



*United States Attorney
Southern District of New York*

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CONTACT: U.S. ATTORNEY'S OFFICE
HERBERT HADAD, MEGAN GAFFNEY,
HEATHER TASKER, BRIDGET KELLY
(212) 637-2600

**MEMBERS AND ASSOCIATES OF THE GENOVESE CRIME FAMILY
PLEAD GUILTY TO RACKETEERING, TAX FRAUD, AND OTHER
OFFENSES FOR CONTROLLING THE DRYWALL INDUSTRY IN N.Y.**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, MARK J. MERSHON, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation, ELIOT SPITZER, the New York State Attorney General, RAYMOND W. KELLY, Police Commissioner of the City of New York, MICHAEL J. THOMAS, the Special Agent-in-Charge of the New York Office of the Internal Revenue Service Criminal Investigation, GORDON S. HEDDELL, the Inspector General of the United States Department of Labor, ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation, and BARBARA DITATA, Inspector General for the Office of the New York City School Construction Authority, announced that JAMES DELIO, FRED NISALL, JOSEPH DELIO, and ROBERT CARBONE pleaded guilty today in Manhattan federal court to various offenses- including racketeering, mail fraud, employee benefit funds embezzlement, tax fraud, and extortion- arising from the control over the drywall industry of the Genovese Family of La Cosa Nostra.

According to the Indictment, which is the culmination of a four-year investigation, the Genovese Family controlled two construction unions associated with the drywall industry for decades through either outright extortion of union officials or the corrupt infiltration of the unions' leadership. Using this control, the Genovese Family allowed contractors associated with the Family to defraud the union welfare funds, deprived union members of jobs on significant construction projects, extorted and intimidated other contractors, and generated millions of dollars for the Genovese Family and its associates.

Because drywall contractors are present on virtually every major construction project in New York City, the decades of control of these unions by the Genovese Family has led to millions of dollars of lost wages to union workers and,

significantly, lost contributions to the worker's union pension funds. By enabling favored contractors to violate their contracts with the unions, countless union jobs went to non-union workers, depriving union members not only of their rightful wages, but also of contributions to the union funds that pay workers retirement and other benefits. In addition, legitimate contractors and owners, including such public entities as the School Construction Authority, were defrauded of hundreds of thousands of dollars in monies that they paid to corrupt drywall contractors expecting that those contractors would employ only union workers, and pay only prevailing wage rates, as required by State law, on their jobsites.

In today's guilty pleas, JAMES DELIO, a drywall contractor and alleged solidier in the Genovese Family, and FRED NISALL, a drywall contractor, admitted to hiring subcontractors that had signed a collective bargaining agreement ("CBA") with the District Council of New York and Vicinity of the United Brotherhood of Carpenters and Joiners. Among other things, the CBAs required the defendants' companies to pay union-scale (prevailing rate) wages, to make contributions to welfare benefit funds and pension funds, and to employ only union labor on jobsites. According to the Indictment and the defendants' guilty pleas, however, JAMES DELIO and NISALL were allowed to violate the CBAs in numerous ways on various construction jobsites throughout New York City and its vicinity, thus saving over a million dollars in monies that should have gone to the Carpenters Union benefit funds and the membership of the union.

In their guilty pleas, JAMES DELIO and NISALL identified several jobsites on which violations of the CBAs occurred, including a major expansion of the Kings County Hospital in Brooklyn, New York (a project funded by the Dormitory Authority of the State of New York), an apartment building in Manhattan (124 Hudson Street), and a public school construction project in the Bronx, Public School 83 (a project funded by the School Construction Authority).

In addition to pleading guilty to racketeering (RICO), mail fraud, and employee benefit plan embezzlement, JAMES DELIO and NISALL, as well as JOSEPH DELIO, a drywall contractor and alleged Genovese Family associate, pleaded guilty to conspiring to commit tax fraud. The defendants admitted to hiring and paying employees "off the books," by paying them by cash and/or checks and not recording the payments on the books and records of the companies for which the employees and contractors performed the work. In addition, as alleged in the Indictment, these defendants failed to withhold Federal income tax and FICA

contributions with respect to the off-the-books wages paid to the employees, and failed to file with the IRS accurate wage reporting documents and tax returns relating to the compensation paid to the employees and contractors. Further, JOSEPH DELIO pleaded guilty to structuring cash transactions in order to evade federal currency transaction reporting requirements and to further the tax fraud scheme described above.

Defendant ROBERT CARBONE, an alleged solidier in the Genovese Family, pleaded guilty to conspiring to commit the extortion of the membership and officers of Local 530 of the Operative Plasters and Cement Masons Union, another labor union involving in the drywall industry. As part of this conspiracy, CARBONE admitted to conspiring with others to force Local 530's officers to pay a portion of their salary to CARBONE.

The pleas occurred before the Honorable Ronald L. Ellis, United States Magistrate Judge. JAMES DELIO and NISALL each face a total maximum penalty of 45 years' imprisonment. JAMES DELIO and NISALL also agreed to forfeit \$1.5 million to the United States, which represents the proceeds of their criminal activity. JAMES DELIO is scheduled to be sentenced by United States District Judge Kimba M. Wood on August 4, 2006 at 10:00 a.m., and NISALL is scheduled to be sentenced by Judge Wood on August 8, 2006 at 4:15 p.m.

The charges to which JOSEPH DELIO pleaded guilty carry a total maximum penalty of 15 years' imprisonment. JOSEPH DELIO is scheduled to be sentence by Judge Wood on August 4, 2006 at 10:30 a.m. The charges to which CARBONE pleaded guilty carry a maximum penalty of 20 years' imprisonment. CARBONE is scheduled to be sentence by Judge Wood on August 9, 2006 at 4:15 p.m.

Mr. GARCIA praised the efforts of the Federal Bureau of Investigation, the Internal Revenue Service, the New York City Police Department, the Organized Crime Task Force of the New York Attorney General's Office, the Office of Inspector General of the U.S. Department of Labor, and the New York City Department of Investigation, and the Office of the Inspector General for the School Construction Authority for their assistance in the investigation.

Assistant United States Attorney JONATHAN S. KOLODNER and ERIC SNYDER are in charge of the prosecution.

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