

**FILED**

NOV 01 2012

CLERK, U.S. DISTRICT COURT  
WESTERN DISTRICT OF TEXAS  
BY JP DEPUTY CLERK

**UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF TEXAS  
AUSTIN DIVISION**

**UNITED STATES OF AMERICA,**  
  
**Plaintiff,**

v.

**ROBERT ROLAND LANGGUTH,**  
  
**Defendant.**

§  
§  
§  
§  
§  
§  
§  
§  
§  
§

**A12CR 419 LY**

**CRIMINAL No.**

**[Violations: Count One: 18 U.S.C. § 1343 -  
Wire Fraud; Count Two: 18 U.S.C. § 1957-  
Money Laundering]**

**INFORMATION**

**THE UNITED STATES ATTORNEY CHARGES:**

**I. Introduction**

**The Defendant**

1. Robert Roland Langguth (hereinafter described as “Langguth” or “Defendant”) is an individual residing in Austin, Texas. In 1996, he moved from Virginia back to Austin. In about 1996, Langguth incorporated a business, Wheel Master, Inc., which sold hubcaps. He later changed the name of the business to Hubcap & Wheel Masters, Inc. and sold the assets of the business in 1997. Langguth then changed the name of the business to Paris RE, Inc. In or about 2001, Langguth worked for Capital Funding, a business that put together loan packages for borrowers who wanted to acquire, rehabilitate and then sell real property. Langguth worked on a commission basis to locate participants for loans. Beginning in or about 2002, Langguth started his own business in which he represented himself as an experienced real estate “bridge lender” and also began to sell participations in real estate “bridge loans” to individuals.

Langguth has never held a real estate license or securities license. In or about 2005, he devised and began to carry out the Ponzi-style fraud scheme described below.

### **The Defendant's Business Entities**

2. In the course of his scheme, the Defendant used multiple business entities and bank accounts, to include, but not be limited to:

- a. "Capital Finance" is a business name utilized by Langguth in the scheme.
- b. "Paris Properties" is a business name utilized by Langguth in the scheme. Langguth filed an assumed name certificate for Paris Properties in 1997 which disclosed that it was an assumed name for Paris RE, Inc.
- c. "Paris RE, Inc." is a business name utilized by Langguth in the scheme. In 1998, Langguth changed the name of his corporation Hubcap & Wheel Master, Inc. to "Paris RE, Inc." and later claimed that Capital Finance was an assumed name of Paris RE, Inc. However, Langguth did not file a required assumed name certificate with the Texas Secretary of State. Further, Paris RE, Inc. was not maintained by Langguth as a true corporate entity.

## **II. The Scheme**

3. From in or about November of 2005 and continuing until in or about December of 2009, Defendant Robert Roland Langguth devised and intended to devise a scheme and artifice to defraud and obtain money and property by means of false and fraudulent pretenses, representations, and promises. The scheme and artifice to defraud and obtain money and property by means of false and fraudulent pretences, representations and promises, so devised and so intended, was, in substance, as described in the following paragraphs.

### **The Object and Purpose of the Scheme**

The object and purpose of the scheme was to fraudulently acquire money:

- a. which the Defendant used to enrich himself;
- b. to make payments or distributions to investors in order to lull the investors into the mistaken belief that their investment was profitable and sound;
- c. to support previous failed projects; and
- d. to support an expanding Ponzi scheme.

### **The Manner and Means of the Scheme**

4. It was part of the scheme that Langguth fraudulently obtained money and assets from investors by selling fictitious loan participations in real estate “bridge loans.” A “bridge loan” is a short term loan, typically less than 24 months in length, which is obtained by a borrower who uses the proceeds to buy and improve real estate. The borrower’s goal is to either sell the real estate within the term of the “bridge loan,” or, alternatively, to obtain long term financing. If long term financing is obtained, it is then used to pay off the “bridge loan.” The term “participation” refers to a share, or a percentage of ownership, of a loan. Bridge loans are typically secured by a lien on the real property which permits the lender to foreclose on the property and sell it if the borrower fails to pay the loan back. Langguth fraudulently represented to investors that they were buying a participation in a loan, evidenced by a note, secured, in most cases by a first lien on real property. In exchange for their investment, Langguth promised investors that he would pass through their share of the monthly interest payments made by borrowers on the bridge loan. Langguth also promised that when the borrower paid off the bridge loan, the balance of the investment would be returned to the investor.

5. It was part of the scheme that the Defendant required each investor to sign a "Loan Participation Agreement" to evidence their investment. In sum, the agreement identified a "Lender", the "Borrower", the amount of the investment/participation, the rate of return, and the term of the "Note", as well as, a representation that the Note was secured by a lien on specified real property. The "Indebtedness," represented the proceeds of the bridge loan which Borrower would use to acquire and rehabilitate real property for later sale.

6. It was part of the scheme that the Defendant encouraged investors to establish self-directed Individual Retirement Accounts (IRAs) at Equity Trust Company, a firm based in Ohio. Once investor funds were on deposit with Equity Trust, the Defendant prepared and presented a "Promissory Note/Direction of Investment" which contained information as to the amount of funds to be invested in a particular piece of real property, the nature of the investment, the borrower, the percentage of the note the participant was purchasing, the terms of the participation, the monthly payments, and a description of the property. Once received, Equity Trust would release the specified funds to the Defendant or his businesses. The Defendant encouraged the use of Equity Trust Company in order to lend an air of legitimacy to his scheme.

7. It was part of the scheme that the Defendant made misrepresentations and material omissions about his personal characteristics, work history, and experience in order to induce the trust of the investors, including, but not limited to:

- a. Langguth misrepresented that he had been a bridge lender since 1995; and
- b. Langguth misrepresented his experience in buying, developing and selling real estate.

8. It was part of the scheme that the Defendant made material misrepresentations and material omissions about how the investors' money would be invested and safeguarded, including, but not limited to, the following:

- a. Defendant misrepresented that all of the Borrowers are thoroughly and carefully screened, which they were not.
- b. Defendant misrepresented that the monthly interest payments made by Borrowers were passed through to investors, when they were not. In reality, the Defendant deposited investors money into a commingled account titled "Paris Properties Escrow Account" and sent investors monthly checks drawn on that account from whatever funds were available, so that it would appear the "Borrower" was timely making payments on the bridge loan.
- c. The Defendant misrepresented that on residential properties, loans were limited to 70 percent of the appraiser's value of the property, when in fact the Defendant did not obtain appraisals on the properties.
- d. The Defendant misrepresented that an investor was purchasing a participation in a specific bridge loan made to a specific borrower for use in purchasing a specific piece of real property, when, in fact, the money paid by an investor to purchase a participation was also being used by the Defendant to fund his lavish lifestyle and to make payments to other investors.
- e. The Defendant misrepresented that the "bridge loans" made by lenders were for the purchase of specific pieces of real property, secured by a lien on such property, when, in fact, the Defendant never secured a lien on such property.

f. The Defendant made material omissions when he failed to inform investors that he was not complying with the representations he made as a "Loan Servicer" in connection with investors who made investments through Equity Trust Company.

9. It was part of the scheme that Defendant made material misrepresentations and material omissions regarding the past performance of the loan participations, including, but not limited to:

a. The Defendant made a material misrepresentation to potential investors that he had never had to foreclose on any real property and take the property back, when, in fact, the Defendant had foreclosed on a property located in Kendall County, Texas in February, 2007.

b. The Defendant made a material misrepresentation to potential investors that no borrower had ever missed a bridge loan payment when, as the Defendant knew, Seligman Homes and Kubicek Properties, never made an interest payment to the Defendant or Capital Finance.

c. The Defendant made a material misrepresentation to investors that, upon request, an investor could receive their entire investment back within 30 days. However, as the Defendant well knew, he could not return investments within 30 days because he had misappropriated investor funds for his own use.

10. It was part of the scheme that the Defendant covered up the truth about the bridge loans and loan participation investments made by investors in the following ways:

a. The Defendant caused transfers to be made to investors who wished to redeem their investments, which caused investors to believe their investment was safe and profitable. In fact, those redemptions were often made with money from new

investors, because the prior investors' money had been misappropriated by the Defendant.

- b. The Defendant failed to disclose to a potential investor the fact that a borrower had failed to make timely monthly interest payments.
- c. The Defendant sold multiple participations in a bridge loan for amounts in excess of the total amount of the Indebtedness and failed, in most instances, to record or disclose liens on the real property. This allowed the Defendant to "oversell" participations and conceal losses.

11. It was part of the scheme that, through the use of different business entities and names (primarily Capital Finance, Paris RE, Inc, and Paris Properties), the Defendant created the illusion that the entities operated as separate businesses, concealed that he was acting as a Borrower and a Lender, and confused investors about exactly where the investors' money was being held. In fact, the Defendants commingled the funds of different entities in order to satisfy requests of investors for the return of their money and, thus, continued to lull the investors into a false belief that their investment was profitable. .

12. It was part of the scheme that the Defendants transmitted or caused others, including investors, to transmit by wire communications in interstate commerce, writings, signs, signals, pictures, and sounds for the purpose of executing the scheme.

**COUNT ONE**  
**[18 U.S.C. § 1343]**  
**Wire Fraud**

The United States Attorney re-alleges and incorporates paragraphs 1 through 13 of the INFORMATION as if fully set forth herein.

From in or about November of 2005 and continuing until in or about December of 2009, in the Western District of Texas and elsewhere, the Defendant,

**ROBERT ROLAND LANGGUTH**

knowingly 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, and for the purpose of executing such scheme and artifice to defraud, did transmit or cause to be transmitted by wire communications in interstate commerce, the wire transfer described specifically below, which occurred on or about the dates indicated:

COUNT	DATE	THE WIRE
1	July 16, 2008	A wire transfer in the amount of \$55,000 from the United Western Bank (Denver, CO) account of Equity Trust Company and deposited into the Paris Properties Escrow Account maintained at Wells Fargo Bank (Austin, TX) by the Defendant. This wire transfer represented the investment of Luke Graves in the project known as 21321 Noack Hill.

All in violation of Title 18, United States Code, Section 1343.

**COUNT TWO**  
**[18 U.S.C. § 1957]**  
**Money Laundering**

On or about July 17, 2008, in the Western District of Texas and elsewhere, the Defendant,

**ROBERT ROLAND LANGGUTH**

knowingly engaged in the monetary transaction set forth below, by through or to a financial institution, affecting interstate and foreign commerce, in criminally derived property of a value greater than \$10,000, such property having been derived from the specified unlawful activity more specifically described in Count One of this Information, namely: a violation of Title 18, United States Code, Section 1343. The monetary transaction is described below and occurred on or about the date indicated:

COUNT	DATE	THE TRANSACTION
2	July 17, 2008	A check signed by Robert Roland Langguth, drawn on the joint Wells Fargo Bank (Austin, TX) account of the Defendant and his wife, payable to IndyMAC Bank, a Federal Saving Bank, located in Pasadena, CA, in the amount of \$11,506.85, which represented a mortgage payment on the Defendant's personal residence.

All in violation of Title 18, United States Code, Section 1957.

ROBERT PITMAN  
 UNITED STATES ATTORNEY

By:   
 Sharon S. Pierce  
 Assistant United States Attorney  
 Texas State Bar No. 15997500  
 816 Congress Avenue, Suite 1000  
 Austin, Texas 78701  
 (512) 916-5858 / Fax 916-5854