



**Report
and
Recommendations
of the**

**STATE OF NEW JERSEY
COMMISSION OF INVESTIGATION**

on

ORGANIZED CRIME INFILTRATION

of

DENTAL CARE PLAN ORGANIZATIONS



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TO: The Governor and the Members of the Legislature
of the State of New Jersey:

The New Jersey State Commission of Investigation herewith submits its Report and Recommendations on its investigation of Organized Crime Infiltration of Dental Care Plan Organizations in this state. This transmittal is made under Section 10 of L. 1979, Chapter 254 (N.J.S.A. 52:9M-10), of the Act creating the Commission.

Respectfully Submitted,

Arthur S. Lane, Chairman
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Henry S. Patterson, II, Commissioner

*Commissioner Kaden resigned from the Commission in February, 1981, and was succeeded by Commissioner Robert J. DelTufo.

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INVESTIGATION OF ORGANIZED CRIME INFILTRATION OF DENTAL CARE PLAN ORGANIZATIONS

INTRODUCTION

The Commission's investigation of organized crime infiltration of the health care industry began in the Summer of 1979 with the cooperation of the Attorney General's office. The Division of State Police had been probing this subject but, as with similar probes in other states, had found it difficult under existing law to develop an adequate foundation of evidence to assure the probability of successful prosecutions. Additionally the State Police had ascertained that even the few cases it could bring to trial would be limited by current statutory strictures to relatively minor frauds subject to minimal penalties. The Commission was informed in May, 1979, of the desire by the State Police to refer all files on its investigation of several dental care operations to the SCI. This agency conducted an evaluation, which was completed by July 26, 1979. On that date, based on preliminary findings of its staff evaluation, the Commission authorized by resolution a full scale investigation. The formal scope of this SCI inquiry was stated in this resolution to be:

Whether the laws of the State of New Jersey regulating health care plans are being effectively implemented and enforced; whether the laws and regulations pertaining to health care plans are adequate, and whether and to what extent criminal elements have infiltrated the health care industry.

In accord with this statement of purpose, the SCI's investigation focused on certain questionable closed-panel dental care programs sponsored by professional and business entrepreneurs under contracts utilizing union health and welfare funds ostensibly for the benefit of union members. These operations had been identified by the State Police and confirmed by the SCI evaluation to be particularly vulnerable to subversion by organized crime elements in collusion with compliant labor union officials and unscrupulous health care providers.

(To clarify this conclusion, a brief explanation of the various programs utilized in the health care industry is necessary. Closed panel plans are those which an entity negotiates to provide dental services to a subscribing group's members at a specified clinic of dentists. Open panel plans, which were not at issue here, are those in which a subscribing group's members may go to a dentist of their own choosing and whose bills are submitted to an insurance carrier for payment in whole or part according to the

dental service contract's terms. There also exist a number of modified open plans that give subscribers a choice between being served by their own dentists according to reduced-fee schedules or going to closed panels of dentists at no charge.)

The Commission's investigation did not involve recognized dental service or medical service corporations which generally operate in conjunction with the insurance industry and which have been under statutory regulation for some time. Rather, the inquiry was aimed at schemes that involved a complicated network of overlapping corporate entities set up to sell, finance and operate dental care programs for labor union members by means of alliances with elements of organized crime. A law designed to regulate the activities of prepaid dental plan "organizations" had been enacted early in 1980 to take effect in June, 1980. However, at the time of the Commission's public hearings this statute had not been implemented to any significant degree, according to State Insurance Department officials. During the course of Commission's inquiry, it became evident that the provisions of this law had to be strengthened in many respects.

The Commission's investigation encompassed numerous dental care plans but ultimately centered on two major operations that most graphically illustrated how questionable profits were being generated by means of intertwining corporate fiscal manipulations, overpriced care programs and facilities and unrecorded and unexplained diversions of cash.

One of these enterprises operated in South Jersey. The Commission's investigators found that, in one year alone, a so-called consulting company generated a cash flow approaching a million dollars from which was diverted more than \$150,000 for purposes that could not be specifically identified in any corporate or individual business accounts or by those who handled or otherwise had access to the money. The SCI probe revealed that this fund was shared with individuals identified as associates or members of organized crime.

Another larger enterprise, utilizing more than 12 dental clinics in North Jersey, was found to have significant organized crime connections to Buffalo, N.Y., and Cleveland, Ohio. The inflated invoices, inadequately secured "loans," forged checks, kickbacks in the form of rebates, and other dubious financial transactions that marked this second exemplar were so complex that SCI accountants had to construct large, step-by-step charts to clarify them. Such fiscal machinations had been contrived to hide misconduct in similar operations in other jurisdictions, according to law enforcement experts on such operations.

During the SCI's 18-month inquiry more than 200 subpoenas were issued to various corporations, banks and other financial institutions and individual businessmen, dentists, labor union

leaders and mob figures requiring the submission of voluminous corporate and personal records for analysis by the Commission's investigative accountants. At least 100 individuals were questioned at executive sessions of the SCI. Subsequently more than 30 witnesses were subpoenaed to testify at public hearings during which the primary objective was to provide a testimonial record of the wrongdoing uncovered in the investigation.

The Commission was confronted with numerous attempts to derail its inquiry and the scheduled public expose of its findings. Nonetheless it ultimately succeeded in compiling a full public hearing record upon which to base recommendations for eliminating underworld piracy of labor union trust funds in the dental services area of the health care industry.

Such recommendations are discussed at length at the conclusion of this report's abridgement of testimony recorded at public hearing sessions held at the State House on December 9, 10, 11 and 12, 1980. These detailed recommendations (on P. 361) are summarized below.

RECOMMENDATIONS IN BRIEF

The Commission's recommendations are outlined in two proposals. The first is related to legislation aimed at organized crime infiltration of legitimate business that is pending in the Legislature; the second consist of a series of amendments to strengthen an existing but inadequate statute to regulate dental plan organizations.

Proposal #1 notes that a pending Committee Substitute for Assembly Bill No. 1079 would create a New Jersey state law modeled after the Federal Racketeer Influenced and Corrupt Organizations (RICO) Act. The legislative findings that preface this proposed statute -- that organized crime annually drains millions of dollars from this state's economy by use of force, fraud and corruption and that organized crime type activity has infiltrated legitimate businesses -- were updated by the Commission's investigation and public hearings. The Commission believes the enactment of this legislation would provide the strongest statutory weapon yet available for combatting organized crime. Therefore, the Commission urgently recommends:

That a comprehensive New Jersey state RICO statute be approved by the Legislature and signed by the Governor as soon as possible.

Proposal #2 includes more than a dozen recommended amendments to strengthen N.J.S.A. 17:48D-1 et seq, a law requiring the State Insurance Commissioner to regulate dental plan organizations.

This law became effective in June, 1980, but has not been materially implemented. The changes proposed by the Commission would require more adequate disclosure and closer inspection of financial transactions of dental plan organizations than is presently required by the statute. The proposed changes would also address alliances by such organizations with consultants, finders and other entities and individuals not covered by the law but which the Commission's probe revealed as frequent participants in rip-off schemes. These amendments would:

-- Regulate "consultants" and "finders" who are connected in any way with dental plan organizations, including full disclosure of fees and other compensation pledged or paid. The amounts of such compensation would be subject to regulation by the insurance commissioner. (See Pp. 363,367)

* * *

-- Require the commissioner to act within 90 days upon receipt of an application by a dental plan organization for a certificate of authority to operate. Applications submitted prior to the implementation of this revision would have to be acted upon within 90 days of the effective date of this revision. (P.363)

* * *

-- Require the submission of financial statements prepared and attested to by independent certified public accountant showing a dental plan organization's assets, liabilities and sources of financial support. Terms and conditions of liabilities also would be required. Requests to applicants for additional data would require compliance within 30 days. (P.364)

* * *

-- Require that actual dental plan provider contracts must be submitted to assure that they conform with the "form" of such contracts previously supplied to the commissioner. (P.365)

* * *

-- Require annual reports that contain detailed financial statements prepared by a certified public accountant. In addition, failure to file an annual report or failure to comply with the commissioner's request for more data would no longer be treated as exceptions from conditions leading to a suspension or revocation of certificates of authority. (P.365)

* * *

-- Add involvement in a crime of moral turpitude and identification as a member or associate of organized crime to the law's present conditions for suspension, revocation or refusal of a certificate of authority. Language similar to the "career offender" and "career offender cartel" provisions of the Casino Gambling Control Law and the Cigarette Licensing Law would be added to the dental plan organization control statute. (P.366)

* * *

-- Increase the range of civil penalties for violating the control law from up to \$1,000 to from \$500 to \$10,000. (P.366)

* * *

-- Add a criminal penalty provision making willful misstatement or willful omission of material fact required to be supplied to the commissioner a crime of the fourth degree. (P.367)

* * *

-- Add a provision to assure that borrowing or loaning of funds by a dental plan organization are limited in amounts and terms to that done by normally prudent businesses, as determined by the commissioner. (P.368)

THE TESTIMONY -- FIRST DAY

TUESDAY, DECEMBER 9, 1980

The Opening Statement

The Commission's public hearings into organized crime infiltration of pre-paid dental plans in New Jersey began with a statement by Chairman Lane emphasizing that forthcoming testimony would focus on certain "closed-panel" type programs that had become "most prone to control and subversion by organized criminal elements in New Jersey and in a number of other states." He stated:

"We will be primarily concerned here with certain operations that are structured as closed panel type plans and which are administered by incorporated organizations or individuals that wheel and deal by means of alliances with phoney consultants or "servicing" corporations with underworld ties to obtain lucrative contracts through labor union officials who control the disbursements of union local health and welfare funds.

The Commission believes its public hearings will provide a comprehensive record upon which to base more sophisticated proscriptions of criminally influenced practices than have yet been devised.

These practices include multiple and inflated billing for equipment purchases and other business costs, inappropriate loans hiding questionable rebates and even kickbacks, inflated "service" contracts negotiated between providers and mob-influenced labor union bosses, and the creation of intricate corporate entities that seem to exist solely as conduits for cash and bank transactions that flout all requirements of normal business accounting standards.

These hearings are aimed only at those elements in the prepaid dental plan care industry that are generating questionable profits at the expense of thousands of innocent workers through a maze of interlocking corporate flim-flams, unessential consulting liaisons, overpriced care programs and facilities and largely unrecorded and unexplained diversions of cash.

The Commission realizes that a vast majority of dental practitioners in New Jersey are professionally competent and individually honest and that major insurance carriers who are guaranteeing the operation of most dental service plans are performing a necessary business function of critical importance to the health of our citizens. Similarly, we must emphasize that the questionable conduct of some labor union officials which forthcoming testimony will highlight is, of course, not intended to reflect adversely on the mass of labor union local leaders who are functioning in a forthright and appropriate manner in advancing the health and welfare of the working people of our state. The Commission is certain that these properly motivated dental, business and labor professionals will welcome this constructive public hearing effort to purge the dental care plan industry of unsavory practices that tend to denigrate the entire industry. We regard these public forums as a most effective way to confirm and pinpoint the misconduct that does exist and to promote statutory and regulatory reforms to eradicate such evils.

Crime Expert Testifies

The Commission's first witness, Marty Steinberg, Esq., of Washington, D.C., testified as a recognized law enforcement authority on the subject of underworld piracy of labor union health and welfare trust funds. He recalled that the U.S. Senate Subcommittee on Investigations, of which he was chief counsel at the time of his appearance, had conducted extensive hearings into more than 20 organized crime swindles of labor union trust funds in five states. He also engaged in similar investigations prior to his Senate Subcommittee appointment during two years as the United States Attorney for Western New York and before that as a federal prosecutor for seven years with the Department of Justice Organized Crime Strike Force in Miami. He also has lectured on labor racketeering and labor union trust fund abuses at the Federal Bureau of Investigation Academy.

Steinberg, under questioning by SCI Deputy Director David L. Rhoads, put into the hearing record specific examples of the methods by which organized crime loots welfare funds:

- Q. If you will, with the benefit of your past experience, the Commission would be interested in knowing what in general terms would be the ways or methods of depletion of

union trust funds in the course of these scams or operations that you have investigated?

- A. The most common ways to deplete union or union trust funds, one is multiple billings, and that is an individual, whether he be a trustee or an officer, submitting different expense vouchers to a number of different unions or trust funds.

The second most common scheme falls on fraudulent loans either from the union fund itself or from a trust fund.

A third scheme is inflated service contracts. That is a service contract that's not actually worth its face value and is basically given because of a kickback to a trustee or a union official.

Fraudulent insurance schemes similar to the ones that I have just described are usually motivated by the kickback to the initiator. Kickbacks to labor racketeers for any number of different services, and the fifth most common and, again, what I think is becoming more and more common, is the occurrence of delinquency collections on contribution. That is, an employer, for one reason or another, will get behind on his contributions to a trust fund. It is then up to someone to collect those monies. There are very few rules and regulations regarding the collection of those monies and it's questionable as to where those monies go.

- Q. All right. Mr. Steinberg, in the course of your past experience, and in investigating these type of fraudulent operations, have you had an occasion to investigate areas wherein health care or welfare trustee boards were being billed, if you will, by health care providers, more particularly dental-care providers, if you had an occasion to investigate that area?

- A. Yes, we have investigated that area, and, in general, there are some general things that you can look for.

One is usually there's no competitive bidding. Two, usually there's a high cost;

that is, they try and sell whole-life premiums as opposed to term premiums or some similar provision. Three, generally there are exorbitant commissions that have no relationship at all to services provided by the insurance company or the service provider. Four, generally there are paper companies or shell companies in which this money is constantly circulated to lose its identity. Five, there's generally a lack of any method to guarantee the benefit of any funds to the beneficiaries. Six, there is generally a bankruptcy or some other financial dissolution within a short period of time, and in all cases there's a kickback to the initiator.

If I may, I'd like to go over a particular event. That would give you some example of how these work.

Q. Yes, please.

A. I think that it's important to keep in mind how far back in time an organized crime family will begin plans for a venture that may pay off ten years down the road.

For instance, in the early seventies an organized crime family began to plan for a health and welfare scheme. In fact, a trust fund was set up solely for that purpose by an organized crime family. The trust fund was organized along the lines of a trust fund to provide for dental, medical and optical care for union members. A substantial amount of money was put into this trust fund at the direction of organized crime figures by the trustees and other people who had control over the trust funds.

Originally, the plan was set up in such a way that the trust fund would pay a premium to a company. That company would hire dentists, doctors, opticians and so forth. Those persons who provided the actual services would be required to hire a consultant. Those consultants operated under various guises and various names.

In this particular case, the consulting firms were dummy corporations. They had no offices; they had no phones; they had no

facilities; they provided no services. Their only purpose in life was to obtain that portion of the premium paid by the trust fund as a kickback and siphon that kickback off to those persons involved, both the labor racketeers and the organized crime figures who invented this scheme.

As an interesting sidelight to that, that company, that was a consulting company, made substantial loans to yet another company. All these loans were questionable. The loans were made to a company which was controlled by yet another organized crime figure who was recently convicted of this very event.

So that not only did they siphon out the money through the kickbacks to the consultants, but they also used the false and fraudulent loans in this same scheme.

I think another interesting facet of this same situation, and this will go to show how many schemes were run from one trust fund, too. Despite the schemes I have already mentioned, that didn't seem to be enough money for the inventors of this particular scheme. So what they devised was a situation where they would set up the facilities for the doctors, dentist and opticians to operate out of, and the trust fund would pay a substantial amount of rent, probably more than they would pay in any legitimate establishment, plus they would pay for the use of various technical equipment and so forth.

The originators of the scheme, through hidden interests and through people who fronted for them actually, had a 50 percent interest the day before the trustees voted to authorize this particular trust fund disbursement.

Q. Mr. Steinberg, at one point you had mentioned that the trust fund would initially hire a company. The company would then turn around and hire the providers, at which point in time the providers you mention would be required to hire a consultant.

The Commission would be curious how that would be communicated to the providing company and by whom generally?

- A. Generally the individuals involved in organized crime would tell the service provider, who, in most cases, is not what I would consider to be a legitimate service provider, although they may, in fact, provide some services.

In some of the cases that they were involved in, the service that they provided were questionable; that is, the persons they had providing services to union members in a lot of cases were not licensed and did not have the qualifications to provide adequate services. But even in those cases where they did, the situation would be put to them in such a way by a person representing an organized crime family that if you want this contract, which is a very lucrative contract, and, of course, all the costs are passed on to the trust fund, the 15 percent consulting fee is taken into account by the service provider in obtaining his estimates to give to the trust fund so that he can get his premium.

So, in effect, it's not costing him anything, but he is told in advance that in order for you to perform this service and to obtain this lucrative contract, you must hire X, Y, Z company as your consultant and pay them a certain amount of money every month and that service provider knows that unless he does that he will not receive that lucrative contract.

- Q. All right. Mr. Steinberg, is it fair to say, at least in the investigative experience that you have had, that the consultant or consulting company more often than not serves as a conduit, conduit for the persons who are directing them to be hired?

- A I believe so. I believe that's a fair statement, and even in the straight insurance scheme where there is no service provider you have a situation where the trust fund hires a consultant to advise it on which insurance company it should pick, and unfortunately in a lot of states the

payment to that insurance consultant is tied to the premium. So you have the ridiculous situation of the insurance consultant, of having the insurance consultant benefit from actually recommending the highest premium because his fee is tied directly to the premium.

So even in the straight insurance situation, apart from the service provider situation, you have that same situation where you have either a conflict of interest situation, which the insurance situation is, or the conduit situation, which appears to be in the service provider situation.

- Q. With regard to those operations that you have investigated that are directly proportionate to the premiums paid, what would be the average percentage that a consultant might charge with regard to those premiums in return for whatever services, if any, he provides?
- A. Well, since the amount of money he makes is tied directly to the premium, it really is whatever the market bears. The highest premium he can recommend will mean that he will get the highest amount of commission for his consulting fees which makes absolutely no sense because if he's a consultant to an insurance fund, his interests should be in advising that labor union insurance fund how they can receive the most services for the least amount of money.
- Q. You did mention one other area that I would like to highlight at this time. You had mentioned one of the machinations that you found in investigating these type programs is what you characterized, I believe, as a series of shell corporations. Would you just explain the purpose of those please?
- A. Well, basically, the series of shell corporations, of course, the first shell corporation in this set up -- well, actually, there were a number of shell corporations in effect. If you want to look at it in its most cynical light, the trust fund that was originally set up, which was an idea of organized crime figures in the first place, could be considered a shell corporation

because its purpose, or one of its main purposes, was to pass money on eventually through a series of conduits back to labor racketeers and organized crime figures.

The second company set up were the service providers themselves, which partially acted as shell companies because a portion of them, a certain portion of those companies, were set up for the sole purpose of passing money onto yet another company.

The third company was a consultant company. That was solely a shell company. That is, it had no actual functions or no actual purpose. Its only purpose was to receive the money, kickback, whatever you want to call it, to pass it along.

Now, it passed it along in a number of ways: One of the ways was for that company to make loans to yet another shell company. That company dealt with another of the other companies who were foreign in nature, and in this manner the money which originally came out of employers' pockets supposedly used for the benefit of the working man and woman was virtually or almost impossible to trace.

Litigation Interrupts Hearing

Mr. Steinberg's testimony had to be interrupted by Chairman Lane because of continuing litigation by counsel to witnesses who were scheduled to testify at the hearings. Mr. Lane announced that these attorneys had appeared before the New Jersey State Supreme Court during the morning and that, at the direction of the Supreme Court, he was recessing the hearings until 11 A.M. the following day.

THE TESTIMONY -- SECOND DAY
WEDNESDAY, DECEMBER 10, 1980

Court Upholds SCI

Chairman Lane reopened the hearings with an announcement that the State Supreme Court "unanimously denied all motions affecting these proceedings" after the temporary stay of the hearings that the court had ordered on Tuesday morning. He had no further comment on the Supreme Court's action on behalf of the SCI except to point out that "the record of the testimony at these forums will speak for itself."

State Police Expert

Detective Sergeant 1/C William P. Sullivan of the State Police Intelligence Bureau, the next witness, described efforts by his agency to probe into the operations in both South Jersey and North Jersey of certain pre-paid, closed panel type dental plans with connections to organized crime. He also explained why his superiors, after contact with the Attorney General's Division of Criminal Justice, decided to request that the SCI carry on these particular dental plan investigations. Counsel Rhoads questioned Sergeant Sullivan:

- Q. How long have you been employed by the New Jersey State Police?
- A. I've been a member of the New Jersey State Police for approximately sixteen years.
- Q. And are you assigned to any particular unit within that agency?
- A. Yes, I'm currently assigned to the New Jersey State Police Intelligence Bureau and have been for over three years.
- Q. Would you briefly describe the duties and functions of that agency within the New Jersey State Police?
- A. Well, essentially our responsibilities are to monitor and investigate the activities of organized crime operating in the state of New Jersey.
- Q. Now, during the course of your duties as an intelligence officer within that unit, did you have an occasion to begin a background investigation on a prepaid dental plan and its consultant in the southern part of the state of New Jersey

- A. Yes, I did. In, I guess, about early part of April, 1978, I was assigned to look into the activities of a closed-panel type pre-paid dental plan operating in the southern part of the state.
- Q. If you will, would you tell the Commissioners what were some of the findings of that inquiry?
- A. Well, some of the more outstanding things that we found as a result of looking into it was that the consultant working for the dental plan in question here was receiving what appeared to us as exorbitant fees for consulting services, services which, when compared to the other expenses by, incurred by the dental plan, were disproportionate. And the other thing was that a number of the unions that were involved with the dental plan had a history of involvement with elements of organized crime, particularly those based out of Philadelphia, and the consultant or consultants that had been involved with the dental plan were also involved with these same organized-crime figures.
- Q. Now, Sergeant, so that we're clear on the area within which we're discussing, the consultant, as I understand it, would be employed by the provider of the dental plan to the unions. Is that so?
- A. That's correct.
- Q. Now, in the course of your inquiry, did you come across further developments?
- A. Yes, we did. As we continued the investigation, our suspicions were confirmed time and time again, and as I began to interview people and gather information, we found a similar plan operating in the northern part of the state. The only difference here was that the financial transactions were much more complex in terms of what we saw operating in South Jersey.
- Q. Did there come a time during the course of your investigation that you had consulted with superiors, if you will, with regard to the course of the investigation undertaken by the State Police.

A. Yes, I did. As the investigation continued, my superiors were constantly advised of our findings and they, in turn, were in constant contact with the Division of Criminal Justice discussing the ongoing probe.

Q. As a result of these meeting or meetings that you had with your superiors, ultimately was there a decision reached as to whether the State Police would continue or refer?

A. Yes, after we discussed the matter we felt that the matter was best referred to the State Commission of Investigation.

Q. And along the way toward reaching that decision, did you make any conclusions as to why the S.C.I. would be a more appropriate agency?

A. Yes, we did.

The -- when we looked at the entire picture, what we saw occurring, with the closed-panel type prepaid dental plan, we felt that the penalties for the crimes being committed in connection with these plans, if any, such as fraud, embezzlements, did not really relate or correspond to the type of activity we were uncovering.

The other thing we found was that the financial dealings involving the dental plan along with the consultant were extremely complex and, we felt, needed an in-depth analysis of the entire financial picture, and one of the things that concerned the entire area of this type of closed-panel dental plan. There was no real legislation to regulate it at that time, and that the fact that the S.C.I. being an investigative body for the legislature, we felt that they would be the appropriate body to refer the matter to.

THE SOUTH JERSEY EXEMPLAR

After recording testimony by law enforcement experts on the background of the SCI inquiry into organized crime incursion of labor union dental plans, the Commission began questioning witnesses about a particularly revealing exemplar of such criminal incursions in southern New Jersey.

This public hearing episode illustrated the ease with which labor union health and welfare funds can be looted by the collusion of organized crime figures, phoney consultants, callous dental plan administrators and corrupt labor union officials. Key figures in this segment, as forthcoming testimony would illustrate, were two labor union officials, Albert Daidone of Bartenders Labor Union Local 33 and Carlos Simone of Paperworkers Union Local 286, both known associates of mobsters; Larry Smith, whose Rittenhouse consulting company not only contrived the dental plan contracts but served as a conduit for the flow of illicit profits to the underworld, and Raymond (Long John) Martorano, a known intimate of the murdered Philadelphia crime boss Angelo Bruno and other notorious gangsters.

Essential to the success of such schemes as these individuals concocted was easy access to a vulnerable labor union health and welfare fund. Such a fund had to be administered by trustees who either shared in the looting as associates of the predators or who for whatever reason were negligent in adequately supervising disbursements from the fund.

Local 33 Welfare Fund Trustee

To demonstrate the ease with which a mismanaged labor union welfare fund can be pirated for the benefit of organized crime, the Commission called as its first South Jersey witness Michael J. Stafford of Collingswood, the "management trustee" of the health and welfare fund of Camden Local 33 of the Bartenders, Waiters and Waitresses Union. This local had abandoned its former Local 170 identification to escape the bad image created by its recent leader, Ralph Natale, a convicted felon and mob associate. Mr. Stafford qualified as a management trustee of Local 33's trust fund because he was vice president and 25 per cent owner of a restaurant, Chubby's Hearth, Inc., of West Collingswood, and one of seven employers who contributed to the fund. Mr. Stafford's testimony indicated he had little knowledge of the actual operations of the Local 33 fund.

SCI Counsel Robert E. Geisler questioned Stafford:

Q. And could you describe what the duties of a trustee are?

A. The responsibility of the trustees of a fund is primary and foremost to the fund. It's the responsibilities of making the collections, making sure that the collections are remitted to the fund and, in turn, to the various carriers of the medical insurance, and that the participants receive the benefits when needed.

THE CHAIRMAN: Let me ask, are you a trustee in connection with your employment?

THE WITNESS: I am a trustee because I represent the remitting or contributing employers to that fund.

THE CHAIRMAN: All right. Is there just one of you from an employer point of view or more than one trustee of this particular fund?

THE WITNESS: There are four trustees to the fund, sir. There are two management trustees and two union trustees.

BY MR. GEISLER:

Q. And over what funds do you act as a trustee?

A. I act as a trustee over the health and welfare fund and, also, over the severance fund.

Q. When did you become a trustee, approximately?

A. I would say, approximately 1967, '68. I don't know.

Q. Could you list the trustees, the other trustees, in 1978 and 1979?

A. 1979. There's Mr. Richard Kenny and myself were the management trustees, and the union trustees in 1978, and I believe part of 1979 as well, was a Mr. Ralph Natale and Mr. Charles DeRose.

Q. Could you describe how the health and welfare fund or benefits come into existence?

A. Well, it's a negotiated fringe benefit for the employees.

Q. How often do the trustees meet?

A. Semi-annually unless there are special meetings, and that occurs where there are delinquent contributors or increases in insurance premiums, Blue Cross premiums.

Q. How many employers do you represent as a trustee?

A. Basically, seven now, I believe.

- Q. Do you know how many union members are represented by the union trustees, approximately?
- A. Well, the membership has dwindled. I would say, approximately, 900.
- Q. Is there an actual monetary fund, you mentioned, called the health and welfare fund? Is there a dollar amount involved in this fund?
- A. Well, there's a dollar amount that's contributed to the fund for each employee depending upon his status, be he single, married, parent and child, Medicare. There's various categories as to the amount that's contributed for the participant based upon his personal status.
- Q. Can you tell us the dollar, the approximate dollar amount that was in the fund in 1978 and 1979?
- A. For the ten months ended January 31st, 1979, there was \$64,855.26.
- Q. And do you have the figures for 1978?
- A. I have the figures for January 31st, 1977. I don't have them for '78.

THE CHAIRMAN: What are those figures?

THE WITNESS: Okay. Okay. There was a decrease in the fund. In fact, there was a deficit of \$95,178.17.

THE CHAIRMAN: Well, how much money per year is handled by you as trustees, the four of you? Can you give us a round figure?

THE WITNESS: If I can refer to my notes, I may be able to.

THE CHAIRMAN: We don't care about the precise figure. We want a rough, round figure. Can't you give us that? Is it a million dollars? A million and a half? Two million? What is it?

THE WITNESS: No, sir, it's not that amount.

THE CHAIRMAN: Not that much?

THE WITNESS: No, sir.

THE CHAIRMAN: Well, what is it?

THE WITNESS: I can give you the figures. I just have them all confused here, sir.

THE CHAIRMAN: All right. We'll get it later. Go ahead, sir.

Further questioning revealed that Stafford didn't know that the fund he was a trustee for had sponsored a dental care plan for Local 33 members:

Q. Do the members of 33 have a dental-care plan as part of their health and welfare benefits?

A. Not that I know of, sir.

Q. Who administers the health and welfare fund?

A. Rittenhouse Consulting.

Q. And who are the principals involved in Rittenhouse Consulting?

A. I believe it to be Larry Smith. I don't know whether Libby Kolman is a principal or not, but she works with Rittenhouse Consulting; and I don't know whether Gerald Brown is a principal in the company, Rittenhouse Consulting, or not, but he works with the company.

Q. Does Rittenhouse Consultants ever give financial reports on their administration of the funds?

A. Yes, sir.

THE CHAIRMAN: Just a minute, please. I may have misunderstood you, but I understood you to say that you do not know that this union has a dental plan. Is that correct?

THE WITNESS: That's correct, sir.

THE CHAIRMAN: You don't know that they have a dental plan?

THE WITNESS: That's correct.

* * *

Q. And, to your knowledge, no dental plan was used by the fund?

A. The fund that I sit as trustee, we don't administer or handle, to our knowledge, any funds for dental plan.

Q. Would it surprise you to know that six houses or employers have dental plans that deal with Local 33?

A. It wouldn't surprise me. I just don't know about it. I never concerned myself about it. I know it's not a negotiated benefit with my firm or, as far as I know, any of the firms that we represent.

Q. As a trustee, could you gain the knowledge that six employers provide dental plans for employees who are members of Local 33?

A. I would assume, if they were members of the fund that we administer or are trustees of, I would assume that we would gain knowledge of that, yes, sir.

Q. Have you ever heard of the North American Dental Plan?

A. I've heard of that name, yes, sir.

Q. And where did you hear of it?

A. I couldn't recall. I just heard it.

Although Ralph Natale had long been known as an associate of organized crime figures, Stafford never questioned Natale's activities as one of the health and welfare fund's labor union trustees prior to his conviction and imprisonment. In fact, he readily acquiesced in Natale's promotion of Rittenhouse Enterprises as the trust fund's new administrator. Mr. Geisler resumed questioning Stafford:

Q. Do you know a Ralph Natale?

A. Yes, sir.

Q. What was his involvement with the union? What position --

A. He was the business agent.

Q. And when Mr. Natale was the business agent, who controlled Local 33?

A. Mr. Natale was the major person in Local 33.

Q. He was not the president of the union. Is that correct?

A. No, sir, I don't believe so.

Q. Did he have a position as a trustee in the fund?

A. Yes, sir, he did.

Q. For what years was he a trustee of the fund?

A. I think he was a trustee for two or three years.

Q. Where is Mr. Natale presently.

A. I understand him to be incarcerated.

Q. And do you know where and why?

A. I believe, in Florida on drug charges of some sort.

Q. Are those Federal charges, to your knowledge?

A. Yes, sir, I understand them to be Federal.

Q. Do you know how Rittenhouse became administrator of the fund?

A. Yes. I know how they became administrator of the health and welfare funds. They were introduced to the board of trustees in 1977 by Mr. Natale.

Q. And what, if anything, did Mr. Natale say about Rittenhouse?

THE CHAIRMAN: I take it you were present at that meeting?

THE WITNESS: Yes, sir.

A. Just that they had been handling this severance fund at that point in time and that their performance was outstanding, and there was definite need for a change in the, in the administration and handling of the health and welfare fund, which was severely in the red.

Q Were any other administrators given the opportunity to present their credentials and bid for the administrator's position with the fund?

A. No, sir, not at that time, no.

Q. Was any effort made to see if Rittenhouse would charge a competitive price for their administration of the fund?

A. The price appeared and seemed to be very competitive at the time for the work performed, or to be performed at that time.

Q. Was a comparison made with other funds?

A. No, sir.

Q. Was Rittenhouse then employed by the fund?

A. Yes.

* * *

Q. Do you know why Local 33 changed its name from 170?

A. I was told that the reason for the change of numbers in the local was to erase or remove a bad image that the local had received through previous officials.

Q And who were those previous officials?

A. Well, in the previous administration, I believe, Mr. Natale, and prior to that the administration was Mr. Chaloka.

Q. Since Rittenhouse had been introduced to the union through the auspices of Mr. Natale, was any check done after Mr. Natale got into his legal problems to see what, if any, connection Rittenhouse may have with Natale that was not aboveboard?

A. No, sir, no check was done.

Q. Through your knowledge of Local 33 as a trustee, have you received information that Local 33 will shortly be taken over by Local 54 in Atlantic City?

A. I've heard talk to that effect, yes. I know that Local 33's membership has been diminishing because there has been a sort of immigration of their members to the Atlantic City area with the new jobs that are opening up there.

Q. Prior officials of Local 33, were they a Mr. McGreal and a Mr. Baldino?

A. Mr. Baldino was an organizer with a previous administration at that time with Local 170. If Mr. McGreal were employed or a member of Local 170 at that time, I don't know that, or I would not know that.

Q. Have those two individuals been convicted of crimes?

A. Which two?

Q. McGreal and Baldino.

A. Yes, sir.

Q. And do you know what crimes they have been convicted of?

A. I believe, extortion or something of that nature.

However, Stafford did question the payment at Natale's request of a \$10,000 bonus to the Rittenhouse company by Local 33.

Q. Isn't it a fact that Rittenhouse Consultants received a bonus for merely doing what they had contracted to do with Local 33?

A. Rittenhouse Consultants did receive a bonus, yes, sir.

Q. And what year did they receive that bonus in? What year was that?

A. I believe that was 1979.

THE CHAIRMAN: You mean over and above that which they had contracted for?

THE WITNESS: Yes, sir.

Q. Do you know how much--

THE WITNESS: I'm not certain. I believe it to be 1979. It was 1979 or 1978, one or the other.

Q. Under their contract, how much did Rittenhouse receive for the services it provided?

A. I assume, for administering the health and welfare plans, fund, \$60,000.

Q. And could you tell us how much the bonus in 1979 was?

A. I believe the bonus, the projected bonus was \$10,000.

Q. Did you vote in favor of that bonus?

A. I questioned it. In as much as it was my feelings that the firm merely did what we contracted them to do, I was against paying the bonus and the bonus was eventually paid in a two-part sum.

I did recognize the fact that we had come from \$95,000 in the red, we had improved the benefits to the members, the billing was on time, and we were now at this point approximately \$65,000 in the black, and I thought that they did do an excellent job. However, I also felt that that's what they were contracted to do.

Q. And could you tell us, who was the one who proposed this ten-thousand-dollar bonus?

A. Don't hold me to the figures. I'm not certain of the exact figure, but I believe it was \$10,000 at that time. And the individuals that proposed this bonus was Mr. Natale.

Local 33's Vice President

Albert Daidone of Pennsauken, vice president of Bartenders Local 33, was called as a witness because he personified the type of labor union leadership whose associations pave the way for looting of union welfare funds by organized crime. Daidone, an associate of known mobsters, also was close to Larry Smith, the Rittenhouse consultant who accumulated an unexplained horde of cash in 1978 as a result, in part, of union local dental care plans his company had "administered."

The 38-year-old Daidone said he worked "seven days a week" for his union local -- but he also owned a restaurant in Philadelphia and beauty shop in Clementon. He was asked to explain how he became the local's vice president and what that job entailed:

Q. And as a bartender, were you a member of Local 33?

A. Yes.

Q. And when did you first join the union?

A. I believe, around 1965, something like that.

Q. How did it come about that you were employed by the union?

A. I ran for an election and won.

Q. Did you approach the union or did a member of the union approach you and ask you to run?

A. Two years ago.

Q. Yes. Were you approached by the union and asked to take a position with the union?

A. I was approached by Eddie McBride, who at that time was vice-president. Due to the absence of the president, he was going to run for the presidency. He asked me if I would run on his ticket with him.

Q. Did you clear this with a Mr. Natale?

A. When you say did I clear it, Mr. Natale was also running on the ticket. I was asked to run by Mr. McBride. It was his ticket.

Q. Did you speak to Mr. Natale about your running for a position with the union?

A. Yes.

Q. What did you say to him? What, if anything, did he say to you?

A. He was glad that I was going to accept and run on the ticket with them.

* * *

Q. Could you tell us what your duties as the vice-president of the union are?

A. My current duties are now to do whatever Mr. McBride feels that I should do; that's such as if someone's in trouble, to go in and find out why they were fired, get their job back, that type of stuff.

Q. Could you elaborate on that, what other, what duties you carry out for the union?

A. Anything that has to be done. There are only three officers. We do everything.

THE CHAIRMAN: Well, describe a typical day that you have as a union official.

THE WITNESS: I go into the office and see whatever I have to do, whether it be if someone was fired, to see how much work there is to give out.

THE CHAIRMAN: Well, that's not very illuminating. Can't you tell us what you find you have to do and do do?

THE WITNESS: That every day.

THE CHAIRMAN: Well, tell us what you do on a typical day, please.

THE WITNESS: Typical day is whatever has to be done, I will do.

THE CHAIRMAN: What has to be done? That the point.

THE WITNESS: I just told you.

THE CHAIRMAN: What do you find has to be done on a typical day?

THE WITNESS: If someone is fired from a job, I'll find out why they were fired, go in and see if I can get them their job back. If there's reasons for the firing, anything, if there's a discrepancy somewhere, someone feels they're being harassed, if there's a problem with shop stewarts, anything.

BY MR. GEISLER:

Q. How many hours a week do you spend on union business?

A. It's impossible to say. Roughly, maybe 50 hours, 60 hours. I don't know. I work seven days a week. If someone has a problem and they call me at home on a Saturday and I can solve the problem, I'll get up and solve the problem. If it's a Sunday, I'll solve the problem. If it's a shop steward election at 12 o'clock at night, I solve the problem.

Q. What is your salary as vice-president of the union?

A. It's approximately -- I clear approximately \$200 a week.

* * *

Q. Do you have any other current sources of income?

A. I own a restaurant in Philadelphia by the name of Intermission. I own a beauty shop in Clementon. It's part of a corporation I own. That's the only thing that is owned by that corporation, the beauty shop in Clementon.

Daidone and Dental Plan Promoters

Daidone next explained what he knew about his union's dental program and Larry Smith, the consultant with whom he dealt:

Q. Are you familiar with the North American Dental Plan?

A. Yes, I am.

Q. As part of your job as vice-president of Local 33, do you have anything to do with the operation, the daily operation, of the plan?

A. In as far as if one would call me and say that they're having trouble with going to the dentist, that their name wouldn't be on the computer or stuff like that, I would call our offices, such as Larry Smith's office, which is Rittenhouse Corporation, and they would take care of the problem from there.

Q. Who is Larry Smith?

A. From what -- I believe Larry Smith is the administrator for Rittenhouse Corporation. I don't know specifically what his title is.

Q. And Rittenhouse Corporation is the administrator of the dental plan; is that correct?

A. I'm not sure. I believe so.

Q. During -- well, how long have you known Larry Smith?

A. Roughly, ten years, I guess, something like that.

Q. And when did he become -- when did Rittenhouse become the consultants for the operation of the dental plan?

A. I really don't know.

Q. Did you know Mr. Smith before he became involved in the administration of the dental plan?

A. I believe so. I don't know when the dental plan exactly started because at that time I was tending bar. But I've known him for quite awhile.

Q. And how did you meet him?

A. I met him through Ralph Natale, probably.

Q. Who runs the daily business of Rittenhouse Consultants?

A. I would imagine Larry does. He has Gerry Brown and Paul -- I don't even know Paul's last name. Any time I have a problem with any of them, I usually call for Paul or Gerry Brown or Larry and the problem I've always had have been solved.

Q. Are you at all familiar with the operation of Rittenhouse Consultants and how it operates in conjunction with the health and welfare fund?

A. My only dealings with Larry Smith's office is that if someone says they can't get Blue Cross, Blue Shield, or they're in a hospital and they don't have cards or stuff like that, I would call in and they'll call the people directly and make sure that they have their Blue Cross or go in the hospital without any complications at all.

Q. You do see Mr. Smith on a daily basis; is that correct?

A. Not necessarily. Sometimes I'll see him every day; sometimes I'm liable not to see him for a week, two weeks; sometimes I'll see him three times in one day.

Q. Besides seeing him for union purposes, you also socialize with Mr. Smith; is that correct?

A. Occasionally, yes.

* * *

Q. Do you know when the North American Dental Plan was first used by the union?

A. No, I don't.

Q. Do you know what sort of contract Rittenhouse Consultants has with the union?

A. No, I do not.

Q. Does Larry Smith receive any income from the union other than through Rittenhouse?

A. Is he on our payroll?

Q. Yes.

A. As far as I know, no. I don't know how that is administered or how it's taken care of. One of the trustees would be able to answer that question.

Q. Do you know how that North American Dental Plan was selected?

A. No, I do not.

Q. Did the union members participate in selecting the dental plan?

A. Yes, they did.

Q. How did they participate in that selection?

A. When you say did they select North American specifically versus another group?

Q. Yes.

A. I don't know whether that was afforded them or however that came about.

Q. In fact, no other dental plans were presented to the union membership?

A. I don't know.

- Q. Do you know if Larry Smith has any other sources of income?
- A. I don't know.
- Q. Did you ever ask Mr. Smith what other sources of income he has or what other business he's involved with?
- A. No, I don't think so. I believe he was involved in trucks. I told you that the last time.
- Q. Do you know of any organized-crime influence on the union or on the dental plan operated by the union?
- A. No, I do not.

Daidone and Ralph Natale

Daidone was questioned about Ralph Natale, his former union local colleague who arranged Local 33's dental plan contact with Larry Smith and Rittenhouse:

- Q. How long did you know Ralph Natale before you were employed by the union?
- A. Since about 1965. Since I got out of the service.
- Q. And how did you meet him?
- A. He used to tend bar at the Rickshaw.
- Q. How many members of the union are there presently?
- A. Approximately 1200.
- Q. And Local 33 was formerly known as Local 170; is that correct?
- A. Yes.
- Q. And why was it changed to Local 33? Why was the name changed?
- A. Mr. McBride, I believe, felt that he wanted to change the image of the union and he wanted to call it Local 33. The executive board voted upon it and the number was changed.

- Q. The poor image was caused by Mr. Natale's involvement with law enforcement; is that correct?
- A. Probably.
- Q. Do you know why Mr. -- under what charges Mr. Natale was convicted?
- A. I believe, arson and narcotics.
- Q. And those were Federal convictions; is that correct?
- A. I believe so. I'm not sure about the law.
- Q. Prior to Mr. Natale's incarceration, you were a social friend of his; is that correct?
- A. Yes.
- Q. And how often did you see him?
- A. Maybe every day.
- Q. And when you saw him, was it at his home?
- A. At his home, at my home, all over. We were together quite often.
- Q. When is the last time that you have seen Mr. Natale?
- A. The last time I saw Mr. Natale is when he was up here on one of his trials, I believe.
- Q. When is the last time that you communicated with Mr. Natale over the telephone?
- A. He called the restaurant. When it was, I have no idea. I can't remember.
- Q. You still retain your friendship with Mr. Natale; is that correct?
- A. Yes, even though I haven't spoken to him for quite awhile, yes, he's still my friend.
- Q. Have you heard that Mr. Natale is involved in organized crime?
- A. I only know what I read in the paper about Mr. Natale.
- Q. What do you read in the paper about Mr. Natale?

- A. They say that he's associated with organized crime and he's been in some sort of trouble.

Daidone and Angelo Bruno's Friend

Daidone was asked about his friendship with Raymond (Long John) Martorano, a close associate of Angelo Bruno before the Philadelphia mob boss was murdered in March, 1980:

- Q. Do you know Raymond Martorano?
- A. Yes.
- Q. How long have you known him?
- A. Approximately ten years, I guess, something like that. I don't know.
- Q. And were you introduced to him through Mr. Natale?
- A. It's possible.
- Q. How often do you see him presently?
- A. I see him quite often. Three, four times a week, sometimes every day. Sometimes I don't see him for a week.
- Q. Do you know whether Natale and Martorano know each other?
- A. I believe so, yes. I've been --
- Q. Are they good friends?
- A. I don't know how good is good friends. I know they know each other.
- Q. When you see Mr. Martorano on a daily basis, how does that come about? Do you visit him?
- A. Yes.
- Q. And what do you do when you see him?
- A. We take a ride, talk, have lunch, maybe have dinner.
- Q. Do you act as the chauffeur for Mr. Martorano?
- A. I have driven for Mr. Martorano.
- Q. Have you ever acted as his bodyguard?

A. No.

Q. Have you heard that Mr. Martorano is involved in organized crime?

A. Only what I read in the paper. They say he's with organized crime.

Q. Did you ever ask Mr. Martorano about what you have read in the paper?

A. No.

Q. Did you ever ask Mr. Natale about what you read in the paper about him?

A. No.

Q. What business is Mr. Martorano in?

A. He's in the vending.

Q. And where is that business located?

A. In Philadelphia.

EXAMINATION BY THE CHAIRMAN:

Q. Do I understand that you spend some part of almost every day of the week with, in the company of Raymond "Long John" Martorano?

A. Yes.

Q. And what does this association amount to? What do you do with him part of every day?

A. We have lunch. We talk, we laugh, we talk about the newspapers.

Q. Do you ride around in a car and look for locations for his vending machines with him?

A. I have been with him when he's been looking at vending stops.

Q. Did you ever speak to Mr. Martorano about union business?

A. No.

Q. Did you ever speak to Mr. Testa?

A. No.

Q. Did you ever speak to Mr. Vidino about union business?

A. It's possible. It's possible I spoke to them about it, but in regards to, I'm doing this or I'm doing that, that's all.

Q. Do any of those individuals derive any income from Local 33?

A. No.

Daidone's Other Organized Crime Associations

Daidone contended he only knew about the organized crime background of his friends from what he read in the newspapers. However, what he learned about his associates didn't seem to matter to him, according to his testimony:

Q. Do you know a Frank Vadino?

A. Yes, I do.

Q. And how long have you known him?

A. Since about 1965. Since I got out of the service, roughly.

Q. And he presently works at your restaurant; is that correct?

A. He helps me.

Q. He receives no income from you; is that correct?

A. No, he does not.

Q. What does he do for a living?

A. I don't know specifically. I believe he had something to do with trucks, the trucking business.

Q. What business was that?

A. What was his business? I don't know. I think it was -- I don't know, to be honest with you.

Q. Does he act as a bodyguard for Mr. Martorano?

A. Not that I know of.

Q. Have you heard that Mr. Vadino is involved in organized crime?

- A. I didn't know that he was or is. I only know what I read in the paper about Mr. Vadino. He's my friend.
- Q. What have you read in the paper about Mr. Vadino?
- A. They said he was in organized crime.
- Q. Did you ever ask Mr. Vadino about what you have read in the papers?
- A. No.
- Q. Was he involved with Mr. Natale in Florida?
- A. Yes, he was.
- Q. And was he convicted of those charges?
- A. Yes, he was.
- Q. Did you know Angelo Bruno?
- A. I met Angelo Bruno.
- Q. And who introduced you to Angelo Bruno?
- A. I don't know. Maybe Mr. Natale. I met him a long time ago.
- Q. And how many occasions prior to his murder did you see Angelo Bruno?
- A. I don't know.
- Q. Did you attend Angelo Bruno's funeral?
- A. Yes, I did.
- Q. I show you a picture taken at Mr. Bruno's funeral and ask you to identify the individuals in that picture.
- A. That's Frank Vadino, Raymond Martorano, myself, and Anthony Amato.
- Q. Did you attend the funeral as a friend of Mr. Bruno or as a bodyguard for Mr. Martorano?
- A. As a friend of Mr. Bruno and a friend of Mr. Martorano.
- Q. After Mr. Bruno's murder did you visit Mr. Martorano on a daily basis and stay with him during the day?

A. Yes, I did.

Q. And was the purpose of your staying with him to act as his bodyguard?

A. No, it was not.

Q. And why did you stay with him?

A. Because I felt, as did Frank Vadino, probably, that he was upset and we didn't feel that he could drive.

Q. And have you heard that Mr. Bruno was involved in organized crime?

A. Only from what I've read in the paper.

Q. And what did you read in the paper about Mr. Bruno?

A. That he was involved in organized crime.

Q. Do you know an individual by the name of Mike Marrone?

A. Yes.

Q. And is he a friend of yours?

A. I would say so.

Q. And how long have you known him?

A. Approximately, I guess, since I got out of the service. I don't know exactly when I met him.

Q. Is he presently in prison?

A. Yes.

Q. And what is he in prison for; do you know?

A. I don't know. I believe it was something to do with arson.

Q. When is the last time that you saw him?

A. The last time I saw him is when I visited Mr. Natale in prison and he was visiting with his wife or someone.

Q. Do you know Philip Testa?

A. Yes, I do.

Q. How long have you known Philip Testa?

A. I don't know, to be honest with you. I don't know when I met him. I've known him for awhile, yes.

Q. Did you meet him through Mr. Martorano and Mr. Natale?

A. Probably, yes.

Q. And how long ago was that?

A. I don't know.

Q. Have you ever been to his home?

A. Yes.

Q. On how many occasions?

A. A couple.

Q. Have you heard that Mr. Testa is involved in organized crime?

A. Yes.

Q. And how did you hear about that?

A. From the newspapers.

Q. Did you ever ask Mr. Testa about what you had read in the newspapers?

A. No, I did not.

Q. When is the last time that you saw Mr. Testa?

A. Maybe a couple of weeks ago or something like that.

Q. And where did you see him?

A. At a restaurant in Philadelphia.

Q. What restaurant was that?

A. Virgilio's.

Q. Does Mr. Testa know Mr. Martorano?

A. Yes.

Daidone Explains His Friends

Concluding his testimony, Daidone contended his friendships and associations had no bearing on his "trust duty" as an officer of his labor union local. The questioning proceeded:

Q. Mr. Daidone, you have stated that you have been associated with Mr. Martorano, Mr. Testa, Mr. Vadino, Mr. Natale, all who have been identified to you through the newspapers as being involved with organized crime. You have also stated that you have never questioned these individuals about their association with organized crime. Do you think that it is in the best interests, because of your trust position with the union, to continue to associate with these individuals?

MR. SAL DAIDONE (witness' counsel): I would like to know what trust position you're talking about, number one; number two, I would like to know what you're talking about when you use the word "friendship" since you understand that Mr. Daidone happens not only to be a bartender, but also happens to be a tavern owner, all those things before you ask a loaded question to which you cannot expect any honest answer without consulting me and sitting with your staff to find out just what you're talking about.

THE CHAIRMAN: Let me ask a question. Do you think an association with these men that counsel has just enumerated reflects in any way on your position with the union?

(The witness confers with counsel.)

THE WITNESS: Okay. I own a restaurant. I associate with a lot of people. I have friends that are priests, I have friends that are politicians. I can't say that I have one specific group that I'm closer to than another.

Q. Have any of the friends who are priests or politicians been identified as members of organized crime in the newspapers?

A. I don't know.

Q. Your position with the union is that of vice-president; is that correct?

A. Yes.

Q. And as vice-president of the union, do you consider that you have a trust duty to the members of your union?

A. Yes.

Q. And do you think that your association with members, who have been identified by the newspapers as members of organized crime, without your questioning that fact, is in the best interests of the union?

(The witness confers with counsel.)

A. Because I associate with a group of people, that doesn't necessarily mean that my knowing them or my socializing with them will have any bearing on what I do for my union. I only do for my union what I feel is beneficial for my union, and I'll get up out of a bed at one o'clock in the morning to help someone that has been fired. Are you suggesting that I should call someone to help me get up out of bed and go solve a problem? I take care of my people.

Q. Are your people also Mr. Martorano, Mr. Testa, Mr. Vadino and Mr. Natale?

A. They're friends. If you were my friend and you called me in the middle of the night, I'd get up for you.

Paperworkers' Leader Refuses to Answer Questions

Carlos Simone, international representative of the Paperworkers Union, Local 286, refused to answer questions about his dealings with Larry Smith and Rittenhouse in connection with the dental health care plan Rittenhouse administered for his union local members:

Q. Mr. Simone, where do you currently reside?

A. 105 South Mansfield Boulevard, Cherry Hill, New Jersey.

Q. And what is your date of birth?

A. 8/31/34.

Q. Mr. Simone, what is your current occupation?

A. I respectfully decline to answer that question on the advice of counsel.

- Q. And who is the proprietor of John's Vending when you worked there?
- A. It was my wife and my brother and his wife.
- Q. What's your brother's name?
- A. John Martorano.
- Q. Well, for what period of time did you work for your brother's firm?
- A. Oh, many years. I don't remember how many years.
- Q. Well, when did you cease working for him?
- A. I think it was this year.
- Q. And what was the reason that caused you to leave your brother's firm and go on to a different one?
- A. I just wanted to work for myself and other companies.
- Q. Well, can you fix a time with respect to when you left John's Vending?
- A. It could have been around April or May, something like that, sir.
- Q. April or May of what year?
- A. This year.

Martorano was particularly reluctant to discuss dental care plans, disclaiming any knowledge of Local 33's arrangements with Larry Smith and the Rittenhouse consulting company. He also insisted that neither he nor his organized crime superior Bruno ever shared any of the proceeds from dental plan operations. His testimony continued:

- Q. Now, Mr. Martorano, with regard to the aforescribed scope of this public hearing, that is to say, the inquiry into the health-care plans, more particularly, dental-care plans, did any of the companies by which you were employed and you are presently employed now have a dental plan?
- A. Not to my knowledge, no, they don't, sir.
- Q. Have you ever heard of a company called Rittenhouse Consulting Enterprises?

- A. To my recollection, no, sir.
- Q. Well, if I were to tell you that that company had a president by the name of Lawrence Smith, would that help your recollection any?
- A. It wouldn't, sir. To my recollection, I don't know the company, sir.
- Q. Do you know Lawrence Smith?
- A. I've heard of the name. I don't know him.
- Q. From what source have you heard of the name?
- A. I might have read in the newspapers or some charity affair I might have met him. I never met him, but I might have heard the name that way. But I know the gentleman. Don't know what he looks like.
- Q. May have been as a result of reading newspapers?
- A. Could be. I don't know, sir.
- Q. Well, in that context, when you read the name Lawrence Smith, did it allow you to learn what business Mr. Smith was in?
- A. I have no interest, sir, in Mr. Smith or any other Mr. Smiths.
- Q. I'm not asking you that you have interest in him. I'm asking whether you know --
- A. No.
- Q. -- what business he was in.
- A. I wouldn't be concerned.
- Q. You would not be concerned with it?
- A. No, sir.
- Q. Have you ever heard of a company by the name of North American Dental Plans?
- A. No, I never heard of up until I read in the paper yesterday. I think you asked me that question before. Never heard of the company before, sir.

Q. You say you read in the paper yesterday. In what context did you read that company name?

A. It was in the newspapers yesterday about it.

Q. What was the story about?

A. Oh, I don't remember, sir. Something about the dental something. I don't know.

Q. This is yesterday's paper?

A. Or this morning's paper, something like that.

Q. But you can't recall anything other than just the name?

A. No, sir, I'm not interested.

Q. Well, along the lines of North American Dental Plan, did you hear or read associated with that company the name Joseph Cusumano?

A. Now, you said that before, sir. I don't think I know the gentleman, sir. To my best recollection, I don't know him.

Q. Well, between the time I said it to you before and as you sit here today, have you searched your memory as to whether you do know a Mr. Cusumano?

A. No, to my recollection, I don't sir.

* * *

Q. Well, Mr. Martorano, there was a time, or perhaps more than one time, where Lawrence Smith, president of Rittenhouse Consulting Enterprises, in fact, shared proceeds with you, didn't he?

A. What was that?

Q. You didn't hear the question?

A. I don't even know what you're talking about, sir. No, sir, I don't even know Lawrence Smith.

Q. Well, is the answer no, then?

A. No, sir, definitely not, sir. It's a damn lie.

- Q. Well, Mr. Martorano, perhaps with regard to you recalling the name Lawrence Smith, I'll approach it a different way. You know Angelo Bruno, do you not?
- A. Yes, sir.
- Q. And again, if you will, how would you characterize your relationship or acquaintance with Mr. Bruno?
- A. He was a very dear friend of mine, sir.
- Q. And for what period of time?
- A. Oh, my God. Fifteen, twenty years, sir.
- Q. Was he ever at any time during that fifteen or twenty years a business acquaintance of yours? Did you have a business relationship in any way --
- A. Yes, sir.
- Q. -- with Mr. Bruno?
- A. Yes, sir.
- Q. What was that, sir?
- A. We worked together, sir, as salesmen.
- Q. Where?
- A. At John's Wholesale Company, sir, John's Vending.
- Q. What was Mr. Bruno during the course of time he worked there?
- A. Salesman, sir.
- Q. Would you characterize Mr. Bruno's job as the same as yours? By that I mean he sold vending machines.
- A. Yeah, the same as mine, a salesman, sir. We worked together.
- Q. During the course of these, well, years, I suppose, that you knew Mr. Bruno, Mr. Bruno ever tell you that he was involved in organized crime?
- A. No, sir.

Q. Have you ever heard of the term "La Cosa Nostra"?

A. I heard the term, yes, sir.

Q. From what source of sources have you heard of the term "La Cosa Nostra"?

A. In the newspapers, sir.

Q. Is it fair to say that you had, we'll say, read the term "La Cosa Nostra" many, many times over the course of years in the newspapers?

A. Yes, sir.

Q. And along those lines, you also read it in context with your friend Angelo Bruno, did you not?

A. Yes, sir.

Q. And would you tell the Commission, at least in summary, what the articles would say about Mr. Bruno in relation to the La Cosa Nostra?

A. I don't recall, sir.

Q. Well, with regard, again, now to Mr. Bruno -- and if this helps you recall the name Lawrence Smith, please tell me -- have you ever heard or do you have any knowledge of Lawrence Smith at any time ever having shared proceeds from his dental plan operations with Angelo Bruno?

A. No, sir.

Q. How about that same question with respect to Ralph Natale?

A. My recollection, no, sir.

Q. To your recollection, anyway?

A. No, sir.

(There is a brief pause.)

Q. I just have one last question. Mr. Martorano, have you ever facilitated or in any way helped anyone contract with the union in order to furnish them a dental plan?

A. No, sir.

Q. Never at any time? You never recommended anyone to any of your union friends?

A. No, sir.

It was apparent from Martorano's testimony that either he never discussed Local 33's dental plan with those who were familiar with it or he didn't wish to admit that the subject ever came up. For example, he associated frequently with Al Daidone, the local's vice president, visited often at Daidone's Philadelphia restaurant, the Intermission, and knew the same mob people Daidone knew -- but could not recall ever discussing the local's dental plan. He was asked about Daidone:

Q. How is it that you know Mr. Daidone?

A. I know him for years, sir.

Q. Well, how did you meet him?

A. Working as a bartender, I think, sir.

Q. Well, do you know what Mr. Daidone's business is?

A. He's with the union, sir.

Q. Do you know what union?

A. The Bartenders and Hotel Workers Union, sir.

Q. To your knowledge, is that presently known as Local No. 33, formerly Local No. 170?

A. I think that's it, sir.

Q. Well, how would you describe your relationship with Mr. Daidone?

A. He's a friend of mine, sir.

Q. Would you say you're good friends, hardly know one another? How would you --

A. I would say, good friends, sir.

Q. And over the course of these years that you have known Mr. Daidone, you are in relative frequent contact with him; are you not, perhaps on a daily basis or every other day?

A. Yes, sir.

- Q. And during these numerous occasions that you are with Mr. Daidone, do you have an occasion to discuss union business with him?
- A. Sometimes, but I don't know if it's any importance. I don't remember, sir. Sometimes I did, sometimes. I don't remember on what occasions, though.
- Q. Well, in relationship perhaps to the time when you had read about, from the newspapers, in any event, about N.A.D.P., North American Dental Plan, or any other dental plans, did you ever discuss with Mr. Daidone, knowing that he was in a union, whether he had a dental plan or not?
- A. No, sir, my recollection, I never did, sir.
- Q. Let me put it a different way. Do you know whether, in fact, Mr. Daidone's union, at least, the welfare board of that union, does have a dental plan?
- A. No, I wouldn't know, sir.
- Q. You say you wouldn't know?
- A. No.
- Q. Why would you not know?
- A. I have no interest to know. I wouldn't have no interest to be interested in knowing.
- Q. Well, how about as a result of the articles that appeared in the paper; did that ever arouse your interest to discuss with Mr. Daidone words to the effect to say like do you have one of these dental plans?
- A. No, sir, I don't discuss it. I might have, but I don't remember, sir. I have no interest.
- Q. You have no interest in it?
- A. No, sir.
- Q. Now, Mr. Daidone, over this course of the years that you have known him, has businesses other than being connected with a union; isn't that so?
- A. He owns a restaurant, sir.

- Q. What's the name of that?
- A. Intermissions.
- Q. Where's that located?
- A. In Philadelphia, sir.
- Q. Have you frequented that place?
- A. I go there and eat, have lunch and dinner, sir.
- Q. Do you know a Franky Vadino, do you not?
- A. Yes, sir.
- Q. How is it you know Mr. Vadino?
- A. I know him for years, sir.
- Q. Well, how is it that you got to know him?
- A. He's from downtown, sir. You know, it's a guy that I see downtown quite often for years.
- Q. When you say, "He's from downtown," what I'm suggesting is, how is it that you met Mr. Vadino or, at least, heard the name Vadino?
- A. I know him for years, sir.
- BY MR. RHOADS:
- Q. Mr. Martorano, I'm going to show you what's been marked Commission Exhibit 21 for identification. It's a photograph depicting amongst others four individuals. Reading from left to right, could you identify those individuals for us?
- A. Yes, sir. That's Tony, Al, me and Franky.
- Q. Well, can you give us last names, do you think?
- A. Oh, well, that's Tony, I think Tony Amato. That's Al Daidone. That's me, and that's Frank Vadino.
- Q. Now, the gentlemen you identified for purposes of the record as the one appearing on the far right side, and that is the Mr. Vadino that you said had worked at Intermissions; is that so.

- A. He didn't work there. I never said he worked at Intermissions.
- Q. Well, on the occasions that you have been to Intermissions, have you ever seen that gentleman, Mr. Vadino, there?
- A. Yes, he's there.
- Q. What would he be doing? Would he be sitting having dinner, having a drink, or sweeping the floors?
- A. No, eating, having lunch or dinner, or talking to somebody at the bar.
- Q. Well, over the course of the time that you know and have known Mr. Al Daidone, did Mr. Daidone in any way ever impart to you that Mr. Vadino helped him run the bar?
- A. He might have said that. I don't know if he helped him or not, sir. I don't know.
- Q. Well, not that he might have said it. Do you have any specific recollection whether Mr. Daidone, in fact, ever told you that Franky Vadino helped him in the bar.
- A. To my recollection, I don't remember him saying that.
- Q. How long -- and if you have answered this, excuse me, but I would like to hear it again. How long have you known Mr. Vadino?
- A. Oh, many years, sir.
- Q. Many years. And how would you describe your relationship with Mr. Vadino?
- A. Oh, friendly. I'm friendly with a lot of people, sir. I'm a friendly fellow.
- Q. Well, again, would you say that you're good friends, passing acquaintances? How would you characterize it?
- A. Friendly, friendly, friendly.
- Q. Well, Mr. Martorano, over the course of time that you have known Mr. Vadino, have you ever known him to be involved in narcotic trafficking?
- A. No, sir.

Q. Never had any knowledge of Mr. Vadino being arrested or convicted for narcotic trafficking?

A. Yeah, he was arrested, sir.

Q. Well, then, you do know of the fact that he was involved in narcotic trafficking, don't you?

A. The newspaper --

Q. Do you now know, at least, of his arrest for narcotic trafficking, do you not?

A. I read that in the newspapers, sir.

Q. Did you ever talk to Mr. Daidone about it?

A. I might have. I don't remember talking about it. I could have.

Martorano's testimony became suddenly confusing when he was questioned about Ralph Natale, the former Local 33 official who had initiated the dental plan arrangements with Larry Smith and Smith's Rittenhouse consulting company:

Q. The fact is Mr. Vadino was also arrested with someone else, wasn't he?

A. According to the newspapers, he was, yes, sir.

Q. Who was the someone else he was arrested with?

A. It was this Ralph Vitale.

Q. It was Ralph Natale?

A. Vitale. I think it's Vitale. I don't know if I'm pronouncing it.

Q. Ralph Vitale?

A. Yes.

Q. Is it V-i-t-a-l-e?

A. Could be. I don't know the correct spelling.

MR. RHOADS: Could I have a moment, please.

(There is a brief pause.)

Q. Well, Mr. Martorano, you know a Ralph Natale, don't you, N-a-t-a-l-e?

A. Yeah.

Q. Well, was he the individual that you're trying to recall that was arrested --

A. Yes, sir.

Q. -- with Franky Vadino?

A. Yes, sir.

Q. It's Ralph Natale, isn't it.

A. I don't know how you pronounce the second name, but I know it's Ralph.

Q. This Ralph Natale or Vitale that you know, how long have you known him?

A. Oh, many years.

Q. Many years?

A. Yes, sir.

WITNESS' COUNSEL: I apologize for his inability to pronounce it correctly.

COMMISSIONER FRANCIS: Could it be another reason, Counsellor? Would it be that he knows the gentleman very well and doesn't want to admit it?

WITNESS' COUNSEL: No. He admitted that. If he can't spell it correctly, I'm sorry about that.

COMMISSIONER FRANCIS: Is that your testimony? Is it Mr. Natale?

THE WITNESS: It could be.

COMMISSIONER FRANCIS: Is his first name Ralph?

THE WITNESS: Yes.

COMMISSIONER FRANCIS: Is he the gentleman that was arrested with Frank Vadino?

THE WITNESS: Yes, sir.

COMMISSIONER FRANCIS: Thank you.

- Q. Just for purposes of the record, at this point, Mr. Martorano, you testified before this Commission on November 7th, 1980, sitting in executive session, and at Page 21 of the transcript, line 23, I asked, "That conviction was in association with Mr. Natale, was it not?" And for purposes of context, that's in relationship to Mr. Vadino. And your response was, "Yes, sir."
- A. Well, --
- Q. So, at Counsel's request, I do read that back to you, and the fact is it is the Ralph Natale we are discussing.
- Now, Mr. Martorano, in what business, at least prior to Mr. Natale's conviction, was Mr. Natale in, to your knowledge?
- A. He was in the union business.
- Q. And what was he in the union business?
- A. He was a union -- it's a union business, a union man.
- Q. Was he an official of the union?
- A. Oh, yes. Yes, sir, he was.
- Q. Do you know what title, if any, he had?
- A. Oh, I don't know what title. But he was a boss there; was a union official, sir.
- Q. Well, do you know the name of the union that he was associated with?
- A. With the Bartenders and Hotel Workers.
- Q. If I were to tell you it was Local No. 170, would that refresh your recollection?
- A. Could be. It could be, sir.
- Q. And that union that Mr. Natale was associated with is, in fact, the same one that Mr. Albert Daidone is presently associated with --
- A. Yes, sir.
- Q. Do you know that?
- A. Yes, sir.

- Q. By the way, of your own knowledge, do you have any knowledge of why the union changed from Local 170 to Local 33?
- A. No, I wouldn't know, sir. I have no knowledge.
- Q. No, over the course of the years -- well, again, if I may go back, how would you describe your relationship with Ralph Natale?
- A. He was a friend of mine, sir.
- Q. Well, again, could you characterize that for us? Is he a good friend, best friends, what?
- A. He's a friend, sir. I know him for years. He's a bartender. I know him when he worked as a bartender, fifteen, twenty years. He's a friend.
- Q. Well, during the time that you were aware of Mr. Natale being a union official, were you aware whether Mr. Natale's union had the benefit of a dental plan?
- A. No, I wouldn't know that, sir.
- Q. Well, did you ever hear of N.A.D.P., more particularly, North American Dental Plan, in association with Mr. Natale's union?
- A. I never heard it until you told me, sir, the name.
- Q. Well, Mr. Martorano, you were aware, were you not, that, amongst other sources, Mr. Natale was deriving income from Lawrence Smith via Mr. Smith's dental ventures, were you not?
- A. No, I don't know that, sir. No, sir.
- Q. You never discussed anything like that with Ralph Natale?
- A. No, sir. It's none of my business.
- Q. Well, again, I don't ask whether you characterize it as your business or not, only whether you did or did not.
- A. No, I didn't, sir.

SCI's Rittenhouse Audit

The key question in the Commission's probe of the South Jersey dental plan scheme was: What happened to the more than \$150,000 in unexplained cash that Larry Smith churned through his Rittenhouse consulting company in 1978? The mystery was exposed by the SCI's accounting staff after many months of scrutinizing the personal and corporate books and records of those involved in the scheme -- particularly the Rittenhouse records.

To lay the foundation for the later appearances of Smith and his bookkeeper as public hearing witnesses, the Commission questioned Frank J. Zanino, its senior investigative accountant, who held that same position during his previous employment with the U.S. Internal Revenue Service. Before he began his 30 years in the investigative accounting profession, Zanino obtained a degree in business administration at St. John's University, where he majored in accounting.

Zanino accompanied his testimony with various charts to clarify his commentary and to provide a standing reference for later discussions of the complicated money flow that the Rittenhouse dental plan operations generated. Zanino's testimony:

- Q. Mr. Zanino, in the course of your duties as an investigative accountant assigned to the State Commission of Investigation, did you have an occasion whereby you were assigned the task of investigating, at least in part, the health-care investigation that the S.C.I. is currently conducting these hearings on?
- A. Yes, sir.
- Q. And more particularly, during the course of your investigative work, were you assigned to doing investigative accounting analyses of corporations, to wit, N.A.D.P., North American Dental Plan, Rittenhouse Consulting Enterprises, Inc.?
- A. As to the first named corporation, very little. As to the second named corporation, Rittenhouse Consulting Enterprises, Incorporated, I did a detailed analysis of their receipts and expenditures for the calendar year 1978.
- Q. And upon what, if anything, were those analyses based?
- A. They were based on books, records, bank statements, cancelled checks and other financial data supplied by Rittenhouse Corporation in answer to subpoenas served by this Commission.

Q. All right. Now, Mr. Zanino, directing your attention to the chart,* which has been previously marked Commission Exhibit C-4, as a result of the data that you obtained pursuant to the subpoenas, did you have an occasion to direct the compilation of this chart?

A. Yes, sir, I did.

Q. Just in general terms, what does this chart depict?

A. This chart depicts the total amount of moneys received by Rittenhouse Consulting Enterprises, Incorporated, from all sources, both income, loans and any other source that may have generated money into the business.

THE CHAIRMAN: For what period of time?

THE WITNESS: During the course of the calendar year 1978, sir.

BY MR. RHOADS:

Q. Now, in more particularity, I'll direct your attention to what I will call the first block, left-hand upper portion of this diagram, and it reads "Consulting," then off to the left, "N.A.D.P., TRP, Inc. Directing your attention to "N.A.D.P.," what does that stand for?

A. N.A.D.P. stands for North American Dental Plan.

Q. TRP, Inc.?

A. TRP, Inc., is a corporate name for a trucking and warehousing firm out of state.

Q. Did Mr. Smith have anything at all to do with that, Lawrence Smith?

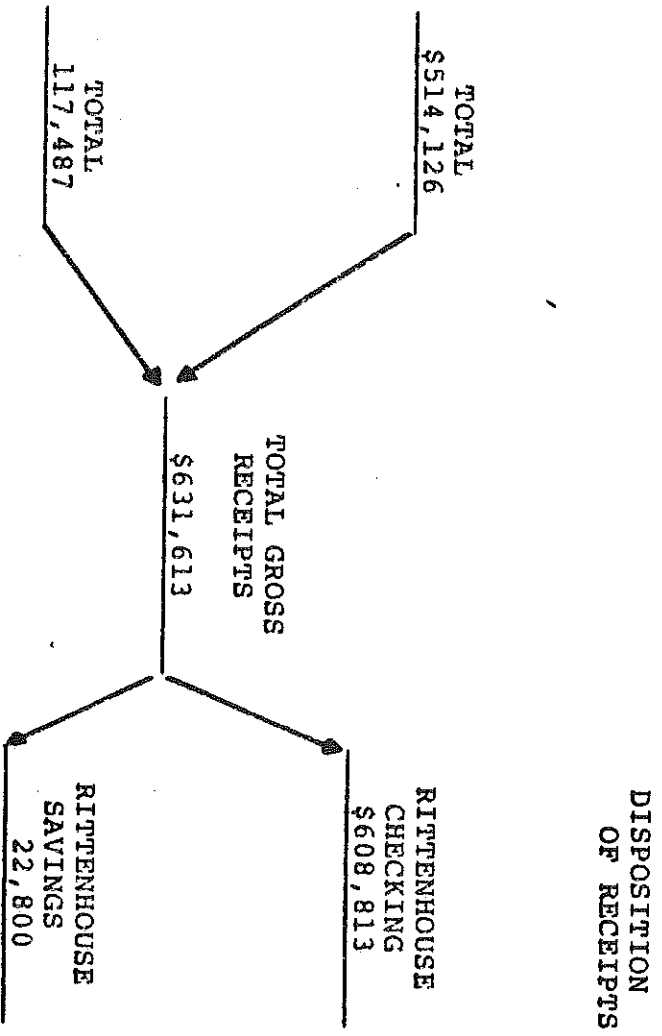
A. His firm, Rittenhouse Consulting, acted in the capacity of consultant to the firm TRP, Incorporated, and for such services received monthly income.

*See Chart, P. 58

1978 RITTENHOUSE RECEIPTS

INCOME

CONSULTING		
N.A.D.P. TRP, INC.		\$207,096 76,713
ADMINISTRATING		
Local	830	67,031
Local	286	72,451
Local	170	82,335
Local	1034	3,500
MISCELLANEOUS		
S.A.I.		5,000
OTHER RECEIPTS		
Fidelity B.F.T., Co. Exchanges		104,000 13,487



- Q. Now, Mr. Zanino, reading off to the right, N.A.D.P., there's a figure \$207,096. What does that represent?
- A. That represents the total sum of consulting income that Rittenhouse received from the dental plan during the course of 1978.
- Q. Well, then, am I correct, then, in stating that this is income derived as a result of Rittenhouse's venture as a consultant to North American Dental Plans?
- A. That's correct, sir.
- Q. And, again, TRP, Inc., \$76,713. What does that represent?
- A. That represents Rittenhouse income acting as consultant for TRP, Incorporated, for the entire year '78.
- Q. Now, reading down, the next block, which would be the middle block of the upper portion of the diagram, it reads, "Adminis-
trating," and it lists various locals; 830, 286, 170, 1034. Before we go into any figures, what does this diagram mean when it says "Administrating" with the locals listed underneath it?
- A. The books and records of Rittenhouse Consulting Enterprises, Incorporated, broke their receipts down into basically these two categories. The second category termed "Administrating," we were led to understand, meant performing clerical work and other ministerial duties for the respective locals, particularly in reference to their health and welfare plan, their pension plan, their severance plan, and in one or two of them also supplied some form of data processing service.
- Q. All right. Mr. Zanino, then, am I correct in stating that the work Rittenhouse Consulting Enterprises, Inc., is performing for these various locals is independent of the work it performed at N.A.D.P. wherein they got paid \$207,000?
- A. That is correct, sir.
- Q. In reading down, you have a miscellaneous figure with S.A.I. Would you explain what those initials stand for?

- A. S.A.I. is the abbreviation for a corporation called Specialized Assurance, Incorporated. This corporation is related to Rittenhouse Consulting Enterprises, Incorporated, and on an annual basis draws a check payable to Rittenhouse Consulting Enterprises for clerical work done on behalf of S.A.I. by employees who are normally on the Rittenhouse payroll.
- Q. All right. What we will continue to characterize, then, as S.A.I., again is independent of N.A.D.P., is it not?
- A. That is right, sir.
- Q. Now, looking further down, it reads, "Other Receipts, Fidelity," I assume, Bank and Trust, and "Exchanges." Sticking with Fidelity, reading across, \$104,000. What exactly is that income to Rittenhouse?
- A. In the latter part of 1978, I believe in November of 1978, Rittenhouse obtained a working capital loan from the Fidelity Bank and Trust Company in a total amount of \$150,000. At that particular point they still owed the bank 46,000, so they received a credit of \$104,000 in the corporate checking account.
- Q. Now, sir, you have a total, and the total receipts, total gross receipts, I should say, are \$631,613. Is that so?
- A. That is correct, sir.
- Q. Now, does that constitute, this figure that I have just alluded to, does that constitute the gross receipts for Rittenhouse for the year 1978?
- A. That is correct, sir.
- Q. Now, reading across, you have "Disposition of Receipts." Receipts, of course, I take to mean disposition of the gross income. Is that so?
- A. That is the disposition of gross income and other monies from other sources as represented by the lower box with a total of \$117,487.

Q. Reading across, it says, "Rittenhouse Checking, \$608,813". Now, what exactly does that signify?

A. That indicates that during the course of the twelve months in 1978 a total of \$608,813 was deposited in the checking account for the corporation, Rittenhouse Consulting Enterprises.

Q. And directly below that on the chart, "Rittenhouse Savings." Again, would you explain what that is?

A. The Rittenhouse Consulting Enterprises, Incorporated, maintained a savings account as well as a corporate business account. The \$22,800 represents the total amount of deposits put in the account during the calendar year 1978.

Zanino testified that only Larry Smith, the president of Rittenhouse, and his secretary, Libby Kolman, were authorized to write checks or withdraw savings from Rittenhouse's accounts. He then went on to explain the disposition of the \$631,000 in Rittenhouse receipts for 1978:

Q. Now, with regard again now to the overall chart, excuse me, we're left with Rittenhouse checking, wherein this amount is deposited, and the savings account. As a result of arriving at those figures during the course of your investigation, did you then go on to determine the further disposition of those amounts?

A. Yes, sir.

Q. Again, along those lines, did you have an occasion to comprise a chart much like this one?

A. Yes, sir, we composed a very similar type chart disclosing the disposition of the funds \$631,613.

Q. For the record, this has been marked CS-5* for identification. Again, for the record, it is "1978 Rittenhouse Application of Funds Received." So, again, we are confining ourselves to the calendar year 1978.

*See Chart, P. 62

1978 RITTENHOUSE

APPLICATION OF FUNDS RECEIVED

Total Receipts	\$631,613			
CORPORATE OPERATIONS			\$181,077	
FEDERAL AND STATE TAXES			29,000	
Salary (Net)	\$162,314			TOTAL TO LARRY SMITH:
Cashed Checks Charged to Operations	13,200			421,536
Loans & Exchanges	246,022			

Now, Mr. Zanino, I will direct your attention to the left-hand portion of the chart, which I will characterize as the beginning of the chart, and it reads, "Total Receipts \$631,613." What amount does that signify?

A. That is the same amount as we had on the first chart, and it indicates the total amount of monies received during the calendar year 1978 by Rittenhouse Consulting Enterprises, Incorporated.

Q. Okay. Just for continuity, then, that signifies the checking account amount and the savings account amount?

A. Yes, sir.

Q. Now, you have spun off from this amount various labels with amounts on them, and I'll start from the top. We have "Corporate Operations," and just sticking with that term for a moment, will you explain to us what that means?

A. "Corporate Operations" indicates expenditures on behalf of the corporation for operating expenses, such as rent, light, heat, power, telephone, office salaries, office supplies, miscellaneous expenses, travel and entertainment expenses, anything that was spent relative to the operation of the corporation in a given period, namely 1978.

Q. Mr. Zanino, how much, in fact, was spent by Rittenhouse during that calendar year?

A. During the calendar year 1978 Rittenhouse spent for corporate operations, other than executive salary and Federal and state taxes, \$181,077.

Q. Now, dropping down to the next line, we have Federal and state taxes. Now, that seems explanatory to me. That's his tax return. Is that right?

A. That is the corporate return paid to the Federal Government and, also, the State of New Jersey on the corporate business tax return.

Q. And that amount is?

- A. \$29,000.
- Q. Going down, I read, "Salary (net)," and what does this refer to?
- A. That refers to Mr. Smith's total salary of \$192,000 less the various payroll deductions for Federal state withholding tax, disability insurance, and social security payments, so that the net of the 192 drops to \$162,314 in cash, in cash being the total amount of the checks.
- Q. Sir, I just wanted to ask you one question with respect to the salary. Is this salary to depict the salary that went to Mr. Smith as an individual or is this the payroll for Rittenhouse?
- A. That is merely the salary for Mr. Smith, the executive officer of Rittenhouse Consulting Enterprises, Incorporated, in 1978.
- Q. Fine. Now, dropping down, it reads, "Cashed checks charged to operations." What do those terms mean?
- A. During the course of the analysis of the cash disbursement records of the corporation, there were several checks drawn payable to cash, and Mr. Smith was the recipient of the cash of \$13,200.
- Q. And again going down, the last term you have is "Loans and Exchanges," a figure reading across is \$246,022. What does "Loans and Exchanges" mean?
- A. Loans and exchanges is an account maintained in the normal course of business by an accountant or a bookkeeper for any specific business, and it reflects monies that were borrowed from the specific entity by any, any third-party; that is, other than the corporation itself.

In the instant case, the analysis of the loans and exchanges account indicated that, during the course of 1978, Mr. Smith personally borrowed from the corporation \$246,022.

- Q. Okay. Now, reading across from these three, last three bracketed items that we just discussed, there appears to be a grand total, 421,536. What exactly does that mean?

A. That total, \$421,536, indicates the total amount of monies that Mr. Smith got from Rittenhouse Consulting Enterprises, Incorporated, during the course of 1978.

Q. All right. Well, then, am I correct in stating it this way: That in 1978, thus far we find that Larry Smith has available to him, and did have available to him, this amount of money during the course of that calendar year?

A. That is right, sir.

THE CHAIRMAN: That salary figure of 162,314, was that salary solely to Mr. Smith?

THE WITNESS: That is right, Commissioner.

THE CHAIRMAN: And the 421,536, when you say it was available to Mr. Smith, do you mean that he actually received it?

THE WITNESS: The \$421,536 represents monies that went directly to Mr. Smith personally and in some instances to third parties such as vendors of various personal items where Mr. Smith was the beneficiary of the services or the items.

THE CHAIRMAN: Then he received in hand, or took from the company, in one form or another, 421,536 in that year?

THE WITNESS: Yes, sir.

MR. RHOADS: May I have the next chart,* please.

Q. Now, for continuity sake, we're left with a figure of 421,536 enuring in some fashion to the benefit of Larry Smith. Is that somehow depicted here?

A. Yes, sir. It's the first bracketed section of the particular chart in front of you, which reads, "1978 Larry Smith, Funds Available."

*See Chart, P. 66

1978 LARRY SMITH
FUNDS AVAILABLE

RITPENHOUSE

Salary	\$162,314	}	\$421,536
Loans & Exchanges	246,022		
Corporate Expenses	13,200		

SPECIALIZED

Salary	23,827	}	108,928
Loans & Exchanges	85,101		

PERSONAL FUNDS

Fidelity Bank	43,333	}	283,321
Friendly Bank	52,000		
Savings Certificates	187,988		

MISCELLANEOUS

Sale of House	11,265	}	22,454
Unidentified	11,189		

\$836,239

- Q. Now, I won't belabor this. Dropping down, we have "Specialized," and it reads, "Salary, Loans & Exchanges," What's the significance of Specialized, if any?
- A. As I testified before, Specialized actually stands for the corporation known as Specialized Assurance, Incorporated. Again, Mr. Smith is the sole stockholder of that particular corporation. He received a salary from that corporation in the amount of \$25,000 during the course of the calendar year 1978. The figure depicted of \$23,827 is the net salary he received after the payroll deductions mentioned relative to Rittenhouse; primarily Federal and state withholding tax, social security tax, disability.
- Q. Fine. As we said for the Rittenhouse money, the same could be said for the Specialized money, that is the \$108,928 in some fashion enures to the benefit of Mr. Smith in '78; isn't that so?
- A. That is correct, sir.
- Q. Dropping down, we have "Personal Funds, Fidelity Bank, Friendly Bank, Savings Certificates." Just explain those briefly, please?
- A. In addition to the corporate bank accounts, Mr. Smith maintained personal checking accounts and personal savings accounts in the two named banks, and, also, was the owner of bank savings certificates drawn against the Philadelphia Bank and Trust Company.
- Q. What's the bottom figure coming out of these personal funds?
- A. The total amount of monies coming out of his personal funds was \$283,321.
- Q. Now, the last area that we have marked on this chart reads, "Miscellaneous, Sale of House," which again to me is self-explanatory \$11,265. That's proceeds he derived, I assume, from the sale of property he owned. Is that so?

- A. I cannot say that he owned the property, Mr. Rhoads. All I know is that on a specific date there was a deposit in Mr. Smith's personal bank account in the amount of \$11,265. The source of that money was a check which indicated that it was the proceeds from the sale of a house.
- Q. All right. Now, Mr. Zanino, then, for 1978 what was the grand total amount of funds available to Mr. Smith?
- A. Mr. Smith had available to himself for personal use during the course of 1978 a total of \$836,239.
- Q. Now, with regard to this figure of the funds that were available to Mr. Smith, did this cause you, then, to go further on to determine the disposition, if any, of those funds in '78?
- A. Yes, sir, it did.
- Q. And, again, did that cause you to have a chart made up much like this one?
- A. Yes, sir, as a result of our analysis we prepared a chart showing the disposition of funds.
- MR. RHOADS: May I have CS-7.
- Q. Mr. Zanino, for the record, we are now referring to what's been marked Commission Exhibit 7,* and would you just tell us how you would label this chart? What does it depict, in general terms?
- A. That chart depicts the disposition or use that Mr. Smith made of the \$836,239 that we had ascertained were available to him from all sources during the course of '78.
- Q. Starting at the top, on the depositories reads, "Realty Transaction: \$57,612." Was that for the purchase of some property or what-have-you that Mr. Smith made in that year?
- A. That is right, sir.

*See Chart, P. 69

1978 LARRY SMITH

FUNDS AVAILABLE AND UTILIZED

	- Realty Transaction	\$ 57,612
	Acquisition of Saving Certificates	322,843
	Acquisition of Bank Checks	16,429
	PAYMENTS TO THIRD PARTIES	250,553
	Vendors	\$141,000
	Related Corps.	89,708
	Related Individuals	3,750
	Untraced Vendors	16,095
	PERSONAL TAXES	34,948
	Federal	30,564
	State of N J	4,384
\$836,239	UNEXPLAINED CASH ON HAND	153,854

Q. Dropping down, "Acquisition of Savings Certificates, \$322,843." Would you just explain what kind of savings certificates are we talking about here?

A. These are primarily short-term certificates of deposit, which Mr. Smith had acquired from the Fidelity Bank and Trust Company. During the course of 1978 he purchased \$322,843 worth of certificates. Part of the funds used to acquire these certificates resulted from the maturity of some short -- other funds, and, in essence, he could conceivably have said to have rolled them over.

On the first chart we showed that he had available to himself from savings certificates approximately \$190,000. That, plus the difference to 322,000 represents savings certificates that Mr. Smith acquired jointly in his name and his wife's name during '78.

Q. Now, you have -- well, strike that for a moment. You used the term "rolling over." What does that mean?

A. When the savings certificate matured, he had an option of taking the proceeds, which would actually be his cost price, plus the accrued interest, in the form of a check or he could go out and buy a new certificate for the total amount of principals and accrued interest.

Q. Thank you.

Now, you have "Acquisition of Bank Checks." I assume there's a difference between a bank check and a savings certificate?

A. Yes, sir.

Q. What is it?

A. A bank check merely represents a check drawn on the bank which has been acquired primarily for cash by an individual and made out to a vendor or a payee of the individual's choice.

Q. And what amount was that for '78?

- A. During the course of '78, we were able to ascertain that Mr. Smith personally or was responsible for the purchase of \$16,429 worth of bank checks from the Fidelity Bank and Trust Company.
- Q. Now, reading down, "Payments to Third Parties," we have four different areas. I'll start with the top. It reads, "Vendors, \$141,000." Just briefly, what vendors are we talking about?
- A. During the course of 1978, Mr. Smith had some improvements done to his home. What we represent as vendors are primarily contractors that worked on renovations to the home, and decorating companies, furniture companies which helped refurbish it.
- Q. The next area is "Related Corporations, \$89,708." Are they corporations owned by Mr. Smith or what-have-you? What are they?
- A. Again, these corporations are corporations wherein the records disclosed that Mr. Smith is the sole stockholder. Our analysis of the disbursements made by Rittenhouse Consulting and Specialized Assurance indicated that certain monies that were charged or that were Mr. Smith's responsibility went back into the corporations, primarily Rittenhouse Consulting Enterprises, Specialized Assurance, Eastern States Casualty Agency, Incorporated, and Drew Insurance Company.
- Q. Reading down, "Related Individuals, \$3750." That's sister, brother, mother, whatever. Is that what that means?
- A. Primarily, his brother received the \$3750 from Rittenhouse and Mr. Smith assumed responsibility for it.
- Q. All right. Now, you have vendors again, and you have it characterized as "Untraced Vendors." What does that mean?
- A. Untraced vendors with the amount of \$16,095 represents payees of checks which we were unsuccessful in actually obtaining, again because of the quality of film or the records just weren't available. But the \$16,095 was spent.

- Q. Dropping down, "Personal Taxes."
- A. During that year 1978 Mr. Smith paid \$30,564 in personal taxes and that was primarily for taxes due to the Federal Government and the State of New Jersey for the calendar year 1977.
- Q. For '77?
- A. For 1977, yes, sir.
- Q. And likewise for the State of New Jersey?
- A. Yes, sir.
- Q. Paid in '78 for '77?
- A. Paid in '78 for '77. They were amounts due.
- Q. Now, from this area that we have just alluded to on up, and that would be the personal taxes through realty transactions, these are based upon documents furnished to the State Commission of Investigation by Larry Smith and Rittenhouse. Is that so?
- A. By Larry Smith, by Rittenhouse, and, also, by the banks which -- in which he maintained the accounts, but primarily from the Rittenhouse and Mr. Smith's personal records.

The \$150,000 Question

The Commission's accountants had traced all of the \$836,239 in currency generated by and available to Smith during 1978 -- except for \$153,854. This unexplained sum was Investigative Accountant Zanino's next topic:

- Q. All right. Now, quite obviously, that does not account for the entire \$836,239 that Mr. Smith had available in 1978, and how much does that, in fact, leave unexplained?
- A. As indicated by the bottom line, that does not account for \$153,854.
- Q. Now, with regard to this bottom figure, the unexplained cash of Mr. Smith for '78, did you, in fact, in some way detail that in more full fashion?

A. Just -- yes, sir. Just like any of the other charts that we had prepared, we prepared a chart indicating the total amount of cash that was generated by Mr. Smith during the course of 1978 and attempted to account for it in expenditures, deposits in bank accounts, et cetera.

MR. RHOADS: All right. May I have the next exhibit?

Q. For the record, this is Commission Exhibit 8,* and it reads, "1978, Larry Smith, Currency Generated and Utilized."

Now, Mr. Zanino, is this a more fully detailed, I suppose, graphic explanation of the utilization by Mr. Smith of this currency we have been talking about?

A. Yes, sir, it is.

Q. All right. Now, looking to the upper left-hand portion of the chart, it reads, "Source," and splitting off from that, "Corporate Accounts," below that "Personal Accounts."

Now, the corporate accounts, what's the figure for that?

A. \$170,365.

Q. Personal accounts?

A. \$158,409.

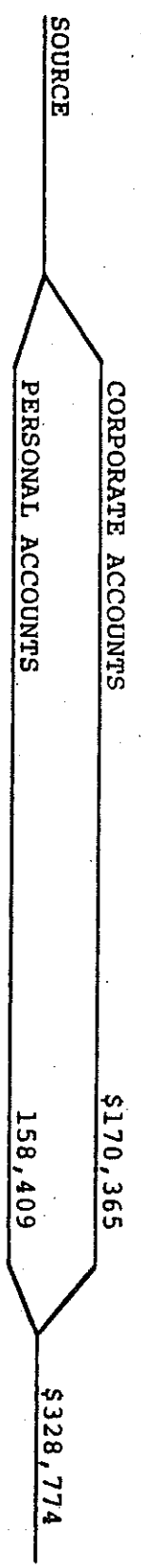
Q. Now, I read the total of 328,774. Would you explain to the Commission, what's the significance of that figure?

A. The figure \$328,774 represents the total amount of currency that Mr. Smith had available or had generated between January 1 and December 31, 1978, from all sources, both corporate and personal accounts.

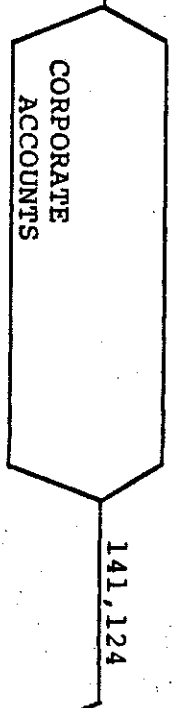
*See Chart, P. 74

1978 LARRY SMITH

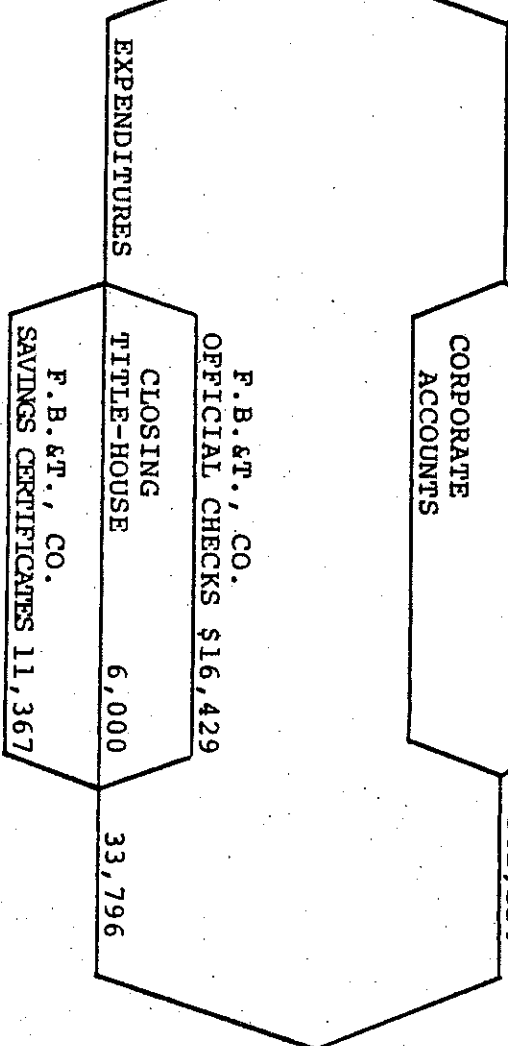
CURRENCY GENERATED AND UTILIZED



PERSONAL ACCOUNTS



DEPOSITS



UTILIZED

-174,920

UNEXPLAINED CASH \$153,854

- Q. Now, dropping down, it reads, "Utilized," and again it branches off. We have "Deposits, Personal Accounts, Corporate Accounts," Now, does this figure of \$141,124 represent a portion of this upper amount, the 300-plus figure that we're talking about?
- A. Yes, sir, it does.
- Q. Now, personal accounts is self-evident. What corporate accounts are we talking about here?
- A. Again, we're talking about the four basic corporations; Rittenhouse Consulting Enterprises, Specialized Assurance, Incorporated, Eastern States Casualty Agency, and Drew Insurance. These --
- Q. Go ahead.
- A. These accounts were depositories of cash which was attributed to Mr. Smith as the source.
- Q. All right. Well, then, I'm correct in saying, in part, that Mr. Smith took some of his money and he put it back into his corporate accounts. Is that so?
- A. Yes, sir.
- Q. Dropping down, we have "Cash Expenditures," and reading off the top branch, this is F.B.&T. Is that the same bank we talked about before?
- A. Yes, sir.
- Q. What is that?
- A. It's Fidelity Bank and Trust Company.
- Q. It says, "Official Checks, \$16,429," I'm not sure what the term "Official Checks" means. Would you please explain that?
- A. Again, as I stated before, the inspection of the records of the bank indicated that during the course of 1978 Mr. Smith personally, or else by direction, acquired checks of the bank, official bank checks made payable to other people, in the amount of \$16,429.

- Q. We have "Closing Title-House, \$6000," again, the same bank, "Saving Certificates, \$11,367." And what total is that for 1978?
- A. The total of the three figures is \$33,796.
- Q. And the aggregate amount of the utilized cash?
- A. \$174,920.
- Q. And this, I assume, is basic subtraction, is that so, leaving you with what amount unexplained?
- A. Again, the unexplained cash as the result of the investigation indicates, \$153,854.
- Q. All right. Now, just lastly, Mr. Zanino, this amount is what you're left with as a result of analyzing all the books, records, what-have-you, furnished us by Larry Smith, Rittenhouse, whatever agencies that we got as a result of our subpoenas. Is that so?
- A. Yes, sir.
- Q. As a result of tracing all the expenditures from the income for Mr. Smith for 1978 -- and I am characterizing it as income, what I mean is total cash funds available in '78 -- again, you are left with the figure \$153,854. Is that correct?
- A. Yes, sir.

THE CHAIRMAN: When you say are left with 152-plus thousand dollars, you couldn't account for it?

THE WITNESS: No, sir, we could --

THE CHAIRMAN: You couldn't account where it was, what it was used for, or anything else. Is that correct?

THE WITNESS: Yes, sir, that's correct.

THE CHAIRMAN: Despite your efforts using all the documents at your command, you could not account for that much money?

THE WITNESS: That's right, Chairman.

THE CHAIRMAN: Where it went to?

THE WITNESS: Yes, sir.

EXAMINATION BY COMMISSIONER FRANCIS:

- Q. Mr. Zanino, just to take it a little differently from what Judge Lane says, if Mr. Smith were to testify here in this public hearing and say that he can explain the \$153,000 because he spent a certain amount in cash and the purchase of his home, or in jewelry, or in buying bricks or lumber for his home, you, in your analysis, have already taken that into account, have you not?
- A. Yes, sir, we have.

Larry Smith's Aide

Mrs. Libby B. Kolman, bookkeeper and office supervisor of Rittenhouse Consulting Enterprises, Ltd., and subsequently its vice president and secretary, testified under a grant of immunity by the Commission. She reluctantly conceded she had discussed her forthcoming testimony with Larry Smith, president of Rittenhouse and a key target of the Commission's search for an explanation of what happened to more than \$150,000 in unexplained profits by Smith from his company's various enterprises, including "administration" of labor union dental plans. Mrs. Kolman and Smith were the only Rittenhouse officials authorized to sign company checks and savings account withdrawals. The SCI's investigation had confirmed that she received a large pay increase from Smith -- at about the time the Commission's inquiry began to focus on the prospects that these unexplained funds ultimately were shared with members and associates of organized crime. Mrs. Kolman's testimony follows:

- Q. Mrs. Kolman, there came a time during your employ, I believe it was between 1978 and 1979, that your salary essentially doubled; isn't that so?

(The witness confers with counsel.)

- A. Excuse me. I'm not sure exactly whether it doubled or not.

- Q. Well, is it fair to say that it was approximately double?

- A. It's fair to say it increased.

- Q. Increased significantly, let's say, anywhere 50 to a hundred percent in that calendar year; is that so?

(The witness confers with counsel.)

THE CHAIRMAN: Mr. Attorney, I think if the witness has some difficulty with the question she has a right to converse with you. But we don't want you, in effect, testifying, you know.

MR. MANNO: Mr. Chairman, I don't know whatever gave you the idea that I was, in effect, testifying. I'm simply consulting with my client.

THE CHAIRMAN: All right. Well, be sure you don't. Go ahead sir.

Q. I don't want to belabor the point. Between 50 and a hundred percent that your salary increased in that time frame?

A. I honestly, honestly don't remember if it's between 50 and a hundred percent. It did significantly increase, but I can't factually state it increased between 50 and a hundred percent.

Q. All right. Living with that answer, was there any correspondingly significant increase in your duties within Rittenhouse?

A. No, not really, no.

Q. Did there come a time when you, as an employee of Rittenhouse, became aware that the State Commission of Investigation was, in fact, investigating Rittenhouse Consulting Enterprises?

A. There came a -- I'm sorry. Could you ask --

Q. Sure. I'm asking you simply this: Did there ever come a time during the course of your employment with Rittenhouse Consulting Enterprises that you, as an individual, became aware that the New Jersey State Commission of Investigation was, in fact, interested in reviewing documents belonging to the corporation Rittenhouse Consulting Enterprises?

A. Yes.

Q. And when was that?

A. I honestly can't tell you when it was. I don't remember what month or what year I became aware of the investigation.

Q Well, I'll put it a different way. Did it correspond in any way at all in time frame with the time that you got the significant salary increase?

(The witness confers with counsel.)

A. Excuse me, sir. I didn't make any correlation as to the times of the increase in my salary and the awareness of the investigation of Rittenhouse Consulting.

Q. No, I'm not suggesting that you're making it. I'm asking you. I'm asking you to make it. Is there such a correlation or isn't there?

A. If you're asking me at this moment in time is there a correlation, I don't believe so, no.

THE CHAIRMAN: Well, tell us when you last received a raise, please, to the best of your recollection?

THE WITNESS: To the best of my recollection, I believe it was the 1st of January, 1980.

Mrs. Kolman next stated that she and Smith, by whom she had been employed at Rittenhouse for about eight years, were the only company officers authorized to sign withdrawals from Rittenhouse checking and savings accounts. However, she contended her knowledge of Rittenhouse's business transactions was minimal:

Q. Now, if you will, could you briefly explain to the Commission, what is the function of Rittenhouse Consulting Enterprises?

A. They are a consulting firm that does clerical duties for certain clients, which include computerized clerical information.

Q. All right. Well we're interested, at least, on expounding on the consulting aspect of Rittenhouse. What is it that one would consult with Rittenhouse over, if, in fact, anyone does?

(The witness confers with counsel.)

A. I am not party to the consulting aspect of the business and I don't know exactly what consulting is done.

Q. Well, as vice-president of the corporation -- and, really, I have characterized it as a corporation. Is it a corporation?

A. Yes, it is.

Q. As vice-president of the corporation, then, you're not privy to the aspect of the consulting pursuits of this corporation; is that so?

(The witness confers with counsel.)

THE CHAIRMAN: He's asking whether you know what the consulting amounts to. Do you?

(The witness confers with counsel.)

A. I know that Mr. Smith does consulting with the clients that we have at Rittenhouse. He helps negotiate certain matters with the clients that we do have. I do not participate in that consulting. I take care of the books and records of the contracts that are given to Rittenhouse.

Q. All right. With respect to the aspect of Mr. Smith doing consulting, without pursuing what it is that he does, would you please give us an idea of who the clients are?

A. One client would be North American Dental Plans.

Q. And do you know whether that company has a president?

A. I'm not sure of the corporate officers of that company.

Q. Well, if I were to tell you the president was Joseph Cusumano, does that refresh your recollection at all?

A. I know Mr. Cusumano. I am not sure if he is the president of that company, but I do know Mr. Cusumano as being identified with North American Dental Plans.

Q. And in your capacity as an employee and officer of Rittenhouse, have you yourself ever been involved in any business relationships with Mr. Cusumano and North American Dental Plan?

A. No, I have not.

Q. Now, you had mentioned, also, that Rittenhouse does administrative work. You characterize it as, I believe, clerical work in some fashion. For whom do they do that?

At this point another of Mrs. Kolman's frequent consultations with her counsel, Donald F. Manno, took place. Chairman Lane interrupted their discussion:

THE CHAIRMAN: Mr. Attorney, that's a very simple fact question. Why would you have to confer (or) initiate a conference with your client on that?

MR. MANNO: Well, Mr. Chairman, the reason why I feel it appropriate to consult with my client is really not a matter that I choose to answer before this Commission today. What goes on between my client and myself is privileged material, and I can't really tell you that.

THE CHAIRMAN: Well, I'm telling you that you're here for the purpose of conferring with her on any legal difficulty or any misunderstanding. But you're not here to supply her with facts. We're asking her for facts. We're not interested in you. If we wanted you, we would have put you on the stand.

MR. MANNO: Mr. Commissioner, you don't know what I said to my client and I resent the fact --

THE CHAIRMAN: I don't want you initiating. If she wants to confer with you, let her initiate the inquiry. I don't want you to be initiating it and telling her what to say. I've said that three times and I mean it.

MR. MANNO: Well, Mr. Chairman, I have said before, and I will say it again, I am not telling this witness what to say. But within my duties and my responsibilities as an officer of the court and an attorney-at-law, I must advise my client appropriately.

COMMISSIONER KADEN: I think we should stop being so cute, Mr. Manno. This witness appears here with immunity, and let me just say as one member of this Commission, having listened to her for twenty minutes, that I consider her responses so far to be very

close to the border of evasion and I think you, as her counsel, ought to keep that in mind as she continues.

Second, after three warnings from the Chairman you persist in conferring with her over every question that relates to a factual response from her. It seems to me that this record will show, and every one of the members of this Commission who has watched you is well aware that you have coached this witness on every single question asked of her. That is not appropriate to your position here today, and I think your cute responses to the Chairman are also inappropriate. I think you ought to think carefully about them as the hearing proceeds.

MR. MANNO: I don't deem it appropriate to respond to that.

COMMISSIONER KADEN: Let me say, Mr. Manno, that you appear here as a member of the bar with responsibilities to this Commission, and the powers that this Commission has against your witness apply also to you. Now, if necessary, we won't hesitate to call you before this Commission and let you testify. But so long as your client is testifying, we expect her to testify, not you. We expect them to be her recollections and not yours.

MR. MANNO: I understand that.

The Commission questioned Mrs. Kolman at this juncture about whether she had discussed her prospective public hearing testimony with Smith:

COMMISSIONER FRANCIS: Let me ask you this before Mr. Rhoads asks another question: Miss Kolman, have you, between your last appearance in private session and today, conferred with Mr. Smith about your testimony before the S.C.I.?

THE WITNESS: I have discussed with Mr. Smith that I am going to appear today. I have in that respect conferred with Mr. Smith.

COMMISSIONER FRANCIS: Did you talk to him about the nature of your testimony?

THE WITNESS: Excuse me, please.

(Witness conferring with counsel.)

COMMISSIONER FRANCIS: Having conferred with counsel, can you give us your answer, please?

THE WITNESS: Yes, I did speak with Mr. Smith in reference to these hearings and to the subject matters that I was asked to testify on and we did discuss them. I was -- we, we just -- he told me to, you know, answer to the best of my ability and the best of my recollection and truthfully.

COMMISSIONER FRANCIS: My question was only whether you conferred and you told me you have conferred with Mr. Smith?

THE WITNESS: Yes, we did.

COMMISSIONER FRANCIS: About the substance of your testimony here today?

THE WITNESS: I'm not sure I quite understand the substance of your testimony today.

COMMISSIONER FRANCIS: About what you were going to say?

THE WITNESS: About what I'm going -- I don't know what I'm going to say until I say it. I'm sorry. Maybe I misunderstood you.

COMMISSIONER FRANCIS: Did you confer with Mr. Smith about what, in general, your testimony would be before the Commission today?

THE WITNESS: No, I didn't discuss what my testimony would be, what I would say on this, as a witness right now. We did discuss the subjects that I thought would be pertinent to this investigation.

COMMISSIONER FRANCIS: And what subject was that?

THE WITNESS: Excuse me.

(The witness confers with counsel.)

THE WITNESS: The subject that we discussed is, I questioned why I was here, as to the bookkeeping aspects of the company.

COMMISSIONER FRANCIS: Did you discuss with Mr. Smith that you would be asked about cashing checks for him and giving him cash, or anything along that line?

THE WITNESS: As those were questions asked of me in previous testimony, they were subjects that I was aware of.

COMMISSIONER FRANCIS: And, therefore, you discussed that with Mr. Smith?

THE WITNESS: The procedures of my book-keeping, yes.

Commission counsel pressed the witness for more details of her knowledge of Rittenhouse's consulting business:

BY MR. RHOADS:

Q. Mrs. Kolman, I ask again, what clients, if any, did Rittenhouse have with respect to the clerical supervision aspect of Rittenhouse?

A. One client would be Local 33, Health and Welfare Plan.

Q. Well, would it refresh your recollection if I were to tell you that you testified before the Commission on May 1st, 1980, and you were asked the question with regard to clients, this is I 94, referring to lines 13 through 14, you listed -- or strike that. The question was, "Were some of the groups Local 54." Does that refresh your recollection as to clients of Rittenhouse, at least, in that time frame, 1978?

A. The names that you have mentioned have been or are clients of Rittenhouse, yes.

Q. All right. Well, is it that, then, that Rittenhouse at least served as an administrator to various unions within their health and welfare funds?

A. I personally do not consider the corporation an administrator. We perform a clerical and ministerial functions, but we have no powers over the phones with --

THE CHAIRMAN: You did perform those functions for those locals who have just been enumerated?

THE WITNESS: We have clerical and administrative functions, correct.

Mrs. Kolman was questioned about various withdrawals she authorized from Rittenhouse's accounts:

BY MR. RHOADS:

- Q. With respect to your functions within Rittenhouse, did you have occasions over the period of time to cash various checks wherein or whereby the proceeds were turned over to Mr. Smith?
- A. On occasion, yes.
- Q. I am going to show you documents that have been previously marked. This is Commission Exhibit 3A. If you look at that, it purports to be a copy of a check received from Fidelity Bank and Trust Company of New Jersey, the amount of \$5000 --
- A. No check.
- Q. Strike that. It's a savings withdrawal in the amount of \$5000, dated March 15, 1978. There's a signature purporting to be that of Libby Kolman. Is that your signature?
- A. Yes, it is my signature.
- Q. And did you, in fact, withdraw \$5000 from that account?
- A. Yes, I probably did.
- Q. And did you probably give it to Larry Smith?
- A. Possibly.
- Q. Do you know what he possibly did with it?
- A. There are many things that we've done with the cash that such as this withdrawal. I might have taken this cash and deposited into other corporate identities.
- Q. Well, just for the record, do you have any clear recollection as you sit here today as to what you did with the proceeds of that withdrawal slip?
- A. No, I do not.

Q. I'll show you what's been marked Commission Exhibit 3B. This purports to be a copy of a savings withdrawal on the Fidelity Bank and Trust Company, dated May 8, 1978, in the amount of \$4500. There's a signature purporting to be that of Libby Kolman. Is that your signature?

A. Yes, I believe so.

Q. And did you withdraw that amount of money?

A. Yes, I believe so.

Q. And did you give the proceeds of that cash to Mr. Smith?

A. I can't definitely testify to that. I can only reiterate that it possibly could have -- it probably could have gone into, into other corporate identities.

Q. Well, let me put it in a different fashion. Did you ever have any occasions whereby you would make withdrawals in, say, amounts such as \$4500 where you personally would just keep the cash?

A. Excuse me.

Q. Sure.

(The witness confers with counsel.)

A. In answer to your question, no, I never personally kept the cash.

Q. I'll show you Commission Exhibit 3C, which lists savings withdrawals in the amounts of \$11,000, and that's dated May, I read it to be 26, 1978; there's one dated August 21, 1978, in the amount of \$7500; November 14, 1978, in the amount of \$32,500; December 1st, 1978, in the amount of \$25,000, all of which purport to have the signature of Libby Kolman. Would you just look at those four slips and tell me, is that your signature?

A. Yes, it is.

Q. Now, starting with what would be the largest withdrawal, \$32,500, did you give the proceeds of that withdrawal to Mr. Smith?

- A. I can't honestly say I -- I don't recall giving that amount of money to Mr. Smith. I do know that we did deposit large sums of money into the -- one of our corporate identities. Something like \$55,000 was deposited.
- Q. Well, if you will, look at each one of those withdrawals and tell me, do you have any recollection of giving any of those withdrawal proceeds to Mr. Smith?
- A. With all the transactions that I handle, I can't possibly recall any one instance of any one transaction of actually giving that to Mr. Smith.
- Q. All right. Well, Mrs. Kolman, let me ask it to you in this fashion then: In the calendar year of 1978, do you recall just the incident of giving an amount of cash to Lawrence Smith that you had withdrawn on his behalf from a savings account?
- A. Yes, that's possible. Yes, I can.
- Q. Well, not if it's possible. Now, I want an answer. Did you or did you not? We're not looking for possibilities any more.
- A. Okay. Yes, there were checks drawn out of the companies for various sums of money, of which some were given to Mr. Smith in cash, that he possibly could have deposited to other accounts or whatever.
- Q. Now, can you give the Commission today an approximate amount of cash proceeds that you made available to Lawrence Smith as a result of cash withdrawals from the account during the calendar year of '78?
- A. Unfortunately, I cannot because I do not have my -- I don't have complete sets of books, which I did go over for this hearing. I do not have all of my books and records to refresh my memory, so I really can't give you actual figures.

COMMISSIONER FRANCIS: Mrs. Kolman, let me ask the questions to you this way: Is it fair to say that at no time did you divert any of those savings withdrawals or cash withdrawals from the checking account to your own purposes?

THE WITNESS: My own personal purposes?

COMMISSIONER FRANCIS: Correct.

THE WITNESS: That is correct in saying.

COMMISSIONER FRANCIS: Is it fair to say each time you made a cash withdrawal from savings or a cash withdrawal from the checking account, that cash either went to Mr. Smith personally or went to one of his corporations?

THE WITNESS: Or his personal accounts, yes.

COMMISSIONER FRANCIS: Or his personal checking account?

THE WITNESS: Or, or it could have been, we could have taken the money out of the corporate account and gotten a certified money order or something.

COMMISSIONER FRANCIS: In either Mr. Smith's name or the name of one of his corporations?

THE WITNESS: Yes.

Mrs. Kolman ultimately conceded it was "totally possible" that her withdrawals from Rittenhouse accounts could have amounted to \$158,000 or more for her employer Smith:

BY MR. RHOADS:

Q. I just have one last question. Perhaps it would facilitate your recollection if I gave you an amount of \$158,000. Does that in any way refresh your recollection as to an aggregate amount of cash that you made available to Mr. Smith in 1978?

THE CHAIRMAN: Is that the amount of checks you have already shown this witness?

MR. RHOADS: No, it isn't. Your Honor, I'm just throwing that out because we found through other testimony that Mr. Smith did have that amount available to him and more.

A. Yes, that amount could have been available to Mr. Smith.

- Q. By virtue of your cashing, not cashing, but withdrawing monies from the account and making it available to Mr. Smith; is that so?
- A. It is totally possible.

The Rittenhouse Consultant

Larry Smith of Moorestown, president of Rittenhouse Consulting Enterprises, Ltd., and the next witness, described the activities of his company in connection with labor union health and welfare funds. His testimony as the final witness on the second day of the Commission's public hearings laid the groundwork for further detailed interrogation of Smith the following morning. Commission counsel questioned Smith about Rittenhouse's consulting business:

- Q. Now, Mr. Smith, if you can briefly describe for the Commission, what is the function of Rittenhouse Consulting Enterprises, Inc., as of today?
- A. Rittenhouse is a consulting firm which performs ministerial, administrative-type services, marketing, negotiating, some data processing and computer work, generally in those fields, and they would be expanded off of that.
- Q. Well, with regard to the consulting aspect, what is it that a client would use Rittenhouse to consult over?
- A. A client may want some specific programs installed or researched as to efficient methods of some data processing work via their computer, or computerization of their operation. They may want some marketing research done, which we would get into. They may want some analysis done in different fields, whether it be the insurance field or health-care-type field, and those would be some of the example areas that we would get involved in.
- Q. All right. Well, staying for a moment with the area of health care, do you have any clients now that you, in fact, do consult with over the area of health care, for instance?
- A. Yes, we do.
- Q. Would you name them for us?

A. Rittenhouse would do some work for the Bartenders Local 33 in the Camden area, as an example.

* * *

Q. Mr. Smith, I believe I had asked you, if you would, to tell us the clients that you now have for Rittenhouse in the capacity of Rittenhouse functioning as a consulting agency. You did mention Local 33. There are others, I trust?

A. Mr. Rhoads, I understand your question to say do some work in the health-care field, and I gave Local 33 as an example.

Q. Are there others in the health-care field?

A. Yes, there would be additional ones. Local -- Union Local 286, United Paperworkers.

We work for North American Dental Corporation. North American Dental Corporation would be another.

Q. Any other unions?

A. The Teamsters Local 830.

Q. Where is that local located, if you know?

A. Philadelphia.

Q. Any others?

A. Local 1034, Clerks, Philadelphia; Local 54, Atlantic City, Bartenders.

Mr. Rhoads, these are all unions that we would have come in direct contact with, either directly or through the services we perform with a North American Dental contract.

Q. All right. Well, I wanted to get to that, Mr. Smith.

With regard to the unions, such as Local 33 for an example, is it that Local 33 directly employs Rittenhouse or are you indirectly in some fashion employed by Local 33?

A. The local union does not directly employ Rittenhouse. The Local 33 has a health and welfare fund that directly employs Rittenhouse.

- Q. Now, we used an example Local 33, and you had said, if this is a fair characterization of the testimony -- if it isn't tell me -- you said you were employed indirectly by the union in that you're employed by their health and welfare board. Is that so?
- A. That would be correct, Mr. Rhoads.
- Q. Does that apply to the other locals that you enumerated for us?
- A. Not directly in the health-care field, but we may -- Rittenhouse performs a direct service to other funds related to those union local numbers. I was trying to keep it characterized to your question of health-care industry, or health-care field.
- Q. Now, with regard to the health-care field, other than Local 33's health and welfare board, are there any other unions that you consult with?
- A. We do work for the United Paperworkers, Local 286 of Philadelphia.
- Q. Now, with regard to Locals 33 and 286, do you, in fact, whether it be a contract or at least being employed by them, were you employed by them in the time period of calendar year 1978?
- A. I believe we would have been, yes.
- Q. Does there, in fact, exist any contract between Rittenhouse and Local 33, the welfare board?
- A. Yes, there is.
- Q. And similarly, is there one with the board of Local 286?
- A. Yes, there is.
- Q. Were you a party to both of those contracts?
- A. Yes, I was.
- Q. Now, with respect to your functions, duties that you performed, the consulting work that you perform for those two boards of those locals, would you expound on that for the Commission, please? What exactly is it that they consult you on?

- A. In particular reference, I would start with Local 33, if you like. When we were retained, they were having tremendous administrative difficulty. They retained us to try to put it in a computer form. Also, they had difficulty at the time with coverage from Blue Cross of New Jersey, Blue Shield, major medical. They were having difficulty of getting their claims processed due to some previous lack of administrative corporations. They retained my firm, myself, to negotiate directly with Blue Cross to get the benefits reinstated on their behalf. We were successful in doing that. Also, we were successful on their behalf of getting the rates that the fund was paying Blue Cross reduced. We negotiated specifically, I believe, with Don Stewart, who is the head of New Jersey Blue Cross for the group field. We also were given accolades and written commendation for the services that we did perform in that field for them by not only the board, but Blue Cross.

We feel we did a pretty viable service, and I think the board did so spread that upon their own record commending us on the job that was done by our firm. And that would be the forte or type of operations and some types of consulting that we did or do for that fund.

- Q. Well, with regard to the health and welfare boards, what type individuals comprise those boards? By that I mean, are they solely comprised by union representatives or are there other type individuals on them, if you know?
- A. The boards are generally administered by employer trustees and the equal counterpart of labor trustees. Generally at their meetings they have counsel present and an accounting firm.
- Q. Well, with regard to Local 33, again, and I'm confining now my questions to that local --
- A. Yes, sir.
- Q. -- at least for the time being, I'll inform you when I switch, there came a time, then, when you entered into a formal contract, did there not?

- A. A formal contract regarding their welfare fund?
- Q. Yes, in other words, hiring you as Rittenhouse.
- A. Yes
- Q. When was that?
- A. To the best of my recollection, and I'm vague on time period, it might have been 19 -- latter part of '74, '75, somewhere in that area. And, again, Mr. Rhoads, I'm not positive.

Local 33's Dental Care Contracts

How dental care services were provided for Local 33 members was described by Smith:

- A. Local 33 Health and Welfare Fund has no dental coverage. What Local 33 has are independently negotiated contracts with the dental benefit included with, I believe, three specific companies or restaurants in the Cherry Hill area, and that is handled in direct negotiations by the local union with the employer to negotiate the benefit on behalf of the individual.
- Now American Dental Corporation then provides the service to provide the benefit that the local union negotiated. So that is what I was trying to explain when telling you they do not participate through a welfare fund. The employer would pay North American on a direct basis.
- Q. So that it is the employer of these members of Local 33 that happen to have the services of, I'll refer to it as N.A.D.P., that's North American Dental Plan. Is that so?
- A. There would be an agreement to that type, yes.
- Q. And that would be the ultimate benefit of the employees, the members of Local 33 employed by that particular establishment; isn't that correct?
- A. No question about it. If the employee requested the local union to negotiate the benefit, it would then be negotiated in their behalf.

- Q. All right. You had mentioned three establishments, I believe you said the Cherry Hill area. Would you name those for us, if you can?
- A. Again, many houses, restaurants; I believe it was the Hyatt House in Cherry Hill, the Holiday Inn, and, again to the best of my recollection, the Coach House would be a third. There may be a fourth. I can't recall.
- Q. Now, you say that N.A.D.P. has the contracts with the employers with respect to this dental plan. How is it that you know that?
- A. Because we're retained by North American Dental as their consultant, and I would be knowledgeable to that fact.
- Q. When was it that you were contracted by N.A.D.P. as a consulting agency?
- A. Again, to the best of my recollection, we first started negotiations with North American, 1975 sometime.
- Q. You say you started negotiations with N.A.D.P. Is that to suggest that there later became a contract with N.A.D.P.?
- A. That's correct.
- Q. Do you know when that contract was?
- A. It was several revisions to it and negotiations went on for about a year. I don't know if it was officially signed in '76 and was effective in -- an ongoing relationship in '75. I don't have it in front of me to refresh my recollection.
- Q. Mr. Smith, excuse me if I have asked you this, I don't believe I did. Do you know a gentleman by the name of Joseph Cusumano?
- A. Yes, I do.
- Q. What is Cusumano's relationship, if any, with N.A.D.P.?
- A. Mr. Cusumano's is president of North American Dental.

- Q. I show you what's been previously marked for identification Commission Exhibit 1 and purports to be an agreement between the parties, Health Corporation of American, North American Dental Plan and Rittenhouse Consulting Enterprises, Inc. If you would, would you look at that document and just first tell me if you can recognize it.
- A. It appears to be a document, it's by North American Dental and Rittenhouse Consulting Enterprises.
- Q. All right. Do you identify this, then, at least, to be the copy of the agreement that we had alluded to earlier between you and North American Dental Care?
- A. Mr. Rhoads, in the effort to save time, would this be the specific document subpoenaed from my office that we turned over to you?
- Q. Yes, it is.
- A. All right. Then I would identify the document.

Natale Contacted Smith

Smith confirmed that Ralph Natale, an associate of organized crime figures, was his dental care contact with Local 33, formerly Local 170:

- Q. And at the point in time, the time frame during which you negotiated and ultimately went to contract with that local, with whom did you deal on the welfare board at that time?
- A. Initial contact was from the, one of the co-chairman of the board, and the union representative at the time was Mr. Ralph Natale, who approached me with his accountant. I believe it was Troiano, Nick Troiano and Ragone, C.P.A. firm in Cherry Hill, and I believe I was approached at the same time by both men if we would consider taking this account.
- Q. With regard to this time frame, then, in 1974, how long had Rittenhouse Consulting Enterprises been in existence?

A. If my memory serves me, they came in existence the end of 1972, beginning of '73.

Q. And directing your attention now to the employment capacity of Rittenhouse with health and welfare boards, was Local 33 the first one with whom you contracted?

A. As to a health and welfare fund, it would have been.

Q. Now, who reached out for whom? By that I mean, did Natale come to you or did you go to him and offer your services? How did that work?

A. I was originally contacted by their accountant from the fund. It was my first contact and I was contacted by them.

Q. Now, the second part of my question, or the second question was, did you ever come to learn how it was, what led the accountant to you?

A. The accountant informed me at the time that the person or people that were handling their ministerial administrative operations were discharged. They were left up in the air for someone immediately to come in and take over, you know, the operation of the administrative portion of the fund's work. That is what the reason was given to me at that time.

Q. Now, Mr. Smith, I'm not asking motive. What I'm simply asking you is, if you know, how was it that the accountant was aware that Rittenhouse Consulting Enterprises, Inc., was a possible cure-all? How did they even know you were in that business?

A. Well, the accounting firm would be aware because, I indicated, we handled their severance fund, which this accounting firm also was a member of that board. So he would be totally knowledgeable of our service and capabilities in performing the type of work they needed. Now, as to who he spoke to, I assume he spoke to the board, you know, of trustees, before he contacted me.

- Q. Now, you mentioned that Mr. Natale was a co-chairman as well as a union rep. Do you know if at that time in 1974 Mr. Natale enjoyed any position within the union other than union rep for the welfare board?
- A. Again, I don't know the sequence of events, but there was common knowledge that Mr. Natale was co-chairman of the welfare board and he was co-chairman of the severance board and, also, a representative of the local union, to answer your question.
- Q. Do you know whether he was an officer in Local 33?
- A. I believe him to be an officer.
- Q. Do you know what it was?
- A. Again, I believe it was treasurer of the local union or financial secretary/ treasurer of the local union.
- Q. Now, we are now referring, of course, to this as Local 33. To your knowledge, had it ever been known by any other numerical designation?
- A. This local was formerly known as Local 170. It was changed approximately a year and a half ago.
- Q. Do you have any personal knowledge as to why it was changed?
- A. No, sir, I wouldn't.
- Q. With regard to Mr. Natale, was he literally a party to the contract between Rittenhouse Consulting Enterprises and the health and welfare board of Local 33?
- A. He would have been a party because, not only being co-chairman, but when my firm was retained, there was a trustee meeting in which I attended with all the trustees present and they elected to retain me.
- Q. Well, did you ever attend a meeting of the welfare board, prior to the actual awarding of the contract, during which time there was a vote on the contract to be awarded to your company?

A. Again, to the best of my recall, I was present at a meeting, sir.

Q. And do you recall how Mr. Natale voted? By that I mean, did he vote against hiring your firm or did he vote for hiring your firm?

A. Again, to the best of my recall, and you're going back some years, I believe there was a discussion of the board without me being present. I was then asked to discuss what services we were going to do and what undertakings we would go forward with to perform by negotiations with Blue Cross, and I was asked to explain some of our in-depth service that we would perform.

At that point, a little later on they had a private discussion, then I was told that the board had unanimously approved our firm and we had the contract.

Q. So I assume the answer is yes, Mr. Natale being a member of the board, it was unanimously voted?

A. Yes, along with the other trustees.

Q. Do you know of your own personal knowledge, prior to the actual vote by the board contracting, you whether Mr. Natale ever sponsored you, talked in your behalf, recommended you?

A. I was never present if that type of thing was discussed. I would have assumed he was pleased with our services of the severance fund. I'd see no reason why he wouldn't recommend us. But I was not present for the statement that you just made.

* * *

Q. Did you know Ralph Natale prior to the time that you had contracted with Local 33's welfare board and, if so, how long?

A. I had known Ralph Natale prior to the welfare contract. As indicated, we've done other work, either via the local union for other funds. There was a prior relationship, some type. I did know him for approximately four or five years prior to, or three years prior to that. Again, I'm vague on it. I don't recall.

Q. Well, had that prior relationship been one on a business level or social?

A. It was one of a casual acquaintance, nothing out of the ordinary.

Q. Well, do you recall how you came to know Mr. Natale?

A. Mr. Rhoads, not specifically. Through the years I go to many functions, labor functions, entertainment functions, benefit functions, all types, where many labor leaders are there, and, again, it could have been, and I'm trying to be as close to it as possible, where a relationship developed through those type of meetings. That would be as close at this point as I can answer you.

Q. Now, there came a time when Mr. Natale was no longer an officer within that union; isn't that so?

A. That's correct.

Q. Do you know what reason, if any, was the cause of his not remaining as an officer of that union?

A. It's public knowledge why, Mr. Rhoads, that I'm sure everyone is aware of, in this area, at any rate.

Mr. Natale was on trial and convicted of a felony. And I believe you cannot retain office, union office, if you have been convicted of a felony charge.

Q. During the course of your relationship with Mr. Natale did you ever have occasion to discuss with Mr. Natale in more specific areas his conviction?

WITNESS' COUNSEL: I object as to what discussions Mr. Smith might have had with Mr. Natale about what he was convicted on has any pertinency to a health-care investigation, I fail to see, and plus the normal objections about hearsay.

MR. RHOADS: May I respond to that?

THE CHAIRMAN: I'm not sure I heard your question, so --

MR. RHOADS: Mr. Chairman, what I am eliciting from this witness is his background knowledge of Mr. Natale, a man that he has already testified was a union official in a union which awarded a contract to this witness's company, and our scope, of course, involves the incursion of criminal elements, organized crime, into the health-care industry, and I suggest that this is a pertinent area and I suggest that this witness's knowledge of Mr. Natale's background becomes pertinent as does his relationship with Mr. Natale, I suggest, becomes highly pertinent.

WITNESS' COUNSEL: Mr. Lane, Commissioner Lane, the questions were relative to signing of a contract in 1973 or '4. The questions are now whether in 1979 or '80, at a much later date, he had discussions with Natale as to what he was convicted for.

BY MR. RHOADS:

- Q. With regard to Mr. Natale, do you know when it was that Mr. Natale was no longer an officer within that local?
- A. Again, Mr. Rhoads, I believe it might have been about a year and a half ago, two years ago, possibly. Again, it's just recall.
- Q. Do you know who his successor was, if any?
- A. I believe his successor would have been Edward McBride.
- Q. Do you know a gentleman by the name of Albert Daidone?
- A. Yes, I would. He's a representative of Local 33.

Smith's \$10,000 "Bonus"

Commission counsel next asked Smith what role Ralph Natale played in the award of a \$10,000 bonus to Smith's company by Local 33's health and welfare fund:

- Q. During the course of your contract with Local 33's welfare board, did there come a time, to your knowledge, that Mr. Natale moved for you to get a bonus as a result of the work you had been doing?

- A. Mr. Rhoads, I don't know if Mr. Natale ever moved to get me a bonus in the way you're framing the question. I was awarded a bonus by the board, and, as I indicated earlier, I was given several accolades by the entire board for the job that was done for them and the amount of reduction that I was able to negotiate for this fund with Blue Cross, which I again don't recall the exact figures but was in excess of \$75,000. They found a very favorable job was done and the entire board awarded me or the firm that bonus, so not in the framework that you're posing the question.
- Q. Well, what was the amount of the bonus?
- A. Again, Mr. Rhoads, we deal with several firms. To the best of my recollection, I think it was \$10,000, in that area of money.
- Q. Prior to the award of this bonus, did you have any discussions with Ralph Natale along the lines of your being awarded the bonus?
- A. If I did, I don't have any exact recall to any discussion. I didn't know if the board was going to give me an award of anything, and I didn't know the amount. And that decision was made at the board with all board members present. They made that decision, and I was told what they wanted to do for me.
- Q. Who told you?
- A. So any of that discussion would have to have been between the board members and not me.
- Q. That probably is so. What I am asking you simply is: Did you, either prior to the award of the bonus or subsequent to the award of the bonus, ever have a discussion with Ralph Natale involving the bonus you received?
- A. Not to my specific recollection other than Mr. Natale at the time reflecting his approval of the fine job that he and the board members felt at that point in time.
- Q. If you know, did Mr. Natale vote for awarding you the bonus?

- A. I would assume he was one of the board members. Not assume, he was a board member and they all voted and it was a unanimous decision. I don't know who proposed the award, but he was one of the board members and they voted in a collective vote.
- Q. And how was that award treated by you? And by that I simply mean, was the award considered income by Rittenhouse for that year, or was it taken by you personally? How was it treated?
- A. Mr. Rhoads, that would be income to the firm. All monies received would go, from any contract, directly to the company that it belonged to.

Smith and Paperworkers Local 286

Smith confirmed that his company also had a "data processing, ministerial" contract with Paperworkers Local 286, and that Carlos Simone, the local's international representative, helped to swing the contract to Rittenhouse. Simone, a previous witness, had refused to answer any questions relative to his local's relationships with Smith or Rittenhouse. Smith's testimony on Local 286 and Simone:

- Q. Now, with regard to Local 286, that's United Paperworkers. Did you, in fact, enter into any contract with United Paperworkers?
- A. In what area are you speaking of?
- Q. Health care. The welfare, health welfare plan board.
- A. We did, in fact, enter into an agreement to do some data processing and ministerial service for that firm.
- Q. That would be for the health care fund?
- A. Health and welfare fund.
- Q. Now, prior to your being awarded that contract with the health and welfare board, had you done any other work for Local 286?
- A. Yes, sir.
- Q. For how long a period of time had you been associated with Local 286?

A. Yes, sir.

Q. For how long a period of time had you been associated with Local 286?

A. Approximately three years, prior to that.

Q. Roughly, 1973. Who would have been the officers or members of the health and welfare board, if you know, of that local?

A. I think I ought to clarify that for you, Mr. Rhoads.

We have a specific set amount of duties with the Local 286 health and welfare board. We do not attend their fund meetings. We strictly do the data processing, ministerial work for that fund, so we don't come in contact as a general with their board. Our firm did come in contact with the two co-chairmen of their welfare board to establish this particular contract when our facilities were inspected by their board members.

Q. With regard to the union representative to the health and welfare board, or representatives, who were they in 1976?

A. Carlos Simone.

Q. Anyone else?

A. Are you speaking of from the labor side?

Q. Yes, I am.

A. To the best of my knowledge, it was Carlos Simone.

Q. Prior to 1976, did you know Carlos Simone?

A. Yes.

Q. Did you know him personally, social acquaintances?

A. I knew Carlos Simone on a business-relationship basis, some social.

Q. For how long a period of time prior to 1976 had you known him?

- A. Possibly four or five years. Again, Mr. Rhoads, it may go back, Carlos Simone's case, and I don't recall, much further back. We knew each other casually from the industries that we were involved in at the time.
- Q. Do you have any personal knowledge as to whether Carlos Simone recommended you to the board prior to their hiring you?
- A. I would hope so. I believe I requested him to do it, to put a bid in, amongst other bidding contractors.
- Q. Did he indicate to you one way or another as to whether he would do it or not?
- A. He indicated who I should make the proposal to and how to address, or to whom to address it to the full board and through their attorney.

Smith was questioned about allegations that Dr. William T. DeFeo of Camden, who had become a competitor for labor union dental care business, was forced out of a contract with Bartenders Local 54 by Natale:

- Q. Mr. Smith, I want to go back to my questioning with Mr. Natale, and along those lines, was there an occasion during which time you had a meeting, the participants of which, at least, in part, were Mr. Natale, yourself and a gentleman by the name of Dr. DeFeo?
- A. Would you clarify specifically what meeting or what -- you know, what you're referring to?
- Q. Yes. I'll start it this way: Do you know a Dr. DeFeo?
- A. Yes, I do.
- Q. How do you know Dr. DeFeo?
- A. Originally introduced to him by officers and officials of North American Dental.
- Q. And did you ever know Dr. DeFeo to be a provider of dental plans?
- A. Yes. My initial meeting with him was in that professional position of him providing service for North American.

Q. Did there ever come a time, to your knowledge, when Dr. DeFeo left North American Dental Plan, the employ of Joseph Casumano?

A. Yes, that time did come about.

Q. And do you know approximately what that was?

A. Again, the best of my recollection, three -- approximately three years ago or in that area, sir.

Q. Did you ever know Dr. DeFeo to be in the business of providing dental plans such as that which North American Dental Plans provide?

A. I became aware of it after he left the employ of North American.

Q. Did you ever come to know whether Dr. DeFeo at any time was trying to solicit the business of Local 54 in Atlantic City? And by that, obviously, I mean with regard to providing their dental care plan.

A. I would like to elaborate a little bit, Mr. Rhoads, on the prior statement when I said that Dr. DeFeo left the employ of North American.

Their relationship between Dr. DeFeo and North American changed about that point in time that I mentioned. But there was an ongoing relationship of some nature of providing services with North American during that period of time.

Now, I just wanted to clear that point up that he did not directly leave employment in that vein. It was a different form of the relationship that had developed.

Q. Now, within the context that we have just been discussing Dr. DeFeo, and that is to say, if you will agree with me, as a competitor with North American Dental Plan, did you have a meeting with Dr. DeFeo, Ralph Natale and yourself, prior to September 20th, 1977, wherein there was a discussion involving Dr. DeFeo's trying or attempting to contract health and welfare boards in order to provide dental care services to them?

- A. It's very difficult for me to specifically target a date and answer your question that way. I would also appreciate it if you could identify the area or the place of such a meeting. Maybe that would help me refresh my recollection.
- Q. Well, have you ever been to a Holiday Inn in the Cherry Hill area?
- A. I've been in most of the Cherry Hill locations in my professional capacity, so it would be there or anywhere else.
- Q. How about the Rickshaw?
- A. Same answer would apply. There would have been a meeting that I do recall at the Rickshaw with Dr. DeFeo and Mr. Natale.
- Q. Now, other than the Rickshaw, did you meet with Mr. Natale and Dr. DeFeo at a Holiday Inn in the Cherry Hill area wherein a discussion took place involving Dr. DeFeo's attempt to contract with Local 54 during which time Ralph Natale said, words to the effect, "Dr. DeFeo, stay out of it. That union belongs to my brother, Larry Smith"?
- A. Mr. Rhoads, I don't know the sequence of the meetings. You mentioned the Rickshaw, you mentioned the Holiday Inn. Now you're making a statement that was supposedly made. I don't recall that specific statement ever being made in my presence. I have testified to that earlier.

I also have no exact recall of a meeting specifically at the Holiday. I do recall a meeting at the Rickshaw, though.

- Q. Well, what about -- I don't believe you answered the gist of the conversation. What about the gist of the conversation? Do you remember a conversation wherein Ralph Natale directed Dr. DeFeo to back off from his attempts to negotiate with Local 54 to provide health-care plan because it belonged to his brother, Larry Smith? And "his brother," I certainly don't mean his blood-related brother. Do you remember that?
- A. Mr. Rhoads, with all due respect, we have hit "brother" four times. Let me again say to you, as in previous testimony, number one, "brother" is a very commonly used word in the labor movement.

Number two, I have explained in prior testimony that I have absolutely no recall of that type of statement being made in my presence. If a statement like that was made, I would not be privileged to it and I do not recall any such statement like that one.

Q. Mr. Smith, if you know, did there come a time when Dr. DeFeo did, in fact, withdraw his attempt to contract Local 54?

A. Mr. Rhoads, Dr. DeFeo at one point in time had solicited and made many contract bids with several different locals, of which some he was awarded, some he was not. 54 he was not. So to answer that, I don't believe he was -- I know he was not awarded that contract. I also can say that North American, with permission of the union, immediately negotiated a moratorium of rate for three years and the fund's benefit from six-year no-inflation no-increase contract. So that's my recollection of that.

Q. Mr. Smith, I'm going to show you what's been marked Commission Exhibit 9 for identification. Would you look at it and tell me if you can identify that?

A. I believe I have seen a copy of this at some point, yes.

Q. For the record, I will identify this. It purports to be a copy of a letter and it has a caption in the, above the letterhead, a William T. DeFeo, D.D.S. It gives his address. It's dated September 20, 1977. The addressee is one Nadine F. Poulos, P-o-u-l-o-s, Hotel and Restaurant Employees and Bartenders International Union Welfare Fund, Naperville, Illinois, re Local 54, Atlantic City, and it reads: "Unfortunately, due to present circumstances, we are withdrawing our dental proposal at this time.

"We would like to thank you for your consideration." This is signed purportedly by a William T. DeFeo.

Mr. Smith, do you know if those "due to present circumstances" were the fact that Mr. Ralph Natale told Mr. DeFeo get out of that union?

A. Mr. Rhoads, no, I do not know if Mr. Natale or anyone else said, made that statement.

THE TESTIMONY -- THIRD DAY

THURSDAY, DECEMBER 11, 1980

Who Got the \$150,000?

The public hearings resumed with a transitional statement by Commissioner Patterson connecting the previous day's work with forthcoming testimony. He noted that the Commission was now entering "the climactic phase of its depiction of an organized crime-influenced health care scam in South Jersey." So far, he said, nine witnesses had provided details on this enterprise in which financial transactions amounting to almost one million dollars took place. Commissioner Patterson said:

The corporate and personal manipulations of books and records in these transactions required months of dissection by the Commission's investigative accountants. This scrutiny eventually led to the discovery that more than \$150,000 of this cash generation could not be accounted for.

Despite the accounting difficulties encountered, however, this unexplained horde of money was traced by the S.C.I. to one individual, namely, Larry Smith, the Rittenhouse consultant who served both the business entrepreneurs who concocted the dental care operation and certain labor leaders who misdirected their union locals' health and welfare funds in the process.

Today we will show further that this consultant's obvious conflict of interest was promoted by an alliance with known underworld figures for the purpose of diverting funds to their own illegal use at the expense, in this single exemplar, of at least 50,000 union members whose welfare the health plan was supposed to serve.

Additionally, this morning's public hearing segment will demonstrate how known members of organized crime aided and abetted this monopoly. A key witness will be an informant who himself participated in discussions by crime family mobsters about the bagmen and the recipients of the loot this monopoly produced. His testimony will be confirmed by law enforcement authorities who have been cooperating with the S.C.I. in its probe of these depredations. The key question we hope to answer today is: What was the final disposition of the \$150,000?

Dr. DeFeo, Again

Before resuming its questioning of Larry Smith, the Commission summoned Dr. DeFeo, the Camden dentist who had "withdrawn" a proposal to provide dental care for Bartenders Local 54 at Ralph Natale's insistence. Smith on Wednesday could not recall that Natale had told Dr. DeFeo he had to back out because Local 54's health care plan belonged to "my brother, Larry Smith," Dr. DeFeo was even more evasive than Smith had been, to the point that he had to be confronted with answers to questions put to him at an SCI executive session prior to the public hearing. The testimony that prompted the reiteration of Dr. DeFeo's executive session responses went as follows:

- Q. Prior to your losing the contract for Local 54, you had a meeting with Ralph Natale, did you not?
- A. Yes.
- Q. And Mr. Lawrence Smith?
- A. No.
- Q. Tell us about the meeting with Ralph Natale with regard to your losing Local 54.
- A. Well, we had started to service the group and we were in service about, I would have to guess, two or three weeks, and I was called by Mr. Natale, wanted to see me. I met with him and he informed me that he had made a mistake, that he should have checked; that he had a previous commitment and he would -- I wanted -- asked me if I would relinquish the contract because he had made a mistake. I agreed to do so and I wrote the international and told them at this time I could not service it any more because I didn't want to embarrass him or myself. I thought that that was the best thing to do.
- Q. Well, Doctor, wasn't it, in addition to that, that Mr. Natale suggested that it was going to go to his friend, Lawrence Smith?
- A. He did not say that to me.
- Q. He never said that to you?
- A. He never said that to me.

MR. RHOADS: May I have a moment, please.

(There is a brief pause.)

Q. Dr. DeFeo, do you recall testifying before the State Commission of Investigation on January 31st, 1980?

A. Yes.

Q. And that was in a session that was held in what we characterize as an executive session and it is, in fact, a private hearing?

A. Yes.

Q. I will refer you to the transcript of that hearing, more particularly, Page 24, I'm going to read in part, lines 5 through 24 and it reads:

"Question" -- and contextually, this has to do with a meeting that you had with Ralph Natale. "Question: There may have been two meetings?

"Answer: There may have. I think one meeting was accidental, really, and this meeting was not. When he told me -- no, I don't think -- no, I remember now. I think it was the Holiday Inn on Route 70, across from the race track. I believe that was when he called me and told me that he had made a mistake and that he would like me, as a gentleman, to relinquish the contract.

"Question: Why did he say he would like you to relinquish the contract?

"Answer: Because he had made a mistake. As I found out later, it was already committed through Larry Smith to North American.

"Question: Did he mention that it was going to his friend, Larry Smith?

"Answer: I think he did and I think that he assumed that I knew that.

"Question: But you had been negotiating for a period of time. Had he ever made --" you interrupt with an answer, "No," then the question continues, "-- known to you --" going to the next page, "Answer: No -- not until that time.

"Question: So after you had made the agreement you're called to a meeting and you're asked to --

"Answer: Relinquish the contract.

"Question: Did you ever do anything to relinquish?" "Answer: Yes.

"Question: Why did you relinquish the contract?

"Answer: Well, he asked me to relinquish it. That was all I needed. I just felt that I really didn't want part of that organization.

"Question: Did you have any fears?

"Answer: Well, I don't know that I had a fear. I just didn't want to do business with those kind of people.

"Question: When you say 'those kind of people,' what does that mean?

"Answer: Well, I meant just my opinion that I don't think that I wanted to do business with individuals that may --

"Question: Hurt someone?

"Answer: Perhaps."

Dr. DeFeo continued to testify contrary to his executive session comments. Counsel asked the dentist if anyone had talked with him about his remarks at the private session on January 31, 1980, that caused him to give different responses at the public hearings:

Q. I will rephrase that. What I'm saying to you is, subsequent to your appearance before this Commission in January of 1980, have you met with Lawrence Smith?

A. No.

Q. Subsequent to your appearance here in January of 1980, have you met or had a conversation with Ralph Natale?

A. No.

Q. Has anyone suggested to you or told you that that conversation that you testified to before this Commission in January of 1980 did not happen the way you had told us it did, but that Ralph Natale never said to you "That union is going to go to my friend, Lawrence Smith"?

A. Did somebody say that to me?

Q. Yes.

A. No.

Commissioner Francis sought to improve Dr. DeFeo's recollections of what Natale told him:

EXAMINATION BY COMMISSIONER FRANCIS:

Q. Did Mr. Natale tell you why he wanted to meet with you?

A. Not at the time, no.

Q. When you met with him, he asked you if you would withdraw your contract?

A. Yes.

Q. And you agreed to do so?

A. Yes.

Q. Now, when he asked you to withdraw, a natural question occurring to anyone would be why do you want me to withdraw. Did you ask him something like that?

A. He said he had made a mistake, that he should have checked back with his locals, and I just assumed that he made a mistake.

Q. Okay.

A. And I didn't -- as I said, I didn't want to embarrass him or embarrass myself.

Q. Well, when he told you that he had made a mistake, did you say to him, "Where is it going?"

A. No, I did not.

Q. Did you ask him what mistake had he made?

A. No, I did not.

Q. Weren't you naturally curious as to who was going to get the work if you were not?

A. I didn't react that way at the time, that I can recall.

- Q. Well, you must have given some response to Mr. Natale when he said he had made a mistake and he wanted to give the work somewhere else, did you not?
- A. No, I did not make --
- Q. You didn't say anything?
- A. -- any comments at all. The only thing I think, I presume because he said that, that they were not going to have a dental plan.
- Q. This was a contract that you hoped to be profitable? You weren't running a charity, were you, Dr. DeFeo?
- A. No, of course not.
- Q. Here's a man who just told you you were not going to get the work any more. Are you telling us you make no response whatsoever?
- A. No, I did not.
- Q. What was your response? Did you ask him why you were not getting the work?
- A. His reason was he made a mistake. Again I presume that at the time that they were ready for a dental contract, and I just let it go at that.
- Q. So. Mr. Natale says you're through, you're not going to get the work, he made a mistake, you don't say a word, you get up and leave the room. Is that your testimony?
- A. Yes.
- (The witness confers with counsel.)
- No, he didn't say it that way, of course.
- Q. Isn't, in fact, what happened during that meeting at the Holiday Inn is just what you told us in private session?
- A. Yes.
- Q. That is, that Mr. Natale told you that he had made a mistake, that you weren't going to get the work, that he had promised it to his friend Larry Smith? Isn't that what happened?

A. No, I don't believe that that was said at that meeting. If you check back on that, I think I was specifically signalling out that meeting because that was when he asked me to relinquish the contract. There was nothing said at that meeting to me about Larry Smith. I didn't even know the man.

Q. So subsequently you meet Mr. Smith with Mr. Natale?

A. Yes.

Q. And Mr. Smith said he's the one who is going to be doing the work?

A. Well, he said that he was consultant for North American and that he would go through his company.

Q. And was it at that time that you realized that it was Smith who was going to get the work that you had hoped you would get?

A. I guess, perhaps.

Q. And is it fair to say that it was Mr. Natale who had made that change from you to Mr. Smith?

A. It would have to be an assumption.

One last segment from Dr. DeFeo's executive session testimony on January 31, 1980, was read into the public hearing record before the witness was dismissed:

"Question: What happened?

"Answer: That was, I think, when I met with Larry and Ralph that night, and again it was not a meeting. I wasn't called there for a meeting. I happened to meet them accidentally there, or I was invited or something. I forget what it was. But we sat at the table and Larry Smith came over. I didn't even know he was there. That's when he told me that I shouldn't negotiate with them because that belongs to them and everything in New Jersey belongs to Larry Smith, and through North American."

Did the Mob Share \$153,000?

The Commission recalled Larry Smith to determine if he could remember what happened to \$153,854 in unexplained profits that was generated through his Rittenhouse consulting company in 1978. The

Commission's investigative accountants had traced all of more than \$800,000 in cash transactions by Rittenhouse in connection with dental plans and other activities -- except for that one horde of cash for which no records existed. Smith's testimony:

Q. As a result of the documents furnished us by you for your transactions for the year 1978, they are reflected in this graphic illustration and we show funds available and utilized, Larry Smith, 1978. I direct your attention to the left-hand portion of this graph, \$836,239. Now, we have broken that out for the disposition of those funds, or, at least, part of those funds and we have found a realty transaction; we have found acquisition of savings certificates, acquisition of bank checks; payments to third parties, to include vendors, related corporations, related individuals; untraced vendors, personal taxes, both Federal and state, and we come to this portion of the graph, and that reads, "Unexplained cash on hand, \$153,854" for the year 1978.

Now, Mr. Smith, the Commission would be interested to know, what did you do with \$153,854 for the year 1978?

A. Mr. Rhoads, I think that's a good question and I'm going to ask you one in return. Are you asking me to certify that your figures that are not certified -- of if I'm incorrect, you let me know. Was this prepared on a certified audit by a C.P.A. firm or a C.P.A. accountant? Would you please answer before you ask me to certify the figure?

Q. I will indulge you on this one occasion. This graph was prepared by an accountant employed by the State Commission of Investigation based upon documents furnished us by you, inclusive of disposition of funds by you for the calendar year 1978, and you had stated under oath that you knew of no other documents that you had withheld or somehow negligently failed to furnish the S.C.I.

Now, I ask you again, what did you do with \$153,854?

A. Mr. Rhoads, I appreciate what you just said. You didn't answer my question.

Q. Perhaps you deserve a more direct question, Mr. Smith.

A. All right.

Q. Didn't you give part of that cash or perhaps all of that cash to Ralph Natale?

A. Absolutely not.

Q. Didn't you give part of that cash or all of that cash to Raymond "Long John" Martorano?

A. Absolutely not, and I don't even know the individual, and I believe I stated under testimony, previous testimony, I have no business relationship, personal, business, direct, indirect, or any other way. And that doesn't exclude that I couldn't have been in a public place, a restaurant or anywhere else in this country and the man could have been present. I do not know this man, have never dealt with this man in any fashion, and absolutely resent the inference.

* * *

Q. Mr. Smith, did you, during the year 1978, or year subsequent thereto, give money derived through your business ventures, one of which is Rittenhouse Consulting Enterprises, Inc., to a man by the name of Angelo Bruno?

A. Absolutely not. I also testified I did not know the man and, I'm testifying again, had no business, direct, indirect, or any other way.

Q. You do know a gentleman by the name of Charles Allen, don't you?

A. I know of him and I've met him.

Q. And you have actually met him, haven't you?

A. Yes, sir.

Q. You met him at Ralph Natale's house, didn't you?

A. Leading up to strange circumstances with a lunatic, yes, sir.

Q. The answer is yes? The answer is, yes, you met him at Ralph Natale's house; is that correct?

A. Anything Angelo wanted to. Loan shark, just anything he want.

Q. Did Ralph Natale also engage in different gambling operations on behalf of Angelo Bruno?

A. Yes.

* * *

Q. And prior to your entry into the protective custody in the witness protection program, could you tell us what your relationship with Ralph Natale was?

A. I was his bodyguard and I worked for him doing different things like burning, burning businesses down, beating up people, hijacking, things like that.

Q. Did you also engage in different drug operations with Mr. Natale?

A. Yes, we did.

Q. How often would you meet Mr. Natale in pursuit of these various activities?

A. Every day.

Q. Is it fair to say, then, that you were a very close associate of Mr. Natale's?

A. Yes.

Informant Allen also tied Natale to Bruno's longtime friend, Raymond (Long John) Martorano, who had testified at a previous session of the Commission's public hearing:

Q. Do you know a man named Raymond Martorano?

A. Yes, I do.

Q. How long have you known him?

A. Many years.

Q. Could you tell us, first of all, does Mr. Martorano go by any nicknames?

A. Long John.

Q. And could you give us a brief description of who Long John Martorano is?

- A. Long John is a lieutenant in the Angelo Bruno family and he deals in drugs and cigarettes and things like that.
- Q. Did he also meet with Angelo Bruno on a regular basis?
- A. Oh, yes.
- Q. Were you present at these meetings between Long John and Angelo Bruno?
- A. Many times, yes.
- Q. Do you know if there was any relationship between Ralph Natale and Long John Martorano?
- A. Yes, there was.
- Q. Why would Ralph -- well, why would Ralph Natale meet with Long John?
- A. For loanshark money, and they were in the drug business together, also.
- Q. Did Long John ever go to Ralph Natale for anything in particular?
- A. Yes.
- Q. Why would -- could you tell us why -- well, how about if we do it this way: Could you explain what Long John's responsibilities were and what Ralph Natale's responsibilities were, if they were different?
- A. Responsibilities in what, now?
- Q. Well, in the organized crime family of Angelo Bruno.
- A. Well, they were on gambling and drugs and they were responsible to Angelo Bruno only.
- Q. But did they have different areas of interest?
- A. Just money, I guess.
- Q. Would Ralph Natale ever go directly to Angelo Bruno for anything?
- A. Yes, he would.

- Q. Why would he go directly to Angelo Bruno?
- A. For loanshark money or different deals that came up, you know.
- Q. Would he ever have to go to Angelo Bruno to ask permission to perform certain deeds before he would perform those deeds?
- A. Yes, almost always, yes.
- Q. Why would he have to ask permission?
- A. Because Angelo was the boss. You didn't do nothing without cutting Angelo in.
- Q. Did Ralph Natale ever go to Angelo Bruno to ask permission for a hit?
- A. Yes.
- Q. Could you tell us what it means to go to ask for a hit?
- A. When he was going to kill Joey McGreal, he went to Angelo Bruno and asked if it was okay to kill him.
- Q. Without going into the details of that particular murder, could you tell us why he would have to go to Angelo Bruno for permission to murder someone?
- A. Well, just in case, just say, I wanted to kill you, but you was with the family and I would have to go ask them, make sure that you, excuse me, that you did not owe them any money or you didn't have any drugs out on the street for them. See, they don't want to lose any money.
- Q. So it's strictly a question of finances? If I [owed] a great deal of money to Angelo Bruno or any of his subordinates, Angelo would probably say don't hit?
- A. Right.
- Q. But if I didn't owe that kind of money, then it would be okay?
- A. Right.
- Q. Do you know a man named Franny McDonald?
- A. Yes, I do.

- Q. How long have you known him?
- A. Just about all my life.
- Q. Do you know what his regular occupation is?
- A. He was also a bodyguard for Ralph Natale.
- Q. Well, first of all, what was his regular occupation?
- A. He's a bartender once in awhile.
- Q. Was he also a member of Ralph Natale's union?
- A. Yes, he was.
- Q. And that's Local 170. Correct?
- A. Yes.
- Q. With reference to his bodyguard duties for Ralph Natale, do you know what Franny McDonald did for Ralph Natale?
- A. He delivered drugs for him and burned places down, also, strong-arm.
- Q. Is it fair to say that you and Franny McDonald were on equal footing with regard to Ralph Natale?
- A. I would say, yes.
- Q. And did you have occasion to work together?
- A. Yes, all the time.
- Q. Do you know a man named Mike Marrone?
- A. Yes, I do.
- Q. And how long have you known him?
- A. Oh, since 1950.
- Q. Do you know, do you know Mr. Marrone's present occupation?
- A. He was running a trucking outfit called Beer Transit for Schmidt's Brewery.
- Q. Okay. That was his prior occupation. What's Mr. Marrone doing now?
- A. I believe he's in prison.

- Q. Okay. Do you know why he's in prison presently?
- A. For arson, I believe.
- Q. Did Mike Marrone ever do any work for Angelo Bruno?
- A. Sure, yes.
- Q. What type of work would he do for Angelo Bruno?
- A. Loan sharking, strong-arm, the same as I would do.
- Q. Well, is Mike Marrone an equal of yours and Franny McDonald's or is he more the equal of Ralph Natale and Long John Martorano?
- A. He would be up with Ralph Natale and Long John.

Informant Links Smith to Mob

The informant testified next that Larry Smith and his Rittenhouse consulting company could not have obtained dental plan business through Natale's labor union connections without the backing of Crime Boss Bruno. In fact, Natale wanted to give the business to a cousin but Bruno forced him to deal with Smith, the witness stated. Allen first told about his own connections with Smith:

- Q. Do you know a man named Larry Smith?
- A. Yes, I do.
- Q. How long have you known him?
- A. Since about 1972.
- Q. Did you ever meet Mr. Smith?
- A. Yes, I did, sure.
- Q. Do you recall who introduced you to Mr. Smith?
- A. I believe it was Frank Sheeran or a man named Alfred O'Neill.
- Q. Did Ralph Natale also introduce you to Mr. Smith at some time?
- A. Later on, yes, sir.

- Q. When was that introduction?
- A. I guess about 1975, around there.
- Q. Is there any special significance to an introduction by Ralph Natale of anyone?
- A. Yes. If Ralph was with somebody and he was a nobody, he wouldn't introduce you to him. But if he was somebody, he would introduce you to him.
- Q. So it's fair to say, then, that Larry Smith was somebody?
- A. Yes.
- Q. What do you mean when you say Larry Smith is or was somebody?
- A. He was with the people somehow or another.
- Q. What do you mean by "with the people"?
- A. You know, with the family, the Mafia.
- Q. Was Larry Smith on the same footing as you and Franny McDonald?
- A. I would say he was a little higher because he made him a lot of money.
- Q. Well, would Larry Smith ever engage in beatings or burnings or anything like that?
- A. Not that I know of, no.
- Q. He was strictly a money-maker?
- A. Yes.
- Q. For the family?
- A. Yes.
- Q. Do you know what Larry Smith did for a living?
- A. He was a business, a business -- he would run different businesses and get them to do things. He was a consultant for business.
- Q. When you say -- well, what kind of consultant work would he do, to your knowledge?

A. He used to go to unions and get them to take certain dental plans.

Q. And do you know how long Mr. Smith has been in this line of business?

A. Ever since I know him.

Q. Now, this consulting business, do you know whether it had anything to do with dental plans, for instance?

A. Yes.

Q. And did it have anything to do with any other kind of plans?

A. He used to get dental plans and --

Q. Would they also include pension plans?

A. Pension, pension fund plans, yes.

Q. And severance plans?

A. Severance, yes.

Q. Now, without going into too great a detail, do you know what he did for the unions as a consultant on these plans?

A. He would go to different unions and be introduced to different unions by people, and he would get them to take his dental plan, and he would work out a deal that they would get so much money back.

Q. Okay. We'll get into that later. Right now I want to ask you, referring to Ralph Natale's union in particular, Local 170 in the Cherry Hill area or Camden area, did Larry Smith set up a dental plan for that union in particular?

A. Yes, he did.

Q. Do you know how Larry Smith went about getting that contract?

A. Ralph Natale had it all set up for, for his cousin to run the dental plan, but he was called to Philadelphia by Angelo Bruno.

Q. Who was called?

- A. Ralph Natale was called to Philadelphia by Angelo Bruno and Angelo told him, "No, Ralph, your cousin's not going to have the dental plan, Larry Smith is going to have it."
- Q. Who, who is Ralph Natale's cousin?
- A. Nicky Altimari.
- Q. When you say that Ralph Natale had it set up so that Nicky Altimari was going to get the contract, what do you mean by that?
- A. Nick was going to run it for him.
- Q. Are you saying Ralph Natale is the one who made the decision as to who was going to get the contract and who wasn't going to get it?
- A. Yes.
- Q. You're telling me originally he intended to give it to Nick Altimari, but Angelo Bruno interceded?
- A. Yes.
- Q. Correct? And what happened after Angelo Bruno called Ralph Natale in?
- A. He told Ralph that Nicky wasn't going to have the dental plan, that Larry Smith was going to handle it.
- Q. And did Larry Smith ever get that contract?
- A. Yes. Yes, he did.
- Q. Do you know why it is that Angelo Bruno interceded and made sure that Larry Smith got that contract?
- A. I believe that Larry's wife is some kind of relation to Angelo Bruno.
- Q. But you don't have any idea what that relationship is?
- A. No, I don't.
- Q. If that were incorrect, do you know any other reasons why Angelo Bruno would want to have that contract directed toward Larry Smith?

A. No.

Q. But it's fair to say, then, but for Angelo Bruno's influence, Larry Smith probably would not have gotten that contract?

A. No, he wouldn't.

Q. And it's only because Angelo Bruno told Ralph Natale so that Ralph Natale then gave that to Larry Smith?

A. Yes.

Q. How did you find out about all this?

A. I was there at the meeting.

Q. What do you mean by these meetings?

A. Well, every once in awhile we was, we was called down to Philadelphia to sit in on a meeting with Angelo Bruno, and that was discussed one time.

Q. How often would these meetings take place?

A. At least twice a month, maybe sometimes once a week.

Q. And would these meetings always be held in the same place?

A. No.

Q. Could you just give us a brief list of different places where they might be held?

A. They would (be) held at Frank's Cabana, a place called the Oldtimers Club, Little Cuz's, a place called Johnny Cupcakes', or even over in Cherry Hill in the Holiday Inn or else the Colosseum, and the Cent'Anni Restaurant.

Q. Is the Colosseum a restaurant?

A. It's a big place with a restaurant, yes, and a bar and a swimming pool, things like that.

Q. Do you know who the owner of that restaurant is?

A. Ralph Natale run it.

Q. Is he the owner or just the guy who runs it?

- A. Well, no. See there's different owners. Everybody put their money in together and they all have it together.
- Q. But are all these different owners on, let's say, the title to the property?
- A. I don't know. I never seen the title.
- Q. All right. Going back to these meetings, whether they be weekly or bi-monthly, who would be some of the people attending these meetings?
- A. Angelo Bruno, Chicki Narducci, Phil Testa, Frank Sindone, Long John Martorano, sometimes Mike Marrone, Ralph Natale, myself, Franny McDonald, people like that.
- Q. Would Larry Smith also attend.
- A. Sometime.
- Q. How often would he attend?
- A. Not very often, but he was there a few times.
- Q. Why would Larry Smith attend?
- A. Only if he was called down or something, or if he was going to present, present a new plan or something, then he'd going down.
- Q. Were you ever present at a meeting wherein Larry Smith was also present?
- A. Yes.
- Q. Do you recall any of the discussions at the meeting when you and Larry Smith were both present?
- A. Not really, no.
- Q. Is it fair to say, though, that they probably did talk about dental plans, in general?
- A. I would say, yes, that or severance plans or something like that.
- Q. At least, that wouldn't conflict with your memory of these meetings?
- A. No.

Q. Did you ever have occasion to talk to Nick Altimari about the way Larry Smith got the contract?

A. Yes.

Q. The dental contract with Local 170?

A. Yes.

Q. What did Nick Altimari tell you?

A. He was very mad and when he found out how much money Ralph was getting out of it, he said that Larry Smith was screwing him; he should be getting, stealing more money than that.

Q. When you say "Ralph," you mean Ralph Natale?

A. Ralph Natale.

Q. So Nick Altimari was of the opinion that Larry Smith wasn't kicking enough money back to Ralph Natale?

A. That's correct.

Labor Leader Natale steered other union business to Smith -- for a price, according to the witness. Allen testified that he was present when certain kickbacks were paid by Smith:

Q. Besides this contract for Local 170 that Ralph Natale gave to Larry Smith, do you know of any other business that Ralph Natale sent the way of Larry Smith?

A. Not that I can -- they was in on different businesses, but I couldn't say, you know, you know, which, what they were.

Q. All right. I understand you don't have the ability perhaps to enumerate the different businesses, but do you know from these general conversations, from these meetings, that it was more than Local 170 that Ralph Natale and Larry Smith were working together on?

A. Oh, yeah, he would bring him around to different union people and, you know, introduce him and tell them this is our man and he's going to take care of us, you know.

Q. Were you present at any of these introductions?

- A. I was there, yes.
- Q. And these introductions would be to various union officials, I assume?
- A. Yes.
- Q. Okay. What would Ralph Natale get in return for making these introductions?
- A. He would get a kickback under the table.
- Q. And how do you know that Ralph Natale got this kickback under the table?
- A. I was there a few times.
- Q. When you say you were there, did you witness the actual cash or checks or anything else pass between Larry Smith and Ralph Natale?
- A. They don't deal in checks, always cash.
- Q. It's always cash?
- A. Yes.
- Q. Did you witness the cash transfer from Larry Smith to Ralph Natale?
- A. Yes.
- Q. Could you tell us some of the different occasions wherein you witnessed this transfer from Larry Smith to Ralph Natale?
- A. Well, just once in a while Larry would come and hand Ralph an envelope, and Ralph would always be happy to get an envelope and he'd say, "That's my man," and then when we would leave Ralph would, you know, take the money out and count it.
- Q. And you saw Ralph take the money out of the envelope?
- A. Yes.
- Q. And you also saw Larry Smith give that envelope to Ralph Natale?
- A. Yes.
- Q. How often did you witness this?
- A. No more than once or twice.

- Q. Do you recall one occasion in particular where you witnessed that? I'm -- just for a clarification, can you give us the details of one of the instances where you witnessed Larry Smith give an envelope to Ralph Natale?
- A. Well, they almost always met in Cherry Hill, in the Holiday Inn there, and they would have lunch there, and Larry would give Ralph the envelope.
- Q. Do you know what Ralph Natale would do with this money that he received from Larry Smith?
- A. Not really. He would just, either, you know, put it in his loan sharking or -- it was his money. He could do anything he wanted with it.

However, whatever kickbacks Natale got he had to share with Bruno, according to Allen. In fact, the witness testified he sometimes delivered the cash to Bruno:

- Q. Well, you stated earlier that nobody did anything without cutting Angelo Bruno in on it?
- A. Okay.
- Q. Did Ralph have to give any of this Larry Smith money to Angelo Bruno?
- A. Oh, certainly, yeah.
- Q. How do you know that Ralph Natale would give it to Angelo?
- A. Sometimes I took it down to him.
- Q. When you took it down to him, do you mean you took the cash or you just took an envelope?
- A. I took, well, I took the envelope with the cash in it, yes.
- Q. And you knew for a fact that there was cash in there?
- A. Yes.
- Q. If Angelo Bruno weren't available -- suppose you went down to meet Angelo and he weren't around. If Angelo Bruno was not around, what would you do with the money?

- A. I would give it to Frank Sindone.
- Q. Did you ever have occasion to give it to Long John Martorano?
- A. No.
- Q. Who is Frank Sindone?
- A. Frank was a lieutenant in the Mafia, also, for Angelo Bruno.
- Q. And he fits the same category of the people we described earlier, Ralph Natale and Long John Martorano?
- A. Yes.

Smith Paid Bruno Directly?

Allen also testified that Smith gave Bruno "envelopes," that he once saw such an exchange:

- Q. Do you know if Larry Smith ever gave money directly to Angelo Bruno?
- A. Not that I can say money. He gave him envelopes, but I couldn't say what was in it.
- Q. Okay. You never saw Larry Smith put money in an envelope and then give that envelope to Angelo Bruno. Correct?
- A. No.
- Q. All right. But you did see Larry Smith give an envelope to Angelo Bruno?
- A. Yes.
- Q. Could you tell us, well, how many times did you see that?
- A. Just once.
- Q. Could you give us the details of that one time you witnessed the envelope passing from Larry Smith to Angelo Bruno?
- A. Yes. We was there having different meetings and Larry Smith sat down and handed the envelope to Angelo. Angelo smiled and thanked him and we talked awhile. That was it.

- Q. Where was this? Where did this transfer take place, this transfer of money?
- A. In a bar, in a restaurant on 11th Street.
- Q. Do you know if perhaps it was in the year 1978 or not?
- A. That, that would be, yes, that would be very close, yes.
- Q. Do you know who the owner of this bar was?
- A. Well, I don't know who the owner is, but it was run by a guy named Johnny Cupcakes.
- Q. Do you know who else was present at this meeting?
- A. Myself, Angelo, Ralph, Long John, probably Frank Sindone, and the usual crowd is always there.
- Q. Are you aware of any other meetings between Larry Smith and Angelo Bruno?
- A. He was invited to Angelo's Christmas party.
- Q. Where was that held?
- A. That was held in a place called Little Cuz's, also on 11th Street.
- Q. It's different than this other place we talked about?
- A. Yes.
- Q. This Christmas party, when was that held? Obviously, around December. What year?
- A. Oh, about two years ago. Well, he has one every year.
- Q. And did you personally see Larry Smith meet or talk to Angelo Bruno at this party?
- A. I honestly couldn't say. Ange stayed in the back room, now, you know. He would have his own private room there and just talk to certain people.
- Q. Were you ever in that room at the same time Larry Smith was in that room?

- A. No. You know, you go in by yourself, say hello, wish him well, and then you leave.
- Q. Are you aware of any other meetings that Larry Smith might have had with Angelo Bruno?
- A. Well, there was a few, but, you know, I couldn't say exactly where they were or when they were.
- Q. Well, can you tell us, at least, where if not when?
- A. Well, if Ange was at the Cherry Pit and Larry was there, they would sit down and talk and everything, you know.
- Q. Do you know of any other locations where these meetings might have been held?
- A. Yeah, I just told you awhile ago.
- Q. All right. Were there any meetings in the Cent'Anni Restaurant?
- A. The Cent'Anni, yeah, sure.
- Q. Where is that located?
- A. It's in Philadelphia.
- Q. Were these formal meetings between Larry Smith, Angelo Bruno, or were they just chance meetings?
- A. Could be chance, but most of the time you're called and told to be there.
- Q. Were you present during any discussion between Larry Smith and Angelo Bruno?
- A. A few times, yes.
- Q. Do you recall what was discussed?
- A. Not really, no.
- Q. Just as a final question, is it fair to say that, without Angelo Bruno's influence, Larry Smith would not be successful in the consultant business?
- A. Well, I couldn't honestly say that, but I would say that he wouldn't have all the business he had without Angelo.

Q. If Larry Smith were to stop kicking back or stop paying money to Ralph Natale or Angelo Bruno, would he have the contract with these various unions, in your opinion?

A. Oh, no.

EXAMINATION BY COMMISSIONER FRANCIS:

Q. Mr. Allen, can you tell us, if you know, how much money passed from Mr. Smith to Mr. Natale?

A. No, there's no telling, actually.

Q. Can you tell us on any one occasion how much money passed from Smith to Natale?

A. No, I'm sorry, no.

Q. Can you tell us how much money Natale passed from the money he received from Smith to Angelo Bruno?

A. Well, once I brought down something like 7,000, another time something like 10,000.

Q. Can you tell us how often Mr. Smith paid Mr. Natale?

A. No, but I was told it was every three months, by Franny McDonald. That's on tape.

Q. Do you have any idea how much money was in each one of those payments at three-month intervals?

A. No, I have no idea.

Smith's Testimony on Natale

After being linked to various mob figures by informant Allen, Larry Smith returned to the hearing room for the third time to testify about his dental care plan connections. He conceded he knew Mike Marrone, whom Allen characterized as Bruno's loanshark and "strong man" confederate. Smith said he employed Marrone for several years in his trucking business in 1972 or 1973 but claimed he knew nothing about his underworld activities. Smith was questioned more extensively about his relationship with former Bartenders Union leader Ralph Natale. The federal informant had said that Natale was required by Bruno to utilize Smith's services. However, when pressed for details about his association with Natale, Smith testified as follows:

- Q. Well, Mr. Smith, isn't it true that Ralph Natale contacted Joseph Cusumano, president of N.A.D.P., and said if you want a contract with any unions in New Jersey you're going to have use Lawrence Smith, a consultant? Isn't that what happened?
- A. If Ralph Natale ever did anything like that, I am not aware of it. Now, I doubt if it was ever done.

EXAMINATION BY COMMISSIONER FRANCIS:

- Q. Mr. Smith, did Mr. Natale ever introduce you to any union locals and say this is a man who might put together a dental plan for us?
- A. I don't believe in that vein, no, sir. He might have recommended me as having expertise in the fields I --
- Q. Did he or did he not, then, recommend you to certain locals as a man that had some knowledge in the administration of dental plans?
- A. Here again, Mr. Commissioner, I don't --
- Q. Can't you answer that yes or no, Mr. Smith?
- A. I'm answering it, sir.
- Q. Did he or did he not introduce you?
- A. For your specific purpose? Not to the best of my recollection, no.
- Q. Did he introduce you for any purpose?
- A. That could have very well happened at any type of function.
- Q. You can't answer that one yes or no?
- A. Excuse me, Mr. Francis.

(Witness conferring with counsel.)

COUNSEL: Excuse me. I don't think the witness is sure of the question, Mr. Commissioner. Are you asking whether Ralph Natale ever introduced him to any union officials for any purpose in the course of their relationships?

Q. The question seems clear enough and your attorney understood it. Let's try it again, Mr. Smith.

Did Mr. Natale ever introduce you to any union officials for any purpose?

A. I would think he did, yes.

Q. Did Mr. Natale appear to have some influence with those union locals to which he introduced you?

A. Other than being associated in the same labor field, I wouldn't see any special influence.

Q. Were you at that time seeking to become a consultant in the administration of dental plans?

A. I was not aggressively seeking at that point dental plans.

Q. Were you seeking it?

A. To some extent.

Q. Were you seeking it from the locals to which Mr. Natale introduced you?

A. No, sir; no, sir.

Q. Did Mr. Natale introduce you to those unions and say that you had some experience in the administration or consulting work for the administration of dental plans?

A. To the best of my recollection, Mr. Natale wasn't going around touting my expertise in the dental field.

Q. That's not my question, Mr. Smith. Answer my question, please.

A. I'm trying, Mr. Francis. Be more specific.

Q. Well, answer it.

A. I thought I did.

Q. Well, not when you're saying he's going around touting. Did Mr. Natale in those introductions to labor unions say to those labor unions that you had some experience in the administration of dental-care plans?

- A. In that format, no, sir.
- Q. In any words similar to that, Mr. Smith?
- A. I don't believe he did, sir. That's five times.
- Q. He just said, "Here's a guy named Smith"?
- A. No. He would introduce me as a person who was doing the health and welfare work and consulting work for the fund that he represented, and possibly would say he does a fine job. But beyond that, to get specific, I've answered your question.
- Q. Did Mr. Natale help you get consulting work for labor unions in the administration of dental plans?
- A. For the sixth time, not directly that I'm aware of, no, sir.
- Q. So you think those introductions he made and the recommendation he made of you were of no help?
- A. I didn't say they weren't any help and I didn't acknowledge that he did that. I said he did not walk up to labor leaders and say this is my expert in the dental field and why don't you try to use him, and that's what you're trying to infer and it's the sixth or seventh time I've answered your question.

* * *

- Q. Let's get to the bottom line, Mr. Smith. Did you ever do anything for Mr. Natale in exchange for those introductions?
- A. Well, how could I do that, Mr. Francis, by saying it didn't take place?
- Q. So you're now denying that he even introduced you to any labor unions?
- A. No, for the targeted specific way you're asking the question.

COMMISSIONER FRANCIS: He's fiddling.

THE WITNESS: I heard that, sir, and I'm not.

Q. Mr. Smith, let's go back. Mr. Natale introduced you to labor unions, did he not? Yes or no?

A. At a -- at -- excuse me.

(The witness confers with counsel.)

Q. At the time Mr. Smith introduced you to labor union officials you were seeking business in the dental-health-care plan field, were you not?

A. During that period of time, that would be correct.

Q. And to the extent that Mr. Natale introduced you to those labor union officials while you were seeking business from those locals, that was helpful to you, was it not?

A. It could have been helpful in the framework that I was presently doing work in the labor movement and labor field, yes.

Q. And Mr. Natale told people that you were doing work in this field, did he not?

A. From time to time, I would assume he did.

Q. And that recommendation or those remarks by Mr. Natale were helpful to you, were they not?

A. There's no specific instance that I could say it was, but I assume if all my clients say complimentary things about our firm and myself, it would help.

Q. Did you get business from those labor union locals or continue to do business with those labor union locals to which Mr. Natale introduced you?

A. For the best of my recollection, I do not do any consulting in the dental field for most of the labor leaders that were introduced to me by Mr. Natale.

Q. Did you ever give Mr. Natale anything in exchange for the favor he did for you?

A. Mr. Francis, the way you're phrasing the question, I never regarded it as a favor because I never requested it. So the way you're framing it, no, I did not give him anything for that.

- Q. Did you ever give him any money for any other reason?
- A. No, and I've testified to that approximately twelve times.
- Q. Did you ever give Mr. Natale any cash in an envelope?
- A. Absolutely not.

Organized Crime Expert

The final witness in the Commission's examination of the dental care program perpetrated for the financial benefit of Bruno crime family members in South Jersey was Gino L. Lazzari, organized crime supervisor for the Pennsylvania Crime Commission. Lazzari, a retired FBI agent, had been for more than 16 years a specialist in organized crime investigations, particularly in connection with what he described as "the Angelo Bruno family of La Cosa Nostra as it covered southeastern Pennsylvania and South Jersey." The testimony by this law enforcement officer confirmed that of the federal informer Allen in linking Larry Smith's associates with the Bruno crime family, beginning with Raymond (Long John) Martorano. SCI Counsel Gerard P. Lynch questioned Lazzari:

- Q. Now, have you ever heard of the name of Raymond "Long John" Martorano?
- A. Yes, sir, I have.
- Q. Could you tell us how you heard of that name and whether or not it is in any way connected with organized crime?
- A. Raymond Martorano allegedly purchased the Penn-Jersey Vending Company from Angelo Bruno back in about 1963 or '64 and one of the purchases of the company with Martorano was a current old-time member of La Cosa Nostra Harry Riccobene, and from about 1964 until recently when John's Vending became John's Wholesale Distributors, Angelo Bruno was carried on the payroll as a cigarette salesman getting two or three cents a pack from various vending-machine stops.

No one that worked in the program in the Philadelphia Police Department, the F.B.I., New Jersey State Police would ever believe that Angelo Bruno would work for Raymond Martorano. It was the other way around.

Raymond Martorano has a conviction for narcotics of which he served time, and he was a close associate of Ralph Natale, who is the current -- was the former recording secretary of Local 170 of the Hotel, Bartenders and Waitresses Union, Cherry Hill, New Jersey.

Q. Did Mr. Martorano have any relationship with Mr. Bruno, to your knowledge?

A. Yes, he was very close to Angelo Bruno. He would more or less be, like, say, a messenger, bodyguard, chauffeur, handled many business connections, entrees for Mr. Bruno.

Q. Was he seen frequently with Mr. Bruno?

A. Constantly up until his death he was a frequent companion of Mr. Bruno, meeting at Bruno's lawyer's office. In fact, on the night Bruno was assassinated or killed Martorano was in the restaurant at the time Bruno had dinner.

Q. Now --

A. Supposed to have taken him home and someone else took over that chore.

Q. Now, would you classify Mr. Martorano as a member of Mr. Bruno's crime family? And if so, could you designate what position in the family he would hold?

A. Based on the strict requirements of membership that the F.B.I. employed, Martorano was not positively identified as a member, but he was identified through association and other informant information as being a very, very close associate and top worker for Angelo Bruno, one of his principal money-makers.

Q. All right. Now when you say, "one of his principal money-makers," could you elaborate on what you mean by "principal money-makers"?

A. By arranging for investments in various businesses and industries, particularly in the vending business. John's Vending mushroomed from a small, normal everyday vending company to one of the largest; made various take-overs and purchases of vending-machine businesses in the state of New Jersey, such

as Toomey Vending Company and several others, where they had the, about the largest vending company in the Southeastern Pennsylvania/South Jersey area.

Q. Now, you mentioned before that Mr. Martorano was involved in narcotics. Is he still, to your knowledge, involved in narcotics?

A. From the informant information we had, he was.

Ralph Natale, who was Smith's dental plan connection with Bartenders Local 170, later Local 33, and also with the Bruno mob, was discussed by Lazzari:

Q. Now, you also mentioned the name of Frank Natale? Could you tell us, you said he was an associate of Martorano. Could you tell us what Mr. Natale's position is in the organized crime family?

A. Mr. Natale, very similar to Mr. Martorano in the fact that, based on the strict requirements that they use for membership, he was not actually identified as a member of the organization itself, but was a very close associate of Bruno's in that he was Bruno's contact within the labor union field in South Jersey, particularly with the hotel/bartenders unions.

Q. Do you know who Mr. Natale or Mr. Martorano would have to answer to within the Bruno crime family?

A. They would have to answer to Angelo Bruno.

Q. Directly to Mr. Bruno?

A. Directly.

Al Daidone, who was Larry Smith's most direct dental care contact with Local 33's Health and Welfare Fund, was known to Lazzari:

Q. Could you tell us whether or not you have heard of the name Al Daidone?

A. Al Daidone, the name, I just recently heard of that this year, is -- at the time that Bruno was assassinated or killed, Al Daidone was allegedly designated as Raymond Martorano's bodyguard that would drive him back and forth and be in his presence very frequently, sort of in brief, sort of a rising star among the officials in Local 170 of the bartenders union.

Q. Is he a close associate with Raymond Martorano?

A. I would assume if he was his bodyguard, yes.

Lazzari continued with his recollections of Smith's gangland associates:

Q. Now, have you ever heard of the name of Frank Vadino?

A. Yes. Frank Vadino first came into my recollection back in about 1973. One of the former organizers of Local 170 of the bartenders union was a fellow named Joseph McGreal from South Philadelphia. He and the two officers of Local 170, Andrew Chaloka and Richard "Bucky" Baldino, were convicted in Federal Court in Camden for extortion, trying to extort money from about ten big restaurants in the Camden area in return for labor peace.

Well, when they went to jail, McGreal allegedly gave control of the union to Natale and McGreal, when he came out of jail, made known that he wanted his position back and he wanted to take over a few other business deals that Natale had moved into, particularly hauling of beer for the Schmidt's Brewery. Natale -- McGreal -- pardon me. Joe, Joseph D'Agata, Joseph McGreal, Frank Vadino were one-third partners in the operation of a beer-hauling company called Beer Transportation Corporation in Southwest Philadelphia and they had the contract of hauling beer for Schmidt's.

After McGreal got out of jail he made motions that he wanted his business back. Natale was trying to take it over with another outfit that Mike Marrone had an interest in called KMA Leasing, and on the night of Christmas Day, Christmas night, 1973, McGreal was killed in gangland fashion in South Jersey here and the best informant's information we had was that Ralph Natale and Francis McDonald did the actual killing.

Mike Marrone has a reputation of being a very vicious hit man. He's had, had the conviction recently in 1978, I believe, for being the ring leader of a arson-for-profit ring in the Philadelphia/South Jersey area.

He had four previous convictions, one for narcotics here in the state of New Jersey, three by common pleas court for violent crimes in Philadelphia, all four charges, all four convictions resulting in prison sentences, and the prison sentence and the arson-for-hire ring, based on his prior record, the U.S. Attorney in the Eastern District of Pennsylvania had him sentenced as a special offender in November of this year and he got a 50-year prison sentence. Excuse me.

A couple of his associates in this arson-for-hire ring, Ron Turchi got forty years; a guy named Junior Casello got about twelve.

- Q. Do you know for a fact whether or not Ralph Natale has been convicted of any crimes recently?
- A. Yes. Ralph Natale was also the leader of an arson-for-hire ring in South Jersey. He was convicted for his part in the setting up and operating the fire destruction of the Mr. Living Room's furniture store in Marlton, New Jersey. The fire occurred on March 1st, 1977. He was convicted in Federal Court in, pardon me, January, '79, and got twelve years. Shortly after he was released on bail he got involved with Charles Allen and some other individuals, Frank Vadino is one, in a large-scale narcotics operation in Fort Lauderdale, Florida. In about February 8th of 1979 Natale, Vadino and three or four other people were arrested aboard a boat in Fort Lauderdale called the Danny Boy III and charged with trying to import millions of dollars worth of drugs and cocaine into the United States. In September of this year Natale received a fifteen-year prison sentence in the Southern District of Florida to run consecutive with the twelve years he got on that Mr. Living Room arson. He is currently in prison.
- Q. Now, you mentioned the name of Charles Allen at that time. Do you know Charles Allen?
- A. Yes, I knew Charles Allen by reputation and from the days when I worked, the last few days, few months I worked in the F.B.I.
- Q. Could you tell us what you know about Charles Allen?

- A. Charles Allen always had a reputation similar to Mike Marrone's as being a union organizer, the type of man that the Mafia or union people would use to more or less stifle any opposition, sort of a say, a goon, a muscle man, a guy that would do anything to make a buck or to please somebody.
- Q. Who is Charles Allen closely associated with in the Bruno crime family?
- A. Charles Allen was closely associated with Ralph Natale mainly. That was one of his closest friends, and he reported directly to Bruno on many occasions. Also, Natale -- pardon me. Charles Allen was very close to Frank Sheeran and through Frank Sheeran had a good rapport with the upstate Pennsylvania organized crime boss, Russell Buffalino.

Testimony by the Pennsylvania Crime Commission's organized crime expert, Lazzari, concluded the Commission's public hearing depiction of mob infiltration of certain South Jersey labor union health and welfare funds under the guise of promoting dental care benefits for rank and file union members. While the transfer of more than \$150,000 in excess cash to mob coffers in 1978 could not be specified dollar-by-dollar, the hearing record confirmed that since-murdered Angelo Bruno and his gang had shared the loot.

The Commission next turned to a more complicated corporate flim-flam in North Jersey.

THE NORTH JERSEY EPISODE

Opening the public hearing inquiry into yet another illustration of organized crime intrusion into labor union dental care programs, Commissioner Francis made a brief transitional statement linking the previous days' work with forthcoming testimony. He noted that the North Jersey episode would differ from the exemplar portrayed in South Jersey "because of a more wide-ranging maze of personal and business transactions" designed to mask the diversion of money to underworld figures and their accomplices. Commissioner Francis observed:

We have just completed the recording of testimony confirming the enrichment of organized crime associates by dental-care plan abuses in South Jersey. In that segment of these public forums, it was shown that in at least one dental-care scheme monies were diverted to underworld figures and their associates as a result of an alliance between unscrupulous consulting and administrative entities and the disreputable leaders of major labor union locals.

Because of the complexities of the dental-care plan machinations now to be exposed, the Commission has prepared more than a dozen charts to explain them. Various witnesses, including some drawn from the underworld, will be confronted with these charted transactions and will be required, under oath, to explain not only the book-keeping deceptions involved but also the devious route of diverted cash to organized crime. Just as in the South Jersey episode, forthcoming testimony is expected to illustrate once again how the welfare of thousands of labor union members was sacrificed on behalf of greedy business entrepreneurs and the mob.

How the Plan Was Organized

The initial witnesses described the origins of the plot to invade the health and welfare funds of susceptible labor union locals in the northern part of the state for the combined benefit of unscrupulous business entrepreneurs and their mob associates. First to testify was George A. Franconero of North Caldwell who was under suspension as a lawyer. Franconero filed legal papers and performed other chores in the mid-1970s that helped to establish the alliance of dental service providers and administrators with corrupt union leaders and organized crime figures. (Franconero was murdered in March, 1981).

Franconero recalled his first contacts with Stanley Resnick of Convent Station and Dr. Jesse D. Hyman of Long Island in connection with a dental care program for Teamsters Local 945 in West Paterson. Dr. Hyman later in the hearing would be identified as an organized crime courier who had operated mob-influenced labor union dental plans in New York State. According to Franconero, he was counsel to Resnick's and Dr. Hyman's corporation, New Jersey Dental Administrators (this corporation was referred to during the hearings as the NJDA, but SCI counsel emphasized that there was no connection between this group and the New Jersey Dental Association, a respected professional organization which has the same initials). Franconero's representation of the NJDA corporation eventually resulted in his leading Resnick and Dr. Hyman to Drs. Joel S. Sokol of Irvington and Anthony Ferrara of Newark, whose operation of closed panel dental care clinics was to become the prime target of subsequent public hearing testimony. Franconero described how these connections came about:

- Q. When is the first time that you actually were, if you will, contracted by Mr. Resnick and Dr. Hyman to do legal work for them?
- A. I think, in '75 or '76, in that area of time.

- Q. And this would have been prior to their getting the dental plan for Local 945?
- A. No, it was subsequent.
- Q. Subsequent. Did you at all have anything to do, whether it be direct or indirect, with Dr. Hyman and Mr. Resnick getting the contract with Local 945?
- A. No, sir.
- Q. And how was it that they contracted you to be their attorney to represent N.J.D.A.?
- A. I met them there and they asked me to represent them.
- Q. Now, did there come a time after you undertook representing N.J.D.A. where you introduced the principals of N.J.D.A., Mr. Resnick and Dr. Hyman, to a Dr. Joel Sokol and a Dr. Anthony Ferrara?
- A. Yes, I did.
- Q. What was the purpose, if any, for doing that?
- A. Initially I introduced Dr. Ferrara to Dr. Hyman so that Dr. Ferrara could possibly do some oral surgery work on behalf of Dr. Hyman.
- Q. Did you know whether, in fact, he undertook that or not?
- A. No, he didn't. I do know he did not.
- Q. Having first done that, did there come a time when you introduced Dr. Sokol and Ferrara once again to Dr. Hyman and Mr. Resnick?
- A. Yes.
- Q. And what purpose, if any, was that for?
- A. They were thinking about working together in the state of New Jersey to do prepaid plans.
- Q. And when you say "They were thinking of working together," who do you mean?
- A. Well, Dr. Sokol, Dr. Ferrara and Dr. Hyman were going to work together and operate a prepaid dental facility or facilities, and

Mr. Resnick was going to be the administrator. That's what the conversation concerned.

Q. All right. Now, in the context of that conversation, can you fix a time period for us?

A. I think it was in early '76.

Q. And, to your knowledge, would that have been the initiating effort of Dr. Sokol and Dr. Ferrara to form some sort of company in order to furnish dental plans?

A. I don't recall specifically what their thoughts were, but I know that that's the reason that they came together.

Q. Well, did there come a time when they did, in fact --

A. Yes.

Q. -- join forces?

A. Yes.

Q. And when was that?

A. In '76.

Q. And did there come a time, to your knowledge, that Dr. Sokol and Dr. Ferrara at least started sending out proposals for dental plans?

A. Yes.

Q. When was that?

A. In '76.

Q. Did they get any unions, contract with them?

A. They contracted with the union, yes.

Q. Do you know what they are? The first one?

A. They contracted with 478, Teamsters Local.

The Commission questioned Franconero about the circumstances that brought Dr. Hyman from upstate New York into New Jersey in connection with North Jersey labor union dental programs:

COMMISSIONER FRANCIS: While we have a minute, Mr. Franconero, Dr. Jesse Hyman is a dentist in Buffalo, is he not?

THE WITNESS: Yes.

COMMISSIONER FRANCIS: Can you tell us why a Buffalo dentist had any interest in forming closed-panel dental clinics in New Jersey?

THE WITNESS: I don't know.

COMMISSIONER FRANCIS: Did he ever discuss his reasons, his motives, with you?

THE WITNESS: When I first met Dr. Hyman, he had already established himself in this state and really didn't get into that, that I know of.

COMMISSIONER FRANCIS: What do you mean he had already established himself in the state?

THE WITNESS: Well, he was already servicing 945, or had reached an agreement to service them, in any event.

COMMISSIONER FRANCIS: Did Dr. Hyman appear to have particular contacts in New Jersey?

THE WITNESS: I assume he did, but I don't know of any specifically other than he knew the people who had to negotiate the contract with 945.

COMMISSIONER FRANCIS: He knew some people within the labor movement?

THE WITNESS: Oh, yes.

COMMISSIONER FRANCIS: A lot of people?

THE WITNESS: He knew people. I don't recall a lot. He knew a few people, I assume.

COMMISSIONER FRANCIS: Did he know some of the key people in union locals?

THE WITNESS: I really don't know what you mean by "key people," Mr. Francis.

COMMISSIONER FRANCIS: The president of the local, the business agent?

THE WITNESS: Of 945?

COMMISSIONER FRANCIS: Well, particularly or any other local.

THE WITNESS: I'm not sure. I think he was negotiating with Local 1262 at some point or other. I'm sure he knew the officials from 1262. I think he knew Mr. Kinsora. I think he knew some people from the union.

COMMISSIONER FRANCIS: How about 945 did he know people from -- 945?

THE WITNESS: I'm sure he knew Mr. Palmieri, Mr. Capisano and, I assume, some people from the welfare board. He negotiated the agreement. I assume he knew them.

COMMISSIONER FRANCIS: Do you know how Dr. Hyman came know those labor officials?

THE WITNESS: Of my own personal knowledge, I don't.

Testimony about the Sokol-Ferrara dental care contract with Local 478 also involved George F. Serio of Mountainside, the local's health and welfare fund administrator, who was scheduled to testify later. About this time, "Joel S. Sokol, D.D.S., P.A.," a professional corporation, as well as Metro Dental and other corporate entities had been created as components of the Sokol dental plan promotion. Serio eventually became president of Group Administrative Services, one of the corporations set up by the same sponsors of the dental plan he contracted with as administrator for his local's health and welfare fund. Franconero's testimony on this arrangement follows:

- Q. Now, to your knowledge, Mr. Franconero, in order for the welfare board, which I will now refer to it as Local 478, did George Serio play any function at all leading up to, and the final award of, the contract to Joel S. Sokol D.D.S., P.A.?
- A. I did not participate in any of that, so I really don't know of my own knowledge.
- Q. And his position at the time of this contract, and, again, that's December of 1976, was what? I'm referring to Mr. Serio?
- A. He was the administrator. George Serio.
- Q. Yes?

- A. He was administrator. I assume he had a part to play in it, he was the administrator. But I didn't participate in the negotiations myself.
- Q. Did you have any dealings with Mr. George Serio on behalf of Sokol, D.D.S., in order for them to get the contract?
- A. No.
- Q. Mr. Franconero, are you familiar with an entity by the name of Group Administrative Services, Inc.?
- A. Yes.
- Q. And how is it that you're familiar with that entity?
- A. I think I formed it.
- Q. For whom did you form it?
- A. I was requested at some point or another by Dr. Sokol to form it.
- Q. To form Group Administrative Services, Inc.?
- A. I really don't recall who asked me to, but I know I did. I assume it's --
- Q. But as you're sitting here, it was Dr. Joel Sokol.
- A. It could have been. It could have been Mr. Resnick as well. Somebody.
- Q. There did come a time, in fact, when you did form such a corporation, was there not?
- A. Yes.
- Q. And you got paid for whatever it is, did you not?
- A. I didn't specifically get paid by Group Administrative Services. I just did this in general.
- Q. Who did you specifically get paid for those endeavors that you did on their behalf?
- A. I got paid by Metro Dental. Metro Dental was the administrative agency for Dr. Sokol. I think I got paid once or twice by Dr. Sokol as well.

- Q. Metro Dental, since you have brought it up, was a corporation formed by Mr. Resnick and, early on, Dr. Hyman, was it not?
- A. That's correct.
- Q. And that was principally formed to serve as the administrative arm of Joel S. Sokol, D.D.S., P.A.?
- A. That's correct.
- Q. Well, in regard again, I'm referring to your work with Group Administrative Services, Inc., which hereinafter I will refer to as G.A.S., the services that you performed for G.A.S., were you paid then by either Metro Dental Services or Dr. Sokol individually?
- A. There was nothing specific. I was never paid specifically for work done on Group Administrative Services. I formed the corporation. It initially was formed by me and at the time I was working for Metro Dental Services and I was paid for general attorney's fees by Metro Dental Services.
- * * *
- Q. Mr. Franconero, I'm going to show you what's been previously marked Commission Exhibit 3. It purports to be a bank resolution for Group Administrative Services, Inc. Would you look at that and tell me, can you identify that?
- A. Yes.
- Q. Did you represent Dr. Sokol at the time that was prepared?
- A. At the time, 1977? Yes.
- Q. Now, if you will, would you look at the signature appearing as secretary and it purports to be Joel S. Sokol. Do you recognize that signature?
- A. It looks like Dr. Sokol's signature.
- Q. And this is for the entity Group Administrative Services, Inc., is it not?
- A. Yes.

- Q. Now, if you will, will you look at the signature appearing alongside the title "President"? Whose signature is that, if you know?
- A. George F. Serio.
- Q. Off to the left is printed, and again that's "George F. Serio," is it not?
- A. That's correct.
- Q. When did Mr. Serio become president of that company?
- A. I don't recall specifically when.
- Q. But he was, in fact, the president of the company at some point, wasn't he?
- A. As the record indicates, yes.
- Q. Well, as the attorney for G.A.S., did you have any dealings with the purported president, at least, Mr. Serio, about the corporation?
- A. I don't remember specifically having a conversation with Mr. Serio about that. I knew there were conversations concerning it, but I don't recall specific ones involving him.
- Q. Well, did you have any business dealings at all on behalf of G.A.S. with Mr. Serio?
- A. I don't think G.A.S. ever entered -- ever operated as an entity.
- Q. It was incorporated, wasn't it?
- A. That's the total extent of it. I think it was a dead corporation.
- Q. There were attempts, at least, to operate as an entity, weren't there?
- A. They never functioned doing business as a corporation that I know of. If they did, it was not to my knowledge.
- Q. Well, I will show you a letter, marked CN-5A, George A. Franconero, signature above it, it's addressed State of New Jersey, Department of Law and Public Safety, Division of Consumer Affairs, Board of Optometry. Would you look at that letter and tell me,

wasn't that an attempt to do business?

- A. All right. If you construe that to be an attempt, it is an attempt.
- Q. In the course of the time that you were representing Dr. Sokol and, or I should say Dr. Sokol, P.A., I suppose, Metro, Group Administrative Services, Inc., did you ever apprise Dr. Sokol that there may be a possible conflict of interest what with their dental plan contracting with Local 478 and the corporation having George Serio, an officer of 478, as a president of that company?
- A. I don't know whether there would be a conflict or not. I never apprised them of that, no.
- Q. As an attorney at the time, did it occur to you that there, at least, might be the possibility, if not probability, of a conflict having a corporation containing as president George Serio, administrator to the welfare fund, and vice-president or secretary, Dr. Sokol, a provider to that welfare fund?
- A. We never got to that bridge. We never got to a point where we had to make the determination. It never occurred to me at that point.
- Q. You didn't feel at the point of incorporation that would be an appropriate time?
- A. No. Mr. Serio could have informed the welfare fund of his position in Group Administrative Services and got their approval and there wouldn't be a conflict.
- Q. He could have?
- A. But they didn't get to a point of functioning.
- Q. Do you know if he did?
- A. I know of no relation between Mr. Serio and the welfare fund. You're asking a question of my advising Dr. Sokol. The answer is I never advised Dr. Sokol of a conflict.
- Q. Likewise with G.A.S., you never advised the president of G.S.A., Mr. Serio, to so inform the welfare fund of his dual role?

- A. I never informed him of that, not that I remember.

The John Riggi Link

John Riggi of Linden has been described by law enforcement officers as the individual in charge of Simone (Sam the Plumber) DeCavalcante's New Jersey organized crime family due to the semi-retirement of DeCavalcante in Florida. One member of Riggi's mob, according to these same officers, was Comillo (William) Molinaro of West Orange, who became employed as a janitorial supervisor by one of the Sokol dental care corporations, in which role he served as Riggi's connection with the operation. When Franconero was questioned about Riggi and Molinaro, he confirmed their connections with the operation but denied any personal knowledge of their organized crime background:

- Q. Do you know a gentleman by the name of John Riggi?
- A. Yes, I do.
- Q. No. How is it that you know John Riggi?
- A. I know Mr. Riggi in connection with a -- meetings that took place in regard to a dental program.
- Q. What dental program was that?
- A. Dr. Sokol's
- Q. Well, were you representing Dr. Sokol's dental program in some capacity at that time?
- A. I was representing the plan.
- Q. And were you trying to solicit Mr. Riggi in some fashion on behalf of Dr. Sokol?
- A. I wasn't. I was in attendance at a meeting.
- Q. Well, along the lines of John Riggi, is he, to your knowledge, a union official?
- A. Yes.
- Q. What is he?
- A. I don't know the specific title. I thought it was a business agent. I'm not sure.
- Q. Well, in any event, you attended meetings during which time Dr. Sokol attempted to get the business of Mr. Riggi's union; is that so?

- A. I was present at a meeting in which a proposal was made by Dr. Sokol -- I don't know who else -- to do the dental plan for Mr. Riggi's local.
- Q. And do you know whether, in fact, he ever got Mr. Riggi's local?
- A. I don't think he ever did, to my knowledge. Not under contract.
- Q. Was the proposal a formal one, by that I mean a written proposal, or did he just mention it to him in the course of a meeting?
- A. No, I don't remember a written proposal, but there may have been one at some point or another. I don't recall at that meeting a formal proposal.
- Q. Was Dr. Ferrara present at that meeting, if you know?
- A. He may have been, but I just don't recall. I think he was.
- Q. To your knowledge, was John Riggi instrumental in any fashion with Joel S. Sokol, D.D.S., P.A., being awarded any future contracts with any unions?
- A. Not to my knowledge.
- Q. Did he ever serve as an intermediary, to your knowledge, for Joel S. Sokol, D.D.S., P.A., and introduce Dr. Sokol to other union leaders and officials or business agents?
- A. He may have, but I don't really know of my own knowledge whether that ever took place, Mr. Rhoads.
- MR. RHOADS: May I have Commission Exhibit 6, please.
- Q. Now, Mr. Franconero, there came a time when you served as an attorney for Mr. Molinaro, was there not?
- A. I did.
- Q. And I'm referring at this point, really, to both Comillo and his son Michael. Is that right?
- A. Yes.

- Q. I'll show you Commission Exhibit 6, ask you first if you can identify it, and, if so, what do you identify it to be?
- A. That's an incorporation certificate for a company called G & M Services Company.
- Q. You were the attorney who incorporated that corporation, were you not?
- A. Yes.
- Q. Who are the principals in that corporation?
- A. Mr. Molinaro, Michael.
- Q. And what was the corporate purpose of that corporation?
- A. It was to do building services. That's what it says here.
- Q. Is it fair to say, janitorial functions?
- A. Yes.
- Q. Do you know whether there came a time when either Metro or Sokol, P.A., availed themselves of G & M, used them as janitorial service?
- A. Yes, I think, yes. The answer to your question is yes.
- Q. More particularly, was Comillo Molinaro ever hired by Sokol, D.D.S., P.A., or Metro to do work from them?
- A. I think the corporation was paid for services.
- Q. Well, did Mr. Molinaro himself ever come in and do janitorial services for Sokol, P.A., or Metro?
- A. He did.
- Q. Did you ever observe him doing it?
- A. Yes.
- Q. On behalf of Joel S. Sokol, P.A., and Metro, who was the one or ones that actually hired G. & M to perform their janitorial services?
- A. Mr. Resnick.

- Q. Are you familiar with the circumstances during which time Mr. Resnick hired G & M?
- A. No.
- Q. How do you know that he did?
- A. I know that Mr. Molinaro would deal with Mr. Resnick.
- Q. Meaning what? Would you expand on that, please?
- A. Well, if Mr. Resnick was really the administrator, the person in charge of getting the work done at the facilities, and he would be the one that Mr. Molinaro would deal with.
- Q. Well, you're now concluding. What I am asking is, do you actually know whether Mr. Resnick picked up the phone, called and said, "Mr. Molinaro, you're going to be our janitor now"?
- A. No.
- Q. Something to that effect?
- A. Not that I know of. I know I'm sure he spoke to him, but I wasn't aware of the specific conversation that took place, Mr. Rhoads.
- Q. All right. How many years have you known Mr. Riggi?
- A. I must have met Mr. Riggi maybe three or four times in my life.
- Q. Over what span of time?
- A. I said maybe five times total. Over two years.
- Q. During those two years you know Mr. Molinaro, did you not?
- A. Yes.
- Q. To your knowledge, did Mr. Molinaro know John Riggi?
- A. Yes.
- Q. To your knowledge, did he ever perform any work for Mr. Riggi?

- A. To my knowledge, I don't know.
- Q. Did you ever hear or do you know John Riggi to be the head of the Sam DeCavalcante organized crime family in New Jersey?
- A. Do I know it?
- Q. Yes, do you know that?
- A. No, I don't know it.
- Q. Have you ever heard it?
- A. What I read in the newspapers.
- Q. And during the occasions that you met Mr. Riggi did you ever ask him about it?
- A. Never.
- Q. Is there any reason why you did not?
- A. I don't necessarily believe what I read in the newspapers, Mr. Rhoads.

The Commission's interrogation of Franconero turned again to Dr. Hyman. Franconero recalled that Resnick and Dr. Hyman ultimately split up, leaving Resnick in control of Metro Dental Services, the administrative corporation for the Sokol dental clinics. Franconero recalled that Dr. Hyman "didn't want to function in New Jersey any more or didn't have the time." Franconero also recalled Dr. Hyman attending meetings at which John Riggi was present. His testimony continued:

- Q. Well, during the meeting or meetings that you had wherein you said you attended, Mr. Riggi attended, Mr. Sokol was in attendance, Dr. Hyman was there, wasn't he?
- A. I think on one or two occasions Dr. Hyman was present.
- Q. And did you form any opinion as to whether Dr. Hyman had known John Riggi prior to your knowing him?
- A. I knew he knew Mr. Riggi, yes.
- Q. He knew him for quite awhile, didn't he?
- A. I don't know for how long.
- Q. Well, how is it that you know that Dr. Hyman knew Mr. Riggi?

- A. Because they spoke on a first-name basis when they were at the table.
- Q. Did they ever discuss any of the dental business?
- A. Just a proposal to do the work for Mr. Riggi's union.
- Q. Well, to your knowledge, did Dr. Hyman ever pay John Riggi in return for John Riggi introducing him to labor leaders or what-have-you?
- A. Not to my knowledge.
- Q. How about Dr. Sokol?
- A. Never that I know of.
- Q. Mr. Resnick?
- A. No.

Dr. Sokol's Partner

The next witness, Dr. Anthony J. Ferrara, the partner in Dr. Sokol's professional corporation, told how the Sokol clinics expanded to include contracts with a number of labor unions in his testimony before the Commission:

- Q. All right. Now, Doctor, having once secured the contract with Local 478, did you then go on to contract with any other locals?
- A. Yes.
- Q. And if so, what were they?
- A. Local 1262.
- Q. And if you know, were they the Retail Clerks?
- A. Correct.
- Q. And as your father did in Local 478, more or less give you an introduction or, at least, initiate the negotiations between Sokol, P.A., and 478, did anyone do a similar service for you at 1262?
- A. I don't know who made the first introduction at 1262.

Q. Were you involved in any of the negotiations between Sokol, P.A., and 1262?

A. Not actually the negotiations. I may have been involved in the initial meetings, in other words, who were the principals, you know, what does Dr. Ferrara do, so I may have been with Mr. Kinsora at some point to introduce myself.

Q. Who is Mr. Kinsora?

A. President of that local.

* * *

Q. Well, just for general background, what was your role within the corporate entity of Sokol, P.A.?

A. I had more of a clinical role. I was doing surgery and sort of just monitoring the actual day-to-day dental practice, the actual performance of dentistry.

Q. All right. Then, as I understand it, then, you did get involved, at least to a minor degree, in any of the negotiations; is that correct?

A. I would go as introductions; this is our oral surgeon, this is who runs our oral surgery, just merely to meet the people, be familiar.

Q. Now, other than 1262, did you go on to contract with any other locals?

A. Right, 906 in Mahwah. That's Ford, U.A.W. workers.

Dr. Ferrara also testified about his recollections of John Riggi:

Q. In your early-on years of Sokol, P.A., did there ever come a time, to your knowledge, where the professional association attempted to contract with John Riggi's union?

A. Yes.

Q. Were you involved in any of those negotiations?

A. Well, I think I may have just again gone along to a meeting where I was introduced as an oral surgeon.

Q. All right. In any event, your recollection is that Sokol, P.A., had already had clients, if you will?

A. Yes.

Q. And then you attempted to bring on John Riggi's union?

A. Correct.

Q. Did you know Mr. Riggi prior to your reaching out and trying to contract with him?

A. No, the first I met him was when we tried to, you know. I think we -- I don't know where we specifically met the first time, but I think this was after we were functioning as a dental organization for a while.

Dr. Ferrara explained how the original Resnick-Hyman relationship changed to Resnick-Sokol:

Q. Now, you eventually took on an entity by the name of Metro Dental Services, Inc., --

A. Right.

Q. -- to serve as administrator to Sokol, P.A., did you not?

A. Correct.

Q. Metro Dental Services, Inc., early on the principals were a Mr. Stanley Resnick and a Dr. Jesse Hyman, were they not?

A. Correct.

Q. Who, if anyone, introduced you -- "you," I mean both individually and Sokol, P.A. -- to Messrs. Resnick and Hyman?

A. I think the first time I met Stanley and Dr. Hyman was before we even started our initial facility. They were doing some other kind of a dental program, but they were looking for an employee of oral surgeons just to come in and do oral surgery for them. I was not interested in that. I had one brief meeting with them where they were interviewing me for the possibility of doing oral surgery for them on that basis, but I told them I wasn't interested.

I think we were functioning for awhile, a few months with 478 and we wanted to do some expansion at that point because all the membership was really only coming to the one site and we were on a modified plan at that point. We had a site where the membership could come to without additional cost to the member and then -- or they could go out to their own dentists and they were paying claims. But at that point we thought we were going to need more sites if we were going to do this kind of operation. So --

Q. Well, let me just interrupt for a moment. I want to get back to the marrying up, if you will, of Sokol, P.A., and Metro.

A. That's what I'm trying to bring together. They, Mr. Resnick and Jesse Hyman, were introduced to us and they -- Jesse apparently has a facility in Buffalo that's a large dental facility, and at that time there were really relatively few around. So Joel thought it would be good to bring someone on board who knew a little bit more on the larger-scale facilities than we did.

Q. So that would have been Dr. Hyman?

A. Dr. Hyman. And, so, also Mr. Resnick had the expertise in putting these larger facilities together, in the building, the maintenance, the upkeep and the equipment, all of which we -- I don't feel Joel and I really had very much expertise based on a lot of problems we had trying to build our first facility. We were dentists, didn't know too much about dealing with builders.

Q. Given that, you formed a relationship with Metro?

A. Right.

Q. They were to serve as your administrative arm?

A. Right, they were going to do administration and provide facilities for us. But --

Q. There came a time when Dr. Hyman, if you know, Dr. Hyman left the corporate entity Metro Dental, did he not?

A. Correct. Well, he wasn't really doing anything with the corporate entity, so I think it was a mutual agreement that he leave.

- Q. During the course of time your corporation was negotiating with John Riggi was Dr. Hyman present?
- A. I don't know. He may have been. I don't know. I don't think so.
- Q. Well, to your knowledge, did Dr. Hyman know John Riggi?
- A. I believe he did.
- Q. Do you know how it is he knew John Riggi?
- A. No. We had a very short-term relationship with Dr. Hyman. I mean he left the organization relatively early. I think it was later, much later from that date, that we actually tried to put a plan into Mr. Riggi's group.

* * *

THE TESTIMONY -- FOURTH AND FINAL DAY

FRIDAY, DECEMBER 12, 1980

Opening Comments

The agenda for the Commission's final hearing session included testimony by 16 witnesses and the introduction -- with accompanying explanations -- of 10 charts on corporate and individual cash and check transactions. Because of the heavy schedule, Chairman Lane's opening commentary was brief:

The Commission's public hearing on various organized crime influenced dental care plans now enters its final stages. We will resume where we left off yesterday, when we began taking testimony on the abuses in this field in the northern part of New Jersey.

As with the previous public hearing depiction of dental plan practices in South Jersey, today's testimony is expected to further demonstrate the extent to which labor union health and welfare trust funds are being abused by disreputable dental service promoters and irresponsible labor leaders, closely - and secretly - allied with known mobsters. To an even greater degree than in South Jersey, today's testimony and exhibits will reveal the multiplicity - and the duplicity - of corporate and personal bookkeeping designed solely to hide the generation and diversion of cash for wrongful purposes. Because of the complexity of these financial machinations, numerous charts and diagrams based on many months of scrutiny by the commission's accounting staff have been prepared for display to clarify these transactions as they are discussed with witnesses.

The Cash Flow Charts

Julius M. Cayson, Jr., the Commission's chief accountant since 1972, began the session with a step-by-step explanation of charts illustrating how various corporations involved in the promotion, servicing, administration and operation of the numerous Sokol P.A. dental clinics handled their financial transactions for the years 1977, 1978 and 1979. Cayson began with an analysis of the receipts for the entity known as Joel S. Sokol, D.D.S., P.A., displayed on a chart which confirmed that total receipts had increased more than seven fold over the three-year period, from almost \$502,000 to more than \$3.6 million.

However, the Commission first established its chief accountant's professional credentials and ascertained the methodology for compiling the various financial assessments:

EXAMINATION BY COMMISSIONER FRANCIS:

- Q. Mr. Cayson, are you also a certified public accountant?
- A. Yes, sir, I am.
- Q. Prior to becoming the chief accountant at the S.C.I., where were you employed?
- A. The Internal Revenue Service.
- Q. For how long?
- A. Eleven-and-a-half years.
- Q. What were you doing there?
- A. I was a criminal investigator of that division, special agent.
- Q. What were the source materials for these Exhibits.
- A. Books, records and other external evidence gathered by the staff during the course of their investigation.
- Q. Were these mostly the books and records of those entities named; that is, Burke Enterprises, Metro Dental, Western Realty and Joel S. Sokol, D.D.S., P.A.?
- A. Yes, Commissioner, they were primarily, but we found we had to make considerable third-party inquiries to verify certain representations in the books and records.
- Q. And you did make those inquiries and got those verifications?
- A. Yes, sir, we did.
- Q. Do those exhibits accurately represent the findings that you and those working under your supervision made of the receipts and disbursements for Joel Sokol, D.D.S., P.A., Western Realty, Metro Dental and Burke Enterprises?
- A. Absolutely.

EXAMINATION BY MR. RHOADS:

- Q. Now, Mr. Cayson, I direct your attention to this graph,* and is this one of the graphs that we have foredescribed?
- A. Yes, it is.
- Q. Now, with regard to the figures, preliminarily, as an example, 402,400, is that an accurately depicted figure or is that rounded off in some fashion?
- A. We rounded the figure off for simplicity's sake to the nearest hundredth.
- Q. Mr. Cayson, directing your attention, again, to the illustration, if you read the top, it reflects Joel S. Sokol, D.D.S., P.A. receipts. What is Joel S. Sokol, D.S.S., P.A.?
- A. Joel S. Sokol, D.D.S., P.A. is the dental provider for various unions located principally in the northern part of the state.
- Q. Now, directing your attention below the name of the entity, it reads "receipt." What does that mean?
- A. That denotes cash receipts.
- Q. Fine. Now, in that regard, we have Local 478, Joint and Welfare. What is Joint and Welfare?
- A. That evidently is the arm that dispenses funds from their Health and Welfare Fund.
- Q. So this, then, would indicate on this graphic illustration the receipts or income, if you will, derived from Local 478?
- A. That's correct.
- Q. Below that we see UAW 906. What is UAW 906?
- A. That is the United Auto Workers Local 906 based in Mahwah, New Jersey.

*See P.168

JOEL S. SOKOL, D.D.S., P.A.

RECEIPTS

LOCAL 478 JOINT & WELFARE	1977	402,400	JOEL S. SOKOL D.D.S., P.A.	
	1978	412,600		
	1979	508,200		
U.A.W. 906	1977	3,100		
	1978	190,500		
	1979	734,100		
LOCAL 1262	1977			
	1978	267,900		
	1979	1,377,100		
VARIOUS OTHER CONTRACTS & CLAIMS	1977	3,100		
	1978	96,400		
	1979	354,700		
OTHER INCOME	1977	780		
	1978	86,700		
	1979	59,800		
LOAN	1977	20,200		
	1978	124,500		
	1979	476,200		
LOANS/EXCHANGES FROM RELATED CO.'S & INDIVIDUALS	1977	72,400		
	1978	142,000		
	1979	147,500		
			1977	501,980
			1978	1,320,600
			1979	3,657,600

- Q. And is this, again, illustrating income derived, or receipts derived, from Local UAW 906?
- A. Yes, it is.
- Q. Dropping below we have Local 1262. What is Local 1262?
- A. Retail Clerks.
- Q. 1977, did we have a figure for that year?
- A. We did not have a figure because their contract was not operative until the latter part of 1978.
- Q. Dropping down, Various Other Contracts and Claims. What would be included within that?
- A. This would include all the other unions, private patients and monies from whatever source, which would come -- which would go into what we call the income account or revenue account.
- In other words, they service 20, 30, 40 unions, but 478, 906 and 1262 constitute 90 percent of the income of the Joel Sokol, D.D.S., P.A.
- Q. Now, you have Other Income below that, and what would be included in this box?
- A. The Other Income is principally income from private patients.
- Q. Dropping down, we have Loans. Now, these are presumably loans taken by the P.A.; is that so?
- A. That is correct. Yes.
- Q. Now, these loans are on here presumably because that constitutes receipts to the P.A.; is that so?
- A. Receipts, but not income, yes.
- Q. Dropping down to the bottom, Loans/Exchanges from related companies and individuals. Now, what do we mean by Loans/Exchanges?

- A. A loan is, of course, a loan. An individual or principal would lend money to the P.A., and, of course, that was treated just like any other loan by a banking institution.

However, due to the fact it was an individual, we would so specify.

An exchange might be an item that comes in and it is really run through the account for convenience sake and a check is immediately disbursed upon receipt of those particular funds. It is -- I mean, it's a washed transaction so to speak.

- Q. All right. Now, off to the right of this graph it reads Joel S. Sokol, D.D.S., P.A. and it lists the three years again. Do those constitute aggregate figures for the three years?

- A. That's right. Not only aggregate, all the years. For 1977, it's 501,980; for 1978, 1,320,600; and 1979, 3,657,600.

MR. RHOADS: May I have 27B, please.

- Q. For the record, this is graphic illustration identified as Commission Exhibit 27B.* I direct your attention to the top of this graph, Mr. Cayson. It reads Joel S. Sokol, D.D.S., P.A., Disbursements. What is a disbursement?

- A. A disbursement is an expenditure of cash or its equivalent.

- Q. Dropping down to the left-hand portion, the middle, it reads Joel S. Sokol, D.D.S., P.A. It lists three years. Again we have 1977. What figure does this constitute?

- A. That constitutes the total cash disbursement for that year.

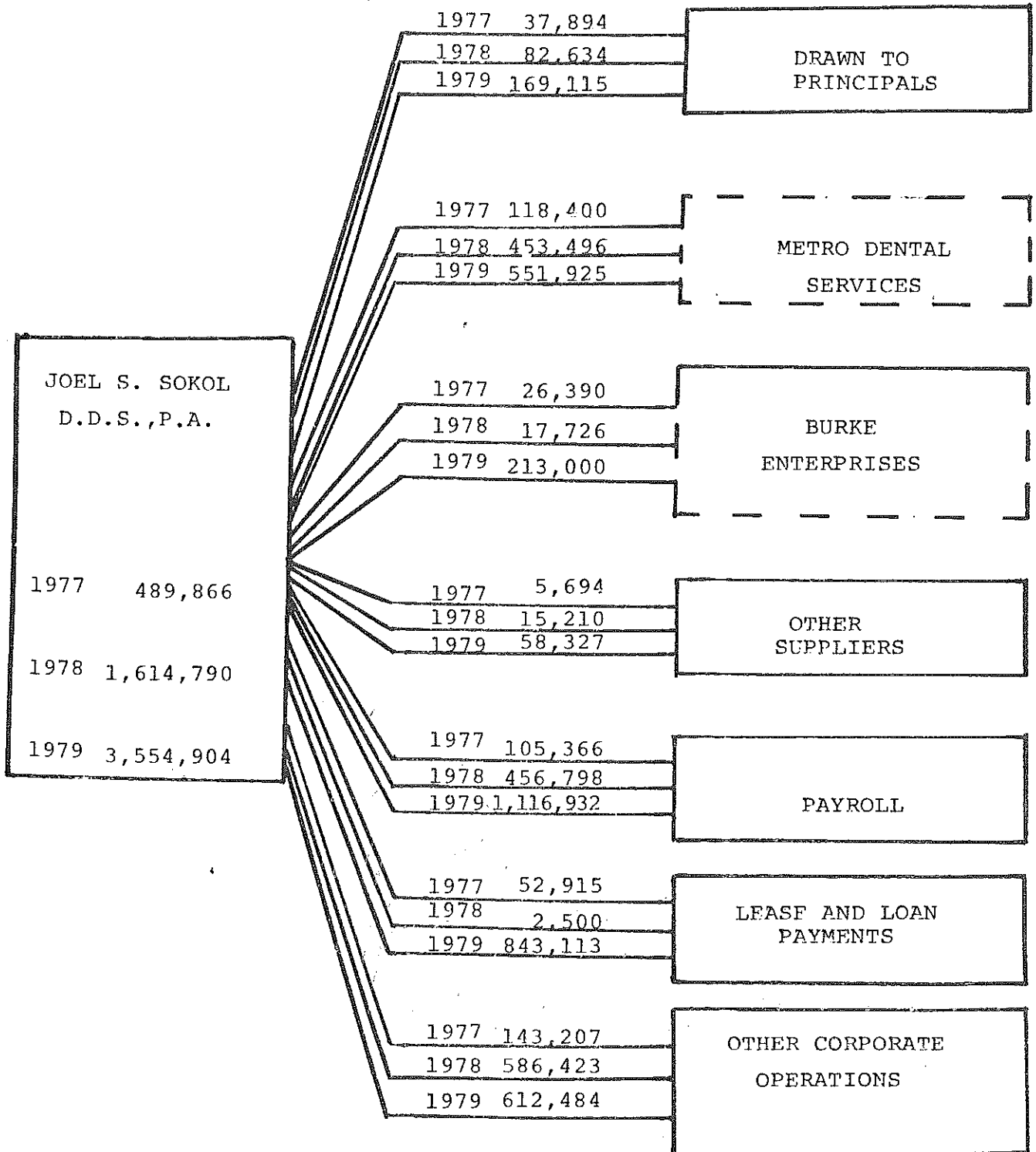
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*See Chart, P. 171

JOEL S. SOKOL, D.D.S., P.A.

APPLICATION OF WORKING CAPITAL

(Disbursements)



* * *

Q. For the record, '78 is 1,614,790; 1979 is \$3,554,904.

Now, off to the right you have various boxes, and am I to assume, then, this depicts where the money went?

A. Exactly.

Q. Okay. Now, reading up here, Drawn to Principals, what does that mean?

A. We determined that a principal is any officer or party with an interest, an equity interest, in the particular corporation, and we broke out these particular figures to reflect the amount of money paid to the principals.

Q. Well, in the professional association, who are some of the principals?

A. Of course Dr. Joel S. Sokol; Dr. Anthony Ferrara, and for the purposes of determining who's a principal, we also included Mr. Stanley Resnick.

Q. Thank you. And in that regard, then, for the three years, what are the reflected figures?

A. 37,894 in '77; 82,634 in '78; and \$169,115 in '79.

Q. Dropping down to the next disbursement box, it reads Metro Dental Services. What is Metro Dental Services?

A. Metro Dental Services as we understand it, is the administrative and construction arm for the Joel S. Sokol D.D.S., P.A. That is, it was originally envisioned that this entity would acquire sites, acquire equipment, and in furtherance of this particular purpose, expenditures were made from the Joel S. Sokol, D.D.S., P.A. for the purposes of construction and acquiring equipment.

Q. Now, again, with the three years in mind, '77, '78 and '79, would you read those figures, please.

A. In '77, 118,400; '78, \$453,496; and in 1979, \$551,925.

Q. Dropping down, we read Burke Enterprises depicting monies going to Burke Enterprises. What's Burke Enterprises?

A. Burke Enterprises was the sole provider of dental chairs and supplies to Joel S. Sokol, D.D.S., P.A.

Q. And for the same three years would you read those figures, please.

A. Mr. Rhoads, may I amend my testimony?

Rather than say "sole provider," I would say they provided maybe 99 percent of the then dental supplies. They provided all the chairs, but 99 percent of dental supplies. There were one or two other major suppliers.

Going down the figures, 1977, 26,390; '78, 17,726; and 1979, \$213,000 even.

Q. Dropping down to the next disbursement box, it reads Other Suppliers. Is that what you meant when you were indicating there are others than Burke?

Would you read those figures, please.

A. 5,694; 15,210; and 58,327.

Q. Again, dropping down, we read Payroll. Am I correct in assuming that would be the employees, the salaries they derive?

A. These are the staff dentists, dental assistants, hygienists and support personnel.

Q. When you say "staff dentists," then is it fair to say there are dentists other than Dr. Sokol and Dr. Ferrara?

A. Absolutely.

Q. Would you read those figures, please.

A. For 1977, that was 105,366; '78, 456,798; and 1979, \$1,116,932.

Q. Dropping down, next we read Lease and Loan Payments. Just briefly tell us what that is, that Lease and Loan Payments?

A. Surely. The Joel S. Sokol, D.D.S., P.A. -- I'll address my remarks in 1977 and 1978. In 1977 and 1978 they were leasing cars and various other equipment. In 1979 you see a dramatic increase in the lease and loan -- lease payment, however, particularly here, because in September of 1979, they took on the payment formerly assumed by Metro for the purpose of paying equipment and also for space.

So 1977, it's 52,915; 1978, 2,500; and in 1979, a very, very dramatic jump of \$843,113.

Q. Thank you. And lastly we read Other Corporate Operations. What does that term mean?

A. That term is an all encompassing term meaning to include all other expenditures not reflected above in the boxes that we have just testified to; that is, this is light, heat, power, paper supplies, things of that sort.

MR. RHOADS: May I have the next chart, please.

Q. For the record, this is Commission Exhibit 28A.*

Mr. Cayson, I direct your attention to the top of the chart. It reads Metro Dental Services. During the course of your duties involving this investigation, did you have occasion to direct subpoenas toward that entity?

A. Yes.

Q. And as a result of the information garnered therefrom, did you have occasion to direct this illustration?

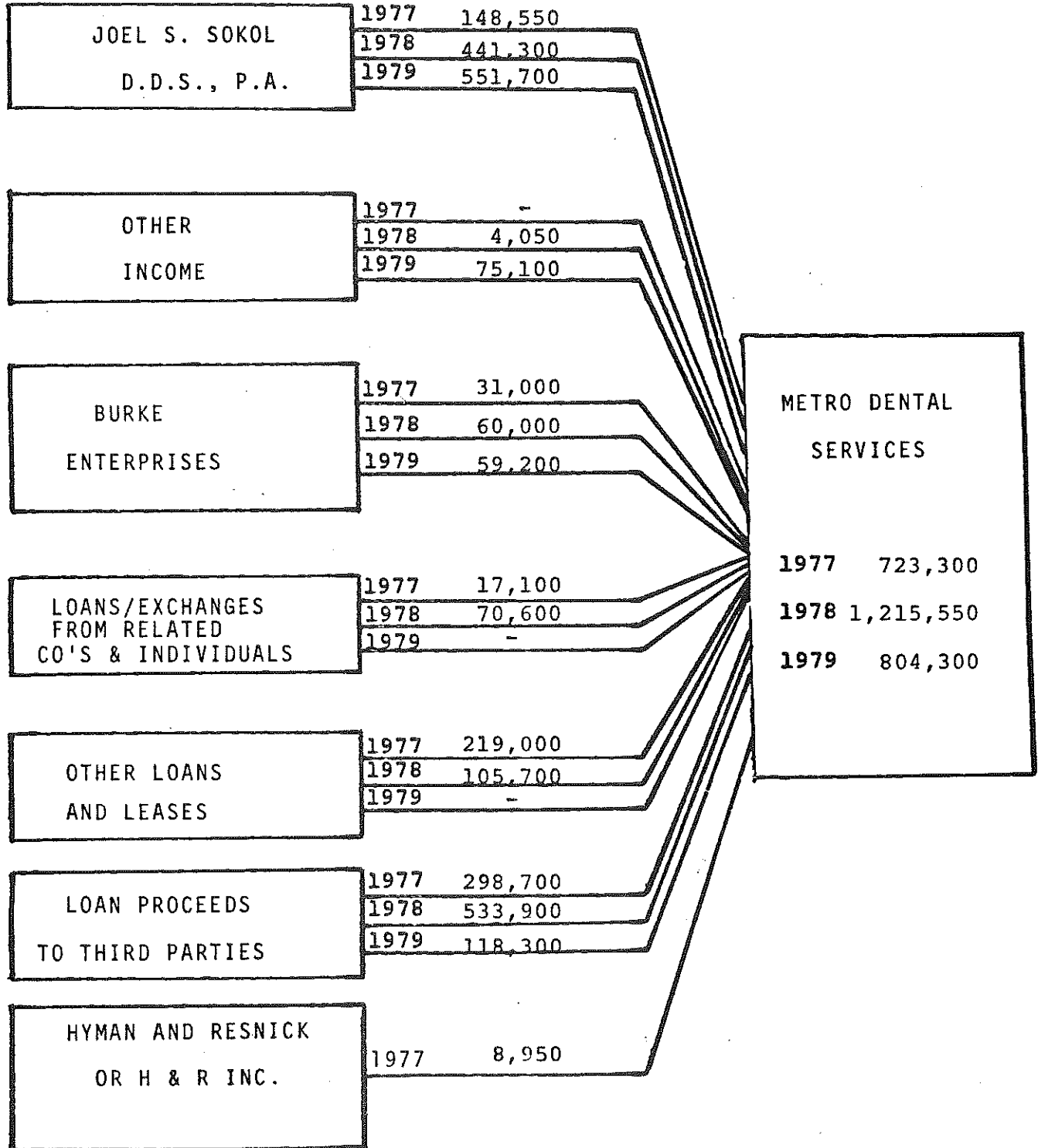
A. Yes.

Q. Directing your attention to the top left upper portion, Joel S. Sokol, D.D.S., P.A. and it has three years there. Are they receipts derived from Joel S. Sokol, D.D.S., P.A.

*See Chart, P. 175

METRO DENTAL SERVICES

RECEIPTS



- A. That's correct.
- Q. Would you read those figures, please.
- A. 148,550; 441,300; 551,700.
- Q. Dropping down, it reads Other Income, 1977. There's a blank. Is there a reason for that?
- A. There was no other income.
- Q. 1978?
- A. \$4,050.
- Q. 1979?
- A. \$75,100.
- Q. Continuing on, Burke Enterprise, listing the same three years. Would you give us those figures, please.
- A. 31,000; 60,000; and 59,200.
- Q. Loans/Exchanges From Related Companies and Individuals. Would you give us the figures depicted there?
- A. In regard to the Burke Enterprises, I think it should be brought out that Metro Dental does not provide any service for Burke Enterprises and these particular payments received from Burke Enterprises will be the subject of elaboration by witnesses subsequent to myself, but I didn't want to leave that particular section without bringing that out.
- Q. The suggestion being a quid pro quo, if you will; no return of service for this income?
- A. I think that's fair to state that.
- Q. Again, directing your attention, now, to Loans/Exchanges From Related Companies and Individuals, what figures are depicted there?
- A. 17,100; 70,600.
- Q. Other Loans and Leases?
- A. 219,000 and 105,700.

- Q. Loan Proceeds to Third Parties?
- A. 298,700; 533,900; and 1979, 118,300.
- Q. What does Loan Proceeds to Third Parties mean?
- A. I was going to say, I think that needs a little elaboration.

Metro Dental, of course, acquired the dental chairs and all the major equipment acquisition as far as Joel S. Sokol, D.D.S., P.A., and in granting those -- in acquiring those particular pieces of equipment, there were loans taken out. Those loans were taken out under the name of Metro Dental; therefore, the liability therefore had to be reflected on their books and that's what this one represents.

- Q. Dropping down, the last box, Hyman & Resnick or H&R Inc. What is H&R Inc.?
- A. Hyman & Resnick, as far as we can ascertain, was a real estate entity operating in New Jersey in the year 1977, and after, as far as we can determine, after 1977, they were defunct.
- Q. We have heard testimony involving a Dr. Jesse Hyman. Is that Dr. Hyman?
- A. Yes, it is.
- Q. You had occasion to aggregate these figures, did you not?
- A. Yes, we did.
- Q. They are reflected under Metro Dental Services for 1977?
- A. 723,300.
- Q. 1978?
- A. 1,215,550.
- Q. And '79?
- A. 804,300.

MR. RHOADS: Any questions on this graph?

THE CHAIRMAN: I'm not sure that the Loan Proceeds to Third Parties is fully understood. Would you just go through that slowly?

THE WITNESS: If they were to acquire, say, some equipment for a hundred thousand dollars and that particular equipment was to be financed by the National State Bank, the procedure would be that the loan would be taken out in the name of Metro Dental, but the hundred thousand dollar check from the National State Bank to cover this expense will go to Burke Enterprises now to properly reflect the liability on somebody's books. The liability would have to be picked up on the books of Metro Dental Service, Inc.

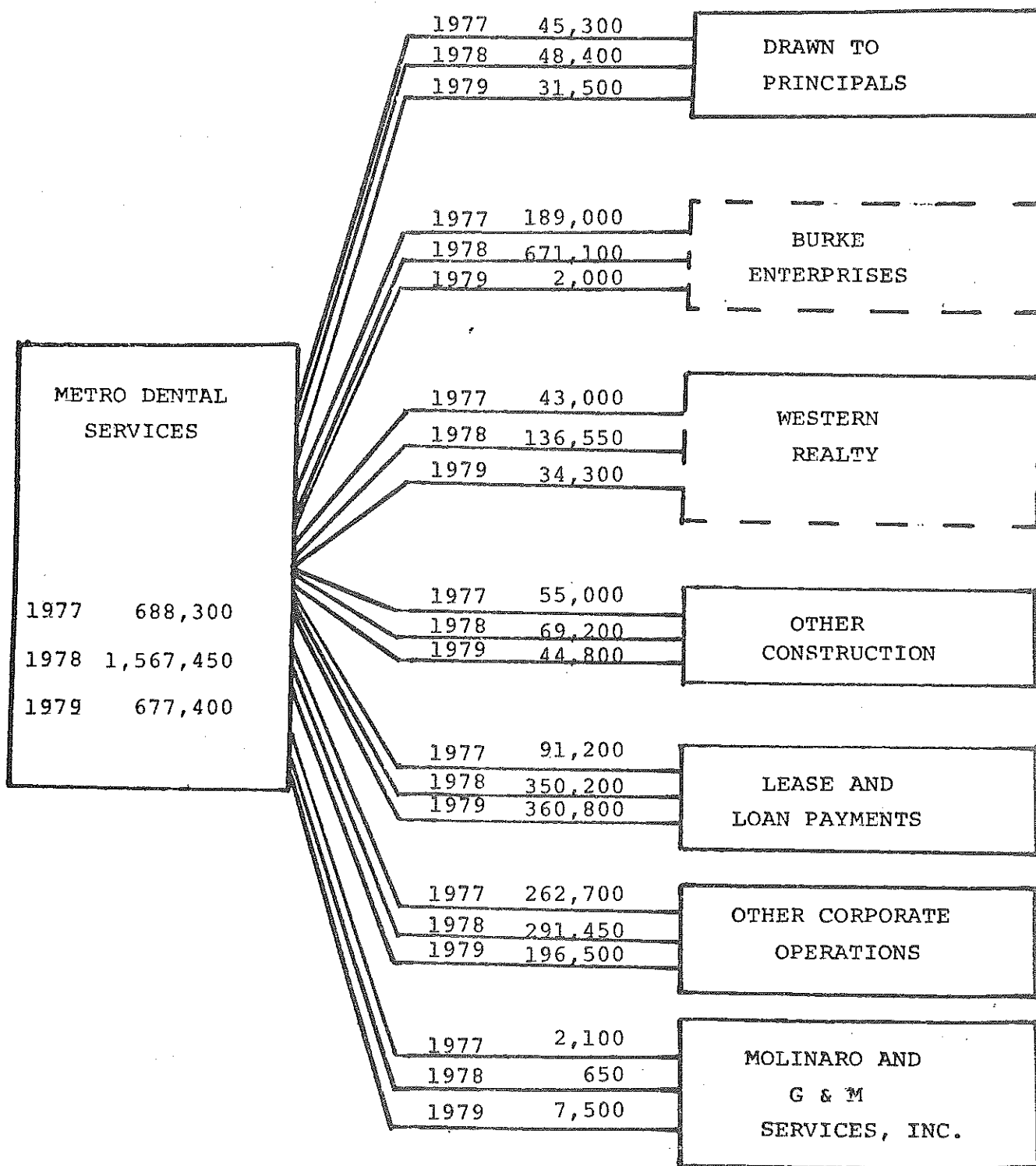
MR. RHOADS: May I have the next graph, please.

- Q. For the record, this would be Commission Exhibit 28B.* This reads Metro Dental Services Disbursements.
- A. That is correct.
- Q. Now, with respect to disbursements, we have Drawn to Principals. Would you read the figures for those three years.
- A. 45,300; 48,400; and 31,500, and that is '77, eight, and nine.
- Q. For those three years, if you know, who were the principals of Metro?
- A. The principals, as far as we can ascertain, of Metro Dental Services were Stanley Resnick and Dr. Jesse Hyman.
- Q. Did there come a time during your investigation that you found Dr. Jesse Hyman was no longer a principal of Metro?
- A. That's true.

*See Chart, P. 179.

METRO DENTAL SERVICES

DISBURSEMENTS



- Q. Dropping down to Burke Enterprises, would you please read the disbursements for those years.
- A. 189,000; 671,100; and \$2,000.
- Q. The next would be Western Realty, and before you read those, would you please tell us, what is Western Realty?
- A. Western Realty was an entity which performed what I would call leasehold improvement service on the various facilities that were rented.
- Q. Do you know who the purported principals of Western Realty are or is?
- A. As far as the staff is concerned, Western Realty is a defacto partnership consisting of Seymour Cohen and Stanley Resnick.
- Q. Dropping below, we have Other Construction. Just briefly, what is that?
- A. Well, this would be payments for construction other than by Western Realty.
- Q. And those figures?
- A. 55,000; 69,200; and 44,800.
- Q. Lease and Loan Payments?
- A. Now, Lease and Loan Payments, again, those were payments that were made for equipment which was leased, purchased, and/or for loans that were taken out in the name of Metro Dental.
- Q. And what were those disbursements?
- A. 91,200; 350,200; and 360,800.
- Q. Other Corporate Operations, would you read those figures, please.
- A. 262,700; 291,450; and one ninety-six five.
- Q. Molinaro and G&M Services, Inc.?
- A. G&M Services, Inc. is a corporation which we have ascertained was under the direction of Camillo Molinaro.

MR. RHOADS: May I have the next graph, please.

- Q. For the record, this is Commission Exhibit 29A.* It reads Western Realty company receipts. Is that the Western Realty you had alluded to in the previous graph?
- A. This is correct. It is.
- Q. It [lists] Metro Dental Services. Could you tell us the amount of the receipts for the three years to Western?
- A. 43,000; 133,050; and 17,155.
- Q. Joel S. Sokol, D.D.S., P.A.
- A. 20,000.
- Q. And for the years '78 and '79, is there a reason why they are not reflected?
- A. There were no payments, no receipts by Sokol to Western Realty.
- Q. Seymour Cohen.
- A. 10,324; 7,500.
- Q. That's for the years '78 and '79?
- A. That's correct.
- Q. Stanley Resnick.
- A. 18,500 and 4,350.
- Q. For '79 it's blank. Why is that?
- A. There were no receipts for Mr. Resnick.
- Q. Redeposit of Western Checks to Third Parties. Just explain what that phrase means.
- A. Yes. We found, or in reviewing the checks, that there were certain checks made out to individuals allegedly performing services. We found those particular checks were endorsed secondarily and also by principals of Western Realty and redeposited into the account.
- Q. Dropping down, other deposits. What does that mean?

*See Chart, P. 182

WESTERN REALTY CO.

RECEIPTS

Source	1977	1978	1979
METRO DENTAL SERVICES	43,000	133,050	17,155
JOEL S. SOKOL D.D.S., P.A.	20,000	-	-
SEYMOUR COHEN	-	10,324	7,500
STANLEY RESNICK	18,500	4,350	-
REDEPOSIT OF WESTERN CHECKS TO THIRD PARTIES	6,600	-	-
OTHER DEPOSITS	18,872	12,914	60,435
WESTERN REALTY CO.	1977 106,972	1978 160,638	1979 85,090

A. That means Western Realty not only performed services for Joel Sokol, D.D.S., P.A., but they did perform services for other entities and that box is intended to reflect that fact.

Q. Moving to the right, does that indicate the aggregate amount for those three years?

A. That's true, yes.

Q. Read those off, please.

A. 106,972; 160,638; and 85,090.

MR. RHOADS: May I have the next graph, please.

Q. Commission Exhibit 29B,* Western Realty Company Disbursements.

Dropping to the left-hand middle portion, 1977, \$107,800; 1978, \$159,900. For continuity, are they the figures?

A. That's right.

Q. Now, for the disbursements we have Mr. Seymour Cohen. Do you know whether he held any position within Western Realty?

A. Mr. Cohen performed most of the electrical contracting work.

Q. Did he have a title with the company, if you know?

A. As far as the general public was concerned, he is the owner.

Q. For the year 1977, is --

A. 5,400.

Q. '78?

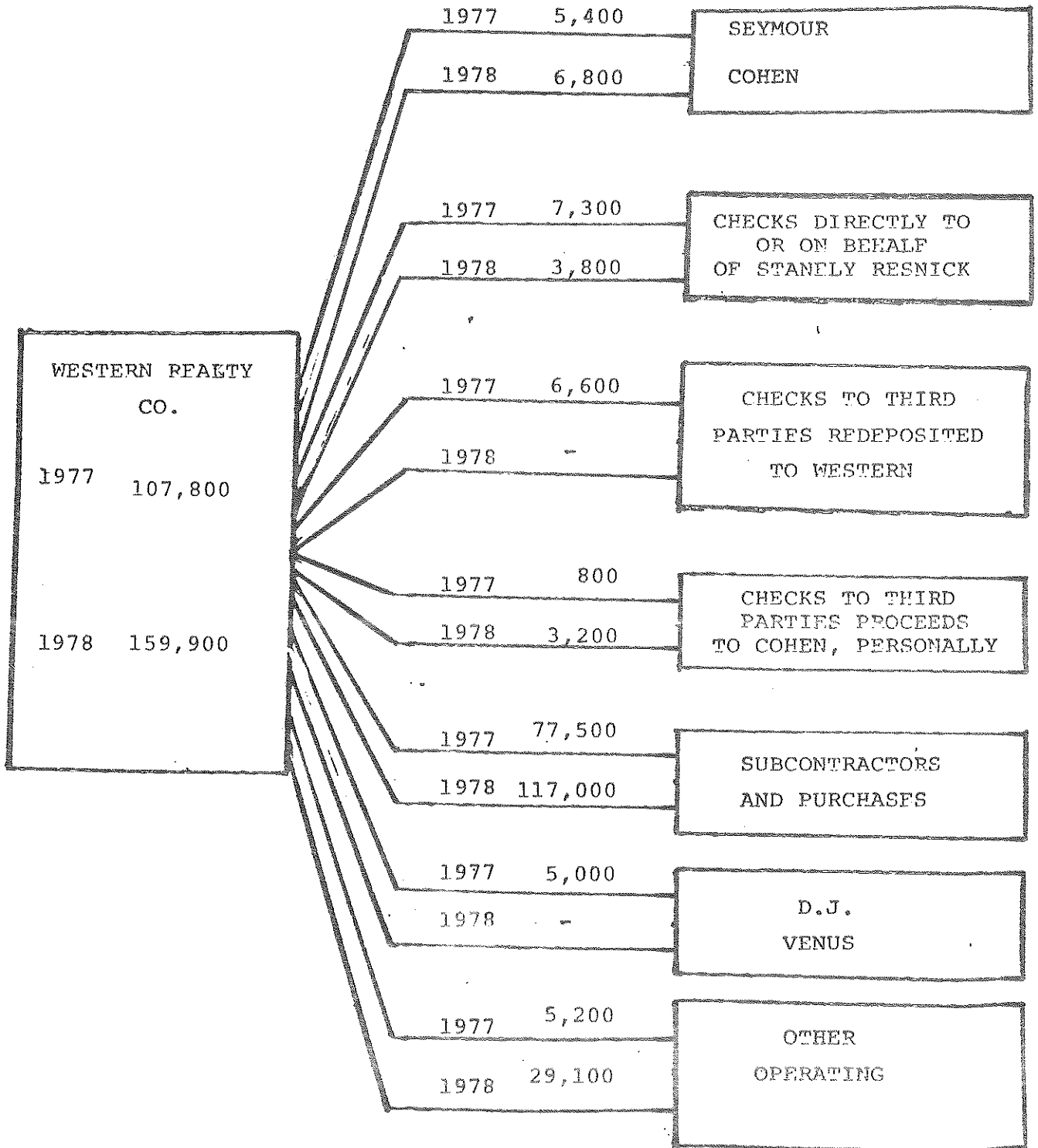
A. 6,800.

Q. The next disbursement box, Checks Directly to or on Behalf of Stanley Resnick. What would that mean, "or on behalf of Stanley Resnick"?

*See Chart, P. 184

WESTERN REALTY CO.

DISBURSEMENTS



- A. They paid an obligation which was primarily an obligation of his with a check of Western Realty.
- Q. So he would have a liability and Western would pay it for him?
- A. That's right.
- Q. For the year 1977
- A. Seventy-three hundred dollars.
- Q. For '78?
- A. 3,800.
- Q. Checks to Third Parties Redeposited to Western. What does that mean?
- A. That's the item we mentioned before. They draw a check to a third party, have that third party endorse the check and redeposit that particular check in their particular account.
- Q. In other words, it goes back to where, to the individual or to Western?
- A. Back to Western.
- Q. And those amounts?
- A. Was \$600.
- Q. Checks to Third Parties Proceeds to Cohen, Personally. And for those two years?
- A. Yes. It was \$800 and \$3,200, and that meant that, that box means to depict that although the checks are made out to third parties, they eventually found their way principally into Mr. Cohen's savings account.
- Q. Subcontractors and Purchases. What were the amounts that went out there? What were they?
- A. These were the normal operating expenses of the construction company; 77,500 and 117,000.
- Q. D.J. Venus. Is that an individual?
- A. D.J. Venus is an individual from the state of Mississippi.

Q. Okay. In 1977, what's the amount that went to Mr. D.J. Venus?

A. The amount that went to Mr. Venus is 5,000 and is charged on the books to cabinets for whatever facilities.

Q. 1977, '78, for Other Operating, what is the Other Operating?

A. That means everything not depicted above is reflected there.

Q. This amount that went to Mr. Venus for 1977, the 5,000, if you know, did the books and records of Western Realty show that it was ever paid by Mr. Venus?

A. It was not, as far as we can ascertain, no.

Q. Thank you.

A. Hm-hum. Furthermore, it was charged to expenses, so, therefore, it wasn't a loan.

Q. This is Commission Exhibit 30A.* It reads Burke Enterprises Receipts. That's the Burke Enterprises you had previously alluded to; is that right?

A. That's right, yes.

Q. Joel S. Sokol, D.D.S., P.A. Would you read those figures for the three years?

A. 26,400; 15,000; and 208,000.

Q. Metro Dental Service.

A. 225,200 only in 1978.

Q. Lease/Finance Companies on Metro/Sokol Behalf. What does that phrase mean?

A. Okay. That was the example I gave to Chairman Lane.

In other words, the theoretical hundred-thousand-dollar check from the National State Bank taken out of Metro's name would

*See Chart, P. 187

BURKE ENTERPRISES

RECEIPTS

Source	1977	1978	1979
JOEL S. SOKOL D.D.S., P.A.	\$ 26,400	15,000	208,000
METRO DENTAL SERVICES	-	225,200	-
LEASE/FINANCE CO.'S ON METRO/SOKOL BEHALF	189,000	445,900	274,500
STANLEY RESNICK ON METRO'S BEHALF	20,000	-	-
ALL OTHER CUSTOMERS	1,800	17,500	1,350
JOHN BURKE	40,100	4,700	18,250
LOANS & EXCHANGES AND OTHER MISCELLANEOUS	5,000	2,900	-
BURKE ENTERPRISES	\$ 282,300	711,200	502,100

be deposited into Burke's account, and the box there is intended to depict the fact that in 1977, \$189,000 even; and '78, 445,900; and in 1979, 274,500 of deposits of that type were deposited in Burke's account.

Q. I see. And what are the amounts, again, for those years?

A. 189,000 even; 445,900; and 274,500.

Q. Now, the next receipt box depicted, Stanley Resnick on Metro's behalf. What do you mean "On Metro's Behalf"?

A. Mr. Resnick made a deposit of 20,000 to Mr. Burke's account -- rather he gave Mr. Burke a check for \$20,000, which was deposited, and that \$20,000 was for -- to be used in the enterprise.

Q. What are the amounts from All Other Customers?

A. That's all other customers that Mr. Burke had other than Joel S. Sokol, D.D.S., P.A. and Metro.

Q. John Burke, is that the individual --

A. Yes.

Q. -- for whom this entity is named?

A. That's right, and Burke operates a sole propriety and we ascertained he had a capital contribution in the amounts of 40,100, 4,700 and \$18,250 for the particular years involved that represents capital income.

Q. Loans & Exchanges and Other Miscellaneous. What's the miscellaneous?

A. He would have a miscellaneous receipt for which we really couldn't identify, and we stuck it there for lack of some other place to be fitted with him.

Q. Looking off to the right, Burke Enterprises. Does this constitute the aggregate receipts?

A. Yes, it does.

Q. For '77?

A. 282,300.

Q. '78?

A. 711,200.

Q. And '79?

A. 502,100.

Q. All right. Commission Exhibit 30B,* and, again, under Burke Enterprises, this constitutes the aggregate amount of receipts, do they not?

THE WITNESS: Mr. Rhoads, the box is the aggregate of the disbursements.

Q. In other words, the disbursement may have exceeded the receipts?

A. Could be.

Q. Or less?

A. Sure.

Q. Now, with that regard you have John Burke --

A. Personally.

Q. -- personally.

A. This is the personal drawing account, 41,600, 55,600 and 50,000 in '77, eight and nine.

Q. John Burke Gambling.

A. 6,400; 7,400; and 39,900.

Q. From what source did you come by way of this information?

A. From his books and records and also from his tax returns.

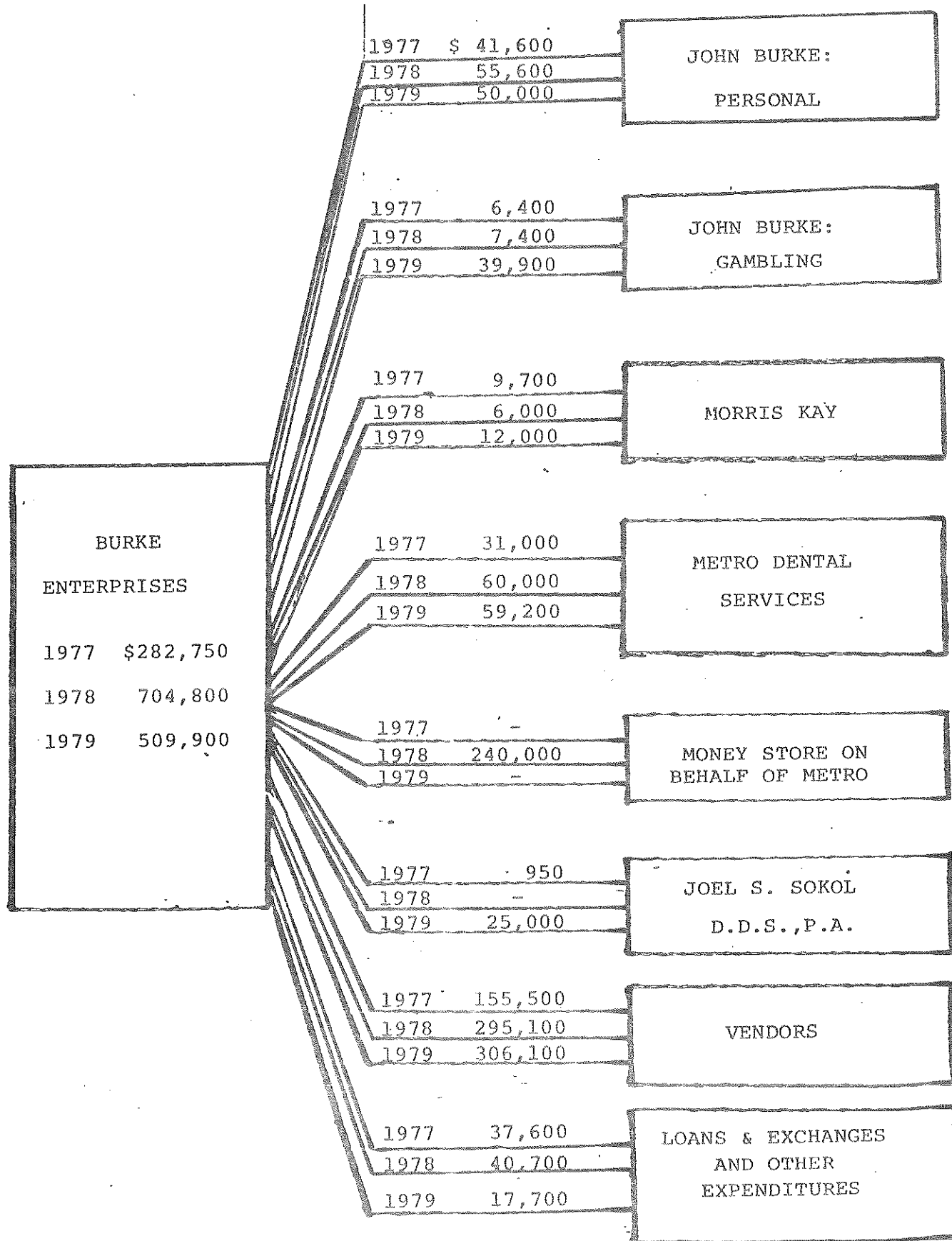
Q. Morris Kay.

A. Morris Kay is allegedly a salesman for Mr. Burke and payments were made to him allegedly as a commission for all sales to Joel S. Sokol, D.D.S., P.A.

*See Chart, P. 190

BURKE ENTERPRISES

DISBURSEMENTS



Q. And the figures for that year?

A. 9,700; 6,000 and 12,000.

Q. Metro Dental Services?

A. These are rebates, returns, if you will, kickbacks, from John Burke Enterprises to Metro Dental Services in the amount of 31,000, 60,000 and 59,200.

Q. Money Store on Behalf of Metro.

A. All right. This was quite an involved transaction.

What happened is that they secured a loan on a body of equipment and that loan was received from the Tricontinental Leasing Company in Paramus, New Jersey, and at the same time they owed the Modern Acceptance Corporation quite a sum of money.

Therefore, what they did, they refinanced the equipment, and instead of sending the money directly to the Modern Acceptance Corporation, they made out the check to Mr. Burke to, I would say, legitimize the transaction, and Mr. Burke then disbursed the funds, or endorsed, I should say, endorsed a Modern Acceptance check over to the Modern Acceptance Corporation, a/k/a/ The Money Store.

Q. Excuse me. I have Joel S. Sokol, D.D.S., P.A.?

A. \$950 and 25,000.

Q. Indicating the year '77 and '79?

A. That's right. Yeah. Those are the rebates, returns, whatever.

Q. Vendors?

A. Vendors are, these are Mr. Burke's vendors. These are his suppliers.

Q. And the amounts there?

A. 155,500; 295,100; \$306,100.

Group Administrative Services

Dr. Joel S. Sokol was the next witness. A dentist since 1967, he incorporated in 1976 a professional entity known as Joel S. Sokol, D.D.S., P.A., with Dr. Anthony J. Ferrara to provide closed panel-type dental care for labor unions and other groups. Under an agreement effective on January 1, 1977, Metro Dental Services, Inc., a company then owned by Stanley Resnick and Dr. Jesse Hyman, a Buffalo dentist, was employed to provide administrative and financing services for Sokol, P.A. Sokol's first union contract for dental care was with Teamsters Local 478's Joint Welfare Fund, of which George F. Serio, son of the local's president, was the administrator. In early 1977 a company called Group Administrative Services (GAS) was incorporated, with George Serio as president.

Although Dr. Sokol's signature and initials were attached to various Group Administrative Services' corporate papers, Dr. Sokol claimed that he knew little or nothing about these transactions. However, the Commission's investigation indicated that the creation of this company provided a mechanism for obtaining a car for Serio and may have had a part in Sokol, P.A., obtaining a Ford Motor Company contract to provide health care services for the United Auto Workers Local 906 at the now-vacated Ford plant in Mahwah. Dr. Sokol's public hearing testimony relative to Group Administrative Services, Inc., follows:

Q. Now, with regard to George Serio, there came a point in time when you entered into a corporation with him, did you not?

A. We contemplated.

Q. What was the name, if any, of the corporation that you contemplated entering with him?

A. Group Administrative Services.

Q. And, to your knowledge, was Group Administrative Services, did it, in fact, become a realty? By that, I mean, is it a viable corporation in the State of New Jersey?

A. It was incorporated.

Q. You were, in fact, an officer in that company, were you not?

A. In the embryonic stages of the development of the corporation, I apparently signed documents that have been shown to me by you and that stated I was an officer. After the initial discussions with Mr. Serio, we decided that it was a possible conflict, and I determined that, and he determined that, I

could not function and should not function in that corporation and, in fact, I did not.

Q. Well, Doctor, wasn't it a little more than the embryonic stages? Wasn't it, in fact, after the corporation was incorporated in the State of New Jersey that you were still at least purported to be an officer in that company?

A. Yes. There are several documents filed, I believe, with the I.R.S. I have my name on them, yes.

* * *

Q. Dr. Sokol, with regard to the corporation, Group Administrative Services, Inc., which had, at least, paper reflection, both yours and George Serio, as officers in that company, did you, either individually or through your association, provide any funds for the running or operation of Group Administrative Services, Inc. during the course of its life?

A. No.

Q. When was it, what point of time was it, that it occurred to you that Group Administrative Services, Inc. having you as an officer and George F. Serio as an officer would constitute a conflict of interest?

A. In the beginning when it was being formed and entered my discussions with George.

Q. Now, "in the beginning" would be approximately January of 1977; is that so?

A. I don't know the date.

Q. Well, does that refresh your recollection at all?

A. No, it doesn't.

MR. RHOADS: Just one moment, please.

Can I have Commission Exhibit 2A, please. That would be 2A and B.

Q. Now, Doctor, I show you what's been previously identified as a certificate of incorporation, and, for the record, this is Commission Exhibit 2A, certificate of incorporation of Group Administrative Services,

Inc., and if you will, would you look at that and that has your name on that document.

Does that refresh your recollection as to when that corporation was incorporated?

A. The date of the document's the 23rd of February, 1977.

Q. Now, approximately one [year] later, Commission Exhibit 2B was filed, and this purports to be an annual report by domestic or foreign companies and it reads on the face of it, "Group Administrative Services, Inc., Joel S. Sokol, 2444 Morris Avenue, Union, New Jersey."

You are the Joel Sokol referred to in there, are you not?

A. Yes.

Q. One year later if you will look at what I represent to you is the opposite portion of what you have just seen, and it listed at the bottom, "President, George Serio," does it not?

A. Yes, it does.

* * *

Q. Do you know whether George Serio had a car furnished as a result of being president of Group Administrative Services, Inc.?

A. I don't know.

Q. You don't know?

A. No.

* * *

Q. There was a point in time when you did start the negotiations with the United Auto Workers, Local 906; isn't that so?

A. Correct.

Q. There came a time where you were at least advised that they, in fact, could not contract with your association, but that it would have to be Ford; is that right?

- A. That's correct.
- Q. In that regard, I show you what's been previously marked Commission Exhibit 26, purports to be a letter addressed to one Mr. William Patterson, UAW, Ford Department, East Jefferson Avenue, Detroit, Michigan. It's a four-page document, and on the last page there's a signature purporting to be that of Joel Sokol; is that your signature?
- A. Yes.
- Q. I direct your attention to the third paragraph and it reads, "Administration of our centers is provided by Metro Dental Service, Inc. and Group Administrative Services, Inc. with four employees at this time." And this letter is dated October 18, 1977.
- Now, that's some ten months after you had contracted with Local 478. What is it that Group Administrative Services, Inc. -- what is it that they were doing for Joel S. Sokol, D.D.S., P.A.?
- A. Group Administrative Services didn't do anything for Joel S. Sokol, D.D.S., P.A.
- Q. Why on earth in that letter did you indicate to Mr. Patterson that your plan was being administered by Metro and Group Administrative Services, Inc.?
- A. As I testified in private hearing, although I signed this letter, I did not write it. It's obviously an error. Group Administrative Services when I was associated with it, and, again, in its embryonic stages, was to perform, in the future, other benefit programs, contemplated optical specifically.
- Q. Well, Doctor, you authored that letter, didn't you?
- A. Yes.
- Q. And, again, in that third paragraph you allude to four employees of -- between Metro and Group Administrative Services, Inc. Were the two that you allude to in Metro Dr. Hyman and Mr. Resnick?
- A. As I said, I did not write this letter.
- Q. I'm not suggesting you wrote it. It happens to be. I mean, --

- A. Yes.
- Q. -- the letter speaks for itself.
- A. Yes, it does.
- Q. And I see at the midway portion of the left-hand side there's JSS slash MV. MV was your secretary, wasn't she?
- A. She was a secretary, yes.
- Q. And JSS, that's you, isn't it?
- A. Yes.
- Q. And is that appearing there because you dictated the letter to your secretary?
- A. No.
- Q. Do you have any idea why your secretary put your initials there if you didn't dictate it?
- A. No.
- Q. Do you have any idea why you signed it if you didn't write it?
- A. I signed many documents that were put in front of me by people writing letters on my behalf.

* * *

- Q. This is Commission Exhibit previously marked CN-32. Annexed to the front is a letter. It's addressed to a Mr. Lindburg purported signed by Joel S. Sokol. Page 2 of the document is a dental services agreement, "Agreement made this 20th day of December 1978, by and between Joel S. Sokol," I'm reading in part, "and Ford Motor Company."
- Is that, in fact, the agreement we have been alluding to?
- A. Yes, I believe it is.
- Q. Thank you. Now there did come a time, in fact, when you began to provide dental services for members of Local 906, did there not?
- A. Yes.

Q. Was that via a facility in Mahwah?

A. Yes.

Q. Do you know a William Patterson?

A. Yes.

Q. And who is the William Patterson that you know?

A. I knew two. One is the international, I believe his title is International Business Representative, UAW, and the other Patterson as a member of Local 906, I believe, if I remember.

Q. With respect to your facility in Mahwah, did you have an occasion to hire the latter William Patterson, the one who is a member of Local 906, to provide, among other things, to provide janitorial services?

A. Yes.

Q. For how long, approximately how long, did you know Mr. Patterson?

THE CHAIRMAN: Working in that capacity?

MR. RHOADS: Yes, sir.

Q. If I were to sell you approximately a year, does that refresh your recollection?

A. A year, maybe a little longer.

Q. I want to amend a name that I had attempted to spell. Patrick Fanning. It should read Fanning. F-a-n-n-i-n-g.

Do you know that gentleman?

A. Yes.

Q. How is it that you know Mr. Fanning?

A. He worked in the office of Local 906.

Q. Do you know whether he was an officer within Local 906?

A. I don't know if he was an officer.

Q. Do you know whether he was a trustee?

A. I don't know if he was a trustee.

Q. Do you know whether part of the monies paid to William Patterson were shared in some proportionate fashion with Patrick Fanning?

A. No.

Q. Did you hire William Patterson, whether it be a post or prior agreement, in order for you to obtain the contract with Ford Motor Company to service members of Local 906?

A. No.

Q. Do you know whether it was done by anyone other than you?

A. I don't believe so, no.

Dr. Sokol Questioned About Organized Crime

The witness was asked to explain how he and his partner, Dr. Ferrara, eventually became owners of Metro Dental Services, the corporation that performed administrative functions for Sokol, P.A. This questioning was followed by testimony concerning connections between Sokol P.A. and two organized crime figures, John Riggi and Comillo (William) Molinaro. As previously noted, Riggi was the semi-retired Sam (the Plumber) DeCavalcante's crime family lieutenant and Molinaro was one of Riggi's underlings. Dr. Sokol first described the transformation of Metro:

Q. Now, at the time you were awarded the contract with 906, you had continued, if I'm wrong, you correct me, to employ the services of Metro Dental Services, Inc.?

A. Correct.

Q. And at that time was Metro, to your knowledge, still comprised of Dr. Hyman and doctor -- Mr. Resnick?

A. I believe at that time Dr. Hyman wasn't associated. As I say, I don't know the exact dates, but I don't think he was there at that time.

Q. In any event, you are at least aware that there did come a point in time when Dr. Hyman left Metro Services, Inc.; is that so?

A. Yes.

Q. And if you know, do you know why he left?

A. He left by mutual consent of all parties concerned, as far as I know.

Q. Other than Mr. Resnick, would there be other parties concerned?

A. Yes. Me.

Q. Did you have an interest in Metro?

A. At the time, no.

Q. You say "at the time." I assume you do now; is that correct?

A. Yes.

Q. And have you, in fact, I'm not asking for a legal conclusion, have you, in fact, purchased Metro Dental Services, Inc?

A. The P.A. has.

Q. And the P.A. is comprised presently of whom?

A. Dr. Ferrara and myself.

Q. Now, the functions of Metro with regard to your now taking on the members of 906, would they have been the same? By that, I mean, were they contracted by you to do administrative services for them?

A. Yes.

Q. Now, in point of time, you contracted the first union group was Local 478; is that correct?

A. Yes.

Q. Did there come a time when your professional association contracted with Local 1262?

A. Yes.

Q. And what union is 1262?

A. Retail Clerks.

Q. And, if you know, who was the president of 1262 at the time in which you contracted with them?

A. That was Sam Kinsora.

Q. Doctor, with regard to your Mahwah facility, which you have testified that you did, in fact, have one, is it fair to say that you had facilities in locations other than Mahwah in 1978?

A. Yes.

Q. Did you have a facility at any time at 2444 Morris Avenue in Union?

A. Yes.

Q. And do you, in fact, now have a facility at 1110 Springfield Avenue in Irvington?

A. Yes, I do.

Q. Now, in that regard, did there come a time, as you had in Mahwah, did you employ janitorial services in either of those two facilities?

A. Yes, there were janitorial facilities in both.

Q. Who were the persons who furnished these janitorial services, if you know?

A. In Union I believe it was part of the lease. I think it was provided by the landlord. And Irvington, I think it was the responsibility of Metro.

Q. Metro, of course, is Metro Dental Services, Inc.; is that right?

A. Yes.

Q. And, if you know, did Metro at one point in time, to your knowledge, own the location, the premises, 1110 Springfield Avenue in Irvington?

A. I don't know if it was owned by Metro or the individuals.

Q. Individual meaning Stanley Resnick?

A. Yes.

Q. Okay. I'm going to show you a picture previously marked Commission Exhibit 50A. Would you look at the individual depicted in this photograph and tell me, can you recognize him?

Dr. Sokol was asked to identify a photograph of Molinaro, which he did, and to explain how Dr. Hyman, the Buffalo dentist with ties to organized crime, figured in Molinaro's employment at the Sokol, P.A., office in Irvington:

- Q. How is it that you know Bill Molinaro?
- A. Bill Molinaro was introduced to me by Dr. Hyman and he was in Irvington. He was doing janitorial service. He was doing some laboratory work.
- Q. He was introduced to you by Dr. Jesse Hyman?
- A. Yes.
- Q. Well, under what circumstances was he introduced? In other words, I'm saying did Dr. Hyman hire him?
- A. I don't know if he hired him.
- Q. Do you know who did hire him?
- A. No.
- Q. Do you know who paid him?
- A. No. I assume it was Metro.
- Q. But, in any event, you know of your own personal knowledge that he had done or did some janitorial services for your facilities?
- A. Yes.

* * *

- Q. Well, did there ever come a time when, either through Mr. Molinaro himself or some other source, that you learned that he had a criminal record?
- A. There came a time, yes.
- Q. And when did you learn that?
- A. I would say about four weeks ago.

John Riggi was the next subject discussed with Dr. Sokol by SCI counsel:

- Q. You know a Mr. John Riggi, do you not?
- A. Yes, I do.
- Q. How do you know Mr. Riggi?

- A. We solicited business from him several years ago and met with him and offered him to order him -- offered him a dental plan.
- Q. Can you approximate that with respect to your being awarded Local 478? Was it prior thereto or subsequent thereto?
- A. I would say probably have been between a year and year-and-a-half after the contract with 478 started.
- Q. So, at that point in time, Skol, P.A. was an ongoing operation, was it not?
- A. Yes.
- Q. Do you know what local Mr. Riggi is affiliated with?
- A. I don't remember the number of the local offhand, no.
- Q. If I were to tell you it was Local 394, does that refresh your recollection?
- A. It may.
- Q. It's a laborers local, isn't it?
- A. Yes.

* * *

- Q. Now, with respect to Mr. Riggi, while you did not contract with his union, did Mr. Riggi, in any way, introduce you to any other union officials?
- A. Well, I have been in his company at various functions and there may have come a time when he did, in fact, introduce me to people.
- Q. Well, some of the people that he introduced you to, were they, in fact, labor officials?
- A. Yes, I believe so.
- Q. And those officials, however many that Mr. Riggi introduced you to, did you, in fact negotiate with them, and by "you," of course I mean on behalf of your professional association?
- A. There are no groups we have presently that he had introduced us to.

- Q. No, I'm asking you whether you went to contract, to formal contract.
- A. Yes.
- Q. I'm simply asking, as a result of being introduced to a labor official by Mr. Riggi, however many there may have been, did you enter into any negotiations?
- For instance, did you say, "I have a dental plan. I'd like you to take it," that kind of thing?
- A. I said that to many people over the last four-and-a-half to five years. I have sat down with literally hundreds of labor people and employers about our dental plan.
- Q. A few of whom out of those hundreds, however, would be introduced to you by John Riggi; isn't that so?
- A. It may have been.
- Q. As a result of those introductions what, if anything, did you give John Riggi?
- A. Nothing.
- Q. Well, did there ever come a time when John Riggi said, in your presence, whether it be to you or another individual, "I want you to hire Bill Molinaro"?
- A. No.
- Q. Do you know, of your own knowledge, whether Mr. Molinaro knows Mr. Riggi?
- A. I think he does.
- Q. Well, what is it that makes you think he does?
- A. Just my perception.
- Q. Well, from what source do you perceive that? Have you seen him in his company, for instance?
- A. I said I don't know.
- Q. Has Bill Molinaro during the course of time that you have known him ever said to you, "I know John Riggi, been with John Riggi, were social friends"?

A. He may have.

Dr. Sokol on Curly Montana, Cleveland Crime Figure

The Sokol operation had connections with John (Curly) Montana, Jr., a known organized crime figure in Cleveland, whose wife worked for Dr. Hyman in Buffalo. Dr. Sokol testified:

- Q. With regard to Dr. Jesse Hyman, to your knowledge, does he run what I'll characterize as a similar operation as you do? By that, I mean, health-care plans?
- A. He has a facility in Buffalo, New York, which is similar to our operation, yes.
- Q. And had he, again, if you know, been operating prior to Sokol, P.A.'s initiation?
- A. Yes, prior.
- Q. Did Dr. Hyman, with regard to your contracting with Metro, furnish any services which would include how you set up and administer the initial beginnings of your association, your professional organization?
- A. Yes. Yes, he did.
- Q. Along those lines, did Mr. Hyman, Dr. Hyman, recommend to you, meaning your association, the services of one Rena Montana?
- A. Yes, he did.
- Q. Who is Rena Montana?
- A. She was functioning, I believe, as one of his administrators in Buffalo, and she helped, helped us set up in the inception of our office in Morris Avenue in Union.
- Q. Is she the wife of Curly Montana?
- A. I believe she is.
- Q. How do you know Curly Montana?
- A. I believe I met him when I was in Buffalo, or I know that is her husband.
- Q. Have you ever had conversations with Mr. Montana?
- A. I don't think so, no.

Q. How about with Rena?

A. Yes.

Q. Well, before I get into that, how long was it Rena Montana performed these services for you?

A. I believe she was at our office for approximately two or three days.

Q. So is it fair to say she sort of came down and sort of whipped the office in shape and then left?

A. I'll accept that terminology.

Q. What did you pay her for those services?

A. Nothing.

Q. What did you pay Curly Montana for those services?

A. Nothing.

Q. During the course of your discussions with Rena Montana, did you ever discuss crime affiliations of her husband Curly?

A. No.

Q. Did you ever talk about organized crime and her husband being affiliated with a crime family?

A. No.

Q. More particularly the Liberatore crime family?

A. No.

Generating Cash Flow

At the outset of the hearings, the Commission asked an expert on the problem of criminal infiltration of labor union health care plans to explain how hidden profits were created in order to finance payoffs and kickbacks. The expert, Martin Steinberg, chief counsel to the Senate Subcommittee on Investigations, explained that illegal generation of cash required a multiplicity of companies through which a maze of financial transactions, including inflated purchasing and servicing contracts, questionable loans and so-called rebates, could be processed. With this initial testimony in mind, the Commission asked Dr. Sokol to clarify some of the transactions of his dental care operation. The acquisition of such equipment as dental chairs was the first topic:

Q. Now, Doctor, with regard to Metro Dental Services, was one of their functions to obtain dental equipment for you, and, more particularly, dental chairs?

A. Yes.

Q. Did Metro actually own dental chairs that they would then lease to you, or did they have to lease them and then sublease them to you?

A. The latter.

Q. And given the latter, do you know from whom Metro leased the chairs?

A. I know some of the companies, yes.

Q. Well, would you name a couple?

A. Parliament Funding & Leasing, Tricontinental, and I believe there's a Macrolease.

Q. With regard to the first that you mentioned, Parliament Funding & Leasing, --

A. Yes.

Q. -- I show you what's been marked previously Commission Exhibit 18B. Would you look at that document and tell me if you can identify it.

A. Yes. It appears to be the lease between Parliament Funding & Leasing Corporation and Metro Dental Services, Inc. for the equipment at Morris Avenue in Union, New Jersey.

Q. Who are the parties to that agreement?

A. The guarantee of the lease, again, I can't identify the first signature. Of the next three, seems to be Stanley Resnick, Joel Sokol and Anthony Ferrara were the signatories to the document.

Q. So you were at least a party, one of the parties to that contract, were you not?

A. Yes.

Q. Now, the purpose of that agreement was in order for your professional association to acquire some equipment, was it not?

A. Yes, it was.

Q. And some of that equipment would include, or did include, dental chairs?

A. Yes.

Q. And for what facility was that property earmarked, if you could tell us now?

A. That was for -- the document is referring, I believe, to the equipment at 2444 Morris Avenue.

Q. Doctor I'm going to show you what's been previously marked Commission Exhibit 12B and Commission Exhibit 12C, which, for the record, is a two-page document.

Now, I'll first show you Commission Exhibit 12B, and would you look at that please and tell me, does that reflect the equipment for which you were negotiating the lease we previously alluded to, the lease agreement?

A. Yes, they appear to be.

Q. All right. Now, will you agree with me that the amount reflected at the bottom, it says "sales total," would you -- let me get your interpretation. Would you read that.

A. Sales total one hundred thirty-three thousand seven seven nine and sixty-three cents.

Q. Now, I'll show you what's been previously marked Commission Exhibit 12C, which is a two-page document I referred to, and it's actually Pages 1 with 2 on the back and 3 on the second page. Would you look at those items and tell me, don't they also reflect the items that are reflected in the original agreement?

A. Yes, they appear to be the same.

Q. Would you read the sales total from that document to us, please?

A. Two hundred -- \$200,073.50.

Q. Well, how do you account for the difference of \$66,000 on those two documents?

A. Well, the leasehold improvement costs are not on there and the advance deposits.

Q. Dr. Sokol, you know a Richard Einhorn, don't you?

A. Yes, I do.

Q. How do you know Mr. Einhorn?

A. I know him -- I believe I was introduced to him by Mr. Burke.

Q. And is he a principal in John Burke Enterprises?

A. Yes, I believe so.

Q. And was John Burke Enterprises a supplier to Sokol, P.A. of dental supplies, that type of thing.

A. Yes.

Q. Now, with respect to Mr. Einhorn and Mr. Burke, didn't there come a time when you had a meeting with those two individuals amongst others wherein you discussed the leasing of the equipment alluded to in CN-12C and CN-12B?

A. Yes.

Q. And the nature of that discussion at least, in part, had to do with the escalation or the inflation of the cost of the various items reflected in these two documents, didn't it?

(Discussion held between the witness and counsel.)

A. Can you repeat that, please?

Q. You had a meeting amongst yourself, Richard Einhorn, John Burke, perhaps others, one purpose of which was to discuss the inflation, the escalation in price, of the various items listed on the two documents you previously identified and they are 12B and 12C, the purpose of which was to use the escalated document as collateral for a loan so that you could get more money, in fact \$200,000?

A. No, I disagree with that scenario.

Q. Do you disagree with the exact way I put it to you or do you disagree with the substance of that scenario?

A. I'd say I have to disagree with both. If you would like my terms, I would be glad to give it to you.

Q. Well, did any conversation, any meeting like that, ever take place?

A. Like what?

Q. Like we have just disagreed on, wherein Mr. Einhorn says the bank won't give you \$200,000 on \$133,000 worth of equipment, so we're going to have to jack up the price of that equipment and then give it to the bank and then the bank will give you the money that you want. That conversation.

A. No. I don't believe that was the conversation, no.

Q. Well, what was the conversation?

A. I believe we met with Mr. Einhorn and we outlined the funds required to construct the facility.

Q. You said you met with Mr. Einhorn?

A. Right. And we spoke about the funds required to construct the facility and equipment the facility and get it ready for operation and those are the funds that we, in fact, received.

A check to Dr. Sokol in the amount of \$5,000 by another dental supply company was discussed:

Q. Doctor, I'm going to show you what's been previously marked CN-14 for identification, and it's a copy of a check purporting to be from Professional Dental Equipment Manufacturing Company, dated January 11, 1977, paid to the order of Joel Sokol, D.D.S., P.A., \$5,000, and on the back it's endorsed purportedly to be Joel S. Sokol, D.D.S., P.A., and underneath that Joel S. Sokol.

Now, if you will, will you first look at back and are those your signatures?

A. Yes, they are.

Q. And will you look at the front of that check, and do you recognize that check?

- A. Not offhand, no, but it is made out to Joel S. Sokol, Joel Sokol, D.D.S., P.A. as you have indicated.
- Q. Who is Professional Manufacturing or whatever?
- A. I believe this Professional Dental Equipment Manufacturing is either a subsidiary or related company to Newark Dental Supply Company.
- Q. So they furnish dental equipment to dentists, to your knowledge?
- A. Yeah. I don't know if it's the equipment or cabinetry or -- it's one or the other.
- Q. Do you have and idea why they would send you a check in the amount of \$5,000?
- A. The only thing I could speculate, it would be either an overpayment or rebate. Something along those lines.
- Q. What did you do with the five thousand, do you recall?
- A. I don't recall.
- Q. Why would -- why would Professional Dental Equipment be giving you the five thousand back? Wasn't it Metro that was doing this for Sokol, P.A.? Weren't they getting you the equipment?
- A. Yes. We were also on the lease individually, and the equipment was for the professional association.
- Q. Well, as an individual dentist, did you pay any monies to Professional Dental Equipment in 1977 that you recall, or '76?
- A. At the inception of the dental plan and dental facility on the Morris Avenue, I may have personally advanced some money as deposit.
- Q. Doctor, wasn't this a rebate sent back to you via John Burke?
- A. I can't say that.
- Q. You can't say that?
- A. No.

Q. Why can't you, because you don't want to or it isn't true?

A. I don't know that that's true, what you're saying.

COMMISSIONER FRANCIS: He did say it was a rebate a couple of answers ago.

THE WITNESS: I said possibly.

Dr. Sokol also could not specify the purpose of a \$9,000 check to himself that was written against the payroll account of Sokol, P.A.:

Q. I want to show you what's been previously marked Commission Exhibit 17H. It's a check, Joel Sokol, D.D.S., P.A. Payroll Account, paid the order of Joel S. Sokol, dated October 23rd, 1978, in the amount of \$9,000. And on the bottom right-hand portion it's signed purportedly Joel S. Sokol and on the back it's endorsed Joel S. Sokol purportedly, and ask you to identify that.

A. Yes, that's my handwriting.

Q. And, in fact, you endorsed it, did you not?

A. Yes, I did.

Q. Did you cash it?

A. Possibly.

Q. Well, do you know whether or not you had \$9,000 in cash on the day reflected on that check?

A. I may have. May have had more; may have had less.

Q. Well, during that period of time, and I'm referring, again, to October 23rd, 1978, did you have some cause to generate an account of cash in that, what I characterize as a large amount, \$9,000?

A. I have been working since I'm 13 years old, and I have saved a lot of money, and I have always had a lot of money, around a thousand, nine, ten, eleven, twelve, fifteen, up to \$16,000.

COMMISSIONER FRANCIS: Could I have that answer read back, please?

(The last answer is read by the reporter.)

COMMISSIONER FRANCIS: Thank you. Did you keep it in a tin box, Dr. Sokol?

THE WITNESS: No, I didn't keep it in a tin box.

"No Charge" Patients

The Commission's expert, Steinberg, had pointed out that cash was not the only form of payoffs or kickbacks, that expensive gifts and other "benefits" accrued to organized crime associates and others involved in health care schemes. The Commission asked Dr. Sokol about benefits in the form of services for which no fees were charged:

BY MR. RHOADS:

Q. Dr. Sokol you know a Dr. Kenneth Weiner, do you not?

A. Yes, I do.

Q. How do you know Dr. Weiner?

A. Dr. Weiner was affiliated with the Mahwah facility?

Q. And in what capacity was he affiliated with the facility?

A. I believe he's an optometrist.

Q. Do you believe it or do you know it?

A. He may be an optician. I don't know which. I believe an optometrist.

Q. What are the terms of this association between the Mahwah facility and Dr. Weinter?

A. Dr. Weiner rented space and, I believe, equipment from Metro and serviced the membership of Local 906.

Q. And, of your own knowledge, did, in fact, Dr. Weiner perform optical services on behalf of members of 906?

A. Yes, he did.

Q. And how was it that Dr. Weiner was paid?

A. I believe he was paid through the indemnity coverages that the membership had.

* * *

Q. During the course of the time that Dr. Weiner was associated with the Mahwah facility, you had sent certain patients to Dr. Weiner, did you not?

A. I referred patients, yes.

Q. Some of those patients that you referred, you communicated to Dr. Weiner that those patients were not to pay any bills, didn't you?

A. No. I don't believe so, no.

Q. You don't believe you did. How about if I show you what's been marked Commission Exhibit 20. I'll direct your attention to one of the attachments. It's dated November 15, 1978. It reads, "Statement, Dr. Kenneth Weiner," I'm reading in part, "Optometrist, 155 South Livingston Avenue, Livingston, New Jersey, Mr. Pat Martirano, 821 Cranford Avenue, Westfield, New Jersey, for professional services on June 6, 1978." And it reads, "Examine five first grade serviced ophthalmology plastic lenses," et cetera, total five sixty-six. That's \$566, and below that it reads, "As of yet, payment has not been received from the individuals. You told me would take care of your bill. Therefore I'm billing you directly for these services as per our arrangement."

Would you look at that and tell me, you referred Pat Martirano to Dr. Weiner, didn't you?

A. Yes, I did.

Q. And you communicated to Dr. Weiner that, "Don't have Pat Martirano pay that bill. I'll pay it"?

A. No, and that's not, that's not what this says either.

Q. I'm not asking you what that says.

A. No, that's not what I told Dr. Weiner.

Q. Do you have any idea why Dr. Weiner would send bills to you for patients that you had absolutely no obligation to pay?

- A. I can speculate if you would like me to.
- Q. You can speculate.
- A. It appears the patients didn't pay the bill and he believed that since I sent them in, I was responsible if they wouldn't pay. That's what it seems to indicate from those documents you showed me.
- Q. Who's Pat Martirano?
- A. He's a gentleman I met when I was in private practice in the Ironbound Section of Newark.
- Q. Have you ever known him to go by the nickname Specs?
- A. You have made me aware of that, yes, prior.
- Q. Patty "Specs" Martirano?
- A. You have told me.
- Q. I show you what's been previously marked Commission Exhibit 22, and would you look at the right-hand portion of that. The gentleman depicted there, is that Patty "Specs" Martirano, to your knowledge?
- A. That's Mr. Martirano, yes.
- Q. How long have you known Mr. Martirano?
- A. I believe since 1972.
- Q. Did you ever become aware of Mr. Martirano being connected with organized crime?
- A. No. Only when you told me that prior to this public hearing.
- Q. Was Mr. Martirano instrumental in any way, to your knowledge, of your professional association being awarded contracts with unions?
- A. No.
- Q. Did you ever seek the services of Mr. Martirano on behalf of your association in order to get contracts with unions?
- A. I don't understand what the word "services" indicate.
- Q. Did he help you?

- A. No, no.
- Q. I'm going to show you what's previously been marked CN-21 and ask you to look at the gentleman depicted twice in that picture and tell me do you recognize him?
- A. Yes, I do.
- Q. Who do you recognize him to be?
- A. Nick Cifelli, I believe his last name is.
- Q. How is it that you know Nick Cifelli?
- A. As I said when I practiced in the Ironbound Section of Newark in 1972, I was in many restaurants, cocktail lounges, in order to make myself visible for future patients and that's how I met him.
- Q. Did you ever come to know whether he had a criminal record or not?
- A. Only in the private hearings of this Commission.
- Q. You recommended that gentleman to Dr. Weiner, didn't you?
- A. No.
- Q. Would you look at this document which is encompassed within CN-20 and there is a Mr. Nicholas Cifello, 342 New York Avenue, Newark. Would you be able to -- you read it. Tell me, is that the Nicholas Cifelli that you know?
- A. The name on the document is Nicholas Cifello?
- Q. That's correct.
- A. I don't know if it's the same individual, no.
- Q. Do you know where Nick Cifelli lives?
- A. I know he lives in the Ironbound Section of Newark.
- Q. Was it your testimony that you never referred Nicholas Cifelli to Dr. Weiner?
- A. I don't think I ever referred him, no.

* * *

MR. RHOADS: May I have this document marked next in order, please.

(A document entitled "N/C-Staff of Irvington," is received and marked CN-52.)

Q. Doctor, I want you to look at, please, Commission Exhibit CN-52, it's a two-page document. Would you look it over and tell me, can you identify it?

(Discussion held between the witness and counsel.)

THE WITNESS: It appears to be a list of patients being serviced at the Irvington office.

Q. They were patients of Sokol, P.A. were they not?

A. I believe so, yes.

Q. There's a letter N slash C dash staff, that N slash C dash staff, that stands for no charge, doesn't it?

A. Yes, it appears to.

Q. Now, there's a Lena Martirano and there's a date off to the left, two dates, really. I guess November 15th and then a dash June 7, '78. Is that Patty Specs' wife?

A. I don't know.

Q. You don't know?

A. No.

Q. There's a Joan Riggi. Is that any relation to John Riggi?

A. I have no idea.

Q. Now, we have quite a few Serios here. We have a Marian Serio. Is that related to George Serio?

A. I don't know.

Q. Is she related to Harry Serio?

A. I don't know.

- Q. I'm, of course, referring to the officer of Local 478.
- A. I don't know, I don't know Marian Serio.
- Q. Now, here's a George Serio. Is that the George Serio of Local 478?
- A. I don't know. It would appear to be.
- Q. And there's a George Jr., Serio. Is that the child of George Serio from Local 478?
- A. It may be. I don't know.
- Q. And there's a Harry Serio. Is that the trustee of Local 478?
- A. I assume. I don't know. I don't know who made -- who constructed this document. That's not my handwriting either.
- Q. Well, in any event, these patients were serviced at the Irvington facility, at least reflected on this document, but serviced by Sokol, P.A. and it's reflected on a no-charge list; isn't that so?
- A. Excuse me. Can you repeat that so --
- Q. These patients were serviced by Sokol, P.A., your professional association, and these names appear on a no-charge list, don't they?
- A. That's what the document appears. I don't know. As I said, I was not the author of the document.

EXAMINATION BY COMMISSIONER FRANCIS:

- Q. Dr. Sokol, did, in any of your meetings with Dr. Hyman, did Dr. Hyman ever suggest to you, in any fashion, that the way to skim cash out of your dental operation was to create inflated invoices and then to borrow money on the full value of those inflated invoices for dental equipment?
- A. No.
- Q. Did Mr. Molinaro ever suggest to you the way to skim cash out of this operation was to inflate invoices?
- A. No.

Q. And borrow money on that basis?

A. No.

Q. How about John Riggi; did he suggest that to you?

A. No.

The Inflated \$200,000 Contract

Richard J. Einhorn of Short Hills, who was in the equipment financing business, testified under immunity from prosecution about the details of the inflated Parliament Funding and Leasing Corporation contract for \$200,000 by which Metro Dental received dental equipment that was actually valued at \$133,000. At that time he was vice president of Parliament, which was defunct at the time of the public hearings. Under questioning by Executive Director Siavage, the witness recalled how the deal with Metro was brokered. Einhorn's testimony:

Q. Are you familiar with an entity known as Metro Dental Services, Inc.?

A. Yes, I am.

Q. Are you further familiar with an entity known as Joel Sokol, D.D.S., P.A.?

A. I believe I am, yes.

Q. What do you know those entities to be?

A. They are dental offices servicing the dental business.

Q. During your former employment with Parliament Funding & Leasing, did you have occasion to do business with either one or both of those entities?

A. I did business with Metro Dental.

Q. Are you further familiar with some of the principals of Metro Dental Services, Inc.?

A. Yes, I am.

Q. When did you become introduced to the principals whom you know?

A. I met Dr. Sokol through Mr. Burke of Professional Dental.

Q. Who was Mr. Burke?

- A. Mr. Burke was a salesman for Professional Equipment.
- Q. How long had you known Mr. Burke before he introduced you to Dr. Sokol?
- A. Four or five years.
- Q. How did you have occasion to meet Mr. Burke?
- A. Through my business. I look for equipment financing and he was a salesman. He would have introduced me to doctors who were interested in financing their equipment.
- Q. Did you meet from time to time to discuss possible deals with Mr. Burke?
- A. Yes, I did.
- Q. And when was the first time that you had a conversation that you can recall that related to the funding of certain equipment for Metro Dental Services, Inc.?
- A. It would have been in the middle of 1976 sometime.
- Q. And do you recall where that conversation took place?
- A. Well, the first conversation was probably over the phone. The first meeting was somewhere, I believe, on Route 10 in the Ten/Two Lounge in [Whippany] with Dr. Sokol and Mr. Burke.
- Q. Before we get to that meeting, what was the conversation over the phone with Mr. Burke pertaining to this meeting?
- A. That he had a large dental facility that he was selling equipment to and he wanted to know whether I would be interested in financing the equipment that was going into it and that it was a union contract standing behind the facility.
- Q. Did the fact of a union contract standing behind the facility, to use you're words, have any significance with regard to this deal for you?
- A. Well, it meant that it was a very attractive financing package because the possibility of them paying off the lease contract was very good.

- Q. Now, you said you had your first meeting with Dr. Sokol and Mr. Burke in Whippany at the Ten/Two Lounge; is that correct?
- A. Yes.
- Q. Did you have conversation with the two individuals at that time?
- A. Yes. We discussed the facilities, the union contract, the amount that had to be financed and the fact that I would see if I could acquire the funds for them.
- Q. And specifically what kinds of things were they talking about financing?
- A. Basically dental equipment, some construction, supplies, some working capital.
- Q. Now, you say "some working capital." In your business, do you take security interests, in effect, chattel mortgages, on the equipment which you were going to provide to you're clients?
- A. Yes, we do.
- Q. And how do you secure the working capital?
- A. In this case, what we did was increase some of the prices of the equipment so that it was a hundred percent collateralized.
- Q. Was it, in fact, a hundred percent collateralized?
- A. It was not a hundred percent collateralized.
- Q. Did the deal appear to someone in the next step or chain to be completely collateralized?
- A. Yes, it did.
- Q. And how did that come about?
- A. By increasing the prices of the equipment so that it added up to the total amount that was going to be financed that was needed.
- Q. Did you discuss this specific fact with Dr. Sokol and Mr. Burke at this first meeting in Whippany?
- A. I believe it was discussed.

- Q. Now, what happened next after the meeting in Whippany with specific regard to this deal?
- A. I was in touch with Mr. Resnick, who was another partner in the transaction, and acquired finance statements of all the principals and acquired them a line of credit.
- Q. Who was it that advised you to contact Mr. Resnick?
- A. I believe it was Dr. Sokol or Mr. Burke. I'm not really sure.
- Q. Do you recall why they said to contact Mr. Resnick as opposed to either one of them?
- A. Well, he was the accountant and he would have been able to pull together all the financial statements.
- Q. He was the accountant --
- A. Accountant for Metro as well as a principal. At least that was my impression.
- Q. Did Dr. Sokol so describe him?
- A. I believe so.
- Q. Did you, in fact, contact Mr. Resnick at this time?
- A. I believe I did.
- Q. Did he know who you were when you contacted him?
- A. Yes.
- Q. Did he know what the transaction pertained to?
- A. He knew that we were financing -- going to try to finance a couple hundred thousand dollars worth -- trying to finance the facility.
- Q. Did you mention the details of the transaction to Mr. Resnick?
- A. I honestly can't remember going into specific details with him. I do remember talking about the number, though.

- Q. And what was the number you discussed with Mr. Resnick?
- A. Approximately \$200,000.
- Q. Did you discuss specifically with him what kind of documentation you would need to put the transaction through?
- A. I told him I would need personal financial statements, tax returns, and basic description of Metro Dental, copies of the union contract, and I would proceed to see if I could acquire the funds.
- Q. Okay. Did there come a time when you obtained invoices for the equipment itself?
- A. Yes.
- Q. Do you recall how you obtained those invoices?
- A. From Professional Dental.
- Q. And that would be who?
- A. Mr. Burke.
- Q. Okay. Just for a moment, before we leave this conversation with Mr. Resnick. You stated that the amount of \$200,000 was discussed; is that correct?
- A. Yes.
- Q. Is there any question in your mind that the value of equipment being discussed was less than \$200,000?
- A. I knew that.
- Q. Mr. Einhorn, I'm going to show you an exhibit that's been marked CN-12B in this public hearing, which purports to be a copy of an invoice of an entity known as Professional Equipment Manufacturing Corp. Does that appear to be the invoice that was presented to you by Professional?
- A. Yes, it does.
- Q. And what is the total amount of that invoice?
- A. It's a \$133,779.63.

Q. Now, how was it that you were going to grant \$200,000 in financing based on this invoice?

A. We would increase the value of the equipment, and I also believe that the final invoice had a few other included that brought the number of actual dollars up a little higher than this.

Q. I take it by your response, then, that that is not the final invoice?

A. No.

Q. I show you now what's been marked Exhibit CN-12C in this public hearing, which again purports to be a copy of an invoice of Professional Equipment Manufacturing Corp. No. 1964, for Metro Dental Services, Inc. for financing on behalf of Parliament Funding & Leasing Corp.

That's a three-page document. Please examine all three pages.

Do you recognize that document?

A. Yes.

Q. What is the total amount of that invoice?

A. \$200,073.50.

Q. Which exceeds by approximately \$67,000 the first invoice?

A. Yes, sir.

Q. You believe it's substantially the same except for those few changes where the additional equipment was added to increase the amount of equipment financed.

A. Legitimately financed.

Q. Let's try it this way: Are there any items that are on the first invoice that are also on the second invoice that you can now locate?

A. Most of them are.

Q. Do most of the prices appear to be the same, less or more?

A. They seem to be more.

Q. Do you recall any discussion with Dr. Sokol or Mr. Resnick or Mr. Burke on a percentage inflation?

A. No.

Q. Okay. I'm going to show you a third document, which has been marked CN-18B, again a document of Parliament Funding & Leasing Corp. Do you recognize that document?

A. Yes, sir.

Q. What is that?

A. That's our lease contract with Metro Dental.

Q. And does that pertain to the same transaction?

A. Yes, sir.

Q. And were you presented with a corporate resolution in order to execute this contract?

A. Yes, sir. Yes, sir.

Q. Can you make out any of the signatories on that document, for instance, who signs as the secretary?

A. It looks like Jesse Hyman signed as President and it looks like Resnick.

Q. Okay. Who is Mr. Hyman?

A. Mr. Hyman is one of the principals of Metro Dental.

Q. What did you assume was going to be done with the excess money that Metro received as a result of the inflation?

A. That is would be put into the facility.

Q. And just how would it be put into the facility?

A. To -- for working capitals possibly to pay the first couple months rents. Any construction, supplies, things like that, that might be over and above the amount that was required.

However, the projected working capital also included "finder's fees" for those who obtained the Metro deal:

Q. Now, did anyone with respect to this transaction either request or receive a commission payment?

A. Mr. Burke and Metro Dental and Mr. Resnick.

Q. Mr. Burke, Metro Dental and Mr. Resnick. And were those funds paid independent of the inflation between the two invoices?

A. Yes, they were.

Q. Well, let's take Metro Dental, first. Do you recall how Metro Dental received a commission with regard to this transaction?

A. In the discussions I had with Mr. Resnick we decided to pay Metro a finder's fee for the transaction.

Q. And when you say "we," to whom are you referring?

A. Myself, my company.

Q. That would be Parliament Funding & Leasing Co.?

A. Yes.

Q. And Mr. Resnick requested this commission be paid to Metro?

A. Yes.

Q. You didn't, unsolicited, reach out and offer him commission, did you?

A. Not to the best of my knowledge. I didn't.

Q. A second commission was paid to Mr. Burke, the representative of Professional?

A. Yes, sir.

Q. And do you recall any conversation leading up to that payment of a commission?

A. It was normal in the industry to pay commission to equipment salesmen or vendors for giving us -- it's a finder's fee for giving us the transaction.

- Q. How much of a commission did Mr. Burke receive?
- A. A thousand dollars.
- Q. You don't recall any further discussion about that?
- A. No, only that he assumed that he was getting more.
- Q. Did -- what was the form of the payment to Mr. Resnick?
- A. In check form.
- Q. Do you recall how much of a commission he got?
- A. I believe he received two five-hundred-dollar checks.
- Q. With regard to the inflation of the invoices compared with the payment of the commissions, do you have an opinion on whether the commissions were, in effect, pumped back into the business for working capital?
- A. I couldn't tell you.
- Q. Well, if they were to be pumped back in for working capital, could you have not simply inflated the invoice another four or \$5,000?
- A. That could have been done, yes.
- Q. Did Mr. Resnick or Mr. Burke or anyone on behalf of Metro suggest that those checks were going to be used for their personal benefit?
- A. No, there was no suggestion.

MR. SIAVAGE: One moment.

- Q. Mr. Einhorn, I'm going to show you another portion of Exhibit 18B, which you have in front of you, which is six checks drawn upon Parliament Funding & Leasing Corp. They are numbered in a series, 272, 602, 781, 5117, 5184, and 6067.

The first check is dated 5/23/77 in the amount of a thousand dollars to Metro Dental Service, Inc. Is that the first commission that we were talking about?

A. Yes, sir.

Q. And the next check is dated 8/17/77 in the amount of \$500 payable to Mr. Resnick. Is that Mr. Resnick's first five-hundred-dollar commission?

A. Yes, it is.

Q. And the third check is dated October 28th, 1977, in the amount of \$500 payable to Stanley Resnick. Is that the second five-hundred-dollar commission Mr. Resnick received?

A. Yes, it is.

Q. There was a period of about two-and-a-half months between those two five-hundred-dollar checks that Mr. Resnick received. Do you recall why that much time elapsed between the payments?

A. Well, it was a matter of cash flow and we didn't, at that point, want to pay Mr. Resnick the additional funds and would prefer to hold it off as long as possible and hopefully he wouldn't ask for it.

Q. Did you consider the \$2,000 which you gave to Metro Dental Services to be part of the commission you agreed upon with Mr. Resnick?

A. Yes.

Q. Did you agree upon a total commission of \$3,000 with Mr. Resnick?

A. Yes, I did.

Q. And was that from the outset?

A. That was from the outset.

Q. And you don't know why the first two checks for a thousand dollars each went to Metro and the third and fourth went to him personally, do you?

A. No, I don't know why.

Q. Okay. Just to finish identifying those checks, Mr. Einhorn, I believe the third check in the series is a check for a thousand dollars dated January 17th, 1977, payable to John Burke. Is that Mr. Burke's commission?

A. Yes, it is.

Einhorn next explained how \$133,000 worth of paper was discounted for more than \$200,000 by a New York bank:

Q. Okay. Now, subsequent to this transaction, did you, in effect, discount this paper?

A. Yes.

Q. And describe the transaction for the discounting to the Commission, if you would?

A. We would send the paper work with -- over to our bank who was discounting it, and they would send us a check for -- they would put funds in our account for the proceeds of the discounted transaction, which came up in excess of \$200,000. Two hundred thousand for the equipment plus our profit on the transaction.

Q. And what was your profit at the time?

A. I believe the profit was about ten to \$12,000.

Q. And who discounted the note?

A. Chase Manhattan.

Q. In New York?

A. New York.

Q. With respect to the transaction for the discount of the note, was Chase Manhattan presented the invoice of the equipment?

A. Yes, they were.

Q. Which invoice were they presented?

A. The second invoice for \$200,000.

Q. Did Chase Manhattan ask you any questions about whether that invoice was reflective of the value of the equipment?

A. No, they didn't.

Q. Did you discuss with Mr. Resnick or Dr. Sokol or Mr. Burke the fact that the note would be discounted?

A. Yes.

Q. Describe that discussion for us?

A. They knew that we would bring -- that we weren't funding it ourselves and we would be selling the paper to the bank. We would only act as an intermediary.

Q. Is that part of the reason why the financial statements are required and other documentation?

A. Yes. We don't do any credit work. We are strictly a brokerage transaction.

EXAMINATION BY THE CHAIRMAN:

Q. Can I ask if Chase Manhattan was informed that the original invoice was 133,000 plus dollars?

A. They were not.

EXAMINATION BY MR. SIAVAGE:

Q. You testified that it was common practice to pay the salesman, Mr. Burke, a commission. Was it common practice to pay the principals of corporations a commission?

A. On -- less of of a common practice. On occasion it would happen. It was not unusual.

Q. Would you ever offer a commission to a principal?

A. Yes, we would. Sometimes, yes.

Q. Did you offer the commission to the principals in this case?

A. I -- I don't remember exactly, you know, how it was developed. Only that it ended up with us paying them commission in order to acquire the transaction.

EXAMINATION BY THE CHAIRMAN:

Q. Had Chase Manhattan known that the original invoice figure was a 133,000 plus, what would your profit on that transaction have been in contrast to the ten or \$12,000 you received on a two-hundred-thousand-dollar figure?

A. Right. It would have been proportionately less.

Q. Less?

A. Two-thirds.

EXAMINATION BY COMMISSIONER FRANCIS:

Q. In response to a question by Mr. Siavage, you said in reference to the commission paid to Mr. Resnick, and I don't mean to quote verbatim testimony, but as best as I remember it, that you pay the commission in order to acquire the transaction.

Are you saying to us that unless you had paid Resnick this commission, the deal would not have gone through?

A. I can't tell you what the future would have brought, but I wasn't willing to -- since it was a triple A credit with the guarantee of the union in terms of payments and the quality of the guarantors, the dentists standing behind the transaction, apparently the deal probably could have been taken anywhere and financed, and I wasn't willing to walk away from the transaction for a few thousand dollars. There was profit to be made.

Q. But Resnick personally sought a commission?

A. I'm not sure I understand. He personally knew about the commission.

Local 906's Building Loan

Although the Sokol, P.A., dental care contract for UAW Local 906 in Mahwah was signed with Ford Motor Company, the local itself made certain unusual arrangements with those affiliated with the operation. These arrangements included an agreement by Metro Dental to assume liability for a \$225,000 loan obtained by Local 906 from a bank in closeby Suffern, N.Y. The loan was obtained to finance the reconstruction of Local 906's headquarters. To undertake this project, Local 906 hired Western Realty Company of Morristown, a company created by Stanley Resnick of Metro Dental to handle the Sokol operation's construction work.

Joseph Reilly, who was president of Local 906 at the time of Sokol's Mahwah contract, testified about this building loan:

- Q. There came a time on behalf of Sokol, P.A. that you in some fashion negotiated or enabled them to obtain a loan, did you not?
- A. No, I didn't enable them. I got a loan myself to reconstruct the building, and then I hired Mr. Resnick's company to build -- do the construction for us. I got the loan, the union got the loan.

THE CHAIRMAN: This was what, your union headquarters.

THE WITNESS: Yes, sir.

THE CHAIRMAN: And you had been occupying it as a headquarters, this particular building; is that correct.

THE WITNESS: That's correct.

THE CHAIRMAN: Now you're contemplating renovating or adding to it and putting in offices for dental work; is that right.

THE WITNESS: Well, it didn't really come about that way to start. It came about was we had a major fracture in the building as it stood, and we were contemplating ways that we could get it together and get it fixed and it was, I don't know exactly who told me at the time, but it was, you could see right through the side of the building. There was such a hole in the side of building, right from the top to the bottom and all the main supports had fractured, and I was told that the top of building actually moved six inches. So it meant we had a rather big construction job to repair it.

So at the same time we thought we would like to, which I always thought we better, build the benefit center to the membership at the same time because the members didn't use the hall as much as I thought they should, and I wanted to do something to the hall so they would use it a little bit more. So we came up with a benefit program and we tied the two together and resteel the original building and we added an additional floor at that time to accomodate that.

BY MR. RHOADS:

- Q. Just consistent with the Chairman's question, you mentioned a Mr. Resnick and a company Western Realty. If I'm wrong correct me. You said it was Stanley Resnick's company, Western Realty?

- A. I always assumed it was. I think I was asked that question the last time I testified, and in my opinion it was. I don't know the names of all the officers of the company, but certainly he was the --
- Q. I appreciate that. But, in any event, your perception with the dealings with Mr. Resnick was that it was his company, Western Realty?
- A. Yes.
- Q. Did you ever hear a man by the name of Seymour Cohen?
- A. Yes, sir.
- Q. How do you know Mr. Cohen?
- A. Mr. Cohen was the gentleman that supervised all the construction work at the local union.
- Q. Now, in that regard, you say that you got the loan. Of course when I say "you," your local, 906, you didn't personally get the loan. The loan amount was \$225,000, was it not?
- A. Yes, it was.
- Q. And that was from the Empire National Bank?
- A. Yes, it was.
- Q. And it was used to refurbish or build additions or whatever on the local's building, wasn't it?
- A. It was used to almost rebuild the building. We had to go into the concrete. We had to break ground. We had to go into the ground, new foundation, resteel the building.
- Q. I appreciate that. What I'm asking you, it's the local's building, isn't it?
- A. Yes, it is.
- Q. It's not Dr. Sokol's building, is it?
- A. It's always been the local's. It's still in its name.
- Q. It's not Sokol's. He doesn't own any part of it, does he?

- A. No.
- Q. As I understand it, didn't Dr. Sokol and Metro Dental Services agree to take over the obligation of that loan --
- A. Yes, they did.
- Q. -- for your local? Why would they do that?
- A. In return for the use of the property.
- Q. So they agreed to be liable for \$225,000 to the -- plus interest, to the Empire National Bank?
- A. That's correct.
- Q. Was that part of the agreement in order for Joel S. Sokol, D.D.S., P.A., to get the contract with Local 906?
- A. No, that was in order for Joel Sokol to use our building to offer the service, but it wasn't part of the contract. Part of the contract was between the Ford Motor Company and Dr. Sokol, which has absolutely nothing to do with the union or the building or its finances.
- Q. Well, prior to them getting the contract with 906 to service the members of 906, didn't you negotiate and discuss where the facility was going to be, where they would actually drill the teeth of these members?
- A. Well, certainly we wanted our local union used as one of the places and that was going to help us to repay due to the construction work on the building.

Sokol's Local 906 Janitors

Another Local 906 arrangement with the Sokol group was the utilization of two union officials as janitors in the building that housed the health care activities. One was a member of the union executive board when Local 906 agreed to undertake a dental care plan for its members.

Reilly testified about the janitorial work:

- Q. In the course of your term as president of Local 906, did you have occasion to negotiate with gentleman by the name of Joel S. Sokol, a dentist, for the purposes of packaging and arriving at a dental-care plan for members of your union?

A. Yes.

Q. And along those lines, did there come a time when you and Dr. Sokol became aware that you, as president of Local 906, would not be able to authorize the contract, but that he would have to deal with Ford Motor Company?

A. I knew that from the start. I always knew that.

Q. Did you communicate that to Dr. Sokol?

A. I don't exactly know, but I always knew the final contract had to come between the Ford Motor Company and Dr. Sokol, if we got that far.

Q. Did there come a time when Ford Motor Company okayed or otherwise subscribed to contracting with Dr. Sokol?

A. Yes, there was.

Q. With respect to arriving at a final contract between Ford Motor Company and Dr. Sokol, in order to benefit your members of the local, did you have any input into that decision?

A. Well, certainly recommended it, yes.

Q. I'll refer to the Mahwah facility here and after. With respect to the Mahwah facility, did you or Dr. Sokol employ any janitorial services there, to your knowledge?

A. Yeah, we employed our own janitor.

Q. Who was that?

A. Mr. William Patterson.

Q. And he's a member of your local, is he not?

A. At that time, yes.

Q. And, to your knowledge, was there a Patrick Fanning so employed as a janitor?

A. Patrick Fanning and Bill Patterson jointly did the janitorial work for the local union.

Q. Do you know of your own direct knowledge? By that, I mean, did you actually see them doing it?

A. Oh, sure, many times.

- Q. You saw Patrick Fanning cleaning up?
- A. Yes, both, sure.
- Q. What office or position did Patrick Fanning have within the local at that time?
- A. I believe he was the recording secretary of the local union.
- Q. Was he ever a trustee?
- A. Perhaps prior to that he was an executive board member. He might have been, prior to that, a trustee. I don't think he was a trustee, no. He was recording secretary.
- Q. Okay. Well, as such, did, to your knowledge, did he have any input with respect to the hiring of Sokol, P.A.
- A. No, none whatever, other than the fact is when we agreed initially, the executive board agreed to go into the program, he was on that board. It would be recorded as a vote in favor.
- Q. Who, if anyone, recommended Sokol, P.A. to you?
- A. He -- I tried to refresh my memory exactly on that last time. I believe it was through one of my officers in the local, Pete James.
- Q. Peter James. If you know, did anyone recommend Dr. Sokol to Peter James?
- A. I think it was, it was he just knew three, four different names at the time. We met with a number of people, and I met with Sokol, and I met with others and it seemed to us at the time that he offered the best program.

How Sokol's Local 906 Janitors Were Paid

William Patterson of Lincoln Park, one of the Local 906 members the Sokol group employed at the Mahwah health care facility, testified about the janitorial service -- and the peculiar method that was set up for paying janitors:

- Q. Now, you are, or at least were, in 1977, '78, a member of Local 906?
- A. I was.

Q. Are you now?

A. No.

Q. During the course of your tenure as a member of Local 906, did you ever have occasion to be employed in some fashion whereby you were performing administrative duties at the Mahwah union headquarters?

A. I did.

Q. And did you have a title along those lines?

A. Building administrator.

Q. How long were you the building administrator?

A. Seven years.

Q. And in the course of your being the building administrator, did part of your duties provide for the furnishing of janitorial care of that building?

A. That's right.

Q. Did there come a time while you were so providing those services that Joel S. Sokol, the professional association, came into that building as a tenant?

A. That's right, yes.

Q. And that, of course, would be a dentist, do you recall that?

A. Yes.

Q. And then, again, along with your janitorial services, were you then contracted or somehow hired to also perform janitorial services --

A. I was.

Q. -- for Joel Sokol?

A. Yes.

Q. Who actually hired you to do it?

A. Resnick. I don't know his first name.

Q. If I were to tell you Stanley, --

- A. Stanley Resnick.
- Q. -- does that refresh you?
- A. Yes.
- Q. Was there, at the time of the hiring, some sort of payment agreement?
- A. There was.
- Q. What was it, do you recall?
- A. \$400 a month.
- Q. And that is in addition to the monies that the union was paying you to clean their portion of the building, was it not?
- A. That's right.
- Q. Who actually sent you the checks from Sokol, do you recall?
- A. I don't know.
- Q. You really were paid for those services by Eugene Roehrer, were you not?
- A. Eugene Roehrer made out the checks, yes.
- Q. He was the former, am I correct, secretary/treasurer?
- A. Right.
- Q. He, as I understand, would make out checks from the union fund, pay you, and then the Sokol checks would come in and then you would endorse them and give them to Eugene Roehrer?
- A. That wasn't the way it was supposed --
- Q. I know that, but that's the way it was done?
- A. Yes.
- Q. Do you know what Eugene Roehrer did with it?
- A. No, I have no idea.
- Q. Now, at the time Stanley Resnick hired you to do the janitorial services at their portion of the facility, if you know, had they already contracted with the union to do the, you know, the health-care plans, the dental services?

- A. Yes. I believe they had, yeah.
- Q. What -- well, what I'm asking you in short, I'll be more direct, is, to your knowledge, was it part of the deal that in order for Sokol, P.A. to furnish services, dental services to the union members, they had to have hired you as a janitor?
- A. They had to?
- Q. Yes.
- A. They didn't have to.
- Q. In other words, had they not hired you, at least according to you, they would have still gotten the contract; is that right?
- A. Yeah.
- Q. Now, along the lines of your performing these services, you also had helpers didn't you?
- A. Yes.
- Q. And one of them was a Patrick Fanning?
- A. That's right.
- Q. And he was also an officer at 906, wasn't he?
- A. Yes, he was.
- Q. What was he, do you recall?
- A. He was a trustee at the time.
- Q. And as a trustee, if you know, would he have had any input with respect to whether anyone really would get a contract with the union?
- A. No.
- Q. He wouldn't have to vote on it or do anything, to your knowledge?
- A. No.
- Q. But, in any event, he did help you with the janitorial service, and did you pay him for it?
- A. That's right.

Q. Did you pay him out of the money you received from the union that the union received from Sokol?

A. Yes.

Q. How much would you pay Patrick Fanning?

A. Three-fifty. Just a minute. Half of \$350.

Q. Half of three-fifty?

A. Yeah.

Q. Per month?

A. \$175.

Q. Per month?

A. That's right.

EXAMINATION BY THE CHAIRMAN:

Q. I suppose these two men that you had help you, they were working regular hours for the Ford Company, were they not?

A. That's right.

Q. This is extracurricular?

A. That's right.

Questioned About Conflict of Interest

George F. Serio of Mountainside, administrator of Teamster Local 478's welfare funds, was questioned about various subjects that indicated potential conflicts of interest relative to the Sokol, P.A., dental care contract with his union:

Q. Mr. Serio, would you tell the Commission your present occupation?

A. I'm employed by the Local 478 pension and welfare funds as salaried administrator.

Q. And for how long have you been so employed?

A. Approximately ten years.

Q. And what is that local again? What is it?

A. International Brotherhood of Teamsters, yes, sir.

Q. During the course of your duties as the administrator to this fund, did you have an occasion whereby you entered into negotiations or, at least, became knowledgeable of negotiations between the fund and one Joel S. Sokol?

A. I personally?

Q. Whether you entered into them or became aware of them, one or the other?

A. Became aware of them.

Q. Now, the negotiations, did that involve the furnishing of a dental plan by Joel S. Sokol to the members of your union?

A. A proposal was submitted to the board of trustees for review by Dr. Sokol.

Q. Did there ever come a time when you finally wound up with a final contract, to your knowledge?

A. Yes, sir.

Q. That was December of '76, was it not?

A. Yes, sir.

Q. Your father is Harry Serio; is that so?

A. Yes, sir.

Q. And what position, if any, does he have with the union?

A. He is a union business representative.

Q. And was he a business representative in December of 1976?

A. Yes, sir.

Q. And as a business representative, to your knowledge, would he have any input upon whether or not Dr. Sokol's firm was going to be contracted by the union?

A. Well, as a trustee, he has a voice.

Q. Further than that, does he have a vote?

A. Yes, he does.

- Q. Do you know whether, in fact, your father voted to accept Joel S. Sokol, P.A., as the dental-care provider?
- A. No, I do not.
- Q. Do you yourself use Dr. Sokol or one of his dentists as --
- A. Yes, I do.
- Q. Do you pay for it?
- A. No, I do not.
- Q. Is that as a result of the contract entered into between the union and Sokol, P.A., if you know?
- A. Yes, because I am a covered member, and my family is, also.
- Q. How about your father?
- A. Yes, he is also.
- Q. He is covered?
- A. Yes.
- Q. How would Dr. Sokol get paid for the services that he provides a patient such as yourself?
- A. Well, any member is paid through -- by the fund as a eligible member.
- Q. So that, given the situation that if Dr. Sokol worked, rendered services to you, he would be paid through the fund. Is that so?
- A. That is correct.
- Q. You have a sister by the name of Dawn Serio?
- A. Yes, I do.
- Q. To your knowledge, was she employed by Dr. Sokol?
- A. Yes, she was.
- Q. And do you know whether, in fact, that was part of the agreement whereby Dr. Sokol ultimately wound up with a contract with Local 478?

A. No, sir.

Q. You do not know whether it was or it wasn't?

A. I know it wasn't.

Q. How do you know it wasn't?

A. It was never brought up in any trustees meeting.

Q. Well, you said you weren't privy to any of the negotiations, didn't you?

A. Not the negotiations itself, no. But neither was my father.

Q. Now, there came a time when you contemplated and ultimately did incorporate a company by the name of the Group Administrative Services, Inc., did you not?

A. Yes, I did.

Q. And what was the corporate purpose of that entity?

A. To administer employee benefit plans.

Q. Such as dental plans?

A. Such as anything that had to do with the health-care field, which I had some knowledge of.

Q. Is it fair to say that would incorporate dental plans?

A. It would incorporate dental, eye care, drug; anything that had to do with employee benefit plans.

Q. Were you aware at some point in time where Dr. Sokol wrote to Ford Motor Company, in order to secure a contract with Ford Motor Company to provide their dental-care services, and within that letter he told their representative that Group Administrative Services, Inc., was going to be the administrator to their dental plan?

A. Yes, I did, about two weeks ago.

Q. Two weeks ago you were told that?

A. Right, by you sir.

- Q. Since that time have you had occasion to discuss with Dr. Sokol and ask him something along the lines why on earth did you put that in there?
- A. Well, according to, to the -- the specific language?
- Q. Whatever language you used.
- A. Well, according to the language, it said that I would administer the plan. I questioned Dr. Sokol on it. He doesn't recall saying that.
- Q. But at the time other than two weeks ago when I so informed you, had you had any other knowledge that he had done that?
- A. No, I did not, sir.
- Q. Now, while we're on the subject of Dr. Sokol, he, in fact, was one of the officers of Group Administrative Services, Inc., wasn't he?
- A. He was.
- Q. And you were the president?
- A. I was the president.
- Q. And this was at a time when he had negotiated, and in fact successfully negotiated, with your local in order to provide the dental-care plan, wasn't it?
- A. This was prior to, sir.
- Q. This was prior to?
- A. The establishment of Group Administrative Services was after the contract was entered into and Dr. Sokol was not supposed to be in the incorporation of that company. It was not done with my knowledge.
- Q. But he was put in there, wasn't he?
- A. Yes, he was.
- Q. And he was an officer wasn't he?
- A. Yes, he was.

Q. Well, did it ever occur to you at any point in time that there might be a conflict of interest because you had joined in an administrative servicing company with the intent of servicing dental-care providers, amongst other things, with someone who had, in fact, contracted with your union?

A. Not at that point, no. At sometime thereafter, shortly after that, when the papers did come back from Mr. Franconero that he had Dr. Sokol on it, this was after March, I so informed him to take Dr. Sokol's name off, that there would -- there possibly would be a conflict of interest if I proceeded with operations of Group Administrative Services, if I ever contracted with any other group. I informed my attorney to remove Dr. Sokol's name from the incorporation.

Q. Mr. Serio, did at any point in time, did you go to the board of trustees of Local 478 and apprise them of the fact that you had started this corporation that was going to administer clients of the local?

A. No, sir.

DeCavalcante's Lieutenant

John Riggi of Linden, business agent of Laborers' Local 394 for about 25 years, has been identified in law enforcement records as the acting boss of Simone (Sam the Plumber) DeCavalcante's crime family in New Jersey. He gained increasing prominence as DeCavalcante became less active, reputedly because of ill health, and began living primarily in Florida. Riggi's jurisdiction centers largely in the Elizabeth-Trenton region but extended into Essex County in the north and down into Monmouth and Ocean counties in the southern part of the state. The SCI's investigation revealed many contacts between the Sokol operation and Riggi and his associates. Riggi confirmed a number of these as a witness, testifying under a grant of immunity as follows:

Q. Now, during the course of your tenure as business manager and trustee, did you have an occasion to meet a Dr. Joel Sokol?

A. Yes, I did.

Q. And was it under the circumstances whereby Mr. Sokol was attempting to have your union contract him in order for him to provide a dental-care plan?

A. Excuse me, sir.

(The witness confers with counsel.)

A. Mr. Rhoads, I believe I had testified to that at a private hearing one time before.

Q. Yes, I believe you did. Would you care to answer it now?

A. Well, I already answered that once before, Mr. Rhoads.

COMMISSIONER FRANCIS: Answer it again, Mr. Riggi.

Q. Answer it again. This is a public hearing, not a private hearing.

A. I would like to refer back to my transcript, please.

THE CHAIRMAN: Why do you do that? Don't you know the answer?

THE WITNESS: Well, I would still like to refer back to my transcript, sir. I already testified to this effect.

THE CHAIRMAN: But do you know the answer now?

THE WITNESS: Well, let me see. The answer is yes.

THE CHAIRMAN: You don't have to refer to the transcript to give us the answer, do you?

(The witness confers with counsel.)

THE WITNESS: Well, I would like to refresh my recollection, Commissioner.

THE CHAIRMAN: We don't want you refreshing your recollection on every question asked, because we would be here for a week if we do that. All we want is the answer, the truthful answer.

(Witness conferring with counsel.)

THE CHAIRMAN: Do you need your recollection refreshed?

THE WITNESS: I do want to give you a truthful answer and it's no --

THE CHAIRMAN: It's in your head, not on the paper particularly.

THE WITNESS: Well, Counsellor, Commissioner -- yes.

BY MR. RHOADS:

Q. When was that, if you can recall, and you can approximate for us, that Mr. Sokol, Dr. Sokol, approached you in order to solicit you to take his dental plan?

A. I would -- I don't recall, Counsellor, but he did solicit me.

Q. As you sit here now, do you have any present recollection at all as to the time when Mr. Sokol, Dr. Sokol, solicited your union? A year ago? Two years ago?

A. Well, the best of my recollection, I would say about two years ago.

Q. At the time Dr. Sokol approached you with the idea of selling his dental-care plan to your local, was he in the company of any other people, that you recall?

A. I, again, I answered that, and I don't recall if he had Mr. Resnick or just himself there.

Q. All right. Do you know a Stanley Resnick?

A. Yes, I do.

Q. And is that the Mr. Resnick you refer to?

A. Yes, sir.

Q. You know a Dr. Jesse Hyman, do you not?

A. Yes, I do.

Q. How is it that you know Dr. Hyman?

A. For the same reason; that he was looking to sell a dental plan to our union.

Q. I'm not quite sure I follow that. Had Dr. Hyman solicited your union to sell a dental plan to it?

A. Both.

Q. Both Hyman and Sokol you mean?

- A. Yes, sir.
- Q. But, in any event, they both came to you --
- A. They both came.
- Q. -- at the same time; is that right?
- A. In around the same time. I answered that once before.
- Q. Regardless of when you answered it before, I'm asking you today.
- A. Excuse me, please.

(Witness conferring with counsel.)

THE CHAIRMAN: Mr. Riggi, you will be asked questions, and a lot of them that you were asked before, and everybody else is here, and the purpose of it is, is that we want a complete record in this public hearing, you see. So just please answer the questions the best of your ability to do so and we know that some of them you answered before. We know that. There's no intent here to trap you on prior questions. All we want is your recollection and the truth of the matter, that's all. So let's proceed on that basis.

BY MR. RHOADS:

- Q. Did Dr. Hyman ever indicate to you that he knew Dr. Sokol?
- A. Yes, he did.
- Q. And when he indicated that he knew Dr. Sokol, under what circumstances did he say that he knew him?

(The witness confers with counsel.)

THE CHAIRMAN: Did you understand these two were working together on a --

THE WITNESS: I had assumed that they were, as I, as I so stated in the testimony, that, that they had something to do with Metro, which I didn't know too much about. That's where Mr. Resnick comes in.

BY MR. RHOADS:

- Q. That would be Metro Dental Services?

- A. Something to that effect.
- Q. But you know somehow he's connected
- A. Somehow, somewhere.
- Q. Somehow they were connected with Sokol and Hyman; is that right?
- A. Something to that effect. What it was, I don't really know.
- Q. Well, they had asked you for your union business, in effect? "They," I mean Sokol and Hyman. Did they get it?
- A. No.
- Q. Having not gotten it, did they ever ask you for your aid or help in them obtaining contracts with other unions?
- A. Yes.
- Q. And did you, in fact, render some aid or help to Sokol to get other unions?
- A. Yes.
- Q. And what are they, Mr. Riggi, the unions that you helped him?
- A. Well, I don't recall who they were at the time. I still don't recall. I know I met him, I met -- I introduced them to a Mr. Carrol from Local 472, and the rest I really don't recall who they were. At that time I didn't recall and still today I don't recall.
- Q. But there were certainly more than one?
- A. Yes, yes.
- Q. These individuals, for instance, Mr. Carrol, what is he in the union?
- A. He's a business manager of Laborers Local 472.
- Q. 72. So he would enjoy the same type position you do?
- A. I don't know what you mean by "enjoy."
- Q. Is the title the same?

- A. But he would have the same title I have, yes.
- Q. To your knowledge, did Dr. Sokol go on to contract with any of the unions you introduced him to via their business manager?
- A. Not to my knowledge, no.
- Q. Did Dr. Sokol pay you for that service?
- A. No, sir.
- Q. How about Mr. Resnick?
- A. No, sir.
- Q. How about Dr. Hyman?
- A. No, sir.
- Q. Staying with Dr. Hyman for a moment, you knew him prior to his coming to you with a dental plan for your local, did you not?
- A. I don't quite follow you.
- Q. Well, you had mentioned at one point in time Dr. Hyman came with the idea of selling a dental-care plan to your union, isn't that right?
- A. Yes.
- Q. Well, you knew him prior to that, didn't you?
- A. No, no.
- Q. Is that the first time you ever met Dr. Hyman?
- A. Yes.
- Q. Did you know that he was from Buffalo area?
- A. Not at the time.
- Q. You came to learn that subsequent to that?
- A. Later, yes.

Riggi was questioned about his knowledge of Curly Montana, the organized crime figure in Cleveland, and about his crime family associates in New Jersey:

- Q. Do you know a man by the name of Curly Montana?
- A. Yes.
- Q. How is it you know Mr. Montana?
- A. He happened to be in the presence of Dr. Hyman.
- Q. What were the circumstances?
- A. In reference to the dental plan.
- Q. Curly Montana was with Dr. Hyman?
- A. Yes.
- Q. When he came to you to sell your union a health-care plan?
- A. Yes.
- Q. Did you know Curly Montana prior to that?
- A. No, sir.
- Q. Have you ever heard Curly Montana to be affiliated with organized crime?
- A. No, sir.
- Q. I show you what's been previously marked Commission Exhibit 24 and I ask you: Can you identify the man in that picture?
- A. Yes.
- Q. That's the Curly Montana you're referring to?
- A. That looks like him, yes.
- Q. Now, in relationship to meeting with Dr. Hyman and Curly Montana, was there a Carl Rizzo with him?
- A. I believe so. I really don't recall, but I believe so.
- Q. I show you Commission Exhibit 29 and ask you: Is that Carl Rizzo, the gentleman that you believe may have been with him?
- A. Yes.
- Q. And now having seen the photograph, do you recall whether in fact he was with him?

A. Yes.

Q. Did you ever know Carl Rizzo to be an associate in organized crime in New York state?

A. No, not to my knowledge.

(Witness conferring with counsel.)

Q. Now, you know a man by the name of Comillo Molinaro, also known as Bill Molinaro, don't you?

A. Yes.

Q. In fact, also known as Bill Martin. Have you ever heard him go by that name?

A. Yes.

Q. How is it that you know Mr. Molinaro?

A. Oh, I just happened to know Bill Molinaro. I don't know what you mean how do I happen to know him.

Q. Well, how did you meet him for the first time?

A. Oh, I don't recall, because I've known Bill quite a few years. I don't recall.

MR. RHOADS: For the record, may I have that photograph that we have had blown up?

Q. Is this the Comillo Molinaro that you know?

A. That's the Bill Molinaro, Bill Martin, that I know.

Q. Did you ever know that man to have worked at the Roman Forum?

A. Yes, sir.

Q. And either your daughter or son had a wedding reception at that restaurant, did they not?

A. I testified to that, yes, sir.

Q. I believe you did. Which is it, your son or daughter?

A. My son, yes.

- Q. Your son. When was the wedding reception?
- A. About five, six years ago.
- Q. And was Bill Molinaro working at the Roman Forum then?
- A. At that time, yes.
- Q. He was the manager of it, wasn't he?
- A. Yes.
- Q. At that time when your daughter had the reception --
- A. My son.
- Q. Had the reception at the Roman Forum, did you know Stanley Resnick?
- A. Yes, sure.
- Q. So that you knew Dr. Hyman and Stanley Resnick long before Joel Sokol came to you with his health care proposal, didn't you?
- A. Could be, could be.
- Q. Well, again, now, I'm going to go back, and since you met Stanley Resnick through Dr. Hyman, when did you first know Dr. Hyman?
- A. I really don't recall the time. That's what I'm telling you. I don't recall. It could have been three, four years ago, five years ago, but when they came with their program. Prior to that I didn't know him.
- Q. In any event, you now know, you now in your mind as you sit here are clear that you knew Dr. Hyman before you knew Stanley Resnick because you said he introduced him. Is that correct?
- A. Yes.
- Q. This fellow Bill Molinaro that you know, did you ever recommend to Dr. Hyman that he bring Bill Molinaro into their dental operation?
- A. No, sir.
- Q. But you did tell Stanley Resnick to hire him, didn't you?

- A. I don't recall ever telling anyone to hire him.
- Q. Did you know that Bill Molinaro had a criminal record?
- A. No, sir.
- Q. How long have you known him?
- A. Oh, about eight years, nine years, ten years.
- Q. And you have seen him pretty frequently, don't you?
- A. Yes.
- Q. About once a week?
- A. No, no, no.
- Q. Well, how would you characterize it?
- A. About twice a month maybe.
- Q. Twice a month?
- A. Yes.
- Q. Is it social meetings?
- A. That's right.
- Q. Or is it business meetings?
- A. Just a social meeting. A cup of coffee in the morning.
- Q. Well, Mr. Riggi, didn't, in return for your services to Dr. Sokol, you tell him to hire Bill Molinaro --
- A. No.
- Q. -- and put him on the payroll?
- A. Not that I recall, Counsel.
- Q. During this course of years you have known Bill Molinaro, other than his working in the Roman Forum, what does he do for a living?
- A. I have no idea.
- Q. Never even asked him?

A. No, sir.

Q. You have known this gentleman eight years, as you testified. You testified one of his sources of income folded up on him, and you never ever said to him, "What are you doing now?"

A. No.

Q. Do you know a gentleman by the name of Pat Martirano?

A. You'd have to show me a picture of Pat Martirano.

Q. Well, do you know someone who goes by the alias of Patty "Specks" Martirano?

A. Oh, yeah, sure.

Q. How is it that you know Specks Martirano?

A. How is it that I know him?

Q. Yes. How do you know him?

A. In -- I don't understand the question. I just know him.

Q. Well, how did you meet him?

A. Oh, I don't recall how I met him.

Q. How many years have you known him?

A. I'd say, in the area of ten years. Five to ten years.

Q. Do you know what he does for a living?

A. No, not really.

Q. Did you ever ask him?

A. No.

Q. Is he a member of organized crime?

A. Not to my knowledge.

Q. You would know if he were, though, wouldn't you?

A. No, sir.

- Q. I'm going to show you, so that there's no mistake over whom we're talking about, I am showing you a picture that was previously marked Commission Exhibit 22 and I ask you, direct your attention to the gentleman on the right there, and tell me: Do you know him?
- A. Yes.
- Q. And who is that?
- A. That's Patty Specks.
- Q. Do you know a gentleman by the name of Nicholas Cifelli, Nicky Cifelli?
- A. No.
- Q. I show you Commission Exhibit 21. Do you recognize the man depicted in that picture, twice depicted in that picture?
- A. This looks like a fellow we call Turk.
- Q. Turk?
- A. Yes.
- Q. Do you know Turk's name? Would it be Nick Cifelli?
- A. Not to my knowledge.
- Q. In any event, this is the fellow you call Turk?
- A. Yes.
- Q. For the record, this was previously identified as Nicholas Alfred Cifelli. How do you know Turk?
- A. I think he's a member of the union, Turk, if that's the man named.
- Q. At least, the man identified in this picture?
- A. Yes.
- Q. Is he a member of your local?
- A. Yes.
- Q. With regard to Mr. Martirano and Turk, did you have an occasion to tell Dr. Sokol that you want Dr. Sokol to treat those two men for nothing?

A. No, sir.

Q. Did you ever tell an optometrist employed by Sokol's association, a Dr. Weiner, to take care of those two men for nothing?

A. No, sir.

Q. Mr. Riggi, you do derive income, proceeds, from Dr. Sokol's health-care plan, don't you?

A. I answered that question before, sir.

Q. I don't believe you did.

A. Yes, I did.

COMMISSIONER FRANCIS: Not today. Would you answer the question, please?

THE WITNESS: No. I thought I answered that before when he asked me the same thing.

Q. Is your answer no to the question?

A. No, sir.

Q. Or, no, that you will not answer?

A. No, sir, I do not.

COMMISSIONER FRANCIS: Mr. Riggi, is a Joan Riggi related to you?

THE WITNESS: No, sir.

BY MR. RHOADS:

Q. Do you know a Joan Riggi?

A. No, sir.

MR. RHOADS: One moment, please

Q. Do you know a Lena Martirano?

A. Unless that would be Pat's wife. I don't know.

Q. Well, what's Pat's wife's name?

A. I don't know. I'm just going by the last names.

Q. You know George Franconero, don't you?

- A. Yes, sir.
- Q. Has he ever been an attorney for you?
- A. No, sir.
- Q. Did you know Mr. Franconero was an attorney at one point in time for Joel Sokol, P.A., the professional association?
- A. I think so, yes.
- Q. Well, did George Franconero play any role in negotiations, or, at least, the attempt by Joel Sokol to contract with your union?
- A. Not that I recall.
- Q. Do you know Armand Laglienti, L-a-g-l-i-e-n-t-i?
- A. No. It don't ring a bell, Counsellor.
- Q. How about a Louie Shortino, S-h-o-r-t-i-n-o?
- A. Yes, sir.
- Q. How do you know Mr. Shortino?
- A. He's a business representative like myself, a local up in North Jersey.
- Q. Do you know what local that is?
- A. 409, Laborers Local 409.
- Q. Now, in connection with Dr. Sokol and Dr. Hyman and Mr. Resnick, you know Dr. Ferrara, don't you, Anthony Ferrara?
- A. Yes, sir.
- Q. And you knew his father, did you not?
- A. I know his father.
- Q. Well, did his son, Dr. Ferrara, ever approach you and say, "I'm with Joel Sokol, and how about hiring us," anything like that?
- A. No. You mean the father?
- Q. No, I mean the son, the doctor.
- A. No, outside of their presentation of the welfare, the health plan.

- Q. Do you use Dr. Hyman as a dentist?
- A. No. I used Dr. Ferrara very recently.
- Q. Dr. Anthony Ferrara?
- A. Yes, then they send me to the clinic. I had a loose cavity in my tooth.
- Q. Well, do you pay Dr. Ferrara?
- A. Pardon, sir?
- Q. Do you pay him when he does work on you?
- A. I send him the forms of the welfare and pension forms.
- Q. From your union?
- A. From my union, yes.

Riggi was asked about a New York lottery distributorship (H.E.C. Corporation) that Dr. Hyman was interested in -- a topic that would come up later in the hearing:

- Q. Thinking back a moment, do you recall Dr. Hyman being involved in a lottery distributorship at any time?

(The witness confers with counsel.)

COUNSEL: Mr. Commissioners, I'm going to object to the materiality of this question as it relates to the scope of this particular investigation into health-care plans, and ask, first of all, that an offer be made as to the relevancy of this particular question as to how a lottery plan, or however it was posed by Mr. Rhoads, relates to any health-care plan or dental plan.

MR. RHOADS: I don't suggest a lottery plan I suggest Dr. Hyman does, and Counsel hasn't had the benefit of the full hearing. Dr. Hyman's name has been brought up many, many times during this hearing.

THE CHAIRMAN: I agree. The objection is overruled.

(The witness confers with counsel.)

THE WITNESS: Can you repeat the question, please.

MR. RHOADS: Would you read that back, please?

(The reporter reads back the pending question.)

A. I think I testified in the private hearing that I accidentally met them one time at the Sheraton Motel.

Q. And is that still your testimony in a public hearing?

A. Yes, sir; yes, sir.

Q. And during that accidental meeting, is that how you came to know that Dr. Hyman was involved, or, at least, about to become involved in a lottery distributorship in New York?

A. Yes, to the best of my recollection, yes.

Q. Do you know whether, in fact, he did become involved in it?

A. I couldn't say. I don't recall.

Q. Did you ever furnish any money in order for Dr. Hyman and partners, if any, to get this operation started?

A. No, sir.

Q. Did they ever give you any money?

A. No, sir.

Riggi testified briefly about his relationship with Sam DeCavalcante:

Q. Now, Mr. Riggi, you know Simone Rizzo DeCavalcante, don't you?

A. Yes, sir.

Q. How do you know Mr. DeCavalcante?

A. I know him all my life. Or he knows me all my life, my adult life.

Q. Do you know him through your profession?

A. Through my parents.

Q. Through your parents?

- A. Yes, my father and his father.
- Q. You more or less grew up with him; is that so?
- A. No, not really, because he's much older than I am.
- Q. Well, were you ever professionally associated with him?
- A. No.
- Q. Did Simone DeCavalcante ever, or was Simone DeCavalcante ever a member of your union?
- A. No, sir.
- Q. He was instrumental, though, in you becoming business manager in that union, wasn't he?
- A. Not to my knowledge.
- COUNSEL TO RIGGI: I will object to the materiality of that question as to health-care plans.
- MR. RHOADS: Well, it's going to be tied in through an expert witness we intend to have here, Mr. Chairman.
- Q. He was instrumental in you obtaining the job of business manager of Local [394], wasn't he?
- A. Not to my knowledge.
- Q. And in fact, you are his successor to the DeCavalcante crime family in New Jersey, aren't you?
- A. No, sir.

Hyman Led Sokol to Local 1262

Samuel Kinsora of Wayne, president since 1969 of Retail Employees Local 1262, United Food and Commercial Workers International, testified that Dr. Hyman introduced Dr. Sokol and the Sokol dental care plan to his union:

- Q. Now, during the course of your tenure with Local 1262, have you come to know and entity by the name of Joel S. Sokol, D.D.S., P.A.?
- A. Yes.

- Q. Do you know what the corporate function of that entity is?
- A. Well, our relation is that they provide dental services to our members.
- Q. When, in fact, did you, through your local, contract with Sokol, P.A.?
- A. I believe it was 1978, November.
- Q. When I say you through your local --
- A. It isn't the local, it's the welfare.
- Q. So it is the welfare fund, as I suggest. Are you a member of that board?
- A. There are three health and welfare funds in our office. There's a legal fund and two pension funds. The three health and welfare funds provide the health and welfare benefits, which include the dental service. I am a trustee on each of the funds with other trustees.
- Q. Now, as a trustee of the fund, am I correct in assuming, then, that you would vote on whether or not Sokol, P.A., would get the contract or not?
- A. Yes.
- Q. Now, prior to the actual awarding of the contract to Sokol, P.A., who, if anyone, on behalf of Sokol, P.A., approached the officials of the welfare fund in order to sell them on hiring Sokol, P.A.?
- A. We invited different -- when we changed funds, we had two previous dental plans, and we were changing, looking to change the plan, and we sent out people looking for people in the area to give what we call participating dentists or site centers of this type. One -- we had several of them in for presentations to the trustees.
- Sokol came in through -- a Dr. Hyman brought Sokol in, and he introduced Sokol. Hyman had been -- we had been introduced to many years before. He handled centers and sites for dental benefits in New York City, and we had called him once asking if he knew any, or would he be interested in getting into one in New Jersey.

At that time he was, I believe, running a site in Buffalo, New York, for the public employees of the City of Buffalo and the police department, I believe. He brought Sokol into the meeting, the same evening we had a number of other people come in for presentations. That's how we met Sokol.

Q. So it was via your knowledge of Hyman and Hyman more or less introduced Sokol to you?

A. Right.

Q. Is he presently furnishing a dental-care plan to the members of your local?

A. Yes.

Q. Where is the facility located that he services the members?

A. We have thirteen sites plus a number of them in New York.

Q. And these are all manned by Sokol, P.A., employees; is that so?

A. No, no, they're not all manned by Sokol employees. A number of sites are Sokol sites, others in areas where there's not as dense a population, in New Jersey, he has contracted with other dentists to provide the services. And in New York we have a number of sites. I believe he only has one in Middleburg. The rest are dentists that he has contracted with to provide the services where he did not have sites.

(The witness confers with counsel.)

A. Well, in New York, also, it's Dr. Ferrara who handles it, but it really is Sokol that we look to.

Q. Dr. Ferrara, to your knowledge, is a principal in Sokol, P.A., is he not?

A. Yes.

Q. Did you know Stanley Resnick?

A. Yes.

Q. Did you ever have any dealings with him with respect to the dental-care plan?

A. Yes. He was with Sokol and took part in all the discussions with Sokol.

- Q. If you know, what is Resnick's role within this dental plan that Sokol furnishes?
- A. I don't know if I know. I can tell you what I believe.

He was with, I believe, Metro Dental or something. He had leases and the equipment at different sites. Subsequently, Sokol, I believe, bought out Metro and I think it's either a wholly-owned subsidiary of Sokol now or some such thing, and Resnick now is on Sokol's payroll, as I understand it. I can't tell you exactly what the direct relationship is. That's all I know.

Who Shared Equipment Loans

The Commission's chief accountant, Julius Cayson, was recalled to explain additional charts that showed the disposition to various individuals and corporations involved in the Sokol operation of equipment loan proceeds in 1977 and 1978:

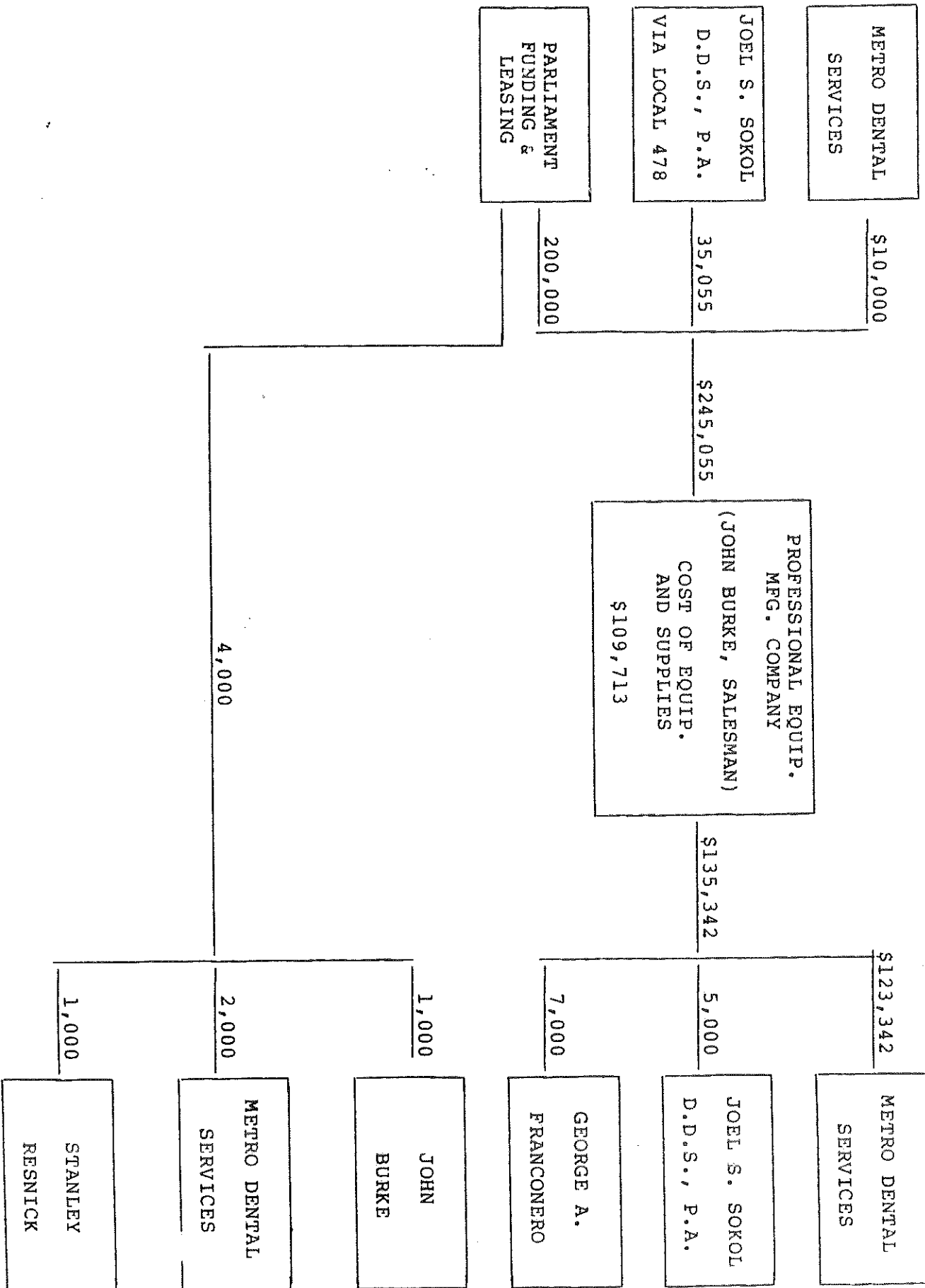
EXAMINATION BY MR. RHOADS:

- Q. Mr. Cayson, during the course of your efforts in the investigation of the health-care industry, did you have an occasion to have this graphic illustration drawn?
- A. Yes, we did.
- Q. And it reads, "Acquisition of Dental Equipment, Union Facility, January, 1977."* I will direct your attention over to the left-hand upper portion and there's a box, "Metro Dental" with "\$10,000" coming off a line drawn from that box. What's the significance of that?
- A. That was a deposit made by Metro Dental Services.
- Q. Dropping down, we have Joel S. Sokol, D.D.S., P.A., via Local 478, \$35,055. What's the significance of that?

*See Chart, P. 264

ACQUISITION OF DENTAL EQUIPMENT

UNION FACILITY-JAN. 1977



- A. We ascertained that there was a thirty-five-thousand dollar deposit, which was used as a down payment for the equipment, and we ascertained that the source of those funds emanated from Local 478.
- Q. Dropping further, "Parliament Funding & Leasing," and there's two lines going out from that, the upper one \$200,000. Again, what's the significance of that amount?
- A. That was what Mr. Einhorn testified to. That's the proceeds from the Parliament Funding loan of \$200,000.
- Q. Now, this figure where they meet, \$245,055, is that the aggregate amount of these three numbers?
- A. Yes, sir.
- Q. And it goes into a depository box, I'll call it, "Professional Equipment Manufacturing Company, (John Burke, Salesman) Cost of Equipment and Supplies \$109,713." What does that mean?
- A. That means that, of the total funds deposited, \$245,055, that \$109,713 was allocated to the cost of the equipment and supplies, leaving a residue of \$135,342.
- Q. Well, then, this figure \$245,055 was put in to Professional to purchase equipment that actually cost 109,713. Is that correct?
- A. That's correct.
- Q. Coming out of Professional we see the difference, 135,342, and that figure now you have split up, 123,342 going to Metro Dental. Is that so?
- A. That's correct.
- Q. In what fashion did it go to Metro Dental, if you know?
- A. In the form of a check.
- Q. Again, this graph, was that drawn as a result of documents, books, records, et cetera, furnished as a result of subpoenas issued under your direction?

A. That's correct. We had documentation for this transaction.

Q. Dropping down, there's \$5000 and that goes to Joel S. Sokol, D.D.S., P.A. Is that so?

A. The check was made out to Joel Sokol, D.D.S., P.A., but the check was negotiated by Joel Sokol personally.

Q. And that check has previously been identified by Mr. Sokol, has it not?

A. That's right.

Q. Dropping down again, \$7000, George A. Franconero. In what fashion did George A. Franconero receive the \$7000?

A. He got the \$7000 in the form of a check.

Q. Is that the George Franconero that testified yesterday in this public hearing, that was attorney at one point to Metro and Sokol, P.A.?

A. That's correct.

Q. Now, coming back to the left-hand portion of the chart, Parliament Funding & Leasing, the second line going out --

A. Mr. Rhoads, I would just like to add one other comment in regard to the seven-thousand-dollar check.

It appears to the accounting staff that the seven-thousand-dollar check was deposited in the books and records of Metro Dental. It was credited to a loan and exchange account, Stanley Resnick. A check for \$7000 was then drawn against the combination of 123,342 and 7000 and immediately or shortly thereafter, when the check cleared, the check was taken out of Metro Dental, specifically, out of an account maintained in the Manufacturers and Trading Corporation in New York City.

Q. The second line, \$4000, and that appears to be disbursed, 1000 to John Burke, 2,000 Metro Dental Services, and 1000 Stanley Resnick. Now, in what fashion was this 1000 dispensed to John Burke?

A. That was in the form of a check.

Q. And the 2000 to Metro?

A. Same thing.

Q. And the 1000 to Stanley Resnick?

A. The same.

* * *

BY MR. RHOADS:

Q. This is Commission Exhibit 17. It reads, "Disposition of Equipment, Loan and Proceeds, October, 1978,"* Now, Mr. Cayson, would you look at this graph and tell me, was this graph drawn under your direction?

A. Yes, it was.

Q. And, again, was it drawn as a result of the books, records, documents received as a result of subpoenas issued under your direction?

A. Yes, it was.

Q. Now, I direct your attention over to the left, and it reads, "Source of Metro loan." What loan is it that we're talking about?

A. On or about October, 1978, they applied for a loan with the Federated Financial Reserve Corporation in the amount of \$84,982 and said loan was granted on the basis of an invoice for equipment in an amount of eighty-four thousand eight -- nine hundred eighty-two dollars.

Q. And that is reflected on the left-hand portion of the chart, is it not?

A. That's correct, yes.

Q. 10/23, the figure 84,982?

A. Yes.

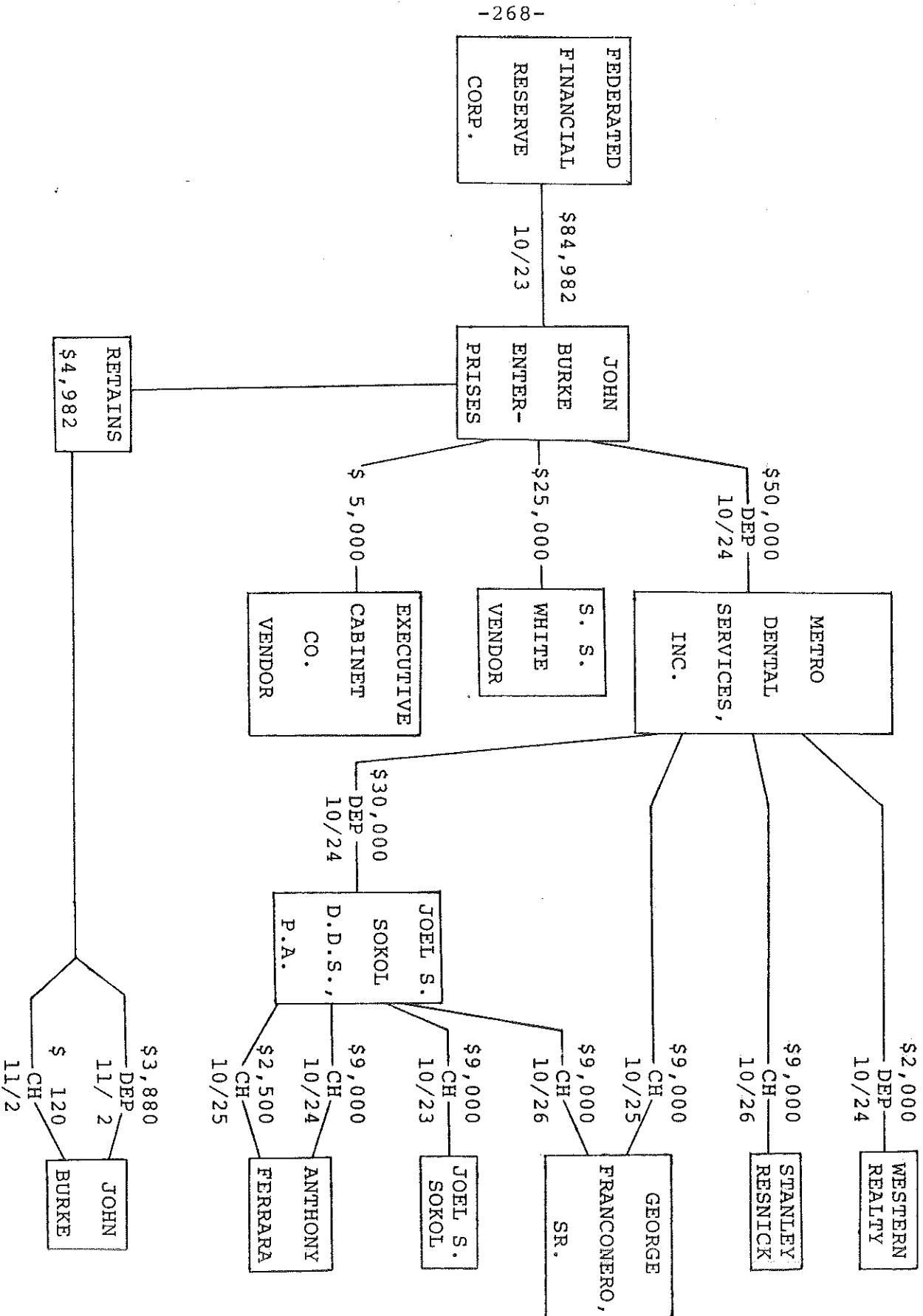
Q. And this goes to John Burke Enterprises; is that so?

A. That is true. That's correct.

*See Chart, P. 268

DISPOSITION OF EQUIPMENT LOAN PROCEEDS

OCT. 1978



- Q. Now, follow the chart this way: Going down, "Retains, \$4982." That is to say that John Burke Enterprises retained this portion of this amount; is that correct?
- A. That's correct, yes.
- Q. Reading from left to right, first we see "\$50,000 DEP." Does that stand for deposited?
- A. That's correct.
- Q. October 24 into Metro Dental Services, Inc. In what fashion was that given to Metro Dental Services, Inc., if you know?
- A. That was in the form of a check.
- Q. Going down we see "\$25,000 S.S. White Vendor." Who is S.S. White Vendor?
- A. S.S. White is the supplier of dental chairs and equipment. It's a very, very large corporation.
- Q. \$25,000 went to that corporation?
- A. That's correct, sir.
- Q. Dropping down, we see "\$5000, Executive Cabinet Company, Vendor." Is that a vendor that dealt with Burke Enterprises?
- A. Yes, sir.
- Q. In what fashion was this 5000?
- A. That was in check form, also.
- Q. Taking this back to Metro Dental Services, Inc., of the \$50,000 that had gone into it, the disbursement go out, two-thousand-dollar deposit October 24, Western Realty. Is that correct?
- A. That's correct.
- Q. How do we know that?
- A. We saw the check.
- Q. "\$9,000, CH." Does that stand for check?

- A. No, sir. On this particular chart the "CH" connotes cash. In other words, a nine-thousand-dollar check was drawn to the order of Stanley Resnick in the amount of \$9,000 and that check was cashed.
- Q. So this is a check that was cashed and it was for Stanley Resnick. Is that correct?
- A. Stanley Resnick is the payee, yes, sir.
- Q. And likewise, we see \$9,000. Would this "CH" then stand for the same thing you aforescribed?
- A. Yes, sir.
- Q. That's to George Franconero, Sr.?
- A. That's correct.
- Q. Have you come to know who George Franconero, Sr., is?
- A. We believe that George Franconero, Sr., is the father of George Franconero, Jr.
- Q. Now, coming back to the right portion, the right mid-portion, we see from Metro Dental Services, Inc., a thirty-thousand-dollar deposit October 24, to Joel S. Sokol, D.D.S., P.A.; is that so?
- A. That's correct.
- Q. And reading from there, the disbursements of that \$30,000 is \$9,000, CH, 10/26, October 26, again to George Franconero, Sr.?
- A. That's correct.
- Q. Now, how was that done. Was that the same way?
- A. Same way.
- Q. Check cashed?
- A. Check cashed.
- Q. We see \$9,000 again check cashed October 23rd, Joel S. Sokol. \$9,000 check cashed October 24, Anthony Ferrara, and that's Dr. Anthony Ferrara?
- A. That's correct, yes.

Q. Below that, \$2500 check cashed October 25th, again, Anthony Ferrara.

Now, taking you back a pace, and where John Burke Enterprises retained the \$4982, does this constitute the disbursements of that money?

A. That's correct, yes.

Q. And that was disbursed \$3,880 deposited November 2nd, John Burke?

A. Correct.

Q. And below that \$120 --

A. Was cashed.

Q. -- November 2nd, John Burke. And that was cashed?

A. That's correct.

Q. Now, does this constitute, this entire graph, does that reveal the disposition of the proceeds of this loan from Federated Financial Reserve Corp.?

A. Yes, it does.

The Payouts from Burke Enterprises

John A. Burke of Cranford, a dental equipment salesman, formed Burke Enterprises at about the time he was negotiating a contract to provide equipment to Sokol, P.A. Subsequently, Burke Enterprises became the source of a series of checks to principals in the Sokol operation that Burke himself found difficult to explain. Burke gave the background of his initial contacts with Sokol, P.A.:

Q. During the course of the time that you have formed Burke Enterprises, did you have a client by the name of Joel S. Sokol, D.D.S., P.A.?

A. Yes, I do.

Q. When did Joel S. Sokol, D.D.S., P.A., become a client of Burke Enterprises?

A. In April or May of 1977.

Q. Now, prior to Burke Enterprises, what was your profession?

- A. I was a salesman for Newark Dental Supply and Professional Equipment Manufacturing Corporation.
- Q. And how long were you a salesman for Professional Equipment Manufacturing Corporation?
- A. Well, essentially, the two companies are the same. They have the same ownership, so if you group it together, I would say, approximately five years.
- Q. Was it during the course of the time that you were employed by Professional that you came to know Dr. Sokol?
- A. During that period of time, yes.
- Q. Did you know Morris Kay?
- A. Yes, I do.
- Q. Was there a point in time where Morris Kay in some fashion was instrumental in you being awarded a contract, if you will, with Sokol, P.A.?
- A. Yes, there was.
- Q. What is it that Morris Kay did?
- A. Morris Kay approached me and said that he had a doctor friend of his who was interested in buying dental equipment, and would I be interested in selling it to him, and I said, yes, I would, and I offered him a commission.
- Q. It was when you were with Professional?
- A. Yes.
- Q. So when Morris Kay brought this business of Sokol to you, you were an employee of Professional; is that right?
- A. There came a time where from a technical standpoint, in fact, December, 1976, where, instead of being a direct employee of Professional, I was a sales rep for Professional.
- Q. Well, what, if anything, caused you to leave your position with Professional and go out, I guess, what you would characterize as on your own, with Burke Enterprises?

- A. I had a dispute with the management of Professional Equipment.
- Q. When you formed Burke Enterprises, did you, in fact, have any clients then?
- A. No.
- Q. When you formed Burke Enterprises, did you already have Sokol as a client, his professional association?
- A. That would be difficult for me to answer. I don't know whether or not I had them as such.
- Q. Well, would it be fair to say it was almost contemporaneously with the formation of you as Burke Enterprises and your taking on Sokol, P.A., as a client?
- A. Excuse me. I had done business with Joel Sokol prior to my forming Burke Enterprises. I formed Burke Enterprises because the compensation system between myself and Professional Equipment had changed, and when that compensation system changed, it allowed me more latitude in whom I sold and what I sold. I didn't have to exclusively represent Professional Equipment, so at that particular point, which was in, I believe, January of 1977, I officially formed Burke Enterprises.
- Q. Well, is it accurate in stating that Burke Enterprises was formed for the purpose of handling the Sokol, P.A., account?
- A. No, it's not.
- Q. Well, other than handling the Sokol, P.A., account, did you handle any other accounts through Burke Enterprises?
- A. Yes, I did.

The Inflated \$200,000 Loan

Commission counsel referred Burke to a previously marked chart* showing that the Sokol operation was the primary source

*See Chart P. 187

of income for Burke Enterprises. In fact, the chart showed that of the \$282,300 his business received in 1977, only \$1,800 came from customers other than the Sokol group; of the \$711,200 received in 1978, only \$17,500 came from other customers, and of the \$502,100 received in 1979, only \$1,350 came from elsewhere.

However, the Commission was more interested in the payouts by Burke Enterprises to various components of the Sokol group. Counsel laid the groundwork for this subject matter by recalling details of a \$200,000 loan obtained for Sokol, P.A., on the basis of inflated equipment invoices:

BY MR. RHOADS:

Q. Mr. Burke, directing your attention to the time frame December, 1976, January of 1977, did you have an occasion to have a meeting amongst yourself, Richard Einhorn, Joel Sokol, Stanley Resnick, wherein, at least in part, was discussed Sokol, P.A., needing \$200,000 and then putting up as collateral a list of equipment in order for them to obtain a loan of \$200,000? Do you recall anything like that?

A. No, sir.

Q. Do you know Richard Einhorn?

A. Yes, sir.

Q. How do you know him?

A. Richard Einhorn was a salesman for a leasing company, Parliament Leasing Company.

Q. What was the business of Parliament Leasing?

A. They would lease dental equipment to dentists.

Q. And this was -- well, the time frame I'm referring to now, December of '76, that's when you were with Professional, isn't it?

A. Yes, it was.

Q. That's when you were in this salesman relationship with Professional?

A. Right.

Q. What was the association between Professional and Parliament, if any?

A. The prospective buyer would make arrangements for the leasing company to purchase the equipment, and then the vendor, being Professional Equipment, would sell the equipment to the leasing company. The leasing company would then lease the equipment to the doctor.

Q. Well, in any event, Richard Einhorn was associated with Parliament, was it Leasing & Funding?

A. I believe that's the name of it, yes.

Q. Do you know what his position was with that company?

A. A salesman, as far as I know.

Q. Excuse me if you already testified to this. Was there a Richard Balfour with Professional when you were there?

A. Richard Balfour is the president of Professional Equipment.

Q. While you had this association with Professional; is that so?

A. That's right.

Q. Mr. Burke, I'm going to show you documents which have been previously identified. One is Commission Exhibit 12B and one is Commission Exhibit 12C, and, if you will, would you first look at Commission Exhibit 12B and tell me if you have ever seen that before.

A. It would appear to be the contract submitted to Metro Dental for dental equipment to be supplied to them from Professional Equipment.

Q. Would you look at the date? I direct your attention to the upper left-hand portion.

A. That's December 29th, 1976.

Q. Were you working for Professional at that time?

A. Yes, I was.

Q. Is that how you're able to identify that?

A. Yes, I am.

- Q. Did you have any role in compiling this?
- A. Perhaps. If not myself, Mr. Balfour or someone else in the office.
- Q. If you will, turning it over, there's a bottom line figure there, it reads, "Sales total." Would you read that please?
- A. \$133,779.63.
- Q. What does that constitute?
- A. I would assume that it constitutes the list price of the equipment to be sold to Metro Dental.
- Q. So it would be the total of all these various items; is that right?
- A. Yes, sir.

SCI counsel then reviewed with Burke a contract by Professional Equipment made out to Parliament Funding and Leasing, dated January 7, 1977, showing the equipment to be financed had been valued at about \$66,000 higher than in the December 29, 1976, proposal of Professional to Metro Dental. Burke was asked about this:

- Q. Now, with respect to those two documents that are before you, I'm not suggesting that you actually made out either one of those, but, to your knowledge, do you know who did?
- A. From my absolute knowledge, I do not.

COMMISSIONER FRANCIS: Who do you believe made them out?

THE WITNESS: I believe that they were made out by Parliament Funding & Leasing Corporation.

BY MR. RHOADS:

- Q. Do you know who from there?
- A. One dated 1/77/77. I believe it was made out by Parliament Funding & Leasing.
- Q. When you say "made out by Parliament," do you know of any individual such as Richard Einhorn?

A. The only individual I would have dealt with there, or the company would have dealt with, Newark Dental Supply or Professional Equipment, that I'm aware of, would be Richard Einhorn.

Q. Did you have any discussion with Mr. Einhorn with respect to that document?

A. No, I did not.

Q. Did you have any discussion with Mr. Sokol with regard to escalating values of equipment in order to get a higher loan from a lending institution?

(The witness confers with counsel.)

A. No.

Q. How about with Mr. Resnick?

A. No.

The Commission now sought to determine what happened to the \$66,000 difference between the amount of the loan and the actual price of the equipment. Burke was questioned about a series of checks written to individuals and companies involved in the Sokol scheme:

Q. I'm going to show you what's been previously marked Commission Exhibit 8, Commission Exhibit 13, and Commission Exhibit 14. I'll show you these in order, and these are copies. The first reads, "Professional Dental Equipment Manufacturing Company." and I am reading in part, "Pay to the order of George Franconero, Attorney, \$7000," January 11, 1977.

Did you make that check out?

A. I did not sign that check.

Q. I didn't ask you if you signed it. Did you make out the upper portion? Did you write in "George Franconero, Attorney, \$7000"?

A. Yes, I did.

Q. Why did you do that?

A. I don't recall other than George Franconero was representing Dr. Sokol at that particular time and that's the way that I was asked to make it out. There were three checks involved.

- Q. George Franconero was representing Dr. Sokol at the time?
- A. As far as I know. That's why it's made out to his attorney.
- Q. That being the case, why did you pay \$7000 to George Franconero?
- A. This was not a payment to George Franconero as such, or my understanding of it. There were monies due to be returned from the monies that were received from Parliament. There was a difference in the list price and the monies that we received from Parliament, and that monies were to be returned to either Metro Dental or Joel S. Sokol, D.D.S., P.A.
- Q. You received more money from Parliament than the list price of the articles that Sokol, P.A., was purchasing; is that it?
- A. That's true.
- Q. So the excess you gave to -- well, to Franconero for one. Is that right?
- A. Yes.
- Q. Yes. I'll show you Commission Exhibit 13. It is a check drawn on Professional Dental Equipment Manufacturing Company, pay to the order of Metro Dental Services, Inc. It reads, 123,400 -- strike that -- \$123,342.31. Did you make that check out?
- A. It is not signed by me, but I made it out.
- Q. Who is it signed by?
- A. Richard Balfour.
- Q. The first one you alluded to, the one to Franconero, who is that signed by?
- A. Richard Balfour.
- Q. Do you recognize that signature?
- A. Certainly do.
- Q. Did you have them sign it before you filled them in?
- A. They were signed before I filled them in.

- Q. Did he know you were going to fill them in in that fashion?
- A. He knew that the total amount of moneys that were going to be returned to Metro Dental Services were.
- Q. Did he know that you filled them in in that fashion?
- A. I'm sure he did, yes.
- Q. You didn't tell him, though, did you?
- A. Yes, I did.
- Q. Well, then, he did know?
- A. Well, I said, I'm sure he did.
- Q. I show you Commission Exhibit 14 drawn on Professional Dental Equipment, pay to the order of Joel Sokol, D.D.S., P.A., \$5000, dated January 11, 1977, again a signature purporting to be that of Richard Balfour. Did he sign that?
- A. This he did.
- Q. And you filled it in, didn't you?
- A. Yes, I did.
- Q. After he signed it?
- A. Yes, I did.
- Q. Now, these three checks, Mr. Burke, weren't they the proceeds of the loan derived as a result of the escalated invoices, and you were kicking back the proceeds of that loan to these individuals?

(The witness confers with counsel.)

WITNESS' COUNSEL: Mr. Chairman, I object to the form of that question. That goes to the heart of what I was talking about in that it connotes criminal misconduct, and there has been no testimony by my client certainly at this point in time on the previous questions which go to that particular type of conduct by him. We're talking about the use, the word "kickback" and "escalation." There's no testimony that my client escalated anything, certainly not by him.

THE CHAIRMAN: Well, we haven't said so. He's just being asked a question. I think it's a perfectly proper question and he ought to answer it.

COMMISSIONER FRANCIS: Mr. Burke, let me ask the question to you in slightly different form then. Were these three checks that you were just shown the proceeds of a loan which was generated based on those invoices?

THE WITNESS: In part.

COMMISSIONER FRANCIS: In part. And those invoices were larger in dollar amount than the list price for that equipment, were they not?

THE WITNESS: I had nothing to do with --

COMMISSIONER FRANCIS: I'm not suggesting that for a moment. Please, if you will answer the question. It's a factual question. Is the dollar invoice price in Exhibit 12C greater in amount than the list price for that same equipment?

THE WITNESS: Yes, it is.

COMMISSIONER FRANCIS: By how much, approximately? Some 70,000?

THE WITNESS: I said, somewhere in that neighborhood, something a little bit less.

COMMISSIONER FRANCIS: And the three checks represent a portion of that \$70,000, do they not?

THE WITNESS: Yes, they do.

COMMISSIONER FRANCIS: Were you paying a rebate to the persons who had purchased that equipment or had participated in purchasing that equipment?

THE WITNESS: I would consider that a discount.

COMMISSIONER FRANCIS: Would you consider it a rebate?

THE WITNESS: I don't know the difference in the definition.

THE CHAIRMAN: Was Mr. Franconero entitled to a discount?

THE WITNESS: No, sir.

THE CHAIRMAN: Well, what would you term that check to him?

THE WITNESS: The checks were returned -- he was representing them as their attorney. The checks were returned to the group, so to speak, okay, Metro Dental and to Joel S. Sokol, D.D.S., P.A., and the checks were made out, the total amount of the three checks were, was the amount that was going to be returned to the purchaser.

COMMISSIONER FRANCIS: In other words, by making out the check to Franconero, you were paying an obligation of Sokol; isn't that so?

THE WITNESS: Yes, sir.

COMMISSIONER FRANCIS: So there are three checks totaling \$135,000 that you're paying to Sokol and to Metro; isn't that so?

THE WITNESS: I think I heard the question, but I'm sorry, could you repeat it? I didn't hear the first part.

COMMISSIONER FRANCIS: Sure. The three checks that you have previously been shown, CN-8, CN-13 and CN-14, represent about \$135,000, which you are paying to Sokol and to Metro?

THE WITNESS: Right.

COMMISSIONER FRANCIS: Isn't that so?

THE WITNESS: Yes, sir.

COMMISSIONER FRANCIS: And the money that is the source of these checks is the proceeds of a loan which was based on the invoice 12C; isn't that so?

THE WITNESS: Some of it, sir. There were, if you would like me to continue, there were down payments that were advanced to Professional Equipment against that job, also, so that the total proceeds did not come from the check from Parliament.

COMMISSIONER FRANCIS: And isn't that invoice 12C inflated from the list price for that same equipment?

THE WITNESS: Yes, it is, sir.

COMMISSIONER FRANCIS: And aren't those payments that you're making to Sokol and Metro kickbacks for the purchase of that equipment at an inflated price?

THE WITNESS: No, sir.

COMMISSIONER FRANCIS: What would you call it?

THE WITNESS: I can't answer that, sir.

COMMISSIONER FRANCIS: Why not?

THE WITNESS: I don't know what went on in other people's minds or other people's negotiations.

COMMISSIONER FRANCIS: Well, isn't --

THE WITNESS: You're asking me to characterize something that I'm just -- I just don't know.

COMMISSIONER FRANCIS: Isn't a kickback a fair way to characterize that transaction?

THE WITNESS: I don't think so, sir.

COMMISSIONER FRANCIS: Is it a rebate?

THE WITNESS: We can -- you know, the semantics, I'm at a loss for semantics, sir. You know, rebate, discount, you can call it a discount. Again, I have to state that I had nothing to do with preparing L2C. I did make out the checks, they were not signed by me, for the returning of monies to Metro Dental and Joel S. Sokol, but I cannot, you know, I cannot anticipate or guess what's in someone else's mind. I don't know that.

COMMISSIONER FRANCIS: Well, in your own mind, was it a kickback?

THE WITNESS: Absolutely not.

COMMISSIONER FRANCIS: To the mind of the public, wouldn't it be a kickback?

THE WITNESS: I can't answer for them, sir.

THE CHAIRMAN: How about the bank that made this loan? You are fully aware of the fact

that there was misrepresentation made to the bank to secure \$200,000 loan, were you not?

THE WITNESS: No, I was not.

THE CHAIRMAN: Well, do you think that -- what do you think that 200,000 invoice was used for?

THE WITNESS: I thought that \$200,000 was provided by Parliament Funding & Leasing. I thought that \$200,000 was provided by Parliament Funding & Leasing.

THE CHAIRMAN: On the basis of a misrepresentation?

THE WITNESS: Again, you're asking me to answer questions. I don't know what's in someone else's mind.

THE CHAIRMAN: You don't know the answer to that. Well, I do, so let's go on.

BY MR. RHOADS:

- Q. What I am saying is this: that if you are saying -- if you're not, correct me -- if you are saying Parliament lent more money than they should have based on that equipment, that the loan exceeded the value of that equipment, then why would you not call up Parliament and say, "You have lent out too much money"? Why not give the excess back to Parliament? Why did you give it back to these individuals?
- A. I was not involved in any negotiations involving the amount of monies to be given from Parliament to Metro or Sokol, so I would not even consider that at that point.

In a similar vein, the Commission pressed the witness to describe how the proceeds of an equipment loan of almost \$85,000 from Federated Financial Reserve Corp. were disbursed in October of 1978:

- Q. I direct your attention to Commission Exhibit CN-17. I will represent to you that this has been previously identified and testified by our chief accountant with respect to the data that's illustrated thereon, and it reads, "Disposition of Equipment Loan Proceeds, October, 1978," I direct your attention to 1978. Federated Financial Reserve Corporation. Are you familiar with that institution?

- A. I'm familiar with the name.
- Q. How is it that you're familiar with the name?
- A. They purchased equipment from me.
- Q. Directing your attention to October 23rd, 1978, did you have an occasion to receive proceeds in some fashion from this institution in the amount of \$84,982?
- A. Assuming that you again say that your accountants went over this and this is what came from my books, and assuming that to be correct, under that assumption, then, yes, I did.
- Q. Well, it's too many assumptions. I will show you Commission Exhibit 17A and ask you to identify that.
- A. That's a deposit slip for Burke Enterprises for the amount of \$84,982, deposited by me in the National State Bank on 10/23/78.
- Q. That, in fact, is your document furnished the S.C.I., isn't it?
- A. Yes, it is.
- Q. Having seen that document --
- A. I obviously made it out.
- Q. Now, with regard to this amount of money, \$84,982 for Federated, did you have an occasion to dispense it such that you have issued a deposit of \$50,000 to Metro Dental Services, Inc., on October 24th? By that I mean a check.
- Do you remember that?
- A. No.
- Q. This is Commission Exhibit 17B. Would you look at that and tell me if now you remember?
- A. It is a check that I made out to Metro Dental Services for \$50,000 on 10/12/78.
- Q. Was that \$50,000 derived from this \$84,982?
- (The witness confers with counsel.)

- A. Mr. Rhoads, you're asking me to answer questions, I don't know whether they're in context, and I don't mean to not answer your questions, but you're throwing numbers at me that I don't know what -- the last time I saw numbers up there it was January, 1977, you're showing me October of 1978 now. What transpired between that time? In other words, were there deposits given to me by Metro Dental against the job? Were there monies given to me against the job that was later financed? I can't answer it by going through your chart without having access to my records, sir.
- Q. Well, is your answer that you don't know?
- A. Well, if you rephrase the question --
- Q. If you don't know, say you don't know.
- A. If you will rephrase the question, I don't have the documents in front of me.
- Q. I can't make it any more simple. I am simply asking you this: Did that check you hold in your hands, was the source of that check this \$84,982? Yes, no, or I don't know?
- A. At this point I cannot be certain.
- Q. Well, can you be certain about why you issued a fifty-thousand-dollar check to Metro Dental Services? I mean, shouldn't they be paying you? You didn't buy anything from them, did you?
- A. There could have been deposits given to me between this period of time against these jobs. Again, I don't -- you know, you have a nine or ten month gap up there that I'd have to see the transactions.
- Q. There could have been. You're speculating, but you don't know, do you?
- A. If I can't answer this, how could I answer that.

Witness Won't Talk

Seymour Cohen of Morristown, the president of Western Realty, Morristown, refused to answer questions when he was called as a witness. Cohen's utilization of his Constitutional privilege led to a discussion between his counsel, Stephen Weinstein of Morristown, and the Commission:

Q. Mr. Cohen, what is your profession?

A. I respectfully decline and refuse to answer that question on the basis that my answer may tend to incriminate me under the Fifth Amendment of the U.S. Constitution for the following reasons.

Q. Do you feel there's something about your profession that may tend to incriminate?

A. It may, will or shall constitute an element of a crime against the State of New Jersey, another state or the United States, and/or it may, will, or shall be a circumstance which, with other circumstances, would be a basis for reasonable inference of the commission of a crime against the State of New Jersey, another state or the United States, and/or it may be or could be a clue to the discovery of a matter which may, will or shall constitute an element of a crime or circumstance which, with other circumstances, would be a basis for a reasonable inference of the commission of a crime against the State of New Jersey, another state, or the United States.

Q. Are you finished?

A. Yes.

MR. RHOADS: All right. I'm going to ask, through your attorney, if you intend to continue giving that response to any prospective questions that I might ask.

MR. WEINSTEIN: Mr. Rhoads, just for the record, that document that he just read from was marked C-185 on July 23rd, 1980, when he had appeared before the Commission in private. If you would like to have questions asked and to determine whether or not he will respond to them, certainly he will be more than happy to do that. You must bear in mind that there's a significant question as to whether or not the testimony that was obtained by the Commission in private session on a prior occasion is valid testimony and that this gentleman being asked today --

MR. RHOADS: Well, I would like to interrupt you, if I may. I know no question at all whether it's valid testimony.

THE CHAIRMAN: Why is that here? Why do you raise such a question here? He's here to answer questions and the question now asked, put to you, was whether or not your client intends to invoke the Fifth Amendment to each and every question put to him tonight. Now, is it yes or no?

MR. WEINSTEIN: I can't answer it yes or no, Judge.

THE CHAIRMAN: I know. You haven't answered at all. We want an answer.

MR. WEINSTEIN: Judge, I can't answer the question yes or no. If you're asking me --

THE CHAIRMAN: Next question.

MR. WEINSTEIN: Excuse me. If you are asking me generally whether he will take the Fifth Amendment, the answer is probably yes. If you are asking me about what questions, I don't have the slightest idea what Mr. Rhoads is going to ask him.

THE CHAIRMAN: I understand that.

COMMISSIONER FRANCIS: You will agree with me we can't be optimistic about getting much out of him when he says Fifth Amendment to what his occupation is?

MR. WEINSTEIN: I agree.

THE CHAIRMAN: Ask the questions the hard way.

Q. Did you embezzle any funds from a company called Western Realty?

THE CHAIRMAN: You don't have to read that whole thing. If you're invoking the Fifth Amendment, just say so.

MR. WEINSTEIN: Judge, the case law seems to indicate that, if he doesn't recite that particular thing, he waives his right. The answer is, yes, he will read that whole thing he said before. If you permit him to incorporate what he said before by reference, then we will.

THE CHAIRMAN: We sure do. We don't want to go through that again. Go ahead.

BY MR. RHOADS:

Q. Do you know a professional entity by the name of Dr. Joel S. Sokol, D.D.S., P.A.?

MR. WEINSTEIN: Would you like him to read that again, sir?

THE CHAIRMAN: Will he invoke the Fifth Amendment again?

MR. WEINSTEIN: Yes, he will.

THE CHAIRMAN: He may do it with the full understanding that everything he said before is incorporated in the record.

MR. WEINSTEIN: I appreciate that, Judge.

THE CHAIRMAN: All right. I think that's enough, Mr. Rhoads.

MR. RHOADS: Yes, sir. Mr. Chairman, I would suggest that perhaps we might continue jurisdiction, at least, to determine the issue of whether this witness is in contempt of the Commission for failure to respond when he had already testified before this Commission.

THE CHAIRMAN: All right. You are so notified that the subpoena that you have appeared under in special session is continued and, if we care to have you back, we will be in touch with your attorney and schedule another meeting.

Sokol P.A.'s Key Man

Stanley Resnick of Convent Station played a major role in developing the complex mix of companies that became involved in the development of the Sokol dental care network. He had a close business relationship with Dr. Jesse Hyman, the Buffalo dentist, before he began working in the Sokol operation; he knew John Riggi and Comillo Molinaro before Sokol P.A. got off the ground. He took over Metro Dental after Hyman left that company and eventually "sold" Metro to Sokol, P.A. -- but didn't get paid for it. He was the administrator of Metro Dental at the time of the Commission's hearings. Resnick first was questioned about his relationship with Dr. Hyman:

EXAMINATION BY MR. SIAVAGE:

Q. Did there come a time in approximately 1975 when you left the realty business to become a dental care administrator?

A. In '75?

Q. Yes.

A. I did not get into administration in 1975. I got into the dental delivery business, yes.

Q. Okay. Describe for the Commission how you got into the dental care delivery business?

A. I met a Dr. Jesse Hyman, who was looking for someone to construct dental facilities for him, and he suggested we could form a partnership and I would construct facilities and he would set up dental programs.

Q. Where was he from?

A. New York City.

Q. How did you meet Dr. Hyman?

A. I believe he was referred to me by Mr. Cohen.

Q. Is that Mr. Seymour Cohen, the previous witness?

A. That's correct.

Q. Do you recall where you first met Mr. Hyman?

A. I met Dr. Hyman in my office in South Orange.

Q. And did he discuss with you his plans for going into the dental-care provider business in New Jersey?

A. Not initially, but later on he did, yes.

Q. Did he suggest to you that he could have a union under contract within the very near future?

A. Yes, he said he could get several unions.

Q. Did he mention any one particular union to you?

A. Not at that time.

Q. Did he later mention one particular union to you?

- A. He already had a dental practice in Buffalo at the time. This really was the model after which I hoped this thing would develop.
- Q. Well, --
- A. The first one was Local 945.
- Q. Is that Local 945 of the Teamsters?
- A. That is correct.
- Q. Did you incorporate in any way or join a partnership with Mr. -- with Dr. Hyman shortly after your first discussions?
- A. Yes.
- Q. What was the name of that entity?
- A. It was Hyman and Resnick.
- Q. And was that a New Jersey corporation?
- A. Yes, I believe it was.
- Q. What was the business of Hyman and Resnick, Inc.?
- A. It really was a consulting company to obtain financing for real estate syndications and/or real estate projects.
- Q. Did it have anything to do with dental care?
- A. No.
- Q. And when was Hyman and Resnick incorporated, approximately?
- A. I believe we took over an existing corporation, Fidelity Investment Company.
- Q. Was that sometime in 1975 or early 1976?
- A. I have to say yes to that. I don't recall the date.
- Q. Okay. Shortly thereafter did you incorporate another business with Dr. Hyman?
- A. Yes.
- Q. What was the name of that entity?
- A. New Jersey Dental Administrators.

- Q. And was that for the purpose of entering into the dental-care-providing business?
- A. That's correct.
- Q. Was that also sometime in 1976?
- A. Probably.
- Q. Did Dr. Hyman ever mention to you that, in connection with his potential for getting Local 945's business, that he had a contact with any particular person who was associated with Local 945?
- A. Well, he knew the officers of the local, obviously. He was contacting them.
- Q. Did he ever mention to you that his contact was Mr. Ernest Palmieri of 945?
- A. Oh, I'm sure he did.
- Q. Did you have any contact with Ernest Palmieri during the initial negotiations with 945, assuming there were any?
- A. No, I did not.
- Q. Have you ever had any business relationship with Ernest Palmieri?
- A. A business relationship with him?
- Q. Yes.
- A. No, other than New Jersey Dental Administrators.
- Q. With Mr. Palmieri?
- A. Yes.
- Q. Mr. Palmieri was involved in New Jersey Dental Administrators?
- A. No, he was the union that we worked for.
- Q. I see. Okay. Did you, in connection with your negotiations with Local 945, ever meet an individual by the name of George Franconero?
- A. Yes, I did.
- Q. And when was the first time you met Mr. Franconero?

A. '75, '76.

Q. Was there any time during this period when your former partner, Mr. Davino, was considering coming into the dental-care-providing business with you?

A. Initially he was, yes.

Q. Did he, in fact, accompany you once to the headquarters of Local 945?

A. He may have. I'm not a hundred percent positive.

Q. Do you recall meeting at that time an individual by the name of Comillo Molinaro?

A. I don't recall that I met him at that particular time. I'm not sure.

Q. Did you meet Comillo Molinaro during the early stages of your negotiations with Local 945?

A. I really didn't get too deeply involved in negotiations with 945.

Q. Well, whether or not you got deeply involved in negotiations, do you recall meeting Mr. Molinaro at the time the negotiations were going on?

A. I don't believe that's the first time I met him, but I'm not a hundred percent --

Q. You had met him before that?

A. No, I had met him after that.

Q. You met him after that. Did you meet him in the Roman Forum?

A. If I met him in 945, it would have been in that building, yes.

Q. Now, to amplify that a little bit, was a restaurant called the Roman Forum in the same building as the headquarters of Local 945 of the Teamsters?

A. Yes.

Q. Did New Jersey Dental Administrators ever obtain any contracts from any unions to provide dental care or administrate any plans.

- A. Yes, it had a plan to administrate for Local 945.
- Q. You did obtain that business then?
- A. Yes.
- Q. How long did you have that business?
- A. About a year.
- Q. And would that -- is it safe to say that would have been during the year 1976?
- A. I think it was '75, '76.
- Q. Okay. I'm going to show you an exhibit that's been marked CN-48 for the purposes of identification, which purports to be a check drawn on an entity called New Jersey Dental Administrators, Inc., dated July 16th, 1976, in the amount of \$1000 payable to Carl Rizzo, R-i-z-z-o, and I believe the signature on that check is Dr. Hyman's; is that not correct?
- A. It appears to be.
- Q. Do you recognize Dr. Hyman's signature?
- A. He has a very difficult signature. That looks like it, yes.
- Q. Okay. Do you know Mr. Rizzo?
- A. I met Mr. Rizzo.
- Q. Where did you meet Mr. Rizzo?
- A. I met him in New York City.
- Q. And did you meet him in the company of Dr. Hyman?
- A. Yes, I did.
- Q. Was the business of Hyman and Resnick going on at the same time the business of New Jersey Dental Administrators was going on?
- A. At some period of time it was, yes.
- Q. They overlapped?
- A. Yes, they did.

- Q. Okay. I think you described the business of Hyman and Resnick, Inc., as that of mortgage financing, syndication?
- A. That's correct.
- Q. Do you know why New Jersey Dental Administrators gave the thousand-dollar check to Carl Rizzo?
- A. No, I do not.
- Q. Dr. Hyman ever discuss this amount of money with you at all?
- A. No, he did not.
- Q. Carl Rizzo ever discuss with you why you gave him the thousand dollars?
- A. No, he did not.
- Q. You said that you had 945 contract for about a year?
- A. That's correct.
- Q. What happened after the first year period? Why did you not have the contract in the second year?
- A. I really don't know exactly why, but it was terminated. Dr. Hyman handled all the contacts with the union.
- Q. Did Dr. Hyman bring in another plan?
- A. No, he did not.
- Q. Did 945, to your knowledge, obtain another dental plan subsequent to you?
- A. I don't think they obtained a plan. I'm not positive. They were negotiating with another dentist, but I don't know what happened with that.
- Q. Well, do you remember it being communicated to you that you were going to lose this business?
- A. Yes.
- Q. And who communicated that to you?
- A. Dr. Hyman.

- Q. And who did he say communicated it to him, if anyone?
- A. He didn't tell me who communicated to him. Obviously, it was one of the officers of the union.
- Q. All right. What did Dr. Hyman say to you about the fact that you were going to lose the business of 945?
- A. I was in the process of constructing a facility at the time and he came in and said, "We're losing this union and we better stop."
- Q. And was the facility being constructed in Irvington, New Jersey?
- A. That's correct.
- Q. At 1110 Springfield Avenue?
- A. That's correct.
- Q. Was there also a time in 1976 or thereabouts when you became the manager of the Roman Forum?
- A. Yes.
- Q. And is that the restaurant we mentioned before in the headquarters of Local 945?
- A. It's in the same building.
- Q. Who was your predecessor in that managerial position at the Roman Forum?
- A. Well, I know Mr. Molinaro was, yes.
- Q. Did you meet Mr. Molinaro prior to succeeding him in the Roman Forum?
- A. He wasn't there when I got there, and I'm really very unclear as to whether I've met him before.
- Q. When did you meet him?
- A. I met him after we had started the operation, dental clinic in Union.
- Q. Did Dr. Hyman assist you in obtaining the manager's position in the Roman Forum?

- A. Let me clarify something for you, may I? I was approached by Dr. Hyman on the basis of a possible purchase of the Roman Forum that would be available, and I went in there on a trial basis to run it for a few weeks or a few months to see how it would go, to see whether or not it was worthwhile, whether I could take it.
- Q. Well, you had two business ventures going with Dr. Hyman at that time; one was New Jersey Dental Administrators, Inc., the other was Hyman and Resnick. Now you were going to run a restaurant. Was he concerned about the fact that you were going to run a restaurant instead of participating in the other two corporations?
- A. I've always had one of two more things that I do at the same time and he was not concerned.
- Q. As a matter of fact, you had more than two things going at that time or later on with Dr. Hyman, did you not?
- A. I don't -- what are you referring to?
- Q. Well, we have talked about two business ventures so far. The question rephrased is, did you or did you not have more than two business ventures going with Dr. Hyman shortly after 1976?
- A. I really -- I wish you would explain it to me, if you would. I don't know how to answer you.
- Q. Let me see if I can refresh your recollection. I'm going to show you an exhibit which has been marked CN-43 for the purposes of identification indication, which is an agreement of dissolution between Stanley Resnick, residing at 11 Beasely Terrace, Morristown, and Jesse Hyman, residing at 745 Bryant Avenue, Roslyn, New York, it's been marked, as I said, CN-43, and the first five operative paragraphs speak of five different business ventures which are being dissolved. I wonder if you could look at that exhibit, first, tell me whether you recognize the exhibit as a dissolution agreement and whether that's your signature on the last page, and then identify the five business ventures that are being dissolved in February of 1978.

- A. In order of your questions, yes, I recognize it as the document. I submitted it to the S.C.I. That is my signature. And if you give me a moment, I'll look them over.
- Q. What are the five entities that are being dissolved in February, '78?
- A. New Jersey Dental Administrators, a garden apartment in Atlanta, Georgia; Metro Dental Services, Inc.; a hotel and casino project on the island of Antigua, and Resnick and Hyman.
- Q. Was the hotel and casino project on Antigua a joint venture between yourselves and individuals?
- A. The truth of the matter is, I really don't know exactly what it was except that we were trying to finance the purchase of the hotel for Dr. Hyman on the island of Antigua and we met some people from Antigua, and all we were doing was making sure I would never have a claim if it completed, if it concluded.

Resnick next testified about meeting John Riggi:

- Q. Okay. Do you know John Riggi, Mr. Resnick?
- A. Yes, I've met Mr. Riggi.
- Q. When was the first time you met Mr. Riggi?
- A. I would say sometime in the end of '75, beginning of '76.
- Q. Under what circumstances? Where did you meet Mr. Riggi?
- A. I met him with Dr. Hyman at a hotel, in the restaurant.
- Q. The Sheraton, perhaps?
- A. I believe it was.
- Q. And you say you went with Dr. Hyman. Why did you go to meet with Mr. Riggi with Dr. Hyman?
- A. He invited me to come along.
- Q. Did he tell you the purpose of the visit?

- A. No. He said he had to meet somebody in New Jersey, did I want to come.
- Q. You drove over from New York?
- A. Yes, we did.
- Q. What kind of discussion took place?
- A. I was not privy to any discussion. I ate lunch.
- Q. Were there more times on which you were present in meetings between Mr. Riggi and Dr. Hyman?
- A. Possibly two or three more.
- Q. During the same year or shortly thereafter?
- A. Yes.
- Q. Did you ever on any of those occasions hear any of the business discussions, if there were any, between Dr. Hyman and Mr. Riggi?
- A. At one point Dr. Hyman was trying to get Mr. Riggi's union as a dental plan, but that did not succeed. It did not come to fulfillment.
- Q. That was Local 394 of the Laborers and Hod Carriers?
- A. I'm not sure of the number. It's in Elizabeth.
- Q. Do you recall why you were unsuccessful in obtaining Mr. Riggi's business?
- A. No, I never heard -- we never had a specific reason given to us.
- Q. And this is on behalf, now, of New Jersey Dental Administrators, Inc., that this discussion was taking place?
- A. The first time, yes.
- Q. The first time. Was it on behalf of another entity thereafter?
- A. Subsequently we tried to get it for the Sokol, P.A.
- Q. And were you also unsuccessful in that attempt?

- A. Yes, the employees voted to take a raise instead of a dental plan.
- Q. All right. Did Mr. Riggi offer to do anything else in substitution for obtaining the dental-care business of 394 for either one of your plans?
- A. I don't recall a specific offer to do anything.
- Q. Did he offer to take you around to other unions, for instance, and introduce you to labor officials?
- A. He had introduced Dr. Hyman to other unions, yes.
- Q. He did introduce Dr. Hyman?
- A. Yes.
- Q. Did Dr. Hyman and Mr. Riggi, by the way, have a pre-existing relationship before the first meeting that you were present at?
- A. I don't have any knowledge of that.
- Q. You don't have any knowledge of that?
- A. No, I don't.
- Q. Didn't Dr. Hyman mention to you that we're going over to New Jersey to see this fellow and I know he's a nice guy, or words to that effect?
- A. He told me we're going over to meet the head of a union in New Jersey who he was going to introduce me to, period. I mean, this is five years ago. I can't quote a conversation.
- Q. Well, I'm asking a simple question. It would seem to me there would be a great deal of distinction between whether you're going to meet somebody that both of you didn't know or whether Mr. Riggi was going to introduce you to someone he knew.
- A. I believe Dr. Hyman knew Mr. Riggi before I met him.
- Q. Do you know how long he knew Mr. Riggi?
- A. No, I don't.

- Q. Do you know if they had a business relationship before your first meeting with Mr. Riggi?
- A. No, I don't.
- Q. Did the entity called Metro Dental Services -- with which you're familiar, I assume?
- A. Yes, I'm familiar with it.
- Q. -- ever hire an individual by the name of Comillo Molinaro?
- A. Yes, it did.
- Q. Have you ever been in Mr. Molinaro's and Mr. Riggi's company at the same time?
- A. I believe Mr. Molinaro was at the Sheraton Hotel once when I was there.
- Q. And was Dr. Hyman there also?
- A. Yes, he was.
- Q. And what was that occasion?
- A. I really don't have that specifically.
- Q. Was it a business meeting; do you recall that?
- A. I honestly don't believe any business was discussed when I was there with him.
- Q. Do you recall whether that meeting with the four of you took place after the three or four that you mentioned before where the three of you met? Do you recall whether Mr. Molinaro was in this group before the three meetings where just you and Dr. Hyman and Mr. Riggi sat down or was it after?
- A. I'm really not sure. You're talking about a long time ago.
- Q. What was Mr. Molinaro's purpose in being at that table?
- A. I don't know.
- Q. Was this at a time when Metro Dental Services, Inc., was employing Mr. Molinaro?
- A. No.

- Q. Was it prior to that time?
- A. Yes, just prior.
- Q. Just prior. Was Mr. Molinaro's employment with Metro Dental Services discussed at that time?
- A. At that meeting? No.
- Q. Was it discussed subsequent thereto?
- A. I discussed it with Dr. Hyman.
- Q. And how long after that meeting did you discuss it with Dr. Hyman?
- A. A month.
- Q. Did he in any way suggest that Mr. Riggi had anything to do with Mr. Molinaro becoming employed by Metro Dental Services?
- A. No, he did not.
- Q. What was Mr. Molinaro's job, by the way, at Metro Dental Services?
- A. Initially, he helped out with messenger service, cleaning, and later on, as we developed the business, he would assist in the laboratory.
- Q. And was it ever planned that Mr. Molinaro would become, in effect, the laboratory technician for the Sokol --
- A. We had a plan --
- Q. Go ahead. For the Sokol facility.
- A. We had planned to set up our own laboratory and he was to run the laboratory. That's why we kept him there.
- Q. Did Dr. Hyman ever suggest to you that he had any discussion with Mr. Riggi concerning Mr. Molinaro providing lab services to Sokol, D.D.S., P.A., say?
- A. Not that I remember.
- Q. Now, you say Mr. Molinaro was a janitor, I believe, and security?
- A. He had -- I'm sorry. He had set up a company called G & M, whom we hired, and he took care of cleaning the place well over a year.

- Q. Did he do anything else?
- A. He would run messages for us. He was --
- Q. A gofer?
- A. If you want to use that word.
- Q. How much did you pay him for the services provided to Metro Dental?
- A. I think it was \$200.
- Q. Per?
- A. A week.
- Q. Did it later become \$250 a week?
- A. I believe you're right.
- Q. Did you pay Mr. Molinaro personally for a short period of time before you paid him as G & M Services, Inc.?
- A. Yes.
- Q. Do you recall having any discussion with Mr. Molinaro concerning his corporate transformation, if you will?
- A. No.
- Q. Did he discuss with you the reasons why he wanted you to pay G & M Services, Inc., as opposed to himself as an individual?
- A. He just said, I set up G & M to do the cleaning, would I make the check out to them.
- Q. Subsequent to you and Dr. Hyman doing business as N.J.D.A., for a short period of time in 1976 and subsequent to the time when you no longer serviced Local 945 of the Teamsters union, did there come a time when you met two other individuals who were involved in the same general field of dental-care providing?
- A. Are you going to tell me their names?
- Q. Sure. Dr. Ferrara and Dr. Sokol.
- A. Yes.
- Q. Was that approximately in 1976?

A. Yes.

Q. And did you begin to have business negotiations with those two individuals?

A. Yes.

Q. And what was the substance of those business negotiations?

A. We discussed merging the, actually, non-active New Jersey Dental Administrators with the group they were starting since we had a building in Irvington which we partially completed.

Q. And what was the group they were starting?

A. Well, they had Joel S. Sokol, D.D.S., P.A., and they had started, I believe, Metro Dental Services.

Resnick gave a brief history of Metro Dental Services, Inc.:

Q. And what was their concept behind the Metro Dental Services? What was the purpose of that corporation vis-a-vis Joel Sokol, D.D.S., P.A.?

A. I believe it was to hold the equipment.

Q. And did you, in effect, dissolve your corporation or allow it to be defunct?

A. That's correct.

Q. Did you and Dr. Hyman essentially become Metro Dental Services, Inc.?

A. Yes.

Q. And about when was that?

A. 1977, January.

Q. After you and Dr. Hyman became Metro Dental Services, Inc., did the concept of the corporation vis-a-vis Joel Sokol, D.D.S., P.A., change or did it remain the same?

A. It remained the same.

Q. In effect, Metro Dental Services, Inc., owned the facility and equipment; is that correct?

A. It owned the facility in Irvington, yes.

Q. Well, that was the first facility that this combine would work out of, was it not?

A. No, they were in Union prior to that.

Q. They were in Union?

A. Yes.

Q. They had their own facility in Union?

A. They were renting space in Union.

Q. Did they keep the facility in Union after you combined?

A. Yes.

Q. Did they move or have offices in Irvington?

A. They operated both.

Q. Effectively, Joel Sokol, D.D.S., P.A., paid money to Metro Dental Services, Inc., for rent; is that fair to say?

A. Yes.

Q. Was Metro Dental Services, Inc., a corporation between you and Dr. Hyman?

A. Yes.

Q. And were you 50 percent partner?

A. Yes.

Q. And was Dr. Hyman a 50 percent partner?

A. Yes.

Q. Did there come a time when Dr. Hyman left the corporation?

A. Yes.

Q. Was that approximately in February of 1978?

A. I don't remember the date. It's on the dissolution agreement that you have.

Q. Pursuant to the terms of that agreement, did you continue on as Metro Dental Services, Inc.?

A. Yes, I did.

Q. Were you then a hundred percent shareholder?

A. Yes.

Q. What is the present situation with regard to Metro Dental Services, Inc.? Are you still a hundred percent stockholder?

A. We have a contract of sale between Metro Dental Services, Inc., and Joel S. Sokol, D.D.S., P.A., which was executed. However, I have not been paid for it.

Q. The contract is executed but --

A. There's been no consideration.

Q. There's been no consideration. Who owns Metro now?

(The witness confers with counsel.)

A. The stock right now is not issued. However, it will be given to Dr. Sokol as soon as he pays for it. It's his corporation.

Q. Is it being held by you?

A. It's in his office. I work -- I am now employed by the P.A.

Q. How much do you get from Metro Dental Services, Inc., pursuant to your employment agreement?

A. \$800 a week.

Q. Okay. Do you get an automobile, also?

A. Yes. I get expenses.

Q. Are Joel Sokol -- is Joel Sokol obligated, also, on a note to you?

A. Yes. Personal note are you talking about?

Q. Yes.

A. Yes.

Q. The amount of the note is \$135,000. Does that refresh your recollection?

A. May I see that?

- Q. Sure. It's Exhibit CN-47 for the purposes of identification, which purports to be a promissory note, dated July 1st, 1979, in the amount of 135,000.
- A. That's the balance that you're talking about for the purchase of Metro.
- Q. Okay. He is obligated on that?
- A. Yes, he is.
- Q. What was the deposit? What was the deposit? You said that's the balance. What was the entire figure?
- A. He was supposed to give me a deposit of \$15,000.
- Q. Never gave it to you?
- A. No. I said there was no consideration given.
- Q. Now, between February of 1978 and June of 1979 you were the sole proprietor, in effect, of Metro Dental Services, Inc.?
- A. Correct.
- Q. Was it a profitable venture during that period of time?
- A. Which period are you talking about.
- Q. Talking about between February, 1978, and June, 1979.
- A. You have my statements. I don't recall whether it was profitable that year or we showed a very small loss.
- Q. I'm talking about a period of time of a little bit more than a year prior to the sale of Metro Dental Services. Does that help you at all?
- A. It had created assets in the form of the equity in the equipment which was paid off.
- Q. It had created assets?
- A. Yes.
- Q. Do you consider that profitable?
- A. It shows up on the plus side, yes.

EXAMINATION BY COMMISSIONER PATTERSON:

- Q. Mr. Resnick, how was the \$150,000 for the purchase of Metro by Dr. Sokol, how was that arrived at?
- A. It was based -- excuse me -- it was based on the equity in the equipment.
- Q. So that the assets that Dr. Sokol will be buying are strictly the equity of the, the worth of the equipment?
- A. I believe it was based at that time on the amount of the equipment which had not been depreciated and had been paid for.
- Q. And has been paid for?
- A. Yes, on the leases.
- Q. Did anyone do an accounting of that equipment to come up with that figure, accounting of the records for the equipment to come up with that figure?
- A. I don't recall that we did.
- Q. Was it then just a figure that somebody guessed at?
- A. No. I estimated what the value was of what we had in there.
- Q. Did you take the various leases and figure out what was paid off on the leases and what was the value of the equipment as against the --
- A. Part of it -- I'm sorry.
- Q. Against what hadn't been paid off.
- A. It was very difficult to do at the time since I did not have any way of determining what portion of the principal had been paid down and I estimated it and I felt that the company had good will and equipment in value of that amount.
- Q. Some of the \$150,000 is good will?
- A. Yes.
- Q. So it's not just the net value of the equipment, but it is some intangible, some amount of money put in against an intangible asset?

A. Yes, I would say that.

Q. So to some extent it is arbitrary?

A. Yes.

The \$50,000 Rebate

Resnick was asked to explain what happened to the proceeds of a \$50,000 check that -- as John A. Burke had testified previously -- had been sent by Burke to Metro Dental:

Q. Okay. Mr. Resnick, I'm showing you Exhibit CN-17B in the amount of \$50,000, dated 10/23/78, which purports to be a check drawn on the National State Bank, signed by John A. Burke, payable to Metro Dental Service. I ask you whether you recognize that check from Mr. Burke.

A. I recall it.

Q. Do you know what it is? Do you know what it represents?

A. It probably represents a -- it represents a rebate on some equipment.

Q. A rebate on some equipment?

A. Which we had purchased. We had leased.

Q. That rebate come directly from Burke Enterprises, Mr. Burke's entity, or did it come from the manufacturer of the equipment, if you know?

A. Since it's signed by Mr. Burke, I have to assume it came from Mr. Burke.

Q. Do you remember the fact amount of the transaction that the 50,000 was a rebate upon?

A. Not offhand.

Q. Okay. What did you do with that \$50,000 that Mr. Burke gave you?

A. Deposited in the account of Metro Dental Services.

Q. Did you draw any checks either contemporaneous or shortly thereafter to yourself and/or other entities or individuals?

- A. I don't know how to answer your question.
- Q. Let's see if I can refresh your recollection. I'm showing you a series of four checks, Exhibit CN-17C, CN-17D, CN-17E, and CN-17F. All the checks are dated October 24th, 1978. The first -- and they're all drawn on Metro Dental Services, Inc. I should say the first exhibit is a copy of a check, the others are originals. They all appear to be signed by you with the exception of CN-17E upon which the signature is slightly mutilated.
- A. They were all signed by me.
- Q. Okay. The first check is payable to Western Realty in the amount of \$2000; the second check is payable to Stanley Resnick in the amount of \$9,000; the third check is payable to George Franconero in the amount of \$9,000; and the fourth check is in the amount of \$30,000 and it is payable to Joel Sokol, D.D.S., P.A. In effect, are those four checks the result of the fifty-thousand-dollar rebate from Mr. Burke?
- A. Yes, they are.
- Q. In effect, you were splitting that money amongst yourself, one more individual and two other entities; is that correct?
- A. I don't care for your terminology. The money that was going back to me replaced money that I had advanced. The money that went to Dr. Sokol's P.A. was for operating expenses.
- Q. Did you finish?
- A. Well, if you want me to go on, the check to Mr. Franconero was, I believe, Mr. Franconero, Sr. It's money we had borrowed from him. And the money that went to Western Realty is money that we had owed to them.
- Q. Okay.
- A. We're not splitting it.
- Q. When you say we had borrowed money from Mr. Franconero, who do you mean by that?
- A. The P.A.

Q. The P.A.?

A. In this case I would assume Metro had borrowed the money.

Q. Is this a period of time when you were the sole proprietor, in effect, of Metro?

A. That's correct.

Q. So, in effect, if you had paid Mr. Franconero for a debt owed to him by Joel Sokol, D.D.S., P.A., would they owe you money?

A. Yes.

Q. You weren't paying their debts, were you?

A. Was I paying their debts?

Q. Yes.

A. No, I wasn't paying their debts.

Q. Well, why did you give that money to Mr. Franconero?

A. That's Mr. Franconero. I had borrowed it from him.

Q. You had borrowed it from him?

A. I'm going to have to look at the books and see whether it was Sokol or myself, Metro.

Q. Well, why would you pay it if it was Sokol?

A. At this particular time I was on the paper for a great deal of money and we would use the accounts more or less interchangeably.

Q. With regard to CN-17D, by the way, which is a nine-thousand-dollar check made out to yourself, how was that negotiated? Was it deposited or was it cashed?

A. I'm not sure at this time. I may have cashed it.

Q. Okay. Can you tell from the check itself?

A. No, I don't know how to tell that. Someone told me -- this has been discussed previously at the closed session, and they indicated this had been cashed.

Q. Do you know what you did with the \$9,000?

A. Do I know what I did with it?

Q. Yes.

A. I probably kept it or used it for expenses.

Q. Personal living expenses or --

A. I believe I had advanced money to this company out of my own cash funds, and I just took it back.

Q. You advanced money to Metro Dental Services?

A. Yes, or Sokol. I don't recall where the deposit was made now.

Q. I'm sorry.

A. Or Sokol, P.A. I don't recall where the deposit was made.

Q. You mean you would have considered it a debt regardless of where it was made because of the interchange of the monies between the corporations?

A. That's correct.

Q. In effect, then, is it fair to say that, practically speaking, that you were a partner with Joel Sokol, D.D.S. --

A. No.

Q. -- P.A.?

A. I was not a partner with the P.A. I was deeply involved financially with it. However, I had advanced monies for equipment and facilities and it was my best interest to see that they survived and were profitable.

Q. Do you remember an executive session testimony that you gave concerning a transaction involving Parliament Leasing Co., pertaining to Metro Dental Services, Inc., and, more specifically, Joel Sokol, D.D.S., P.A.?

A. Yes.

Q. Do you recognize the name of Mr. Einhorn?

- A. Yes, I know the name.
- Q. Did you discuss that transaction at all with Mr. Einhorn?
- A. Which transaction are you talking about?
- Q. The funding by Parliament Funding & Leasing Co. of certain equipment purchased by Joel Sokol, D.D.S., P.A.
- A. I believe this was established before I became involved with Metro, but I'm not a hundred percent certain.
- Q. That transaction was ongoing?
- A. I believe it had already been arranged. The lease had already been set up, but I'm not positive.
- Q. Do you recall receiving a commission on that transaction from Mr. Einhorn?
- A. Yes, I got several checks from Mr. Einhorn.
- Q. Why would Mr. Einhorn pay you [a] if the commission transaction was ongoing already when you got in?
- A. Because I took over Metro Dental.
- Q. And, in effect, had the power to rescind the transaction?
- A. Actually, I believe I had spoken to him on the phone about it after the transaction had been consummated.
- Q. What did you say about asking him for a commission?
- A. I don't remember the exact words. I obviously pressed him for a commission. It's customary for someone who places to get a commission.

Although Resnick disclaimed any ownership interest in Western Realty, Inc., he wrote checks at will against its accounts -- under a fictitious signature. This was yet another company that was part of the corporate maze enveloping the Sokol dental care enterprise. Resnick's testimony on this company follows:

- Q. Okay. Western Realty, by the way, what entity is that?

- A. That's a construction company.
- Q. And who owns Western Realty?
- A. Mr. Cohen.
- Q. Mr. Seymour Cohen?
- A. Yes.
- Q. Okay. You don't own Western Realty, do you?
- A. No, I do not own Western Realty.
- Q. Do you have any ownership interest in Western Realty?
- A. I have no ownership interest in Western Realty.
- Q. You testified previously -- bear me with for a moment -- that a Mr. Seymour Cohen owns Western Realty. Is that correct?
- A. Yes.
- Q. And, in effect, does Western Realty build and renovate facilities for Metro Dental Services, Inc.?
- A. It did.
- Q. And did it do so in the year 1978 and 1979?
- A. I don't think so. In '79 no.
- Q. All right. I'm showing you what's been marked Exhibit CN-44 for the purposes of identification, which purports to be a group of eight copies of invoices of Western Realty Co., submitted to Metro Dental Services, Inc., for various job locations. All of the invoices, by the way, are dated the same day, 12/31/79. I wonder if you recognize any one of those invoices.
- A. I recognize them.
- Q. Were they submitted to Metro Dental Services by Western Realty?
- A. Yes, they were.
- Q. Who submitted them?
- A. Mr. Cohen.

- Q. Were they paid by Metro Dental Services?
- A. I think we still owe him.
- Q. When did this construction go on?
- A. In early '78. I'm sorry. The middle of 1978. July, August, September, in that area.
- Q. Of '78. Any reason why he waited a year and a half to bill you for those construction jobs?
- A. Well, we made him aware of the fact that we had no written record of the obligation.
- Q. In other words, the transactions prior to then were not evidenced by any paper, if you will?
- A. No, they were verbal.
- Q. These, reading from the job locations on the invoices contained in CN-44, they include facilities, I would assume, at Piscataway, Jersey City, Fair Lawn, Toms River, Dover, Verona, Newark and Manville. Does that comport with your recollection?
- A. That's correct.
- Q. Did you visit any of these sites to look at the construction, the ongoing construction, during the late Summer of 1978?
- A. Yes.
- Q. And did you, in fact, function as a supervisor on any of those construction sites?
- A. As a supervisor?
- Q. Yes.
- A. I don't know how to answer your question. I was responsible for seeing that they were done properly.
- Q. Did you undertake to direct any of the sub-constructors, for instance, who were involved in the construction site?
- A. On some occasions.

- Q. Was Mr. Cohen there when you would direct the subcontractors' work?
- A. I would come in to see that they were being done properly, and if I had some comments, I would make them. If he were there, I would tell him.
- Q. Okay. All of these facilities were constructed or renovated during this three-month period?
- A. Yes, they were all -- all these facilities were set up to handle the contract which we had signed with Local 1262.
- Q. Okay.
- A. In July.
- Q. Now, the balance of the construction that Western Realty company did for Metro Dental Services, Inc., was there another heightened period of activity some time later or was it stretched out over a longer period of time after this?
- A. It was prior to that.
- Q. It was prior to this. When was it? 1977?
- A. '76, '77.
- Q. '76, '77. And how long a period of time was it? Was it three months again, or six months, or four months? Do you recall?
- A. Oh, it was more than that.
- Q. More than that. How much?
- A. Well, the construction in Irvington went on from late winter until July. The construction in Mahwah started around October of '78 -- '77. I have to get my years straight. Just a moment. That started the latter part of '77 and ran through April, May or so of '78.
- Q. Now, did Mr. Cohen, on behalf of his company, Western Realty Co., ever pay you personally any monies or pay any monies to your benefit or on your behalf out of Western Realty?
- A. Are you referring to the check by Jack Post?

THE CHAIRMAN: Could you help him out, Mr. Siavage?

MR. SIAVAGE: Sure.

- Q. Did Western Realty, Mr. Cohen, ever give you any money? Let's start there. Out of Western Realty, you personally.
- A. There were checks drawn from Western Realty to me, yes.
- Q. Okay. What were those checks for?
- A. They were funds which I had advanced to him after Metro had taken on the obligations.
- Q. And what was the source of those funds that you advanced to him?
- A. They were my personal funds.
- Q. And so this was a return of a loan, in essence?
- A. That's correct.
- Q. Did Mr. Cohen ever pay your daughter any money or pay your daughter's tuition?
- A. The check for my daughter's tuition came through his account.
- Q. Okay.
- A. It was money I had advanced to him.
- Q. By the way, did these monies that you advanced to Western Realty, did they ever get picked up as a payable on the books of Metro Dental Services to you?
- A. That portion which went into Metro Dental Services did, yes.
- Q. Well, I'm asking more than that. I'm asking that all of the money that you personally advanced to Western Realty Co. was later picked up as a payable on the books of Metro Dental Services, Inc., in effect, taking care of your, or the obligation of Western Realty Co. back to you.
- A. Well, I'd have to see the list of checks, but I think -- I don't know about that three-thousand-dollar check, whether or not I showed that as an investment. Is that what you're referring to?

- Q. I'm referring to the very specific fact that these monies that you loaned to Western Realty Co. were later paid for by a different entity, that being Metro Dental Services, Inc., and therefore Western Realty no longer owed you any money.
- A. That's correct.
- Q. Okay. So that if we take these checks that Western Realty paid to you considering the answer to the last question, they really aren't the repayment of a loan, but, instead, are something else, whatever. I show you Exhibit No. CN-37, dated 8/24/77, which is a check in the amount of \$3000 to your daughter, Laurie Resnick. Is that the tuition check that we talked about?
- A. That's correct.
- Q. Another portion of that packet, a second check, is Check No. 107, drawn on Western Realty Co., payable to Stanley Resnick in the amount of \$1700, dated October 10, 1977, signed by Jack Post. Who is Jack Post?
- A. Jack Post is a name I used to sign checks in the account of Western Realty.

Resnick Signed Checks as "Jack Post"

The witness described an unusual arrangement in which he obtained Western Realty funds under the name of Jack Post -- ostensibly because Western Realty's president didn't want anyone to think that Resnick was part of Western Realty:

- Q. How did that come about that you had this name Jack Post and signed checks of Western Realty?
- A. When Mr. Cohen first started the company, we had discussed in the event something happened to him or in the event he was not around, if I needed to put -- if he had to pay a bill, I could handle the account by using this name.
- Q. Why didn't you use the name Stanley Resnick?
- A. We did not -- he did not want to have it thought that I was part of his company.
- Q. He didn't want you to be part of his company?

A. He didn't want to have people think that I was his company, and, frankly, I did not want people to think that they could come to me to get paid by Western Realty.

Q. Could you amplify that a little bit? Is that with respect to vendors you mean?

A. That's with respect to vendors, and only with respect to vendors, frankly.

Q. Okay.

COMMISSIONER FRANCIS: Is "Post" then a fictitious name?

THE WITNESS: There is a Jack Post, but it was a name that we selected.

COMMISSIONER FRANCIS: Did Jack Post sign those checks?

THE WITNESS: No, I signed those checks.

COMMISSIONER FRANCIS: Did Jack Post authorize you to sign those checks?

THE WITNESS: No. I did not use the name as Jack Post, it was --

COMMISSIONER FRANCIS: You used it as a fictitious name?

THE WITNESS: As a fictitious name.

COMMISSIONER FRANCIS: As a front for yourself because you didn't want it known that you were involved with Western Realty?

THE WITNESS: That's correct.

BY MR. SIAVAGE:

Q. When you wrote checks to yourself and signed them "Jack Post," why couldn't Mr. Cohen just write that check out?

A. He probably wasn't there.

Q. Did you have Western Realty Co. checks in your possession?

A. I would have a couple, yes.

Q. I'm sorry. I didn't hear.

A. Yes, I would have a couple.

Q. You had the checkbook in your possession?

A. At one time for awhile.

Q. And did you have some loose checks in your possession, also, at one time?

A. Yes.

* * *

Q. Okay. Do you recognize the name D.J. Venus, Mr. Resnick?

A. Yes, I do.

Q. Have you ever given any money to Mr. Venus?

A. Yes, I did.

Q. How much money did you give to Mr. Venus?

A. I lent him \$5000.

Q. And was that on or about the 22nd of June, 1977?

A. Yes.

Q. I show you what's been marked Exhibit CN-39 for the purposes of identification, which is a Western Realty check in the amount of \$5000 payable to D.J. Venus. It is signed by Jack Post. Why did you use Jack Post on that occasion?

A. Frankly, that's the check I had in my possession at the time.

Q. You mean it was already signed "Jack Post"?

A. No, it was a Western Realty check.

Q. Yes.

A. And I advanced the money to Mr. Venus and I used "Jack Post."

Q. And you simply signed it "Jack Post" because you never used your own name on Western Realty's account?

A. That's correct.

Q. What was the purpose of the loan?

- A. He was going back to Mississippi and told me he had a lot of real estate that had tax liens and he could recover them for \$5000.
- Q. Where did that transaction take place?
- A. In New York City.
- Q. Specifically where in New York City?
- A. At 2 Penn Plaza.
- Q. At 2 Penn Plaza. Was that the offices of Hyman and Resnick?
- A. That's correct.
- Q. Was Mr. Hyman present?
- A. No.
- Q. What did Mr. Venus say to you? Did he walk in your office and say, "I could use \$5000 for a tax lien I have down in Louisiana"?
- A. No. Mr. Venus had been in my office many times in connection with a real estate transaction.
- Q. And you had met him on several occasions?
- A. Many occasions. Ten, fifteen or so. He would come up to the office regularly.
- Q. And you loaned this -- you gave him the \$5000 as a loan in June of '77. Did he ever pay you back?
- A. Yes, he did.
- Q. Did you ever pay Western Realty back?
- A. I put the money in to cover that afterwards, into the account right after that.
- Q. Okay. What was the form of the repayment by D.J. Venus that you put into the account right after that?
- A. It was several months later.
- Q. Okay. I thought you said it was right after that.
- A. No, I put the funds in right after that.
- Q. You put it into Western Realty?

- A. That's correct.
- Q. To cover the five-thousand-dollar loan?
- A. That's correct.
- Q. Then Mr. Venus repaid you?
- A. He paid me back five or six months later.
- Q. In what form did he repay you?
- A. In cash.
- Q. How did you receive the cash from Mr. Venus?
- A. Mr. Romano gave it to me.
- Q. By the way, do you know an individual by the name of Steve Romano?
- A. Yes.
- Q. And he was the one that delivered the \$5000 back to you in cash from Mr. Venus?
- A. Yes.
- Q. How did you come to know Mr. Romano?
- A. Mr. Romano came to my office at 2 Penn Plaza. I don't know how he was sent there, but he, he came up with a real estate venture.
- Q. Where was that real estate venture?
- A. It was in New Jersey.
- Q. Where in New Jersey?
- A. Edgewater.
- Q. And do you remember the nature of the real estate venture?
- A. It was a proposed recreational center in Edgewater.
- Q. And did you give Mr. Romano any monies at any time during 1978?
- A. Yes. We consummated several deals and he got his portion of the brokerage.
- Q. Brokerage fees you gave him?

- A. It's a mortgage fee. Mortgage placement fee.
- Q. Approximately a total of about \$3500 to Mr. Romano?
- A. In a series of four checks which you have there.
- Q. Okay.
- A. One of them is, I believe, for an airline ticket for my wife and I. We went to Florida. He had purchased it.
- Q. And one was a commission, and do you recall what the other two payments were? I'm showing the witness now Exhibit CN-42 for the purpose of identification, which is a packet of four checks to Steve Romano.
- A. The one that's a hundred, I'm not sure of. I think that may have just been a loan. I really don't remember that one.
- Q. Did you have further business dealings with Mr. Romano subsequent to those four payments?
- A. Well, I haven't seen Mr. Romano in two years or better.
- Q. Okay.
- A. Your checks go through April of '78.
- Q. Are you sure that the last occasion you saw him upon was when you gave him a check?
- A. No. I say, I haven't seen him in about two years. The last occasion I had seen him?
- Q. Yes.
- A. Probably August or September of '78.

Riggi's Man at Metro Dental

Comillo Molinaro of West Orange, according to law enforcement files, was a "made" member of organized crime -- that is, he had been sworn in a secret ritual to obey orders of his Mafia bosses without question and to remain forever silent about his Mafia role. Subsequent testimony at the Commission's public hearing revealed that he once violated this oath of silence to the extent of confirming his true organized crime status. As a result, although he admitted to certain relationships with known organized

crime associates, he was an otherwise evasive witness when he testified, prior to the public hearing, at an executive session of the SCI. He was subpoenaed on December 2, 1980, to appear at the Commission's public session the following week. However, on December 6 he was admitted to St. Barnabas' Hospital, Newark, because of a coronary condition and was unable to testify in public as scheduled.

Because of Molinaro's role in the Sokol, P.A.'s Metro Dental Services, Inc., and his links to organized crime, the Commission authorized the reading of his private session testimony at the hearing. SCI Executive Director Siavage put his private testimony into the public record through Special Agent Joseph Corrigan, reading from a transcript. Molinaro's private session testimony as revealed at the public hearing began with recollections of his employment at the Sokol clinic in Irvington:

- Q. Do you recall an interview with our agents, Mr. Corrigan and Mr. Richard Hutchinson?
- A. Yes.
- Q. Where you stated that George Franconero got you the job?
- A. I didn't say he got me the job. I says, he took me there.
- Q. He took you there?
- A. Drove me there, because I wasn't driving at the time.
- Q. What was the agreement that you made with Mr. Hyman?
- A. I was going to work there, that's all, set up a lab and do the lab work.
- Q. Did you ever discuss what salary you would receive?
- A. Yeah, I was supposed to get 250 until we set up the labs and see what kind of work was being done.
- Q. Now, when you say \$250, is that 250 a month?
- A. A week.
- Q. A week. Did it ever work out that you began the dental technician?
- A. I set up the lab, part of it. But, they ran out of money and I couldn't continue trying to set it up.

Q. Now, you say you set up the lab. Where did you set up the lab?

A. In Irvington.

Q. What was the purpose of this laboratory?

A. To save money by not giving work to outside labs.

Q. Well, what would you do there?

A. What would I do? Make false teeth.

Q. Did you ever purchase any equipment?

A. No, I was out looking for -- we got some equipment. We got drills and lathes and all that stuff.

Q. Now, that was for false teeth?

A. That's right.

Q. Where did you purchase this equipment?

A. Through Burke, John Burke.

Q. Now, how is Mr. Burke paid for this equipment?

A. I have no idea. I have nothing to do with that. That's done through the office there.

* * *

MR. SIAVAGE: Mr. Molinaro was then asked questions concerning his meeting with Dr. Hyman, and his familiarity with Dr. Hyman.

Q. Had you been familiar with Jesse Hyman prior to your meeting him at Metro Dental?

A. I think so, yeah. I think so.

Q. How did you come in contact with Mr. Hyman the first time?

A. I don't remember how I met him, but I met him.

Q. Do you know Mr. Hyman from the Roman Forum?

A. That's right. Yeah, that's right where I met him, yeah.

Q. And what did you do at the Roman Forum?

- A. I managed the restaurant.
- Q. When you met Mr. Hyman, Dr. Hyman, and you were interested in getting a job at Metro Dental, was this the first time you had spoken with Dr. Hyman since you had known him at the Roman Forum or had you called him in between?
- A. No, no, I didn't call him. That was the first time, I think, when I came home.
- Q. What was the initial arrangement? Now, you are going to get 250 a week, were you paid 250 a week? Was the money paid to you?
- A. No, it was paid out to a company we had at the time, G & M.
- Q. And what does that represent, G & M?
- A. G & M is just G & M. It is my daughter's and my son's name. It was a company, then at the 1st of January we made a new corporation.
- Q. Who incorporated or who set up that company?
- A. The company we set up ourselves with the city hall, with Essex County. Then the corporation was done by Franconero.
- Q. You say that we -- who is we that set it up?
- A. Well, we had to set it up. We was George and I, because he was an attorney.
- Q. George Franconero?
- A. Right.
- Q. Was your son involved in that business?
- A. Yeah, we got him down as secretary. I don't even know, you've got the book here. I don't know what the setup is.
- Q. As far as corporation?
- A. I put it under his name, but at the time I have a lien on me and I put it under his name so I won't have no problems.
- Q. But the money that was to be paid was for your benefit?

A. Right. That's right. Until I straightened out the lien, then it was going to be changed over to me.

Q. Presently, are you receiving checks in your own name or are they going to G & M?

A. Everything that was given out went to G & M.

Q. Did you have complete control over the account G & M, the checking account for G & M?

A. No, my son does, too.

Q. Your son does?

A. Yeah, because he signs the checks, too.

Q. The incorporating checks that you received, they were deposited in your personal account?

A. Yeah. He endorsed it in my account.

Q. What do you do presently?

A. Right now I supervise the cleaning when I fell good. I haven't been feeling right. Supervising, messenger service, like running, bringing from different clinics paperwork.

Q. Do you actually bring the --

A. Papers, sure.

Q. -- papers, yourself?

A. Sure.

Q. Is there an individual that's paid by Metro to --

A. To clean.

Q. And also to provide a messenger service?

A. No.

Q. There's no messenger?

A. No.

Q. So, you're the only one if documents --

- A. No, the girls do it if I'm not there. One of the girls or whatever, they'll take the stuff around.
- Q. So, you're not absolutely essential for a messenger?
- A. No.
- Q. How do you supervise the cleaning?
- A. Well, how does anybody supervise -- you go there and see if the place is clean or not. That's all.
- Q. Did you go to all the locations?
- A. No, because I have nothing to do with the others. Only in Irvington.
- Q. In Irvington?
- A. That's right.
- Q. How often do you go to supervise that?
- A. Sometimes every day. Sometimes a couple of times a week.
- Q. Have you ever made complaints to Dr. Sokol concerning the cleaning?
- A. No. Why should I do it to him? I do it to the fellow that's cleaning.
- Q. What's his name?
- A. I don't know, you got the records, you got the names. I had my father-in-law there working for awhile. Then he passed away. Then he hired this other fellow there.
- Q. Did you have any background in the cleaning business?
- A. No. All I need is common sense to clean and see that people do the cleaning right. That's all.

Mob Ties in Cleveland

Agent Corrigan next read from the transcript Molinaro's statements about his organized crime associations in Cleveland:

MR. SIAVAGE: Mr. Molinaro was then asked questions concerning his relationship with an individual by the name of Curly Montana of Cleveland, Ohio.

Q. Do you know a Curly Montana?

A. Yeah, I've met him once.

Q. In Cleveland?

A. No.

Q. Where did you meet him?

A. Out here. He was with Jesse.

Q. He was with Jesse Hyman?

A. Yeah.

Q. What did he do for Jesse?

A. I have no idea. I know I met him and that's it. That's as far as it went.

Q. In New Jersey, in the Roman Forum?

A. Yeah, I think they come to the restaurant once, yeah, right. Once or twice. I don't know, but I met him here.

Q. Was he in the company of Mr. Hyman?

A. Right.

Q. Did you ever meet Mr. Montana out in Cleveland?

A. No.

Q. Do you know if a relation to Mr. Montana helped set up the Sokol operation?

A. As far as I know, his wife came down once with some girls from Buffalo.

Q. What was his wife's name?

A. I don't know.

Q. Rena?

A. I don't know. I don't know her name. They came down and spent a day or, I think, or two, over in Union when they was first setting up. That's all I know.

Q. Do you know who made the arrangement?

A. No.

Q. Did you have anything to do with making the arrangements?

A. No, I don't.

MR. SIAVAGE: Mr. Molinaro was then asked his connection to another individual from Cleveland by the name of Anthony Liberatore.

Q. Do you know a Mr. Liberatore?

A. Liberatore, yeah.

Q. How do you know Mr. Liberatore?

A. From Cleveland?

Q. Yeah.

A. Yes, that's the fellow that stood for my baby.

Q. How do you know Mr. Liberatore?

A. It goes back many years. How do I know him? I don't remember how I know him, but I know him.

Q. When did you first meet him? What were the circumstances?

A. 1960. I don't remember now.

Q. Was it a business relationship with Mr. Liberatore?

A. No, no.

Q. It was a social relationship?

A. Social, I think. I met him in San Diego.

Q. In San Diego?

A. Yeah.

Q. You were introduced to Mr. Liberatore by someone?

A. Yeah, his brother lives in San Diego and is very friendly with a cousin of mine in San Diego and we were introduced in San Diego.

- Q. What's the name of his brother, Mr. Liberatore's brother?
- A. He's got two or three of them. I think that was Bill. Bill, I think.
- Q. Bill Liberatore?
- A. Yeah, San Diego.
- Q. How did you come together in San Diego?
- A. I was there. He was there. His brother was there, my cousin was there. We went out to eat and that's how I met him.
- Q. What was the occasion?
- A. I was on vacation.
- Q. How did you happen to run into Mr. Liberatore?
- A. Because his brother was friendly with my cousin out there.
- Q. And who is your cousin?
- A. Limandri.
- Q. What's his first name?
- A. Got insurance. John Limandri, got insurance, real estate business out in San Diego.
- Q. Going back to Mr. Liberatore in Cleveland, you met him through a cousin of yours?
- A. And his brother.
- Q. And Mr. Liberatore's --
- A. Brother.
- Q. Right. And Mr. Liberatore at a certain point became the godfather of your child?
- A. Right.
- Q. He traveled out to New Jersey?
- A. Oh, yeah, yeah.
- Q. How long had Mr. Liberatore, from when you knew him, been involved with labor unions?

A. When I met him, he was involved with a union then out there.

Q. When you went out to San Diego, what was the reason?

A. Just to visit, my wife and I went out there.

Q. Just to visit the city?

A. My cousin is out there.

Molinaro was asked what the phrase "made man" meant in mobster jargon but he claimed ignorance:

Q. Do you know what the term "made man" means?

A. "Made man"?

Q. "Made man."

A. No, I don't.

Q. Did you ever have the occasion to hear the term "made man" used in reference to Mr. Liberatore?

A. No, no.

Q. You've never heard anything like that?

A. No.

Q. You have never heard the expression "made man"?

A. I might have.

Q. Where would you have heard that?

A. I don't know. A lot of places. I don't know where.

Q. Is that used in reference to organized crime?

A. I don't know.

Molinaro also was asked in executive session to tell what he knew about John Riggi:

MR. SIAVAGE: Questions concerning Mr. Libertore were followed by questions concerning Mr. Molinaro's relationship with one of the witnesses in the hearing, Mr. John Riggi, Mr. Chairman.

- Q. Do you know John Riggi?
- A. Yeah.
- Q. How do you know John Riggi?
- A. For years I've known him through the families, my family, my relations.
- Q. Where does Mr. Riggi live?
- A. In Linden.
- Q. Do you have any business with Mr. Riggi?
- A. None whatsoever.
- Q. How --
- A. Just sociable.
- Q. How long have you known Mr. Riggi?
- A. Ten, twelve years, somewhere around there.
- Q. How did you first meet Mr. Riggi?
- A. I think we met at Ange & Mim's when I had my daughter baptized. We had the affair at Ange & Mim's in Kenilworth.
- Q. What happened? How did you meet John Riggi?
- A. He was there.
- Q. I mean, he was at the ceremony?
- A. Yeah -- not at church, when we had --
- Q. The reception?
- A. Yeah.
- Q. Who invited him to that reception?
- A. I did.
- Q. You did?
- A. Of course.
- Q. Well, you said that's the first time you met Mr. Riggi?
- A. I met him around that time when we first got married.

- Q. I understand. Now, I would like to say, when is the first time you actually met Mr. Riggi, first contact?
- A. I don't remember when. I don't remember when. It has been a long time.
- Q. It was social in nature?
- A. Right.
- Q. Have you had a continuing social contact with Mr. Riggi?
- A. Yes.
- Q. Is Mr. Riggi called J.R.? That is his designation, J.R.?
- A. All I know is John. I don't know what they call him. All I know is John.
- Q. Do you meet with him on occasion?
- A. Yes.
- Q. How often?
- A. Once a month or something.
- Q. Once a month?
- A. Once a month. I don't know, once, maybe twice a month.
- Q. Once a week, couple of times a week?
- A. No, no.
- Q. Where do you meet with Mr. Riggi?
- A. I'll go down and pick up pastry and have coffee with him.
- Q. Where is that?
- A. In Elizabeth.
- Q. What's the name of the restaurant?
- A. It's not a restaurant. It's a coffee shop, cafe, something. I don't know.
- Q. Could it be the Cafe Italiano?
- A. That's it, yeah.

- Q. And your testimony is that you met with Mr. Riggi maybe twice, three times a month?
- A. Yeah, somewhere around there.
- Q. Was there any occasion --
- A. It is not planned, I just happen to stop in and he's there, that's all. I know what time he's there, I know what days he's there. I stop and have a cup of coffee.
- Q. What days is Mr. Riggi there?
- A. I think on Sundays and maybe during the week, you know, at night.
- Q. At night?
- A. Yeah.
- Q. Is Mr. Riggi there on a constant basis?
- A. You have no idea? I know when I go there I see him there.
- Q. You see him there, but whenever you go there you see Mr. Riggi?
- A. Yeah.
- Q. Are there occasions where you go there and Mr. Riggi is not there?
- A. Possibly, yeah.
- Q. Do you call Mr. Riggi beforehand?
- A. No.
- Q. So, you just both show up?
- A. Right.
- Q. When Mr. Riggi is there, does he come in first or do you come in first?
- A. No, I'll come in there first a lot of times.
- Q. And later on Mr. Riggi will come in?
- A. Yeah.
- Q. What do you discuss with Mr. Riggi?
- A. The children, kids, his family, his wife, my wife.

Q. Have you had occasion to socialize with Mr. Riggi?

A. Sure. We went to the wedding, we went to his daughter's wedding, went to his son's wedding, yeah, his weddings.

Q. Anything other than that?

A. No.

Q. Does Mr. Riggi know Mr. Hyman, Dr. Hyman?

A. Yeah.

Q. How does he know Dr. Hyman?

A. I don't know how he knows him.

Q. Did Mr. Riggi ever introduce Dr. Hyman to any unions?

A. Not that I know of.

Molinaro also testified in executive session about Dr. Jesse Hyman:

MR. SIAVAGE: Mr. Molinaro was further asked questions concerning his relationship with Dr. Hyman.

Q. Did you call Mr. Hyman at this restaurant or at a restaurant?

A. I don't know if it was a restaurant. I know I called him.

Q. Did he give you a number to call him at?

A. Yeah.

Q. Would you call his home?

A. Whatever the number was, or I would call him home.

Q. Where would you get a number from? Would he give you a number to call him at?

A. Of course I've had his number for years.

Q. What did you call Mr. Hyman about?

A. He come out when I baptized the baby. His wife and my wife are friendly because we used to get together socially, so that's why what he called about.

- Q. How often would you get together socially?
- A. Oh, in the last year, year and a half it hasn't been that close like before we have.
- Q. When you called Mr. Hyman three times in September, what did you call about three times for?
- A. I don't remember now.
- Q. Before I asked you whether you knew the name Romano, Steve Romano, and you stated that you don't recall calling Mr. Romano within the last year?
- A. There's a Romano that is friendly with Resnick. If it might be the same one, if it is the same one, I don't know.
- Q. Would you have called Mr. Romano?
- A. It is possible.
- Q. What does Mr. Romano do, as far as his --
- A. I don't know. I have no idea what he does.
- Q. What would you call him for?
- A. I don't know. I don't remember what I called him for.

SCI's Mob Findings Confirmed

As a result of four days of testimony, the Commission had put into the public hearing record numerous admissions of the close ties by the principals of the Sokol dental care network with organized crime members and associates. The Commission therefore believed it appropriate at this stage of the hearings to call upon widely respected law enforcement officials for formal confirmation of the SCI's investigative findings that certain labor union dental care plans had been infiltrated by the mob. Since an expose of these findings was the primary purpose of the hearings, the Commission regarded the introduction of factual proofs by law enforcement as essential to the development of a complete evidential record.

The first law enforcement officer to testify on the North Jersey dental care scam's mob connections was Detective Sergeant First Class Robert T. Buccino, an 18-year veteran member of the New Jersey State Police. Buccino is supervisor of the North Unit of the State Police Intelligence Bureau with particular responsibility for monitoring and identifying organized crime activities in North Jersey. Buccino stated that his unit's mob monitoring duties in North Jersey had encompassed such known gangs as the Gambino,

Genovese, Luchese and Columbo families and the Angelo Bruno family as "part of" Sam the Plumber DeCavalcante's underworld activities. Since Comillo Molinaro had been previously identified as an important connection between the Sokol dental care operation and the mob, Buccino was asked to discuss his background. SCI Counsel Gerard P. Lynch questioned this State Police witness:

Q. Of those families, have you ever heard the name of Comillo Molinaro?

A. Yes, sir.

Q. Could you tell us what connection he has to any of those families?

A. Yes, sir. He is a soldier in a family out of Cleveland, but in New Jersey he is under Sam DeCavalcante.

Q. How did you come about that information.

A. Mr. Molinaro told me.

Q. Could you tell us how that came about?

A. Yes, sir. I arrested Mr. Molinaro on December 10th, 1975, at the Roman Forum, which is located within Local 945 of the Teamsters in West Paterson.

Q. Did you have Mr. Molinaro under observation at that time?

A. We had (an) investigation on Mr. Molinaro at that time, yes, sir.

Q. Now, after you arrested him did you have a conversation with him?

A. Yes, sir, I did.

Q. Could you related that conversation to us?

A. Yes, sir. I asked Mr. Molinaro if he was associated with organized crime and, if so, what was his association. And Mr. Molinaro stated that he was made a soldier in Cleveland and when in New Jersey he was under the wing, as he referred to it, of Sam DeCavalcante.

Q. Now, this happened in 1975 when you had this conversation with him?

A. Yes, sir.

Q. Did he indicate how he was made in Cleveland.

A. Yes, sir. He said that he had a blood relative in California by the name of Joseph Limandri. He said Joseph Limandri sponsored him into a family in Cleveland.

Q. And was he actually made a soldier in the Cleveland family?

A. Yes, sir.

Q. And then he was -- became associated with the DeCavalcante family. Is that correct?

A. Yes, sir.

Molinaro and Riggi

Sergeant Buccino was asked to describe Molinaro's relationship with and activities on behalf of John Riggi, the resident manager of DeCavalcante's crime family:

Q. Could you tell us if he had any statements as far as his criminal activity with any members of the DeCavalcante family?

A. Yes, sir, he did.

Q. Could you tell us what he told you regarding the Sam DeCavalcante family?

A. Yes, sir. He said that he was involved in strong-arm when there were labor disputes for the DeCavalcante, namely Mr. John Riggi. He cited several instances when he was contacted by Mr. Riggi, once when there was a labor dispute in the Newark Airport where Mr. Molinaro took with him a strong-arm and went to the labor dispute and after making a few threats was able to solve the problem.

He further stated in most instances of labor problems the mere fact that an organized-crime figure shows up on the site usually settles the disputes by themselves. However, one other instance, he said that he had a problem when he had to hit a man, run a man over with his car.

Q. Did Mr. Molinaro mention anything about any further works that he had done on behalf of Mr. Riggi.

A. As far as the -- yes, sir. He had -- Mr. Riggi had problems with the Internal Revenue Service and Mr. Molinaro was able to take care of that problem through his connection

with the Limandri family in California.

What happened was Mr. DeCavalcante had contacted Mr. Molinaro and asked Mr. Molinaro if he could use his influence to resolve a problem that Mr. Riggi was having with the Internal Revenue Service. Mr. Molinaro said he flew to California and met with his contact, who was a Mr. Harry Hall or Haller. I'm not certain of the last name. He met with Mr. Hall and Mr. Hall, in his presence, made a phone call to someone in Washington, D.C., and, as a result of that conversation, told Mr. Molinaro that he can resolve Mr. Riggi's problem. They came to an agreement of \$25,000.

Mr. Molinaro flew back to New Jersey and a week or two later he was visited by this Mr. Hall with a letter from the I.R.S. in Washington to the Philadelphia office, and in that letter it showed that the matter was resolved. Mr. Molinaro stated that he brought the letter to Mr. DeCavalcante and Mr. DeCavalcante, after he read the letter and was satisfied that the matter was resolved, destroyed the letter and made payment of the \$25,000.

Teamster Loans Via the Cleveland Mob

One of Molinaro's activities was arranging loans out of the teamster union's pension funds. The State Police witness described what this entailed, including the importance of Molinaro's "made man" status in the Cleveland mob:

- Q. Did Mr. Molinaro have any duties with any of the unions in the area?
- A. Unofficially, yes. Mr. Molinaro told me that he was able to secure loans from the Teamsters' pension plan.
- Q. And how would he secure these loans and what would the transaction require?
- A. Well, he first told us about the mechanics of how to get a loan out of the Teamsters and at that time -- we're talking about 1975 -- he stated that the only way you could get a loan was if you were recommended by a connected person. He said that that year he was able to secure four loans ranging from \$500,000 to \$2 million, one which he referred to as most recently -- excuse me. I'll back up a little bit. In order for him

to get the loan, what they would have to do would be to come up with 10 to 50 percent front money. They would have to be steered by either a member of organized crime to him or an associate of organized crime.

Once they made application to Mr. Molinaro, Mr. Molinaro would contact his source, which would be -- was a Mr. Jack Presser, he said, and he described Mr. Presser as being an underling of President Fitzsimmons of the Teamsters out of Cleveland. Once Mr. Molinaro received the okay, received the front money, then he would go ahead getting the loan.

And then he cited an instant where he just received front money of \$150,000 for such a loan. That \$150,000 was split between he, Mr. Ernie Palmieri, who was the business agent of Local 945, an individual from the Teamsters local in Boston, Massachusetts, Mr. DeCavalcante.

Sergeant Buccino's testimony concluded with references to Dr. Hyman's role as a courier for transporting pension loan funds and to Molinaro's other associates in the underworld:

- Q. Did he indicate how the member of the Boston union would get his share of the fee?
- A. Yes, sir, he did. He said that they utilized a Dr. Hyman, who he referred to as the dentist on the payroll of the Teamsters, to transport monies, not only to Boston, but he mentioned Buffalo. He said Buffalo was the location where all the loans either came out of or were approved from.
- Q. Did Mr. Molinaro indicate any other members of organized crime, as you know it, that he had criminal dealings with?
- A. Yes, sir, he did.
- Q. Could you indicate who those members were?
- A. Yes. He said he had criminal involvement with Joseph Paterno, who was capo of the Gambino family. He said James P. Palmieri, who is a lieutenant in the Gambino family, and a Frank "Butch" Miceli, who is a soldier in the Gambino family.
- Q. Did he ever mention having any dealings with a John DiGilio?

- A. Yes, sir, also with John DiGilio, who is a soldier in the Genovese family.
- Q. Were these dealings that he had -- what was the nature of the dealings that he had with these individuals?
- A. Well, he didn't go into detail. The only ones he gave any type of specifics about was with John Riggi and Joe Paterno.
- Q. I'm going to have you look up here to CN-50A and ask you if you have ever seen the person who is depicted in that photograph.
- A. Yes, sir, I have.
- Q. Could you tell the Commission exactly who that person is?
- A. Yes. That's Comillo Molinaro.
- Q. Is that the same individual that you have described as having a conversation with back in 1975?
- A. Yes, sir.

The New York Lottery Distributorship

From time to time during the hearings, testimony was recorded that referred to the New York State Lottery and the possibility of certain individuals obtaining a franchise as a lottery distributor. The primary connection between the lottery distributorship and the Commission's dental care plan probe was a finding that certain organized crime figures in the Sokol P.A. and Metro Dental Services operation had discussed the possibility of infiltrating New York's legalized gambling program.

One witness who had been involved in discussions about the New York lottery was Frank Ali of Elizabeth, a school teacher and the owner of a mausoleum. Union County law enforcement authorities had obtained taped recordings of Ali's conversations on this subject with one Fred Batissa. These conversations included references to "J.R." -- subsequently identified as John Riggi -- and his interest in financing acquisition of the lottery distributorship, and to Dr. Hyman. A composite recording of these conversations had been placed on a number of charts, which were introduced into the hearing record and posted as exhibits during testimony by Ali. Formal identification of these charts was made by SCI Special Agent Robert Diszler, preparatory to Ali's appearance as a witness.

Ali was asked to explain certain statements made during these taped -- and charted -- recordings of conversations:

EXAMINATION BY MR. RHOADS:

Q. Do you know a gentleman by the name of Dr. Jesse Hyman?

A. I met him once.

Q. And how is it that you met Mr. Hyman? When? Through whom, if anyone?

A. I went to a -- about two years ago I went to a meeting and I was introduced to him.

Q. And do you recall by whom?

A. A. Mr. Esposito.

Q. Is that Ronald Esposito?

A. Yes, sir.

Q. Is he an attorney --

A. Yes.

Q. And what were the circumstances of this meeting, if you know? What was the purpose of it?

A. Well, I was asked to go in to be a partner in a lottery business.

Q. Did you, in fact, become a partner in a lottery business?

A. No.

Q. To your knowledge, did Mr. Hyman?

A. Not to my knowledge. I don't know.

Q. During the course of this meeting did you have an occasion to overhear anything that Dr. Hyman may have said pertaining to this lottery business:

A. I was sitting very far away from him and I didn't get that much of the conversation.

Q. So that no one misunderstands, when we discuss the phrase "lottery business," you're referring to the distributorship of lawful lottery tickets, are you not?

A. Yes.

Q. You know a gentleman by the name of John Riggi, do you not?

A. Yes.

Q. Do you know that he is the business manager of a union located in Elizabeth?

A. Yes.

Q. Well, how long have you known Mr. Riggi?

A. Well, my family has been in the construction business sixty-five years, and I don't know him that well, but I've seen him. Once in awhile I speak to him.

Q. Is it as a result of your family being in the construction business that you know Mr. Riggi?

A. Yes, I would say so.

Q. Now would you describe your relationship with Mr. Riggi? By that I mean, is it a social one, business one, good friends?

A. I see him maybe once every 17, 18 months. If I run into him, say hello, that's it.

Q. Did you ever have occasions to actually talk with him at any length?

A. Very, very rare.

Q. Did you ever know Mr. Riggi to be associated with organized crime?

A. No, not to my knowledge.

Q. Have you ever heard anything to that effect?

A. I've read things in the paper, in The Star-Ledger, names.

Q. Did you ever have an occasion to ask Mr. Riggi about it?

A. No.

Q. Did you ever in the past refer to John Riggi as J.R.?

A. I may have. I can't recollect.

Q. Have you ever heard anyone else refer to John Riggi as J.R.?

A. I could have.

Q. As you sit here now, do you have any present
--

A. No.

Q. -- recollection as to whether you did or
not?

A. I don't. I'm trying to think whether I did
or not.

Q. Do you know what business, if any, Dr. Jesse
Hyman was in?

A. No.

Q. Do you know what kind of doctor he was?

A. I didn't even know if he was a doctor. I
wouldn't know whether it was a Ph.D. or an
M.D.

Q. Well, when you were introduced to him, did
he have the appellation "Doctor" before his
name?

A. I -- from my recollection, it could have
been "Doctor."

Q. It could have been "Dr. Hyman"?

A. I was introduced as that -- he was
introduced as "Doctor."

Q. Now, you had occasion to discuss Dr. Hyman
with one Fred Batissa, didn't you.

A. On the telephone once.

Q. And wasn't it in relationship or in
reference, I should say, to this lottery
distributorship?

A. I, I could have spoken to him about that.
He was speaking to me on the phone quite a
bit.

* * *

BY MR. RHOADS:

Q. Mr. Ali, I direct your attention to the
first portion of what's been marked
Commission Exhibit 53 for identification,
and I represent to you that we have had
testimony that this is an extracted
transcript of a conversation between you and

Mr. Batissa; and if you will follow this as I read it and tell me, does this refresh your recollection as to the conversation.

"Batissa: Yeah.

"Ali: Now another thing too. Now they got this other guy that -- Ronnie got from J.R. You know?

"Batissa: Yeah, yeah."

I'll stop at this portion.

Now, do you recall saying that to Mr. Batissa?

A. I really don't recollect that. He spoke to me on the phone so many times, I can't remember that. This is a telephone conversation three years ago, or close to it, and it's just very difficult to remember.

Q. Perhaps if I play it for you, that will refresh your recollection. If I may have a moment, please.

(There is a brief pause.)

(A tape recording is played.)

Q. Now, Mr. Ali, that was you saying that, wasn't it?

A. Yes, sir. I just -- I'm trying to recollect that. I just don't remember. I don't know what I meant by it.

Q. Well, let's start with this: Maybe I could help you out. You say he got it from J.R. J.R. you are referring to is John Riggi; isn't that so?

A. I may have. I don't even remember if that was whether I meant him. I have no evidence that he did get anything from him.

Q. Do you recall testifying before this Commission on May 13, 1980?

A. May 13th?

Q. May 13th, 1980.

A. I was before it several times.

Q. I will represent to you that you were before it on May 13th, 1980, and I'm referring now to the transcript, Page 150, line 3, line 2, "Question: Who are we talking about?"

"Answer: Freddy. I didn't know whether he did or not. Whether J.R. was involved or not, I didn't know.

"Question: Who is J.R.?"

"Answer: Well, J.R. is John Riggi."

Now, that was you and you said that. I will ask you again, when you are referring to the J.R. here, you refer to John Riggi, don't you?

A. I told you, I -- in this particular instance, I can't remember. If I said that on there, I don't even recollect that. I know I said it. It's on there.

Q. Well, will you concede that your memory was better in May of 1980 than it is now in November of 1980?

A. No, I wouldn't say that.

Q. Well, you remembered it then, did you not? You said it under oath, didn't you?

A. I hear you saying it now. It's written there.

Q. To continue on. "Ali: That says he wants to put up a half million.

"Batissa:" Now, of course, this is now abbreviated. "Yeah, that's R, that's R.

"Ali: Yeah."

MR. RHOADS: Can I have the next one, please.

Q. "Ali: They refused.

"Batissa: I'll tell you why. Because 25 percent of something is better than a hundred percent of nothing.

"Ali: Well, Freitas, another thing too. Where are you ever gonna hear of a man putting up all of the money, jeopardizing his estate and everything, for fifteen percent.

"Batissa: I never heard of it.

"Ali: Laughter.

"Batissa: Well, huh, do you want the proof of the pudding? They gave it to you last night. What you just told me and what they told me -- told me theirselves a couple of days ago. J.R.'s man wants to put up half a million and he wants a minimum of 50 percent.

"Ali: Yeah."

Well, you're agreeing to what Batissa said there?

A. To be honest with you, he said so many things to me and I don't remember most. It was not valid and it was all fabricated and it was conjecture. He was telling me that he felt that was J.R.'s man. I didn't know and I have no evidence to that fact that it's his man.

Q. Well, when he says that it's J.R.'s man and he wanted to put up 50 percent, and you answered, "Yeah," you're indicating that you agree with him, aren't you?

A. Well, when he talks to you on the phone, just to sort of end the conversation a lot of times, I said, "Yeah." That didn't mean I acceded to whatever he said. I wasn't under oath when he made those tapes of me.

Q. As you are now?

A. As I am now.

Q. And as you were back in May when you said J.R. was John Riggi. Now, Mr. Ali, if you thought that Mr. Batissa was fibbing to you, why didn't you simply say that? Why did you agree with him?

A. Many times I disagreed with him, but I don't see it on any, on anything.

MR. RHOADS: Can I have the next one, please.

Q. "Mr. Ali: It's Frank.

"Batissa: What is it?

"Ali: Joey just called me.

"Batissa: Yeah?

"Ali: Yeah, he told me that he spoke to Ronnie and they -- they -- he called that guy today, Hyman.

"Batissa: Yeah?

"Ali: Yeah, I think they -- it looks like they're gonna go with them.

"Batissa: Huh.

"Ali: So I told him, I said, you know, I said, 'You could exclude me, because then you'll have more negotiating power.' You know. In other words a -- if a -- you know, if -- whatever they want.

"Batissa: Yeah.

"Ali: Ah -- they could throw my end in.

"Batissa: Uh-huh.

"Ali: You know. So he says, 'Well, let's see what Ronnie says.' You know?

"Batissa: Humph.

"Ali: So -- I figure if Ronnie wanted me to be in it he would have made me call the guy. Right?

"Batissa: Yeah, well -- I would imagine.

"Ali: Yeah, yeah, so I told him, I says, 'If he needed any help --' you know, even if he wanted me to talk to these guys here for him being that Ronnie's away?

"Batissa: Uh-huh.

"Ali: You know, the guys that sent Hyman."

Now, once again, Mr. Ali, you're referring to John Riggi sending Dr. --

A. No, I wasn't.

Q. -- Jesse Hyman, aren't you?

A. No, sir, I was not. Freddy had told me he thought different people sent him. They excluded me from that lottery thing because I couldn't post some kind of certificate that was needed and they excluded me, and the conversation then was just a lot of

that, what you see on there. It didn't make any sense to me and neither to them.

Q. By the way, Mr. Ali, when these conversations were recorded, you hadn't the faintest idea that your conversation was being recorded, did you?

A. No, sir.

MR. RHOADS: I have nothing further, Mr. Chairman.

Mob Activities Analysed

The Commission's final public hearing witness was Major Justin Dintino of the New Jersey State Police. Not only did he confirm State Police Sergeant Buccino's identification of organized crime associations with the Sokol-Metro Dental dental care scam but he also explained the significance of these associations and the various activities they generated from the standpoint of his expertise on organized crime investigations.

Major Dintino, after five years as a trooper and 10 years as a detective, was assigned in 1967 to the newly formed State Police Intelligence Bureau. In 1972 he was promoted to officer in charge of that bureau and in 1978 he became Supervisor of Special Staff, a section which encompassed the State Police intelligence, gaming and security bureaus. SCI Director Siavage asked Major Dintino to summarize the "nature of the organized crime intelligence data" that is constantly available to him:

A. First, I have four field offices throughout the state in which a number of field investigators submit weekly detailed reports concerning intelligence reference to organized crime activity.

Two. The electronic surveillance unit comes under my command, and since 1969, with the inception of the electronic surveillance statute, I have had access to all the electronic surveillances within the state maintained by the New Jersey State Police.

Three. We have a network of organized crime informants throughout the state of New Jersey that our investigators have developed and I have access to that information.

And, four, we maintain a cooperative relationship with agencies throughout the state of New Jersey, throughout the nation, and in fact, international.

Q. Have you authored any articles in the area of organized-crime investigation and intelligence gathering?

A. Yes, I have.

Q. And can you briefly tell me in what places those articles might have been printed?

A. They were printed in the Police Chiefs magazine, the F.B.I. magazine, and several news medias.

Q. Have you also lectured in the field of organized crime intelligence-gathering and investigation?

A. Yes, I have, extensively throughout the United States.

Q. Have you testified previously as an expert in the area of organized crime investigation?

A. Yes, I have.

MR. SIAVAGE: Mr. Chairman, I would offer Major Dentino as an expert on organized crime investigation at this time?

THE CHAIRMAN: Well, he's certainly well-qualified to give expert testimony.

John Riggi's Mob Role

Major Dintino was asked at the outset to describe, based on his State Police investigative facilities, the importance of John Riggi's association with the dental care plan scheme targeted by the SCI:

Q. Major, there's been testimony in this hearing that John Riggi of Linden, New Jersey, introduced Dr. Sokol to various officials and that he meets regularly with Mr. Molinaro. Who is Mr. Riggi?

A. John Riggi is a business agent of 394, which is the International Laborers and Hod Carriers of Elizabeth, New Jersey.

Q. And does Mr. Riggi also hold a position in an organized-crime family?

A. Yes, he does. Mr. Riggi is the under boss of the Sam DeCavalcante family and at the present time DeCavalcante is semi-retired in Florida and John Riggi is the acting boss of the DeCavalcante family.

- Q. And what are the present illegal activities of the organized-crime family known as the DeCavalcante family?
- A. The primary illegal activities would be labor racketeering, loan sharking, gambling, narcotics, but keeping in mind an organized crime field, that they will become involved in any illegal activities where they can make money and where there's a low-risk factor. Their objective is making money.
- Q. In what geographic areas around the state of New Jersey does the influence of the DeCavalcante family extend into?
- A. They're headquartered in Union county and basically a Central Jersey operation; Union County, Middlesex, Ocean, Monmouth and a few other counties.
- Q. Is Mr. Riggi considered to have power in the labor-union field beyond that of the power created by virtue of his position as a business agent with Local 394?
- A. Yes, he has. He has tremendous influence with -- throughout the labor movement.

Molinaro's Actual Duties

Major Dintino discussed the significance of Comillo Molinaro's activities, particularly his employment by an ostensibly legitimate dental care business:

- Q. Now, we heard testimony, as I said before, that Mr. Comillo Molinaro, meets on the basis of two or three times a month with Mr. Riggi. Based on that and other testimony before the Commission, is that significant to you in any way, based upon your expertise?
- A. Yes, it's very significant, because to me it would indicate that Mr. Molinaro would be an important figure within organized-crime circles to be reporting directly to the acting boss.
- Q. Now, you heard Detective Buccino's testimony that Mr. Molinaro admitted to him on one occasion that he was, in fact, a made member of organized crime. What does a made member of organized crime report to his boss when he meets him two or three occasions per month?

n A. Well, I would say that it would be several factors. Probably to bring money to the boss through the illegal activities that he's involved in; two, to report his activities to the boss; and, three, to take instructions from the boss.

Q. Now, again based upon your experience and expertise, what would be the purpose of having an organized-crime soldier on the payroll of an ostensibly legitimate business?

A. Well, I would say that there was probably about three reasons for that. I would say that a primary reason for that would be that it would be a corporation or enterprise where organized crime has someone fronting for him. It's really an enterprise controlled by organized crime. So in order to protect their interests, they want to place someone right within that business, corporation or entity.

Two. I would say that this would be a means of extracting exorbitant money from within that corporation through, say, consultant fees. They would use this individual as a consultant, it would be a means of skimming money from that corporation.

Three. I would say that where you have an organized-crime figure involved entirely in illegal activities, they may want to show some legitimate income so as not to have the I.R.S. come after them with a net worth investigation.

Molinaro and the Cleveland Mob

The relationship between Molinaro and the Cleveland mob was explained by Major Dintino:

Q. Now, you heard Mr. Molinaro's testimony read and in that testimony he admitted to a connection with Mr. Anthony Liberatore from Cleveland, Ohio. Are you familiar with the name Anthony Liberatore, and, if so, who is Mr. Liberatore?

A. Yes, Anthony Liberatore from Cleveland, Ohio. In 1937 he was arrested and convicted for the murder of two police officers and he served twenty years in prison. He was released somewhere around 1958 and then he became quite active in Local 860 in Cleveland, and as an organizer and later became business manager. He was elected as

business manager in that local.

Liberatore also is, and Cleveland, Ohio, is very close to the organized-crime faction, in fact, he's close to the crime chieftain in the Cleveland, Ohio, area.

Q. Now, Mr. Molinaro admits further to meeting with Mr. Liberatore from time to time. What would that signify to you?

A. It could signify a number of things. He, Molinaro, had testified that he was originally made a soldier in the Cleveland area. It could indicate that he is reporting to Libertore, that he comes under Libertore in the Cleveland area. It could also signify, Molinaro talked about loans from the Teamsters pension fund, that maybe there was some kind of a deal made between them and there's monies being carried by either Molinaro to Libertore or that he's going out to see Libertore to collect monies.

He also could be reporting activities to him or taking instructions from him. He could be a liaison between the Cleveland mob and the DeCavalcante-Riggi mob in this area.

Q. There's been testimony concerning John "Curly" Montana and the fact that his wife by the name of Rena set up the clerical procedures in one of the dental care facilities under examination in these public hearings. Who is John "Curly" Montana?

A. John "Curly" Montana, he is another organized-crime member from the Cleveland, Ohio, area, and formerly he was involved in an investment company called M.D.M. and he had a partner who was another organized-crime member named Pete DeGravio, who has since been slain in organized-crime fashion.

I think the interest you may have in Montana in April, '78, Mr. Montana was involved in Buffalo, New York, for theft of service; using a red box on the telephone to avoid long-distance charges. At the time of his arrest Montana was staying at the Statler Hilton Hotel suite which was leased by Hyman.

Q. We're not specifically interested in that little red box, are we?

A. No.

Q. But what is significant about that arrest?

A. The significance is that he was staying in a suite leased by Hyman.

The Rizzo Strangulation

The name of Carl Rizzo, a mobster from Buffalo, had been mentioned previously during the public hearing testimony. He had been associated with Dr. Jesse Hyman and, according to prior testimony, had been compensated by N.J. Dental Administrators, a Hyman-Resnick partnership and precursor to Metro Dental, the Sokol, P.A.'s administrative corporation. Major Dintino was asked about Rizzo:

Q. We have Detective Buccino's testimony again concerning Dr. Hyman and we have Mr. Ali's testimony concerning Dr. Hyman. We also have further testimony concerning Carl Rizzo and the fact that Carl Rizzo got a check for \$500 from Metro Dental Services, Inc. Who is Carl Rizzo?

A. Carl Rizzo, he's an organized-crime member from the Buffalo, New York, area. He received 500 a week consultant fees from the Hyman plan in Buffalo area and, in fact, he was instrumental in participating, in that Local 210 participating in Dr. Hyman's dental plan.

Q. You mean he had something to do with Dr. Hyman getting Local 210?

A. Yes, and, in fact, I think he negotiated the deal.

Q. Do you know what kind of local 210 union is? Do you know whether it's a Teamsters?

A. I believe it's a Teamsters, but I'm not sure.

Also, Rizzo was very close to the organized crime boss from the Buffalo area, Salvatore J. "Sam" Pieri.

Q. Now, where is Mr. Rizzo today?

A. He is dead today. He's buried.

Q. And when did he die and how did he die?

- A. Mr. Rizzo died. In April of this year, he was found in the trunk of his car. He was trussed up by rope with his hands and feet tied behind him with one loop of the rope going around his neck in such a manner so that he died a slow death of strangulation. He was trussed up in such a manner so that eventually his strength would give out and he would strangle himself by his throat pressing against the rope.

Basically, I think the important factor here is, in that area there was a few similar homicides like that and that in mob circles that is usually done to an individual that has really incurred the wrath of the mob, that he's done something really bad that they don't like, such as holding out or informing or whatever.

- Q. Now, you mentioned that he was found in the trunk of a car. Whose car was he found in?

A. Dr. Hyman's.

Major Dintino also was asked about certain organized crime figures who received "no charge" services at certain Sokol P.A. clinics:

- Q. There was testimony in this hearing concerning a no-charge list of one of the dental facilities involved and that free services were given to an individual by the name of Pasquale "Specks" Martirano; actually, that free optical care had been given to Mr. Martirano. Who is Mr. Martirano?

A. Pasquale "Patty Specks" Martirano is an organized-crime member from the Bruno family, which is now controlled by Phil Testa. He was under Antonio Caponigro, and since his demise he's now under Frank Sodano. He works the Down Neck area and he's basically involved in gambling and loan sharking.

- Q. Would he be considered a made member of organized crime?

A. Yes.

- Q. Of the rank of?

A. Well, he is -- we consider him the rank of soldier, but he is a very influential soldier.

- Q. You heard or there was further testimony of free optical care given to one Nicholas "Turk" Cifelli, C-i-f-e-l-l-i. Who is Mr. Cifelli?
- A. Mr. Cifelli is a made member of organized crime, and he, like Martirano, came under the Caponigro group and the Bruno family. And his main activity was loan sharking.
- Q. Do you recognize the name of Ray Rats Ferrara, F-e-r-r-a-r-a-?
- A. Yes, I do.
- Q. And who is Mr. Ferrara?
- A. Mr. Ferrara, he is a labor official with broad-based contacts throughout the labor field, and he is a close associate of organized crime figures such as Gerardo Catena and Tino Piumaro. He is a former vice-president of Local 1478 of I.L.A.

The Dixie Mob in Mississippi

Major Dintino's concluding testimony clarified the relationship of payments and associations by Sokol P.A. principals Stanley Resnick and Western Realty Company with D.J. Venus of Biloxi, Mississippi:

- Q. Do you recognize the name D.J. Venus?
- A. Yes, I do.
- Q. And how do you recognize that name, remembering that there was testimony in this hearing concerning a five-thousand-dollar check to D.J. Venus?
- A. D.J. Venus is considered a ring-leader of the Dixie Mafia. He's from the Gulf Coast, Biloxi, Mississippi. He is the owner of several shrimp boats. His occupation is supposed to be a fisherman. He travels extensively. He has traveled to New Jersey and places like Colombia, South America, and he is a close associate of Carlos Marcello, the organized crime chieftain of New Orleans.

Lawyer Dratch's Statement

Stephen Dratch of East Orange, as counsel to three witnesses at the Commission's public hearings, had sought repeatedly to

prevent their appearance by litigation in various state and federal courts both before and during the public hearings. His clients included Drs. Joel S. Sokol and Anthony Ferrara and Stanley Resnick. He had requested previously in the public hearing to be permitted to make a statement. As provided for in the SCI's enabling law, the Commission heard Dratch's statement at the conclusion of the taking of hearing testimony:

MR. DRATCH:

In late 1975 and throughout 1976 Dr. Sokol and Dr. Ferrara began to formulate a plan whereby high-quality professional dental services could be provided on a large-scale basis at an affordable cost. It was finally determined that the vehicle in which this objective could be obtained was through pre-paid dentistry on a capitation basis. Thereafter, negotiations ensued with health and welfare funds whereby these professional services were begun on a modified open-panel basis.

At the inception of this operation, the New Jersey Dental Association was invited to their offices for an explanation as to the theory and operation of this dental-delivery system. They also invited the New Jersey Dental Association's input and possible participation. However, the New Jersey Dental Association instituted litigation contending that the operation of this organization was in violation of the New Jersey Health Insurance Laws and the Dental Service Corporation Act of 1968.

In July, 1979, then Superior Court Judge Harold A. Ackerman ruled in favor of Sokol's organization and dismissed the association's suit. Judge Ackerman's decision was upheld on appeal and the New Jersey Supreme Court denied the association's application for review. As a result of that litigation, Sokol's organization was forced to go to a closed-panel plan.

In July, 1979, this Commission resolved to conduct an investigation into prepaid dental plans and other health-care plans. We have fully complied with this investigation by appearing for private testimony on several different occasions and turning over thousands upon thousands of pages of documents both from our professional and personal lives. This investigation has been continuing for the past 18 months and every aspect of our lives has been investigated by this Commission. However, never once in these 18

months has the Commission seen fit to inquire as to the nature and quality of the professional services rendered or whether the membership of the various groups is satisfied with these services. Moreover, the Commission has not done any analysis as to the amount of cost savings to these groups or whether the prepaid delivery system is as good if not superior to the traditional indemnity-type coverage.

Our plan now covers approximate 75,000 and its growth signifies these groups' desire to find alternative delivery systems. We feel that we have made dental services available to large groups who would otherwise not been able to obtain dental care.

During the course of this investigation it was determined that this Commission relied upon false certifications of its executive director in order to obtain testimony in private session. The Commission condoned the actions of its executive director. Though Judge Schoch ruled that this Commission could ratify the previously illegal and false resolution, the fact still remains the testimony was taken in an illegal fashion and that certifications were false.

Judge Schoch also held that this Commission has no power to advise witnesses that they may not disclose their testimony which was given in private session. This decision is now final, but yet the practice of the S.C.I. in threatening criminal prosecution if a witness discloses his testimony has been going on for the previous twelve years.

We believe that this Commission and its staff is terribly annoyed over this litigation and that their move to hold this public hearing at this time is to avoid the appellate court process. The Commission's tactics have been sloppy, overbroad and grossly careless. Many innocent people have been dragged through this process and we, of course, have been slandered and defamed by these actions. We and our families have undergone extreme anguish and cruelty without any legislative purpose in mind.

In closing, we feel this Commission has lost its integrity to conduct a fair investigation, but rather its efforts have been directed in trying to vindicate their own past wrongdoings.

The Commission's Closing Statement

Chairman Lane formally closed the public hearings with a brief statement that attested to the Commission's achievement of its investigative objectives and that acknowledged the contributions to the inquiry by both various law enforcement officials and agencies and the SCI's own staff:

THE CHAIRMAN: At the outset of these public hearings the Commission stated its purpose and outlined the proofs it intended to develop.

The voluminous testimony recorded here during the past four days confirms that the providing of essential dental care services to workers in northern and southern areas of New Jersey is being subverted to satisfy the greed of organized crime.

The Commission intends to continue its probing of the demonstrated depredations and will propose statutory and regulatory reforms to eliminate such abuses. We will submit proposals to the Governor and the Legislature of New Jersey as soon as possible.

As the Commission emphasized at the outset, these hearings were intended to expose and prevent mob-influenced abuses that permeate the closed-panel type of dental health-care plans. The Commission fully realizes that all professionally competent and honest dental practitioners, labor leaders and health care administrators share our adherence of the malpractices in this field. We are sure they also share our hope that the end result of our probe and hearings will be a more honest operation of such plans that puts the welfare of workers of this state ahead of excessive and questionable underworld cash rewards.

The Commission appreciates the expressed support for its inquiry from outside this state and is gratified by the investigative cooperation of numerous agencies such as the F.B.I., the Federal Organized Crime Strike Force and the United States Marshalls as well as by law-enforcement agencies in closeby Pennsylvania and New York with which the S.C.I. maintains constant and mutually beneficial liaison.

As might be expected, considerable evidence put into these public hearing records must be reviewed by the Commission for possible

reference to the Attorney General's office and the State Police. However, this is a customary activity by the S.C.I. at the completion of all of its activities and cannot be discussed beyond this brief comment.

The Commission additionally hopes that a bright light in the area of its investigation, a recent but still dormant law to control the operation of dental health-care plan organizations, will receive necessary funding to invigorate its enforcement. However, we believe this statute should be considerably strengthened to prohibit the still easy intrusion of underworld elements. The Commission also is hopeful that an effective supplement to the Federal Racketeer Influenced and Corrupt Organizations Law will soon be effectuated in New Jersey. Additionally, we intend to consider the proposal of measures to eliminate corporate overlapping and the juggling of corporate cash and check transactions that have become a too common curtain for the diversion of moneys from health care schemes to the mob.

Before concluding, the Commission wishes to compliment the many members of its staff who worked so hard and long in bringing our inquiry to a successful conclusion. These praiseworthy employees include Dick Hutchinson, Joe Corrigan, Frank Betzler, Kurt Schmid, Frank Zanino, Chris Klagholz, Julius Cayson, Greg Stasiuk, Cy Jordan, Wendy Bostwick, Debbie McCloughan, Michelle Wyks, Diana Vanderhoff and Carol Nixon and all others who helped us conduct these forums.

This series of public hearings now stands adjourned.

RECOMMENDATIONS IN DETAIL

PREFACE

In the introduction to this report (P.1) the Commission made the following observation:

The Commission's investigation did not involve recognized dental service or medical service corporations which generally operate in conjunction with the insurance industry and which have been under statutory regulation for some time. Rather, the inquiry was aimed at schemes that involved a complicated network of overlapping corporate entities set up to sell, finance and operate dental care programs for labor union members by means of alliances with elements of organized crime. A law designed to regulate the activities of prepaid dental plan "organizations" had been enacted early in 1980 to take effect in June, 1980. However, at the time of the Commission's public hearings this statute had not been implemented to any significant degree because of a lack of funding, according to State Insurance Department officials. During the course of the Commission's inquiry, it became evident that improvements in this law would have to be included in the SCI's subsequent reform proposals.

The law cited above is N.J.S.A. 17:48D-1 et seq. A product of the 1978-79 Legislature, it was approved by Governor Byrne on February 27, 1980, and took effect on June 1, 1980. Although it represented a landmark statutory regulation of dental plan organizations that undertake "to provide directly or to arrange for or administer one or more dental plans providing dental services," it had not been implemented to any significant degree by the time the Commission completed its investigation and public hearings on the subject in December, 1980. As a result, the public hearings provided an immediately available foundation of testimony and evidence on the misconduct of certain dental care organizations upon which to base proposals to make that law more efficacious.

The Commission's investigation also confirmed the infiltration by organized crime of the rapidly growing dental care phase of the health care industry in this state. The hearings identified such incursions of certain dental care plan organizations and brought these findings to public attention. Since such hearings under SCI law are designed to generate public demand and support for more adequate laws and more effective law enforcement, the Commission emphasizes its hope that the Legislature will now be encouraged to enact what could be a most effective statutory weapon in New Jersey's continuing battle against organized crime invasion of legitimate business -- a New Jersey state

law modeled after the Federal Racketeer Influenced and Corrupt Organizations (RICO) Act. Such a proposed law is indeed pending in the Legislature as the Assembly Judiciary Committee's substitute bill for A-1079.

This bill recites certain legislative findings that were graphically updated by the Commission's investigation and hearings, including the following:

-- Despite the impressive gains of our law enforcement agencies, organized crime and similar activities in this State are still a highly sophisticated, diversified and widespread activity that annually drains millions of dollars from this State's economy by unlawful conduct and the illegal use of force, fraud and corruption.

-- In recent years, organized crime and organized criminal type activity has spread to the operation of otherwise legitimate businesses.

-- In order to safeguard the public interest, effective criminal and civil sanctions are needed to prevent, disrupt and eliminate the infiltration of organized crime type activities ...into the legitimate trade or commerce of this state.

PROPOSAL #1

The SCI probe and hearing demonstrated not only the validity of such legislative findings but also the prevalence of organized crime's invasion of legitimate business. Therefore the Commission stresses the importance of its primary recommendation:

That a comprehensive New Jersey state RICO statute be approved by the Legislature and signed by the Governor as soon as possible.

PROPOSAL #2

In addition, the Commission has reviewed the existing law (N.J.S.A. 17:48 D-1 et seq) designed to regulate dental plan organizations in light of its investigative findings and public hearing revelations. While it has been determined that this statute, if fully implemented by the State Insurance Department, represents a substantial forward step in the control of such organizations, it obviously needs to be revised in order to more fully prohibit the practices bared by the SCI's probe. The following recommendations are designed to eliminate such practices by setting more stringent standards of professional conduct for dental plan organizations and by removing the

veil of secrecy that has cloaked the financial operations of such groups. These recommendations require full disclosure and close inspection of financial transactions of dental plan organizations and also address their alliances with "consultants," "finders" and other entities and individuals. They include the following amendments of the existing law and supplements to it:

-- Insert in 17:48D-2 (definitions) the following:

"Consultant" means a person who holds himself out as an advisor or in fact renders advice regarding the organization, financing, administration, or operation of dental service plan to individuals, employers, unions, trust funds or dental plan organizations.

"Finder" means an individual, partnership or corporation which brings together a dental plan organization with an individual, an employer, a union or a trust fund to attempt to affectuate a contractual relationship to provide dental services.

Comment

"Consultants" and "finders" have been added to the law's list of definitions because the Commission's investigation revealed that questionable activities of such enterprises in connection with dental plan organizations require that they be regulated. These regulations are included in proposed new provisions of this law that are listed on P. 367.

* * *

-- Revise Section 3-b to read:

Every dental plan organization utilizing in the aggregate the services of more than one fulltime equivalent dentist shall submit an application for a certificate of authority to the Commissioner. A dental plan organization submitting an application subsequent to the effective date of this act may not operate until the certificate of authority is issued.

The Commissioner shall act on a new application within 90 days of its submission.

Within 90 days of the effective date of this act as revised the Commissioner shall act on all pending applications for a certificate of authority of dental plan organizations, utilizing in the aggregate

the services of more than one full-time equivalent dentist, submitted prior to the effective date of this act as revised. A dental plan organization may continue to operate until the Commissioner acts upon its pending application.

* * *

-- Replace Section 3 c (9) with this provision:

Financial Statements audited by an independent certified public accountant as the result of a detailed examination of the dental plan organization's assets, liabilities and sources of funds. Such statements shall contain pertinent information necessary to fully disclose the terms and conditions of all liabilities of the plan, including the estimated cost for future services to beneficiaries and the means by which the plan intends to fund this future liability, and a full disclosure of the terms and conditions of all loans tendered to any member of the applicant's management, related parties or entities. Financial statements as required by this provision shall be attested to by a member of the applicant's management.

Comment

Section 3c (9) now reads: "Financial statements showing the dental plan organizations' assets, liabilities and sources of financial support. If the dental plan organization's financial affairs are audited by independent certified public accountants, a copy of the most recent regular certified financial statement shall satisfy this requirement unless the commissioner determines that additional or more recent financial information is required for the proper administration of this act." The Commission's recommended revision considerably strengthens this current provision in the law by:

1) Requiring the submission of certified financial statements by applicants, which the present statute does not require; 2) Considerably strengthening the requirement for data on both current and future liabilities of an applicant; 3) making specific (and setting a deadline for) an applicant's obligation to comply with the commissioner's request for additional information, and 4) mandating that all submitted financial statements be prepared and certified by an independent certified public accountant and attested to by a member of the applicant's management.

* * *

-- Add to Section 5 a (which lists the conditions that must be met to the satisfaction of the commissioner before the issuance of a certificate of authority), the following additional condition:

(10) The persons responsible for conducting the affairs of the dental plan organization have not been convicted of a crime of moral turpitude or have not been identified as a career offender or a member or associate of a career offender cartel in a manner as to create a reasonable belief that such association is inimical to the policies of this act.

Comment

This additional subsection is recommended to further assure the good character of an applicant for a certificate of authority in the same manner as recommended by the Commission for the strengthening of the conditions under which a certificate of authority may be revoked or suspended.

-- To Section 9 b, which reads:

No evidence of coverage or amendment thereto shall be issued or delivered to any person until a copy of the form of evidence of coverage or amendment thereto has been filed with the commissioner.

Add this provision:

Within 30 days of its issuance or delivery to any person the actual executed form of evidence of coverage or amendment thereto shall be filed with the commissioner.

Comment

This additional provision is recommended in order to assure that no actual contract executed by a provider organization deviates from the form of the contract as required by the law.

* * *

-- Revise Section 13 b (requiring annual reports and stipulating what they should cover) to include the following expanded subsection (1):

A certified statement of the dental plan organization's operations for the preceding year, including full disclosure of sources of funds received and disposition of funds expended and a certified balance sheet as of the last day of the year containing

details as to the terms and conditions of debts owed to plan by members or management, related parties and entities and other liabilities of the plan. Such a statement shall be certified by the independent certified public accountant who audited the plan's records and attested to by a member of the dental plan organization.

* * *

-- Add to section 16 a (which empowers the Commissioner to suspend or revoke certificates of authority under certain stipulated conditions) the following additional condition as subsection (7):

That any person who is responsible for the conduct of the affairs of the dental plan organization as defined by 17:48 D-3 (2) has been convicted of a crime of moral turpitude or has been identified as a career offender or a member of a career offender cartel or an associate of a career offender cartel in such a manner as to create a reasonable belief that such association is of such a nature as to be inimical to the policies of this act.

Comment

This additional subsection grants the commissioner authority to assure the good character of a dental plan operator or operators by including as causes for suspension or revocation of certificates of authority the conviction of a crime of moral turpitude and identification with organized crime according to the same "career offender" and "career offender cartel" language that is presently contained in New Jersey's Casino Gambling Control Law and Cigarette Licensing Law.

* * *

--From Section 18 (which provides for civil penalty of no more than \$1,000 for violations of or refusal to comply with this act) delete the following "exceptions":

"..except the failure to file an annual report and the failure to reply in writing to inquiries of the commissioner..."

* * *

-- The Commission recommends that Section 18 be further strengthened by increasing the range of civil penalties to a maximum of \$10,000 rather than \$1,000. A proposed new Section 18 would read:

Any dental plan organization which violates any pro-

vision of this act, or neglects, fails or refuses to comply with any of the requirements of this act shall be liable for a civil penalty of between \$500.00 and \$10,000 for each violation. The penalty may be sued for and recovered by the Commissioner in a summary proceeding pursuant to the "Penalty Enforcement Law" (N.J.S.A. 2A-58-1 et. seq).

-- Add the following criminal penalty provision to Section 18:

A willful misstatement or a willful omission of material fact required to be supplied to the Commissioner by any provision of this act shall be crime of the fourth degree.

* * *

-- Add to the law the following new provisions with regard to "consultants" as defined by the act:

A consultant as defined by this act is a fiduciary of the employer, union, trust fund or dental plan organization by whom he is employer. He shall receive no other compensation directly or indirectly as a result of his position as a consultant.

Within 30 days of employment as a consultant as defined by this act, a consultant must notify the commissioner of his name, principal business address, the group to whom he is a consultant, all present sources of income, and all past and present positions held as a consultant and his employer including all fees and remuneration received and to be received by the consultant. Within 90 days of the notice the commissioner may disapprove of the contract or employment of the consultant based on criteria to be set by the Commissioner.

* * *

-- Add to the law the following new provision with respect to "finder" as defined by this act:

A dental plan organization shall report the use or employment of all finders as defined by this act within 30 days of their use or employment. Any fee paid directly or indirectly by a dental plan organization to a finder shall be reported to the commissioner within 30 days. The commissioner shall regulate the fees paid to finders.

Comment

The Commission's investigation revealed that fees and other payments to "consultants" and "finders" in connection with dental plan organizations disguised the "skimming" of cash from such operations for diversion to organized crime and other unsavory elements. Conflicts of interest also were exposed when so-called consultants received fees for advisory activities and, whether or not advisory fees were paid, also fees for bring together a plan and a union health and welfare trust fund.

* * *

-- Add to the law the following requirement with respect to loan transactions:

The borrowing or loaning of funds by a Dental Plan Organization shall be limited in amount and condition to that done in a prudent businesslike manner with relation to the financial position of the dental plan organization, as prescribed by the Commissioner.

Comment

Marty Steinberg, Esq., who was chief counsel to the Senate Permanent Subcommittee on Investigations, gave revealing testimony as an expert witness at the SCI hearing on the utilization of loans in health care schemes. With respect to the above recommend law amendment, Counsel Steinberg testified:

The second most common scheme falls on fraudulent loans either from the union itself or from a trust fund...

Those persons who provided the actual services would be required to hire a consultant. Those consultants operated under various guises and various names...

In this particular case, the consulting firms were dummy corporations. They had no offices; they had no phones; they had no facilities; they provided no services. Their only purpose in life was to obtain that portion of the premium paid by the trust fund as a kickback and siphon that kickback off to those persons involved, mboth the labor racketeers and the organized crime figures who invented this scheme...

So that not only did they siphon out the money

through the kickbacks to the consultants, but they also used the false and fraudulent loans in this same scheme...

As an interesting sidelight, that company, that was a consulting company, made substantial loans to yet another company. All these loans were questionable. The loans were made to a company which was controlled by yet another organized crime figure who was recently convicted of this very event.

