

2011

Annual Report



Jeffrey S. Chiesa, Attorney General of New Jersey

This page was intentionally left blank



Dear Governor Christie, members of the State Legislature and citizens of New Jersey:

It is my privilege to serve you, and to lead the Department of Law and Public Safety as New Jersey's 59th Attorney General.

The Department of Law and Public Safety is a dynamic, forward-looking agency with a broad-based and vital mission.

In a very real way, the Department's work touches the lives of everyone who lives in New Jersey, works here or visits our state.

Of course, a major aspect of what we do involves fighting crime and keeping communities safe. But the Department's mission only begins there.

We have many other responsibilities including:

- protecting consumers from fraud
- preserving and promoting civil rights
- ensuring the integrity of New Jersey's casino gaming and horse racing industries
- promoting safe driving and enforcing State traffic laws to ensure the safety of motorists, passengers and pedestrians
- keeping alcohol away from minors and preserving the integrity of the alcoholic beverage industry
- pursuing affirmative litigation to protect children, safeguard our environment, protect the State's financial assets, and accomplish other important goals.
- working with our law enforcement and homeland security partners at every level to protect New Jersey residents – and the State's critical infrastructure – from terrorist attack

As a Department, our commitment is to a course of action, innovation, collaboration and, above all, public service. In the pages that follow, you will read about some of the Department's keynote accomplishments for 2011. I urge you to also visit the Web sites of our individual Divisions to learn more about our mission, and our work on behalf of New Jersey citizens.

Jeffrey S. Chiesa
Attorney General

Table of Contents

Division of Criminal Justice	2
Division of State Police	10
Division of Law	16
Division of Consumer Affairs.....	20
Division on Civil Rights	26
Division of Highway Traffic Safety	30
Division of Alcoholic Beverage Control	34
Division of Gaming Enforcement.....	38
Racing Commission	42
Juvenile Justice Commission.....	44
State Athletic Control Board	48



Division of Criminal Justice

New Jersey's unified, integrated system of law enforcement is unique in the nation. The Criminal Justice Act of 1970 designated the Attorney General as the Chief Law Enforcement Officer of the State. The Division of Criminal Justice has the original jurisdiction of the Attorney General to investigate and prosecute criminal offenses of statewide significance. In addition to its direct law enforcement operations, it provides oversight and coordination within New Jersey's vast law enforcement community. The mission of the Division of Criminal Justice is to protect the residents of New Jersey by helping to coordinate and enhance the operations and policies of law enforcement at all levels – state, county and municipal. More information about the Division is available at www.nj.gov/oag/dcj.



Overview

Reorganized to address emerging crime trends while maintaining effectiveness against perennial threats, the Division charged 891 new defendants in 2011, obtaining indictments in a number of high-profile public corruption cases. The Division also prosecuted street gangs and other criminal enterprises for narcotics and weapons trafficking, as well as acts of violence. In addition, it targeted traditional organized crime in ongoing prosecutions related to a multi-billion dollar, international criminal gambling enterprise, and a scheme to shake down dock workers at the Port of New York and New Jersey. In April 2011, the Division reorganized by creating the Financial & Computer Crimes Bureau, consisting of the following specialized areas: major financial crimes, tax prosecutions, mortgage fraud, criminal and civil anti-trust enforcement, securities fraud, money laundering, computer crimes – including child pornography and Internet predators – and forfeiture, civil racketeering and civil remedies. A new Specialized Crimes Bureau was created to address the areas of motor vehicle offenses, environmental crimes, bias crimes, casino-related crimes, labor crimes, alcoholic beverage control offenses, and cargo theft and counterfeiting offenses. The new bureaus and their predecessor, the Major Crimes Bureau, filed 403 new cases in 2011. Going forward, the realignment will ensure the most efficient use of personnel and resources in these emerging areas. The Office of the Insurance Fraud Prosecutor opened 302 new cases in 2011 – triple the number opened in 2009.

Prosecuting Public Corruption

The Corruption Bureau filed 42 new cases against 60 defendants in 2011. It indicted former Middlesex County Sheriff and Middlesex County Democratic Chairman Joseph Spicuzzo, along with two subordinates in the Sheriff's Office, on charges they engaged in a jobs-for-cash scheme. Spicuzzo is accused of collecting \$112,000 in bribes from people seeking positions or promotions in the

Sheriff's Office. In April, the Bureau secured an eight-year prison sentence against former Assemblyman and Perth Amboy Mayor Joseph Vas, who pleaded guilty to charges that he received \$25,000 in free home improvements from a city vendor; had a vendor pay, and secretly charge the city, for a \$58,000 catering bill; illegally funneled money into his congressional campaign via straw donors; rigged a public housing lottery; and used \$5,000 in city funds for personal expenses. Vas was ordered to pay more than \$400,000 in penalties and restitution. In June, the Bureau indicted three former high-level administrators and a shop foreman employed by the Passaic Valley Sewerage Commission for allegedly directing subordinates to work on the private homes of the administrators, or people close to them, while the subordinates were on duty for the PVSC. Also in June, the Bureau indicted a suspended senior engineer for the New Jersey Department of Transportation and an alleged accomplice on charges of soliciting a railroad company to fraudulently inflate the cost of a state-funded railroad project and pay them \$325,000 in bribes.

In December, former Hoboken Parking Utility Director John Corea pleaded guilty to official misconduct in connection with the theft of \$600,000 in parking meter funds by a Toms River contractor. The Corruption Bureau will recommend that Corea be sentenced to eight years in prison, including three years of parole ineligibility. The contractor also pleaded guilty and faces a recommended sentence of seven years in prison. Each man must pay \$300,000 in restitution. The former Director of the Passaic County Garage, Paul Mariano, pleaded guilty to a charge of official misconduct and was sentenced to four years in prison in May for stealing a large amount of cash found hidden in a car that was seized by law enforcement, as well as an engine from a second vehicle. In February 2011, the former director of the physical plant at the University of Medicine and Dentistry of New Jersey, Frank Watts, was sentenced to three years in prison for accepting expensive gifts from a contractor to whom he steered numerous university contracts. In October, an engineer for the Westfield, Tinton Falls and Scotch



Plains-Fanwood school districts, Kenneth Disko, pleaded guilty to a second-degree charge of making false representations for a government contract. He faces a sentence of three to five years in prison. Two contractors and the former business administrator for the Westfield School District also pleaded guilty in the same investigation.

In January, three managers of Laidlaw Transit Services, Inc., were indicted for allegedly falsifying records and invoices to overcharge Burlington County for transportation services, including services for the elderly and disabled.

The Corruption Bureau also filed and prosecuted several major cases involving defendants who stole from government assistance programs. In October, a former clerk for the Newark Women, Infants and Children (WIC) nutrition program pleaded guilty to first-degree money laundering for conspiring with others, including two other WIC employees who previously pleaded guilty, to issue more than \$1 million in fraudulent WIC vouchers. The vouchers were ultimately deposited into the bank accounts of more than 20 WIC-authorized vendors throughout New Jersey. Eight middlemen and vendors have also pleaded guilty and face state prison sentences of up to 10 years. The remaining 14 vendors were indicted in November on charges including first-degree conspiracy and money laundering. Two local administrators of the NJ Home Energy Assistance Program were sentenced to prison and a third was sentenced to jail in 2011 for fraudulently issuing low-income heating assistance checks and benefits to themselves or family members. A total of five local HEA administrators responsible for fraudulently issuing more than \$100,000 in HEA benefits, as well as a Paulsboro-based heating oil supplier, have been sent to prison or jail as a result of the investigation. In September, Elizabeth School Board President Marie Munn and the spouses of two other school district officials were charged with theft by deception and tampering with public records for allegedly falsifying income information on applications for free or reduced lunches for their children.

Fighting Gangs & Organized Crime

The Division's Gangs & Organized Crime Bureau filed charges in 107 new cases in 2011 and obtained a number of important convictions that put gang members and other violent criminals behind bars for extended terms. In February Michael Anderson, the leader of the Nine Trey Headbustas set of the Bloods, was sentenced to 20 years in state prison, including 10 without possibility of parole, as a result of Operation Broadway, an ongoing prosecution stemming from an investigation by the Division and the HIDTA (High Intensity Drug Trafficking Areas) Joint Camden Task Force. A Camden man, Manfred Younger, was sentenced to 78 years in prison after being tried in May and convicted of murdering a 24-year-old woman who was caught in the crossfire of a botched hit in Camden. The Bureau teamed with the Monmouth County Prosecutor's Office in the trial and conviction in February of Quemere McClendon on charges of felony murder, conspiracy and weapons offenses in the slaying of Keith Mason in Long Branch in 2006. McClendon was sentenced to 55 years in prison, including 40 years of parole ineligibility. A co-defendant, Darnell Stovall, pleaded guilty in May to aggravated manslaughter and other charges, and faces 22 years in prison – including more than 18 years with no possibility of parole.

Richard Jenkins pleaded guilty to aggravated manslaughter and conspiracy to commit murder in the 2005 killing of a Trenton man, Otis Jones, who was gunned down because he showed disrespect to members of the Gangster Killer Bloods. Jenkins faces a sentence of 15 years in prison, including nearly 13 years without possibility of parole. Jenkins was charged along with the leader of the Gangster Killer Bloods in Trenton, Bernard Green, aka Petey Black, and 12 other gang members in a racketeering indictment stemming from Operation Capital City, a joint investigation involving the Mercer County Prosecutor's Office, Trenton Police and the New Jersey State Police. Green is also charged in the Jones murder. As a result of the racketeering indictment, the

imprisoned Trenton leader of the Nine Trey Gangsters, Robert “Snoop” Christie, pleaded guilty in June to possession of a handgun as a convicted felon and was sentenced to an additional five years in prison without possibility of parole. In May a Trenton man, Trayle Beasley, was sentenced to 12 years in prison for trafficking more than 50 guns from Virginia to New Jersey, including an AK-47 assault rifle, to sell to gang members.

Two members of the Nine Trey Headbustas were sentenced to prison in March 2011 for the gang-related murder of Devin Thompson in New Brunswick in 2008. Syree Hakins was sentenced to 16 years in prison, 13 without parole, and Tyrane Mathas was sentenced to 12 years in prison, 10 without parole, as a result of a multi-agency investigation called Operation Hardhat. In November, the Bureau obtained an indictment charging the reputed leader of the Netas street gang in Perth Amboy, Danni Rivera, and a second alleged gang member with first-degree kidnapping for their roles in a kidnapping in which a young man was beaten, taken to a motel in Sayreville, and held at gunpoint. In March 2011, a suspended senior state correction officer, Eugene Braswell, pleaded guilty to charges of first-degree cocaine trafficking and second-degree official misconduct filed by the Bureau as a result of a joint investigation with the State Police. Braswell faces 15-to-20-years in prison as the leader of a drug ring that trafficked 22 kilos of cocaine from Texas to New Jersey. Five co-defendants pleaded guilty and were sentenced in July to terms ranging from seven-to-15-years in prison. An Irvington man, Roy Winston Harte, was convicted at trial in October for his role in a drug ring that shipped more than 500 pounds of marijuana from Arizona to New Jersey using UPS and FedEx. He was sentenced to 12 years in prison, including six years of parole ineligibility. The Bureau obtained guilty pleas from four co-defendants, each of whom received sentences ranging from 10 to 18 years in prison. The charges stemmed from a joint investigation involving the New Jersey State Police and the Arizona Department of Public Safety.

The Gangs & Organized Crime Bureau obtained new indictments in investigations involving major drug trafficking networks. The Bureau obtained a first-degree racketeering indictment in November in Operation City Wide, charging 14 defendants as members of a drug ring with ties to the Bloods that sold cocaine, heroin and PCP in Camden. In May, the Bureau obtained an indictment charging 13 leaders and members of a drug trafficking ring that distributed PCP and heroin in a violent section of Jersey City. That indictment stemmed from a joint investigation called Operation Wetlands by the State Police, Jersey City Police Department, Division of Criminal Justice, Hudson County Prosecutor's Office and the U.S. Drug Enforcement Administration. In October, the Bureau indicted 12 defendants, including the alleged head, suppliers and other members of a drug ring that distributed heroin and cocaine in two violent Newark neighborhoods, as a result of an investigation known as Operation Red Storm. Red Storm involved the Boonton and Newark police departments, the state Department of Corrections and State Police. The Bureau also obtained numerous guilty pleas in 2011 in connection with Operation Empire, an investigation that yielded indictments the prior year related to the smuggling of wireless phones and narcotics into Northern State Prison by Corrections Officer Luis Roman. Roman pleaded guilty in April 2011 to racketeering and official misconduct. He faces a recommended sentence of 14 years in prison, including five with no possibility of parole. Fifteen out of 19 racketeering defendants in the case have pleaded guilty for their role in the smuggling of illegal drugs and contraband, and 15 out of 16 customers who received the smuggled materials have pleaded guilty.

In its continuing effort to target traditional organized crime, the Bureau in February indicted a top official of the International Longshoremen's Association, Nunzio LaGrasso, as well as a Newark police officer and a third man. The three were indicted in connection with Operation Terminal, a joint investigation by the Division and the Waterfront Commission of New York Harbor into alleged extortion of money from dock workers at the Port of New York and New Jersey. In November, the Bureau obtained guilty pleas from two other defendants



who had been indicted separately. One of those men, Joseph Queli, pleaded guilty to money laundering and conspiracy to commit criminal usury. He faces a sentence of seven years in prison under a plea agreement. The Bureau also continued its prosecution of 32 alleged leaders, members and associates of the New York-based Lucchese crime family on charges of first-degree racketeering, conspiracy and money laundering. They were indicted in 2010 for allegedly running an international criminal gambling enterprise that involved billions of dollars in wagers, primarily on sporting events, and relied on extortion and violence to collect debts. In December 2011, the Bureau took custody of Frank Cetta, a fugitive who was arrested in Costa Rica, where he allegedly ran an offshore “wire room” that served as a hub for the gambling operation.

Financial & Computer Crimes/ Specialized Crimes

The newly formed Financial & Computer Crimes Bureau filed major cases in 2011 targeting financial fraud and computer crimes, including cases involving computer theft, child pornography and Internet predators. In the area of financial fraud, the Bureau obtained an indictment charging a lawyer, Michael Kwasnik, with stealing more than \$1 million from an elderly Cherry Hill woman who had hired him for estate planning purposes. The Bureau charged Kwasnik in a second indictment with stealing \$324,000 from a personal injury settlement that his law partner had recovered for a married couple. The State also filed a civil lawsuit charging Kwasnik, his father and others with engaging in a fraudulent scheme in which 73 investors, most of them elderly, lost \$8.5 million. Another lawyer, Amodeo Gaglioti of Westfield, was indicted by the Bureau on charges he stole \$189,660 in closing funds entrusted to him as the settlement agent for a home sale. The Bureau also indicted an alleged New Jersey con artist and his Canadian partner on charges they posed as investment bankers and financial advisors to steal more than \$500,000 from clients who were promised millions of dollars in venture capital.

In June 2011, the Bureau indicted three men and their companies, including PRP Enterprises, on first-degree conspiracy and money laundering charges for allegedly defrauding five freight brokers out of \$2.6 million through an elaborate shipping scam. The Bureau secured six-year prison sentences against two men in 2011 who pleaded guilty to conspiring to steal more than \$390,000 by filing 151 fraudulent state and federal tax returns. In April, the Bureau indicted six men on charges they stole more than \$2.6 million from lenders by filing fraudulent mortgage loan applications. In January the Major Crimes Bureau, predecessor to the Financial & Computer Crimes Bureau, secured a 12-year prison sentence against mortgage broker Ronald P. Mas Jr., who stole \$3.8 million in funds from various mortgage lenders. Mas was supposed to use the money to pay off mortgages and other obligations for real estate closings, but instead used it to make investments in his personal Ameritrade account. Under a plea agreement, Mas was required to pay full restitution to the lenders. The Major Crimes Bureau obtained a nine-year prison sentence in January against a Bergen County man, Samuel Serritella, who pleaded guilty to defrauding investors of \$1.7 million by selling unregistered shares of stock in his start-up horseshoe manufacturing company and misappropriating investor funds for his personal use. He must pay full restitution.

The Computer Analysis and Technology Unit within the Financial and Computer Crimes Bureau handled a number of important prosecutions in 2011. In one case, a five-year prison term was secured against Daniel Goncalves, who pleaded guilty to stealing a company’s Internet domain name and selling it over eBay for more than \$110,000 to an unsuspecting buyer, in what is the first known conviction for a domain name theft. The Unit also obtained a guilty plea from a Madison Borough police officer, James Haspel, who was sentenced in December to six years in prison for soliciting a nude photo online from a person he believed was a 13-year-old girl but who was, in fact, an undercover detective of the State Police Digital Technology Investigations Unit.

The new Specialized Crimes Bureau also pursued significant cases. In December, it unsealed indictments charging 40 people – including six former state Motor Vehicle Commission clerks, 21 customers and 13 brokers and other intermediaries – with participating in criminal rings that illegally sold New Jersey digital driver's licenses to unauthorized persons at five local motor vehicle agencies in Lodi, East Orange, Edison, Jersey City and North Bergen. In September, the Specialized Crimes Bureau indicted a Newtown, Pa., man on charges that, while serving as CEO of two Burlington Township manufacturing companies owned by his wife's extended family, he stole more than \$2.3 million from the companies through various schemes. The CEO's wife was charged in connection with more than \$1.2 million of her husband's alleged thefts.

Office of the Insurance Fraud Prosecutor

The Office of the Insurance Fraud Prosecutor (OIFP) filed 302 new cases in 2011, including cases charging licensed professionals with defrauding the Medicaid program, private insurers or clients. In August, Daniel Trolaro, a former North Jersey insurance agent, securities dealer, and certified financial planner working for the Prudential Insurance Company of America, was sentenced to six years in prison for defrauding nine clients out of more than \$1.9 million and using their money to gamble online. Prudential was awarded a consent judgment against Trolaro for more than \$2 million, and he was ordered by the court to pay \$75,000 in restitution. In July, OIFP arrested 11 people, including three chiropractors licensed in New Jersey – Scott Greenberg, Christopher Montana and Fernando Barrese – for their alleged roles in two separate schemes involving illegal “runners.” The runners were used to recruit patients whose “treatment” would facilitate insurance fraud. In September 2011, Louis Lisi was sentenced to 22 years in prison, with nine years of parole ineligibility, for leading a narcotics ring that defrauded Medicaid and unlawfully distributed prescription pain pills (OxyContin, Percocet) on the black

market in Hudson, Bergen, Ocean, Morris, and Monmouth counties. A co-defendant, Dr. Clifton Howell, pleaded guilty to a charge of health care claims fraud. He was sentenced to three years in prison and ordered to pay \$101,281 in restitution. Howell admitted to knowingly causing a claim to be submitted to the Medicaid program for a prescription drug dispensed to a Medicaid beneficiary, when in fact the prescription drug was not dispensed to the intended individual. The charges stemmed from Operation MedScam, a joint investigation by OIFP's Medicaid Fraud Control Unit and the Jersey City Police Department's Special Investigation Unit. To date, OIFP has secured 34 convictions and recovered more than \$500,000 for the Medicaid program and law enforcement through the investigation.

In August, home health aide Yvette Bullard was indicted on charges that, while employed by a home health care agency in Brick, she stole \$144,950 from an elderly woman. In November, two pharmacists pleaded guilty to third-degree Medicaid fraud for their roles in a lucrative scheme in which pharmacy owners and employees bought completed prescription forms for expensive HIV/AIDS drugs from indigent patients so Medicaid could be billed for drugs that were never actually dispensed. Nadeen Akhtar, a licensed pharmacist, admitted that he offered bribes to Medicaid beneficiaries to induce them to bring their prescriptions to Orange Drugs. Omar Mohammad, also a licensed pharmacist, admitted to knowingly submitting claims to the Medicaid program for drugs that were not dispensed. These guilty pleas were part of Operation PharmScam, in which six pharmacies and two medical clinics in Jersey City and Newark were charged with participating in a multi-million dollar Medicaid fraud conspiracy. The investigation identified more than 25 co-conspirators, including pharmacists, doctors, physician assistants, pharmacy technicians, and Medicaid beneficiaries.

OIFP's Medicaid Fraud Control Unit participates in state and federal “global” civil cases pursuant to the federal False Claims Act when corporate defendants knowingly present or cause to be presented a false or fraudulent claim to the federal Medicaid



program. In 2011, OIFP personnel led the national team that negotiated a False Claims Act with Kos Pharmaceuticals, a subsidiary of Abbott Laboratories. The national agreement resolved allegations that Kos engaged in off-label marketing of its cholesterol treatment medications Advicor and Niaspan, and offered illegal kickbacks to physicians and other medical professionals, physician groups, and managed health care organizations to prescribe or recommend these drugs. The total national civil settlement with Kos exceeded \$38 million. In 2011 the Medicaid Fraud Control Unit recouped for the New Jersey Medicaid Program more than \$21.7 million in state and federal dollars via its participation in 11 federal False Claims Act settlements. New Jersey's largest settlements of more than \$1 million each were reached with GlaxoSmithKline, Novartis Pharmaceuticals, Schwarz Pharma, Forest Laboratories, Elan Pharmaceuticals/Eisai Pharmaceuticals, and Ortho-McNeil Pharmaceuticals. An additional \$2.8 million is expected to be paid to New Jersey in 2012 by Maxim Health Services following a False Claims Act settlement reached in 2011.

Other Initiatives

The Division of Criminal Justice played an integral role in a number of key, public-safety-related initiatives announced by the Attorney General's Office in 2011. Substantial revisions to the Attorney General's Internal Affairs Policy & Procedures were made to ensure that complaints against law enforcement officers in New Jersey are thoroughly investigated and monitored by police departments and the county prosecutors, and that individual cases of misconduct and potential patterns of abuse are appropriately addressed. In July, the Attorney General's Office announced a number of stringent reforms designed to curtail the improper prescription, distribution, possession and usage of anabolic steroids, Human Growth Hormone (HGH) and Human Chorionic Gonadotropin (HCG) among law enforcement personnel and state and local employees. The reforms followed an assessment by a study group that was tasked to examine law enforcement drug testing policies, the role physicians

may play when these drugs are improperly dispensed, the need for greater insurance and prescription monitoring, and the cost to the public. In September, the Attorney General's Office announced a new Memorandum of Agreement to be executed by school districts and law enforcement agencies to enhance harassment-related school policies and procedures, and to protect students from bullying under the provisions of the Anti-Bullying Bill of Rights Act. The revised MOA provides for coordination of efforts between law enforcement and school officials, particularly in cases involving conduct that may constitute a crime or disorderly persons offense. In 2011, the New Jersey Victims of Crime Compensation Office continued its commitment to providing quality services to innocent victims of crime by awarding \$10 million to victims. In addition, the Division distributed nearly \$3.6 million to more than 500 New Jersey law enforcement agencies to buy body armor vests for officers.

Appellate Victories

The Division's Appellate Bureau won significant victories that continued to shape state law in important areas related to law enforcement including:

[Amaya v. State of New Jersey:](#)

A federal judge granted the State's motion for summary judgment and upheld the constitutionality of New Jersey's money laundering statutes in a published opinion. The court found that the New Jersey statutes were not vague or overbroad, did not violate the Commerce Clause, and that the inference in the statutes was permissive and therefore constitutional. The U.S. Third Circuit Court of Appeals subsequently upheld the federal judge's finding on behalf of the State.

State v. Steele:

The Appellate Division, in a published opinion, held that the plain language of the new mandatory pension forfeiture statute mandated the forfeiture of “all” of the portion of the defendant’s pension that he earned as a member of the retirement fund he participated in at the time he committed the offense and that covered the position involved in the offense. The court rejected the trial court’s determination that it had the discretion to limit the forfeiture.

State v. Dorio:

The Appellate Division, in a published opinion, affirmed defendant’s convictions arising from a Division of Criminal Justice prosecution for his role in a planned bankruptcy or “bust-out” scheme. The court found, as the State had argued, that the indictment against defendant Dorio was returned within the statute of limitations period. ■



Division of State Police

Members of the State Police work to protect the general public by providing statewide police services including highway and marine patrols, criminal investigation and enforcement, intelligence gathering, disaster management, homeland-security-related initiatives, emergency medical transport, forensic science, laboratory services, and maintenance of criminal records and crime data. The State Police is organized geographically into various “Troop” areas that are further delineated into sections, units and bureaus that provide for intensified focus on such issues as street crime and violence, drug trafficking and other forms of organized crime, disaster response, cyber-crime, casino crime, and domestic preparedness. The State Police employs traditional law enforcement strategies in conjunction with new approaches and cutting-edge technology to most effectively deal with such threats as illegal drug distribution, violent gang activity, official corruption, Internet predators and identity theft. More information about the State Police is available at www.njsp.org.



Violent Crimes Bureau/ Fugitive Unit

■ **Arrest of Lakewood Police Officer's Killer:** As the result of a multi-jurisdictional task force effort led by the State Police Mobile Deployment

Initiative, accused police killer Jahmell Crockam was arrested in Camden city on January 16, 2011. Crockam was wanted in connection with the shooting murder of Lakewood Police Officer Christopher Matlosz two days earlier. Members of the State Police worked with local, county and federal law enforcement partners during 38 hours of intensified police work to learn the whereabouts of Crockam, a member of the Bloods street gang, and capture him.

■ **Arrest of Accused Killers Who Fled to Cuba:** In April 2011, the Fugitive Unit began aiding in the search for Damien Leo, Denis Catania and

Dianna Camacho, three suspects wanted in connection with the killing of 23-year-old Ross Heimlich in 2010. As the result of an intensified manhunt, Leo was arrested in Philadelphia. However, Catania and Camacho had fled by then to Cuba.

Through the efforts of the Fugitive Unit, working with the U.S. Department of State and the U.S. Marshall's Fugitive Task Force, both Catania and Camacho were ultimately taken into custody in Havana and returned to New Jersey for prosecution in the Heimlich killing. Heimlich, of Voorhees, suffered blunt force trauma. His body was found in a burning car in Hammonton in September 2010.

Cargo Theft Unit

■ **Reynaldo Su Cargo Theft Ring:** Unit members following up on information they'd developed arrested three suspects at a recycling facility in Hackensack on charges of receiving stolen property and fencing. The three were charged in connection with the sale of portions of \$550,000 worth of copper tubing stolen from a warehouse in Carteret. Subsequently, one of the suspects told Troopers he operated a warehouse in North Bergen, and would grant consent to search it. Unit members then searched the warehouse and found the remainder of the copper tubing – a total of 55 pallets had been stolen – as well as five trailer

loads of stolen wine and liquor, CVS pharmacy products, FUBU shoes and jeans. Delmonte canned goods and roofing supplies valued at \$650,000 were also recovered, and returned to the victim companies.

■ **Counterfeit Manufacturing Arrests:** After arresting several suspects for selling counterfeit items at the Columbus Flea Market in Burlington County, the Cargo Theft Unit learned of a counterfeit manufacturing warehouse in Passaic City. As a result, Troopers ultimately searched the warehouse and found 20,000 pieces of finished, counterfeit clothing items valued at \$1.6 million, as well as hundreds of thousands of labels, packaging and blank clothing. In addition, two, 2-head embroidery machines used to sew the counterfeit markings on the blank clothing were also seized. Troopers later arrested the owner-operator of the warehouse on charges of trademark counterfeiting.

Computer Crimes & High Technology Surveillance Bureau/ Digital Investigations Unit

■ **Operation Phoenix:** As the result of a State Police digital technology investigation, a 26-year-old Bridgeton man and a 20-year-old Winslow Township woman were arrested, and ultimately indicted, in 2011 on charges of photographing a sexual act involving children.

In a connected case, a woman from Cape May County was arrested and later indicted on charges related to her alleged performing of oral sex on an infant. Charged in the first case were Gary T. Cramer of Bridgeton, and Rachel L. Baker of Winslow. Cramer and Baker were indicted in June 2011 on charges of aggravated sexual assault, endangering the welfare of a child and possession of child pornography. The charges related to allegations that Baker, at Cramer's urging, used her cell phone to photograph a girl and boy engaged in a sexual act, and then transmitted the photo to Cramer. Cramer and Baker were charged with five additional counts of endangering the welfare of a child, including possession and distribution of child pornography, in connection with



other alleged pornographic photos of the girl. In the related case, Stephanie Bennett, 24, of Woodbine, was charged with aggravated sexual assault and five counts of endangering the welfare of a child. Using her cell phone, Bennett allegedly made a video of herself performing oral sex on an infant boy and shared it with Cramer. As part of the investigation, the State Police Digital Technology Investigations Unit worked with State Police detectives at the Woodbine Station and one of the suspect's cellular providers. A laptop computer and cell phones seized as part of the investigation were analyzed at the Regional Computer Forensic Laboratory at the Hamilton (Mercer County) Technology Center.

Casino Gaming Bureau/ Financial Crimes Unit

■ **Credit Card Theft/Conspiracy:** The Financial Crimes Investigation Unit began an investigation into a large-scale credit card fraud operation in 2011. Investigation revealed that 19 persons utilized stolen credit card numbers to commit more than \$350,000 worth of credit card theft at Global Cash Access terminals within the Atlantic City casinos. As of this writing, 17 people have been indicted on criminal charges related to the credit card fraud operation, and are awaiting trial.

Intelligence Section

Organized Crime Control Bureau/North

■ **Bloods-Related Heroin Mill Dismantled:** In June 2011 State Police assigned to the Drug Trafficking North Unit were able to identify an active heroin mill in Guttenberg that was supplying much of the heroin allegedly being sold by drug dealers tied to the Bloods street gang in and around Newark.

Following extensive investigation, Troopers arrested five men on charges related to the manufacture of approximately 2,000 bricks of heroin per week. Also arrested were Alexis Alba and Elvis Paulino, two men alleged to have been distributing the heroin manufactured by the heroin mill. Recovered during a search of the heroin mill were 1.5 kilos of heroin valued at \$75,000, one pound of crystal

methamphetamine valued at \$65,000 and more than \$9,000 cash. Additional items seized in the search included grinders, cutting agents, glassine bags, stamps and other materials used in the manufacture of narcotics.

■ **Operation Fourth Down:** During 2011, the State Police Street Gang North Unit launched an investigation into the narcotic distribution activities of a Fruit Town Brims set of the Bloods Street Gang. The Fruit Town group was operating within the Fourth Ward in Paterson, and had prompted numerous citizen complaints about violence and narcotics distribution activity. Ultimately, the investigation expanded to include a wiretap, and resulted in the arrest of 178 people for various drug and weapons offenses. Seized as a result of nine related search warrants were nine vehicles, eight firearms, more than 5,000 decks of heroin and various quantities of crack cocaine, marijuana, ecstasy and xanax, as well as nearly \$8,000 cash.

Organized Crime Control Bureau/Central

■ **Operation Southern Draw:** Following an extensive investigation that culminated in April 2011, the Weapons Trafficking Unit of the Organized Crime Control Central Bureau broke up a gun-trafficking, car-jacking and document fraud network operating in central New Jersey. As a result of the effort, seven people were arrested on multiple weapons trafficking charges, carjacking, fraud, theft, receiving stolen property and conspiracy.

Troopers also recovered two stolen cars and seized 13 pistols, an Uzi submachine gun, a rifle, ski masks, burglary tools, computers used to create fraudulent documents, and approximately \$800,000 in U.S. currency.

Intelligence gathered during the investigation revealed that a suspect had been trafficking guns from the Fayetteville, N.C. area since 2003. The same suspect also had been using family members to gather firearms in North Carolina for sale to street gang members operating in Newark. The investigation also exposed a

group of individuals who, in addition to being engaged in weapons trafficking, were involved in carjacking and identity theft.

■ **Marijuana Cultivation Arrests:** In January 2011, the Drug Trafficking Central Unit developed information that a marijuana cultivation facility was operating in Franklinville, Somerset County. Surveillance revealed that another possible marijuana cultivation facility was located in Monroeville. Based on information learned through their surveillance, State Police detectives conducted searches that resulted in the seizure of more than 400 marijuana plants valued at \$816,000, packaged marijuana and more than \$10,000 in U.S. currency. Seven suspects were arrested. In December 2011, members of the Drug Trafficking Central Unit developed information that a house in East Orange was being used as a possible marijuana cultivation facility. Information gained through surveillance provided probable cause for a search, which resulted in the seizure of 307 marijuana plants along with an additional four pounds of raw marijuana. Three suspects were arrested.

■ **Alleged Weapons Trafficker Arrested:** During October 2011, Street Gang Central Unit members received information from a confidential informant regarding the illegal weapons activities of Tamano Macalbe of Middletown. According to the informant, Macalbe was actively trafficking weapons to gang members in central New Jersey. During the course of the investigation, State Police detectives allegedly made several undercover purchases of assault weapons, handguns and ammunition from Macalbe. After Troopers learned of numerous alarming statements allegedly made by Macalbe about seeking armed conflict with law enforcement – and he was observed carrying a firearm. – the Street Gang Central Unit made a decision to arrest Macalbe. On December 13 Macalbe was arrested without incident at his home. State Police seized two handguns and several hundred rounds of ammunition from Macalbe's car, and from his home seized a loaded 9mm handgun, several hundred rounds of ammunition, military body armor and a small quantity of marijuana.

Organized Crime Control Bureau/South

■ **Operation Jump Start:** Twenty-eight people were indicted on racketeering-related charges as the result of a long-term investigation by the State Police Crime Suppression South Unit focused on drug distribution activity in and around Camden City. As a result of the investigation – dubbed Operation Jump Start – Troopers were able to identify and dismantle a large-scale, multi-kilogram international drug trafficking network that had been distributing cocaine, heroin, crack cocaine and marijuana. Seized during the investigation were 17 ounces of cocaine, 420 grams of heroin, 20 pounds of marijuana, four ounces of crack cocaine and 733 decks of heroin. In addition more than \$500,000 in U.S. currency and assets were seized, along with seven handguns (including a stolen State Police firearm), one shotgun, 11 vehicles, one boat, four properties and six bank accounts.

Other Highlights

■ **151st State Police Recruit Class:** On August 15, 2011, the State Police Training Bureau's Law Enforcement Science Unit began training the 123 recruits of the 151st State Police Class. Factoring in projected attrition, the class was expected to add approximately 85 much-needed new Troopers to the State Police ranks by early 2012. The 151st State Police class was the product of a robust recruitment and community outreach program by State Police in 2010. The previous State Police class – the 150th – had graduated in June 2009, and the State Police ranks had declined steadily through attrition in the interim.

■ **Office of Forensic Sciences:** Despite a staff shortage in 2011, the Office of Forensic Sciences (OFS) maintained its accreditation,



forged new partnerships, validated /introduced new laboratory tests, expanded services, and successfully analyzed routine and major cases. The OFS forged a new partnership with the Division of Consumer Affairs in 2011, and worked on the emergency categorization of designer drugs known as “bath salts” as controlled dangerous substances. Tests were developed and the compounds were identified within days so the designed drugs could be emergency-scheduled. In addition, all laboratories at OFS participated with Consumer Affairs and local police departments in the testing of drugs seized in sweeps at Jersey Shore boardwalk shops, and at retail outlets near college campuses. This resulted in an almost 10 percent increase in drug cases submitted to OFS.

The OFS’ CODIS Unit (Combined DNA Index System) again generated more than 1,000 hits to the CODIS data base in 2011. One interesting CODIS case involved a man who was carjacked in Trenton before dawn and placed in the trunk of his vehicle for several hours. The carjacker then abandoned the car with the man locked inside. However, the victim was able to kick out the back seat, and was found bleeding from a head wound. At the same time, a bank in Hamilton Township was robbed at gunpoint, a teller at the bank was shot in the stomach, and the armed robber discarded several clothing items upon fleeing. OFS processed the clothing evidence gathered by police, and produced a full DNA profile. Meanwhile, Trenton Police developed a fingerprint from the trunk of the hijacked car that came back to a convicted offender in Pennsylvania’s data base. The CODIS Unit asked Pennsylvania to search OFS’ DNA profile from the bank robbery, and it “hit” with the same convicted offender from the carjacking. As a result, State Police were able to inform the FBI that the same person had committed both the carjacking and the bank robbery and had used the carjacked vehicle during the robbery.

■ **Hurricane Irene Response:** Hurricane Irene made landfall in New Jersey early Sunday morning, Aug 28, with winds of more than 75 miles per hour. In the days leading up to the hurricane’s arrival, South Regional Unit personnel aided in the mandatory evacuation of all of Cape May County residents, as well as the barrier island residents living in Atlantic and Ocean Counties. To assist in this massive undertaking – the first in New Jersey history – two “Contra-Flow” evacuation plans were utilized: the “SH47/347” plan in Cape May/ Cumberland counties, and the “SH72” plan in Ocean County (designating State highways that would be integral). The two plans were designed to ensure the effective flow of traffic away from the New Jersey coastline as the hurricane approached. During this process, thousands of coastal residents required transportation, shelter, food, water and medical care. State Police South Region staff worked with their emergency management partners at every level to ensure the health and safety of New Jersey citizens. ■



11

Division of Law

Staffed by approximately 500 attorneys, the Division of Law provides legal counsel and representation to agencies of State government on many issues vital to the quality of life of New Jersey residents. These issues include protection of children from abuse and neglect, preservation of the environment, delivery of quality health care, protection of consumers, preserving the state's financial assets, safeguarding civil rights and other issues. The Attorney General has a statutory duty to serve as both legal adviser to all "officers, departments, boards, bodies, commissions and instrumentalities" of State government, and to defend State laws. It is through the Division that this mission is accomplished. The Division's workload at any given time is driven by a variety of factors, including the number and nature of lawsuits being pursued by agencies of government, and by the volume of lawsuits pending against the State. In 2011, the Division handled more than 39,000 pending legal matters and resolved or closed more than 20,000 matters. The Division conducted more than 1,200 trials and 1,100 administrative hearings throughout the year. To learn more about the Division of Law visit www.nj.gov/oag/law.



2011 Highlights

Through the efforts of Division of Law attorneys, the State obtained more than \$139 million in recoveries and judgments in 2011. Settlements and judgments obtained by the State included \$53 million from lawsuits related to alleged consumer, securities and other fraud, \$42 million through environmental litigation, \$20 million via lawsuits related to debt recovery and \$9.9 million through legal actions related to the State's tax recovery efforts.

Division attorneys achieved a significant outcome in 2011 against defendant Casey Properties of Montville in a civil mortgage fraud case. The Casey Properties matter involved a bogus mortgage and investment scam that encompassed approximately 70 properties and affected 35 consumers. Division lawyers obtained a combined \$14.7 million judgment against the principal defendants.

The Division obtained a consent judgment for \$1 million against Best Interest Rate Mortgage Company, a South Jersey mortgage loan modification business, and its three principals in 2011. The settlement resolved civil charges that Best Interest required up-front fees in violation of the Debt Adjustment and Credit Counseling Act, and falsely promised to help certain consumers modify their mortgages in violation of the Consumer Fraud Act. The Division also resolved a case against A&E Mortgage Company, its mortgage brokers and its title company, Complete Title, for \$694,000. The case involved a variety of mortgage fraud schemes including sale-leaseback transactions that stripped equity from homeowners.

In the State's on-going effort to protect the environment, Division attorneys obtained a \$15 million settlement with three companies the State alleged were responsible for discharging chromium waste at more than 100 industrial sites in Hudson County. Under the Consent Order, the three companies must pay the State \$15 million to fund past site remediation costs, and to complete work on contaminated sites that have not yet been remediated.

Due in part to the efforts of Division attorneys, two contaminated sites in Mercer County will be cleaned up using funds received in a settlement with the Motors Liquidation Corporation, the successor to General Motors (GM), which was in bankruptcy. Under the agreement reached, a trust was formed to provide more than \$14 million to remediate a former GM site in Ewing.

On behalf of the Department of Environmental Protection's Green Acres program, the Division participated in 89 real property closings in 2011, which preserved more than 3,900 acres for open space, with a market value of approximately \$22.6 million.

Working on behalf of the Department of Banking and Insurance, Division attorneys prosecuted numerous civil insurance fraud cases in 2011 under the State's Insurance Fraud Prevention Act, obtaining orders for fines, attorney's fees and costs totaling more than \$4.4 million.

In the area of civil rights, Division attorneys handled a number of cases seeking to assure that residents living in condominium complexes are provided with reasonable accommodations for their disabilities. For example, in Frisch v. Mays Landing Condominium Association, a settlement was obtained ensuring that a disabled resident would have barrier-free parking near her unit. The condominium association agreed to have its officers attend training on the New Jersey Law Against Discrimination, and to develop written policies and procedures for addressing future requests for disability accommodation.

The four sections of the Division's DYFS Practice Group continued to work closely with the Department of Children and Families in 2011 to protect children from abuse and neglect and to find them caring adoptive families when their biological parents could not, or would not raise them. For the year, the Division filed more than 4,000 child abuse cases in Superior Court to protect children, institute services for



families, or if necessary, place children in protective custody. When children cannot return home safely, the Division files complaints to terminate parental rights so that the children can be adopted. In 2011, more than 1,100 children were adopted following successful termination of parental rights.

The State treasury was protected by the defensive legal efforts, and the affirmative litigation efforts, of Deputy Attorneys General working in such areas as employment litigation, tort litigation, tax litigation, bankruptcy and debt recovery.

On a daily basis throughout 2011, the Division provided valuable legal advice to various departments of State government to assist them in avoiding potential legal issues. Division deputies provided hundreds of thousands of hours of counseling to “client agencies” in such areas as professional boards, community affairs, public utilities, housing, labor, elections, health, education, finance, transportation, employment and contracting. ■



11

Division of Consumer Affairs

The Division of Consumer Affairs is responsible for enforcing laws designed to ensure fairness and integrity in New Jersey's commercial and investment marketplaces, and for assisting consumers who may have complaints or questions about particular vendors or service providers. The Division's essential mission is to protect New Jersey consumers from fraud and deception, and to ensure that the state's licensed professions and trades observe high standards of conduct. In addition to investigating and prosecuting those who commit fraud and other consumer-related violations, the Division provides information to the public on a variety of consumer-related issues. More information on the Division is available at www.njconsumeraffairs.gov.



2011 Highlights

Reorganization of Office of Consumer Protection

In a move designed to enable more rapid response to consumer complaints, provide investigators the ability to take on more cases, and ensure the most effective enforcement, the Division reorganized its Office of Consumer Protection in 2011.

The reorganization included creation of a Financial Fraud Unit, which is tasked to investigate unlicensed companies that solicit for mortgage loan modification services – many of which fail to perform the services they advertise, leaving financially-distressed homeowners in even greater difficulty.

Through reorganization of the Consumer Protection office, the Division was able to take on a greater number of undercover investigations and sting operations, targeting unregistered home improvement contractors, unlicensed movers, predatory towings and other unscrupulous operators.

The reorganization included revamping of the Consumer Service Center hotline, which is now staffed by investigators and customer service professionals, to ensure the Division is immediately responsive to consumer complaints. The Consumer Service Center often receives more than 1,000 calls per week, and has a resolution rate of close to 100 percent for all calls.

Proactive Investigations

■ **Unregistered Contractors:** In March 2011, the Division launched a new field-based, mobile monitoring and enforcement initiative targeting unregistered and non-compliant home improvement contractors. As a result of the effort, 61 individuals were cited for operating as unregistered contractors. Some unregistered operators were cited as the result of an undercover initiative in which Division investigators – parked in an unmarked truck in the lots of home improvement stores across New Jersey – observed contractors without the required State registration information on their commercial trucks. Contractors cited as a result of this “undercover truck” initiative were charged with soliciting for home improvement work despite failing to comply with the Contractors’ Registration Act and state Home Improvement

Contractor Regulations. There were also two “Undercover House” stings – one conducted in a vacant Paulsboro home in mid-March, the second in a storm-damaged dwelling in Lyndhurst in October. In each case, contractors were invited to inspect the homes and provide estimates for improvement and/or repair work. The “sting” operations drew a number of operators who were unregistered and/or not in compliance with the State’s requirement that they display required identifying information on their trucks. At least one unregistered contractor had a California driver’s license, a Massachusetts license plate and a New Jersey post office box.

■ **Unlicensed Movers:** In July 2011, the Division charged 25 unlicensed moving companies and imposed fines of up to \$2,500 each as part of a four-day undercover initiative dubbed “Operation Mother’s Attic.” In the operation’s initial phase, Division investigators posed as consumers who needed to move personal items out of storage and into a house. They booked appointments with unlicensed movers who advertised on Craigslist or other Web sites.

Of the 25 unlicensed movers who were contacted, a total of 17 moving companies responded by sending workers to a self-storage facility in Bridgewater – and unwittingly into the second phase of the operation. During this second phase, the movers were stopped and questioned by Division investigators, as well as by State Police, who checked driver and vehicle records, and inspected their trucks for mechanical defects. The operation revealed a number of violations, in addition to the fact three movers were unlicensed. One moving company employee was arrested on an outstanding warrant, and released to the custody of U.S. Immigration and Customs Enforcement. Another company had its vehicle impounded for operating without proper registration. Two movers were in possession of suspended driver’s licenses.

■ **Predatory Towing:** The Division took action against a total of six towing companies during 2011 as part of a crackdown on predatory towing practices. In March 2011, the Division filed suit against PMM Towing, of Maplewood, for alleged predatory towing practices, and entered into settlements with EZ Towing and Recovery Inc., and Danny’s Towing, both of Jersey



City. In June the Division filed suit against Gilliam Towing, of Irvington, for predatory practices. As part of the crackdown, the Division disseminated information to help consumers understand their rights under State laws governing towing contractors. Among other things, the Division advised the public, New Jersey's Predatory Towing Prevention Act prohibits towing companies from trolling (cruising) for vehicles parked without authorization, paying for information about vehicles that are parked unlawfully or without authorization, and failing to release a vehicle that has been hooked or lifted, but has not actually been removed from private property, upon request of the vehicle's owner.

Crackdown on Prescription Drug Abuse

Overview

Working with local law enforcement and public health care agencies, the Division launched a coordinated effort in 2011 to address the growing national problem of prescription drug abuse, and the illegal diversion of potent prescription drugs such as the painkiller Oxycodone. In addition, the Division attacked the dangerous problem of so-called designer drugs, such as bath salts.

Bath salts are a powder that is inhaled, ingested or smoked for its amphetamine or cocaine-like effect. Users have referred to bath salts as "fake cocaine." The drugs are synthetic derivatives of cathinone, a substance that comes from a shrub grown in Africa. Cathinone is a Schedule I controlled substance under the federal Controlled Substances Act. The contents of individual packets of bath salts tend to vary, but generally include at least one of six chemicals.

Designer Drug Ban

In April 2011, the Division enacted an emergency ban on bath salts and immediately launched an aggressive public awareness campaign targeting law enforcement, colleges and universities, as well as retailers known to have sold the substances when they were legal. The Division's Enforcement Bureau worked closely with law enforcement on undercover investigations at boardwalk shops and other locations suspected of selling the drugs.

Investigators in the Enforcement Bureau and the Office of Consumer Protection worked with local law enforcement agencies and seized or voluntarily obtained more than 2,900 packets of suspected designer drugs. The substances were taken from more than 30 different shopkeepers, and had an estimated total value of approximately \$75,000. As part of the effort, police arrested six people who allegedly had sold unlawful designer drugs.

New Jersey Prescription Monitoring Program

The Division worked throughout 2011 laying groundwork for the New Jersey Prescription Drug Monitoring Program, which was to launch in early 2012. The Prescription Drug Monitoring Program is an important component of the Division's broader effort to halt the abuse and diversion of prescription drugs through a host of enforcement and awareness-related activities.

The Monitoring Program is an active database that collects information on transactions involving Controlled Dangerous Substances (CDS) and Human Growth Hormone (HGH) dispensed via prescription – both in New Jersey and by out-of-state pharmacies dispensing into New Jersey. Since September 1, 2011, the database has collected detailed information on more than 2.8 million prescriptions.

From the point of view of physicians and other prescribers, the Monitoring Program is an important tool for better-informed patient care. From a public health and safety point of view, it will help detect signs of "doctor shopping" – a practice in which people visit multiple practitioners in order to obtain drugs for abuse. It will also help flag the fraudulent activities of "pill mills" – health care operations that misuse their authority to prescribe or dispense narcotics and human growth hormone by providing bogus prescriptions that enable consumers to abuse them.

Project Medicine Drop/ Investigations

Announced in November 2011, Project Medicine Drop is a vital component of the Division's effort to halt the abuse and diversion of prescription drugs. The program was a pilot effort in which the Division installed "prescription drug drop boxes" at the Little Falls, Seaside Heights, and Vineland police departments. Initial reports from those departments were encouraging – for example, 20 pounds of drugs were dropped off during the first four weeks in Seaside Heights. As of this writing, the Division continues to work with county-level Offices of Consumer Affairs throughout the State to install Project Medicine Drop boxes at municipal police departments in all 21 counties. The boxes provide consumers an opportunity to dispose of their unused and expired prescription medications safely and securely seven days a week, 365 days a year.

Working with local and federal criminal authorities, the Enforcement Bureau also conducted multiple investigations into fraudulent prescriptions written by health care professionals licensed by various professional boards within the Division, resulting in criminal charges against the professionals and, in some cases, loss of license to practice.

Significant Matters

BOS Obtains Auction Rate Securities Settlements

The Bureau of Securities announced in 2011 that, as a result of legal settlements negotiated by the Bureau, firms accused by the State of selling auction rate securities without disclosing known risks of the auction rate securities market had repurchased – or offered to repurchase – \$4 billion worth of these assets from New Jersey investors in the past two years. The firms also have paid \$22.4 million in civil penalties to the State. The auction rate securities at issue were marketed and sold to investors as safe, liquid, and cash-like investments, but they were actually long-term investments subject to a complex

auction process that failed in early 2008, causing non-liquidity and significantly lower interest rates than investors had historically received. The Bureau of Securities led New Jersey's effort as part of a coalition of 12 states that investigated whether certain Wall Street firms had misled investors when selling auction rate securities. In 2011, auction-rate-securities-related settlements were reached with Morgan Stanley, TD Ameritrade, Goldman Sachs, Wells Fargo Investments, Credit Suisse, Wachovia and Raymond James.

Consumer Protection Efforts After Tropical Storm

Tropical Storm Irene hit New Jersey in late August and her aftermath – including hundreds of thousands of homes without power, entire neighborhoods flooded and evacuated, roads crumbled, bridges washed out – touched every New Jerseyan.

The sad fact, as evidenced during past disasters, is that con artists target storm victims. The Division worked vigorously in the aftermath of Tropical Storm Irene to protect those who sustained losses, and joined with law enforcement agencies to identify those attempting to defraud storm victims.

Personnel from the Division's Office of Consumer Protection, Enforcement Bureau, Office of Weights and Measures, Legalized Games of Chance Control Commission, and Bureau of Securities went into storm-affected communities and distributed helpful information at shelters, recovery centers, and local police departments. The information included facts about the Home Improvement Contractors' Registration Act and tips on how to find a reputable contractor.

Office of Consumer Protection investigators obtained the use of a storm-damaged house in Lyndhurst and, in October, staged an undercover operation to identify supposed home improvement contractors who, in fact, were not registered with the Division as required by law. Division investigators also worked with the Office of Insurance Fraud Prosecutor, Bergen County



Prosecutor's Office, and Lyndhurst Police on this enforcement effort. A total of eight unregistered contractors were criminally charged and an additional four contractors received civil Notices of Violation.

Professional Licensing Boards: Vital Oversight

In 2011, the 47 licensing boards within the Division either suspended, revoked, or accepted the voluntary surrender of 700 licenses. These disciplinary actions resulted from violation of board regulations governing professional practice, and illustrate the important oversight role the boards play in protecting the health and safety of the public. The Boards collectively license more than 500,000 individuals.

Charities Registration Section: Top 10 List

In an effort to improve transparency, the Division launched a new monthly resource, a bi-monthly list of the "Top 10 Inquired-About Charities in New Jersey" as a key component in its "Investigate Before You Donate" public awareness campaign.

The list highlights the 10 charities that have generated the most calls from consumers to the Division's Charities Registration hotline during the two-month period. A large number of calls received for any of the listed charities may be the result of a charity soliciting donations during a recent or ongoing campaign drive. The list, and accompanying pie charts, provide details on how each of the Top 10 charities use their funds, the charities' stated mission, and additional information. The list is available at: www.NJConsumerAffairs.gov/charity/inquired.

Weights and Measures: Protection via Inspection

The Office of Weights and Measures annually inspects and certifies 205,000 commercial weighing and measuring devices in New Jersey. These devices include gas and diesel pumps, scales, laundromat dryers, and tire inflators. In January 2011, Office of Weights and Measures investigators conducted unannounced inspections of home heating oil delivery trucks near two fueling depots, with some trucks placed out of service because of serious violations found during the inspections.

The inspections took place along Doremus Avenue in Newark and at Duck Island in Hamilton Township, Mercer County. Of the 12 trucks inspected in Newark, two were found to be dispensing less fuel than represented. One truck had an incorrect reading on its register display. These three trucks were condemned, meaning red tags were placed on the pumps and no deliveries could be made until the violations were corrected and the trucks re-inspected and recertified as fit for use. No violations were found among the 16 trucks inspected at Duck Island.

In December, the State Office of Weights and Measures joined county-level offices in Bergen, Camden, Gloucester and Middlesex Counties in announcing civil charges against 14 gas stations accused of misleading consumers by selling fuel with octane levels far lower than those advertised on the pumps. The complaints followed a two-week campaign of unannounced octane tests, led by the State Office of Weights and Measures, at 325 gas stations across New Jersey. The octane tests, conducted by a joint task force of state and county inspectors, found that the majority of gas stations were in compliance with New Jersey's Motor Fuels Act.

Outreach: Helping the Public Avoid Scams

Helping consumers avoid becoming victims of scams is the fundamental purpose of the Division's multi-faceted public outreach and public education effort. The Division's various outreach and awareness programs are specifically designed to alert the public to emerging frauds being reported in New Jersey. In March, the Division joined with the Consumer Federation of America at an adult medical daycare center in Elizabeth to launch a nationwide campaign warning seniors about the so-called "grandparent scam." The grandparent scam typically begins with an urgent phone call to an unsuspecting senior citizen. The caller may claim to be the victim's grandchild, or claim to be a police officer. The message is always the same: Your grandchild is hurt, in jail, or otherwise in trouble, and needs hundreds of dollars immediately. Please don't tell the grandchild's mother. Please send a money order via Western Union or a similar service. Those who fall victim later learn their

grandchild never was in trouble. Instead, their money has been wired to a thief and may never be seen again. The event featured Jim and Dorothy, a Wayne couple who nearly fell victim to the grandparent scam and who spoke publicly on the condition that their last name not be used. In early 2011, the couple received a call from a young person who sounded remarkably like their grandson, and who accounted for the difference in his voice by saying his nose had been broken in a car accident. He claimed he was in jail in Canada while visiting family friends, and desperately needed \$2,800 for bail.

Through their story, Jim and Dorothy helped bring the perils of the grandparent scam to light in a personal way.

The Division also continued presenting its “Fed-Up” program in 2011 that discusses a broad spectrum of scams and frauds targeting senior citizens. The program, which features a video showing actors confronting various scams and reacting to them, was presented to more than 43,000 senior citizens last year.

AARP invited the Division to participate in its expo in Trenton in November, as well as a concurrent, interactive Tele-Town Hall phone conference open to AARP members from across New Jersey. Through its collaborative efforts with AARP, the Division delivered its information about elder fraud to tens of thousands of senior citizens.

The Division’s “Safe Summer 2011” effort, designed to ensure family-friendly fun along Jersey Shore boardwalks, garnered significant media coverage and served as an important resource for consumers. As part of the Safe Summer initiative, state and county investigators teamed up to check boardwalk retail establishments for compliance with merchandise-labeling and sales laws and regulations. In addition, state and county Office of Weights and Measures inspectors tested scales for accuracy. County health inspectors conducted sanitary inspections of food booths and stands, and the Legalized Games of Chance Control Commission inspected amusement games to ensure patrons had a fair chance to win at boardwalk games. ■



Division on Civil Rights

The Division on Civil Rights is responsible for enforcing the New Jersey Law Against Discrimination (LAD) and the New Jersey Family Leave Act. The LAD seeks to prevent and remedy unlawful discrimination in employment, contracting, housing, in schools and in other places of public accommodation. The Family Leave Act provides eligible employees with leaves of absence in connection with the birth or adoption of a child or the serious health condition of an eligible employee's parent, child or spouse. As part of its statutory mission, the Division receives, investigates and resolves complaints that the law has been violated. In a broader sense, the Division's mission is to foster attitudes of acceptance, equality and respect among all people throughout New Jersey. The Division has regional offices located in Atlantic City, Camden, Newark and Trenton. In December 2010, the Division closed its Paterson office. In addition to processing and investigating complaints of unlawful discrimination, the Division receives – and responds to – more than 15,000 inquiries each year from the general public regarding civil rights law. More information about the Division is available at www.njcivilrights.org.



Overview

The Division obtained more than \$500,000 on behalf of discrimination complainants in 2011, mostly through negotiation of settlements by the Mediation Unit, but also through successful litigation. At the outset of the DCR process, parties are encouraged to try and resolve their cases through mediation to avoid potentially lengthy investigations and protracted trials. In 2011, the Division successfully mediated 81 cases, obtaining \$419,515 in monetary awards for victims. Another 11 discrimination cases were successfully tried before an Administrative Law Judge, resulting in total financial awards to victims of more than \$100,000. Nine other discrimination cases were resolved through a process known as Conciliation. Settlement of the conciliation cases – matters that had progressed to the “Finding of Probable Cause” stage and were poised for trial after mediation failed to resolve them – resulted in more than \$3,000 in total monetary awards to complainants.

Overall, the Division closed out 788 cases in 2011 and initiated 725 new investigations. The most common basis for new discrimination complaints in 2011 was disability, followed by race and gender. The most common issues raised by complainants were unlawful discharge, differential treatment and denial of reasonable accommodation.

The Division also continued to ensure that the owners of apartment complexes with more than 25 units complied with the state’s Multiple Dwelling Reporting Rule. The MDRR requires owners with more than 25 apartments to file an annual report with the Division that includes information on the racial and ethnic make-up of their rental populations and pools of housing applicants, as well as the degree of access they provide to persons with disabilities. In 2011, a record 88 percent of the 3,500 owners required to file did so in a timely fashion.

Case Highlights

Settlements

■ **City Coffee (sexual harassment):** The Division entered into a \$75,000 settlement agreement with the owner of City Coffee, a restaurant and coffee shop located in Camden city. The settlement resolved

allegations that City Coffee owner Ronald Ford, Jr. sexually harassed a number of female employees. Under terms of the settlement, Ford was required to pay the State \$15,000 and provide training to all of his employees on discrimination and harassment in the workplace. By agreement, the \$60,000 balance of the settlement was suspended, and will be vacated after three years unless Ford fails to live up to all terms, in which case he is liable for the full amount. Under the settlement, Ford made no admission of wrongdoing. Ford’s \$15,000 payment to the Division was divided among City Coffee employees whose sexual harassment allegations formed the basis of the original DCR complaint against him. In addition to the \$15,000 payout and the settlement’s training component, Ford also was required to develop formal anti-workplace-discrimination policies at City Coffee, as well as procedures for handling employee discrimination complaints, and provide the Division with copies. Ford also was required to provide the Division with quarterly reports documenting any discrimination complaints made by his employees, what actions were taken in response, and what the outcome was.

■ **Yellow Cab (denial of reasonable accommodation):** Taxi drivers in Atlantic City underwent training in state and federal civil rights law in the fall of 2011 as the result of a settlement that resolved allegations the Yellow Cab Company discriminated against a blind man by refusing him and his guide dog a ride to a casino. Under terms of the settlement, an estimated 600 cab drivers who worked in Atlantic City attended training provided by the Division and focused on both the Law Against Discrimination and the federal Americans with Disabilities Act (ADA), as well as their individual obligations as cab drivers under both laws.

The training – which was mandatory for Yellow Cab employees – was coordinated with the Atlantic City Department of Licenses and Inspections. The settlement resolved a complaint filed against Yellow Cab by Thomas R. Schierioth, of Atlantic



City, in the wake of alleged disability-based discrimination that occurred twice in the same day on July 10, 2010. Schierioth, who is regularly assisted by a guide dog due to his blindness, contacted Yellow Cab and asked to be picked up at his home.

When the taxi arrived to transport him, Shierioth alleged, he tried to enter the cab with his guide dog and was told by the driver, “no dog, no dog.” The driver subsequently drove away. Schierioth apparently got to his destination – the Showboat Hotel and Casino in Atlantic City – by other means, but contacted Yellow Cab several hours later seeking a ride home. According to Schierioth’s complaint, a different Yellow Cab driver arrived in response to his call but the result was the same – upon seeing Shierioth and his guide dog, the driver refused them service and drove away. Shierioth later reported the incident to the Mercantile Association of Atlantic City, and filed a complaint with the Division.

■ **Mays Landing Condominium Association (denial of reasonable accommodation):** The Mays Landing Condominium Association agreed to pay a medically-disabled resident \$10,000 and forgive thousands of dollars more in maintenance fees owed by the woman to resolve allegations that it failed to accommodate her disability by allowing her to park close to her unit. In particular, the Condominium Association agreed to pay \$7,528 to longtime resident Mary Lou Frisch, and apply \$2,472 toward her condominium maintenance fees for 2012. The Association also agreed to forgive an estimated \$15,000 in outstanding maintenance fees owed by Frisch, have its officers attend training on the Law Against Discrimination, and develop written policies and procedures for addressing future requests for disability accommodation. The Condominium Association paid \$5,000 to the Division for costs, and agreed to have its handling of requests for accommodation monitored by the Division for the next two years.

■ **RPM Development Group (housing discrimination based on familial status):** The RPM Development Group of Essex County agreed to amend its policy and

consider exceptions to its two-person-per-bedroom restriction upon a family’s written request. RPM is a developer of affordable housing that owns approximately 1,300 apartments in 21 complexes throughout Essex County.

The Division had filed a complaint alleging that RPM’s occupancy standards discriminated against larger families seeking housing after RPM’s strict application of the two-person-per-bedroom rule precluded a family with four children and an infant from renting a 1,300-square-foot, three-bedroom apartment. In June 2010, the Division issued a Finding of Probable Cause that concluded RPM’s occupancy standard violated the Law Against Discrimination’s familial status provision because it failed to consider habitable floor space, family composition, and unit configuration in setting occupancy limits for its units. Under the settlement, should an applicant request an exception to the two-person-per-bedroom rule, RPM will consider the size and configuration of the apartment and other physical limitations related to health and safety, but is not required to grant an exception that would violate local housing codes, regulations or laws. The change in RPM’s policy is consistent with guidelines concerning occupancy standards issued by the federal Department of Housing and Urban Development (HUD), and the change will be incorporated into all materials provided by RPM to its housing applicants. RPM also provided compensation to the family of five whose initial rejection by RPM triggered the Division’s complaint.

Findings of Probable Cause

■ **Franklin Board of Education (race-based discrimination):** The Division issued a Finding of Probable Cause against the Franklin Township, Gloucester County, Board of Education in 2011 in connection with the alleged, race-based harassment of an elementary school student. The Division’s investigation found that the district failed to deal adequately with the persistent verbal harassment of an African-American female

student that began when the victim was in third grade and continued through her sixth-grade year. The alleged harassment consisted of race-based name calling and other bias-driven remarks by students on the school bus and elsewhere while the girl attended Main Road School from 2005 through 2009.

■ **The Club at Ricochet (sexual harassment):** The Division issued a Finding of Probable Cause in connection with charges made by a housekeeping employee of The Club at Ricochet, a Plainfield fitness club, that she was sexually harassed. The victim alleged that she'd been subjected not only to sexual harassment, but physical threats, by a co-worker during an 18-month period, and that her employment was terminated one day after she complained about the harassment to club management. At this writing, the case is in conciliation.

■ **Nationstar Mortgage (discrimination based on gender and familial status):** The Division issued a finding of probable cause against Nationstar Mortgage, a Texas-based mortgage lender and servicer doing business in New Jersey, in connection with allegations that the company rejected a qualified loan applicant because she was pregnant. The Division's investigation determined that Nationstar approached a female condominium owner in March 2011, encouraging her to refinance her mortgage at an interest rate lower than that of her current mortgage. The woman applied for refinancing through Nationstar and was notified in writing, following a credit check, that she'd been conditionally approved. Subsequently, her loan application was rejected following a discussion with a Nationstar representative in which she mentioned she was taking a maternity leave from her job. The Division's investigation found that the woman used accrued paid sick leave to receive full pay during her absence, that she fully intended to return to work, and was fully qualified for the loan she sought. At this writing, the case is in conciliation.

Training and Outreach

■ **Anti-Harassment Training:** In 2011 the Division's Bureau of Outreach and Public Education held 115 training sessions focused on preventing harassment in the work place, mitigating harassment-related liability (for managers), and preventing harassment and bullying in a school environment. A total of approximately 7,000 people attended the training sessions. The Bureau also hosted community roundtables, presented regional workshops and took part in several statewide conferences.

■ **Veterans Outreach Initiative:** The Division began a Veterans Outreach Initiative in conjunction with the New Jersey Department of Military and Veterans Affairs and the American Legion. The initiative, which was expected to continue throughout 2012, is designed to promote awareness among active military personnel and disabled veterans of their rights related to employment, housing and access to places of public accommodation.

■ **Joint Training Sessions with Federal EEO:** The Division and the U.S. Equal Employment Opportunity Commission co-sponsored eight regional training seminars in 2011 designed to provide public sector managers with the most critical, up-to-date information regarding state and federal anti-discrimination laws. The seminars were open to the public. ■



Division of Highway Traffic Safety

The mission of the Division of Highway Traffic Safety is to prevent vehicle-related crashes and the property damage, injury and death they cause. To achieve its mission, the Division undertakes an array of traffic safety programs relating to education, enforcement and engineering. The bulk of the Division's funding comes from the federal government, via the National Highway Traffic Safety Administration. Funding received by the Division is used to develop and implement a comprehensive statewide traffic safety plan, and is also distributed among local, county and state agencies in the form of traffic safety grants. Among the Division's chief priorities are driver and passenger safety, pedestrian safety, and discouraging such threats to the motoring public as speeding, aggressive driving, impaired driving and inattentive driving. For more information about the Division visit www.njsaferoads.com.

ICE & SNOW
Remove It Before You Go

Remember to remove all ice and snow from your vehicle before especially from the hood, windows and roof.
face fines of \$25 to \$75 for each snow is dislodged from the injury to o

"The highway isn't a racetrack."
- Ray Evernham, New Jersey Native & Founder of Evernham Motorsports -

DODGE
9

New Jersey native Ray Evernham knows a thing or two about driving. As a long time driver, crew chief and team owner, his list of auto racing accomplishments is legendary. Ray has teamed up this summer with the New Jersey Division of Highway Traffic Safety and the New Jersey State Police to promote highway safety.

**HANG UP!
JUST DRIVE.**
1 New Message

**CLICK IT
OR
TICKET**

**No conversation is
a ticket or your**

NEW JERSEY DIVISION OF HIGHWAY TRAFFIC SAFETY
NJ OFFICE OF THE ATTORNEY GENERAL
DIVISION OF HIGHWAY TRAFFIC SAFETY
WWW.NJSAFEROADS.COM

Keeping Alcohol & Drugs off the Road

■ **Over the Limit, Under Arrest:** A national “Over the Limit, Under Arrest” crackdown on impaired driving that concluded with the New Year’s holiday in early January 2011 resulted in more than 2,000 arrests for driving-while-intoxicated. Participating police departments also issued a total of more than 8,600 tickets for speeding and more than 5,100 summonses for failure to wear a seat belt. The “Over the Limit Under Arrest” initiative involved 494 police departments from throughout New Jersey, and was designed to raise awareness about the dangers of impaired driving through a combination of stepped-up enforcement and media activity. The Division invited more than 400 New Jersey police agencies to take part in the initiative, and 115 of those were provided overtime enforcement grants of \$5,000 each. Other departments participated using their own funding resources.

■ **Supporting Cops in Shops:** The Division provided funding in summer 2011 to support the Division of Alcoholic Beverage Control’s “Cops in Shops” program. In Cops in Shops, local police work undercover in participating retail locations, either posing as store employees or taking up positions outside the store to catch adults who attempt to buy alcohol for underage drinkers.

During the summer 2011 phase of the program, Division funding enabled 30 shore-area police departments to take part in the effort, and the result was 246 arrests. The autumn “college” phase of the Cops in Shops initiative – also supported by Division grant funding – takes place in cities and towns where colleges or universities are located, as well as in neighboring communities. Since its inception in 1996, the Cops in Shops program has resulted in the arrest of approximately 9,000 underage persons and adults on charges related to the illegal purchase of alcohol, and helped save countless lives by keeping potential drunk drivers off the road.

Occupant Protection

■ **Click It or Ticket:** The Click It or Ticket campaign was conducted May 23 through June 5, 2011 and resulted in the issuance of 32,228 failure-to-use-seat-belt tickets by participating police agencies. Key elements of the effort

included targeted seat belt enforcement by a total of 494 police departments. Of those policing agencies, 143 received \$4,000 overtime enforcement grants. In addition to summonses issued by police for failure to wear a seat belt, participating departments wrote nearly 6,000 tickets for speeding, made 953 arrests for driving-while-intoxicated and issued more than 900 tickets for failing to properly restrain a child passenger.

■ **Seat Belt Usage Increases for 15th Consecutive Year:** The annual Seat Belt Usage survey, conducted by the New Jersey Institute of Technology following the “Click It or Ticket” campaign, found that New Jersey’s front seat belt usage rate rose for the 15th consecutive year – from 93.7 percent in 2010 to 94.5 in 2011. Based on data guidelines developed by the National Highway Traffic Safety Administration, the gains in seat belt usage will translate into six fewer fatalities, 176 fewer serious injuries, 132 fewer minor injuries and a savings of \$42 million in crash-related economic costs. Somerset County (97.39 percent) and Union County (95.92 percent) posted the highest seat belt usage rates, while Passaic County saw the largest year-to-year usage gain, with the rate jumping from 90.1 percent in 2010 to 95.52 percent in 2011.

Other Highlights

■ **Put the Brakes on Fatalities Day:** In 2011, the Division once again coordinated a statewide effort to engage the public and media during the national observance of Put the Brakes on Fatalities Day, held annually on October 10. On this day, motorists are asked to slow down, buckle up, avoid distractions and follow all rules of the road in an effort



to achieve zero highway fatalities for a 24-hour period. In New Jersey, no fatalities were reported during the October 10, 2011 “Put the Brakes on Fatalities” observance. Three people were killed in highway crashes on October 10 of the prior year.

■ **DWI Enforcement-Related Grants:** The Division awarded a total of \$3.2 million in Drunk Driving Enforcement Fund grants during Fiscal Year 2011 to help reduce alcohol-related crashes and fatalities. The grant funds go to police departments to support DWI enforcement patrols and other DWI counter-measures.

■ **Snow Removal Law Awareness:** The Division wrapped up 2011 by bringing New Jersey’s Ice and Snow Removal Law to the fore again through an intensive awareness effort. Enacted in October of 2010, the Ice and Snow Removal Law requires motorists to “make all reasonable efforts” to remove accumulated ice or snow from all exposed surfaces of their motor vehicle before operation. Prior to the change, motorists could only be cited if property damage or injuries occurred as a result of failing to remove ice and snow. Dislodged ice and snow can act as a deadly projectile that can fly at a high rate of speed and cause significant damage to nearby automobiles, as well as injury to drivers and their occupants. As of year’s end, police throughout the state had issued approximately 3,200 tickets to motorists who failed to adequately remove ice and snow

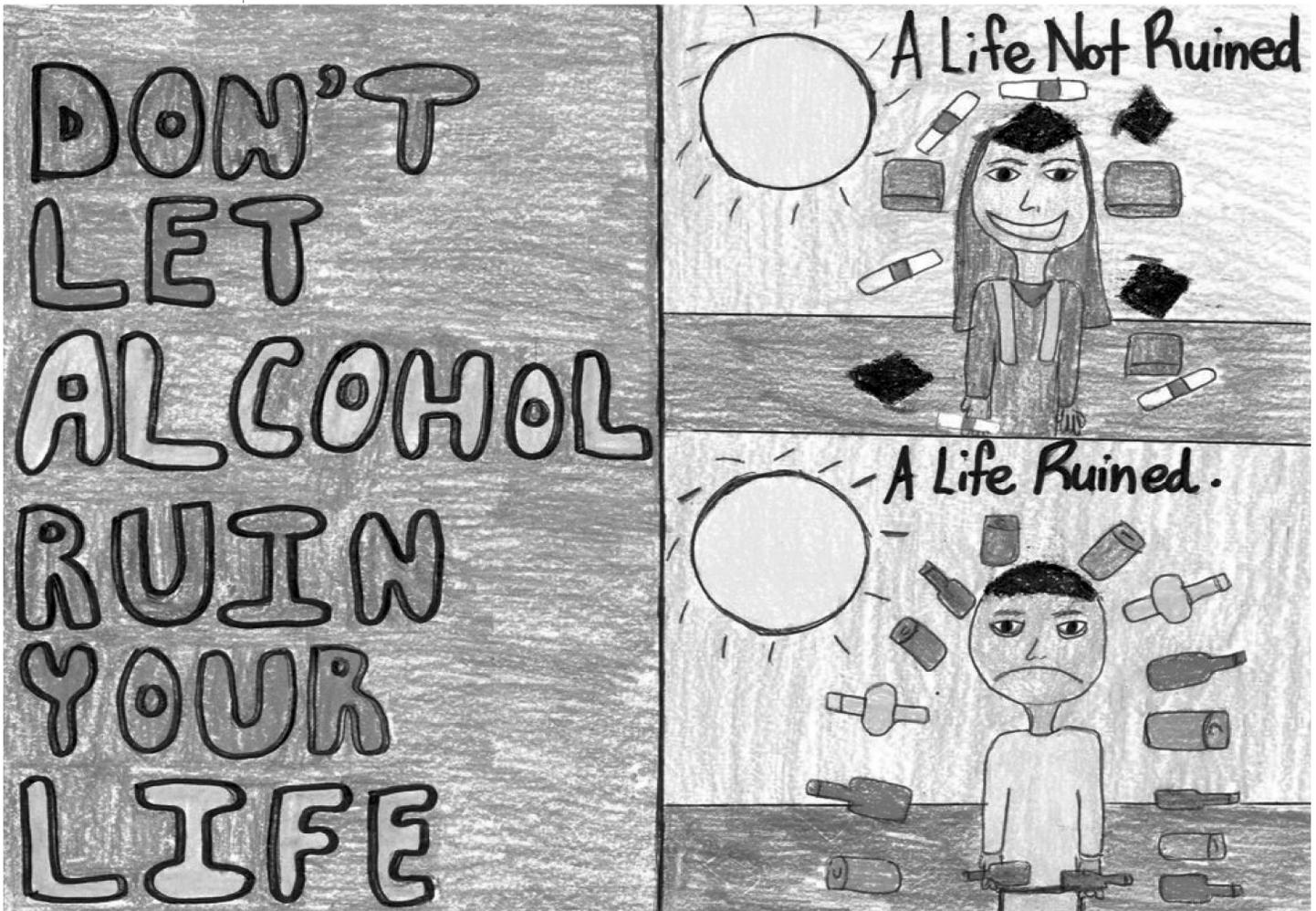
from their vehicles. Fines for violating the law range from \$25 to \$75. However, if failure to remove ice and snow results in injury or property damage, motorists face fines ranging from \$200 to \$1,000, while commercial motor vehicle drivers face fines ranging from \$500 to \$1,500 for each offense. To increase awareness of the Ice and Snow Removal Law, the Division rolled out a public service announcement and advertising campaign in 2011. The PSAs debuted on radio stations throughout New Jersey on December 1, 2011 and were to run through the winter season. ■





Division of Alcoholic Beverage Control

The mission of the Division of Alcoholic Beverage Control is to regulate how alcoholic beverages are sold and to foster moderation and responsibility in alcohol consumption. The Division pursues its mission by regulating and licensing the manufacture, distribution, sale and transportation of all alcoholic beverages within New Jersey. Essential to state control of the liquor industry is the concept that licensees are granted a privilege to sell alcoholic beverages, and that this privilege can be revoked. If a licensee violates any law or regulation, the ABC Director may suspend or revoke the license or impose a fine and/or other appropriate condition. The Division is the official repository for licensee ownership information. The Division is also the sole issuing authority of manufacturing and wholesale licenses, as well as a variety of special permits to enable the sale of alcoholic beverages in conjunction with charitable and business-related events. More information about the Division is available at www.nj.gov/oag/abc.



Overview

In 2011, the Division's Investigations Bureau conducted 449 investigations and 484 inspections of retail and wholesale businesses. In addition, Bureau personnel were involved in 1,125 undercover operations in 991 licensed establishments, resulting in the arrest of 202 persons – a 21 percent increase – and the “carding” of 1,670 youthful-appearing persons to determine if they were of legal age to buy or consume alcohol. A total of 339 cases, involving 1,400 administrative charges, were referred to the Division's Enforcement Bureau for review. Enforcement Bureau personnel also provided technical and investigative guidance on 857 municipal enforcement issues.

Case Highlights

■ Settlement of Unlawful Liquor Substitution

Charges: The Division reached settlement in 2011 with Brig Inc., trading as Laguna Grill and Martini Bar in Brigantine, owned by Dominic A. Pullella of Brigantine. The licensee was accused of cheating patrons by pouring cheaper-grade vodka and charging them for premium spirits from May to September. As part of the settlement, the restaurant must close for seven days during the summer of 2012 and pay a \$23,000 fine.

Formal charges resolved by the settlement included serving an alcoholic beverage other than ordered, hindering an investigation by having an employee provide false information to an ABC investigator, and failing to produce complete and accurate copies of invoice slips.

■ Crackdown on Service to Intoxicated

Patrons: In 2011, the ABC's Enforcement and Investigations Bureaus launched a joint effort to identify and aggressively prosecute cases involving the service of alcohol to patrons who were intoxicated or appeared to be drunk. Investigators used Last Drink Initiative Reports as a starting point, and also obtained municipal and state police accident reports documenting alcohol-related traffic crashes as part of the effort. As of this writing, the two ABC Bureaus are focused on more than 30 licensees that have apparently violated the prohibition on service of alcohol to intoxicated patrons. The vast majority of these cases involve death or serious injury as a result of drunk driving,

including two underage patrons with blood-alcohol levels of twice the legal limit, who were killed less than a half-mile from the bar where they'd been served, and a woman who drove into the rear of a bus while driving with a blood-alcohol level of .255, more than three times the legal limit. As part of the process, investigators have taken numerous sworn statements, reviewed volumes of documents and employed the services of two forensic experts in order to fully develop cases.

■ Prestige Wine/“Mezzacorona” Settlement:

The Division reached settlement in 2011 with Prestige Wine Imports Corporation concerning its provision of unlawful incentives to retailers in 2009. In the spring of that year, Prestige provided 50 free cases of its Mezzacorona wine products to any retailer who agreed to purchase 150 cases. Nearly 900 cases of Mezzacorona wine were given away during the promotion. In addition to taking action against Prestige, the ABC filed administrative charges against 20 retailers. Administrative charges were also brought against 11 solicitors employed by Allied Beverage and R & R Marketing. The 11 solicitors were each involved to some degree in the Prestige promotion. In November 2011, Prestige settled its case by agreeing to pay the State a \$135,000 fine in lieu of prosecution. Prestige also terminated all employees who were associated with the “Mezzacorona” matter. In addition, Prestige is prohibited under the settlement from obtaining a New Jersey Wholesale License prior to November 23, 2012. Of the retailers and solicitors charged, nearly all had settled their cases for license suspensions or fines in lieu of suspension by year's end.

■ **Direct Shipping Litigation Update:** Since 2003, the Division had been defending a suit in federal court (*Freeman v. Fischer*) that claimed New Jersey's statutory provisions regarding the shipment of wine were unconstitutional. On June 30, 2008, the U.S. District Court issued an opinion concluding that some of the State's licensing statutes passed constitutional muster. As a result, the court dismissed Plaintiffs' request for the right of out-of-state wineries to directly ship wine to New Jersey consumers. However, the court also found that certain provisions of the State's alcoholic beverage law were



unconstitutional, including ABC's wholesale licensing fees and the privilege afforded to New Jersey wineries to open retail outlets. Based on this determination, the court struck down all of the State's alcoholic beverage wholesale license fees, as well as the statutory provision authorizing winery retail outlets.

On December 17, 2010, the Third Circuit Court of Appeals decided an appeal of the earlier District Court ruling. The Third Circuit affirmed the lower court in finding that New Jersey's direct shipping ban was constitutional, and that Plaintiffs were not entitled to a remedy permitting out-of-state wineries to directly ship to New Jersey consumers. The Third Circuit also reversed the District Court's decision regarding wholesale licensing fees and privileges. Finally, the appeals court declared that New Jersey statutes allowing state wineries to sell directly to consumers at the winery, retail outlets and directly to retailers was unconstitutional. The matter was remanded back to the District Court for determination of the appropriate remedy.

Upon a request from the parties, the District Court administratively terminated the matter until March 1, 2012 to allow for a legislative solution regarding the statutes found unconstitutional by the Third Circuit. New legislation was passed by the Senate and Assembly, then signed by the Governor in early 2012. The new legislation was to take effect in May 2012.

Training

■ **Training of New Police Chiefs:** The Division works with the New Jersey Association of Chiefs of Police to offer annual training for newly-appointed police chiefs regarding their authority and responsibility for liquor license transfers and municipal enforcement actions. Through the Association of Police Chiefs, the Division also provides basic and advanced courses in ABC enforcement techniques for municipal police officers. The courses help provide police officers with a working knowledge of ABC law and regulations regarding liquor license transfers, undisclosed interests and municipal enforcement actions. ■



11

Division of Gaming Enforcement

The Division of Gaming Enforcement (DGE) is a law enforcement agency. Historically, it has been the investigative arm of the casino regulatory system. The Division's responsibilities have been expanded greatly by recent amendments to the New Jersey Casino Control Act. The Division's mission is to enforce the Act. It has a multi-disciplinary and specialized workforce consisting of attorneys, investigators, accountants and support personnel. Members of the New Jersey State Police and Division of Criminal Justice also are assigned to Gaming Enforcement. The Division reviews and audits casino-hotel operations, investigates and prosecutes all casino-related crimes, and tests all casino slot machines and systems prior to use on the casino floors. The Division also investigates licensure criteria and potential regulatory violations, issues reports, files complaint actions and, when necessary, challenges the qualifications of individual and corporate applicants for casino and casino-related licenses. The Division is well-recognized around the United States, and around the world, as a premier casino regulatory agency. For more information about the Division of Gaming Enforcement visit www.njdge.org.



Technical Services Bureau

■ **Ensuring Slot Machine Integrity:** Through the vigilance of its Technical Services Bureau, the Division works to ensure the integrity of electronic gaming equipment used in Atlantic City casinos. In 2011, the casinos generated more than \$3.3 billion in revenue, approximately 70 percent of it from slot machine play. In order to ensure the integrity of slot play, every machine must be approved by the Division's Slot Lab and then must undergo an inspection on the casino floor prior to its use. For the year, the Division increased the number of slot machines processed for approval from 991 to nearly 1,100, while reducing the average number of days required to complete the process from 23 to 19.

■ **Aid to Smuggling Investigation:** The Division assisted the FBI in 2011 in an undercover investigation that led to the break-up of an alleged \$1 million smuggling operation involving slot machines and other contraband. In October 2011, a dozen people were arrested – including eight current and former New York City police officers – in connection with a ring that allegedly had been smuggling not only slot machines, but guns and cigarettes, into New York from out of state. The Division assisted federal agents by providing slot machines that were used as part of the undercover investigation.

Criminal Enforcement Bureau

The Division worked closely with New Jersey State Police throughout the year to ensure a safe environment for employees and patrons of Atlantic City's casinos. Overall, State Police Troopers assigned to the Division's Criminal Enforcement Bureau arrested 604 people in 2011 and filed a total of nearly 1,900 criminal charges. They also handed out 1,300 summonses for lesser offenses. Through the Bureau's efforts, more than \$139,000 was returned to crime victims during the year.

The Division worked with State Police, the Office of Homeland Security and the casino industry in 2011 on deployment of an interoperable system in each casino to allow dispatchers, police, fire, emergency medical services and other agencies to share voice,

video, text and files across a secure Internet connection. The system is designed to enable seamless communication across a Wide Area Network that will dramatically enhance the way emergency responders can communicate. Of critical importance, the system will allow law enforcement to connect to the closed circuit cable television systems at each casino in the event of a terrorist attack or other public safety incident. As of the end of December 2011, the system – known as Mutualink – was operational at the 11 casino properties, as well as at the Division.

Regulatory Enforcement Bureau/ Employee Licensing Bureau

The majority of staff from the Regulatory Enforcement Bureau is assigned to the 11 Atlantic City casinos. The Bureau's investigatory responsibilities include such areas as accounting and internal controls, rules of the casino games, gaming equipment, simulcasting, security, alcoholic beverage control, the integrity of information systems, advertising, exclusion and self-exclusion list violations and equal employment opportunity complaints.

For 2011, the Bureau conducted 3,542 investigations of alleged underage gambling/drinking, 2,712 regulatory and information technology investigations and conducted 88 revenue certification audits.

The Employee Licensing Bureau assures that each casino key employee meets the applicable standards of financial stability, good character, honesty and integrity as mandated by the Casino Control Act. It also assures that key employees and casino employee registrants are not disqualified. For the year 2011, the Bureau completed 5,544 employee license investigations, as well as 435 arrest notification investigations. In addition, the Bureau processed 171 license revocation complaints.



Casino Entity Licensing Bureau

The Casino Entity Licensing Bureau assures that each applicant for, and holder of, a casino license meets the standards of financial responsibility, honesty, integrity and good character mandated by the Casino Control Act, and that such licensees are not disqualified in any way. As part of its mission, the Bureau investigates and monitors the business transactions of applicants, licensees and related companies, conducts investigations of all principal employees, financial backers or investors, and examines the background of casino companies and their affiliates. The Bureau's legal unit litigates violations of New Jersey casino laws and regulations before the Casino Control Commission, and reports to the Commission on investigations related to casino licenses. The Bureau's Office of Financial Investigations (OFI) works to ensure the financial stability and integrity of all casino applicants and licensees and their respective holding companies. The OFI analyzes and responds to filings which relate to equity and debt offerings, restructurings and recapitalization, the upstreaming of cash, corporate spin-offs and casino expansions.

On a continuing basis, OFI monitors the financial stability of the casinos to ensure the public interest is protected, and that each casino company is meeting its ongoing tax, wage and other fiscal obligations.

■ **MGM Mirage:** MGM Mirage, one of the largest gaming companies in the world, is co-owner of the Borgata Hotel Casino & Spa in Atlantic City. MGM also owns three significant parcels of land in Atlantic City which are adjacent to the Borgata and Golden Nugget. On July 22, 2011, MGM and Boyd/MDDC filed a joint petition requesting that MGM be granted an 18-month extension of a period during which MGM can direct the marketing and sale of its 50 percent ownership interest in Borgata. The Division did not oppose the extension

request. On August 8, the Commission granted the extension, thereby giving MGM until March 13, 2013 to dispose of its interest in the Borgata.

■ **Trump Entertainment:** On April 6, 2011, the Casino Control Commission plenary qualified Avenue Capital Group (with Marc Lasry as its principal), and Avenue became an approximate 22 percent owner of Trump Entertainment Resorts (TER). TER continues to own and operate two casino licensees. Avenue's associated individuals and entities also were found qualified regarding their involvement with TER and its casino licensees.

Miscellaneous

■ **New Revel Casino:** Work continued throughout 2011 on the Revel casino hotel project. The Revel site is located in the South Inlet section of Atlantic City and stands on approximately 20 acres of beachfront property on the Boardwalk. Upon opening, which was projected for March 2012, the total investment in the project is expected to be approximately \$2.4 billion. It is expected to contain 1,900 rooms, a 150,000-square-foot casino, a 5,500-seat arena, 12 fine and casual dining outlets, 160,000-square-feet of convention and meeting space, and a host of other amenities.

■ **Hard Rock Casino Project:** In November 2011, the Casino Control Commission granted the application of AC Gateway and its affiliates to participate in the pilot program for a staged casino facility. The project will be named the

Hard Rock Hotel and Casino Atlantic City. Phase 1 of the Hard Rock project is expected to consist of a 208-room hotel, 54,000-square-feet of gaming space, a 3,000-seat event center, a Hard Rock Café, museum and shop, and related amenities. Phase 2 is expected to include at least 642 additional rooms and 27,000-square-feet of casino space.

■ **Casinos/Homeland Security:** Throughout 2011, the Division of Gaming Enforcement examined casino infrastructure sites to assess their security features. Area retail and parking facilities were evaluated, and recommendations were made for enhancing certain security and safety elements.

The Division will continue to evaluate the various Atlantic City casino hotels and their related infrastructure, and make recommendations to ensure they are as protected, and as prepared to respond, as possible in the event of a terrorist attack or other major incident. ■



Racing Commission

The core mission of the Racing Commission is to govern, direct and regulate horse racing and pari-mutuel wagering in New Jersey. The Commission conducts vigorous oversight of horse racing matters throughout the state to ensure that racing is conducted in a fair, responsible and lawful manner, and to ensure the safety of the sport's participants. The year 2011 was one of uncertainty and transition for the horse racing industry and, as a result, the Racing Commission was extremely active in dealing with emergent issues. The Commission also held five additional meetings throughout the year to ensure that all matters requiring its attention were considered, including several proposed changes to the live racing schedules at various venues. For more information about the Racing Commission visit www.nj.gov/oag/racing.



Significant Matters

■ **Off-Track Wagering:** The three Off-track Wagering facilities in New Jersey processed more than \$143 million in wagers on in-state and out-of-state races in 2011. The off-track wagering site in Woodbridge, Middlesex County – reportedly the highest volume off-track-wagering facility in the United States – captured more than \$95 million in bets. (The Commission authorized a fourth off-track wagering facility planned for Bayonne, Hudson County in 2010. That project, however, remains on hold pending resolution of racetrack ownership issues.)

■ **Comprehensive Drug-Testing:** The Racing Commission continued its comprehensive drug-testing program in 2011. In addition to testing for steroids, the Commission conducted out-of-competition testing at 17 separate locations including: 12 licensed New Jersey off-track stabling facilities, three stabling facilities in New York, one at the Meadowlands Racetrack and one at Pocono Downs Race Track in Pennsylvania. A total of 52 horses were tested. According to the most recent data available, nearly 22,668 blood and urine samples collected from horses were tested by the State Police Forensic Science Laboratory in 2011, with 26 testing positive for the presence of illegal drugs, or the presence of drugs over legal dosage limits.

■ **Equine Herpes Quarantine:** Racing Commission veterinarians and investigators assisted Department of Agriculture personnel in enforcing and monitoring a quarantine imposed at two thoroughbred horse farms as the result of an outbreak of equine herpes. Although one horse died, the quarantine effectively prevented spread of the disease.

■ **Monmouth, Meadowlands Leasing:** The New Jersey Sports and Exposition Authority, operator of Monmouth Park and Meadowlands Racetrack, elected to lease their facilities to private interests in 2011. Leasing the Meadowlands for harness racing was accomplished on December 20, when the Racing Commission approved a permit for New Meadowlands Racetrack, LLC, to operate racing at the track. The plan to lease Monmouth Park for thoroughbred racing fell through when Monmouth Park Racing, LLC, decided not to go forward with the venture. As a result, the thoroughbred racing permit for Monmouth Park reverted to the New

Jersey Sports and Exposition Authority. The Authority will operate Monmouth Park until another private investor is selected.

■ **Live Racing Dates Scaled Back:** There were several legislative changes in 2011 that allowed for a reduction in the number of live racing dates in both the thoroughbred and standard-bred sectors. As a result, the number of live racing dates in New Jersey declined by 27 percent (from 375 in 2010 to 273 in 2011.)

■ **Workforce Reduction:** With fewer live horse racing dates scheduled, the need for certain regulatory oversight functions also decreased. As a cost-saving measure in 2011, the Racing Commission implemented a workforce reduction plan that resulted in the elimination of 20 full-time positions as of October 31. Coupled with other cost-saving measures, the overall Commission budget was reduced by approximately \$2 million. The Racing Commission maintains a pool of part-time workers to supplement staff as needed.

Rulemaking

■ **Safety Vests and Helmets:** In 2011, the Racing Commission adopted two new rules (13:70-8.18 and 13:70-9.12) as a result of a petition for rulemaking submitted by the New Jersey Horse Racing Injury Compensation Board. The rules upgraded the standards for Commission-required safety vests and helmets worn by thoroughbred racing industry employees when on horseback.

■ **Administration of Non-Steroidal Drugs:** Rule amendments adopted by the Racing Commission in November 2011 reduced the permitted level of phenylbutazone present in a horse's system on race day from five micrograms to two micrograms. Phenylbutazone is a non-steroidal, anti-inflammatory drug often used for the short-term treatment of pain and fever in animals. ■



Juvenile Justice Commission

The mission of the Juvenile Justice Commission is to foster public safety and reduce juvenile delinquency by holding young offenders accountable, providing them opportunities to achieve positive change, and promoting their return to the community as productive, law-abiding citizens. Now in its second decade of existence – the agency was created by statute in 1995 – the JJC continues to focus on serving the needs of at-risk youth and those adjudicated delinquent by the courts and placed in its custody. For more information about the JJC visit www.njjc.org.



Keynote 2011 Programs, Initiatives JDAI Effort Continued as a National Model

In 2011, the Juvenile Detention Alternatives Initiative (JDAI) continued to serve as a model program for the nation, as average daily detention center populations at JDAI sites continued to decline, and the number of New Jersey counties participating increased to 15 by year's end. According to the latest data:

- Based on 2011 data, the average daily juvenile detention population across all 15 JDAI sites is down 54.8 percent.
- On any given day in 2011, there were 446 fewer juveniles in secure detention, with minority youth accounting for nearly 90 percent of the decrease.
- Based on 2011 data, the number of girls in detention on any given day has declined by 68.6 percent across the 15 JDAI sites.
- Since JDAI implementation, the number of youth detained for violating the terms of their probation has dropped 65 percent, while detentions related to juveniles failing to appear in court dropped 53.7 percent.

The objective of JDAI is to create more effective and efficient processes surrounding the use of detention. A primary goal is to make certain that secure detention is used for serious and chronic juvenile offenders, and that effective alternatives are available for other offenders who can be safely supervised in the community while awaiting final court disposition. JDAI also works to redirect resources toward successful reform strategies, and to improve conditions of confinement for youth who require the most secure level of supervision.

JDAI was developed by the highly-regarded Annie E. Casey Foundation of Baltimore in response to national trends that reflected a drastic increase in the use of secure detention for juveniles and resultant overcrowding in youth detention facilities. In 2004, the Casey Foundation selected New Jersey to be among the first states to replicate the JDAI approach. Since then, representatives of many states throughout the nation have visited New Jersey to observe JDAI firsthand, and to consult with Juvenile Justice Commission officials regarding its successful implementation.

JJC Participation in Philadelphia Flower Show

In March 2011, residents of the Juvenile Justice Commission took part in the nationally acclaimed Philadelphia Flower Show. It marked the fifth consecutive year for JJC participation. The theme of the 2011 Flower Show was "Springtime in Paris" and, under the supervision of a horticulture instructor, residents from the JJC's Costello Prep Program, located in Tabernacle Township, created an entry for the "Individual and Club Entry" exhibit that focused on the French Riviera. As part of the lead-up to the Flower Show, participating JJC residents spent hours in the classroom researching tropical plants for their hanging basket and window box entry. The JJC students used 26 plant species, many of which were grown by the students themselves in greenhouses, as part of their ongoing horticulture education. Students designed and assembled several potential entries, carefully nurturing each to determine which would be selected as the eventual entry. Once an entry was selected, JJC students had the opportunity to visit the Convention Center in Philadelphia, site of the flower show, to maintain their creation. In addition, the JJC's Campus Residential Community Home, located in Blackwood, Camden County, submitted 11 single-plant entries, including specimens of geranium, cyclamen, hibiscus, and begonia. The JJC youth spent weeks cultivating these individual plants, which were subsequently reviewed by some of the nation's most distinguished horticulturists at the Flower Show. In addition to its core educational curriculum, the JJC provides extensive career and technical education to students, including horticulture instruction.

As part of its horticulture program, the JJC operates a greenhouse on the grounds of Smithville County Park in Burlington County. At peak season, students care for 75,000 plants, which are used in community service projects and are available for sale.



Joint Recidivism Data Mart Project

The Juvenile Justice Commission entered into a Memo of Understanding (MOU) with the State Department of Corrections, the State Parole Board and the New Jersey Office of Information Technology in 2011 to guide the creation and implementation of a Recidivism Data Mart, as a subset of a broader data warehouse. The Recidivism Data Mart tool will support the management and reporting of justice system data, with a focus on offender recidivism and reentry. A goal of the Data Mart is to create a focused and efficient process for utilizing available reentry resources. Aggregate data gathered via the Data Mart will aid in the formation of new policies related to recidivism. Another important goal of the Recidivism Data Mart is to meet the requirements of N.J.S.A 30:4-91.15, which requires the JJC and its partners in the MOU to submit a recidivism analysis to the Governor and Legislature, and to publish a semi-annual recidivism report on the State Web site.

Reentry Services

The Juvenile Justice Commission views reentry as a process that begins at admission. Through collaborations and partnerships across the agency's organizational lines and through interagency and community-based relationships, the JJC provides an array of reentry services that reflect best practices, as identified in reentry research. Offender reentry is increasingly viewed as a correlate to crime reduction measures, improved public safety and cost savings associated with improved recidivism. In 2011, Governor Chris Christie announced the establishment of a Recidivism Reduction Task Force, and the New Jersey Juvenile Justice and Delinquency Prevention Committee identified reentry as a priority concern. JJC reentry services include:

- Providing case management and evidence-based interventions to address the rehabilitative needs of juvenile offenders
- Engaging community-based providers in pre-release planning for post-release services – services that continue through termination of court-ordered supervision
- Engaging juveniles and their parents/caregivers in the rehabilitative and case-planning process;

- Providing family reunification efforts
- Helping juveniles gradually transition back to their home communities through a continuum of pre-release efforts
- Establishing community-based partnerships that help form a network of local stakeholders who can assist with access to local services and resources
- Ensuring that post-release services and monitoring are provided until a juvenile's parole obligation is fulfilled.

In 2011, the JJC received grants to support the following reentry initiatives:

- **High Risk Juvenile Offender Reentry and Family Strengthening Initiatives:** The agency received demonstration funds from the federal Office of Juvenile Justice and Delinquency Prevention (OJJDP) to implement a pilot transitional reentry continuum for youth returning to Atlantic County.
- **Second Chance Act Adult and Juvenile Offender Reentry Demonstration Projects:** This OJJDP federal demonstration grant will allow the provision of juvenile sex offender specific services to youth released from secure care to communities throughout New Jersey.
- **Project Safe Neighborhoods (PSN):** A grant received from the Division of Criminal Justice enabled the Commission's Office of Juvenile Parole and Transitional Services to implement PSN initiatives in Mercer and Passaic Counties. ■



11

State Athletic Control Board

The State Athletic Control Board is charged with the regulation and supervision of all contests and exhibitions of unarmed combat held within New Jersey. The Board's main missions are to ensure the health and safety of contestants and ensure integrity and fairness in all contests. The agency collects ticket and television taxes, licensing fees and disciplinary fines as its revenue sources. The presence of combative sporting events often leads to increased casino drop, higher hotel occupancy rates, employment opportunities and other taxable revenues. For more information about the Athletic Control Board visit www.nj.gov/oag/sacb.



2011 Highlights

In calendar year 2011, the State Athletic Control Board regulated 26 professional boxing contests consisting of a total of 189 matches. In addition, the agency oversaw 34 mixed martial arts events, which consisted of 199 professional matches and 151 amateur matches. Finally, the agency hosted 7 muay thai kickboxing events featuring eight professional contests, three Class A amateur contests, and 69 Class B amateur contests.

Professional boxing highlights included events involving the World Boxing Council world middleweight championship, the Showtime Super Six tournament finals, and the World Boxing Association and International Boxing Federation's world featherweight championship – all held in Atlantic City. World class boxing events were also held at the Prudential Center in Newark.

With regard to mixed martial arts, the agency hosted the Ultimate Fighting Championships at the Prudential Center, the Strikeforce Grand Prix tournament at the Izod Center in East Rutherford, and Bellator's season finals from Caesars Atlantic City.

With regard to muay thai kickboxing, the agency regulated the first professional muay thai event in New Jersey history held at Brookdale College in Monmouth County, as well as the first muay thai event ever held in Atlantic City, at Bally's. These events included matches that involved WBC international titles.

Besides major events in Atlantic City and Newark, smaller-level combat sports cards were also held in various venues in Cherry Hill, Jersey City, Lakewood, North Bergen, Paterson, Rahway, and Wildwood.

The SACB hosted a detailed training seminar for its boxing officials in Trenton and an intensive seminar for its muay thai kickboxing officials in Sayreville. The SACB's trained judges and officials were selected to work events in many other states, and in other countries, such as Australia, Canada, England, Ireland and Germany.

In 2011, Commissioner Aaron Davis was elected the Vice President of the Association of Boxing Commissions at its annual convention in Washington DC.

Lead MMA and muay thai ringside physician Dr. Sheryl Wulkan was selected by the Department of the Navy to test a neuro-cognitive device on combat athletes, and was an invited guest of the Sergeant Major of the Marine Corps as a consultant to their martial arts program.

Counsel Nick Lembo drafted unified rules for the sports of amateur and professional muay thai kickboxing, which led to the arrival of the new style events in New Jersey. These rules were then adopted by the entire membership of the Association of Boxing Commissions. ■



2011 Annual Report

New Jersey Office of Attorney General