

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

92-10005 WE

UNITED STATES OF AMERICA)

v.)

UZI KATZ,)
RUTH V. KATZ, and)
ZAPHIR SHPITZBURG)

Defendants.)

Criminal No. 92-

VIOLATIONS:

Wire Fraud (18 U.S.C. §1343)
Aiding and Abetting
(18 U.S.C. §2)

INDICTMENT

The Grand Jury charges that:

COUNTS 1-2

At all times material to this Indictment:

I. The Parties

1. Defendants UZI KATZ and RUTH V. KATZ ("the KATZES"), husband and wife, resided in Boston, Massachusetts.
2. Defendant ZAPHIR SHPITZBURG, resided in Boston, Massachusetts or elsewhere in the District of Massachusetts.
3. USA-1 Financial Services, Inc. ("USA-1") was a mortgage brokerage firm located in North Reading, Massachusetts, and/or Andover, Massachusetts. USA-1 was in the business of originating real estate loans, secured by mortgages, and did so by processing and underwriting applications from persons who wished to borrow money to purchase real estate.
4. Altowne Appraisal Services, Inc. ("Altowne") was located in Canton, Massachusetts. Altowne was an appraisal service approved by a number of lenders to perform appraisals in

connection with the granting of loans for the purchase of residential real estate.

5. Lincoln Service Corporation ("Lincoln") was and is a mortgage company with offices in Owensboro, Kentucky; Annandale, Virginia; and elsewhere. Lincoln is a wholly-owned subsidiary of Great Financial Federal, a federally insured institution.

6. Loan America Financial Corporation ("Loan America") was and is a mortgage company with offices in Rockville, Maryland; Miami Lakes, Florida; and elsewhere.

7. The business of Lincoln and Loan America (hereafter referred to collectively as "the lenders"), included providing loans (secured by mortgages) to fund purchases of residential real estate.

8. In granting loans, the lenders relied on the applications submitted by USA-1 and on the appraisals prepared by Altowne. The lenders would fund mortgages at 80% of the appraised value of the property for which financing was sought.

II. The Scheme to Defraud

9. From in or around April 1991 to in or around September 1991, in Lynn, Brighton, Boston, and elsewhere in the District of Massachusetts and outside the District,

UZI KATZ,

RUTH V. KATZ, and

ZAPHIR SHPITZBURG,

defendants herein, with others, having devised and intending to

devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, did transmit and cause to be transmitted by means of wire communications in interstate commerce, writings, signs, signals, and sounds for the purpose of executing such a scheme and artifice, in violation of Title 18, United States Code, Section 1343.

10. This scheme and artifice is known as a "land flip." The scheme and artifice consisted of a plan whereby the co-schemers and others would arrange to obtain financing for the purchase of real estate at grossly inflated prices by submitting fraudulent mortgage applications and appraisals to the lenders, and would receive loans greatly in excess of the true value of the property mortgaged.

11. It was part of the scheme that during the period in or around April 1991 to in or around September 1991, the co-schemers and others engineered and attempted to engineer land flips of the following properties:

206 Corey Road, Brighton, MA
17 Williams Avenue, Lynn, MA

12. The scheme to defraud the lenders operated as follows:

(a) Defendant UZI KATZ, with the assistance of others, would locate properties which were for sale;

(b) Defendant UZI KATZ, with the assistance of others, would arrange for the property to be sold for its actual market value to defendant ZAPHIR SHPITZBURG, who was a "straw" buyer. The property was then promptly to be resold to defendant RUTH V.

KATZ for a greatly inflated price;

(c) The KATZES, with the assistance of others, would prepare fraudulent mortgage applications for RUTH V. KATZ, for submission to the lenders, through USA-1. As the co-schemers well knew, these applications contained false and fraudulent information, which was material to the lenders, as to the following facts: the stated purchase price of the property; the stated income of RUTH V. KATZ and her employment; the money to be invested in the property by RUTH V. KATZ; RUTH V. KATZ's citizenship; and RUTH V. KATZ's assets as demonstrated by deposits purportedly held in banks and other financial institutions;

(d) The co-schemers would also falsify verifications of employment, income, rental history, tax returns, and other documents to support the false information contained in the applications.

(e) Altowne Appraisals, Inc., would prepare appraisals to support the fraudulently inflated sales prices for the properties in question; and,

(f) USA-1 would then submit these fraudulent applications and appraisals to the lenders. In the course of these submissions, and the closings on the properties, there would be numerous wire transmissions, including phone calls and facsimile transmissions, between various parties to the transaction;

(g) The lenders would agree to finance 80% of the inflated purchase price of the properties. The KATZES would attend


closings where additional documents containing the false statements included in the mortgage application package would be executed by RUTH V. KATZ.

13. For the purpose of executing the aforesaid scheme and artifice and attempting to do so, on or about the dates set forth below, the defendants transmitted and caused to be transmitted by means of wire communications in interstate commerce, writings, signs, signals, and sounds, to wit the following facsimiles:

<u>Count</u>	<u>Date</u>	<u>From</u>	<u>To</u>
1	6/12/91	USA-1 Financial Services, Inc., N. Reading, MA	Loan America Corporation Rockville, MD
2	8/29/91	USA-1 Financial Services, Inc. N. Reading, MA	Lincoln Service Corporation Annandale, VA

All in violation of Title 18, United States Code,
Sections 1343 and 2.

A TRUE BILL


FOREPERSON OF THE GRAND JURY



Assistant United States Attorney

DISTRICT OF MASSACHUSETTS

January 8, 1992 at 12:26
P.M.

Returned into the District Court by the Grand Jurors and filed.


Deputy Clerk

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

92-10005WF

UNITED STATES OF AMERICA)

v.)

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KATZ for a greatly inflated price;

(c) The KATZES, with the assistance of others, would prepare fraudulent mortgage applications for RUTH V. KATZ, for submission to the lenders, through USA-1. As the co-schemers well knew, these applications contained false and fraudulent information, which was material to the lenders, as to the following facts: the stated purchase price of the property; the stated income of RUTH V. KATZ and her employment; the money to be invested in the property by RUTH V. KATZ; RUTH V. KATZ's citizenship; and RUTH V. KATZ's assets as demonstrated by deposits purportedly held in banks and other financial institutions;

(d) The co-schemers would also falsify verifications of employment, income, rental history, tax returns, and other documents to support the false information contained in the applications.

(e) Altowne Appraisals, Inc., would prepare appraisals to support the fraudulently inflated sales prices for the properties in question; and,

(f) USA-1 would then submit these fraudulent applications and appraisals to the lenders. In the course of these submissions, and the closings on the properties, there would be numerous wire transmissions, including phone calls and facsimile transmissions, between various parties to the transaction;

(g) The lenders would agree to finance 80% of the inflated purchase price of the properties. The KATZES would attend

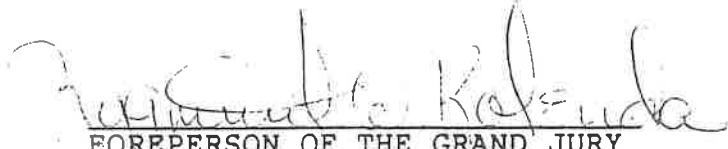
closings where additional documents containing the false statements included in the mortgage application package would be executed by RUTH V. KATZ.

13. For the purpose of executing the aforesaid scheme and artifice and attempting to do so, on or about the dates set forth below, the defendants transmitted and caused to be transmitted by means of wire communications in interstate commerce, writings, signs, signals, and sounds, to wit the following facsimiles:

<u>Count</u>	<u>Date</u>	<u>From</u>	<u>To</u>
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A TRUE BILL


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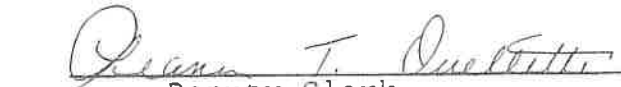


Assistant United States Attorney

DISTRICT OF MASSACHUSETTS

January 8, 1992 at 12:26
P.M.

Returned into the District Court by the Grand Jurors and filed.


Deputy Clerk

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACT - IN U.S. DISTRICT COURT

BY: COMPLAINT INFORMATION INDICTMENT

Name of District Court, and/or Judge/Magistrate Location (City)

Massachusetts

OFFENSE CHARGED

Wire Fraud and Aiding and Abetting

- Petty
- Minor
- Misdemeanor
- Felony

Place of offense

Wita

U.S.C. Citation

18 USC §§1343, 2

DEFENDANT, U.S. vs.

Ruth V. Katz

Address

41 Commonwealth Avenue, #10 Boston, MA

Birth Date

3/17/66

- Male Alien
- Female (if applicable)

(Optional unless a juvenile)

PROCEEDING

Name of Complainant Agency, or Person (& Title, if any)

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrP 20, 21 or 40. Show District

this is a re prosecution of charges previously dismissed which were dismissed on motion of: U.S. Att'y Defense

this prosecution relates to a pending case involving this same defendant

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

SHOW DOCKET NO.

MAGISTRATE CASE NO.

91-0479-L

DEFENDANT

IS NOT IN CUSTODY

- 1) Has not been arrested; pending outcome this proceeding. If not detained give date any prior summons was served on above charges
- 2) Is a Fugitive
- 3) Is on Bail or Release from (show District)

D. Mass. 91-0479-L

IS IN CUSTODY

- 4) On this charge
- 5) On another conviction Fed'l State
- 6) Awaiting trial on other charges. If answer to (6) is "Yes", show name of institution

Has detainer been filed? Yes No

If "Yes" give date filed

Mo. Day Year

DATE OF ARREST

Or... if Arresting Agency & Warrant were not Federal

DATE TRANSFERRED TO U.S. CUSTODY

Mo. Day Year

This report amends AO 287 previously submitted

Name and Office of Person Furnishing Information on THIS FORM

WAYNE A. BUDD

U.S. Att'y Other U.S. Agency

Name of Asst. U.S. Att'y (if assigned)

Lon F. Povich

ADDITIONAL INFORMATION OR COMMENTS

CATEGORY: II

USAO NO. 9100900

PROCESS: Arrest warrant to issue

I request this Indictment, Information or Complaint be:

DEFENSE COUNSEL:

SEALED

NAME: George F. Gormley, Esq.

UNSEALED

ADDRESS: 675 Massachusetts Avenue
Cambridge, MA 02139

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACT - IN U.S. DISTRICT COURT

BY COMPLAINT INFORMATION INDICTMENT

Name of District Court, and/or Judge/Magistrate Location (City)

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OFFENSE CHARGED

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Place of offense

U.S.C. Citation
18 USC §1343,2

DEFENDANT - U.S. vs.

92-10005 WF
Uzi Katz

Address { 41 Commonwealth Avenue, #10
Boston, MA

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[] Female (if applicable)

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person is awaiting trial in another Federal or State Court, give name of court

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Name and Office of Person Furnishing Information on THIS FORM

WAYNE A. BUDD

U.S. Att'y Other U.S. Agency

Name of Asst. U.S. Att'y (if assigned)

Lon F. Povich

DEFENDANT

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This report omits AO 257 previously submitted

ADDITIONAL INFORMATION OR COMMENTS

CATEGORY: II

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DEFENSE COUNSEL:

NAME: Annemare Hassett, Esq.

ADDRESS: Federal Defender
125 Pearl Street
Boston, MA 02110

USAO NO. 9100900

I request this Indictment, Information or Complaint be:

- SEALED
- UNSEALED

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

92-10005 WF

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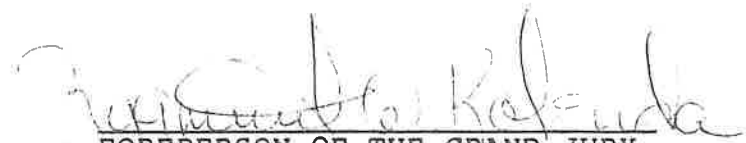
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Assistant United States Attorney

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Deputy Clerk

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA

CRIMINAL NO. 9110479

vs
Katz

ORDER OF EXCLUDABLE DELAY

In accordance with the Speedy Trial Act of 1974, as amended, this Court hereby orders
excludable delay from 9/12/91 to 9/12/91
for a total of 1 days for the reason checked below.

10/3/91
Date

[Signature]
U. S. District Judge
U. S. Magistrate

- | | | |
|--------------------------|---|--------------------------|
| <input type="checkbox"/> | Examination or hearing for mental or physical capacity | 18 U.S.C. §3161(b)(1)(A) |
| <input type="checkbox"/> | Interlocutory Appeal | 18 U.S.C. §3161(b)(1)(E) |
| <input type="checkbox"/> | Pretrial motions from filing date to hearing or disposition | 18 U.S.C. §3161(h)(1)(F) |
| <input type="checkbox"/> | <i>Gov't's motion to seal</i>
Proceedings under advisement | 18 U.S.C. §3161(b)(1)(J) |
| <input type="checkbox"/> | Other proceedings concerning defendant | 18 U.S.C. §3161(b)(1) |
| <input type="checkbox"/> | Unavailability of defendant (Fugitive) | 18 U.S.C. §3161(b)(3)(A) |
| <input type="checkbox"/> | Period of mental or physical incompetence to stand trial | 18 U.S.C. §3161(b)(4) |
| <input type="checkbox"/> | Continuance granted in the interests of justice | 18 U.S.C. §3161(b)(8)(a) |

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UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA

CRIMINAL NO. 91 10479

vs

Ruth Katz

ORDER OF EXCLUDABLE DELAY

In accordance with the Speedy Trial Act of 1974, as amended, this Court hereby orders
excludable delay from 9/13/91 to 9/13/91
for a total of 1 days for the reason checked below.

10/3/91
Date

[Signature]
U. S. District Judge
U. S. Magistrate

- Examination or hearing for mental or physical capacity 18 U.S.C. §3161(h)(1)(A)
- Interlocutory Appeal 18 U.S.C. §3161(h)(1)(E)
- Pretrial motions from filing date to hearing or disposition 18 U.S.C. §3161(h)(1)(F)
- Proceedings under advisement *Gov't motion for continuance of detention hearing* 18 U.S.C. §3161(h)(1)(J)
- Other proceedings concerning defendant 18 U.S.C. §3161(h)(1)
- Unavailability of defendant (Fugitive) 18 U.S.C. §3161(h)(3)(A)
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- Continuance granted in the interests of justice 18 U.S.C. §3161(h)(8)(a)

(XDELAY 1 - 04/24/90)

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UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

Criminal No.
92-10005-WF

62 e ↑

UNITED STATES OF AMERICA

v.

UZI KATZ
RUTH V. KATZ
ZAPHIR SHPITZBURG

PRELIMINARY STATUS REPORT

January 14, 1992

COHEN, M.J.

The following status of the above-entitled case is hereby reported to the district judge to whom this case is assigned, to wit:

1. The indictment in the above-entitled case, which charges wire fraud in the form of a so-called "land flip", was returned on January 8, 1992.

2. The defendant Ruth V. Katz was arraigned on January 14, 1992.¹

3. The defendant is not in custody on these charges, and has not been designated a "high risk" defendant.

4. At the time of arraignment, the attorney for the government estimated that the government will call approximately 20 witnesses, and that the trial will last approximately 5 trial

1

The remaining two defendants are currently fugitives.

Wol

days.

5. All parties have been ordered to file pretrial motions on or before February 3, 1992.

6. Assuming no allowance for excludable time under the Plan for Prompt Disposition of Criminal Cases, this case must be tried on or before March 18, 1992.


UNITED STATES MAGISTRATE JUDGE

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

Criminal No.
92-10005-WF

UNITED STATES OF AMERICA

v.

RUTH KATZ, ET AL.

FINAL STATUS REPORT

February 5, 1992

COHEN, M.J.

The following status of the above-entitled case is hereby reported to the district judge to whom this case is assigned, to wit:

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2. The defendant was arraigned on January 14, 1992.¹

3. The defendant is not in custody on these charges, and has not been designated a "high risk" defendant.

4. At the time of arraignment, the attorney for the government estimated that the government will call approximately 20 witnesses, and that the trial will last approximately 5 trial days.

5. This court has recorded one additional day excludable

¹ The remaining two defendants are still fugitives.

under the Speedy Trial Act and the Plan for Prompt Disposition of Criminal Cases in the United States District Court for the District of Massachusetts. Assuming no further allowance for excludable time under the Plan, this case must be tried on or before March 19, 1992.

6. No pretrial motions remain outstanding.


UNITED STATES MAGISTRATE JUDGE

United States District Court

DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA

v.

RUTH V. KATZ

CRIMINAL COMPLAINT

CASE NUMBER: 91-479L

(Name and Address of Defendant(s))

I, the undersigned complainant being duly sworn state the following is true and correct to the best of my knowledge and belief. On or about April 1991 to the present in Suffolk county, in the

 District of Massachusetts defendant(s) did, in violation of the Statutory Language of Offense:

having devised and intending to devise a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations or promises, and for the purpose of executing such scheme did transmit and cause to be transmitted writings by means of wire in interstate commerce from the District of Massachusetts to Annandale, Virginia

in violation of Title 18 United States Code, Section(s) 1343

I further state that I am a(n) Special Agent of the RTC and that this complaint is based on the following facts:

Official Title

facts:

See Attached Affidavit

Continued on the attached sheet and made a part hereof:

Yes No

Gary L. Shedd
Signature of Complainant

Sworn to before me and subscribed in my presence,

9 September 12, 1991
Date

at Boston, Massachusetts
City and State

Magistrate Judge Lawrence P. Cohen
Name & Title of Judicial Officer

[Signature]
Signature of Judicial Officer

OFFICE OF
U.S. MARSHALS
SEP 12 10 24 AM '91
DIST. OF MASS.

United States District Court

DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA
V.

WARRANT FOR ARREST

RUTH V. KATZ

CASE NUMBER: 91-479L

To: The United States Marshal
and any Authorized United States Officer

YOU ARE HEREBY COMMANDED to arrest RUTH V. KATZ
Name

and bring him or her forthwith to the nearest magistrate to answer a (x)

Indictment Information Complaint Order of court Violation Notice Probation Violation Petition

charging ~~him~~ or her with (brief description of offense)

having devised and intending to devise a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations or promises, and for the purpose of executing such scheme did transmit and cause to be transmitted writings by means of wire in interstate commerce from the District of Massachusetts to Annandale, Virginia

in violation of Title 18 United States Code, Section(s) 1343

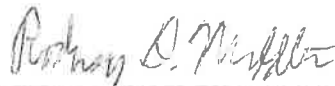
Magistrate Judge Lawrence P. Cohen
Name of Issuing Officer

United States Magistrate Judge
Title of Issuing Officer


Signature of Issuing Officer

Boston, MA 02109
Date and Location

Bail fixed at \$ _____ by _____
Name of Judicial Officer

RETURN		
This warrant was received and executed with the arrest of the above-named defendant at <u>172 Newbury St, Boston, MA</u>		
DATE RECEIVED <u>9/12/91</u>	NAME AND TITLE OF ARRESTING OFFICER <u>Rodney D. Middleton, Special Agent, FBI</u>	SIGNATURE OF ARRESTING OFFICER 
DATE OF ARREST <u>9/13/91</u>		

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

92-10005 WF

UNITED STATES OF AMERICA)

v.)

UZI KATZ,)
RUTH V. KATZ, and)
ZAPHIR SHPITZBURG)

Defendants.)

Criminal No. 92-

VIOLATIONS:

Wire Fraud (18 U.S.C. §1343)
Aiding and Abetting
(18 U.S.C. §2)

INDICTMENT

The Grand Jury charges that:

COUNTS 1-2

At all times material to this Indictment:

I. The Parties

1. Defendants UZI KATZ and RUTH V. KATZ ("the KATZES"), husband and wife, resided in Boston, Massachusetts.

2. Defendant ZAPHIR SHPITZBURG, resided in Boston, Massachusetts or elsewhere in the District of Massachusetts.

3. USA-1 Financial Services, Inc. ("USA-1") was a mortgage brokerage firm located in North Reading, Massachusetts, and/or Andover, Massachusetts. USA-1 was in the business of originating real estate loans, secured by mortgages, and did so by processing and underwriting applications from persons who wished to borrow money to purchase real estate.

4. Altowne Appraisal Services, Inc. ("Altowne") was located in Canton, Massachusetts. Altowne was an appraisal service approved by a number of lenders to perform appraisals in

connection with the granting of loans for the purchase of residential real estate.

5. Lincoln Service Corporation ("Lincoln") was and is a mortgage company with offices in Owensboro, Kentucky; Annandale, Virginia; and elsewhere. Lincoln is a wholly-owned subsidiary of Great Financial Federal, a federally insured institution.

6. Loan America Financial Corporation ("Loan America") was and is a mortgage company with offices in Rockville, Maryland; Miami Lakes, Florida; and elsewhere.

7. The business of Lincoln and Loan America (hereafter referred to collectively as "the lenders"), included providing loans (secured by mortgages) to fund purchases of residential real estate.

8. In granting loans, the lenders relied on the applications submitted by USA-1 and on the appraisals prepared by Altowne. The lenders would fund mortgages at 80% of the appraised value of the property for which financing was sought.

II. The Scheme to Defraud

9. From in or around April 1991 to in or around September 1991, in Lynn, Brighton, Boston, and elsewhere in the District of Massachusetts and outside the District,

UZI KATZ,

RUTH V. KATZ, and

ZAPHIR SHPITZBURG,

defendants herein, with others, having devised and intending to

devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, did transmit and cause to be transmitted by means of wire communications in interstate commerce, writings, signs, signals, and sounds for the purpose of executing such a scheme and artifice, in violation of Title 18, United States Code, Section 1343.

10. This scheme and artifice is known as a "land flip." The scheme and artifice consisted of a plan whereby the co-schemers and others would arrange to obtain financing for the purchase of real estate at grossly inflated prices by submitting fraudulent mortgage applications and appraisals to the lenders, and would receive loans greatly in excess of the true value of the property mortgaged.

11. It was part of the scheme that during the period in or around April 1991 to in or around September 1991, the co-schemers and others engineered and attempted to engineer land flips of the following properties:

206 Corey Road, Brighton, MA
17 Williams Avenue, Lynn, MA

12. The scheme to defraud the lenders operated as follows:

(a) Defendant UZI KATZ, with the assistance of others, would locate properties which were for sale;

(b) Defendant UZI KATZ, with the assistance of others, would arrange for the property to be sold for its actual market value to defendant ZAPHIR SHPITZBURG, who was a "straw" buyer. The property was then promptly to be resold to defendant RUTH V.

KATZ for a greatly inflated price;

(c) The KATZES, with the assistance of others, would prepare fraudulent mortgage applications for RUTH V. KATZ, for submission to the lenders, through USA-1. As the co-schemers well knew, these applications contained false and fraudulent information, which was material to the lenders, as to the following facts: the stated purchase price of the property; the stated income of RUTH V. KATZ and her employment; the money to be invested in the property by RUTH V. KATZ; RUTH V. KATZ's citizenship; and RUTH V. KATZ's assets as demonstrated by deposits purportedly held in banks and other financial institutions;

(d) The co-schemers would also falsify verifications of employment, income, rental history, tax returns, and other documents to support the false information contained in the applications.

(e) Altowne Appraisals, Inc., would prepare appraisals to support the fraudulently inflated sales prices for the properties in question; and,

(f) USA-1 would then submit these fraudulent applications and appraisals to the lenders. In the course of these submissions, and the closings on the properties, there would be numerous wire transmissions, including phone calls and facsimile transmissions, between various parties to the transaction;

(g) The lenders would agree to finance 80% of the inflated purchase price of the properties. The KATZES would attend

closings where additional documents containing the false statements included in the mortgage application package would be executed by RUTH V. KATZ.

13. For the purpose of executing the aforesaid scheme and artifice and attempting to do so, on or about the dates set forth below, the defendants transmitted and caused to be transmitted by means of wire communications in interstate commerce, writings, signs, signals, and sounds, to wit the following facsimiles:

<u>Count</u>	<u>Date</u>	<u>From</u>	<u>To</u>
1	6/12/91	USA-1 Financial Services, Inc., N. Reading, MA	Loan America Corporation Rockville, MD
2	8/29/91	USA-1 Financial Services, Inc. N. Reading, MA	Lincoln Service Corporation Annandale, VA

All in violation of Title 18, United States Code,
Sections 1343 and 2.

A TRUE BILL

[Handwritten signature]
FOREPERSON OF THE GRAND JURY

[Handwritten signature]
Assistant United States Attorney

DISTRICT OF MASSACHUSETTS *January 8*, 1992 at *12:26*
Returned into the District Court by the Grand Jurors and filed. *p.m.*

[Handwritten signature]
Deputy Clerk

United States District Court

DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA

v.

RUTH V. KATZ

CRIMINAL COMPLAINT

CASE NUMBER: 91-4796

(Name and Address of Defendant)

I, the undersigned complainant being duly sworn state the following is true and correct to the best of my knowledge and belief. On or about April 1991 to the present in Suffolk county, in the Massachusetts District of Massachusetts defendant(s) did, in the Statutory Language of Offense

having devised and intending to devise a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations or promises, and for the purpose of executing such scheme did transmit and cause to be transmitted writings by means of wire in interstate commerce from the District of Massachusetts to Annandale, Virginia

in violation of Title 18 United States Code, Section(s) 1343

I further state that I am a(n) Special Agent of the RTC Official Title and that this complaint is based on the following facts:

See Attached Affidavit

Continued on the attached sheet and made a part hereof:

Yes No

Gary L. Shewell
Signature of Complainant

Sworn to before me and subscribed in my presence,

9 September 12, 1991
Date

at Boston, Massachusetts
City and State

Magistrate Judge Lawrence P. Cohen

Name & Title of Judicial Officer

[Signature]
Signature of Judicial Officer

AFFIDAVIT

I, Gary L. Sherrill, being duly sworn, do hereby depose and state:

1. I am a Senior Special Agent with the Office of the Inspector General, Resolution Trust Corporation, and have been so employed since January 1991. Prior to that time, and in the period July 1983 to January 1991, I served as a Special Agent with the Defense Criminal Investigative Service of the U.S. Department of Defense. During most of last eight years, I have been assigned to the investigation and prosecution of financial crimes and various fraudulent schemes.

2. I am presently assigned to a joint investigation with the Boston Field Division of the Federal Bureau of Investigation. That joint investigation is examining property transfers in the greater Boston, Massachusetts area known as "land flips." The purpose of these transactions is to defraud mortgage lenders by obtaining financing for properties greatly in excess of their true value. Based on my investigation to date, and my training and experience as a Special Agent, I have probable cause to believe that Ruth V. Katz has engaged in Wire Fraud within the last five years within the District of Massachusetts, in violation of 18 U.S.C. §1343.

3. A hypothetical will help to explain a land flip. A land flip occurs when a seller (which for shorthand I call #1)

offers a piece of property for sale at, hypothetically, \$100,000. That sale is to a another party (#2), who immediately sells it to a third party (#3) for \$200,000. A mortgage originator, who is in on the scheme, submits a fraudulent application to a lender demonstrating that #3 can qualify for 80% financing, or a \$160,000 loan. (Financing at 80% of value is the maximum amount that many lenders will advance.) That package is also supported by a fraudulent appraisal which states that the property is worth \$200,000. Of the \$160,000 received from the mortgage company, \$100,000 goes to the #1 (who may or may not be in on the scheme), and \$60,000 is available to be split among the various conspirators, who may include the #1, the #2, the originator, the appraiser, the #3, and various brokers and related parties.

4. On August 14, 1991, the United States Attorney's Office received information that a land flip was to occur at a property known as 17 Williams Avenue in Lynn, Massachusetts ("the Property"). (This property is at times errantly referred to as Williams Street, as several local maps contain the wrong name for the roadway. However, in all cases the legal description of the property is correct.) This confidential source informed the Assistant U.S. Attorney in my presence that the mortgage originator on the transaction would be a company known as USA-1 Financial Services, Inc. ("USA-1"), and the loan would ultimately be financed by one of several companies, including a mortgage lender known as Lincoln Service Corporation ("Lincoln"). The confidential source had been approached by an individual named

Andrew Perkins, who asked the confidential source to participate in a scheme to flip the Property to obtain illicit profits.

5. With this information, I immediately began my investigation of this planned transaction and learned the following. On April 19, 1991, Andrew Perkins bought the 17 Williams Avenue property from the Federal Home Loan Mortgage Corporation for \$77,000. On May 18, 1991, an entity known as ZS Realty Trust, Zafirir Shpitzberg, trustee, signed a purchase and sale agreement to sell the Property (which it did not yet own) to Ruth V. Katz for \$290,000. Not until August 27, 1991, was the Property transferred to Shpitzberg, and it was transferred to him individually. The sale from Perkins to Shpitzberg was allegedly for \$125,000. As of this date, Shpitzberg owns the Property and is in a position to sell the Property to Katz.

6. I later confirmed that Ruth V. Katz sought financing by submitting a loan application through USA-1 to Lincoln. That application was originated by USA-1, but at all times it was anticipated that Lincoln would be the lender, even though the loan would be closed in the name of USA-1, and immediately assigned to Lincoln. The application sought a mortgage of \$232,000 or 80% of Katz's total purchase price. The valuation of the Property was allegedly supported by an appraisal from AlTowne Appraisal Services which calculated the value of the Property at exactly \$290,000. Based on the signed application and appraisal, Lincoln initially agreed to finance the purchase, and closing was set for Friday, September 13, 1991.

7. The mortgage application submitted by Ruth V. Katz, through USA-1 to Lincoln was patently false.

a. The application stated that Katz would require \$64,500 in cash to close the loan and reported that those funds were available in an account at Capitol Mutual Fund ("Capitol"), 134 West 32nd Street, #602, New York, New York. On September 6, 1991, I attempted to serve a grand jury subpoena on Capitol. The subpoena sought records relating to an account purportedly held by Ruth V. Katz. My investigation disclosed the only business operating at the address listed above is Action Answering Service ("Action"), a telephone answering and mail drop business. An interview with the owner of Action, Serch Telian, disclosed he received a telephone call on or about February 20, 1991, from a man who identified himself as James Duffy from Boston, MA. Duffy wanted to establish a telephone answering account for Capitol with Telian. After discussing the terms of the account, Telian agreed to initiate the service for \$150 per quarter. His records reflect that he received two payments from Capitol for service through August 20, 1991. A review of the Capitol message tray revealed only several past due notices relating to their account, and no incoming calls. Telian further stated Capitol did not purchase the mail drop service. Accordingly, I believe that Capitol Mutual Fund is a fictitious entity.

b. The application also stated that Ruth V. Katz had a base employment income of \$10,500 per month (\$126,000/year) and an additional \$1,275 per month (\$15,300/year) in rental income,

for a total annual income of \$141,300. Katz's base income was to come from her business as an "environmental design consultant," which was allegedly run out of her apartment. The rental income is also suspicious, as Katz lists no rental property, or any other property, among her assets.

Katz's business income was supported by purported copies of her 1989 and 1990 tax returns which were submitted to Lincoln. The 1990 return showed income from the consulting business of in excess of \$131,000. The 1989 return lists income from the consulting business in excess of \$124,000. That 1989 return was allegedly prepared by one Wallace Leftwich of 105 Charles Street in Boston, who purports to be self-employed with social security number 010 28 4579.

I believe these tax returns to be fraudulent. After receiving a court order for the same, the District Director of the Internal Revenue Service has informed the United States Attorney that Ruth V. Katz filed no tax returns for the years 1989 and 1990. Moreover, as to the 1989 return, I was unable to locate Mr. Leftwich at 105 Charles Street, nor has anyone at that address seen such an individual there in the last two years. In addition, I have been informed by the Department of Health and Human Services that social security number 010 28 4579 does not correspond to an individual named Leftwich.

Lincoln further relied on Katz's past and potential future consulting income based upon an income statement of her business which was telefaxed to Lincoln's office in Annandale,

Virginia, from USA-1 in Massachusetts on or about August 29, 1991 at 9:35 a.m. That income statement was on the letterhead of:

Leftwich & Alexander
Certified Public Accountants
105 Charles Street
Boston, MA 02114
(617) 262-4081

The statement showed a net income for the first six months of 1991 of \$64,190, and was signed by a James T. Leahey. I believe this statement to be a fabrication. There is no firm by the name of Leftwich & Alexander at 105 Charles Street, and although there is a mail drop company at that location, no such accounting firm has ever rented a box at 105 Charles Street. In addition, the Massachusetts Board of Public Accountants (the licensing board for accountants) has never heard of the firm, and has no record of any CPA with the name of Wallace Leftwich, James T. Leahey, or anyone with the name of Alexander licensed to practice in Massachusetts. Similarly, these individuals are not members of the Massachusetts Society of Certified Public Accountants. Finally, the phone number on the letterhead is in fact a number established for Ruth V. Katz and her husband at 41 Commonwealth Avenue in Boston.

c. The application also states that Katz is an American citizen. In truth and fact, records of the Immigration and Naturalization Service confirm that Katz is a citizen of Israel.

8. The appraisal which supports the subject sales price was performed by Robert E. O'Connor, dba Altowne Appraisal Services. During an interview with agents of the FBI, O'Conner admitted he

frequently prepared appraisals without actually visiting the subject property. In those instances, O'Conner relied upon information relating to comparable unit sales which was provided to him by others. According to O'Connor's appraisal, the three sales comparable to the Property are: 38-40 Merrill Avenue, Lynn, MA; 283 Eastern Avenue, Lynn, MA, and; 110-112 Eastern Avenue, Lynn, MA. My investigation has disclosed that all three comparable sales were, in fact, "land flips" themselves. In each case, USA-1 was the loan originator and O'Connor the appraiser. Furthermore, the loan application for each mortgage was fraudulent. As with the instant application, references were made to non-existent funds maintained in non-existent institutions as evidence that buyers had the ability to make the required down payment. In addition, false employment data was used in each case to make it appear the buyers qualified for the loans.

9. Ruth V. Katz is also the owner of the property located at 206 Corey Road, Brighton, MA. I believe that this property purchase was also the result of a flip. The Corey Road property was acquired on June 13, 1991, by Zafirir Shpitzberg for \$145,000. On June 25, 1991, Katz bought that property from Shpitzberg for \$319,000. Katz received a loan in the amount of \$255,200, secured by a mortgage on 206 Corey Road. The Corey Road property was appraised by O'Connor and the mortgage loan was originated by USA-1. In the application for the mortgage, Katz again falsely stated the source of her down payment was funds maintained with


the Capitol Mutual Fund. Furthermore, her source of income was supported by copies of the same fictitious tax returns used in the attempt to purchase 17 Williams Avenue.

10. Based upon the information set forth above and my training and experience as a Special Agent, there is probable cause to believe and I do believe that Ruth V. Katz of Boston, Massachusetts has committed the offense of Wire Fraud, in violation of 18 U.S.C. §1343.



Gary L. Sherrill
Special Agent
Office of Inspector General
Resolution Trust Corporation

Sworn to and subscribed before me this 12th day of September, 1991 at Boston, Massachusetts.



United States Magistrate Judge

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACT - IN U.S. DISTRICT COURT

BY: COMPLAINT INFORMATION INDICTMENT

Name of District Court, and/or Judge/Magistrate Location (City)

Massachusetts

OFFENSE CHARGED

Wire Fraud and Aiding and Abetting

- Petty
 Minor
 Misdemeanor
 Felony

Place of offense

U.S.C. Citation

18 USC §1343, 2

DEFENDANT - U.S. vs.

Uzi Katz

Address: 41 Commonwealth Avenue, #10 Boston, MA

Birth Date

- Male Alien
 Female (if applicable)

(Optional unless a juvenile)

PROCEEDING

Name of Complainant Agency, or Person (& Title, if any)

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrP 20, 21 or 40. Show District

this is a re prosecution of charges previously dismissed which were dismissed on motion of: U.S. Att'y Defense

SHOW DOCKET NO.

this prosecution relates to a pending case involving this same defendant

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

MAGISTRATE CASE NO.

DEFENDANT

IS NOT IN CUSTODY

- Has not been arrested, pending outcome this proceeding
Is a Fugitive
Is on Bail or Release from (show District)

IS IN CUSTODY

- On this charge
On another conviction
Awaiting trial on other charges
Fed'l State

Has detainer been filed? Yes No If "Yes" give date filed Mo. Day Year

DATE OF ARREST

Or... if Arresting Agency & Warrant were not Federal

DATE TRANSFERRED TO U.S. CUSTODY

This report amends AO 257 previously submitted

Name and Office of Person Furnishing Information on THIS FORM

WAYNE A. BUDD

U.S. Att'y Other U.S. Agency

Name of Asst. U.S. Att'y (if assigned)

Lon F. Povich

ADDITIONAL INFORMATION OR COMMENTS

CATEGORY: II

USAO NO. 9100900

PROCESS: Arrest warrant to issue

I request this Indictment, Information or Complaint be:

DEFENSE COUNSEL:

NAME: Annemare Hassett, Esq.

SEALED

ADDRESS: Federal Defender

UNSEALED

125 Pearl Street

Boston, MA 02110

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTI - IN U.S. DISTRICT COURT

BY: COMPLAINT INFORMATION INDICTMENT

Name of District Court, and/or Judge/Magistrate Location (City)

Massachusetts

OFFENSE CHARGED

Wire Fraud and Aiding and Abetting

- Petty
 Minor
 Misdemeanor
 Felony

Place of offense

U.S.C. Citation

18 USC §§1343, 2

DEFENDANT - U.S. vs.

Ruth V. Katz

Address: 41 Commonwealth Avenue, #10, Boston, MA

Birth Date: 3/17/66

Male Alien Female (if applicable)

(Optional unless a juvenile)

PROCEEDING

Name of Complainant Agency, or Person (& Title, if any)

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrP 20, 21 or 40. Show District

this is a re prosecution of charges previously dismissed which were dismissed on motion of: U.S. Att'y Defense

this prosecution relates to a pending case involving this same defendant

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

SHOW DOCKET NO.

MAGISTRATE CASE NO.

91-0479-L

DEFENDANT

IS NOT IN CUSTODY

- 1) Has not been arrested; pending outcome this proceeding...
2) Is a Fugitive
3) Is on Bail or Release from (show District)

D. Mass. 91-0479-L

IS IN CUSTODY

- 4) On this charge
5) On another conviction
6) Awaiting trial on other charges

Has detainer been filed? Yes No. If "Yes" give date filed. Mo. Day Year

DATE OF ARREST

Or... if Arresting Agency & Warrant were not Federal

DATE TRANSFERRED TO U.S. CUSTODY

This report amends AO 287 previously submitted

Name and Office of Person Furnishing Information on THIS FORM

WAYNE A. BUDD

U.S. Att'y Other U.S. Agency

Name of Asst. U.S. Att'y (if assigned)

Lon F. Povich

ADDITIONAL INFORMATION OR COMMENTS

CATEGORY: II

USAO NO. 9100900

PROCESS: Arrest warrant to issue

I request this Indictment, Information or Complaint be:

DEFENSE COUNSEL:

NAME: George F. Gormley, Esq.
ADDRESS: 675 Massachusetts Avenue, Cambridge, MA 02139

SEALED
 UNSEALED

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACT - IN U.S. DISTRICT COURT

BY: COMPLAINT INFORMATION INDICTMENT

Name of District Court, and/or Judge/Magistrate Location (City)

Massachusetts

OFFENSE CHARGED

Wire Fraud and Aiding and Abetting

- Petty
 Minor
 Misdemeanor
 Felony

Place of offense

U.S.C. Citation

18 USC §1343,2

DEFENDANT - U.S. vs.

Zaphir Shpitzburg

Address: Unknown

Birth Date: [] Male [] Alien [] Female (if applicable)

(Optional unless a juvenile)

PROCEEDING

Name of Complainant Agency, or Person (& Title, if any)

[] person is awaiting trial in another Federal or State Court, give name of court

[] this person/proceeding is transferred from another district per (circle one) FRCrP 20, 21 or 40. Show District

[] this is a re prosecution of charges previously dismissed which were dismissed on motion of: [] U.S. Att'y [] Defense

[] this prosecution relates to a pending case involving this same defendant

[] prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

SHOW DOCKET NO.

MAGISTRATE CASE NO.

Name and Office of Person Furnishing Information on THIS FORM

WAYNE A. BUDD

[x] U.S. Att'y [] Other U.S. Agency

Name of Asst. U.S. Att'y (if assigned)

Lon F. Povich

DEFENDANT

IS NOT IN CUSTODY

- 1) [x] Has not been arrested; pending outcome this proceeding
2) [] Is a Fugitive
3) [] Is on Bail or Release from (show District)

IS IN CUSTODY

- 4) [] On this charge
5) [] On another conviction
6) [] Awaiting trial on other charges

Has detainer been filed? [] Yes [] No

DATE OF ARREST

Or... if Arresting Agency & Warrant were not Federal

DATE TRANSFERRED TO U.S. CUSTODY

[] This report amends AO 287 previously submitted

ADDITIONAL INFORMATION OR COMMENTS

CATEGORY: II

USAO NO. 9100900

PROCESS: Arrest Warrant to Issue

I request this Indictment, Information or Complaint be:

DEFENSE COUNSEL:

NAME: None known

ADDRESS:

- [] SEALED
[x] UNSEALED

Filed
9/12/91

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA

v.

RUTH V. KATZ

)
)
) Criminal No. 91-4796
)
)

MOTION TO SEAL

The United States Attorney respectfully request that the Complaint in this action and the accompanying Motion Pursuant to 26 U.S.C. §6103(i)(4)(A)(i) be sealed until the arrest of the defendant.

Respectfully submitted,

WAYNE A. BUDD
United States Attorney

By:



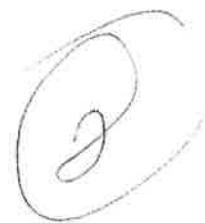
LON F. POVICH
Assistant U.S. Attorney

Date: September 12, 1991

So Ordered:



MAGISTRATE JUDGE LAWRENCE L. COHEN



UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

*Filed
9/12/91*

UNITED STATES OF AMERICA

v.

RUTH V. KATZ

)
)
) Criminal No. 91-479L
)
)

MOTION PURSUANT TO 26 U.S.C. §6103(i)(4)(a)(i)

The United States Attorney has filed herewith a criminal complaint against Ruth V. Katz. The affidavit of Special Agent Gary L. Sherrill, attached thereto, contains information received from the Internal Revenue Service pursuant to 26 U.S.C. §6103(i). The United States respectfully requests that this further disclosure in the affidavit be permitted as pursuant to 26 U.S.C. §6103(i)(4)(A)(i) as such disclosure is probative of a matter in issue relevant in establishing the commission of a crime.

Respectfully submitted,

WAYNE A. BUDD
United States Attorney

By:



LON F. POVICH
Assistant U.S. Attorney

Date: *September 12, 1991*

So Ordered:



MAGISTRATE JUDGE LAWRENCE L. COHEN

3

JUDGE/MAG. CODE: <i>01A5</i>
DOCKET NO: <i>MAG 91-0479L</i>
AUSA: <i>Lon Povich</i>
DEFENDANT(s) NAME(s): <i>KITZ, Ruth</i>

**CRIMINAL
COURTNOTE FORM
(PRE-TRIAL)**

DATE COMPLETED: <i>9/13/91</i>
CLERK: <i>Hayes</i>
REPORTER: <i>Tape</i>
DEFENSE COUNSEL: <i>Jack Zalkind</i>

ARREST

CHARGING INSTRUMENT <input type="checkbox"/> Indictment <input checked="" type="checkbox"/> Complaint <input type="checkbox"/> Probable Cause <input type="checkbox"/> Information <input type="checkbox"/> Warrant	CHARGING DISTRICT <i>MA</i>	ARRESTING DISTRICT <i>MA</i>	DATE OF ARREST <i>9/13/91</i>
---	--------------------------------	---------------------------------	----------------------------------

U.S. CUSTODY

DISTRICT OF CUSTODY <i>MA</i>	CUSTODY BEGIN DATE <i>9/13/91</i>	CUSTODY END DATE <i>1/1</i>	STATE/OTHER CUSTODY
----------------------------------	--------------------------------------	--------------------------------	---------------------

FIRST APPEARANCE

CHARGING INSTRUMENT <input type="checkbox"/> Indictment <input type="checkbox"/> Information <input checked="" type="checkbox"/> Complaint	DATE <i>9/13/91</i>
---	------------------------

BAIL

<input checked="" type="checkbox"/> Hearing Held <input type="checkbox"/> Set For	Date <i>9/13/91</i> TIME:	<input type="checkbox"/> Bail Set <input type="checkbox"/> Bail Reset <input type="checkbox"/> Bail Continued as Set On	BAIL SET AT:
---	---------------------------	--	--------------

DETENTION

<input type="checkbox"/> Hearing Held <input checked="" type="checkbox"/> Set For	Date <i>9/16/91</i> TIME: <i>2:00</i>	<input type="checkbox"/> Deft. Detained Pending Hearing On <input type="checkbox"/> Deft. Detained Pending Trial	<i>Honk</i> at
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COUNSEL

<input checked="" type="checkbox"/> FIRST APPEARANCE THROUGH <input type="checkbox"/> CHANGE	DATE <i>9/13/91</i>	TYPE <input type="checkbox"/> CJA <input type="checkbox"/> PD <input checked="" type="checkbox"/> SELF RETAINED
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ARRAIGNMENT

<input type="checkbox"/> Held <input type="checkbox"/> Set For	Date / / Time: <input type="checkbox"/> Reset For	Plea of _____ Entered On Counts _____ Counts to be Dismissed _____	Govt. Response To U.O.A.D. Due / /
Motions Due By / /	Govt. Response By / /	Trial Date on Counts _____ <input type="checkbox"/> Set For <input type="checkbox"/> Reset For / / Time	

HEARING OR CONFERENCE

<input type="checkbox"/> Hearing <input type="checkbox"/> Conference	<input type="checkbox"/> Held <input type="checkbox"/> Set For <input type="checkbox"/> Waived <input type="checkbox"/> Reset For	Date / / Time:	TYPE: <input type="checkbox"/> Motions <input type="checkbox"/> Status <input type="checkbox"/> Scheduling <input type="checkbox"/> Removal <input type="checkbox"/> Prel Exam. <input type="checkbox"/> Addiction <input type="checkbox"/> Mental/Physical
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CHANGE OF PLEA

<input type="checkbox"/> Held <input type="checkbox"/> Set For	Time: <input type="checkbox"/> Reset For	Date / /	Plea of _____ Entered on Cts. _____ Plea of _____ Accepted on Cts. _____	Counts _____ To Be Dismissed
DISPOSITION ON PLEA	<input type="checkbox"/> Set For <input type="checkbox"/> Reset For	Date / / Time:	Date Accepted into PTD Program / /	Guilty Pleas Withdrawn On Cts. _____ Date / /

NOTES

USA moves for detention and continuance of hearing. Continuance allowed. Defendant ordered temporarily detained.

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White — "Docket Clerk" Yellow — "U.S. Attorney" Pink — "Courtroom Deputy" Gold — "Defense Counsel"

United States District Court

DISTRICT OF

Massachusetts

Enlod
9/13/91
Emt

United States

APPEARANCE

v

Roth v. Katz

CASE NUMBER: 91-04796-01

To the Clerk of this court and all parties of record:

Enter my appearance as counsel in this case for

defendant

Date

9-13-91

Signature

Jack I Zalkind

Print Name

15 Ct Sq.

Address

Boston MA 02108

City

State

Zip Code

227 3950

Phone Number

For
Bill only

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