



***United States Attorney
Southern District of New York***

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**MANHATTAN U.S. ATTORNEY ANNOUNCES INDICTMENT AND GUILTY
PLEA RELATING TO CITYTIME PROJECT**

PREET BHARARA, the United States Attorney for the Southern District of New York, and ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation ("DOI"), announced today the filing of an Indictment charging MARK MAZER, DIMITRY ARONSHTEIN, SVETLANA MAZER, LARISA MEDZON, and ANNA MAKOVETSKAYA, charged for the first time today, in connection with fraud, kickback, and money laundering schemes involving New York City funds allocated for an information technology project known as "CityTime." In addition, U.S. Attorney BHARARA and Commissioner HEARN announced that VICTOR NATANZON pled guilty on February 8, 2010, to a criminal Information arising out of his role in criminal conduct in connection with the CityTime project.

Manhattan U.S. ATTORNEY PREET BHARARA stated: "As alleged in today's indictment, the CityTime project was used by these defendants as a vehicle to rip off the City to the tune of tens of millions of dollars. We have a zero tolerance policy for graft and corruption, and, together with our partners at DOI, we will continue to pursue those who steal from hard working City taxpayers."

DOI COMMISSIONER ROSE GILL HEARN stated: "The defendants latched onto CityTime to loot the City taxpayers, according to the indictment. But they were caught in the act when City investigators dissected their scheme and found the buried treasure. Today's indictment, this week's guilty plea, and the recovery of millions so far are all significant steps in this ongoing matter. DOI and federal prosecutors from the Southern District of New York will continue to press ahead to protect the public's interest from individuals who treated CityTime as a shell game."

According to the Complaint and Information previously unsealed in Manhattan federal court, and the Indictment filed earlier today:

CityTime is a payroll system modernization initiative that was originally budgeted to cost \$63 million to complete, but has cost the City approximately \$700 million to date, with additional expenditures required to complete the project. MARK MAZER recommended, and was among the individuals who approved on behalf of the City, contract amendments for the software development vendor hired by the City to develop CityTime (the "Lead Software Developer") that contributed to the dramatic increase in the cost of the project, and that called for the City to hire dozens of new consultants to perform the work called for by the contract amendments. MARK MAZER used his power and influence at CityTime, including his personal and professional relationship with the Executive Director of OPA, to cause many consultants to be hired by a subcontractor on the Citytime project through two staffing companies, D.A. Solutions, Inc. ("DAS"), and Prime View, Inc. ("Prime View") (collectively, the "Sub-Subcontractors"). MARK MAZER then solicited millions of dollars in kickbacks - totaling approximately 80% of the net revenue generated by the Sub-Subcontractors - from ARONSHTEIN, who owned DAS, and NATANZON, who owned Prime View, from the revenue generated by these new consultants. ARONSHTEIN and NATANZON paid the kickbacks solicited by MARK MAZER in the form of checks to shell companies, bulk cash, and other means intended to conceal their illegal payments to MARK MAZER.

As alleged in the Indictment, MARK MAZER also defrauded the City by, among other things, approving for payment timesheets of consultants that he knew had been fired or were on leave. Those payments increased the revenue generated by the Sub-Subcontractors and, consequently, the size of the kickbacks received by MAZER. MAZER also deprived the City of the right to control its assets by withholding material facts, and by making material misrepresentations, in dealings with the City.

Once proceeds of the kickbacks and fraud were paid, MARK MAZER, SVETLANA MAZER, MEDZON, and MAKOVETSKAYA, working with others, used a network of shell companies, and hundreds of financial transactions, to conceal the illegal origin of the proceeds, to distribute the proceeds, and to promote the carrying on of the criminal schemes. MEDZON, for example, engaged in hundreds of ATM transactions to launder proceeds of the scheme, and MAKOVETSKAYA controlled a shell company through which millions of dollars in fraud proceeds were routed, and made false

statements to a bank employee who conducted a "Know Your Customer" interview with her in order to further the laundering scheme and prevent its discovery.

The Information filed against NATANZON on February 8, 2011, to which he pled guilty, charges him with paying bribes to an agent of a local government receiving federal funds, a violation of the Travel Act, and conspiring to violate the bribery and Travel Act statutes. NATANZON also pled guilty to participating in a money laundering conspiracy. NATANZON faces a maximum sentence of 40 years in prison, a maximum fine of \$250,000 or twice the gross gain or loss from the offense on charges other than the money laundering offense, and a maximum fine of the greater of \$500,000 or twice the value of the laundered funds on the laundering offense. NATANZON also agreed to forfeit the proceeds of his criminal activities.

MARK MAZER is charged with wire fraud, soliciting bribes while serving as an agent of a local government receiving federal funds, a violation of the Travel Act, and conspiring to violate the bribery and Travel Act statutes. MAZER is also charged with two money laundering conspiracy counts. MAZER faces a maximum sentence of 75 years in prison on these charges. ARONSHTEIN is charged with agreeing to pay bribes to an agent of a local government receiving federal funds, a violation of the Travel Act, and conspiring to violate the bribery and Travel Act statutes. ARONSHTEIN is also charged with one money laundering conspiracy count. ARONSHTEIN faces a maximum sentence of 40 years in prison on these charges.

SVETLANA MAZER, MEDZON, and MAKOVETSKAYA are each charged with one money laundering conspiracy count. Each faces a maximum sentence of 20 years in prison on this charge. Each defendant faces a maximum fine of \$250,000 or twice the gross gain or loss from the offense on charges other than the money laundering offense, and a maximum fine of the greater of \$500,000 or twice the value of the laundered funds on the laundering offense. Each of the defendants charged in the Indictment is also subject to forfeiture of the proceeds of their criminal activities, and to all funds involved in the money laundering offense.

MARK MAZER, ARONSHTEIN, SVETLANA MAZER, MEDZON, and NATANZON were previously arrested on December 15, 2010, pursuant to a criminal Complaint charging them with fraud and money laundering crimes related to the CityTime project. MAKOVETSKAYA will be presented and arraigned on the Indictment at a later date.

Mr. BHARARA praised the investigative work of the DOI and the Criminal Investigators of the U.S. Attorney's Office for the Southern District of New York.

The prosecution is being handled by the Office's Public Corruption Unit, with the assistance of the Office's Asset Forfeiture Unit. Assistant U.S. Attorneys HOWARD S. MASTER, ANDREW GOLDSTEIN, and KAN NAWADAY are in charge of the prosecution.

The charges contained in the Indictment are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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