



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
NOVEMBER 24, 2009**

**CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER,
REBEKAH CARMICHAEL,
JANICE OH
PUBLIC INFORMATION OFFICE
(212) 637-2600**

**FBI
JIM MARGOLIN, RICHARD KOLKO
(212) 384-2720, 2715**

**THREE PRINCIPALS FOUND GUILTY IN MANHATTAN FEDERAL
COURT FOR \$18 MILLION REAL ESTATE
SECURITIES FRAUD SCHEME**

PREET BHAHARA, the United States Attorney for the Southern District of New York, and JOSEPH M. DEMAREST, JR., the Assistant Director-in-Charge of the New York Field Office of the Federal Bureau of Investigation ("FBI"), announced that MARK ALAN SHAPIRO, IRVING STITSKY, and WILLIAM B. FOSTER were found guilty yesterday after a three-week jury trial before United States District Judge KIMBA M. WOOD on securities fraud, wire fraud, mail fraud, and conspiracy charges after they stole more than \$18 million from over 150 investors through private placement offerings.

According to the Superseding Indictment and the evidence at trial:

SHAPIRO, STITSKY, and FOSTER founded a group of companies that operated under the name "Cobalt," which purportedly engaged in the acquisition and development of multifamily real estate properties throughout the United States. Through the Cobalt entities, SHAPIRO, STITSKY, 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 SHAPIRO and STITSKY, both convicted felons; and (c) misrepresenting and causing others to misrepresent to prospective investors Cobalt's purported ownership interests in certain properties. In fact, Cobalt was a new company with little or no record of real estate investment success, was managed and controlled by SHAPIRO, and did not own several of the properties that it claimed to own.

In order to carry out their scheme, SHAPIRO, STITSKY, and FOSTER established a telemarketing center in Great Neck, New York, where telephone calls were made to prospective Cobalt investors. 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, SHAPIRO falsely claimed to have graduated from Harvard University with a Masters Degree in Finance. SHAPIRO, STITSKY, and FOSTER then caused millions of dollars of investors' funds to be transferred to accounts for the defendants' personal benefit. SHAPIRO and FOSTER also created and sent false financial statements and fake account statements that purported to show that SHAPIRO had liquid assets in excess of \$3 million.

SHAPIRO, STITSKY, and FOSTER were each found guilty of two counts of securities fraud, one count of wire fraud, one count of mail fraud, and one count of conspiracy. The defendants each face a maximum sentence of 20 years in prison on each count of securities fraud, wire fraud, and mail fraud, and five years in prison on the conspiracy count. On the securities fraud counts, SHAPIRO, STITSKY, and FOSTER face a fine of the greatest of \$5,000,000 or twice the gross gain or loss from the offense, and on each of the wire fraud, mail fraud, and conspiracy counts they each face a fine of the greatest of \$250,000 or twice the gross gain or loss from the offense. The defendants also face mandatory restitution to the victims of their crimes.

SHAPIRO and STITSKY were remanded by Judge WOOD following yesterday's verdicts.

SHAPIRO, 60, of Glastonbury, Connecticut, STITSKY 55, of Bayside, New York, and FOSTER, 69, of Easthampton, Massachusetts, are scheduled to be sentenced on February 25, 2010, at 10:00 a.m. by Judge WOOD.

Mr. BHAHARA praised the work of the FBI in the investigation of this case.

Assistant United States Attorneys ALEXANDER J. WILLSCHER and MARC P. BERGER are in charge of the prosecution.