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FIFTH DISTRICT COURT
WASHINGTON COUNTY

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IN THE FIFTH DISTRICT COURT IN AND FOR
WASHINGTON COUNTY, STATE OF UTAH

THE STATE OF UTAH, :
 :
 Plaintiff, : **AFFIDAVIT OF PROBABLE CAUSE**
 :
 vs. :
 :
 STEVE SCHATZMAN : Case No: 101501232
 DOB: September 12, 1943 :
 :
 Defendant. : Judge: Ludlow
 :
 :

STATE OF UTAH)
 :ss
 COUNTY OF WASHINGTON)

I, JONATHAN STEWART, being first duly sworn upon oath, depose and state as follows:

1. I am currently employed as a Securities Compliance Investigator for the Utah Department of Commerce, Division of Securities. Prior to my employment with the Division of Securities, I was employed by the Utah Division of Consumer Protection as an investigator. I hold a Bachelor of Science degree from the University of Utah in Sociology with a Certificate in Criminology. I am currently investigating possible violations of securities fraud, abuse, neglect or exploitation of a vulnerable adult, theft, and related criminal code violations by STEVE SCHATZMAN.
2. The facts set forth in this affidavit are based upon the results of an investigation during which I have collected and reviewed records from one witness and other sources. I have received information from Ella Kay Evans.

PARTIES

3. STEVE SCHATZMAN, at all pertinent times, resided in Virginia Beach, Virginia and his last known address was 4716 Crossborough Rd., Virginia Beach, VA 23455.

BACKGROUND

4. SCHATZMAN told Evans that if she rolled over her IRA with him he could get her an 8% interest rate.
5. SCHATZMAN guaranteed the safety of Evan's money.
6. SHATZMAN assured Evans that her IRA roll-over would be safe and would not affect her taxes.

SECURITIES FRAUD

7. Between July 23, 2008 and September 2, 2008, SCHATZMAN accepted \$27,182.19 from the above named investor. Although request has been made, the Evans has only received back \$2,040 in interest payments. The transactions involve promissory notes which are securities as defined by Utah Code Ann. § 61-1-13 (1953, as amended).
8. In connection with the offer or sale of a security to Evans, SCHATZMAN directly or indirectly made false statements, including, but not limited to, the following:
 - a. That SCHATZMAN would guarantee the safety of Evan's funds, when in fact, SHATZMAN had no basis to make such a statement;
 - b. That Evan's investment funds would be used for investment purposes, when in fact, much of the funds were used for Virginia Coth's personal expenses; and
 - c. That Evan's IRA roll-over would remain tax free and would not affect her 2008 taxes, when in fact, SCHATZMAN had no basis to make such a statement.
9. In connection with the offer or sale of a security to Evans, SCHATZMAN directly or indirectly failed to disclose material information, including, but not limited to, the following, which was necessary in order to make the representations made not misleading:
 - a. That Evan's investment funds would be deposited into a banking account over which SCHATZMAN had no control;
 - b. That SCHATZMAN had an outstanding judgment from 2002 for \$15,000 against him;

- c. A detailed description of how the investment worked and made profit;
- d. How SCHATZMAN could guarantee an 8% return on Evan's investment;
and
- e. Some or all of the information typically provided in an offering document or prospectus regarding SCHATZMAN, such as:
 - i. Financial statements;
 - ii. Risk factors for investors;
 - iii. Suitability factors for the investment;
 - iv. Schatzman's business and operating history; and
 - v. Schatzman's track record to investors;

COUNT 1
SECURITIES FRAUD, a second degree felony
(Evans)

- 10. Ella Kay Evans has known Steve SCHATZMAN since 1998.
- 11. In the summer of 1998 SCHATZMAN invited her to visit him and his wife or soon to be wife, Georgia Coth, in Virginia Beach, Virginia.
- 12. Evans visited Virginia Beach in 1998. During her visit, SCHATZMAN told Evans that he made all of his money buying bankrupt businesses, fixing them up, and reselling them.
- 13. SCHATZMAN told Evans that at one time he owned a laundromat, and when she was visiting in 1998 or 1999 he owned a print shop he was working on fixing up.
- 14. SCHATZMAN told Evans he also made money lending out high risk loans to people.

15. Evans and SCHTZMAN kept in touch from 1998 until 2008 through letters, cards, email, and telephone calls.
16. In May or June of 2008 SCHATZMAN called Evans while she was at her home in St. George, Washington County, Utah.
17. SCHATZMAN told Evans that Coth was angry with him because he had not offered to help Evans financially like he had done with several other friends.
18. SCHATZMAN asked Evans if she had an IRA and what interest rate that account was generating for her.
19. SCHATZMAN told her that if she rolled over her IRA with him he could get her an 8% interest rate.
20. Evans told SCHATZMAN she could not afford to lose any of her IRA money and that it was a third of all the money she had.
21. SCHATZMAN guaranteed the safety of Evan's money.
22. Evans had at least two other conversations with SCHATZMAN via telephone prior to investing.
23. Evans asked SCHATZMAN again if her IRA roll-over would still be tax free and not affect her 2008 taxes, SCHATZMAN assured her that her IRA roll-over would be safe and would not affect her taxes.
24. Evans agreed to invest approximately \$28,000 with SCHATZMAN. \$10,000 was in an IRA CD and Evans wanted to wait until it matured before she withdrew it to invest.
25. On July 23, 2008 Evans withdrew \$17,182.19 from her IRA held at Beneficial Financial Group. Beneficial Financial Group issued a check to Gateway Bank &

- Trust, ATTN: Steve SCHATZMAN for \$17,182.19 and Beneficial Financial Group mailed it directly to SCHATZMAN in Virginia.
26. On September 2, 2008 Evans withdrew \$10,000 from Village Bank in the form of a cashier's check. Evans mailed the check to SCHATZMAN or Village Bank mailed the check to SCHATZMAN for her.
 27. In exchange for the investment funds, SCHATZMAN mailed Evans a handwritten letter and two signed promissory notes one dated July 24, 2008 for \$18,000 and one September 8, 2008 for \$10,000.
 28. The promissory note stated that SCHATZMAN would pay Evans 8% interest in quarterly installments on the unpaid balance until paid in full.
 29. Evans received a total of four interest payments from SCHATZMAN, all dated March 25, 2009. Two of the checks were for \$655 and the other two were for \$365 for a total of \$2,040.
 30. Although request has been made for her funds to be returned to her, Evans has only received \$2,040 in interest payments and is still owed \$25,142.19.

COUNT 2
THEFT, a second degree felony
(Evans)

31. Evans was told by SCHATZMAN her money would be used to generate a return of 8% per year.
32. A source and use analysis of Evan's \$17,182.19 investment revealed that \$10,920.93 was withdrawn in cash, \$1,329.34 was paid to Gateway Bank, \$1,045 was paid to Advanta Card, \$630 was paid to Randall Oaks, \$584.27 was paid to CitifiAuto, \$550 was paid to Graydon M. Andrews, \$404.34 was paid to the City

Treasurer, \$270 was paid to Capital One, \$213.64 was paid to Cox Communications, \$188.07 was paid to Exxon Mobile, \$180 was paid to Dillards, \$167 was paid to Anthem Bank, \$150 was paid to Lowe's Visa, \$124.99 was paid to The Virginian-Pilot, \$121.78 was paid to Citgo Payment, \$95 was paid to Wal-Mart, \$82.70 was paid to AETNA, \$72 was paid to Sam's Club, and \$53.13 was paid to HRSD.

33. A source and use analysis of Evan's \$10,000 investment revealed that \$4,517.16 was withdrawn in cash, \$3,074 was paid to Harold P Anten, \$664.67 was paid to Gateway Bank & Trust, \$350 was paid to George Leiboldt, \$350 was paid to Graydon M. Andrews, \$325 was paid to Macy's, \$300.49 was paid to Sears Credit Card, \$127.80 was paid to the City Treasurer, \$115 was paid to J.C. Penney, \$91.42 was paid to State Farm, and \$84.46 was paid to CitiCard.

**COUNT 3
ABUSE, NEGLECT, OR EXPLOITATION OF A VULNERABLE ADULT,
a third degree felony
(Evans)**

34. When Evans invested with SCHATZMAN she was over the age of 65.

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SUMMARY

35. Based on my review of the evidence there is probable cause to believe that
SCHATZMAN committed the crimes of:

SECURITIES FRAUD, a second degree felony, 1 count
THEFT, a second degree felony, 1 count
ABUSE, NEGLECT, OR EXPLOITATION OF A VULNERABLE ADULT, a
second degree felony, 1 count

Dated this 22 day of July, 2010.


Jonathan Stewart, Affiant

SUBSCRIBED AND SWORN before me this 22 day of July, 2010.



