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UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION

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

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
v.)
)
ROBERT ROLAND LANGGUTH,)
)
 Defendant.)

CRIMINAL NO.

A12CR 419 LY

PLEA AGREEMENT

The United States Attorney for the Western District of Texas Government), by and through the undersigned Assistant United States Attorney, and the Defendant, personally, and by and through Randy Leavitt, Attorney for the Defendant, enter into the following plea bargain agreement pursuant to Federal Rule of Criminal Procedure 11(c) (1) (C):

Defendant's Agreement to Plead Guilty to an Information

Defendant ROBERT ROLAND LANGGUTH (LANGGUTH or Defendant) agrees to waive indictment by a grand jury and plead guilty to a two count Information, which charges him with devising and carrying out a Ponzi-style fraud scheme and money laundering, in violation of Title 18, United States Code, Sections 1343 and 1957. A Factual Basis is attached hereto and incorporated into the Plea Agreement.

Advice of Rights, Collateral Consequences, and Waiver of Rights

The Defendant understands that he has the following rights:

1. The right to be indicted by a grand jury;
2. The right to plead not guilty, or having already so pleaded, to persist in that plea;
3. The right to a trial by jury;
4. The rights at trial to confront and cross-examine adverse witnesses; to be protected from compelled self-incrimination (the right to remain silent); to testify and present evidence; and to compel the attendance of witnesses;
5. The right to be represented by counsel-and if necessary to have the court appoint counsel at public expense-at trial and at every other stage of the proceeding.

By pleading guilty, the Defendant understands that he waives and gives up: the right to be indicted by a grand jury, the right to plead not guilty, the right to a jury trial, and the rights to confront and cross-examine adverse witnesses, to remain silent, to testify and present witnesses, and to compel the attendance of witnesses at trial. The Court may require the Defendant to answer truthfully questions about the offense, and the Defendant may be prosecuted if he knowingly makes false statements or gives false answers.

The Defendant understands that in addition to the punishment imposed by the Court at sentencing, his guilty plea and conviction may have other or collateral consequences. These consequences may adversely affect a defendant's visa, permanent resident alien status, or other basis for being in the U.S., the deportation or removal of the defendant from the United States, the denial of naturalization, or the ability to ever lawfully enter the U.S. Defendant has discussed with his attorney the punishments and consequences of pleading guilty, understands that not all of the consequences can be predicted or foreseen, and still wants to plead guilty in her case.

In addition to giving up the rights described above, the Defendant agrees to give up and waive the following:

Pretrial Motions: The Defendant understands that he could raise a number of issues and challenges by pretrial motion, including motions to suppress evidence and to dismiss the charges against him. By entering into his agreement and pleading guilty, the Defendant agrees to give up any and all claims he has made or might have made by pretrial motion, and agrees to the dismissal of any motions that currently are pending.

Discovery: In addition to waiving pretrial motions, the Defendant agrees to give up and waive any claims he may have now or may acquire later to any information possessed by the prosecution team that might be subject to disclosure under discovery rules, including the Federal Rules of Criminal Procedure, the *Jencks* Act, local court rules, and Court Orders, including information that might be considered exculpatory or impeaching under *Brady v. Maryland*, and *Giglio v. United States*.

Waiver of Appeal: The Defendant agrees to waive and give up his right to appeal his conviction or sentence, including any right to challenge his conviction or sentence in a post-conviction collateral challenge, including but not limited to proceedings pursuant to 28 U.S.C. §§ 2241 and 2255; except,

the Defendant does not waive his right to challenge the sentence imposed to the extent that it was the result of a violation of the Defendant's constitutional rights based on claims of ineffective assistance of counsel or prosecutorial misconduct. In the event the Defendant makes such a claim, he hereby agrees to waive any claim of attorney/client privilege arising from counsel's representation.

Defendant's Agreement to Cooperate

The Defendant agrees to cooperate with the Government, and with law enforcement agents as directed by the Government, as follows:

Defendant agrees to make a good faith effort to timely pay any fine, forfeiture, or restitution ordered by the Court.

Before or after sentencing, the Defendant agrees to provide, upon request by the Court, the Government, or the U.S. Probation Office, in whatever form requested, accurate, timely, and complete financial information, and to submit sworn statements and give depositions under oath concerning all assets and his ability to pay.

The Defendant agrees to identify any transfer of assets made for the purpose of evading or defeating financial obligations, and to refrain from making any such transfers.

Defendant's Agreement to pay Court Ordered Restitution

The Defendant agrees to pay restitution as ordered by the Court. The Defendant agrees to take any reasonable actions requested by the Government to facilitate the payment of restitution.

Government's Agreement

In exchange for Defendant's agreement to plead guilty, waive the rights listed above, pay restitution as ordered by the Court, and to cooperate, the United States Attorney's Office for the Western District of Texas agrees to the following:

Forebear Filing Charges: The Government agrees that it shall not pursue additional charges against the Defendant that arise from the facts known or which reasonably could have been known to the U.S. Attorney's Office for the Western District of Texas prior to entering into this plea bargain agreement. Based on the facts known or which reasonably could have been known to the U.S. Attorney's Office for the Western District

of Texas prior to entering into this plea bargain agreement, the Defendant acted alone in devising and implementing the Ponzi style scheme to defraud and money laundering charged in the Information and described in more detail in the Factual Basis.

Sentencing: Subject to the Government's obligation to provide all relevant information to the sentencing court, and to the extent consistent with that information, the Government agrees as follows:

Pursuant to Fed. R. Crim. P. 11 (c) (1) (C), the United States Attorney for the Western District of Texas, the Defendant and his counsel, agree that the sentence of incarceration in this case shall be **48 months of imprisonment**. There is no other agreement as to the sentence to be imposed by the Court in this case. All other punishments, including the amount of any fine and restitution, shall be determined by the Court. The Defendant understands that the Court decides the punishment that will be imposed, and the Court decides whether to accept this agreement. If the Court rejects the plea agreement, pursuant to the provisions of **Fed. R. Crim. P. 11 (c) (1) (C)**, **the Defendant will be permitted to withdraw his guilty plea.**

Pretrial Release: The Government will not object to Langguth's pretrial release on bond, provided he complies with the terms of the plea agreement, as well as, all of the conditions of release set by the Court and U.S. Pretrial Services at the time of his initial appearance. The government will not object to Langguth's continued release after sentencing, pending self reporting to the designated U.S. Bureau of Prison facility as directed by the Court.

Reservation of Sentencing Rights

Notwithstanding the above provisions, both the Government and the Defendant reserve the rights to: (1) inform the U.S. Probation Office and the Court of all information relevant to determining the sentence; (2) dispute facts relevant to sentencing; (3) seek resolution of disputed facts or factors in conference with opposing counsel and the U.S. Probation Office; and (4) allocute at sentencing (consistent with promises by the government concerning recommended findings and punishment).

Breach of Agreement by the Defendant

In the event the Defendant violates or breaches any of the terms of the plea agreement, the government will be released from its obligations under the agreement and in its sole discretion may do any or all of the following:

1. Move to set aside the Defendant's guilty plea and proceed on charges previously filed and any additional charges;
2. Use against the Defendant any statements or information provided by Defendant;
3. Seek additional charges based on false statements, perjury, obstruction of justice, or any other criminal acts committed by Defendant; and
4. Seek to revoke or modify conditions of release.

Defendant's breach of the agreement will not entitle him to withdraw a guilty plea already entered.

Voluntariness

In entering into this Plea Agreement, agreeing to plead guilty, and waiving the rights set forth above, the Defendant affirms the following:

1. The Defendant has discussed with his attorney the charges, the possible punishment upon conviction, the evidence and any defenses to the charges, the plea offers made by the United States, including a plea offer made in writing to his attorney on March 28, 2012, and the benefits and risks of going to trial.
2. The Defendant understands that he has a right to plead not guilty, and by entering this agreement and pleading guilty he is waiving or giving up a number of important rights, described above.
3. The Defendant has had sufficient time to discuss the case with his attorney, and is satisfied with the advice given by counsel.
4. The Defendant is not under the influence of alcohol, drugs or medicines and understands the gravamen of the proceedings and the importance of the decision to plead guilty and waive rights.

5. The Defendant enters this agreement and decision to plead guilty voluntarily, and not on account of force, threats, promises or inducements, apart from the promises and inducements set forth in this agreement.

6. The Defendant agrees to plead guilty because he is guilty of the offense charged and for no other reason.

Entire Agreement

This Plea Agreement constitutes the entire agreement between the Defendant and the United States Attorney's Office and is binding only upon those parties. No other promises, inducements or agreements have been made or entered into between the parties. The Court may accept or reject this agreement, and may defer this decision until it has reviewed the pre-sentence report.

**ROBERT PITMAN
UNITED STATES ATTORNEY**

By: *Sharon S. Pierce*
Sharon S. Pierce
Assistant U. S. Attorney
816 Congress Avenue, Ste. 1000
Austin, Texas 78701
(512) 916-5858
State Bar No. 15997500

I have read this Plea Agreement, including the Factual Basis contained herein and attached hereto, and reviewed it with my attorney. I hereby admit that all of the allegations contained in the Factual Basis are true and correct and that I am guilty of the offenses charged in Count One and Count Two of the Information.

Robert Roland Langguth
ROBERT ROLAND LANGGUTH
Randy Leavitt
RANDY LEAVITT
Attorney for the Defendant

10/11/12
Date
10/11/12
Date

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,

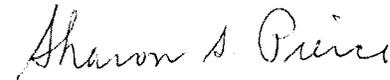
ROBERT ROLAND LANGGUTH

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: 
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 Assistant United States Attorney
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 Austin, Texas 78701
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**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
AUSTIN DIVISION**

UNITED STATES OF AMERICA,	§	
	§	
Plaintiff,	§	
	§	CRIMINAL NO.
v.	§	
	§	
ROBERT ROLAND LANGGUTH,	§	
	§	
Defendant.	§	

FACTUAL BASIS

The United States Attorney for the Western District of Texas submits this factual basis in connection with the Defendant's plea of guilty to the Information filed in this cause. The statement of facts set forth below is sufficient to support a plea [or pleas] of guilty to the charge[s] described in the Information filed in this cause. It is not meant to be a complete recitation of all facts relevant to the underlying criminal conduct or all facts known to either party that relate to that conduct. Accordingly, had this case proceed to trial, the United States of America could prove, through the introduction of documents, records, and things, and the testimony of witnesses, including expert witnesses, the following facts beyond a reasonable doubt:

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 participation in real estate “bridge loans” to individuals. Langguth has never held a real estate license or securities license.

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 pretenses, representations and promises, so devised and so intended, was, in substance, as described in the following paragraphs and involved at least 50 but no more than 249 victims. The total amount of loss to those victims is more than \$7,000,000, but less than \$20,000,000.

In sum, 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.

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 back the loan.

It was part of the scheme that Langguth fraudulently represented to potential 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.

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 "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" referred to the underlying amount the Defendant, through, his businesses, was to "lend" to the Borrower. The "Indebtedness" represented the proceeds of the bridge loan which the Borrower would use to acquire and rehabilitate real property for later sale.

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 investor was purchasing, the terms of the Participation, the monthly payments, and a description of the real property. Once received, Equity Trust would release the

specified funds to the Defendant or his businesses. The Defendant encouraged investors to use of Equity Trust Company in order to lend an air of legitimacy to his scheme.

In the course of his scheme, the Defendant used multiple business entities and bank accounts, to include, but not be limited to: "Capital Finance"; "Paris Properties"; and Paris RE, Inc. 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.

It was part of the scheme that the Defendant made material 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 the following: (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.

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 made the material misrepresentation to investors that all of the Borrowers are thoroughly and carefully screened, which they were not; (b) Defendant made the material misrepresentation to investors 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 made the

material misrepresentation to investors 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 most of the properties; (d) The Defendant made the material misrepresentation to investors that they were 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 truth, 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 made the material misrepresentation to investors 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; and (f) The Defendant made a material omission when 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.

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 the 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 the material misrepresentation to potential investors that no borrower had ever missed a bridge loan payment when, in fact, for example, Seligman Homes and Kubicek Properties never made one bridge loan payment.; and (c) The Defendant made the material misrepresentation to investors that an investor, 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 and then spent investor funds for his personal use.

It was part of the scheme that Defendant failed to reveal and 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 was designed to lead 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 potential investors and current investors the fact that a borrower had failed to make timely monthly interest payments; and (c) The Defendant sold multiple participations in a bridge loan for amounts in excess of the total amount of the Indebtedness and, in some instances, failed to record or disclose liens on the real property. This allowed the Defendant to "oversell" loan participation and conceal losses.

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 Defendant 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.

It was part of the scheme that the Defendant 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 his scheme.

In October 2005, Langguth acquired 10.02 acres in Spicewood, TX known as 21321 Noack Hill from James and Jean Enelow with the stated intention of subdividing, developing and then reselling residential lots. The agreed price for the 10.02 acre property was \$420,000. Langguth borrowed \$336,000, or 80% of the purchase price, from CTX Mortgage Company (CTX), secured by a first lien deed of trust in favor of CTX. Langguth represented at the closing that the balance due at closing, about \$85,000, were his "personal funds." In truth, Langguth wired \$85,182.54 out of the commingled Paris Properties Escrow Account on October 7, 2005. On December 12, 2005, Langguth and his wife executed a two year promissory note in the amount of \$170,000 payable to Capital Finance. The Defendant and his wife promised to pay Capital Finance 12% interest on the note.

In or about January, 2006, Langguth began to sell loan participations in a \$170,000 bridge loan from "Capital Finance" to Langguth and his wife, which Langguth represented to investors was secured by a first lien note on the 10.02 acre property referred to as 21321 Noack Hill. The terms of the loan participation agreements entered into by investors provided for interest rate payments of 12% or 15%. Some of the agreements provided the loan was for a two year term, while others a one year term, and all but one agreement stated that the participation was secured by a first lien in favor of Capital Finance on the 10.02 acre property. In truth, as Langguth knew, CTX held a first lien on the 10.02 acre property. Langguth never filed a deed of trust in favor of Capital Finance.

It was a further part of the scheme that Langguth made monthly interest payments to the investors out of the commingled Paris Properties Escrow Account in order to lull investors into the belief that the bridge loan from Capital Finance was being repaid by Langguth and his wife, who were the Borrowers.

Between May, 2006 and January, 2007, Langguth subdivided the 10.02 acres into a total of 8 lots, including Lot 6. Effective January 2, 2007, Langguth and his wife sold Lot 6 to Mark and Amber Ballinas for \$360,500. Langguth and his wife used the proceeds of the sale to pay off the CTX \$366,000 first lien promissory note and CTX released its first lien. Countrywide made a loan to Mark and Amber Ballinas to buy Lot 6 and filed a first lien to secure the loan.

Between in or about January 26, 2007, and in or about July 15, 2008, Langguth sold six participations to six different investors, in the total amount of \$380,000. One of the six investors was Luke Graves, who entered into a Loan Participation Agreement with Langguth on July 15, 2008 in the amount of \$55,000. This agreement provided Capital Finance was the bridge lender to Borrowers Robert and Claudia Langguth for an Indebtedness of \$170,000, which was secured by a first lien on 21321 Noack Hill, Spicewood, TX. Pursuant to the Loan Participation Agreement, Graves would receive 12% interest for a period of 12 months and a return of the \$55,000 participation upon maturity of the Indebtedness. Langguth caused Graves to make a wire transfer in the amount of \$55,000 from the United Western Bank of Denver, CO account of Equity Trust Company to the Paris Properties Escrow Account maintained by Langguth at Wells Fargo Bank in Austin, TX. As Langguth well knew, Capital Finance did not have a first lien on 21321 Noack Hill. Further, as Langguth well knew, he had subdivided the real property and sold 4 of the lots. Langguth also knew that he had borrowed \$189,950 from Independent Bank on May 27, 2008 and executed a note secured by a first lien deed of trust on the remaining 4 lots of 21321 Noack Hill. Despite these facts, Langguth sold Graves a \$55,000 Participation. On or about July 16, 2008, Langguth received Graves' \$55,000 wire transfer from Equity Trust Company into Langguth's Paris Properties Escrow Account at Wells Fargo Bank (Austin, TX). On or about July 17, 2008, Langguth

transferred \$13,500 of Graves' \$55,000 Participation out of the Paris Properties' Escrow Account into his and his wife's personal checking account at Wells Fargo Bank (Austin, TX). Then, Langguth signed Check #1883, in the amount of \$11,506.85, drawn on his and his wife's Wells Fargo Bank (Austin, TX) personal checking account. The check was a mortgage payment on the personal residence of Langguth and his wife and was payable to IndyMac Bank, a Federal Savings Bank. Langguth mailed the check to IndyMac Bank Home Loan Servicing in Phoenix, AZ. Wells Fargo Bank and IndyMac Bank were financial institutions and Wells Fargo Bank was insured by the FDIC. On April 16, 2009, Langguth sold Lot 3. On June 14, 2010, the U.S. Bankruptcy Court in Austin, TX entered an Agreed Order permitting Independent Bank of Austin to foreclose on lots 1, 2, and 5 based on their first lien. In sum, beginning in January, 2006, and continuing until July 16, 2008, Langguth collected a total of \$910,500 from 14 investors each of whom entered into a loan participation agreement with Langguth which provided the investor was investing in a \$170,000 bridge loan from Capital Finance secured by 10.02 acres of real property known as 21321 Noack Hill.