



**U.S. Department of Justice**

*Executive Office for United States Trustees*

*Office of Research and Planning*

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**PRESS RELEASE**

For Immediate Release  
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**BANKRUPTCY CREDITOR IN ARIZONA  
PLEADS NO CONTEST TO TWO COUNTS OF FRAUD**

TUCSON, Ariz.--Lawrence R. Costilow of Tucson, Ariz., pleaded no contest February 19 to two counts of bankruptcy fraud arising from his actions as a creditor in a Chapter 7 bankruptcy case, United States Trustee Brenda Moody Whinery announced today. Costilow was charged with making a false declaration in violation of 18 U.S.C. 152(2) and engaging in a scheme to defraud under 18 U.S.C. 157(2).

Costilow allegedly loaned a married couple \$50,820 in October 1993. The promissory note signed by the borrowers contained their personal guarantee, but did not purport to secure any property as collateral. In May 1995, the borrowers filed for bankruptcy under Chapter 7. Allegedly, Costilow subsequently altered the promissory note by adding "See attached for collateral of this note with property description," and attaching a second page containing a legal description of the borrowers' real property. He allegedly recorded the altered note with the Pima County Recorder's Office in an attempt to secure a lien against the property. A hearing to determine the validity of the note and lien was held in October 1996 before Bankruptcy Judge James M. Marlar. At the hearing, Costilow testified regarding the validity of the note and lien.

A federal grand jury handed down a two-count indictment against Costilow on March 18, 1998. Count One alleged that Costilow, under penalty of perjury, knowingly and fraudulently testified falsely before the Bankruptcy Court. Count Two alleged that Costilow altered a document to grant himself a purported security interest so he would receive preferential

treatment over other bankruptcy creditors, and that Costilow knowingly caused the altered document to be filed with the bankruptcy court for the purpose of executing and attempting to execute a scheme and artifice to defraud.

Costilow is scheduled to be sentenced on April 29, 1999.

United States Trustee Brenda Moody Whinery referred this case to the Tucson Bankruptcy Fraud Task Force for prosecution and assisted in the criminal proceedings. The United States Trustee Program is a component of the Justice Department that oversees bankruptcy cases. Whinery is the United States Trustee for Region 14, the District of Arizona.

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