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**U.S. ARRESTS TWO MANHATTAN REAL ESTATE
DEVELOPERS IN \$27 MILLION FRAUD SCHEME**

MICHAEL J. GARCIA, United States Attorney for the Southern District of New York, and MARK J. MERSHON, Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today the arrests of MICHAEL HERSHKOWITZ and IVY WOOLF-TURK in connection with an elaborate scheme to defraud approximately 70 individuals of over \$27 million. As alleged in the Complaint filed in Manhattan federal court:

HERSHKOWITZ and WOOLF-TURK, working through a Manhattan real estate development company, The Kingsland Group, Inc., and related entities (collectively, "The Kingsland Group"), fraudulently induced approximately 70 individuals (the "Investor Victims") to loan them, in the aggregate, over \$27 million, purportedly to fund the renovation of approximately sixteen multi-family apartment buildings located in upper Manhattan. As part of the fraud, HERSHKOWITZ and WOOLF-TURK falsely represented that the Investor Victims would hold, as collateral for the loans, interests in bona fide first mortgages in the various properties in which they thought they were investing. In fact, the Investor Victims did not hold recorded, first mortgages in the properties. The defendants have defaulted on a number of the loans by failing to make scheduled payments of both interest and principal. To date, the Investor Victims' losses exceed \$27 million.

Beginning in 2003, HERSHKOWITZ and WOOLF-TURK commenced a series of projects to renovate approximately sixteen multi-family apartment buildings in upper Manhattan. The defendants purportedly planned to rent the renovated apartments or,

ultimately, to refinance, or sell the properties at significantly higher prices. Supposedly to raise an aggregate of approximately \$78 million they needed for the renovation projects, the defendants, from September 2003 through March 2007, borrowed a total of approximately \$27 million from the Investor Victims, and approximately \$51 million from various other investors, including Intervest Mortgage Corporation and Dominion Financial Corporation (collectively, the "Financial Institution Investors"). The loan agreements with the Investor Victims typically required that The Kingsland Group make interest payments on a monthly basis and that the principal would come due after a period of between 18 months to three years.

In exchange for the loans from the Investor Victims, HERSHKOWITZ and WOOLF-TURK promised above-market rates of return (typically between 11.5% and 13.5%), and represented that the Investor Victims would hold, as collateral, together with one or more other investors, percentage interests in bona fide first mortgages in the particular properties in which they were investing. As part of their effort to obtain financing, HERSHKOWITZ and WOOLF-TURK provided the Investor Victims with mortgage documentation, which falsely represented that Investor Victims held first mortgages in the particular properties. The defendants also provided the Investor Victims with fraudulent copies of title insurance policies for the properties in which they were investing.

The actual mortgages registered with New York City's Automated City Registration Information System ("ACRIS")¹ show that the recorded first mortgages in the properties in fact are held solely by other investors (including the Financial Institution Investors) from which HERSHKOWITZ and WOOLF-TURK had obtained financing, and not by the Investor Victims. Moreover, title insurance policies that HERSHKOWITZ and WOOLF-TURK provided to the Investor Victims were never issued by a title insurance company in favor of the Investor Victims, but instead appear to be doctored versions of policies issued in favor of other beneficiaries.

The principal for the first of the loans came due on April 15, 2005. At that time, HERSHKOWITZ and WOOLF-TURK failed to repay the approximately \$1,300,000 then due to the Investor Victims. From April 15, 2005, through May 1, 2007, six other loans to the Investor Victims, totaling approximately \$7.8

¹ ACRIS is the New York City Department of Finance's web-based database containing most of the real property records from 1982 to date. It is used to search real property records and to record legal documents affecting real property.

million, also came due and were not paid. From September 2003 until July 2007, HERSHKOWITZ and WOOLF-TURK, through the Kingsland Group, made the required interest payments to the Investor Victims as they came due, but beginning on or about July 1, 2007, HERSHKOWITZ and WOOLF-TURK failed to make a total of over \$200,000 in interest payments due to the Investor Victims.

After HERSHKOWITZ and WOOLF-TURK failed to repay loans when they were due, certain of the Investor Victims raised questions concerning the mortgages they believed they held on the subject properties. HERSHKOWITZ and WOOLF-TURK then took elaborate, affirmative steps to conceal the fraud, continue their scheme, and avoid foreclosure on the loans. Among other things, HERSHKOWITZ and WOOLF-TURK provided certain of the Investor Victims with fraudulent ACRIS recording sheets, which falsely state that the Investor Victims hold recorded mortgages on the subject properties.

HERSHKOWITZ and WOOLF-TURK are charged with conspiracy to commit mail fraud and wire fraud. If convicted, the defendants face a maximum sentence of 20 years' imprisonment.

HERSHKOWITZ, 51, resides in Manhattan and Atlantic Beach, New York. WOOLF-TURK, 51, resides in Port Washington, New York.

The defendants will be presented later today before United States Magistrate Judge HENRY B. PITMAN.

Mr. GARCIA praised the investigative efforts of the FBI in this case.

This investigation is being handled by the Major Crimes Unit of the United States Attorney's Office. Assistant United States Attorneys MARCUS A. ASNER and HARRY A. CHERNOFF are in charge of the prosecution.

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

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