

Franzese Surrenders in Florida

*Bailed in state case;
held in federal case*

This story was reported by Robert E. Kessler and written by Lawrence C. Levy.

Fort Lauderdale — Michael Franzese, accused in two states of multimillion-dollar schemes that defrauded Florida and some of the nation's largest firms, surrendered yesterday to a lone state trooper in a fast-food restaurant after federal agents had searched fruitlessly for him for 52 hours.

But the unshaven, casually dressed Franzese — who politely thanked Broward County Court Judge Lawrence Corda after Corda set bail on state charges at \$124,000 — wound up in federal hands anyway. After a bondsman posted his bail, the 34-year-old racketeering suspect was handcuffed and turned over to FBI agents, who arrested him on federal charges.

By 6:20 p.m., about three hours after his surrender, Franzese was being held at the Federal Correctional Center in Miami, pending a hearing on Monday to decide if he can be removed to Brooklyn to face the federal charges brought there.

Franzese's surrender to Florida authorities appeared to be aimed at helping him avoid being jailed without bail under a new federal preventive-detention statute. "It was in Michael's legal interest to surrender in Florida rather than New York," a source said.

The source said Franzese's attorneys believe that the federal government is "going to try to hold him as a threat to the community. But he's going to argue that Florida thinks he's safe enough to be released and has already granted him bail."

Franzese's attorneys, however, denied any such motives and said he had not sought to avoid federal agents.

On Thursday, a federal grand jury in Brooklyn handed up a 28-count indictment against Franzese and eight other persons identified as the "Franzese group." The indictment said that Franzese and his co-defendants illegally gained more than \$5 million through a variety of schemes, with the victims including such companies as Mobil Oil, Citicorp, Beneficial Commercial Corp., the Chevrolet Division of General Motors, Mazda Motors of America and Chemical Bank.

On the same day, state prosecutors in Fort Lauderdale accused Franzese of scheming to cheat Florida out of at least \$40 million in taxes on retail sales of gasoline. In that case, 26 persons — mostly New Yorkers or former New Yorkers — were charged with setting up a chain of paper corporations to make it difficult to trace who owed the taxes.

The state charges linked Franzese for the first time to a plot in which \$250 million in gasoline taxes were diverted from New York State.

While Franzese prepared to surrender in Florida, federal agents were looking for him on Long Island. Marion Seltzer, a partner of Franzese's attorney, Christopher Jacobs, said the FBI showed up at Franzese's Brookville home at 6:45 a.m., "unnecessarily scaring his wife Maria and three children."

Seltzer accused the agents of tipping off a television crew who showed up at the Brookville house. "They tried to turn it into a media event," Seltzer said.

FBI spokesman Joseph Valiquette said that inviting television crews to the scene of an arrest is against FBI procedures. "The crew was there," Valiquette said.

Dressed in a black-and-white-striped shirt open at the neck, dungarees, white tennis sneakers and sunglasses, Franzese, accompanied by his Miami lawyer and a private detective, met Florida Department of Law Enforcement officer Joseph Pappacoda at the fast-food restaurant about 3 p.m. Franzese had arranged earlier to surrender at a state police office in Pompano Beach. When he hadn't shown up by noon, Pappacoda and others waiting for him decided to go to a Christmas party. As they left, they put a note on the door for Franzese — leaving a number to call at the party.



Michael Franzese, left, after surrendering to authorities in Ft. Lauderdale, Fla., yesterday

In Franzese, Prosecutors See a New Breed, Style

By Richard C. Firstman

By outward appearances, Michael Franzese grew up in customary suburban fashion. He lived with his parents and siblings in an unpretentious house in Roslyn, graduated from a Catholic high school, played a lot of softball, attended Hofstra University as a pre-med major.

But ultimately, according to federal prosecutors, Franzese took a different course, one that led toward the world of his father, John (Sonny) Franzese, reputedly a major organized-crime figure during the 1960s who was in a federal prison on a bank robbery conviction during much of his son's youth.

The younger Franzese, 34, gave up on college

in favor of the business world in his early 20s, and today he lives in a million-dollar home in Brookville and owns other homes in California and Florida.

On Thursday, prosecutors in New York and Florida accused Franzese of a wide variety of business crimes that established him, they said, as a major racketeer. But in masterminding schemes during the past five years to defraud banks, oil companies, auto manufacturers and state governments, prosecutors say, Franzese was making money a different way than old-style racketeers. While racketeers of his father's generation concentrated on such staples as gambling and prostitution, Michael Franzese,

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Funding Boosts Fairchild's T-46A

By James Bernstein

In what is viewed as a major boost to the Fairchild-Republic Co., Congress has approved funds for 33 company-built jet trainers and recommended that more be manufactured in fiscal 1987. Congress also provided full funding for Grumman Corp.'s five major airplane programs, as expected.

Long Island business leaders said they had little doubt funds would be provided in fiscal 1986 for the T-46A trainer, but said they were surprised Congress voted to spend as much as \$193 million to buy 33 planes. Some said they believed the lawmakers might approve funds for as few as 22.

The Island's business leaders were also surprised at language in the bill

recommending more T-46As in fiscal 1987. The Pentagon's budget-writers have eliminated the plane from that year's Air Force budget.

The future of the T-46 is not completely assured, however, according to industry analysts. Funds must actually be restored to the 1987 Air Force budget and the company says it is still battling attempts by the Cessna Aircraft Co. of Wichita, Kan., to win away the trainer contract. Cessna officials declined to comment.

The Air Force requested 33 T-46As in fiscal '86, but Capt. Miles Wiley, a Pentagon spokesman, cautioned that the exact number will be decided by Air Force Secretary Russell Rourke in a few weeks. "I think such things as performance of the plane, the [need]

for the plane and obviously what will happen in '87 are the major players" in Rourke's decision, Wiley said. But T-46A backers said they believe the Air Force will contract for all 33.

The bill, approved by Senate and House conferees, is part of a catchall spending measure that has been signed by the president.

"The Air Force has testified on the need to replace obsolete training aircraft operated by the Air Force training command," the bill reads. "The Congress has responded to this need and ratified this requirement by providing over \$600 million in T-46A research and development and procurement funds to date."

Exuberant executives at Republic's parent, Fairchild Industries Inc. in

Chantilly, Va., yesterday said they hoped to deliver the 33 T-46As by mid-1988. "It's a very positive signal for the program," said William Fulwider, a Fairchild spokesman.

In October, Fairchild said it was seeking a buyer or a partner for its financially troubled Republic division in Farmingdale. But after the company secured a \$75-million revolving-credit bank loan in November, it said it would continue to operate Republic even if a buyer could not be found. Grumman expressed interest in acquiring Republic, but said last week it had decided not to make an offer.

The Grumman programs that were approved by Congress for fiscal '86 included funds for 11 A-6Es, 12 EA-6Bs, 18 F-14s, 6 E-2Cs and 8 C-2s.

N-Plant Drill LILCO's Top Priority

By John McDonald

Training and preparation for the Feb. 13 drill of LILCO's emergency-response plan for the Shoreham nuclear power plant "is to take precedence over all other company business," the Long Island Lighting Co. has told its senior managers.

The notice, from LILCO senior vice president Matthew Cordaro, advises managers to "minimize the impact on normal operations."

However, in some cases this may prove impossible, particularly in the last couple of weeks prior to the exercise.

Asked what effect the emphasis on preparing for the drill might have on the utility's operations and services, a spokesman for Cordaro said yesterday:

"The organization has been able to meet these additional requirements as they complete the normal day-to-day activities and respond to any service-related emergency."

LILCO has assigned 1,500 of its 5,600 employees to help with the drill. Workers have been assigned to drive buses and tow trucks, direct traffic and monitor radiation. Preparations will include classroom-training sessions, small-scale drills and at least one full-scale drill prior to the drill that will be graded by the Federal Emergency Management Agency.

Cordaro predicted in the notice that, "No matter how well . . . [LILCO] performs, and we are confident we can achieve the best grade ever, the intervenors will claim that

the drill was a failure and Shoreham should not open."

The priority the utility is giving to the drill drew criticism yesterday from state state Consumer Protection Board chief Richard Kessel. He said he was concerned about the impact it might have on LILCO service.

"The fact is that the utility is short-handed because of austerity," Kessel said. "We are going into a season where there is no telling what the weather may do to the system. Nothing should take precedence over the normal routine of service."

Kessel said he will ask his staff to take action before the state Public Service Commission to ensure that reliable service is not compromised by preparations for the drill.

Herb Brown, the lawyer representing Suffolk in opposing the opening of the plant, also objected to the utility's posture on the test.

"LILCO is misleading itself by exaggerating the importance of the test," Brown said. "This will be a test of whether the telephones work under ideal circumstances where they have had two months to prepare."

The LILCO plan is unique in that it uses LILCO workers in place of state and local emergency workers. The state and Suffolk County have refused to participate in emergency planning for Shoreham on grounds that protecting the health and safety of the public would be impossible in the event of a radiological accident at Shoreham.



Newsday / Cliff De Bear

Suspect in Attack Released on Bail

James Diaz, right, leaves Suffolk jail in Riverhead with his attorney, Martin Efman, after his release on \$10,000 bail. He immediately declared his innocence of assault and burglary charges in a Dec. 1 knife-point attack on two women in a Mount Sinai house. Prosecutors say the alleged attack was similar to the June, 1984, rape-murder of a nurse in Port Jefferson Station, a crime for which Diaz was acquitted in October.

Prosecutors See New Breed, Style

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prosecutors said, represents a new, more sophisticated racketeer who concocts complicated financial manipulations of legitimate business.

Franzese's lifestyle also reflects a difference. He has been available for news interviews and has been recognized by a Florida mayor and a Catholic archdiocese for his work as a film producer. "He'd rather be seen with bankers, lawyers and legitimate businessmen than with wise guys," one prosecutor said this week.

Federal prosecutors have described Franzese in open court as a member of the Colombo crime family, but Franzese has strenuously denied ties to organized crime. He maintains that prosecutors have persecuted him because of his father. "Whatever my father is or might be or is alleged to be is one thing," he told Newsday earlier this year. "We're two different people . . . Do I know people? Absolutely. I know people that my father associated with. That doesn't mean I have to do business with them."

Though he has been accused of lesser crimes during the past decade, Franzese has never been convicted by a jury. In 1974, at age 22 and still living with his parents, he was charged with trying to extort money from a partner in an auto-leasing business. He later pleaded guilty to disorderly conduct when the complaining witness decided not to cooperate with prosecutors.

In the years following the extortion arrest, investigators have considered Franzese worth watching. "The last few years, the government has made it very difficult to operate," Franzese told WNBC-TV earlier this month. "All my business records, my business associates have been subpoenaed, and I've been constantly harassed."

In 1984, Franzese was accused of being part of a loansharking ring that used a Lake Success finance company to lend money generated by organized crime to businessmen at usurious rates. Eight men, including a rabbi and a dentist, were convicted; Franzese and seven others were acquitted.

Among Franzese's varied business interests are motion picture companies in California and Florida. Film making has been a consuming interest for him, although prosecutors say that he has used his film companies as corporate fronts to avoid paying taxes. Franzese was executive producer of a film called "Savage Streets" starring Linda Blair as the leader of a street gang.

After another movie, "Cry of the City," was filmed in Miami Beach with local teenagers in many roles, Franzese was given the key to the city by the mayor and a papal blessing from the Archdiocese of Miami.

Black Police Seek Role in Testing Case

By Robin Topping

An organization of black Nassau police officers is seeking to intervene in a Justice Department suit challenging county police hiring practices, saying the recent settlement of the case has not eliminated discrimination against minority applicants.

Once given intervenor status, the group, called the Guardians, would also seek a preliminary injunction at a Jan. 15 hearing in federal court in Uniondale, its lawyers say. If granted, the injunction would stop county hiring until the court rules on the Guardians' objections.

The Guardians object to recommendations from two experts hired to evaluate a controversial 1983 test for police candidates that the Justice Department challenged as unfair to minorities. The county agreed not to hire any officers pending the outcome, and, under the settlement, both sides

agreed to abide by the recommendations.

The experts concluded this month that the test can be used for hiring over the next two years only if half the questions are thrown out, the test is rescored based on the remaining questions, and the county changes its method for hiring officers. Under the new method, the county must create groups of applicants within a range of scores, and consider those within each group "equally qualified."

During the two years, the county must draft a new test that meets federal guidelines for hiring.

"The problem is that, even in a rescored version, this test is still unvalidated," said Paul Saunders, an attorney with the New York City law firm that is co-counsel for the Guardians. "We think the time has come for either the county to develop a validated test or the court to hire minorities in the same proportion as they have applied."

Nassau County special counsel James Catterson said the county probably will not be hiring police officers before the end of the month. He said the county will oppose the intervention because the Guardians "are not defendants in the case, they have no meritorious claims, the test has been upheld by experts as being valid, and there has to be some finality to the process."

The Guardians were denied intervenor status in the case last July by U.S. District Court Judge Frank Altamari. At the time, Altamari said a key reason was that admitting a new party might delay a hearing to determine the test's validity.

Saunders said they are seeking intervenor status again because the Justice Department, in agreeing to the settlement, showed that the department's "interests have diverged from our own."

The Justice Department had no comment.