

SEATTLE POST-INTELLIGENCER

http://seattlepi.nwsourc.com/business/1310AP_Investment_Fraud.html

Wednesday, March 29, 2006 · Last updated 3:40 p.m. PT

Executives charged with securities fraud

By ADAM GORLICK
ASSOCIATED PRESS WRITER

SPRINGFIELD, Mass. -- Three investment firm executives have been accused by federal authorities of swindling \$16 million from people in high-pressure real estate deals.

Mark Shapiro, 45, of Glastonbury, Conn., and William Foster, 66, of Easthampton, were arrested by FBI agents Monday at their Cobalt Capital headquarters in Springfield. Foster was freed on \$250 bond following a hearing Wednesday in U.S. District Court in Springfield.

Shapiro, who spent 30 months in prison after a 1998 bank fraud conviction and allegedly used some money he swindled through Cobalt to pay the \$350,000 he owed from that case, was ordered held without bail Wednesday.

The third executive, Irving Stitsky, of Bayside, N.Y., was arrested at Cobalt's office in Great Neck, N.Y., and is also free on bond. Stitsky pleaded guilty in 2001 to securities fraud, wire fraud and bribery. He also has a money laundering and fraud case pending in New Jersey.

According to a federal complaint charging the men with securities fraud and conspiracy, Cobalt employed telemarketers who made fast, high-pressure calls to potential investors.

Phone records for the company's office in Great Neck, N.Y., show that tens of thousands of long-distance calls - most less than one minute - were made to locations across the country, according to an affidavit by FBI Agent Jennifer May.

"Based on my experience and training, the calling patterns reflected in the telephone records are consistent with those of a 'boiler room' operation," May wrote.

Raipher Pellegrino, Foster's lawyer, said Cobalt was soliciting legitimate investments for residential and commercial properties in Florida and Texas.

"These are real properties that are being developed," Pellegrino said. He said "many investors are getting returns on their money," but would not say what the average rate of return is.

Authorities say Shapiro, Stitsky and Foster gave themselves loans and paid for personal expenses with investors' money. They allegedly set up an account with the money that was used to write checks to a jewelry store and to make car payments.