, Criminal Justice Information Services Division, which may require an additional fee from the applicant.
 - (4) The type of operation contemplated to be conducted by the applicant, particularly whether the business is to be operated from a fixed location, whether it is to be conducted from a location primarily devoted to the purchase and sale of precious metal or other secondhand goods, and other factors bearing on whether the licensed business will be of a fixed and permanent nature. This section shall not be construed to require denial of any license solely on the grounds that the business is not from a fixed location or that the applicant is a transient buyer or itinerant business, however applicants who fail under the category of a transient buyer or itinerant business must state with specificity on the license application the business address where transaction records required by Section 124-6D of this chapter will be stored as well as the location where purchased goods will be retained during the mandatory inspection period required under Section 124-6A.
- B. The Chief of Police shall complete any investigation pursuant to this chapter within thirty (30) days of the submission of the completed application to the Municipal Clerk. If a criminal record check has been requested within the thirty-day period and has not been received by the Chief of Police within that period, the Chief of Police may, if all other factors are satisfactory, recommend a conditional issuance of the license subject to the finding regarding criminal record.
- C. The Chief of Police shall, upon completion of the investigation, recommend “grant” or “denial” of the license to the Municipal Clerk, who shall grant or deny the license. Any recommendation of the Chief of Police shall be in writing and, in the case of a recommendation of denial, shall state fully and

specifically the reasons for said recommendation. The Municipal Clerk shall notify the applicant in writing within ten (10) days of a denial and the Municipal Clerk shall forward to the applicant a statement of the reason or reasons for such denial.

- D. Grounds for recommending denial of the license may include reliable information indicating that the applicant has in the past engaged in fraudulent or deceptive business practices in a business identical to or similar to a dealer in secondhand goods. A license may be denied if the investigation reveals a conviction of the applicant or any of its principal officers or employees of any crime(s), disorderly persons offense(s) in which deceit or misrepresentation is an element; or any conviction of any crime(s), disorderly persons offense involving theft or the receiving of stolen goods, regardless of whether the applicant was a principal, accessory before the fact, after the fact, or a co-conspirator; or any prior municipal ordinance violation(s) by the applicant or any of its principal officers or employees in this or any other jurisdiction. A license may be denied if the applicant fails to demonstrate an ability to satisfactorily comply with the electronic reporting requirements specified in Section 124-5, the retention and inspection requirements of Section 124-6, or any other portion of this chapter. Upon receipt of the recommendation of the Chief of Police, the Municipal Clerk shall issue or deny the license accordingly, contingent upon the receipt of a bond as required by Section 124-7 of this chapter.
- E. Whenever any application for a permit is denied, the applicant shall be entitled to a hearing before the Borough Council, at which time the applicant shall be permitted to introduce such evidence as may be deemed relevant to such denial. Any applicant exercising the right to appeal must file a written notice of appeal within ten (10) days of receiving written notice of denial of a license to act as a dealer of secondhand goods.

§ 124-5. Identification of seller; recordkeeping requirements for dealers.

For every reportable transaction between a dealer and the public, the dealer shall be required to do as follows:

- A. Require acceptable identification from each person selling or pawning precious metals or other secondhand goods.
- B. Require each seller to execute a “Declaration of Ownership” which shall contain the following certification: “My signature confirms that I am the sole legal owner of and am legally authorized to sell the goods being sold. By signing below I certify that I did not obtain and do not possess the identified goods through unlawful means. I am the full age of eighteen years and the identification presented is valid and correct.”
- C. Record and issue to each person selling or pawning such goods on a sequentially numbered receipt:
 - (1) The name, address and telephone number of the purchaser, including the clerk or employee of the licensee making the purchase;
 - (2) The name, address, date of birth and telephone number of the seller or sellers;
 - (3) A photographed recording of the seller in a format acceptable to the Chief of Police, along with a physical description of the seller, including height, weight (approximate), hair color, eye color, facial hair, if any, etc.;
 - (4) A photographed recording of the seller’s presented acceptable identification, in a format acceptable by the Chief of Police;

- (5) A photographed recording of all items sold in a format acceptable by the Chief of Police. When photographing, all items must be positioned in a manner that makes them readily and easily identifiable. Items should not be grouped together when photographing or imaging. Each item should have its own photograph;
 - (6) The receipt number;
 - (7) A detailed, legible description of the item(s) and the manufacturer and model of the item(s) if known; in the case of jewelry, the descriptions must include style, length, color, design, and stones, if any; any identifying marks, including numbers, dates, sizes, shapes, initials, names, monograms, social security numbers engraved thereon, serial numbers, series numbers or any other information which sets apart the particular object from others of a like kind;
 - (8) The price paid for the purchase or pawn of the item(s);
 - (9) If precious metals, the net weight in terms of pounds Troy, pennyweight (Troy) or kilograms/grams/ fineness in terms of karats for gold, and sterling or coin for silver, in accordance with N.J.S.A. 51:5-1, N.J.S.A. 51:6-1 et seq.;
 - (10) The time and date of the transaction.
- D. The information outlined in Subsection C above, must additionally be electronically documented through the use of an electronic database system authorized by the Chief of Police. Installation and training in this software will be made mandatory as of the effective date of this chapter and licensing will be conditional upon compliance with proper use of the system as described herein. These records shall be subject to the inspection of any authorized police officer or any sworn law enforcement officer acting in the performance of their duty as set forth in Subsection F below. Through the use of applicably required computer equipment, and using the electronic format approved by the Chief of Police, every dealer shall enter all reportable transactions into the electronic database by the end of the close of business on the same date as the purchase or receipt of property for pawn or consignment. The information entered must contain all pertinent information outlined in Subsection C above.

(Editor's Note: This Chapter was adopted April 8, 2015)

- E. In the event of a database failure, or dealers' computer equipment malfunction, all transaction information is required to be submitted on paper forms approved by the Chief of Police within twenty-four (24) hours from the date of purchase. In the event that paper forms are used, the dealer is responsible to enter all transaction information set forth in Subsection C above into the database as soon as possible upon the dealers' equipment being repaired or replaced, or the database coming back into service. Failure by the dealer to replace faulty computer equipment may result in the dealer being cited for a violation of this chapter and subsequently being subject to the penalties for doing so including revocation of the dealer's license as described in Section 124-6.
- F. It shall be the requisite duty of every dealer, and of every person in the dealer's employ, to admit to the premises during business hours any member of the Police Department to examine any database, book, ledger or any other record on the premises relating to the reportable transactions of precious metals or other secondhand goods, as well as the articles purchased or received and where necessary, relinquish custody of those articles as provided in Section 124-6. Itinerant businesses and transient buyers will be responsible for notifying the Chief of Police of the address where these records and articles will be stored.

§ 124-6. Retention; revocation; other restrictions.

- A. All precious metals, jewelry, and other secondhand goods purchased, received for pawn, or received for consignment as described above, are to be made available for inspection by the Chief of Police or designee thereof at the designated business address for a period of at least seven (7) calendar days from the date the transaction information is actually reported to the Chief of Police in the approved manner described above in Section 124-5. All precious metal or other secondhand goods subject to inspection must remain in the same condition as when purchased or received for pawn and shall not be sold, disposed of, changed, modified, or melted by the dealer until the seven-day retention period has expired. Itinerant businesses and transient buyers will be responsible for notifying the Chief of Police of the location where the purchased item(s) are being held.
- B. Upon probable cause that goods held by a dealer are stolen, and providing that the seller signed the mandatory statement required by Section 124-5B upon the sale of those goods, a law enforcement officer with jurisdiction should charge the seller with theft by deception under N.J.S.A. 2C:20-4 on behalf of the dealer, who shall be considered the “victim” of the offense for the purposes of N.J.S.A. 2C:43-3. The officer shall seize the goods, provide the dealer with a receipt, and issue a criminal complaint against the seller for theft by deception and any other criminal charges for which the officer has probable cause that the seller has committed. If convicted of theft by deception and if so found by an order of a court of valid jurisdiction, the seller will be responsible for providing restitution to the dealer under N.J.S.A. 2C:44-2 for the amount paid by the dealer to the seller for the stolen goods.
- C. If market conditions would create a hardship on the dealer by holding precious metals or other secondhand goods for such a period, the dealer may present the property to the Chief of Police in order that it may be photographed and, if deemed necessary by the Chief of Police, an investigation may be implemented. The Chief of Police shall have the authority to grant the dealer a waiver of the requirement under this section.
- D. In addition to all other reporting requirements, every dealer shall maintain for at least five years, a written record of all purchases of precious metals and other secondhand goods in the form prescribed in Section 124-5C.
- E. No dealer shall purchase any item covered by this chapter from any person under the age of 18 or in the absence of providing prior notification of such purchase to the Chief of Police or business designee identifying the individual from whom such purchase is to be made and the item to be purchased.
- F. Suspension. The Chief of Police or a designee thereof is hereby empowered to temporarily suspend for cause any dealer’s license and rights to operate thereunder. This penalty shall be in addition to any fines and penalties the dealer may incur pursuant to Section 124-9 of this chapter.
 - (1) Grounds for suspension. The following shall constitute grounds for suspension: violation of any provisions of this chapter, including failure to comply with any training or fees associated with the electronic database software system in use by the municipality; violation of any other statute, regulation or local ordinance; or any other illegal, improper, or fraudulent activity.
 - (2) Procedure for suspension. Upon determination that appropriate grounds exist and that a suspension is warranted, the Chief of Police or a designee thereof shall issue a written notice of suspension of license to the offending dealer and to the Municipal Clerk, which shall set forth the grounds for the suspension and notify the dealer of his or her right to appeal pursuant to Subsection H. A temporary suspension shall issue immediately, pending the outcome of any appeal taken. Suspended dealers must immediately cease engaging in the business of

purchasing for resale, receiving for pawn and/or selling of previous metals and/or other secondhand goods in the municipality until reinstatement.

- (3) Reinstatement. Suspended dealers may be reinstated only when the grounds leading to the suspension have, in the determination of the Chief of Police or the Chief's designee, been cured, corrected, or appropriately rectified; or if reinstatement is deemed appropriate by the three-person panel appointed by the Chief of Police, upon the timely filing of an appeal as provided in Subsection H.
- G. Revocation. A license issued under this chapter may be revoked by the Municipal Clerk upon written recommendation from the Chief of Police or the Chief's designee that the dealer is no longer qualified, capable or competent to comply with the requirements of this chapter. This penalty shall be in addition to any fines and penalties the dealer may incur under Section 124-9.
- (1) Grounds for revocation. The following shall constitute grounds for revocation: a third violation under this chapter; a second violation under this chapter less than one year after an earlier violation under this chapter; conviction for a criminal offense within this or any jurisdiction; or multiple violations of any other regulations or local ordinances within this or any jurisdiction.
 - (2) Procedure for revocation. Upon determination that appropriate grounds exist and that revocation is warranted, the Chief of Police or the Chief's designee shall so report to the Municipal Clerk in writing. A temporary suspension will immediately and automatically issue, if one is not already in effect, pending the outcome of the charge. A three-person panel, appointed by the Chief of Police, shall review the stated grounds for revocation and the panel shall issue an appropriate disposition of either suspension, revocation or reinstatement. If the panel determines that revocation is appropriate disposition, it shall set forth the grounds for the same in writing in the form of a notice of revocation, which shall be provided to the dealer. The notice shall advise the dealer of the right to appeal. If the panel determines that suspension is the appropriate disposition, it shall provide the dealer with a notice of suspension that shall advise the dealer of the right to appeal. Following revocation, the dealer must relinquish his or her license and must immediately and indefinitely cease operating as a dealer of precious metals or other secondhand goods within the municipality.
- H. Appeal. Any applicant wishing to appeal an issuance of a suspension or revocation shall be entitled to a hearing before a three-person panel, appointed by the Chief of Police, at which time the applicant shall be permitted to introduce such evidence as may be deemed relevant to such suspension or revocation. Any applicant exercising the right to appeal must file a written notice of appeal within ten (10) days of receiving written notice of revocation or suspension of license.
- I. A dealer shall have the right to change the location of the licensed business, provided that he or she notifies the Municipal Clerk, in writing, of the street address of said new location.

§ 124-7. Bond.

Each dealer covered under this chapter shall deliver a bond to the Municipal Clerk executed by the applicant as principal and executed by a surety company authorized to do business under the laws of the State of New Jersey as surety. The bond shall be subject to review and approval by the Municipal Attorney, as defined in N.J.S.A. 40A:9-139, and shall be in the penal sum of \$10,000, conditioned for the due and proper observance of and compliance with the provisions and requirements of all ordinances of the municipality in force or which may be adopted respecting the conduct of this business and conditioned also that the bond shall be and remain for the benefit of any person or persons who shall have received judgment against the

dealer licensed under this chapter, which damage shall be established by a judgment of a court of proper jurisdiction. Said bond shall contain the following language: "The obligation of this bond shall, in addition to the Borough of Pine Beach, be and remain for the benefit of any person who shall obtain a judgment against obligor as a result of damage sustained in operation pursuant to any license granted under this chapter." Said bond shall be kept for a minimum of one year from the date of issuance of license and must be renewed annually along with the license.

§ 124-8. Fees; period of license validity.

A nonrefundable fee for initial application and license for a pawnbroker or a dealer in precious metals or other secondhand goods, as covered under this chapter, is \$300. The annual renewal fee for a license is \$250. These fees are separate from and in addition to any fees the dealer must pay in relation to the mandatory electronic database system designated by the Chief of Police, as provided by Section 124-5D of this chapter. Payments are to be made in the manner directed by the Municipal Clerk. A license is valid for a one-year period from the date of its issuance.

§ 124-9. Violations and penalties.

Violation of any provision of this chapter by any dealer shall, upon conviction thereof, be punished by a fine not in excess of the limitations of N.J.S.A. 40:49-5 or by a term of imprisonment or a period of community service not exceeding ninety (90) days in addition to a suspension or revocation of operating license as provided in Section 124-6F and Section 124-6G above. Each and every violation shall be considered a separate violation. Each violation shall result in an additional suspension period. Any person who is found guilty of violating the provisions of this chapter within one year of the date of a previous violation and who was fined for the previous violation may be sentenced by the court to an additional fine as a repeat offender and, in addition, may be subject to revocation proceedings as provided in Section 124-6G. The additional fine imposed as a repeat offender shall not be less than the minimum or exceed the maximum fine provided herein, and same shall be calculated separately from the fine imposed for the violation of this chapter.

§ 124-10. Time limit for conformance; repealer; severability.

- A. Any person, partnership, Limited Liability Company, corporation or other entity engaging in the business of a pawnbroker, or a dealer in precious metals or other secondhand goods shall conform to the provisions of this chapter within ninety (90) days following the effective date of this chapter. (Editor's Note: This chapter was adopted April 8, 2015.)
- B. All ordinances or parts of ordinances inconsistent herewith are hereby repealed.
- C. Nothing contained in this chapter is intended to replace any pre-existing statutory requirements governing pawnbrokers, as in N.J.S.A. 45:22-1 et seq., the sale of precious metals as in N.J.S.A. 51:6A-1 et seq., the sale of secondhand jewelry as in N.J.S.A. 2C:21-36 et seq., or any other statutory provision regarding any subject matter discussed herein.
- D. If any section, subsection, sentence, clause, phrase or portion of this chapter is for any reason held to be invalid or unconstitutional by a court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions hereof.

N.J.S.A. 52:9M-12.2 provides that:

- a. The Commission shall make a good faith effort to notify any person whose conduct it intends to criticize in a proposed report.*
- b. The notice required under subsection a. of this section shall describe the general nature and the context of the criticism, but need not include any portion of the proposed report or any testimony or evidence upon which the report is based.*
- c. Any person receiving notice under subsection a. of this section shall have 15 days to submit a response, signed by that person under oath or affirmation. Thereafter the Commission shall consider the response and shall include the response in the report together with any relevant evidence submitted by that person; except that the Commission may redact from the response any discussion or reference to a person who has not received notice under subsection a. of this section.*
- d. Nothing in this section shall be construed to prevent the Commission from granting such further rights and privileges, as it may determine, to any person whose conduct it intends to criticize in a proposed report.*
- e. Notwithstanding the provisions of R.S. 1:1-2, nothing in this section shall be deemed to apply to any entity other than a natural person.*

The following material was submitted pursuant to those statutory requirements.

CHRISTOPHER A. ERRANTE, ESQUIRE, LLC.

RECEIVED
2018 MAY 25 AM 9:44
STATE COMMISSION
INVESTIGATION
ATTORNEY AT LAW

518 STUYVESANT AVENUE
LYNDHURST, NJ 07071

TEL: (201) 672-0202
FAX: (201) 672-0303
ERRANTELAWFIRM@VERIZON.NET

May 23, 2018

Via Lawyer Service

Chadd W. Lackey, Esq.
Deputy Director
State of NJ Commission of Investigation
28 West State Street
Trenton, NJ 08625

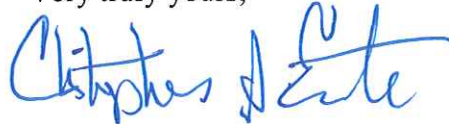
*Re: Louis Fazzini
Proposed Report: 18-05-013*

Dear Mr. Lackey;

As you are aware this office was retained to represent Louis Fazzini, in the above referenced investigation. Enclosed please find Mr. Fazzini's Certification in response to the Proposed Report.

Contact the undersigned with any questions or concerns. Thank you for your time and courtesies.

Very truly yours,



CHRISTOPHER A. ERRANTE

CAE/jl

CHRISTOPHER A. ERRANTE, ESQUIRE, LLC
ID # 044151995
518 Stuyvesant Avenue
Lyndhurst, NJ 07071
201-672-0202
Attorney for Louis Fazzini

**STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION**

PROPOSED REPORT: 18-05-013

IN RE: PROPOSED REPORT
18-05-013

CERTIFICATION OF LOUIS FAZZINI

Louis Fazzini of full age, certifying in lieu of oath or affidavit, states:

1. I have retained the law office of Christopher A. Errante, Esq., a fully licensed attorney in the State of New Jersey, to represent me in the above referenced investigation
2. I make this certification in opposition to the State Commission of Investigation's Proposed Report # 18-05-13. Specifically, in opposition to the pages of the report redacted, disseminated and which are critical of my conduct.
3. I am fifty-one (51) years old, and married.
4. I reside at 18 Sanford Avenue, West Caldwell, New Jersey 07006 and have resided there for approximately three (3) years.
5. I am employed as a Commercial Buyer for Klein Recycling, Hillsborough, New Jersey. I have held my current position for over three (3) years.
6. The proposed report states I have been on the payroll of Klein Recycling for years collecting money for work that is unclear or unexplained. The statement and conclusion are wrong. In 2012 I worked as a yard manager. My day started at 7:00 A.M. and

concluded at 3:30 P.M. My work duties included but were not limited to the following: traffic safety, help loading scrap metal onto the yard's scale and keeping the yard free from any hazards such as falling debris which could have injured other workers in the yard.

7. In 2015 I was re-hired by Klein Recycling and answered the phone in the office for a six (6) month period. I was at work every day and my attendance was monitored by a federal halfway house. Each day, twice a day the halfway house would call the office to make sure I was at work. Additionally, the halfway house would periodically show up unannounced and I would have to sign a log book. There were no violations during that six (6) month period.

8. Upon release from the halfway house, I was promoted to my current position as a commercial buyer of scrap metal. My day starts at 8:00 A.M. and concludes at 4:00 P.M. The position entails servicing over 100 accounts across New Jersey. A description of my employment duties include: traveling to an existing account to evaluate various types of ferrous and non-ferrous scrap metal for potential recycling, paying customers directly for scrap metal, and following leads given to Klein Recycling for new business. On average the job requires I travel 600 miles a week to service existing accounts and following new business leads. To categorize my work as unclear or unexplained is prejudicial in nature and my invocation of my Fifth Amendment Privilege at the Grand Jury hearing should not lead to any negative conclusions.

9. My work history at Klein Recycling has been without incident and free from any wrongdoing.

LEONARD D. BIDDISON
ATTORNEY AT LAW

230 South Broad Street
Suite 1501
Philadelphia, PA 19102
(215) 235-5240
Fax (215) 235-6864

900 Haddon Avenue
Suite 234
Collingswood, NJ 08108
(856) 427-6888
Fax (856) 427-9188

FACSIMILE COVER SHEET

TO: Chadd W. Lackey, Deputy Director/General Counsel

FAX: (609) 633-7366

FROM: Leonard D. Biddison, Esquire

MESSAGE:

DATE: June 5, 2018

RE: *Notice of Proposed Report (18-05-020)*

TOTAL PAGES: 2 (Including cover sheet)

STATE COMMISSION
INVESTIGATION
2018 JUN -5 PM 1:51
RECEIVED

This facsimile message may contain privileged and confidential information intended only for the use of the individual or entity named above. If the reader of this message is not the intended recipient of the employee or agent responsible to deliver it to the intended recipient, you are hereby notified that the review, dissemination, distribution, or copying of this communication is prohibited. If you have received this communication in error, please immediately notify us by telephone and return the original message to us at the above address via the United State Postal Services. Thank you.

LAW OFFICES OF
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Leonard D. Biddison, Esquire*
John M. Corcoran, Jr., Esquire**

Of Counsel:
Travis J. Tormey, Esquire
Alissa D. Hascup, Esquire

June 5, 2018

Sent via facsimile (609) 633-7366 & first class mail
Chadd W. Lackey, Deputy Director/General Counsel
State of New Jersey - Commission of Investigation
28 West State Street
P.O. Box 045
Trenton, NJ 08625-0045

Re: *Notice of Proposed Report*
Dissemination No.: 18-05-020

Dear Mr. Lackey:

I, Richard M. Gabbay, being an adult over the age of eighteen (18), provide the following information under Oath and Affirmation.

I have received your letter dated May 17, 2018, regarding a Proposed Commission Report. Below is my response to the Commission's intended criticism of me.

Among many inaccuracies in the Commission's Proposed Report, I have absolutely no connections to Organized Crime and/or Street Gangs. Additionally, I have no criminal history.

With respect to proposed customers, I have helped the authorities catch many of these criminals who are now trying to defame me in order to protect themselves.

Regarding Dyson vacuums, I have never told potential clients to bring me Dyson vacuums.

Regarding the allegations of linking me to anyone's death, I strongly object to this conclusion. I cannot control what an adult individual does with the money that I give them.

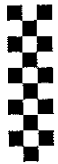
I thank you.

RICHARD M. GABBAY



* Member of NJ & PA Bars and the Federal District Courts of NJ & PA • leonardbiddison@verizon.net

** Member of NJ & PA Bars and Federal District Court of PA • jcorcoran@biddisonlaw.com



HZ HAGNER & ZOHLMAN, LLC
ATTORNEYS AT LAW

JOHN A. ZOHLMAN III ◊ *
THOMAS J. HAGNER ◊

57 KRESSON ROAD
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PHONE 856.663.9090
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THOMAS A. HAGNER *
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JZ@HLMAN@HZLAWPARTNERS.COM
THAGNER@HZLAWPARTNERS.COM
TAHAGNER@HZLAWPARTNERS.COM
YAHN@HZLAWPARTNERS.COM

◊ CERTIFIED BY THE SUPREME COURT
OF NEW JERSEY AS A CIVIL TRIAL
ATTORNEY

* ALSO MEMBER OF PA BAR

June 6, 2018

57 Kresson Road
Cherry Hill, NJ 08034
610-411-9110
JAZ

Via facsimile 609-633-7366
Chadd W. Lackey, Chief Counsel
State of New Jersey
Division of Investigation
28 West State Street
P.O. Box 045
Trenton, NJ 08625-0045

Re: Frederick Vangeldren
Sgt. Scrap, LLC.
610 Route 130 South
Haddon Township, NJ 08030

Dear Mr. Lackey:

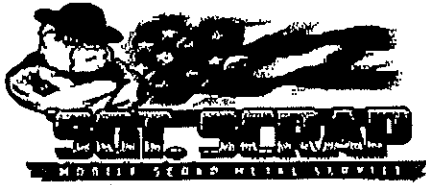
You will recall my representation of Sgt. Scrap, LLC and Frederick VanGeldren. We previously appeared at your request before the Commission of Investigation on June 2, 2017. I've had an opportunity to review a copy of your notice of proposed report with my client dated May 17, 2018. My client submits the following letter in response to your report concerning his company and the recyclable scrap metal business in general.

Thank you very much.

Very truly yours,

JOHN A. ZOHLMAN III

JAZ/rd
cc: Fred VanGeldren



Sgt. Scrap Metal, LLC

610 US Highway 130 South, Gloucester City, NJ 08030

Tel: 856-356-2616 Fax: 856-356-2517

June 6, 2018

Via facsimile 609-633-7366

Chadd W. Lackey, Chief Counsel
State of New Jersey
Division of Investigation
28 West State Street
P.O. Box 045
Trenton, NJ 08625-0045

Re: Sgt. Scrap, LLC.
610 Route 130 South
Haddon Township, NJ 08030

Dear Mr. Lackey:

You will recall that I previously appeared at your request before the Commission of Investigation on June 2, 2017 accompanied by my attorney, John Zohlman. I am the owner of Sgt. Scrap, LLC. I've had an opportunity to review a copy of your notice of proposed report and would offer the following comments to same.

I am very upset by your report. I disagree with your conclusions and especially as concerns my business. I thought I was very clear that I operate in all respects as a reputable business and follow the law as I am required to. We maintain a database of those persons who bring items to the facility including copies of driver's licenses, photographs of the person and the items and documentation as to exactly what was scrapped, what was paid and what was rejected. We do not knowingly accept any material that is stolen or even remotely questionable. We do not knowingly accept items that are marked PSE&G, "Do Not Recycle" or some other proprietary label that would indicate that it is other than a legitimate piece of scrap or recyclable material.

We have reviewed the report as deals with specific customers of Sgt. Scrap and we dispute the conclusions that are being suggested by the Commission of Investigation. Your suggestion that Sgt. Scrap's employees fail to follow basic rules on recordkeeping and regularly do business with addicts is unfair and frankly, unsubstantiated other than what can be suggested after the fact and only in hindsight. Indeed, we regularly communicate with law enforcement and always cooperate with any request for information that is made to this business or to me. Moreover, and as I testified, I have on many occasions contacted the police department directly to advise that certain individuals are bringing in quantities of materials that are questionable and which do not appear to be from a true recycling operation, but rather may be from some other source. Those communications have been documented with the Haddon Twp. Police Department and in fact, it was me that brought to law enforcement's attention certain individuals who are alluded to in your report and whose names are redacted.

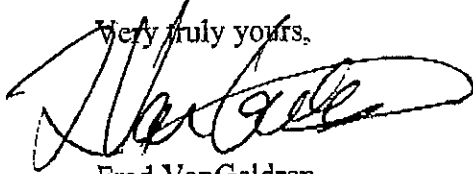
My company complies with the regulations that govern the operation of these types of businesses. Frankly, we do as much as we can to ensure all transactions are legitimate. But again, we are limited to the regulatory scheme. We cannot ask from these customers more than are required, but we certainly do not ask for less from these customers than is required. All records are uploaded by Sgt. Scrap into the RAPID system, the database which is directly accessible by law enforcement. Again, whenever law enforcement has made inquiries relative to particular transactions, we have been immediately forthcoming with that information as we are required to. Certainly, if the legislative scheme does change in some respect requiring or for that matter, allowing my business to collect additional information to protect the public at large, I am on board with that in all respects

The suggestion in your report that my business has been built on the "fruits of theft and other criminal conduct" is absolutely denied. In fact, as far as scrap yards go, we believe that we go above and beyond that which is required to ensure that illegitimate activity is ferreted out and is avoided. In fact, we lose many customers because we follow the law. I have been told on many occasions by customers that other yards don't require that they produce what we do and our answer is always that "It is the law." That being said, it would be naive of me if I were to suggest that it is not possible that stolen items do sometimes get scrapped, but I can assure you that Sgt. Scrap does not knowingly participate in any aspect of it and wherever possible, does its level best to ensure that it does not occur.

In summary, we operate a legitimate business and are duly represented by legal counsel in all of our corporate matters. We comply with all local ordinances, State and Federal statutes and have policies and procedures in place to protect not only our business and employees but the public at large. As I also offered when I was before the Commission, I remain available to the Division if it wants further information, would like me to serve on a task force or whatever it would request. I am proud of my business and work very hard at it. It is my livelihood. I have a family to support and I don't want to lose it and certainly, would not jeopardize it.

Thank you very much for your time.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Fred VanGeldren', written over the typed name below.

Fred VanGeldren

NJ_Commission_Reply_518 (4)

May 18, 2018

George L. Funkhouser, III
175 W. Commerce Street
Bridgeton, New Jersey 08302

State of New Jersey
Commission of Investigation
28 West State Street
PO Box-045
Trenton, New Jersey 08625

Attn: Chadd W. Lackey

Re: Response to Notice of Proposed Report
Dissemination Number 18-05-008

Dear Mr. Lackey:

Thank you for the opportunity to make a response in the above captioned matter. I feel compelled inasmuch as I feel I am being unjustly and inappropriately maligned. The manner of some of your comments and accusations lack accuracy and are void of mitigating facts.

I of course do not deny the facts of my criminal acts as occurred nearly thirty years ago in 1989 and events thereto. However, I have not been involved or charged in a misdemeanor or criminal act since the 1989 activity.

I would point out specifically my excellent behavior while incarcerated and during probation but moreover my making of restitution in the manner the government specified, receiving a letter from the US Attorney acknowledging that my debt thereto, "Is paid in full" (copy available).

Nonetheless, let me speak to the specifics of your proposal and criticizing depiction of me to the Commission. You essentially premise that any person with a prior criminal conviction (particularly ones involving a business fraud even if thirty years prior) automatically labels a person as a "criminal behind the counter and/or serial scammer".

First, you imply that anyone with a prior criminal record such as mine is automatically dealing fraudulently in all business transactions as well as receiving stolen merchandise. In support of your "fraudulent" allegation you allege a comment from a former employee. I will hasten to note that the most reliable sources regarding receipt of stolen merchandise and/or criminal activities would be the two police departments in that of Bridgeton and Pennsville where my businesses are located. I am sure that you have contacted them. Accordingly, I'm sure that you have been informed that such activities on my part, with the exception of less than

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twenty transactions involving stolen goods unbeknownst to me (valued at less than \$2,800) out of thousands of legitimate transactions, over a ten year period, are not the norm but rather the exception.

This alleged comment in that of "two piles of high and low valuation" is a false elaboration and fabrication of a former disgruntled employee who was fired in 2012 for falsifying purchase orders and dollar amounts. (Specifically, upon sending undercover people to him to sell gold, he would not only understate the actual weights, keeping the excess for himself but also altering my numbered purchase orders after the sale, reporting a higher purchase amount and pocketing the excess cash).

Furthermore, the fact that this former employee was trained to make two piles of valuation is blatantly false for two reasons: Firstly this employee required no training on my part on how to purchase precious metals having been involved in the industry and even owning his own business in the Williamstown area since 1978. Secondly the assertion that someone might be so naive to stand by and see a pile of junk grossly overvalued and then items plainly marked as precious metals grossly undervalued, flies in the face of reason and common sense. I don't think there is one in a thousand that couldn't tell a pile of marked carat gold jewelry from a pile of junk and thus sell it for less than the junk!? Furthermore, pursuant to law, all purchase orders identify and itemize all precious metal items and thus prevent piling or grouping. Nor was there any variety of scams or such training practices employed. Nor has this commission proffered any examples supporting such.

Next you proffer the example of the heroin addict and his claim of supporting his habit and on one occasion not receiving a receipt. First let me say that out of the literally thousands of customers I have done business with in numerous transactions of which there have been no crimes or reports of drug transactions, it is strange that you pick one aberrant case in someone you have identified from a police report as a heroin addict. (The knowledge of this person most likely stemming from a report we filed with the police in one of our purchase orders which assisted in his apprehension).

Next the fact that he is a heroin addict has nothing to do with me having a criminal record or anything else as I did not know of his habit or deal with him having knowledge of such or that he might have stolen goods. I have never encouraged or supported this type of clientele. Furthermore, even the most reputable dealer or person with no criminal record whatsoever can unknowingly be purchasing something from a person with a drug habit. Ergo a background check is no prophylactic against such occurrences.

Finally with regard to his statement of not receiving a receipt except on occasions when other customers were in the room is also unfounded. First, the customers are not in the room with other people nor do waiting customers have knowledge of what is happening. Secondly, The customer is always asked if they would like their receipt and even if they declined it we would still generate a numbered

NJ_Commission_Reply_518 (4)

receipt for accounting and tax purposes and to send to the police pursuant to the statute. Thirdly your own statement with regard to this customer acknowledges the fact that out of four occasions there was only one that he did not allegedly receive a receipt. Once again a dubious example is set forth which flies in the face of all reports I submitted to the police by the thousands which have customers signatures on them. Like the employee above fired for theft, you select a drug addict to stand in the face of thousands of positive examples to the contrary.

Lastly I would discuss the matter of the spring found it in one of my scales. While this might look egregious on its face, when the facts of this matter are considered a more positive opinion of this occurrence might be in order...even a vindication of me.

First let me preface my response that in 46 years of doing business in numerous states I have never received a violation for an altered or incorrectly weighing scale or nefarious practices with regard to such. Most pertinent is the fact that over the past 10 years we have transacted business in virtually every county and city in New Jersey (often five locations simultaneously having six registered scales) and on numerous occasions where, without notice, inspected by the bureau of weights and measures and found to have no violations with regard to the scales being used. The only type of a few violations being those of a clerical nature (i.e. purchase order date missing or karat description or signature missing and the like)

With regard to the matter of the scale with the spring as cited in this commissions proposal, I will proffer the following facts in mitigation of my compatibility this matter:

1) The scale was never used in the Pennsville or Bridgeton stores but was given to an employee as others were to use when making purchases on the road.

2) Most significant is the fact that the scale was at my own volition brought to the office of weights and measures in Cumberland County for a yearly inspection and certification as done on five prior occasions and left with them to inspect at their convenience.

(Accordingly is quite obvious that if I was a scammer and able to master mind the placing of a spring that I would not be so negligent or ignorant to bring such in without removing the spring)

3) Having been totally shocked by the news of this I began my own investigation and eventually suspicioned it to be one of my employees.

(I also note that this employee was also caught stealing and was fired for theft. Furthermore he also conspired with the above mentioned employee who appears to be the informant for this Commission's information) who was fired for alteration of purchase orders and stealing cash. I also note that a female employee was fired a year later for stealing.) (Employee theft is very prevalent in this industry)

Their opprobrious behavior indeed sickens me and I must unfortunately

NJ_Commission_Reply_518 (4)

accept responsibility for such occurring on my watch. I would nonetheless beg this commission to consider my innocence in this matter. The point is the fact that none of what occurred could have been prevented by a background check or whether a person was initially good or bad as it is difficult to control other people's poor actions.

Conclusion

In summing up this matter it is not the resolution of the above cited instances and allegations, occurring nearly 30 years after my criminal act and assertion that, I am a "serial scammer or criminal behind the counter" but rather the current preponderance of positive evidence and facts in my favor.

The premise of this commission's report with regard to me is that due to a criminal background of an instance of a crime that occurred nearly 30 years ago and a few weak recent examples of several years ago, that a person such as I should not be permitted to conduct business in secondhand goods. Accordingly I would assert that a formerly negative background does not automatically indicate future bad behavior.

The proofs in my case being many:

1) The Bridgeton and Pennsville Police departments as well as over 25 other cities and municipalities throughout the State of New Jersey and other states have absolutely no recorded incidents or charges or criminal acts against me . In fact there was cooperation which in the few instances of a stolen item being inadvertently purchased which resulted in the return of such property to its owner to my detriment.

2) In nearly 20 years and in thousands of transactions there were virtually no problems and certainly no frauds or scams as this commission falsely alludes to. All claims with no basis other than aberrant behavior of nearly thirty years prior. Citing a mere example from a heroin addict and two disgruntled employees fired for theft. (one should also remember that "second hand businesses are the only businesses that put money into people's hands while all others take money from people by excessive retail sale prices).

3) All State and Federal taxes correctly filed and paid including all bank and IRS CTR reports. (Even an extensive IRS audit of all personal and business tax returns for 2009 with examination of 2008 and 2010 resulting in a letter from the IRS indicating "No Change" (copy available).

4) Thousands of satisfied customers and hundreds of repeat customers and referrals. Winning The Cumberland County Better Business award for "Best Gold and Coin Store" as voted by the general public as well as personal recognition from New Jersey Congressman, Frank Lobiondo.

5) An excellent repore with Bridgeton and Pennsville detectives. Full compliance with Pennsville's comprehensive ordinance. Additionally, I am in full compliance with the installation and parameters of the "The Rapid" reporting system

NJ_Commission_Reply_518 (4)

which records all my transactions with colored photos of items purchased, drivers license and sends a report of the seller and items to law enforcement nationwide. This commission even noting the strict comprehensiveness of this.

6) My possession of a current NJ Real Estate license and an active member of the City of Bridgeton Planning Commission.

7) Over my career I have employed as many as 15 people locally.

8) Former member in good standing of the National Organization of Industrial Counsel of Tangible Assets 2008-2014.

9) All business transactions in metals, antiques, gems, collectibles and secondhand goods and the like made in accordance with all local, state and federal laws.

In consideration of all the above facts it would certainly be unjust to judge me by events of nearly thirty years prior and unsupported assumptions and allegations as addressed herein. And to presently label me a criminal and a scammer and facilitating drug traffic is a totally wrong characterization and unconscionable and unsupported by any viable evidence. To wit: my present actions more than bely a background of a thirty year old incident and prove that I am as much entitled to a license as anyone else with no record or moreover that a background check would not have changed anything. Not that a background check is unnecessary but rather should take into consideration all facts and mitigating circumstances of the applicant without prejudice. Thank you for your consideration.

Very truly yours,

George L. Funkhouser, III
George L. Funkhouser, III

Oath an Affirmation

I attest, under the penalty of perjury, that all statements and facts have been truthfully made to the best of my knowledge.

George L. Funkhouser. III
Date:

George L. Funkhouser III
May 18, 2018



State of New Jersey
Commission of Investigation
609-292-6767
www.state.nj.us/sci