



*United States Attorney
Southern District of New York*

FOR IMMEDIATE RELEASE
NOVEMBER 9, 2010

CONTACT: U.S. ATTORNEY'S OFFICE
ELLEN DAVIS,
EDELI RIVERA,
JESSIE ERWIN
PUBLIC INFORMATION OFFICE
(212) 637-2600

FBI
JIM MARGOLIN, RICHARD KOLKO
PUBLIC INFORMATION OFFICE
(212) 384-2720, 2715

**MANHATTAN U.S. ATTORNEY CHARGES 17 PEOPLE WITH
PARTICIPATING IN \$42.5 MILLION FRAUD ON ORGANIZATION
THAT MAKES REPARATIONS TO VICTIMS OF NAZI PERSECUTION**

*Six Corrupt Insiders Allegedly Processed Thousands Of Fraudulent
Applications For Payments Meant For Actual Victims Of The
Holocaust*

PREET BHARARA, the United States Attorney for the Southern District of New York, and JANICE K. FEDARCYK, the Assistant Director-In-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), announced today the unsealing of criminal charges against seventeen alleged members of a long-running scheme that defrauded programs established to aid survivors of Nazi persecution out of more than \$42 million. Employees of the Conference on Jewish Material Claims Against Germany (the "Claims Conference"), which administered the programs, were supposed to process and approve legitimate applications. Instead, they allegedly approved over 5,500 fraudulent applications, resulting in payouts to applicants who did not qualify for the programs. In exchange, these insiders kept a portion of the money for themselves and their co-conspirators.

Manhattan U.S. Attorney PREET BHARARA said: "If ever there was a cause that you would hope and expect would be immune from base greed and criminal fraud, it would be the Claims Conference, which every day assists thousands of poor and elderly victims of Nazi persecution. Sadly, those victim funds were themselves victimized. Without the extraordinary cooperation of the Claims Conference in ferreting out this alleged scheme to defraud them, it never would have been exposed. We thank them for their assistance. With our partners at the FBI, we will

bring to justice all those who would callously line their own pockets by looting a lifeline for Holocaust survivors."

FBI Assistant Director-in-Charge JANICE K. FEDARCYK said: "Each of the defendants played a role in creating, filing and processing fraudulent claims on behalf of non-qualifying applicants -- and dividing up the spoils. Funds established and financed by the German government to aid Holocaust survivors were siphoned off by the greedy, and not paid out, as intended, to the worthy. This was a brazen miscarriage of the compensation programs."

As alleged in the Criminal Complaint and other charging documents unsealed today:

The Claims Conference, a not-for-profit organization which provides assistance to victims of Nazi persecution, supervises and administers several funds that make reparation payments to victims of the Nazis, including "the Hardship Fund" and "the Article 2 Fund," both of which are funded by the German government. Applications for disbursements through these funds are processed by employees of the Claims Conference's office in Manhattan, and the employees are supposed to confirm that the applicants meet the specific criteria for payments under the funds.

As part of the charged scheme, a web of individuals -- including six of the employees who worked for the Claims Conference -- systematically defrauded the Article 2 Fund and Hardship Fund programs for over a decade. As explained in the Complaint, the Claims Conference first suspected the fraud in December 2009, and immediately reported their suspicions to law enforcement, which conducted a wide-reaching investigation resulting in the charges unsealed today.

The Hardship Fund pays a one-time payment of approximately \$3,600 to victims of Nazi persecution who evacuated the cities in which they lived and were forced to become refugees. Members of the conspiracy submitted fraudulent applications for people who were not eligible. Many of the recipients of fraudulent funds were born after World War II, and at least one person was not even Jewish. Some conspirators recruited other individuals to provide identification documents, such as passports and birth certificates, which were then fraudulently altered and submitted to corrupt insiders at the Claims Conference, who then processed those applications. When the applicants received their compensation checks, they kept a portion of the money and passed the rest back up the chain.

From the investigation to date, approximately 4,957 Hardship Fund applications from 2000 through 2009 appear to be fraudulent. These applications resulted in a loss to the Hardship Fund of approximately \$18 million.

The Article 2 Fund makes monthly payments of approximately \$411 to survivors of Nazi persecution who make less than \$16,000 per year, and either (1) lived in hiding or under a false identity for at least 18 months; (2) lived in a Jewish ghetto for 18 months; or (3) were incarcerated for six months in a concentration camp or a forced labor camp.

The fraud on the Article 2 Fund involved doctored identification documents in which the applicant's date and place of birth had been changed. The fraud also involved more sophisticated deception, including altering documents that the Claims Conference obtains from outside sources to verify a person's persecution by the Nazis. Some of the detailed descriptions of persecution in the fraudulent Article 2 applications were completely fabricated.

From the investigation to date, approximately 658 Article 2 Fund cases processed by the Claims Conference have been determined to be fraudulent, from approximately 1993 through 2009. Those cases have resulted in a loss to the Claims Conference of approximately \$24.5 million.

* * *

Eleven defendants were arrested this morning. Charges against five other defendants, four of whom have pled guilty, were unsealed today. The names of all of the defendants, along with the charges and maximum penalties, are included in a chart below.

Mr. BHARARA praised the investigative work of the FBI. He also thanked the Claims Conference for bringing this matter to the FBI's attention and for its extraordinary cooperation in this investigation, which he noted is ongoing.

The case is being handled by the Office's Complex Frauds Unit. Assistant U.S. Attorneys REBECCA ROHR and LISA ZORNBERG are in charge of the prosecution.

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

10-350

###

Defendants in U.S. v. Semen Domnitser, et al.

Defendant	Residence	Charges	Penalties
Semen Domnitser	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud	20 years in prison imprisonment; fine of up to \$250,000
Valentina Romashova	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud; one count of Money Laundering	20 years in prison on each count; fine of up to \$250,000 on the conspiracy count and up to \$500,000 on the money laundering count
Polina Staroseletsky	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud	20 years in prison; fine of up to \$250,000
Polina Berenson	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud; one count of Witness Tampering	20 years in prison on each count; fine of up to \$250,000
Polina Breyter	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud	20 years in prison; fine of up to \$250,000
Liliya Ukrainsky	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud	20 years in prison; fine of up to \$250,000
Galina Trutina-Demchuk	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud	20 years in prison; fine of up to \$250,000
Marina Zaytseva	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud; one count of Witness Tampering	20 years in prison on each count; fine of up to \$250,000
Dora Grande	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud	20 years in prison; fine of up to \$250,000
Polina Anoshina	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud	20 years in prison; fine of up to \$250,000
Abram Grinman	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud	20 years in prison; fine of up to \$250,000
Tatyana Grinman	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud	20 years in prison; fine of up to \$250,000

Defendants previously charged

Defendant	Residence	Charges	Maximum Penalties
Faina Davidson	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud	20 years in prison; fine of up to \$250,000
Raisa Belgorodskaya	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud; one count of Mail Fraud; one count of Witness Tampering	20 years in prison on each count; fine of up to \$250,000 on each count
Polina Toikach	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud; one count of Mail Fraud	20 years in prison on each count; fine of up to \$250,000
Rozaliya Brodetskaya	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud; one count of Mail Fraud	20 years in prison on each count; fine of up to \$250,000
Esfira Bas	Brooklyn, NY	One count of Conspiracy to Commit Mail Fraud; one count of Mail Fraud	20 years in prison on each count; fine of up to \$250,000