

Rain

Chance of rain is 90 percent today, with high in lower 50s (10C) and low tonight in upper 30s (3C). More weather data on Page 2A.

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A Con Man Gets Stung At His Own Game

By ROBERT HODIERNE
Observer Washington Bureau

On Oct. 21, 1976, Phil Kitzer, a legendary international con man, met in a fashionable high-rise apartment on Chicago's North Side with his old friend, Norman Howard, a small-time swindler and pizza shop operator.

That meeting would mark the beginning of the end of Kitzer's spectacularly successful and colorful 20-year career of adroitly plucking hapless "pigeons."

During that prosperous period, Kitzer matured from a common insurance swindler in Minnesota and Florida to an inspired deal maker and phony banker for con men on four continents.

One operation involved a Mooresville couple and a Charlotte bank and attracted the attention of a Charlotte-based FBI agent whose concern eventually led to Kitzer's downfall.

Two of Kitzer's alleged associates in that scam will go on trial Jan. 2 in Charlotte.

That Kitzer made millions is certain.

How many millions, the Internal Revenue Service is trying to find out.

On the surface, Kitzer doesn't seem the type to mastermind million-dollar swindles.

His home is a run-down farmhouse near Ellendale, Minn. (pop. 569). He doesn't look the part, either. At 45, he is thin and reedy-voiced, with deep creases in his face and dark shadows under his eyes. With a head slightly too large for his body he looks a little like Fred Astaire. But the only graceful thing about him are his fingers — they dance like butterflies when he talks.

Kitzer didn't even seem to get much satisfaction from his money. While he flew around the world to make his deals, he seldom left his hotel rooms.

He could, on occasion, be showy with his cash. But his associates portray him as a cocky egomaniac whose real pleasure came from outwitting the system.

Basically, Kitzer's con was running phony banks — thus providing a needed service for other swindlers.

He was just back from England when he

met that night in Chicago with Howard, trying to enlist him in his latest scam. Kitzer had taken over his newest "vehicle," the bankrupt Seven Oaks Finances Ltd. in England. He told Howard how "paper" from the bank could be useful in a variety of confidence games.

Indeed, during the next seven months, Seven Oaks would generate \$25 million in worthless securities.

Typical of Kitzer's playful arrogance is the name he gave the dummy corporation set up to control Seven Oaks: 219 Dearborn Corp., a Chicago address.

"How did you come up with that?" Howard asked.

"Why do you think?" Kitzer asked. "You know what 219 Dearborn is?"

"No, I don't really. Is it the stock exchange?"

Kitzer laughed. "It's the Federal Building."

"Well, I'll be damned. That's the Everett Dirksen Building," Howard said.

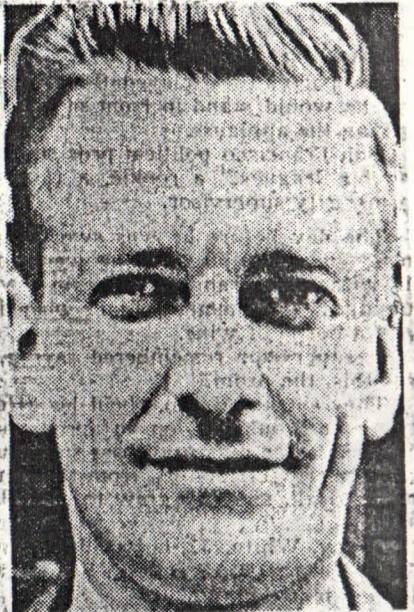
"Right, right. The FBI, the whole s---," Kitzer said. "I was being very facetious that day and that's what happened."

It was one of the last times Kitzer would be facetious about the FBI, which, it turns out, bugged the conversation.

The FBI had been building a file on Kitzer for a year. Its tactics, from bugging the Howard meeting to actually breaking up Kitzer's operation, make a story as fascinating as Kitzer himself.

It starts in late 1975 with Bobby and Sue Duckworth of Mooresville, about 30 miles north of Charlotte in Iredell County. They were having trouble finding \$500,000 to build a motel at Myrtle Beach.

Then Charlotte con man Arthur Norman Murley, with an arrest record dating back 30 years, entered their lives. Murley had advertised in local papers he could arrange loans for people unable to find them elsewhere. The Duckworths called for help.



AP Photo

Phil Kitzer Jr.

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thin, reedy-voiced

Con Man Gets Stung At His Own Game

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Murley told them he had access to financing from the Mercantile Bank and Trust Co. of Saint Vincent in the West Indies. He didn't tell them the Mercantile was a Kitzer operation, named specifically to be confused with legitimate Mercantile banks in Kansas City, Chicago and the Bahamas.

For a \$19,500 advance, Murley assured his new clients, he could get them \$500,000.

On Jan. 26, 1976, Kitzer's Mercantile sent the Southern National Bank in Charlotte a document that said the Duckworths had \$500,000 credit. That letter of credit was supposed to be collateral for a Duckworth loan from Southern.



Kitzer Sr.

It didn't work — it seldom did. And it didn't matter. Kitzer and Murley had their \$19,500 and that's the whole idea of the so-called advance-fee swindle.

In many ways it was a typical Kitzer deal.

His bank was legally chartered — it just didn't have any assets, a fact difficult for American authorities to uncover. He used another con man, Murley, to take most of the risks.

The letter of credit he sent was worded vaguely enough to provide a plausible explanation for any ultimate refusal to honor it — if it ever came to that. And he sent a torrent of Telex messages to Southern National to lull the Duckworths into thinking progress was being made on their loan.

So important were such messages that Kitzer kept a Telex machine in the closet of his Minnesota home. When Scotland Yard raided Seven Oaks in Kent, England, they found records of 1,900 such messages — a veritable blizzard of lies.

As it happens, an especially alert FBI agent in Charlotte, Allen Ezell, spotted the Duckworth scam. But Kitzer had taken so many precautions, thrown up so much smoke, that Ezell couldn't prove Murley and Kitzer intended to defraud.

His ability to protect himself was one of Kitzer's hallmarks. Nowhere was that more clearly shown than in Kitzer's sworn account of a caper involving Globe Natural Gas Co. of Marietta, Ohio.

In 1975, Globe's owner, John Kaye, needed collateral for bank loans to buy coal rights in Kentucky. Through two of Kitzer's crooked New York broker contacts, a deal was arranged.

He Protected Himself

For \$11,000 Kitzer would provide a document, called a certificate of deposit (CD), that said Globe had \$100,000 at Seven Oaks.

The certificate would say the money was payable only to Globe from Globe's account. As part of his protection, Kitzer had Globe provide Seven Oaks with a check dated 1981 — the date of maturity of the certificate — for \$100,000. That check, too, was worthless. But at least Kitzer could argue later he didn't know that, that he thought he actually had \$100,000 from Globe to back up the certificate.

On Dec. 14, 1976, Kaye wired the \$11,000 to the New York brokers who took their cut and gave \$6,000 to Kitzer.

Kitzer, from his home in Minnesota, Telexed Seven Oaks in England to send Globe the certificate.

Kitzer, who took pains never to talk to Kaye himself, warned the brokers to instruct Kaye against trying to cash the certificates. They were, after all, worthless.

Instead of cashing the CDs, Kaye was to use them to beef up his financial statement. Kitzer felt it could then be argued it was Kaye who filed a false financial statement — not Kitzer.

'One of the things he (Phil Kitzer) loved to do — and I don't want to make him sound like Robin Hood — was take the desperate man and help him beat the bank.'

-- Jack Brennan

"One of the things he loved to do — and I don't want to make him sound like Robin Hood — was take the desperate man and help him beat the bank."

In his court appearances (he won't give interviews) Kitzer says he began trying to beat the system in the early 1960s in his hometown, Chicago.

Kitzer quit school at 16 to join his father, a Hungarian immigrant, in the family bail bond business. Among their clients was Teamster boss Jimmy Hoffa.

In the early 1960s, when the Kitzer family wanted to branch out and buy an insurance company, they tried to get a bank loan. Kitzer says they had to pay kickbacks to bank officers. That, he says, was his first dishonest business deal and "my first experience with banks."

By the mid-1960s, the family was out of the bail bond business and into banking and insurance. They expanded from Chicago to Minneapolis with the purchase of American Allied Insurance, a high-risk auto insurance company.

American Allied collapsed in 1965. But it had helped Kitzer, his father, the Minnesota insurance commissioner and about a dozen others were charged with conspiring in a fraud that bled the company of its assets and left it unable to pay claims.

Although all defendants were acquitted after a sensational three-month trial in 1967, Kitzer now admits guilt. Oliver, a defendant in Charlotte, was Kitzer's lawyer in that case.

Kitzer's father, Phil Kitzer Sr., who is 82 and lives in Calumet City, Ill., just south of Chicago, smiles and says it was his son who was the crook, not he.

It was a case, the father says, of "too much money and it went to his head. He got to be a big shot with so much money around and it just messed him up."

There was, for instance, a trip the son made to the Fontainebleau Hotel in Miami. He took six women with him and ran up a \$9,000 bill — all paid by the insurance company, the father says.

Agents Brennan and Wedick reported going to dinner with Kitzer and a woman at a fancy New York restaurant in 1977.

Kitzer became impatient when the woman couldn't decide what she wanted, called over an incredulous maitre d' and ordered one of everything on the menu. The tab was \$500.

Sometime after the American Allied trial, Kitzer moved from Minneapolis to Miami, where he took over First American Insurance Co. He bled that firm, too, but this time managed to avoid indictments.

Kitzer's debut in international swindling was in the early 1970s. It was a disaster.

The details are fuzzy but it involved Annie LaMont, now serving time on a fraud conviction, who had connections to the office of the secretary general of the United Nations.

She convinced Kitzer he could make a million dollars in a scheme that centered around a \$200-million United States loan to Austria. Kitzer invested heavily in the deal but never saw a nickel.

Annie LaMont made off with the entire haul.

Kitzer says he holds no grudge against Annie LaMont. He says she's a "princess" who taught him a lot.

In addition to responding by Telex to inquiries about the authenticity of his documents, Kitzer, for an additional fee, could get those documents confirmed from a variety of otherwise legitimate banks.

Kitzer was able to do that through a Swiss named Jean-Claude Cornaz. Cornaz has a reputation comparable to Kitzer's, and Justice Department sources say he will be arrested for fraud if he enters the United States. For \$3,000, Kitzer said, Cornaz could arrange confirmation from the prestigious Union Bank of Switzerland.

By the time the Globe deal was under way, Ezell back in Charlotte had been spreading the word on Kitzer.

And it was pure luck that just a few months after the Charlotte deal Norman Howard in Chicago asked if the FBI would be interested in a meeting he was going to have with Phil Kitzer. Howard, recently convicted of bank fraud, was looking to make a deal on his sentence.

The FBI bugged that meeting, learning about the 219 Dearborn Corp., among other matters.

Four months later, in February 1977, at the Thunderbird Motel near the Minneapolis-St. Paul airport, Howard introduced Kitzer to Jack Brennan, 32, and Jim Wedick, 28.

That's Just What They Were

The pair said they wanted to buy stolen securities. Kitzer wasn't interested, too risky. But he did take a liking to the two and adopted them as proteges. Because they were so young and clean-cut, Kitzer sarcastically nicknamed them "junior G-men."

In fact, that's just what they were — undercover FBI agents.

For the next eight months they traveled with Kitzer — to Chicago, New York, Miami, Hawaii, Nassau, Tokyo, Karachi, Athens and Hong Kong. They looked over his shoulder as he cooked up deal after deal, taking lessons from him on his rackets, even attending an international summit meeting for con men in Frankfurt in 1977.

So impressive was the case the junior G-men built that Kitzer ended up pleading guilty this year in fraud cases in Louisville, Memphis, Hammond, Ind., and Kansas City, Kan., and will plead guilty in Charlotte and New York City.

In return for a promise of no more than 10 years in prison for all his offenses, Kitzer has been testifying and providing evidence against his cronies — most recently at a trial in early December in Kansas City.

He helped convict Murley in Charlotte and Kaye in the Globe case, which he outlined in detail at a trial in Louisville. Kaye is appealing; Murley is in prison. About two dozen others have been indicted as a result of evidence from Kitzer and the undercover agents, and more are expected.

Another trial in connection with the Duckworth case will begin Jan. 2 in Charlotte. Frank Oliver, for years Kitzer's lawyer, and Raymond Henry Starns will be tried for their alleged supporting roles in the con.

Oliver, from Chicago, is described by those who have seen him in action as brilliant and flamboyant. Because he is given to wearing capes instead of overcoats he is known in some circles as "The Caped Crusader." He will be defending himself.

Paul Chovanec, another player in the scam, pleaded guilty two weeks ago in Charlotte.

Interestingly, Brennan and Wedick developed a strangely close relationship with Kitzer, conning the con man by flattering his ego, listening to his stories like students at the knee of a master, running his errands.

A Kind Of Robin Hood?

And they came to see Kitzer as a complicated, sometimes sympathetic, character.

Says Brennan, a blond, pudgy Southerner with a sleepy-eyed good-ol'-boy face he can make look stupid and greedy at the same time:

It wasn't long before Kitzer, who learns fast, was giving other con men lessons.

One student was Fred Pro, 52. Once a vice president of the Budd Co. in Philadelphia and a legitimate businessman, Pro says he has been a full-time con man for the past six years.

One of the many swindles Pro ran with Kitzer's help bankrupted a hapless Kansas farmer who paid \$110,000 in 1977 hoping to get a \$5.5-million loan. It was an advance-fee swindle.

Then, as if to remind Pro who the teacher was, Kitzer helped pull off his own deft scam. He and two others somehow convinced Pro they could convert the \$110,000 check into cash faster than he could. Pro sent them the check.

No Honor Among Thieves

He's still waiting for the cash.

"I thought there was some standard of honor among con men," Pro said, recalling the incident. "But believe me, there isn't."

Kitzer himself was marked for a scam by one of his fellow participants at the con man's summit in Frankfurt — a city picked in part, says one of those who attended, because of its fine whorehouses.

The meeting was held so a group of the best minds in the business could help work out some intricate deals.

One of the conventioners, Lucy Trajkouski, a friend of Annie LaMont, agreed to pay Kitzer's hotel and travel expenses plus his usual fee if he would provide a \$300,000 letter of credit (LC).

The deal thus cut, Kitzer arrived in Frankfurt with virtually no cash.

Ms. Trajkouski calculated Kitzer's expenses at \$1,700, and told him to take it or leave it.

Ms. Trajkouski, an old-time promoter, figured she had snookered Kitzer. They arrest people in Europe for not paying hotel bills.

"She saw the opportunity ... to take these letters of credit away from me for \$1,700," Kitzer says. "She had put me into a bind. She had me in a box, thinking I had to give up the LCs to get myself out of there."

Ms. Trajkouski hadn't counted on Brennan and Wedick, who didn't want their target locked up in some German jail. They paid his bills.

It was a small favor. Six months later on Oct. 18, 1977, as Kitzer was setting up a new vehicle — the First City National Bank of Haiti — he was arrested in Miami.

In the FBI office in Miami, Brennan and Wedick confronted Kitzer with their real identities.

"That was the toughest part," says Wedick, a tall, thin, boyish-looking veteran of five years with the FBI.

Kitzer was stunned.

"He moved himself mentally from the (FBI) office to the bar at the Essex House in New York," Brennan recalls. "He went into another reality."

Whatever the shock, Kitzer had said all along he was preparing for it. He told the two agents — before he knew who they really were — that he had \$700,000 set aside. Other associates put that figure closer to \$2 million.

Life Could Be Dangerous

His biggest worry right now is that some of those he'll be testifying against in New York are Mafia figures, one of whom once threatened Pro by sticking an ice pick in his ear.

Kitzer and Pro are in the protective custody of United States marshals. When Kitzer testified in Kansas City, there was an armed marshal 3 feet away and two armed marshals elsewhere in the room.

If he lives through his court appearances, his 10-year sentence doesn't look all that bad. He'll be eligible for parole, at age 49, in the spring of 1981: 3½ years in prison and \$2 million waiting on the outside.

As he always used to tell Wedick: "It's better than being a bus driver the rest of your life."