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Trucking Firm With Criminal Past Hired to Transport L.C.B. Liquor

On January 19, 1984, the Pennsylvania Crime Commission received information that Xpress Truck Lines, Inc. (XTL), 2500 East Butler St., Philadelphia, was negotiating with the Pennsylvania Liquor Control Board (L.C.B.) to distribute alcoholic beverages from an L.C.B. warehouse on Enterprise Avenue in Philadelphia.

Less than a year earlier, the trucking firm, its president, Anthony A. Cerone, and an employee, Marie C. Nowak, had been indicted in U. S. District Court in Philadelphia on mail fraud charges stemming from a scheme in which XTL used false invoices to inflate the cost of transported goods.

The firm was found guilty; the charges against the two employees were dropped.

The Pennsylvania Public Utility Commission (P.U.C.) was informed by the Crime Commission on January 30, 1984, that XTL had submitted an application for a P.U.C. license to haul alcoholic beverages. The P.U.C. also was apprised of the mail fraud conviction, which occurred on April 25, 1983.

A copy of the criminal indictment, which was handed up on February 22, 1983, was sent by the Crime Commission to the P.U.C.'s Law Division. That office advised that the mail fraud conviction would be taken into consideration by the P.U.C. in reviewing XTL's license application.

The next day, January 31, 1984, the Crime Commission informed Gary DiVito, the L.C.B.'s chief counsel, about XTL's mail fraud conviction. DiVito further was advised that the trucking firm had not yet received a P.U.C. license to transport alcoholic beverages and that the P.U.C. likewise had been made aware of the firm's criminal past.

DiVito stated that another firm, Holt Trucking, Inc., originally had the contract at the L.C.B.'s Philadelphia warehouse. He said that because of numerous disputes with Holt Trucking personnel, the L.C.B. had negotiated a new contract with XTL.

As a result, according to DiVito, Holt Trucking sued the L.C.B., claiming it had been unfairly excluded from the bidding process, a position that later was upheld by Commonwealth Court.

New bids were let and Holt came in the low bidder, causing the L.C.B. to break off its negotiations with XTL.

As a result, XTL then sued the L.C.B. for \$1.2 million in damages. Commonwealth Court also heard this case, ruling that the L.C.B. pay XTL some \$800,000.

DiVito stated that at this point Holt Trucking tried to back out of its contract, citing continuing difficulties in its relationship with the L.C.B.

Consequently, DiVito related, the L.C.B. reopened its negotiations with XTL, eventually awarding the trucking firm the contract to supervise the warehouse operation in Philadelphia and to supply 191 L.C.B. stores in Philadelphia, Chester, Delaware, Bucks and Montgomery counties with approximately 4.2 million cases of liquor and wine a year. The estimated value of the contract was \$11 million. In addition, the three-year contract, which had two renewable options, called for XTL to deliver "straight loads" from a pier in Philadelphia to L.C.B. warehouses in Lebanon and Kingston, Pa.

DiVito emphasized that the negotiations with XTL had become financially expedient because the \$800,000 judgment by Commonwealth Court could either be erased or at least negotiated once the contract was signed. He said that the contract had been sent to the state Attorney General's Office for review.

That office refused to approve it, indicating its decision was based on XTL's prior convictions. The L.C.B., in turn, instituted action in Commonwealth Court, arguing that the Attorney General's Office had overstepped its bounds by considering factors other than the document's legal soundness.

Commonwealth Court agreed, ruling that the contract should be enforced and that the L.C.B. should pay XTL \$825,000 as a result of the liquor board renegeing on its initial negotiations.

At a Public Utility Commission hearing on June 6, 1984, XTL requested a license to transport liquor for the L.C.B. At the hearing, DiVito testified that he was aware of the federal court convictions, stating that the day before the L.C.B. chairman was to execute the contract he had advised the board of the firm's criminal record.

DiVito further testified that he felt XTL was qualified to perform work for the liquor board in spite of the convictions and in spite of the fact the trucking firm did not possess a Public Utility Commission carrier license.

He also stated that there was litigation underway between XTL and the U. S. Customs Department which could jeopardize XTL's ability to pick up untaxed liquor at the port of Philadelphia.

The liquor board's chief counsel pointed out that if the L.C.B. had not contracted with XTL when it did, it would not have had a carrier for its liquor, a fact that could have resulted in millions of dollars of lost revenue to the state.

As of February 1, 1985, a decision by the P.U.C. on XTL's application for a license was pending.

The Crime Commission has since referred this matter for review to the appropriate Pennsylvania legislative committees.

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Paper Company with Mob Ties Goes Bankrupt

In June of 1983, the case of Cardinal Container Corporation (CCC), Mount Carmel, Pa., was reactivated by the Pennsylvania Crime Commission as a result of an ongoing investigation of gambling activity involving the late Aldo Magnelli of Harrisburg, a member of the Russell Bufalino La Cosa Nostra crime family.

Various investigative techniques revealed frequent contact between Magnelli, Miss Tonie Dress Company (555 Alter St., Hazleton), A & J Sales Company (711 East 9th St., Hazleton), Joseph Scalleat, Sr. (711 East 9th St., Hazleton), Albert Scalleat (2 West 21st St., Hazleton), as well as Cardinal Container and A. Joseph Lopez (2333 Mahantongo St., Pottsville).

Miss Tonie Dress Company and A & J Sales were both owned and operated by the Scalleats, also members of the Bufalino crime family. Lopez is the president and 75% owner of CCC.

The investigation revealed A & J Company acted as sales broker for CCC and that it had received 6% commission on all sales. (In late 1983, A & J Sales Company changed its name to S & S Sales Company but retained its mailing address. The office for S & S Sales and Joseph Scalleat, Sr. share the same address.)

According to private hearing testimony by Lopez, he was set up with Magnelli by the Scalleats.

CCC is in the business of manufacturing corrugated boxes and paper products as well as cardboard displays. The corporation was established in Mount Carmel in 1964 by Irving Serwitz, from Long Island, N. Y. (now living in Hollywood, Fla.). In 1976, Serwitz sold CCC to the present corporate officers, Lopez and its vice president, James P. Sidler.

A & J Sales Company generates a substantial amount of business for CCC, with estimates ranging from several hundred thousand dollars to \$1 million a year. Several confidential sources and previous employees of CCC have stated that A & J Sales (the Scalleats) received on a number of occasions preferential treatment. A & J Sales orders were processed immediately; sometimes necessitating a complete change of presses and printers which would delay other customers' products.

During the summer of 1983, Crime Commission agents observed Lopez meeting with the Scalleats in an establishment called the Ovalon Restaurant, North Wyoming and East Diamond Avenues, Hazleton. This establishment is owned by relatives of the Scalleats and Lopez frequently uses this restaurant as a luncheon and dinner meeting place for customers.

Lopez has also been observed riding in a vehicle owned and operated by Albert Scalleat and entering Albert Scalleat's residence.

Interviews of confidential sources and a review of several documents showed the following company accounts have been handled by A & J Sales Company:

■ Miss Tonie Dress Company, a business which was operated since the 1960's by Joseph Scalleat, Sr. Scalleat recently turned this business over to his son, Pasco Scalleat.

■ P. J. Sportswear, Inc., a business involved in the garment industry in the Hazleton area. It is owned by Pasco Scalleat and Joseph Scalleat, Jr.

■ S & S Apparell, Inc., also involved in the garment industry and showing corporate officers of Pasco Scalleat and Joseph Scalleat, Jr.

■ Medico Industries which began in 1938 as a partnership of five brothers. Medico Industries is located in Luzerne County and manufactures munitions and construction and industrial equipment. The Medico family has been closely aligned with organized crime in northeastern Pennsylvania for many years. Three of the five Medico brothers have been identified as members of the Bufalino crime family and Philip T. Medico, until his death in February 1983, held the rank of capo.

■ Katrina Manufacturing Company, formerly of Williamsport, Pa. It was operated by Arnolph Mues. Mues' daughter, Deborah, is married to Lawrence "Larry" Bufalino, a cousin of Russell Bufalino. Lawrence Bufalino, according to Pennsylvania authorities, has been observed meeting with known organized crime figures and loansharks and was part of the management of Katrina Manufacturing.

During the first half of 1983, CCC was operating at full tilt, three shifts around the clock and weekends. Production was very high. In July of 1983 Lopez called a meeting of all plant personnel and in the presence of the union officers, announced that CCC was in debt approximately \$4.5 million. He then convinced employees to take a pay cut to avoid layoffs. The workers agreed to the pay cuts and decrease in benefits but Lopez still cut the work force.

The sudden turnaround puzzled employees, mainly because of a large amount of products which had been manufactured and sold. In July of 1983, CCC on its own behalf and on behalf of its sister company, Cardwell Industries, Inc., filed bankruptcy petitions under Chapter 11.

Irving Serwitz, the man who had founded CCC back in 1964 and sold it in 1976, continued to enjoy a close association with the firm. Up until August 1983, he had held and frequently used an oil company credit card and an American Express credit card, both of which were in CCC's name.

Serwitz, according to certain documents, apparently still owns the buildings that CCC occupies. Subpoenaed corporate records revealed that CCC had paid \$285,000 in rent monies from January 1982 through and including July of 1983 to East Hills Realty Company, 3800 Hillcrest Drive, Apt. 806, Hollywood, Fla.

East Hills Realty, in actuality, is Ruth and Irving Serwitz. The company's address is the private residence of the Serwitzs.

In 1976 when Serwitz sold CCC to Lopez and Sidler there were 300 shares of stock listed from the old CCC records. However, the current stock is listed as 100 shares of common stock, 75 owned by Lopez, 25 owned by Sidler. There is no record or document in the possession of the present CCC structure indicating the transfer of the additional 200 shares of stock previously held by Irving and Ruth Serwitz.

From January 1982 through July 1983 Serwitz received payments from CCC totalling \$730,982.04. This is in addition to the \$285,000 received under the name of East Hills Realty. It also is in addition to payments totalling \$75,285.86 paid to Ruth Serwitz by CCC.

An analysis of CCC records show that A & J Sales and later S & S sales (companies owned and operated by Albert and Joseph Scalleat) obtained payments totalling \$103,024.75 from CCC from January 1982 through July 1983.

Despite this, sources state that the Scalleats failed to call on many of the customers assigned by Lopez. One such account, according to documents subpoenaed from CCC, had sales of approximately \$410,000, thus entitling the Scalleats to an apparent unearned commission of approximately \$25,000.

The Pennsylvania Crime Commission's investigation also uncovered improprieties in matters such as petty cash accounts; expense accounts; accounts payable; credit card usage as well as questionable activities on Lopez' part in dealing with labor negotiations and the international representatives of specific union locals present within CCC.

On January 6, 1984, Lopez appeared at a private hearing conducted by the Pennsylvania Crime Commission. Asked if he had ever questioned the Scalleats about their alleged ties to organized crime he stated: "I feel that I knew them well enough, that I did not have to question anything that they did."

Effective August 3, 1983, Federal Bankruptcy Court appointed outside professional management to run CCC through the conclusion of the proceeding. Since the intervention of this outside professional management firm, the overall operation of CCC has improved with CCC having made money every month of full operation since August of 1983. On April 1, 1984, Lopez resigned as CCC's president to become a self-employed commission salesman of the corporation.

On May 15, 1984, CCC received written notice of the resignation of S & S Sales and its affiliation as a broker for CCC.

It is apparent that the only person who consistently dealt and met with the Scalleats was Lopez. There has been no indication that the Scalleats at any time owned any portion of CCC or its affiliate companies.

In July of 1984, the Crime Commission referred its investigative findings to two federal agencies for review.

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Firearms and Explosives Confiscated

In response to recurring classified advertisements in two Harrisburg area shopping guides, the Pennsylvania Crime Commission made contact with George F. Sullenberger, Sr., of 481 Sample Bridge Road, Enola, Pa. Sullenberger advertised his willingness to "buy, sell, or loan against guns, stereo equipment, vehicles . . . or German articles, flags, guns, knives, etc." The ads listed two telephone numbers for interested parties to respond to, with instructions to "ask for Sully."

Telephone subscriber and related information revealed the two numbers were listed to various companies controlled by the Sullenberger family at the Sample Bridge Road location. They included Blue Ridge Company, Inc., Blue Ridge Construction, Blue Ridge Auto Sales, Inc., Blue Ridge Hauling Services, Blue Ridge Paving, Blue Ridge Tree Experts, Inc., and S & S Plumbing and Heating.

Suspecting that Sullenberger might be dealing illegally in firearms, telephonic contact was made in September of 1982. Sullenberger spoke of his gun collection, which he valued at some \$200,000, and his ability to make a connection to purchase a purportedly stolen .38 revolver which a Crime Commission agent had offered to sell.

Sullenberger stated his "friend Charlie deals in warm or hot stuff" and was in possession of several machine gun-type rifles. Within an hour, the agent was telephoned by a subject who identified himself as Charlie Lucas. Lucas, later identified as a federally licensed firearms dealer, negotiated to purchase the .38 revolver after being told it was "hot."

A check conducted through the Federal Bureau of Alcohol, Tobacco & Firearms (ATF) revealed the 52-year-old Sullenberger was not licensed as a firearms dealer. ATF reported Sullenberger had several felony convictions following arrests in the 1950's - 1960's for burglary, larceny, and receiving stolen goods.

In February of 1977, Sullenberger petitioned ATF for "relief from disabilities" as a convicted felon in an attempt to regain his right to legally possess firearms. ATF rejected the application in October 1977.

ATF records document that Charles A. Lucas, age 36, t/a Lucas Gun Shop, 4809 Charles Road, Mechanicsburg, Pa., was issued a firearms dealer license in January of 1982.

Several days following the telephone conversation, the Crime Commission agent met in an undercover capacity with Sullenberger at his home/business.

Sullenberger, claiming to be a licensed firearms dealer, displayed 55 to 60 revolvers and semi-automatic firearms, stating each was "clean" and registered in his name.

He was asked if he had any "hot" revolvers for sale that couldn't be traced, to which he responded he had "a couple around," and would contact "Charlie" to see what he had available. Sullenberger spoke of trips to other states, especially southern states, to buy guns.

In addition to several loaded firearms, Sullenberger showed the agent an AR-15 military type rifle which he stated was converted from semi-automatic to full-automatic.

During 1983, ATF conducted an investigation into Sullenberger's activities. Firearms transaction records reflected the sale or transfer of some 60 firearms to Sullenberger's son, George F. Sullenberger, Jr. In an interview, Lucas admitted registration transaction forms were prepared to reflect that purchases/transfers were being made by Sullenberger's wife, Aleatha, or their son, George. Lucas prepared the forms at the request of Sullenberger, Sr. who, according to Lucas, then forged his son's name on the documents.

In February of 1984, ATF headquarters approved a request by the local ATF office to electronically intercept and record conversations with Sullenberger, Sr. On two occasions, the Crime Commission agent met with Sullenberger at his home and recorded the conversations.

Sullenberger further negotiated the sale of a firearm and made offers to purchase several firearms. In describing how he acquires guns, Sullenberger stated, *"Charlie, he takes care of all my buying and selling . . . and I very seldom, I very seldom even touch the money, you know, very seldom, because he, you know, he does the buying."*

Sullenberger continued, *"He (Charlie) keeps a lot of them for me. You know, I just enjoy buying guns. It's a good investment."* When asked to describe the collection, one of Sullenberger's younger sons stated, *"Two hundred-eighty some rifles and shotguns, and a hundred and some pistols."*

Based on the recorded conversations, a search warrant was issued by the United States District Court, Middle District. On February 14, 1984, members from ATF, the Crime Commission, and State Police searched Sullenberger's home and business. Confiscated were 107 firearms, of which 91 were handguns; C-4 explosive, blasting caps, detonating cord, safety fuse, and related explosive material. Eleven of the firearms were identified as having been reported stolen. One firearm had an obliterated serial number.

As of February 1, 1985, the U. S. Attorney's Office in Harrisburg had the matter under review.