

# LI Man Accused of Running Multimillion-Dollar Scams

By Tom Renner

Authorities in two states yesterday accused Michael Franzese of Brookville of operating multimillion-dollar schemes that defrauded banks, oil companies, car manufacturers and state governments.

Federal prosecutors said that their investigation also established that Franzese, the 34-year-old stepson of a once-prominent organized crime figure, has become a major racketeer in his own right.

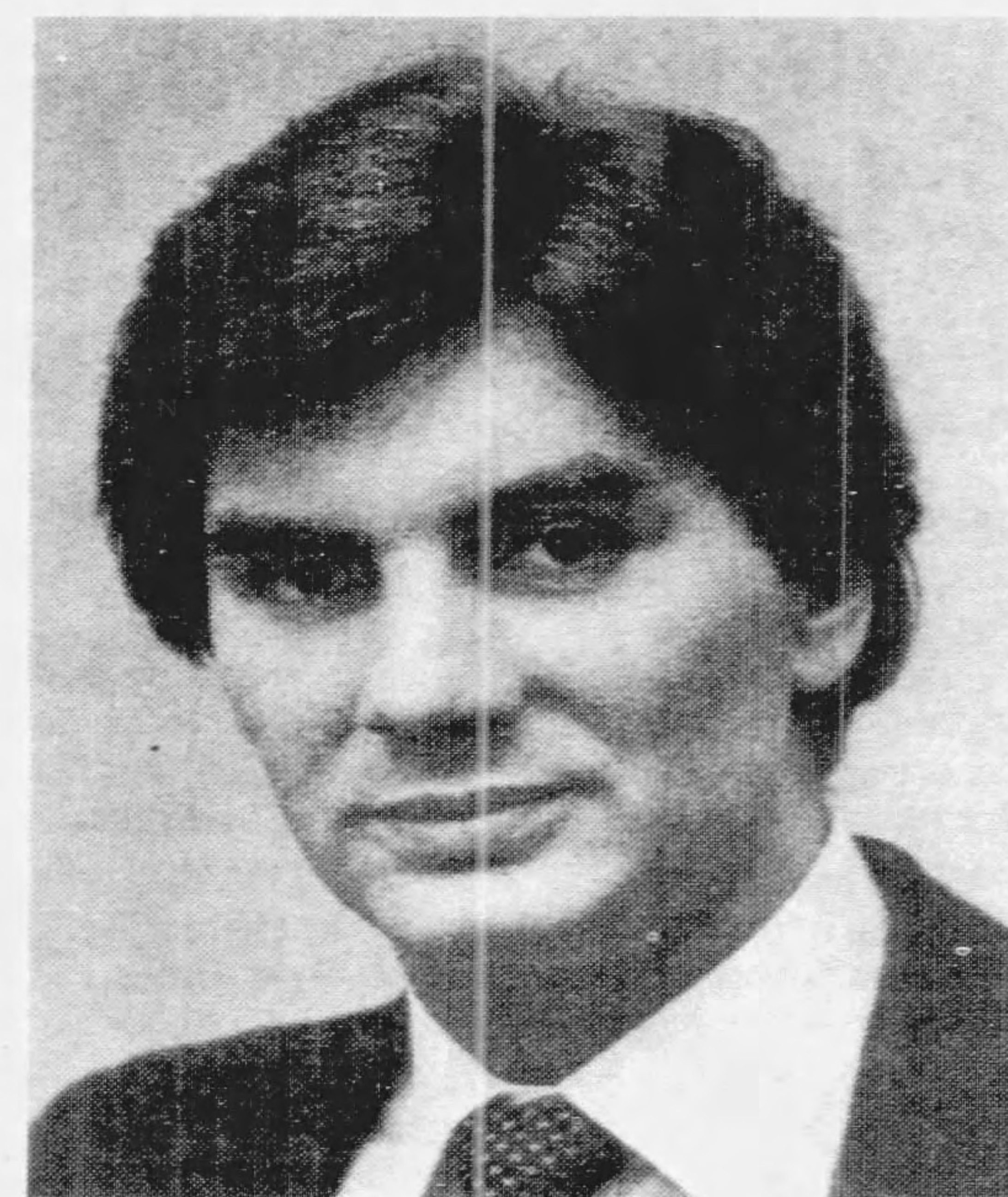
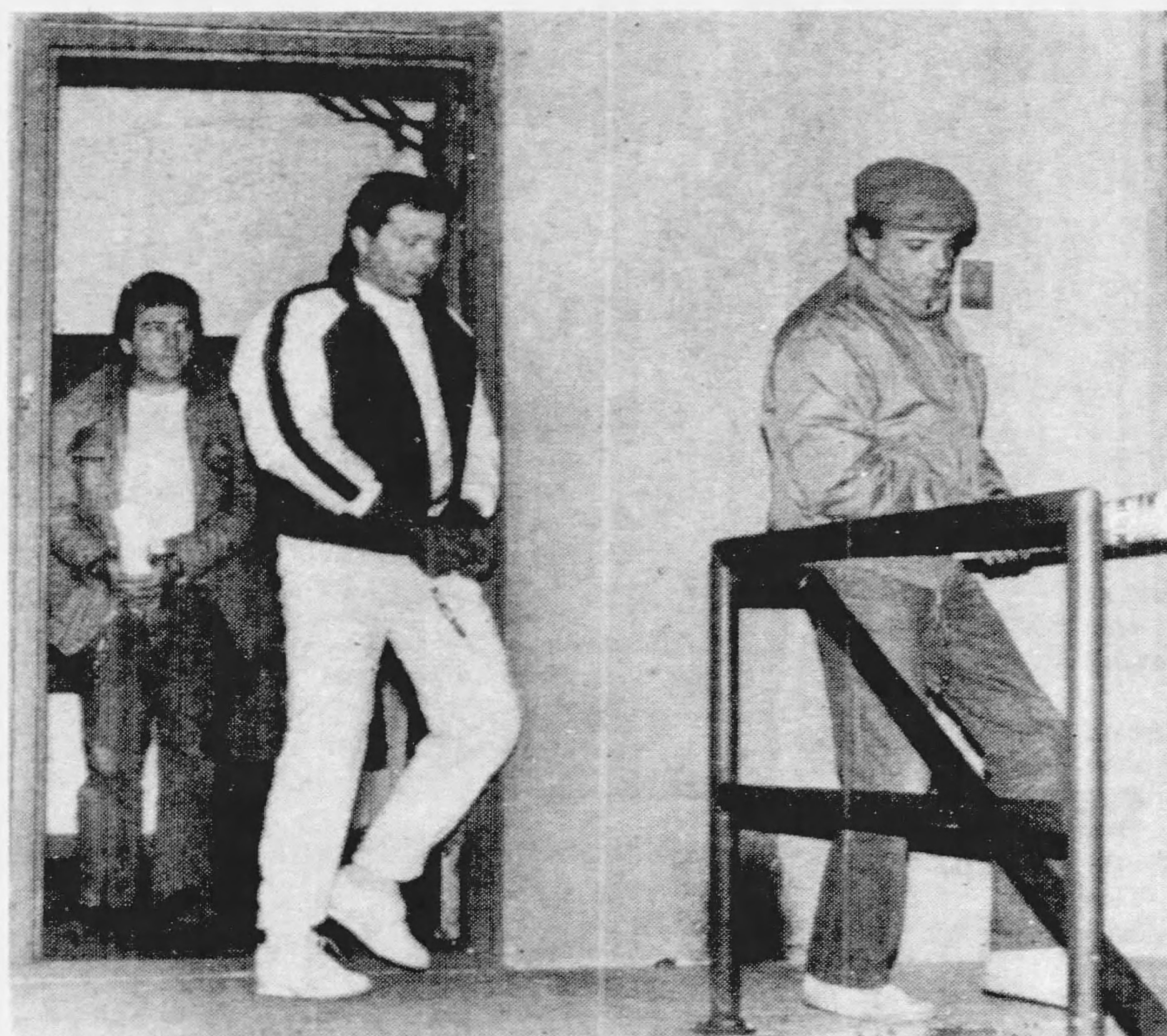
The first set of charges, a 28-count indictment, was handed up around noon by a federal grand jury in Brooklyn against Franzese and eight other persons identified as the "Franzese group." The indictment alleged that the group skimmed millions of dollars in sometimes violent, often complicated plots against such corporations as Mobil Oil, Citicorp, Beneficial Commercial Corp., the Chevrolet Division of General Motors, Mazda Motors of America and Chemical Bank.

Four hours later, state prosecutors in Florida accused Franzese of operating a scheme that cheated that state of at least \$40 million in taxes on retail sales of gasoline. Florida prosecutors charged 25 persons, many of them Long Islanders, with helping Franzese set up phony wholesale oil companies to avoid paying taxes.

Those charges for the first time linked Franzese to a scheme that has cost New York state an estimated \$250 million in sales tax revenue. Charged along with Franzese yesterday was Lawrence Iorizzo, the former head of Vantage Petroleum Corp., who has been convicted of federal charges of tax, mail and wire fraud and who has become a government witness in the federal witness-protection program.

The federal authorities in Brooklyn were not working with the state prosecutors in Florida, but each was aware of the other's investigations, sources said.

The 99-page federal indictment contains a sweeping series of allegations that culminated a three-year investigation by the U.S. attorney's office for the eastern district with the help of state and local investigators. The indictment accused Franzese of master-



Newsday Photos

At left, racketeering case suspects, from right, Frank Cestaro, Louis Fenza and Frank Castagnaro being taken into custody; Michael Franzese, above, who was accused of masterminding the scams, was not in custody yesterday.

mind a racketeering conspiracy that bankrupted two Long Island car dealerships and defrauded banks, finance companies, oil firms and car manufacturers from the Virgin Islands to California.

The federal indictment "is an example of the movement of significant racketeers into sophisticated and complicated business crimes through which they reaped millions of dollars in illegal profits," said Edward A. McDonald, chief of the eastern district's Organized Crime Strike Force.

McDonald declined to identify Franzese with any major organized crime group, although federal probation, FBI and customs agents from McDonald's own strike force last year identified Franzese as a Colombo family crime captain during the sentencing of a Franzese associate, Peter Napolitano.

Franzese, who had not been taken into custody last night, has consistently denied membership in organized crime and has said agents have tried

to label him a mobster because of his stepfather, John (Sonny) Franzese. His stepfather has had a variety of convictions, has served time for bank robbery and has been described in U.S. Senate testimony as a crime captain.

Attempts to locate Michael Franzese yesterday at his secluded million-dollar-plus home at 2 Brook La., Brookville, or at homes and corporate offices he holds in Brentwood and Marina Del Rey, Calif., and Delray Beach, Fla., were unsuccessful.

His attorney, John Jacobs, said that Franzese would "... make every effort to surrender to authorities" today and that he would plead innocent. "He has cooperated with the grand jury ... supplied records, testified [and] spoken to the prosecutors. The only surprise is that the indictment does not contain the words 'Mafia' or 'organized crime.' Perhaps they're now conceding he's not a member of the Mafia."

All of those charged in the federal indictment, except Franzese, were ar-

raigned before U.S. District Court Judge Jacob Mishler in Uniondale, who held them on varying amounts of bail.

The federal indictment charged that Franzese was the "boss" of a group of "co-racketeers" that used more than 20 corporations in the scheme. The result was a complicated paper trail designed to bleed and sometimes bankrupt companies on Long Island and throughout the United States while cheating the U.S. government and the state governments of New York and Florida out of additional millions in tax revenues.

To unravel this paper trail it took the strike force, the U.S. Department of Labor, postal authorities the Internal Revenue Service, the Suffolk and Nassau district attorney's offices and county police forces and the FBI three years to track down the necessary evidence and focus that evidence on the schemes.

Violence and threats of murder  
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## Kennedy Bars '88 President Run

By Susan Page

Newsday Washington Bureau

Washington — Sen. Edward M. Kennedy, considered a presidential possibility for almost two decades, last night declared he would not seek the Democratic nomination in 1988, immediately boosting the presidential prospects of Gov. Mario Cuomo.

"I know that this decision means that I may never be president, but the pursuit of the presidency is not my life. Public service is," the Massachusetts Democrat said in a paid television address broadcast on Boston stations.

The five-minute announcement instantly reshaped the Democratic party's 1988 landscape, benefiting, at least initially, Cuomo and Sen. Gary Hart of Colorado. Sen. Alan Cranston (D-Calif.) called it "a great Christmas present" for Hart and Cuomo. Republican strategist Roger Stone Jr. said, "With the absence of Kennedy, there's

one New Deal liberal in the race and that's Mario Cuomo."

It also may encourage less-known candidates into the race, among them Rep. Richard Gephardt of Missouri, Sen. Joseph Biden of Delaware, Gov. Bruce Babbitt of Arizona, Sen. Bill Bradley of New Jersey and Gov. Charles Robb of Virginia.

Cuomo said he was "sorry" Kennedy would not run and denied he had any plans to run himself, although he said it was "flattering" to be mentioned. Kennedy called him and several other national party figures before making the announcement.

"I'm not planning to run for president ...," Cuomo said during a break in his monthly WMCA radio show in New York City. "If anything, I'll be running for governor next year, the Lord willing."

His words would be different if he harbored national ambitions, he said. "If I wanted to run for president, now's

the time: Don't run for governor. Kennedy's out of the way. Say, 'That's it. There's the opening.'"

Hart released a one-sentence statement expressing "respect" for Kennedy's decision and adding, "He will remain a leader in the Democratic party and a national spokesman as long as he wishes."

Kennedy's announcement stunned even some who were close to him. He recently had taken several steps seen as signs he would seek the nomination — slimming his ample girth, forming a political action committee, calling for a new direction for the Democratic party.

A Kennedy aide who spoke on condition of anonymity said the senator, now 53, had made the decision not to run during a weekend of consultation with family and friends during Dec. 6-8. Once he had decided not to run, another long-time associate said, he wanted to stop speculation about it.

"It's only 1985 and already everything he does is seen through the prism of presidential politics," he said. "He just felt that was going to plague him and he didn't want to go through that."

In his announcement, Kennedy said he was particularly distressed that his recent trip to South Africa was seen more as political grandstanding than a protest of apartheid.

He said he would run for re-election in 1988. He probably would have had to give up his Senate seat to seek the presidential nomination.

Many politicians believed Kennedy would have a good shot at the nomination but little chance of winning a general election. Sen. J. Bennett Johnston (D-La.) said Kennedy would have been "a divisive force" and that his withdrawal would "make it much easier for the party to come together."

Neill S. Rosenfeld contributed to this article.

## Those Indicted in New York . . .

These are the people who were accused in a federal indictment of being part of a racketeering conspiracy and the charges against them:

**Michael Franzese**, 34, of 2 Brook La., Brookville, and 915 Bolender Dr., Delray Beach, Fla.; conspiracy, mail fraud, obstruction of justice, extortion, uttering a counterfeit security, violation of federal anti-kickback law, embezzlement, credit card fraud and wire fraud.

**Louis Fenza**, 34, of 3 Madison St., Jericho; conspiracy, mail fraud, violation of federal anti-kickback law and embezzlement.

**Frank Castagnaro**, 40, of 7 Central Ave., Amityville; conspiracy, mail fraud, wire fraud, credit card fraud and extortion.

**Frank Cestaro**, 46, of 946 Oakfield Ave., North Bellmore; conspiracy and mail fraud.

**Walter Doner**, 53, of 321 Southport St., Ronkonkoma; conspiracy, mail fraud and false statement to the government.

**Harold Sussman**, 44, of 1755 Karen La., East Meadow; conspiracy, mail fraud and false statement to the government.

**Gerard R. Nocera**, 59, of 230 Meadowbrook Rd., Wycoff, N.J.; conspiracy, mail fraud and uttering a counterfeit security.

**Anthony Tomasso**, 46, of Coral Springs, Fla.; conspiracy, violation of federal anti-kickback law and embezzlement.

**Mitchell Goldblatt**, 49, of 466 E. 18th St., Brooklyn; conspiracy, violation of federal anti-kickback law and embezzlement.

## . . . and Those Named in Florida



David Bogatin



Lawrence Iorizzo



George Kryssing



S. Lombardo



Michael Markovitz



Peter Raneri



Charles Yingst



Joseph Yorizzo



Jerome Zimmerman

These are the people who were charged by Florida authorities yesterday with being part of a scheme that defrauded the state of \$40 million in gasoline sales tax receipts:

**Michael Franzese**, 34, of 2 Brook La., Brookville, and 915 Bolender Dr., Delray Beach, Fla., and **Frank Cestaro**, 46, 946 Oakfield Ave., North Bellmore, both of whom were also charged yesterday in a federal racketeering indictment in Brooklyn.

**Moty Albini**, no age available, of Lauderdale Lakes, Fla.; **Vincent Aspromonti**, 40, of 102 Boulevard Ave., West Islip; **David Bogatin**, 40, of 104 Amherst St., Brooklyn; **Thomas Casale**, 25, of Pompano Beach, Fla.; **Eric D'Entin**, no further information available; **Mahir Edry**, no further information available; **William Ferrante**, 40, of 51 Rolling Rd., Miller Place; **Lawrence Iorizzo**, 47, former president of Vantage Petroleum Corp.

Also, **George Kryssing**, 45, of 25 Timberbrook Rd., Fort Salonga; **Sebastian Lombardo**, 39, of 106 Elkton La., North Babylon; **Michael Markovitz**, 39, of 2715 Arkansas Rd., Brooklyn; **Kathleen Meyer**, 47, of Fort Lauderdale, Fla.; **Robert Meyer**, 56, of Fort Lauderdale, Fla.; **Martin Meyer**, 57, of 10 Cottontail Rd., Melville; **Lev Persits**, no further information available; **Peter Raneri**, 41, of 86 Smith La., Centereach; **George Spiegel**, 61, of 265 E. 66th St., Manhattan; **Richard Spiegel**, of 86 Suffolk Blvd., Atlantic Beach.

And, **Ronald Weiner**, 49, of 3211 Weidner Ave., Oceanside; **Linda Wilkinson**, 38, of Wursthoro, N.Y.; **Charles Yingst**, 35, of Coral Springs, Fla.; **Julia Yingst**, 30, of Coral Springs, Fla.; **Joseph Yorizzo**, 42, of 200 Lexington Ave., Oyster Bay, and **Jerome Zimmerman**, 53, of Sherman Oaks, Calif.

# Franzese Took

By Robert E. Kessler

Newsday Staff Correspondent

Fort Lauderdale, Fla. — A scheme that officials said has cost New York State \$250 million in gasoline sales taxes was imported to Florida by Michael Franzese, where more than \$40 million was stolen from that state, according to charges filed here yesterday.

In a 177-count prosecutorial information, 26 persons — most of them New Yorkers or former New Yorkers — were charged with setting up a series of dummy corporations to trade gasoline back and forth and make it impossible to trace who owed the gasoline taxes to the state.

Franzese was charged with 51 felony counts of theft and failure to report taxes. He and the other defendants were also charged with running a racketeering enterprise and conspiracy. If convicted they could be liable to pay the state triple damages or \$120 million.

"It was a complex and sophisticated operation," said Kent Neal, head of the white-collar crime section of the state's attorneys office here.

"The scheme was getting off the ground as it has done in other states, but I think we nipped it in the bud in Florida," said Harry Solowsky, head of the Broward County office of the Florida Department of Law Enforcement. His unit handled the investigation under the direction of Fred Damski, the assistant state's attorney handling the case. Solowsky is a retired New York City detective from Queens. Damski is a former justice of the peace in the Village of the Branch.

Franzese headed the group, according to the Florida prosecutor's information. But also involved was Lawrence Iorizzo, former president of Vantage Petroleum Corp., who earlier this year was sentenced to 5 years in prison and ordered to pay \$1.7 million, the amount of gasoline sales tax it is estimated he failed to pay to New York State. Iorizzo has since become a federal witness and has been placed in the witness protection program. He is expected to be the chief prosecution witness in this case.

According to investigators, the scheme was aimed at taking advantage of a Florida law — similar to one enacted in New York — designed to cut down on tax cheating by individual gasoline stations. Under the laws, sales taxes are the responsibility of the wholesaler. In New York it previously was the retailer's responsibility. The theory of the change in New York was that it would be more difficult for wholesalers, who deal in large volumes of gasoline, to misrepresent sales figures in reports to the states.

But, according to investigators, Franzese and his associates found ways around the new laws so they could collect the sales tax from retail stations and pocket the money.

This was done, investigators charge, by setting up a chain of dummy wholesale gasoline distributorships so that on paper, it appeared that the wholesalers were legally trading untaxed gasoline back and forth. The last wholesaler in the chain, the firm that is supposed to collect the taxes from retailers, was often little more than a small office rented under a false name. When the state would come to collect taxes, only an empty office remained.

The investigation was triggered by complaints from longtime wholesalers that they were losing much of their business to newcomers, who — because they were not paying taxes —

were undercutting the market prices.

According to the prosecutor's information, in June, 1983, Franzese, Iorizzo, Michael Markovitz, George Kryssing and several of the other defendants met in the office of Lesez Gas in Commack, a firm owned by David Bogatin.

It was agreed, the information charged, that associates would be sent to Florida to establish a chain of wholesalers by forming new corporations or using ones already in existence. Franzese was to get 40 percent of the profit and the rest was to be split among the others, according to the information.

One of the defendants, former Smithtown restaurateur Peter Raneri, bought under the name of Peter York a Florida gasoline wholesale dealership named Kendall Oil to be used at one end of the chain, according to the information.

Also named were the owners of sev-

## Franzese

—Continued from Page 3

against at least two individuals, one a federal probation officer, the other a federal witness, were also part of the conspiracy, officials said. Federal authorities plan to detail those threats in court today in Uniondale at the bail hearing of a Franzese co-defendant, Frank Cestaro.

One of the schemes, the indictment charged, was the "floor plan loan." A standard method car dealers use to obtain loans for new cars from manufacturers was used to bilk Beneficial Commercial Corp. of \$580,000, the indictment charged.

According to Suffolk Assistant District Attorney Ray Jermyn, if a car dealer sells five cars, the lending institution he deals with provides him with money to buy the cars from the manufacturer or distributor. The lender, such as a company like Beneficial Commercial Corp. holds documents the dealer needs to sell the car, including the dealer's title to the vehicle. When the dealer gets his money from the car buyer, he then has two days to give the finance company the borrowed money and the interest charged, less the dealer's profit.

The first of the floor plan schemes, the indictment charged, involved Lynn Mazda Imports of Hempstead and was devised by Franzese, Louis Fenza, the manager of Lynn Mazda, and Gerard Nocera, vice president of Beneficial Commercial Corp.

Their plan was to sell the floor plan cars and take the money, a source close to the investigation said. When Beneficial auditors asked where the cars were, Franzese and his associates would give various excuses to explain where the cars really were. At times, the stalls escalated to threats against finance company officials and car dealers who were being used in the scheme. One Beneficial manager, the source said, was told his children would be hurt when he at first refused to return a counterfeit \$100,000 treasury bill that Franzese and his group had used as collateral for one of their loans. The treasury bill was returned, but not before it had been photocopied by Beneficial executives.

The scheme was carried a step further to get additional money from Beneficial when, the indictment charged, Franzese and Fenza induced Iorizzo, now a federal witness but then president of Vantage Petroleum and Page Motors Inc. of Bobemia, to pro-

# Tax Scam South, Florida Says

eral present or former independent gasoline dealerships on Long Island, including: Martin Meyer, 57, of Dart Oil; George Spiegel, 61, of SOS Petroleum; Kryssing, of Keri-Lynn Petroleum in Islip; Ronald Weiner, 49, of Conlo Petroleum in Farmingdale; and Markovitz and Bogatin, former owners of the Oceanside Oil Terminal in Oceanside.

Franzese, who has homes in Brookville and Delray Beach, Fla., was also indicted yesterday by federal prosecutors in the Eastern District in Brooklyn. In addition, he is the subject of an investigation being conducted by federal prosecutors in the Eastern District of New York. That third investigation involves the alleged theft of gasoline sales taxes in New York.

Law enforcement officials have long maintained that the younger Franzese is a member of organized crime, al-

though Edward A. McDonald, head of the Eastern District strike force, declined to make that claim yesterday in announcing the federal indictment on unrelated charges.

But in an affidavit filed along with yesterday's charges, Florida officials stated that the scheme was "planned and coordinated by reputed members, associate members and associates of the Colombo LCN [La Cosa Nostra] crime family."

Franzese has repeatedly maintained that he is a legitimate businessman who has been continually harassed by law enforcement authorities because of his support for his stepfather. His only conviction has been for disorderly conduct.

In a recent interview, Franzese said that the main source of accusations against him in the gasoline-tax situation has been Iorizzo. And John Jacobs, Franzese's attorney, said

yesterday that Iorizzo's account was "a lot of bull . . . Larry's making it up."

"The guy's just insane," said Franzese, who says he had few dealings with Iorizzo. "Anything he did wrong, he blames on me."

Referring to a recent case in which he was acquitted despite Iorizzo's testimony against him, Franzese said, "I beat him once and I'll beat him again." That case involved accusations that Franzese was a member of a sophisticated Lake Success-based loansharking ring.

An affidavit attached to the Florida information admits that Iorizzo has been the only publicly acknowledged government witness in the gasoline case. But the affidavit continues, "It should be noted that the testimony given by Iorizzo has been corroborated by the testimony of other witnesses and other competent evidence. Some of the witnesses are apparently facing a substantial risk of physical harm and

intimidation, and therefore they cannot be disclosed at this time."

Among the other evidence supposedly is transfers of cash from oil firms to businesses controlled by Franzese, computer printouts of gasoline company records that the clerk who worked on them couldn't bring herself to destroy because she considered them her handiwork, accounts of cash from Florida to Long Island-MacArthur Airport, and a number of people who remember Franzese introducing himself at various gasoline-related business meetings as "Michael Markowitz."

Lawyers for those of Franzese's codefendants who could be reached yesterday said either that their clients were not guilty or that they could not comment because they had not read the charges. Many of the defendants were said to be en route to Florida to surrender to authorities today.

## Is Accused as Mastermind of Scams



Suspect Walter Doner, right, arrives at court with his lawyer, Roy Kulcser

vide documents showing Page Motors was ordering 25 new cars from Lynn.

To cover their tracks and block a grand jury investigation of their records, a source close to the investigation alleged, Franzese and his group destroyed Lynn Mazda records and, to add to their profit, stripped the leased garage and salesroom facilities of everything from lights to compressors that were encased in cement. The owner of the property was beaten by youths who told Nassau police they had been hired by Frank Castagnaro, a Franzese enforcer, the source said.

A similar floor plan scheme was employed to take another \$496,000 from Beneficial through Rumprik Chevrolet of East Islip after Franzese became the firm's hidden owner, the indictment charged. Beneficial, the indictment said, thought it was dealing with Nocera, Walter Doner and accountant Harold Sussman, not Franzese, when it loaned floor-plan money for 318 cars for to T&W Chevrolet, which was doing business as Rumprik. Defrauded along with Beneficial was the Chevrolet Division of General Motors, according to the indictment.

A second area of activity described in the indictment involved unions —

in particular the Allied International Union and the Federation of Special Police and Law Enforcement — and money taken from Allied's welfare fund. The unions supply security police for casinos, corporations and nuclear and other public power plants.

A 1982 federal strike force report filed with the courts during the sentencing of the union's former president, Daniel Cunningham, described the unions as wholly owned subsidiaries of organized crime since their formation. Allied, that report said, was formed in the 1960s by a Genovese crime family racketeer, Benny (the Bug) Ross, who is deceased. It later became the property of a Genovese captain, Joe Agone, until 1975, when Cunningham "bought" the union for \$90,000 while continuing to pay tribute to Agone until he died, according to the report.

A source close to the investigation said control of the unions then passed to John Franzese, who was in jail. Cunningham, when he went to jail, allegedly "sold" the union to Michael Franzese for \$140,000.

The interim president and successor to Cunningham was Anthony Tomasso. The post of president, labor in-

vestigators found, was actually reserved for Fenza by Franzese. Under Franzese's direction, Tomasso became manager of the health and welfare fund while Fenza rose in 13 months from union organizer to president.

The indictment charged that at Franzese's direction, Tomasso took \$590,000 — 75 percent of the entire welfare fund reserve — and invested in Dome Insurance Co. certificates of deposit under the tutelage of Mitchell Goldblatt. The president of Dome was Leo Bloom, who met Franzese through a New York labor union consultant. On the day the certificates were bought by the union, Tomasso got a \$184,700 mortgage, costs and other fees on his house at 4 Otsego Pl., Jericho, while Franzese got a \$120,000 mortgage on a house at Delray Beach, Fla., the indictment charged. Both mortgages were at low, "10 percent rates.

The indictment charged that in addition, Fenza and Tomasso got kickbacks from the union funds, including \$22,000 for Fenza; that Goldblatt, Fenza and Tomasso also dipped into the union till for \$12,000 for an all-expense-paid trip for themselves and their families to St. Croix, and took \$50,000 more to pay to Cunningham, according to investigators.

Throughout the union swindle, Franzese and his group had Beneficial convinced that Dome Insurance and its president, Bloom, were providing collateral to pay off the Rumprik debt to Beneficial, investigators said.

A third area of the indictment charged that Castagnaro, working for Franzese, obtained counterfeit Visa and Mastercard credit cards and used them to run up thousands of dollars in bills with phony purchases through corporate fronts, bilking Chemical Bank, First National Bank of Chicago, Ill., Merrill Lynch through Bank One, Columbus, Ohio, and other companies.

Castagnaro was also charged with collecting more than \$24,000 by filing false reports and fraudulent insurance claims on a boat he said was stolen from the Babylon Cove Marina. Castagnaro was also accused of defrauding Mobil Oil Corp. out of more than \$100,000 by using false reports of stolen sales receipts, phony armed robbery reports and other devices to account for the loss of petroleum product receipts that he is accusing of pocketing instead of giving to Mobil Oil.

Two of the biggest frauds involved

schemes that enabled Franzese and his group, together with Lawrence Iorizzo, to keep \$3,082,721 in New Jersey motor fuel taxes through a company known as Houston Holdings Inc., the indictment alleged.

Iorizzo and Franzese formed a partnership of sorts that gave the Franzese group control of more than 100 Vantage petroleum stations, with 25 being run by Franzese associates, federal investigators said. They are accused of using the corporate front of Houston Holdings to obtain a New Jersey Motor Fuels Tax Bond from the Union Indemnity Insurance Co. of New York. Initially they obtained a bond for \$60,000 and then increased it to \$500,000. The group, it was charged, funneled the fuel out of the state into its stations, sold it off and never paid New Jersey taxes. Houston went out of business and defaulted on the bonds; Union Indemnity was forced to make up the \$500,000 loss.

Then, the indictment charged, the scheme went show biz, as Franzese, with the help of an associate and accountant, Harold Sussman, used corporate fronts to set up a money-laundering operation to avoid paying federal taxes.

Investigators said that Franzese got into the movie production business — first at Western International Pictures with Jerry Zimmerman, and then with a several new companies including Miami Gold and the Film Concept Group. IRS investigators found that their first picture was "Mausoleum," which was produced at a cost of \$1.8 million and made money.

Subsequent films, however, were reported as having lost money — up to four times their cost. To further that scheme, investigators said, Franzese formed Miami Gold and produced films that were never released but were oversubscribed by several banks. The scheme was designed to show that the films lost money so that no taxes would be paid and funds from other firms that were controlled by the group could be funneled into the movies and written off as losses when the Franzese group was actually pocketing the funds.

The various schemes identified in the indictment totaled more than \$5 million, which federal authorities hope to recover by seizing the assets of Franzese and members of his group.

John Cummings and Richard C. Firstman contributed to this story