

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)
)
) v. No.
)
DEREK LURIE) Violation: Title 18, United States Code,
) Section 1341

COUNT ONE

The SPECIAL MARCH 2013 GRAND JURY charges:

1. At times material to this indictment:

American Escrow

a. American Escrow LLC was an escrow company with offices at 1358 Randolph Street and 404 North May Street, Chicago, Illinois. As part of the services it provided, American Escrow took custody of customers' escrow funds and applied those funds to the customers' property taxes and insurance premiums as those obligations became due.

b. Defendant DEREK LURIE was co-founder and president of American Escrow and managed the company's operations, including the company's employees, finances, and customer accounts.

c. Defendant LURIE maintained control over bank accounts at Chase Bank and Harris Bank in the name of American Escrow.

American Tax Reporting, Inc.

d. ATR was a business with offices at 404 North May Street, Chicago, Illinois. Defendant LURIE was involved in the management of ATR.

Woodland Technologies, Inc.

e. Woodland was a business with offices at 404 North May Street, Chicago, Illinois. Defendant DEREK LURIE was co-founder and owner of Woodland.

2. Beginning no later than January 2003, and continuing until at least March 24, 2009, in the Northern District of Illinois, Eastern Division, and elsewhere,

DEREK LURIE,

defendant herein, devised, intended to devise, and participated in a scheme to defraud and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, and by concealment of material facts, which scheme is further described below.

3. It was part of the scheme that defendant LURIE, on behalf of American Escrow, obtained and managed over \$5 million of customer escrow funds by misrepresenting and causing to be misrepresented to customers that American Escrow would hold the escrow funds in secured accounts and for the purpose of making all of the customers' tax and insurance payments, knowing that some of the customers' escrow funds were instead used to pay for unauthorized expenditures, such as defendant LURIE's personal expenses, ATR and Woodland's operating expenses, and to pay other customers' property taxes and insurance.

4. It was further part of the scheme that defendant LURIE marketed and caused to be marketed American Escrow as an escrow company that would hold all of its customers' escrow funds in secure, FDIC-insured accounts and use the funds to make timely tax and insurance

payments on behalf of customers. In fact, defendant LURIE knew that all of customers' escrow funds were not FDIC-insured, the company was operating at a deficit, and the funds were used for unauthorized purposes, including personal expenses, unauthorized business expenses, including expenses associated with ATR and Woodland, and payment of other customers' arrears.

5. It was further part of the scheme that defendant LURIE caused American Escrow to enter into contracts with customers in which defendant LURIE falsely represented that, in exchange for specified fees, American Escrow would manage customers' escrow funds by placing the funds into an FDIC-insured account on behalf of the customers and use those funds to make the customers' tax and insurance payments. Defendant LURIE knew that customers' escrow funds were commingled into a single bank account at Chase Bank or Harris Bank, American Escrow was operating at a significant deficit, and customer funds were used for unauthorized expenditures.

6. It was further part of the scheme that defendant LURIE knew that American Escrow was operating at a significant deficit and that American Escrow was not able to make all of its customers' tax and insurance payments. As a result, defendant LURIE made and caused to be made Ponzi-type payments to satisfy earlier customers' tax and insurance obligations with new customers' escrow funds, which he concealed from customers.

7. It was further part of the scheme that defendant LURIE intended to and did misappropriate approximately \$554,000 of customer funds for his own personal use, including for payment of parking tickets, car payments, and renovating a condominium in Miami, as well as for the benefit of ATR and Woodland, knowing that he was not authorized to use the funds for those purposes.

8. It was further part of the scheme that defendant LURIE caused false escrow account activity statements to be mailed to American Escrow customers, knowing that the account balances in the statements were false because the amounts did not account for the company's deficit or the money that defendant LURIE improperly used on unauthorized personal and business expenses.

9. It was further part of the scheme that defendant LURIE did misrepresent, conceal, and hide, and caused to be misrepresented, concealed, and hidden, acts done in furtherance of the scheme and the purpose of those acts.

10. On or about March 6, 2009, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

DEREK LURIE,

defendant herein, for the purpose of executing the scheme to defraud, knowingly caused to be deposited, to be sent and delivered by U.S. mail, according to the direction thereon, an envelope containing an Escrow Account Activity Detail statement from American Escrow addressed to Individual A at an address in Lebanon, Indiana;

In violation of Title 18, United States Code, Section 1341.

COUNT TWO

The SPECIAL MARCH 2013 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 9 of Count One of this indictment are incorporated here.

2. On or about March 23, 2009, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

DEREK LURIE,

defendant herein, for the purpose of executing the scheme to defraud, knowingly caused to be deposited, to be sent and delivered by U.S. mail, according to the direction thereon, an envelope containing an Escrow Account Activity Detail statement from American Escrow addressed to Individual B at an address in Bethel Park, Pennsylvania;

In violation of Title 18, United States Code, Section 1341.

COUNT THREE

The SPECIAL MARCH 2013 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 9 of Count One of this indictment are incorporated here.

2. On or about March 23, 2009, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

DEREK LURIE,

defendant herein, for the purpose of executing the scheme to defraud, knowingly caused to be deposited, to be sent and delivered by U.S. mail, according to the direction thereon, an envelope containing an Escrow Account Activity Detail statement from American Escrow addressed to Individual C at an address in McKees Rocks, Pennsylvania;

In violation of Title 18, United States Code, Section 1341.

COUNT FOUR

The SPECIAL MARCH 2013 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 9 of Count One of this indictment are incorporated here.

2. On or about March 20, 2009, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

DEREK LURIE,

defendant herein, for the purpose of executing the scheme to defraud, knowingly caused to be deposited, to be sent and delivered by U.S. mail, according to the direction thereon, an envelope containing an Escrow Account Activity Detail statement from American Escrow addressed to Individual D at an address in Cheswick, Pennsylvania;

In violation of Title 18, United States Code, Section 1341.

COUNT FIVE

The SPECIAL MARCH 2013 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 9 of Count One of this indictment are incorporated here.

2. On or about March 24, 2009, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

DEREK LURIE,

defendant herein, for the purpose of executing the scheme to defraud, knowingly caused to be deposited, to be sent and delivered by U.S. mail, according to the direction thereon, an envelope containing an Escrow Account Activity Detail statement from American Escrow addressed to Individual E at an address in Circleville, Ohio;

In violation of Title 18, United States Code, Section 1341.

FORFEITURE ALLEGATION

The SPECIAL MARCH 2013 GRAND JURY further charges:

1. The allegations of Counts One through Three of this Indictment are incorporated here for the purpose of alleging forfeiture to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c).

2. As a result of the offenses charged in Counts One through Three of this Indictment,

DEREK LURIE,

defendant herein, shall forfeit to the United States any and all right, title, and interest he has in any property, real and personal, which is derived from proceeds traceable to the offenses in Counts One through Three.

3. The interests of defendant subject to forfeiture to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C) as incorporated by Title 28, United States Code, Section 2461(c), include but are not limited to approximately \$554,000.

4. If, as a result of any act or omission by the defendant, any of the forfeitable property described above:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the Court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty,

the United States shall be entitled to forfeiture of substitute property under the provisions of Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c).

All pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c).

A TRUE BILL:

FOREPERSON

UNITED STATES ATTORNEY