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**FORMER MANAGING PARTNER OF COBALT CAPITAL FUNDING,
LLC, SENTENCED IN MANHATTAN FEDERAL COURT TO
85 YEARS IN PRISON FOR REAL ESTATE FRAUD SCHEME**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that IRVING STITSKY, the former Managing Partner of Cobalt Capital Funding, LLC, and Executive Vice President of Cobalt Real Estate Services, LLC, was sentenced today to 85 years in prison on charges stemming from a fraud that raised more than \$23 million from over 250 investors in private placement real estate offerings. STITSKY was sentenced in Manhattan federal court by United States District Judge KIMBA M. WOOD, who presided over the three-week jury trial at which STITSKY, along with co-defendants MARK ALAN SHAPIRO and WILLIAM B. FOSTER, were found guilty.

According to the Superseding Indictment, the evidence at trial, and statements made at the sentencing proceeding:

Beginning in late 2003, STITSKY, SHAPIRO, and FOSTER founded a group of companies that operated under the name "Cobalt," which purportedly engaged in the acquisition and development of multi-family real estate properties throughout the United States. Through the Cobalt entities, STITSKY, SHAPIRO, and FOSTER fraudulently induced victims to invest by, among other things: (a) misrepresenting Cobalt's operating history; (b) failing to inform prospective investors that Cobalt was owned and controlled by STITSKY and SHAPIRO, both convicted felons; and (c) misrepresenting and causing others to misrepresent Cobalt's purported ownership interests in certain properties to prospective investors. In fact, Cobalt was a new company with little or no record of real estate investment success, was managed and controlled by STITSKY and SHAPIRO, and did not own several of the properties that it claimed to own.

In order to carry out their scheme, STITSKY, SHAPIRO, and FOSTER established a telemarketing center in Great Neck, New York. STITSKY was in charge of the Great Neck telemarketing center, where he trained dozens of callers to pitch prospective

Cobalt investors about the Cobalt private offering. The defendants and their employees solicited funds from investors by making false and misleading oral and written representations about the investment for which the investors' funds were solicited, including false representations about: (i) the identities and relevant background information about the individuals controlling the Cobalt entities; (ii) the identities of Cobalt's business partners; (iii) the properties that Cobalt owned; (iv) the properties in which investor funds were to be invested; (v) the history of the Cobalt entities; (vi) the amount of management fees to be taken by Cobalt entities from the investor funds; (vii) the uses of the management fees taken by Cobalt entities from the investor funds; and (viii) SHAPIRO's educational background.

For example, in the summer of 2004, STITSKY solicited a Cobalt investor by misrepresenting that Cobalt owned the Hotel Simone in Miami, Florida, whereas, as STITSKY well knew, Cobalt did not own that property. STITSKY, SHAPIRO, and FOSTER then caused millions of dollars of investors' funds to be transferred to accounts for the defendants' personal benefit.

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In addition to his prison term, Judge WOOD sentenced STITSKY, 55, of Milan, New York, to three years of supervised release and ordered him to pay \$22,075,631 in restitution and to forfeit \$23,152,235 in proceeds from his offenses.

STITSKY's co-defendants, WILLIAM B. FOSTER, 70, of East Hampton, Massachusetts, and MARK ALAN SHAPIRO, 50, of Avon, Connecticut, are scheduled to be sentenced on July 26 and July 29, 2010, respectively.

In sentencing STITSKY, Judge WOOD stated that "this was a vast securities fraud preying on individuals who were, for the most part, not particularly sophisticated in investing" and that "it warrants very severe punishment." Judge WOOD also described STITSKY to be "just as the Government describes, an inveterate con-man."

U.S. Attorney PREET BHARARA said: "Irving Stitsky is a recidivist fraudster who stole millions of dollars from hundreds of investors through trickery and deceit. He preyed on vulnerable victims, including widows and retirees, by falsely promising guaranteed returns on their investments in Cobalt's South Beach, Florida-based real estate scam. This Office remains committed to working with our partners at the Federal Bureau of

Investigation to weed con-men like Stitsky out of the marketplace."

Mr. BHAHARA praised the work of the Federal Bureau of Investigation in this case.

This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

Assistant United States Attorney MARC P. BERGER is in charge of the prosecution.

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