

# 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.

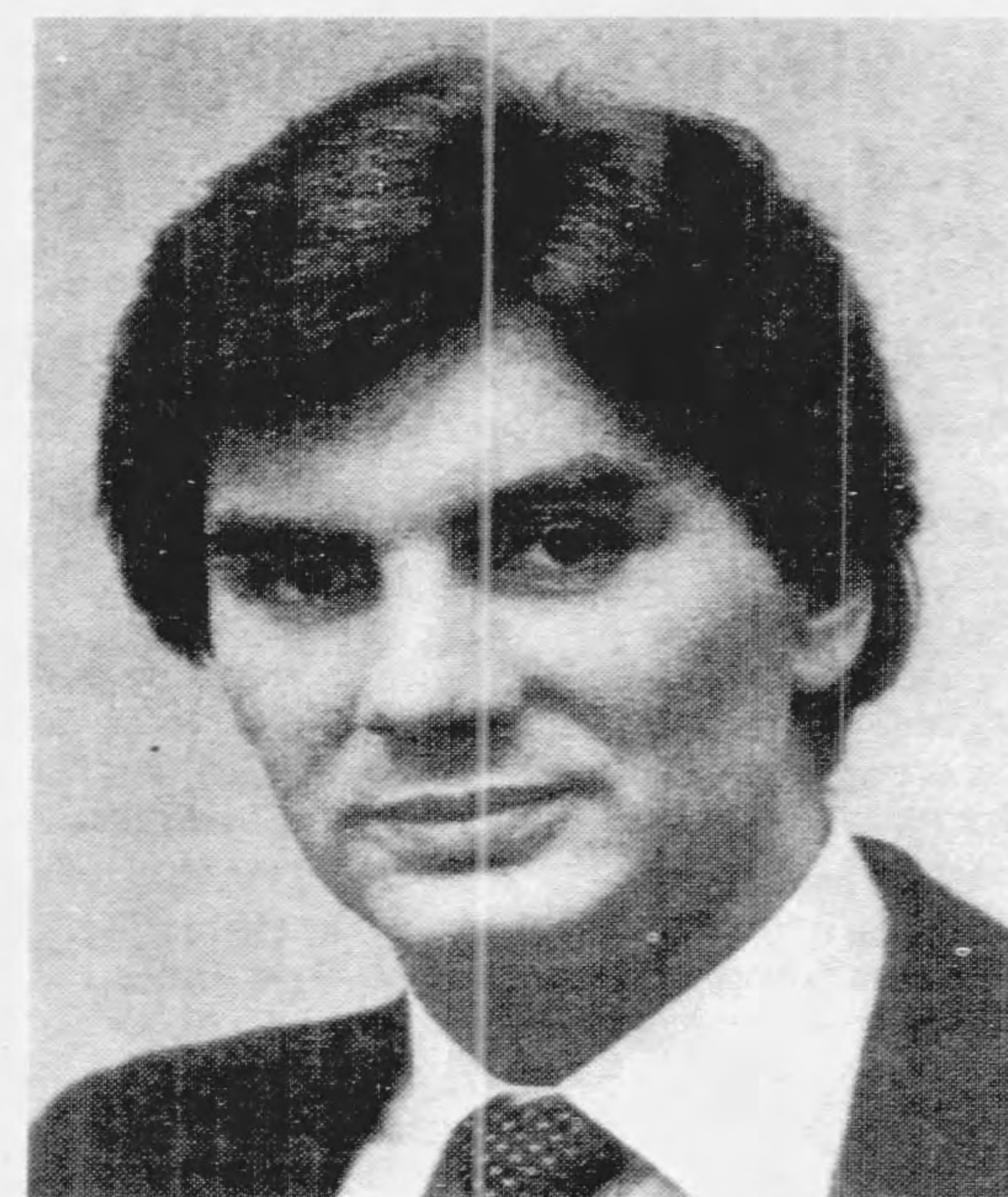
The first set of charges, a 28-count indictment, was handed up around noon by a federal grand jury in Brooklyn against Franzese and eight other persons identified as the "Franzese group." The indictment alleged that the group skimmed millions of dollars in sometimes violent, often complicated plots against 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-



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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.