

United States District Court

ORIGINAL FILED

NORTHERN

DISTRICT OF CALIFORNIA

OCT 23 2003

UNITED STATES OF AMERICA

v.

LUTHER KRISTIAN ARMSTRONG
447 17th Avenue
San Francisco, CA 94121

RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

CRIMINAL COMPLAINT

CASE NUMBER:

EM

(Name and Address of Defendant)

3-03-30399

I, the undersigned complainant being duly sworn state the following is true and correct to the best of my knowledge and belief. On or about April 20, 1999 in San Francisco county, in the

Northern District of California defendant(s) did, (Track Statutory Language of Offense)

having devised and intended to devise a scheme and artifice to defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises, transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals and pictures for the purpose of executing such scheme and artifice

in violation of Title 18 United States Code, Section(s) 1343

I further state that I am a(n) Special Agent of the FBI and that this complaint is based on the following

Official Title

facts:

Please see attached Affidavit

Continued on the attached sheet and made a part hereof:

Yes

No

Approved
As To
Form:

H.S. Gilliam, Jr.
AUSA: Haywood S. Gilliam, Jr.

SA Christopher E. Murphy
Name/Signature of Complainant: Special Agent Christopher E. Murphy

Sworn to before me and subscribed in my presence,

Date

10/23/03

at

San Francisco, CA
City and State

Edward M. Chen, United States Magistrate Judge

Name & Title of Judicial Officer

[Signature]

Signature of Judicial Officer

UNITED STATES OF AMERICA)
)
)
 v.)
)
)
 LUTHER KRISTIAN ARMSTRONG)
 _____)

**AFFIDAVIT OF SPECIAL AGENT
CHRISTOPHER E. MURPHY**

This affidavit is submitted in support of a criminal complaint and request for a warrant for the arrest of LUTHER KRISTIAN ARMSTRONG.

Background and Summary

1. I, Christopher E. Murphy, first being duly sworn, depose and state that I am a Special Agent with Federal Bureau of Investigation (FBI) and have been so employed since December 2001. I am currently assigned to the FBI's San Francisco Field Office. I am assigned to investigate white-collar crime matters such as bank fraud, conspiracy, mail fraud, and wire fraud among other things. Prior to joining the FBI, I worked for six years as an institutional mortgage bond trader with a large Wall Street broker/dealer and I am Series 7 and 63 licensed as a general securities representative with the National Association of Securities Dealers. In addition, I worked in public accounting and I am a Certified Public Accountant (inactive status).

2. I am the case agent assigned to investigate allegations of securities fraud, bank embezzlement, bank fraud, wire fraud and money laundering by LUTHER KRISTIAN ARMSTRONG, a former employee of Union Bank of California (UBOC). Brian J. Cook, a Special Agent with the FBI since 1996, is assisting me in this investigation.

3. In the course of my investigation, I have obtained information from the following sources: interviews conducted by Special Agents of the FBI and documents obtained from numerous sources including: UBOC, Washington Mutual Bank, Wells Fargo Bank, CitiGroup, Stringer Business Systems, University of California, Davis Campus, Michelle Oliver Pitts, John Irish Auto Plaza, Fidelity National Title, Ameriquest Mortgage, Title Guaranty Escrow, Putnam Volvo, Champion Mortgage, and City National Bank. The factual averments below are based on information obtained from these sources.

4. On March 13, 1999, a fraudulent lease for \$2.3 million was created at the UBOC. Luther Kristian Armstrong, a vice president at UBOC, was the person responsible for originating and securitizing the lease.

5. My investigation has revealed that there is probable cause to believe that LUTHER KRISTIAN ARMSTRONG committed, aided, abetted, and willfully caused the following criminal offenses: Wire Fraud in violation of Title 18, United States Code, Section 1343.

Case Summary

6. Union Bank of California reported that a \$2.3 million fraudulent lease was created at the bank in March 1999. The lease documentation indicated Luther Kristian Armstrong, a former Vice President in the Product Origination Department at the bank, created the lease. In addition, Armstrong, who was also responsible for underwriting fixed income securities, included the fraudulent lease in a fixed income security that was issued to the public. Details regarding the phony lease transaction are listed below:

Initial Transaction:

Lessor:	Union Bank of California
Lease broker:	Michelle Oliver
Lessee:	University of California, Davis Campus
Vendor:	Stringer Business Systems
Date of lease:	03/15/1999
Lease Amount:	\$2,327,687.21
Lease Number:	UCD9904098
Outgoing wire:	
Amount:	\$1,355,384.77
To:	Citibank c/o Suisse Security B&T
From:	UBOC
Date:	04/20/1999

7. On March 15, 1999, UBOC purportedly entered into a lease agreement with the University of California, Davis Campus (UCD) brokered by Michelle Oliver of Oliver and Upton Funding. On its face, the lease agreement financed the purchase of fiber optic equipment and Cisco Systems switches by UCD from Stringer Business Systems (Stringer). The total amount of the lease was \$2,327,687.21.

8. Armstrong initialed a fax transmittal sheet dated April 20, 1999 which contained wire instructions for \$1,355,384.77 to be wired out to Suisse Security Bank & Trust (Suisse Security). This transmittal was sent to the operations department. The wire instructions were supposedly sent to Armstrong in a letter dated March 29, 1999 from Michelle Oliver. Attached to the letter were wire instructions supposedly sent to Oliver from Steve Ruesink of Stringer Business Systems. In a December 2001 interview with UBOC investigators, and in an October 23, 2003 interview with FBI agents, Armstrong acknowledged initialing and/or signing the Stringer memo, the Oliver memo and the fax transmittal sheet.

9. On April 20, 1999, a wire for \$1,355,384.77 was sent from UBOC to Citibank for the account of Suisse Security in the Bahamas. The wire instructions specified that the funds be sent through Citibank to Suisse Security Bank and Trust (transfer info: 213,155.0602). The wire transfer listed above was verified through records produced by Citibank.

10. Citibank produced records related to this transaction in response to a Grand Jury subpoena. The records detailed the wire transfer of funds into Citibank, then from Citibank in the United States to Suisse Security in the Bahamas on April 20, 1999. The wire transfer records

do not give the name for the SSBT account holder in the Bahamas. Sometime between April 20, 1999 and the present, Suisse Security was placed into receivership. A request was made to the liquidator overseeing the receivership to preserve all records related to this account until a Mutual Legal Assistance Treaty (MLAT) is served for the records. An MLAT request has been prepared and is pending.

11. On April 20, 1999, the remaining \$972,302.44 was sent to a suspense account at UBOC at the instruction of Armstrong. Funds from the suspense account covered the first 7 quarters of payments due to UBOC. When the eighth payment was not received by UBOC, all parties involved realized the lease was fraudulent.

12. While investigating this case, agents of the FBI interviewed Michelle Oliver and Karen Deal. Both women looked at the purported lease agreement between UBOC and UCD, and the accompanying documents, and stated that they did not sign the lease and that their signatures had been forged. In one instance, Oliver said that the signature was hers, but that the document appeared to have been altered. FBI agents also interviewed Steve Ruesink of Stringer Business Systems. Ruesink stated that Stringer had no record of the transaction described in the purported lease agreement, that the Citibank account described in the wiring instructions did not belong to Stringer, and that Stringer had no association with Citibank or Suisse Security. Ruesink also stated that his company did not sell fiber optic equipment or Cisco Systems switches.

13. On May 8, 2003, Wells Fargo Bank produced bank records pursuant to a Grand Jury Subpoena for the account of Luther Kristian Armstrong. Armstrong's Wells Fargo account statements reveal that check card activity occurred in the Bahamas on May 26, 1999 at the Sheraton Grand Bahamas Resort, on June 15, 1999 at Bahamasai in Nassau Bahamas, on June 19, 1999 at Mademoiselle, Nassau, Bahamas and on June 19, 1999 at Gianni Versace in Paradise Island, Bahamas.

14. Washington Mutual Bank (WAMU) produced records pursuant to a Grand Jury Subpoena for two of Armstrong's accounts. The first account (#179-231180-4) was opened jointly with his ex-wife Diane T. Armstrong. The second account (#179-231181-2) was opened in the name of DKSF LLC and was also jointly held with his ex-wife Diane Armstrong. Diane T. Armstrong was listed as the president and L. Kristian Armstrong was listed as the vice president.

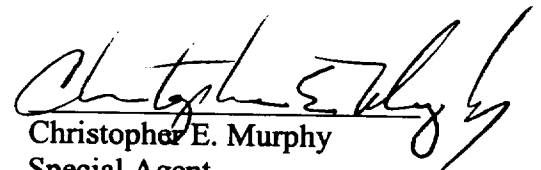
15. From May 1, 2000 until March 31, 2001, at least nine wires totaling \$127,600 were received in the DKSF account at WAMU. All of these wires originated at Suisse Security Bank and Trust; the same bank to which the \$1,355,384.77 from the fraudulent lease was wired on April 20, 1999.

16. Investigating agents also obtained records from the escrow company regarding a property located at Kaanapali Royal Condominium, H-102, 2650 Kekaa Drive, Lahaina, HI 96761. Diane T. Armstrong, now Luther Kristian Armstrong's ex-wife, purchased the property in the fall of 2000. The escrow file revealed two wires and a personal check to Title Guaranty Escrow Services, Lahaina, HI (via Hawaiian Bank) for the purchase of the property. The check

was written on September 2, 2000 from Luther Kristian Armstrong's account at Wells Fargo Bank. The first wire was sent on October 12, 2000 for \$280,000 and the second wire was sent on October 27, 2000 for \$5,400. Both wires originated at Suisse Security Bank and Trust in the Bahamas, the same bank to which the \$1,355,384.77 from the fraudulent lease was wired on April 20, 1999.

17. FBI agents interviewed Luther Kristian Armstrong on October 23, 2003. During this interview, Armstrong stated that he had never heard of Suisse Security Bank & Trust in the Bahamas, and had never done business with that entity. When asked about the above-described wire transfers from Suisse Security in the Bahamas to the DKSF account and to the escrow company, Armstrong could not explain these transfers.

18. Based on the foregoing evidence, your affiant believes that there is probable cause to believe that defendant Luther Kristian Armstrong did commit wire fraud in violation of Title 18, United States Code, Section 1343.



Christopher E. Murphy
Special Agent
Federal Bureau of Investigation

Sworn and Subscribed To Before
Me This 23rd Day of October 2003


Edward M. Chen
United States Magistrate Judge

I hereby certify that the annexed instrument is a true and correct copy of the original issued in my office.
ATTEST:


RICHARD W. WIEKING
 Clerk, U.S. District Court
 Northern District of California

By: 
 Deputy Clerk
 Date: 10/23/03

WARRANT OF ARREST
UNITED STATES DISTRICT COURT

INSTRUCTIONS: Type or legibly print. Forward copies No. 1 through No. 3 intact to the U.S. Marshal or other authorized officer. Retain No. 4 copy. If applicable, use No. 4 copy to withdraw warrant. After completion of return, U.S. Marshal will distribute copies No. 1 through No. 3 as appropriate.

NAME OF PERSON TO BE ARRESTED Luther Kristian Armstrong	DISTRICT OF ISSUE (Include City and State) NORTHERN DISTRICT OF CALIFORNIA	MAGISTRATE/CLERK DOCKET NUMBER 3-03-30399 EMC
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REASON FOR WARRANT			
<input checked="" type="checkbox"/> Complaint	<input type="checkbox"/> Indictment	<input type="checkbox"/> Information	<input type="checkbox"/> Probation Violation
<input type="checkbox"/> OTHER (Specify)			
U.S.C. TITLE	SECTION	BRIEF DESCRIPTION OF CHARGE(S)	BAIL (If applicable)
18	1343	Securities fraud, bank embezzlement, bank fraud, wire fraud and money laundering.	No bail.
DATE OF ISSUE 10/23/03		TITLE OF ISSUING OFFICIAL U.S. Magistrate Judge	SIGNATURE OF ISSUING OFFICIAL 

To: **ANY U.S. MARSHAL OR ANY OTHER AUTHORIZED OFFICER** **EDWARD M. CHEN**

- You are hereby commanded to arrest the above named person and bring this individual forthwith before the nearest available United States Magistrate or District Court Judge to answer the above stated charge(s) in the complaint.
- You are hereby commanded to arrest the above named person and bring this individual forthwith before the nearest United States District Court or (if applicable) before the nearest United States Magistrate in the arresting district to answer the above stated charge(s) in the indictment or information.
- You are hereby commanded to arrest the above named person and bring this individual forthwith before the United States District Court or (if applicable) before the United States Magistrate in the issuing district at the location shown above to answer to charges of violation of conditions of probation imposed by the United States District Court.

THE U.S. MARSHAL IN THE DISTRICT OF ARREST IS HEREBY FURTHER AUTHORIZED AND COMMANDED TO TAKE CUSTODY OF THE ABOVE NAMED PERSON. IF AFTER BRINGING THE PERSON BEFORE ANY APPLICABLE JUDICIAL OFFICER IN THE MANNER INDICATED ABOVE, THE INDIVIDUAL FAILS TO FURNISH BAIL FOR APPEARANCE PER ORDERS AND DIRECTIONS OF SUCH JUDICIAL OFFICER, THE U.S. MARSHAL IS AUTHORIZED AND COMMANDED TO KEEP SAFELY THIS INDIVIDUAL UNTIL DISCHARGED IN DUE COURSE OF LAW.

RETURN

I certify I executed this warrant and such other order directed herein as shown below.

DATE RECEIVED	ARRESTING AGENCY (If not U.S. Marshal)	SIGNATURE OF ARRESTING AGENT (If not U.S. Marshal)		
DATE COMMITTED	PLACE OF CONFINEMENT (If applicable)	<input type="checkbox"/> Executed	<input type="checkbox"/> Unexecuted	<input type="checkbox"/> Withdrawn
DATE OF RETURN	NAME OF U.S. MARSHAL	SIGNATURE OF U.S. MARSHAL OR DEPUTY		