

In **SHOWCASE**

## Sheryl Crow

■ Hit songs, Grammys and now Nashville

In **PERSPECTIVE**

## Havoc on the info highway

■ Thousands are up to no good, but hackers don't do it for the money

SUNDAY

MARCH 12, 1995

TODAY'S HIGH

74°

Complete weather forecast on 8B



TONIGHT'S LOW

51°

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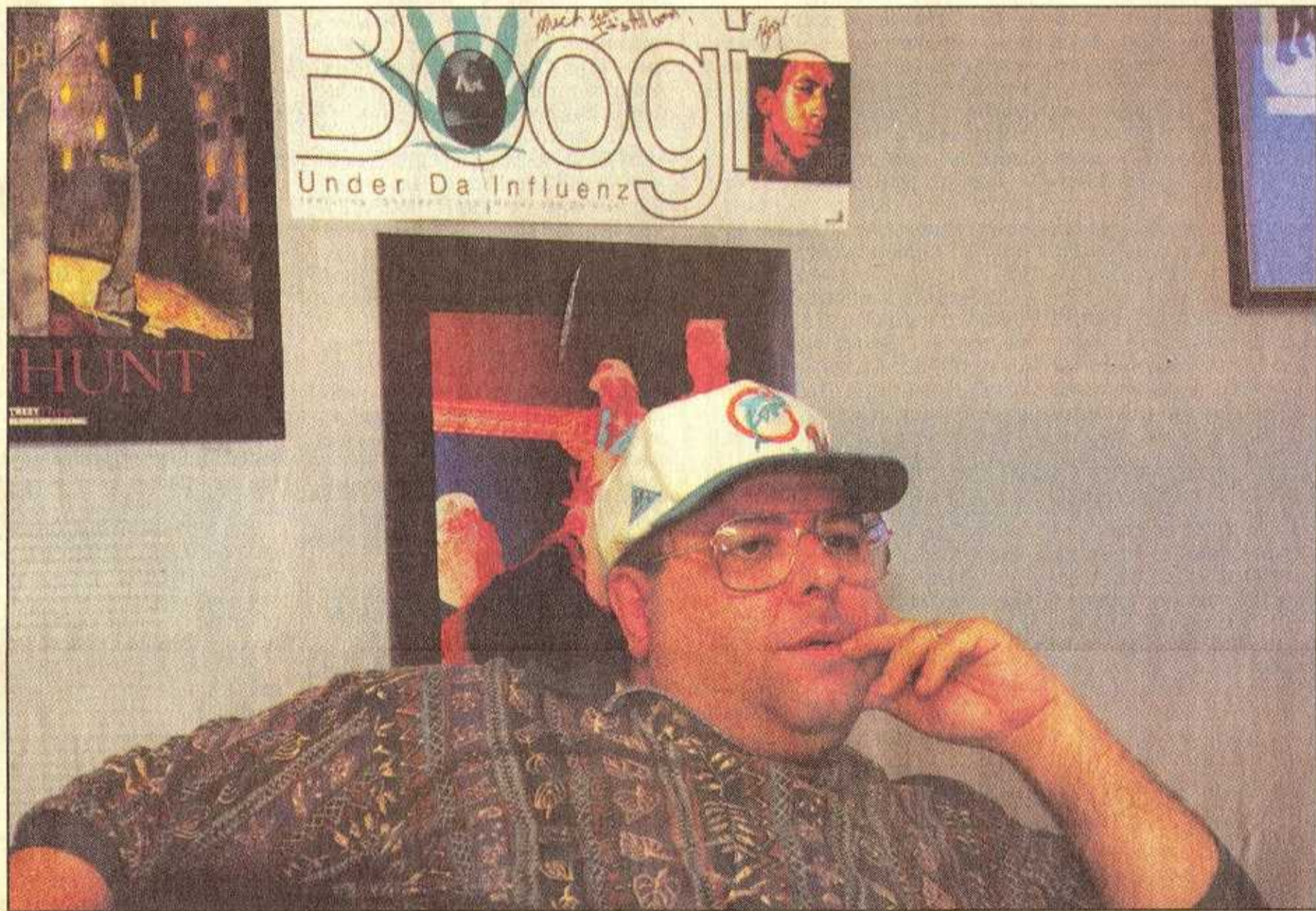
NASHVILLE,  
TENNESSEE

# THE TENNESSEAN

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## A man without a past



Rex Perry ● Staff

Larry A. Paradise, as he is known today, left behind his record as a con man and sex offender with the help of the Witness Protection Program. Today, he is president of Nashville's Street Flavor Records, a rap music label.

■ Federal witness came to town with a clean slate; now associates say they are paying the price

By **E. THOMAS WOOD**  
Staff Writer

He calls himself Paradise. But a judge once said he deserved "a special place in hell."

He sexually abused his daughter. He defrauded investors out of millions of dollars. For years, he lived a life of crime.

He went to prison for it. And when he got out, the U.S. government let him move to Nashville, giving him a new identity to start a new life.

Larry A. Paradise — as he calls himself today — has made the most of the benefits granted to him under the federal Witness Protection Program. He has started two record labels.

But some investors who backed Paradise's musical enterprises, ignorant of his history as a con man, now say they're



New Jersey Newsphotos

FBI agents lead Larry Paradise, then known under his birth name, to the courthouse in Newark, N.J., in 1986. Paradise pleaded guilty to participating in investment scams.

not getting what they paid for.

Several performers and creditors have file lawsuits against him here.

Local law enforcement officials who keep track of child

molesters apparently never knew that this felon — who still has three young children living at his Mount Juliet home — resides in Tennessee.

Nor did two business associ-

### A 'TRADE-OFF'?

◆ In 25 years, witness program has given 13,000 Americans new identities, on 6A.

ates of Paradise know of his background as a sex offender when they went to work with him. The women have since sued him for sexual harassment.

The Witness Protection Program is a powerful tool in fighting organized crime and taking criminals off the street. It allows federal prosecutors to obtain the information they need to crack some of their toughest cases.

But the case of Larry Paradise shows what can happen when the program puts criminals back on the streets of an unsuspecting community — with no record of their past misdeeds.

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The Tennessean will refer to Larry Paradise by his current rather than his former name in

◆ Turn to PAGE 6A, Column 1

A Man Without a Past

# Federal witness came with no past

## But associates fear they're paying price

FROM PAGE 1A

order to protect the privacy of his victimized daughter, who does not live with him now.

Paradise, 43, is president of Street Flavor Records, an independent rap and rhythm-and-blues record label based in

Nashville. It has issued CDs by several groups, with some commercial success. Before he and his son Larry Jr. (Sonny) started Street Flavor in 1994, they operated Courage Records, which featured a variety of musical genres.

In Nashville, the elder Paradise has operated in something less than absolute secrecy.

He entered the high-profile music business, he returned to New Jersey to promote a concert there, he staged a public event at the Nashville Convention Center last year, and his wife said "there might have been some family members" outside the immediate family who were aware of their new identity.

He did all these things even though "he's been pretty well told that if his presence is published, there will be retribution by people who were hurt by his testimony," according to his family's attorney, John Lentz.

"I think it was stupid — and the Department of Justice is about to have a hemorrhage over this — for him to be so lax" in talking about his past, Lentz conceded. "I think he should have been a lot more cautious about his presence."

Under his former name, Paradise helped carry out a series of stock-market frauds in the 1970s and 1980s, the most notorious involving a company called Laser Arms Corp.

In promotional documents and *Wall Street Journal* advertisements, Laser Arms touted its invention of a self-chilling beer can: pop it open and it would cool down immediately.

Laser Arms demonstrated its product at news conferences designed to dazzle the media and the investing public.

Paradise later admitted that the demonstration can was a fraud, rigged with freon. And, he later said, the firm's financial reports were full of fake numbers. The officers and directors displayed proudly in those slickly produced reports were really unsuspecting actors and models, hired to pose for the photographs.

Still, the deception worked. Laser Arms' stock price rose by 3,000% in a short time.

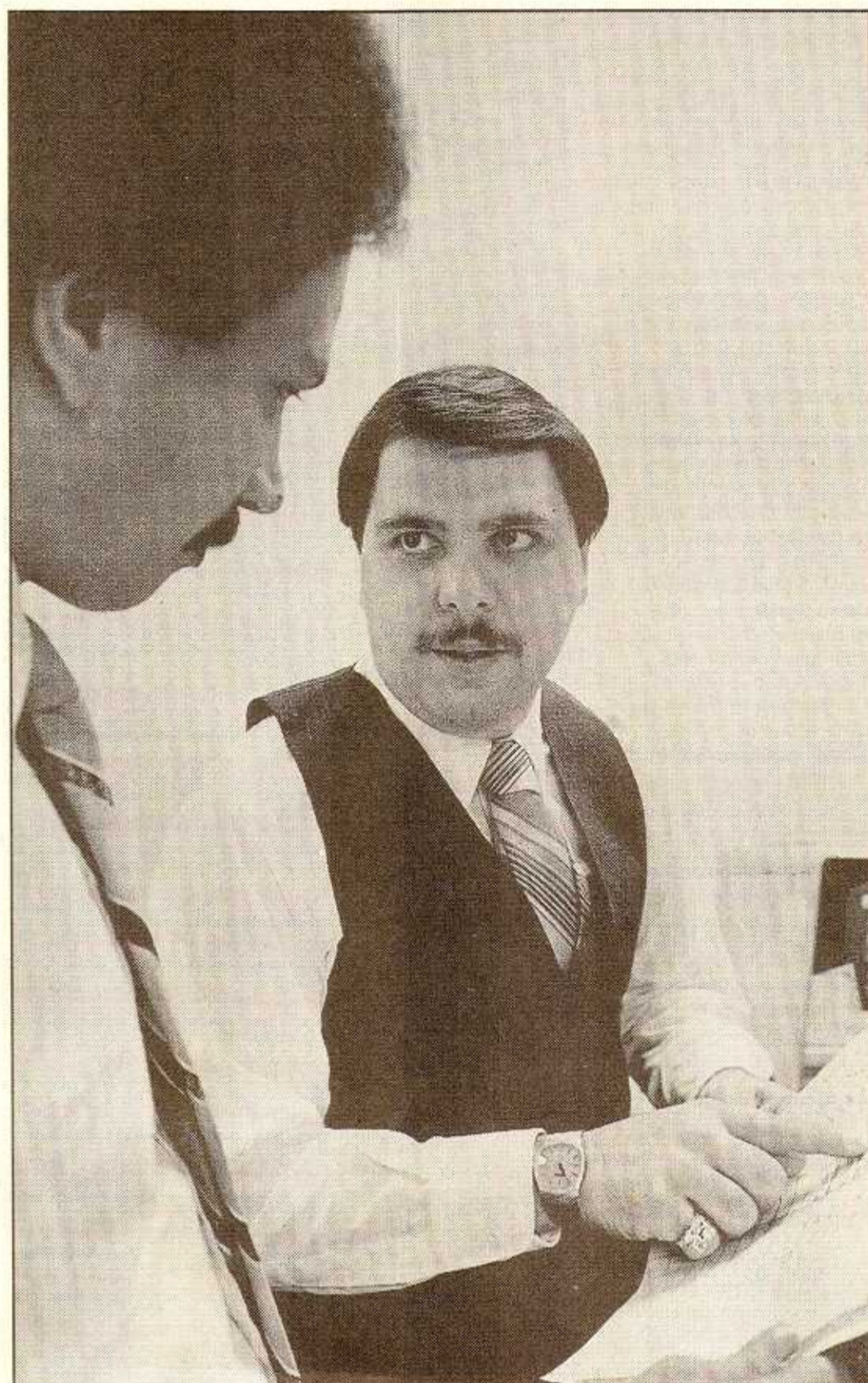
Laser Arms came crashing down in 1986, after Paradise and other officers were indicted for securities fraud, and investors lost about \$2 million. Paradise went to prison on a 15-year sentence for income tax evasion, mail fraud and interstate transportation of money taken in stock fraud.

But he was released after four years. He had joined the Witness Protection Program in 1986, agreeing to help prosecutors convict several of his accomplices — which they did.

In 1989, Paradise testified before a U.S. House subcommittee about his criminal career. Subcommittee Chairman Edward J. Markey, D-Mass., informed his colleagues that the witness's participation in the program was the reason for "the extraordinary security measures in place for this hearing." Paradise wore a hood to hide his features, testified from behind a screen and had his voice altered to protect his identity.

He told of numerous securities scams he had pulled off between 1977 and 1986, mostly in New Jersey. Paradise admitted that his activities mainly victimized mom-and-pop stock buyers, in contrast to the insider trading violations of traders like Ivan Boesky. "Small investors were not hurt by the Ivan Boesky's; they were hurt by people like myself," he told the subcommittee.

"During all of this time," Paradise testified, "I was involved with organized crime." He said he was able to manipulate the prices of thinly traded stocks by controlling stockbrokers at a variety of firms



New Jersey Newsphotos

The man who would later take the name Larry Paradise was at the height of his career when this photograph was taken in 1981, in the offices of his West Caldwell, N.J., brokerage firm, Royer Securities. "While I was at Royer Securities I got involved with several stock manipulations," he later told a Congressional subcommittee.

— a control he could maintain "because I had the power and I wielded the fear of organized crime behind me."

When asked to name his organized crime associates, Paradise declined. A spokesman for the National Association of Securities Dealers later said he had "seen no trail of associations like that," but that the group lacked investigative and prosecutorial powers.

Paradise told the lawmakers he was "not here to wave a banner or a flag" to prove he had redeemed himself — and that, simply put, he was "a criminal."

Indeed he was — more than the subcommittee knew. In 1985 Paradise had been arrested in New Jersey on charges of aggravated sexual assault and other sex crimes involving his teen-age daughter. After his release from federal prison in 1990, state officials pursued their case against him.

Appearing before a judge who had earlier stated that Paradise merited "a special place in hell" if the charges against him were true, he pleaded guilty to three counts of aggravated sexual contact.

He was sentenced to five years' imprisonment on March 30, 1990.

Less than a year later, he was in Nashville.

Paradise created Courage Records Inc. in 1991. By February 1992, the independent record label had secured \$88,000 in capital from an investment group.

Several of the investors spoke to *The Tennessean*, although some would say little about their dealings with Paradise and others refused to comment at all.

All who were interviewed insisted they

knew nothing about Larry Paradise's history as a scam artist until after they had handed over their money.

Investor Martin Fugardi, a Nashville real estate developer who acts as trustee for the investor group, said he checked records on Paradise's real estate holdings at the Davidson County register of deeds' office and found that he had purchased both a home and a studio building in the past year.

Fugardi remembered saying to himself: "His credit's gotta be pretty good if he bought a house and a studio, right?"

Stephen T'Kach, who runs the Witness Protection Program for the U.S. Department of Justice, told *The Tennessean* that credit records are among the elements of a protected witness's personal history that are altered under the program. "Under an individual's relocated name, they wouldn't have any credit history," T'Kach said.

"It doesn't seem right that the federal government would give this guy a new identity and leave potential investors like us in the dark," Fugardi said.

He and other investors said they relied on what Paradise told them and signed agreements that promised a certain percentage of Courage's stock, as well as percentages of the earnings of Courage and certain affiliated companies, in return for the money invested.

Investors sent the agreements and their checks to Paradise, expecting Paradise to sign off and deliver stock certificates in short order. Three years later, they say they're still waiting for the documentation and their first payments from Paradise's company.

"Everything seemed to be on the up and up," recalled investor Dwayne Bell, also a real estate developer in Nashville. "But we thought we were going to get paid back fairly quickly, and nothing happened. He hasn't lived up to his end of the agreement, for sure."

Another investor, songwriter Greg Werle, spoke of his initial enthusiasm for the musical venture: "They had good equipment. It was going to be very diversified — from contemporary Christian to rock to country. It was just a perfect setup. "It was almost too good to be true, and I

guess it was."

In 1993, Fugardi said, Paradise told him of his past, and Fugardi informed the other investors.

Since then they have continued to try to recoup their investments. Having obtained Paradise's signature on documents that appear to guarantee at least some of their claims to Courage stock and other assets, they filed a lien against the company in late January.

Robert E. Moore Jr., chief legal counsel of the securities division of Tennessee's Department of Commerce and Insurance, said Paradise had a legal obligation to inform would-be investors of his criminal past before they handed over any money.

"If this individual failed to disclose past securities violations, that would cause great concern to the division and is a matter that we would strongly like to take a look at," Moore said.

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"I don't know anything about this," Paradise said when handed a copy of the Courage Records investors' lien. "These are not my investors; they're Martin Fugardi's investors."

"Mr. Fugardi is someone who went through a bankruptcy, who made a lot of promises and guarantees that were unfulfilled, and looked for a scapegoat."

Fugardi did file for bankruptcy in 1991, before the Courage investment was arranged.

"I introduced the investors to him," Fugardi said in an interview, "but the agreements were all done individually between him and them. I was just the trustee."

Other investors corroborated Fugardi's account, saying they had dealings directly with Paradise.

Paradise also said the lien had been fully released. But the Davidson County register of deeds' office reported having no such release on file as of Friday afternoon.

When asked whether he was allowed, under the terms of his federal probation, to sell stock to investors, Paradise replied simply: "I didn't offer stock to anyone. That's a 100% fact."

Yet, Fugardi showed *The Tennessean* a document signed "Larry Paradise" "confirming that stock has been set aside" for each of the Courage investors. The statement promised that certificates for each investor's shares would be "issued when printed, and dated the same date as the payment for said shares was received."

In an interview, Paradise suggested taking "a long look at the authenticity of that signature."

Paradise dismissed as "ridiculous" sexual harassment claims made by country music performer Ellen Lund and video producer Ramona Schoepfli in a lawsuit filed in May in Davidson County Chancery Court. Lund's portion of the suit has now been settled, but Schoepfli's is pending.

Schoepfli claimed that Paradise "made unwanted sexual advances toward her and requested that she perform sexual favors for him."

Lund's filing said Paradise "often made sexually suggestive comments" to her, such as asking her when she was going to "steal him away for a weekend away from the rat race and make him a pasta dinner."

Lund said she had no idea of Paradise's past when she began doing business with him.

"I really wish I would have known before all this happened to me," she said. "Why would the government protect a man like that?"

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Federal authorities are supposed to warn local law enforcement officials confidentially when the Witness Protection Program moves sex offenders into a community, according to program director T'Kach.

But Larry Paradise seems to have slipped through the cracks.

One possible reason, T'Kach said, is that "there's a difference between sex offenders and sexual predators. Understand, I find it as offensive to abuse your own children as the neighbor's children." But it is possible, he said, that the program's rules would not require "a one-occasion abuse of a family member" to be reported to local authorities.

Paradise first lived in Nashville after his relocation, and he works in the city today. But both Metro police spokesman Don Aaron and Metro District Attorney General Torry Johnson said their offices have never received an advisory of the kind T'Kach described.

Aaron later amended his statement to say that the Police Department could not

## Problems in witness program

### Recidivism rate pegged at 17%-20%

By E. THOMAS WOOD  
Staff Writer

Stephen T'Kach says he doesn't like the word "trade-off." Still, in running the Federal Witness Protection Program, he presides over thousands of Faustian bargains between the government and hardened criminals.

Some of them could be your neighbors.

One unhappy investor in Courage Records recalled that Larry Paradise "used to claim there were 200 people in Nashville in the Witness Protection Program."

T'Kach refused to disclose how many protected witnesses have been sent to Nashville over the years.

The program is growing by about 200 witnesses each year.

Since it was created in 1970, the program has given at least 13,000 Americans new identities. The protected witnesses earn their refuge by providing vital information for the prosecution of serious crimes. The program has helped get dangerous people off the streets. It has saved lives.

But it also may have cost lives.

In 1987, a protected witness in Miami killed his stockbroker and himself over his investment losses.

Three separate program participants committed murders in Mississippi between 1979 and 1981.

A 1983 report by the General Accounting Office found that 23% of all participants in the Witness Protection Program committed new crimes while covered by it. Despite a congressional investigation and changes to the program, it has made little progress in reducing the recidivism rate. T'Kach says the figure stands at between 17% and 20% today. Nevertheless, enthusiasm for the idea of witness protection is running high.

Prompted by the federal program's success in neutralizing criminal organizations, as well as the explosion of drug-related crime, several cities such as Richmond, Va., Boston and Washington, D.C., have considered implementing local witness protection programs to guard witnesses in drug cases. ■

comment on whether it had received such a notice.

Paradise now lives in Mount Juliet with his wife, 9-year-old son and infant twin daughters. Wilson County Sheriff Terry Ashe said his department had never received any notice from the Feds about protected witnesses.

Ashe said that while he strongly supports the Witness Protection Program, he hoped his county would receive some warning if a sex offender were being moved in.

"Especially a pedophile," Ashe stressed. "They just have a history of repeating." T'Kach would not comment specifically on the Paradise case.

He did say that any state parole or probation under which Paradise may have been covered would have been transferred to federal supervision when he entered the program.

"Let's face it, we're not talking about Mother Teresa in the Witness Protection Program," T'Kach said. "The majority of the people entering it are criminals. They testify about people who are worse than them. They're giving us bigger fish than themselves."

Some relocated witnesses — "approximately one in five," T'Kach said — commit new offenses under their new names.

"I wouldn't want to compromise what the federal authorities need to do, but there are certainly individuals you'd like to know are in the community," District Attorney General Johnson said. ■

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STEPHEN T'KACH  
U.S. Department of Justice