

# S.E.C. Files Fraud Charges On Nine Formerly at Franklin



Harold V. Gleason



The New York Times  
Michele Sindona



The New York Times  
Paul Luftig



United Press International  
Peter R. Shaddick

## Issue of False Data Is Alleged, but No 'Looting' Found

By ROBERT J. COLE

The Securities and Exchange Commission, acting after a five-month investigation and voluminous testimony from more than 50 witnesses, filed stock fraud charges here yesterday against nine former officers, directors and employees of the Franklin New York Corporation—parent company of the ill-fated Franklin National Bank.

Although none of its depositors were affected, the bank was declared insolvent nine days ago. The parent company filed bankruptcy proceedings on Wednesday. 16 OCT

Sources close to the Government agency, which said the investigation was continuing, termed the civil suit "one of the biggest actions ever brought against a bank and its officers." These sources stressed, however, that "no evidence of looting" had been turned up to date.

### False Information

The S.E.C. action, basically involved charges that false information had been issued to the public and the commission.

Named as defendants in the suit, filed in the United States Court for the Southern District, were the following:

Harold V. Gleason, of Old Westbury, N.Y., former chairman and chief executive of both the bank and its parent company.

Paul Luftig, of Larchmont, N.Y., former president of both companies.

Peter R. Shaddick, of Sands

Point, L.I., executive vice chairman of both until May, 1973.

Michele Sindona, the Italian banker, resident in Geneva, and former chairman of Franklin's international executive committee.

Carlo Bordon, an Italian banker resident in Milan and a former member of the international executive committee.

Howard D. Cross, of Glen Rock, N.J., former vice chairman of both the bank and its parent company.

### Bank Not Named

Andrew N. Garofalo, of Staten Island, formerly the bank's head foreign exchange trader.

Donald H. Emrich, of East Meadow, L.I., formerly a foreign exchange trader at the bank.

Robert C. Panepinto, of Whitestone, Queens, formerly the bank's head auditor in the foreign department.

The parent company is also listed but the bank itself is not among the 10 defendants.

The S.E.C. took testimony from all of those named in the suit, but two defendants—Mr. Garofalo and Mr. Panepinto—are understood to have exercised their Fifth Amendment privilege against self-incrimination, declining to cooperate in the inquiry.

The investigation began on May 10—the day management of the bank announced that it would omit the second-quarter dividend.

In charges involving six

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counts of stock fraud and one of false filings with the Government agency, Mr. Shaddick, Mr. Sindona and Mr. Bordoni were accused of "employing devices, schemes and artifices to defraud, making untrue statements of material facts and omitting to state material facts necessary to make the statements made, in the light of the circumstances under which they were made, not misleading."

They were further charged with "engaging in acts, practices and courses of business which had operated and are operating and would operate as a fraud and deceit upon investors and prospective investors in the securities of Franklin and Franklin National Bank."

On at least two occasions, the suit said, transactions took place around the time Franklin issued its quarterly earnings reports, in September of 1973 and March of this year, resulting in or intended to result in the inflation of Franklin's profits for those periods.

During this period, the suit said, financial data had been submitted to the agency concerning the proposed merger of the Franklin New York and the Talcott National Corporation, a commercial financing organization then controlled by Sindona interests.

In particular, it added, in September of 1973, the bank entered into a series of foreign-currency dealings with a Swiss bank called Amincor, A.G., indirectly owned or controlled by Mr. Sindona.

#### 'Manufactured Profit'

The transactions, it was charged, were made at rates "highly advantageous" to the Franklin National Bank and "sharply different" from prevailing rates, resulting, the suit alleged, "in a manufactured profit of over \$2-million for Franklin and the Franklin National Bank."

Amincor, it continued, participated either for itself or for the Banca Privata Finanziaria or the Banca Unione S.P.A., both Italian concerns described as owned or controlled by Mr. Sindona through a Lichtenstein corporation known as Fasco A. G.

Mr. Bordoni was described as having been managing director of Banca Unione at that time and as a one-time managing director of Amincor.

"These transactions were negotiated, arranged and executed, directly and indirectly, by and between [Mr.] Shaddick, [Mr.] Bordoni and [Mr.] Sindona," the suit alleged, "and were completed the last business day of Franklin New York's third quarter of 1973."

The transactions, the S.E.C. further charged, were structured to appear as "arms-length transactions," were conducted in a manner to "manufacture profits" for both the Franklin bank and its parent company and were part of a scheme designed to "inflate such profits and thereby give a misleading and fraudulent impression of Franklin and Franklin National Bank's profitability."

Dwelling at length on the charge, the suit contended that the Franklin National Bank's profit of more than \$2-million from its foreign-currency dealings with Amincor accounted for more than 124 per cent of Franklin New York's consolidated earnings of "only \$1.61-million" for the third quarter of 1973.

Moreover, it said, the bank's profits from foreign-exchange transactions for the first nine months of 1973 totaled \$3.56-million of which the Amincor dealings of September accounted for more than 56 per cent.