

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS
URBANA DIVISION

FILED

AUG 05 2005

JOHN M. WATERS, Clerk
U.S. DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS

UNITED STATES OF AMERICA,)
)
Plaintiff,)

vs.)

No. CR 05-200 29-

GARY KNOX,)
FRANK KELLY CIOTA, and)
DENNIS WIESE, JR.,)
Defendants.)

Violations: Title 18, United States Code,
Section 1344 (Bank Fraud), 1341
(Mail Fraud), 1343 (Wire Fraud),
Section 1956 (Conspiracy to Commit
Money Laundering).

SUPERSEDING INDICTMENT

Count 1
(Bank Fraud)

THE GRAND JURY CHARGES:

INTRODUCTION

1. The defendants, GARY KNOX, FRANK KELLY CIOTA, and DENNIS WIESE, JR., are charged in this superseding indictment with one or more of 10 counts of bank fraud, mail fraud, and wire fraud. Between at least 1999 or before and continuing into 2005, the defendants and others devised and participated in a broad real estate "flipping" scheme to defraud various real estate lenders, sellers and buyers and to obtain their money and property by means of fraud. In furtherance of their scheme, the defendants devised and participated in more than 150 fraudulent real estate sale and financing transactions, totaling more than \$8,000,000. The defendants fraudulently obtained a total of more than \$3,000,000 from the transactions, which they converted to their personal use and used to promote their ongoing fraudulent scheme.

BACKGROUND

2. One method of real estate financing in the United States was obtaining mortgage loans through various financial and lending institutions. Such financing included loans for the purchase of investment property, such as rental real estate, and for the purchase of a person's primary residence. Loans made for the purchase of rental real estate were generally considered of higher risk than loans made to persons for the purchase of their primary residence.

3. As part of the lending process in a real estate purchase transaction, a borrower typically completed a credit or loan application that provided information about the amount of loan being sought, the amount of down payment the borrower would provide for the loan, and the borrower's creditworthiness. Financial and lending institutions relied on this information in determining whether to approve the requested real estate loan.

4. For federally-related mortgage loans, federal law required the use of a standard closing form (known as a HUD-1) as a statement and listing of settlement costs. This statement was required to clearly itemize all charges imposed upon the buyer/borrower and all charges imposed upon the seller in connection with the closing of a real estate sale.

5. In addition to the lender, buyer/borrower, and seller, various other parties were often involved in a real estate transaction. These parties included a mortgage broker, real estate broker or salesperson, a real estate appraiser, and a title

company.

6. A mortgage broker was an individual or business that brought borrowers and lenders together for the purpose of loan origination, but did not fund or service the mortgage. The broker may have also negotiated with the lender in an effort to obtain a favorable interest rate for the borrower.

7. A real estate broker or salesperson was a person or business that acted as an agent for a real estate seller or buyer and was engaged in the practice of selling or offering to sell, exchange, purchase, rent or lease real estate. It was unlawful in Illinois to act as a real estate broker or salesperson unless licensed to do so.

8. A real estate appraiser was a person who was licensed to engage in the practice of real estate appraisal and valuation. Real estate appraisal meant providing an analysis, opinion or conclusion concerning the value of a real estate property. One of the methods used by appraisers to estimate the value of a particular piece of property, which is known as the subject property, was to consider prior sales of similar properties that were located in areas similar to the location of the subject property. These prior sales were known as comparable sales.

9. Lenders relied on a real estate appraisal in determining whether to approve a real estate loan sought by a buyer. A real estate appraiser was required to be licensed under Illinois law and was subject to standards of conduct, including the Uniform Standards of Professional Appraisal Practice (USPAP). One of those standards of conduct was that a real estate appraiser was required to be a disinterested third

party. Under the USPAP, the acceptance of compensation that was contingent upon the reporting of a pre-determined value or a direction in value that favored the cause of the client was unethical.

10. A title insurance company was a business engaged in the practice of issuing an insurance policy that compensates for loss due to title defects or encumbrances that were unknown but should have been discovered at the time the title insurance policy was issued. Lenders often utilized title insurance companies to close (complete the real estate purchase/loan transaction) their loans and disburse the loan funds. Under Illinois law, title insurance companies were prohibited from disbursing loan funds prior to the completion of the sale and loan transaction.

THE DEFENDANTS

11. Defendant **GARY KNOX** was a resident of Decatur, Illinois. He represented himself to be in the business of buying, selling, and managing real estate. He did so both individually and doing business as Central Illinois Management and Development Company. He was not, however, a licensed real estate broker or salesperson. Defendant **KNOX's** wife was formerly a real estate agent in Decatur.

12. Defendant **FRANK KELLY CIOTA**, was a resident of Riverton, Illinois. He was not a licensed real estate broker or salesperson.

13. Defendant **DENNIS WIESE, JR.**, was a resident of Belleville, Illinois, and was a licensed Illinois real estate appraiser.

THE SCHEME TO DEFRAUD

14. Between at least 1999 or before, and continuing into 2005, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX, FRANK KELLY CIOTA, and DENNIS WIESE, JR.,

knowingly devised and participated in a scheme to defraud various real estate lenders, including Central Illinois Bank, Champaign, Illinois, a federally-insured bank, real estate sellers, real estate buyers, and others and to obtain their money and property by means of false and fraudulent pretenses, representations, and promises.

The Object of the Scheme to Defraud

15. The object of the defendants' scheme to defraud was to engage in the practice of fraudulent real estate "flipping," whereby the defendants made false representations, including fraudulent real estate appraisals prepared by Defendant **WIESE** and used by Defendants **KNOX** and **CIOTA**, that caused real estate owners to sell, real estate buyers to purchase, and lending institutions to finance rental real estate properties that were sold at prices which the defendants caused to be fraudulently inflated to substantially higher than their reasonable value. The defendants then reaped the benefits of the scheme by causing the payment of appraisal fees to Defendant **WIESE** and by Defendants **KNOX** and **CIOTA** converting the profits from the fraudulent transactions to their personal use and using such profits to promote the ongoing fraudulent scheme.

The Real Estate Sellers

16. As part of the scheme, Defendants **KNOX** and **CIOTA**, utilizing a fraudulent real estate appraisal prepared by Defendant **WIESE**, conducted a fraudulent sale of a house owned by an elderly couple in Decatur, Illinois, to Defendant **CIOTA**'s relatives for \$43,000, without the knowledge or approval of the elderly couple or Defendant **CIOTA**'s relatives. Defendants **KNOX** and **CIOTA** then converted the proceeds of the fraudulent sale to their personal use.

17. As a further part of the scheme, Defendants **KNOX** and **CIOTA**, within a three-day period, conducted four additional fraudulent sales of houses owned by Defendant **KNOX** to Defendant **CIOTA**'s relatives without their knowledge or approval. To support the transactions, Defendant **WIESE** prepared fraudulent appraisals for Defendant **KNOX** and was paid appraisal fees. Defendants **KNOX** and **CIOTA** then caused Defendant **CIOTA**'s relatives to incur debt totaling approximately \$211,000, and they converted more than \$175,000 in profits from the fraudulent sales to their personal use and used such profits to promote the ongoing fraudulent scheme.

18. As a further part of the scheme, Defendant **KNOX** also identified sellers of other lower-valued or distressed, single-family, rental properties in the Springfield and Decatur, Illinois, areas. In some instances, Defendant **KNOX** represented himself to be an agent for real estate investors and then negotiated with the sellers to determine a sale price for their properties. Defendant **KNOX** represented to those sellers that he would take care of completing the transactions and provide the sellers with the proceeds from

the sale of their properties. He fraudulently led these sellers to believe that his investor-clients would compensate him for facilitating the sale transaction, and that the sales prices determined by the sellers would be the actual price paid by the buyers of the properties.

19. In other instances, Defendant **KNOX** negotiated with sellers to establish sales prices for their properties. Defendant **KNOX** and those sellers then agreed that Defendant **KNOX** could retain any of the proceeds from the sales of properties that he was able to negotiate for amounts that exceeded the actual sale price set by the sellers. These sellers later acquiesced or were complicit in Defendant **KNOX**'s fraudulent sales of their properties to buyers for amounts that were substantially higher than their reasonable value but supported by fraudulent appraisals prepared by Defendant **WIESE**.

The Fraudulent Appraisals

20. As a further part of the scheme, and in conjunction with identifying properties for sale and determining a sale price with the property owners, Defendants **KNOX** and **CIOTA** fraudulently inflated the sales prices of the properties to amounts that were substantially higher than their reasonable value. To enable Defendants **KNOX** and **CIOTA** to do so, Defendant **WIESE** prepared fraudulent appraisals at the request and for the benefit of Defendant **KNOX** and was paid appraisal fees ranging from \$350 to \$450 per appraisal. Defendants **KNOX** and **CIOTA** then utilized the fraudulent appraisals to support the falsely-inflated prices of properties that were to be later sold

to unwitting buyers.

21. In order to establish the appraisal value, Defendant **WIESE** relied on target amounts that were provided by Defendant **KNOX**. To support the inflated values, Defendant **WIESE** relied on previous or comparable property sales for properties that were in better condition and located in more favorable areas than the subject or appraised properties. This comparable sales information was often provided by Defendant **KNOX**, who utilized his wife's access to such information as a real estate agent. Defendant **WIESE** also created his own comparable sales information by relying on prior fraudulent sales that were conducted by Defendant **KNOX** and were supported by Defendant **WIESE**'s prior fraudulent appraisals. To conceal the inflated nature of the appraisals, Defendant **WIESE** falsely described the condition of the subject or appraised properties.

22. As part of the scheme, Defendant **WIESE** performed more than 100 fraudulent appraisals, for which he was paid more than \$30,000 in appraisal fees. Each of these appraisals rendered values that were identical to or exceeded the inflated sales prices established by Defendants **KNOX** and **CIOTA**. While Defendant **WIESE** was performing fraudulent appraisals for Defendant **KNOX**, Defendant **KNOX**, in turn, assisted Defendant **WIESE** in continuing to live in his rented home. Defendant **KNOX** did so by securing a buyer-investor to purchase Defendant **WIESE**'s home, which resulted in the buyer-investor being Defendant **WIESE**'s landlord. During that same time, however, Defendant **WIESE**, on behalf of Defendant **KNOX**, was performing fraudulent appraisals on other properties purchased by that same buyer-investor,

thereby enabling the scheme to defraud to continue.

23. As a further part of the scheme, Defendants **KNOX** and **CIOTA** also utilized other appraisers to support a fraudulent transaction. In at least one instance, Defendant **KNOX** obtained comparable sales information for three properties sold in the Decatur area and forged the sale prices of those properties in order to make it look like they sold for more than \$70,000 higher than their actual sales price. He then faxed the forged comparable sales prices to the appraiser, who used such forged prices as comparable sales information to support an appraisal for a property sold at an amount falsely-inflated to more than \$80,000 above its reasonable value.

The Real Estate Buyers

24. As a further part of the scheme, Defendants **KNOX** and **CIOTA** recruited buyers to invest in rental real estate. These buyers were typically of modest means who had little or no experience in real estate investment. To entice the buyers to invest in rental real estate, Defendants **KNOX** and **CIOTA** made certain representations to them. These representations included one or more of the following: 1) the buyers would be paid as much as \$5,000 or more for each property they purchased; 2) the buyers could purchase properties with no money down; 3) the properties were worth the appraised amounts; 4) Defendants **KNOX** and **CIOTA** would assist the buyers in their loan applications to mortgage lenders; 5) Defendants **KNOX** and **CIOTA** would act as the buyers' property manager; 6) Defendants **KNOX** and **CIOTA** would locate tenants and collect the rents; 7) Defendants **KNOX** and **CIOTA** would make the loan payments directly to the mortgage lenders; and 8) Defendants **KNOX** and **CIOTA** would buy

back the properties from the buyers pursuant to a contract for deed. Defendants **KNOX** and **CIOTA**, however, did not advise the buyers that they and Defendant **WIESE** were falsely inflating the sales prices or that Defendants **KNOX** and **CIOTA** were converting a substantial portion of the sales proceeds to their personal use and using the proceeds to promote the ongoing fraudulent scheme.

The Mortgage Brokers

25. As a further part of the scheme, Defendants **KNOX** and **CIOTA** primarily utilized two mortgage brokerage firms in Springfield and Peoria to obtain mortgage loans for the buyers. These firms, in turn, earned a fee for each mortgage loan they originated. As part of the application process, the firms often allowed Defendant **KNOX** to assist in completing the necessary documentation and in acting as a conduit in the transmittal of real estate sale and loan documents between the firms and the buyers.

26. To gain approval for mortgage loans for many of the buyers, Defendants **KNOX** and **CIOTA** caused false statements to be made on the buyers' loan applications. These statements included falsely representing: 1) the existence and amount of a down payment; 2) the amount of cash the buyers had available; and 3) the amount of rental payments obtained from the rental properties to be purchased. Motivated by their desire to obtain money up front from Defendants **KNOX** and **CIOTA** for the purchase of properties with no money down, some buyers participated in the making of such false statements or were complicit in the submission of the false statements to the mortgage lenders. Relying on the false statements and the falsely-inflated appraisals caused by the defendants, mortgage lenders extended loans to the

buyers for the purchase of rental real estate.

The Fraudulent Real Estate Closings

27. As a further part of the scheme, Defendants **KNOX** and **CIOTA** utilized various title insurance companies, one of which was located in Springfield, to close the fraudulent sales and loans. As part of that process, the title insurance companies often allowed Defendant **KNOX** to assist in completing the loan closings and to act as a conduit in the transmittal of real estate closing documents, including the HUD-1's, between the title insurance companies and the buyers and sellers.

28. To conceal the fraudulent nature of the sales and the receipt of substantial sales proceeds by Defendants **KNOX** and **CIOTA**, Defendant **KNOX** often orchestrated the closings so that the buyers and sellers would not meet one another. Defendants **KNOX** and **CIOTA** also falsely led some buyers and sellers to believe that the large disbursements they received from the closings were for repairs and improvements they had completed or intended to complete on the properties. As Defendants **KNOX** and **CIOTA** well knew, however, few, if any, improvements were made or were intended to be made to the properties. Other buyers and sellers had no knowledge that Defendants **KNOX** and **CIOTA** received large disbursements from the fraudulent sales transactions.

29. In some instances, Defendant **KNOX** personally delivered the closing documents to the buyers and sellers, obtained their signatures, and returned the documents to the title insurance company for closing. In other instances, Defendant **KNOX** caused the signatures of the buyers and sellers to be forged on the documents,

which were either not provided to them or were provided well after the closings had taken place.

30. To complete many of the fraudulent sales, Defendant **KNOX** caused a Springfield title insurance company to fraudulently disburse a portion of the loan proceeds to Defendant **KNOX** by issuing him a check before many of the loan closings took place. Defendant **KNOX** thereafter took the check to a bank and divided the check into multiple cashier's checks. One of the cashier's checks was fraudulently obtained in the name of the buyer. Defendant **KNOX** then took the check and caused it to be fraudulently submitted to the title insurance company at closing as the buyer's down payment for the purchase of the property. This arrangement enabled Defendants **KNOX** and **CIOTA** to fraudulently use the loan proceeds from the mortgage lenders as fictitious down payments and to cause the HUD-1 forms to falsely reflect that down payments had been made by the buyers for the purchase of the properties. As Defendants **KNOX** and **CIOTA** well knew, however, the HUD-1 forms were false.

The Failure To Manage Real Estate

31. In the months following the buyers' purchases of rental properties, Defendants **KNOX** and **CIOTA** failed to properly manage the buyers' properties, locate tenants and collect the rents, and make loan payments to the mortgage lenders as promised. Such failure caused the buyers to default on their mortgage loans and the mortgage lenders to initiate foreclosure actions. Some buyers also found their properties to be vacant, in disrepair, or uninhabitable, which led to fines being imposed against the buyers.

The Result of the Defendants' Scheme

32. In seeking to achieve the objective of their scheme, the defendants devised and participated in more than 150 fraudulent real estate sale and financing transactions, totaling more than \$8,000,000. The defendants fraudulently obtained a total of more than \$3,000,000 from the transactions, which they converted to their personal use and used to promote their ongoing fraudulent scheme. As a result of the scheme, the defendants caused significant financial losses to various mortgage lenders and real estate sellers and buyers and caused buyers to file or face bankruptcy.

EXECUTIONS OF THE SCHEME TO DEFRAUD

Count 1 (Bank Fraud) - 418 S. Siegel, Decatur, IL

33. As part of the scheme, Defendant WIESE prepared a fraudulent appraisal of a Decatur property for Defendant KNOX. Defendants KNOX and CIOTA then utilized the appraisal to conduct a fraudulent sale of the property to Defendant CIOTA's relatives for \$64,000, without the knowledge or approval of either the owner of the property or Defendant CIOTA's relatives. Defendant WIESE obtained a fee for his fraudulent appraisal, and Defendants KNOX and CIOTA converted more than \$49,000 in profit on the fraudulent sale to their personal use. This transaction occurred as follows:

34. Seller 1 was a resident of Mahomet, Illinois. In 1995, Seller 1 purchased a rental home at 418 S. Siegel in Decatur for \$6,000. From 1995 to 2001, Seller 1 maintained the property as a rental home.

35. In 2001, Seller 1 sold the 418 S. Siegel property on contract for deed to a Decatur resident for \$14,500. The contract provided that, upon completion of all duties and obligations imposed upon the Decatur resident, Seller 1 would deliver a warranty deed to the Decatur resident, thereby transferring title of the property at the end of the contract. In September 2002, Seller 1 remained the owner of the property, and the Decatur resident owed a balance of approximately \$9,000 on the contract.

36. Buyer 1 was a married couple who resided in Springfield and were relatives of Defendant CIOTA.

37. As a further part of the scheme, in or about October 2002, Defendant

CIOTA falsely represented to Buyer 1 that he and his partner, Defendant KNOX, could assist them in making money by investing in rental real estate. Defendant CIOTA represented that he and Defendant KNOX purchased houses in distressed areas, fixed them up, and rented them out to Section 8 (government-subsidized) tenants. Defendant CIOTA further represented that if Buyer 1 purchased any homes, he would purchase the homes back from them on contract for deed, provide them with \$5,000 for each home they purchased, manage the properties, and collect the rental income to support the mortgage payments.

38. Buyer 1 advised Defendant CIOTA that they were interested in investing in real estate. Buyer 1 provided Defendant CIOTA with financial information to determine the amount of financing for which they would qualify. Defendant CIOTA later falsely represented to Buyer 1 that they qualified for financing for the purchase of 12 to 20 houses. Based on that false representation, Buyer 1 advised Defendant CIOTA that they were interested in purchasing six homes.

39. Meanwhile, in or about September 2002, as a further part of the scheme, Defendant KNOX contacted Seller 1 and advised him that Defendant KNOX was interested in buying the property and that he had the approval of the Decatur resident to do so. Defendant KNOX further represented to Seller 1 that he would take care of the paperwork for the sale and provide Seller 1 with a check for the payoff of the Decatur resident's contract for deed.

40. On December 16, 2002, as a further part of the scheme, and without the knowledge or approval of either Seller 1 (the Mahomet resident) or Buyer 1 (Defendant

CIOTA's relatives), Defendants **KNOX** and **CIOTA** created and caused to be created a fraudulent sale of the 418 S. Siegel property from Seller 1 to Buyer 1 for \$64,000, more than four times the amount of the legitimate sale of the property from Seller 1 to the Decatur resident in 2001. Defendants **KNOX** and **CIOTA** further fraudulently caused mortgage financing for Buyer 1 of \$57,600.

41. To accomplish the fraudulent sale, Defendant **WIESE** prepared a fraudulent appraisal for Defendant **KNOX** and was paid an appraisal fee. Defendants **KNOX** and **CIOTA** then utilized the appraisal to qualify Buyer 1 for financing for the purchase of the property and to support the sale price and financing, caused the real estate sale and financing to be closed in the names of Seller 1 and Buyer 1, and converted the more than \$49,000 in profit on the fraudulent sale and financing to their personal use. In so doing, Defendants **KNOX** and **CIOTA** caused information (including the source of the down payment) to be falsified on Buyer 1's credit application in order to qualify them for mortgage financing, caused the signatures of Buyer 1 to be forged on financing and purchase documents, and caused Seller 1's signature to be forged on the HUD-1 closing form and on the deed transferring title to Buyer 1.

42. On or about December 16, 2002, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX, FRANK KELLY CIOTA, and DENNIS WIESE, JR.,

for the purpose of executing and attempting to execute the scheme to defraud and to obtain money and property did close and cause to be closed the fraudulent sale of the 418 S. Siegel St. property for \$64,000 and the financing of the transaction of \$57,600 by Central Illinois Bank, Champaign, Illinois, a federally-insured bank.

All in violation of Title 18, United States Code, Sections 1344 and 2.

Count 2 (Wire Fraud) - 1145 N. Pine St., Decatur, IL

1. Paragraphs 1 through 32 and 36 through 38 of Count 1 are incorporated herein by reference.
2. The defendants fraudulent scheme did not stop with defrauding a mortgage lender or Buyer 1 only once or with defrauding only one real estate owner. As a further part of the scheme, Defendant **WIESE** prepared a fraudulent appraisal for Defendant **KNOX** of a Decatur property owned by an elderly couple. Defendants **KNOX** and **CIOTA** then utilized the appraisal to conduct a fraudulent sale of the property to Buyer 1 for \$64,000, without the knowledge or approval of either the elderly couple or Buyer 1. Defendant **WIESE** obtained a fee for his fraudulent appraisal, and Defendants **KNOX** and **CIOTA** converted more than \$25,000 in profit on the fraudulent sale to their personal use. This transaction occurred as follows:
 3. Seller 2 was an elderly couple who resided in Decatur, Illinois. In 1977, Seller 2 purchased a small home at 1145 N. Pine St. in Decatur.
 4. On or about December 30, 2000, Seller 2 entered into a contract for deed with the same Decatur resident mentioned in Count 1 to sell the 1145 N. Pine St. home for \$13,445. The contract provided that, upon completion of all duties and obligations imposed upon the Decatur resident, Seller 2 would deliver a warranty deed to the Decatur resident, thereby transferring title of the property at the end of the contract. By February 2002, however, Seller 2 remained the owner of the property and the Decatur resident was in default on the contract, which caused Seller 2 to attempt to obtain possession of the property.

5. On or about December 23, 2002, and without the knowledge or approval of either Seller 2 (the elderly couple) or Buyer 1 (Defendant CIOTA's relatives), Defendants KNOX and CIOTA created and caused to be created a fraudulent sale of the 1145 N. Pine St. property from Seller 2 to Buyer 1 for \$43,000, more than three times the amount of the legitimate sale of the property from Seller 2 to the Decatur resident in 2000. Defendants KNOX and CIOTA further fraudulently caused mortgage financing for Buyer 1 of \$34,400.

6. To accomplish the fraudulent sale, Defendant WIESE prepared a fraudulent appraisal for Defendant KNOX and was paid an appraisal fee. Defendants KNOX and CIOTA then utilized the appraisal to qualify Buyer 1 for financing for the purchase of the property and to support the sale price and financing, caused the real estate sale and financing to be closed in the names of Seller 2 and Buyer 1, and converted the more than \$25,000 in profit on the fraudulent sale and financing to their personal use. In so doing, Defendants KNOX and CIOTA caused information (including the source of the down payment) to be falsified on Buyer 1's credit application in order to qualify them for mortgage financing, caused the signatures of Buyer 1 to be forged on financing and purchase documents, and caused Seller 2's signatures to be forged on the HUD-1 closing form and on the deed transferring title to Buyer 1.

7. On or about December 23, 2002, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX, FRANK KELLY CIOTA, and DENNIS WIESE, JR.,

for the purpose of executing and attempting to execute the scheme to defraud and to obtain money and property did cause to be transmitted in interstate commerce, by means of a wire communication, certain signs, signals, and sounds, namely, a transfer of \$34,400 in mortgage proceeds for Buyer 1 from Option One, Irvine, CA, to a title insurance company in Springfield, Illinois.

All in violation of Title 18, United States Code, Sections 1343 and 2.

8. It was only after the fraudulent sale was discovered by Seller 2 (the elderly couple) that Defendant **KNOX** attempted to pay them the balance owed by the Decatur resident on the contract for deed.

Count 3 (Mail Fraud) - 830 S. 12th St., Springfield, IL

1. Paragraphs 1 through 32 and 36 through 38 of Count 1 are incorporated herein by reference.
2. As a further part of the scheme, Defendant **WIESE** prepared fraudulent appraisals for Defendant **KNOX** of four properties owned by Defendant **KNOX**'s company, Central Illinois Management and Development Co. (CIMD). Defendants **KNOX** and **CIOTA** then utilized the appraisals to conduct fraudulent sales of the four properties to Buyer 1 for a total of \$229,500, without the knowledge or approval of Buyer 1. All four of the fraudulent transactions occurred during a three-day period in November 2002, three of which occurred on the same day. Defendant **WIESE** obtained a fee for his fraudulent appraisals, and Defendants **KNOX** and **CIOTA** converted more than \$175,000 in profits on the fraudulent sales to their personal use. These transactions occurred as follows:
 3. In October 2002, CIMD purchased a home at 830 S. 12th St. in Springfield for \$100.
 4. As a further part of the scheme, on or about November 5, 2002, and without the knowledge or approval of Buyer 1 (Defendant **CIOTA**'s relatives), Defendants **KNOX** and **CIOTA** created and caused to be created a fraudulent sale of the 830 S. 12th St. property from CIMD to Buyer 1 for the fraudulently-inflated price of \$63,000 and mortgage financing for Buyer 1 of \$50,400.
 5. To accomplish the fraudulent sale, Defendant **WIESE** prepared a fraudulent appraisal for Defendant **KNOX** and was paid an appraisal fee. Defendants

KNOX and CIOTA then utilized the appraisal to qualify Buyer 1 for financing for the purchase of the property and to support the sale price and financing, caused the real estate sale and financing to be closed in the names of CIMD and Buyer 1, and converted the more than \$60,000 in profit on the fraudulent sale and financing to their personal use. In so doing, Defendants KNOX and CIOTA caused information (including the source of the down payment) to be falsified on Buyer 1's credit application in order to qualify them for mortgage financing and caused the signatures of Buyer 1 to be forged on financing and purchase documents.

6. On or about November 5, 2002, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX, FRANK KELLY CIOTA, and DENNIS WIESE, JR.,

for the purpose of executing the scheme to defraud and to obtain money and property did cause the fraudulent mortgage documents to be shipped in interstate commerce by UPS, a private interstate mail carrier, from a title insurance company in Springfield, Illinois, to a mortgage brokerage company in Peoria, Illinois.

All in violation of Title 18, United States Code, Sections 1341 and 2.

Count 4 (Mail Fraud) - 1320 S. 13th St., Springfield, IL

1. Paragraphs 1 through 32 and 36 through 38 of Count 1 and paragraph 2 of Count 3 are incorporated herein by reference.

2. In November 2002, CIMD purchased a home at 1320 S. 13th St. in Springfield for \$6,500.

3. As a further part of the scheme, again on November 5, 2002, and without the knowledge or approval of Buyer 1 (Defendant CIOTA's relatives), Defendants KNOX and CIOTA created and caused to be created a fraudulent sale of the 1320 S. 13th St. property from CIMD to Buyer 1 for the fraudulently-inflated price of \$43,500 and mortgage financing for Buyer 1 of \$34,800.

4. To accomplish the fraudulent sale, Defendant WIESE prepared a fraudulent appraisal for Defendant KNOX and was paid an appraisal fee. Defendants KNOX and CIOTA then utilized the appraisal to qualify Buyer 1 for financing for the purchase of the property and to support the sale price and financing, caused the real estate sale and financing to be closed in the names of CIMD and Buyer 1, and converted the more than \$35,000 in profit on the fraudulent sale and financing to their personal use. In so doing, Defendants KNOX and CIOTA caused information (including the source of the down payment) to be falsified on Buyer 1's credit application in order to qualify them for mortgage financing and caused the signatures of Buyer 1 to be forged on financing and purchase documents.

5. On or about November 5, 2002, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX, FRANK KELLY CIOTA, and DENNIS WIESE, JR.,

for the purpose of executing the scheme to defraud and to obtain money and property did cause the fraudulent mortgage documents to be shipped in interstate commerce by UPS, a private interstate mail carrier, from a title insurance company in Springfield, Illinois, to a mortgage brokerage company in Peoria, Illinois.

All in violation of Title 18, United States Code, Sections 1341 and 2.

Count 5 (Mail Fraud) - 1305 E. South Grand Ave, Springfield, IL

1. Paragraphs 1 through 32 and 36 through 38 of Count 1 and paragraph 2 of Count 3 are incorporated herein by reference.
2. In November 2002, CIMD purchased a home at 1305 E. South Grand Ave. in Springfield for \$13,500.
3. As a further part of the scheme, again on November 5, 2002, and without the knowledge or approval of Buyer 1 (Defendant CIOTA's relatives), Defendants KNOX and CIOTA created and caused to be created a fraudulent sale of the 1305 E. South Grand Ave. property from CIMD to Buyer 1 for the fraudulently-inflated price of \$75,000 and mortgage financing for Buyer 1 of \$60,000.
4. To accomplish the fraudulent sale, Defendant WIESE prepared a fraudulent appraisal for Defendant KNOX and was paid an appraisal fee. Defendants KNOX and CIOTA then utilized the appraisal to qualify Buyer 1 for financing for the purchase of the property and to support the sale price and financing, caused the real estate sale and financing to be closed in the names of CIMD and Buyer 1, and converted the more than \$50,000 in profit on the fraudulent sale and financing to their personal use. In so doing, Defendants KNOX and CIOTA caused information (including the source of the down payment) to be falsified on Buyer 1's credit application in order to qualify them for mortgage financing and caused the signatures of Buyer 1 to be forged on financing and purchase documents.

5. On or about November 5, 2002, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX, FRANK KELLY CIOTA, and DENNIS WIESE, JR.,

for the purpose of executing the scheme to defraud and to obtain money and property did cause the fraudulent mortgage documents to be shipped in interstate commerce by UPS, a private interstate mail carrier, from a title insurance company in Springfield, Illinois, to a mortgage brokerage company in Peoria, Illinois.

All in violation of Title 18, United States Code, Sections 1341 and 2.

Count 6 (Mail Fraud) - 821 S. 14th St., Springfield, IL

1. Paragraphs 1 through 32 and 36 through 38 of Count 1 and paragraph 2 of Count 3 are incorporated herein by reference.

2. In September 2002, CIMD purchased a home at 821 S. 14th St. in Springfield for \$14,500.

3. As a further part of the scheme, on or about November 8, 2002, and without the knowledge or approval of Buyer 1 (Defendant CIOTA's relatives), Defendants KNOX and CIOTA created and caused to be created a fraudulent sale of the 821 S. 14th St. property from CIMD to Buyer 1 for the fraudulently-inflated price of \$48,000 and mortgage financing for Buyer 1 of \$36,000.

4. To accomplish the fraudulent sale, Defendant WIESE prepared a fraudulent appraisal for Defendant KNOX and was paid an appraisal fee. Defendants KNOX and CIOTA then utilized the appraisal to qualify Buyer 1 for financing for the purchase of the property and to support the sale price and financing, caused the real estate sale and financing to be closed in the names of CIMD and Buyer 1, and converted the more than \$30,000 in profit on the fraudulent sale and financing to their personal use. In so doing, Defendants KNOX and CIOTA caused information (including the source of the down payment) to be falsified on Buyer 1's credit application in order to qualify them for mortgage financing and caused the signatures of Buyer 1 to be forged on financing and purchase documents.

5. On or about November 8, 2002, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX, FRANK KELLY CIOTA, and DENNIS WIESE, JR.,

for the purpose of executing the scheme to defraud and to obtain money and property did cause the fraudulent mortgage documents to be shipped in interstate commerce by UPS, a private interstate mail carrier, from a title insurance company in Springfield, Illinois, to a mortgage brokerage company in Peoria, Illinois.

All in violation of Title 18, United States Code, Sections 1341 and 2.

Continuation of the Scheme Involving Buyer 1

6. As a further part of the scheme, in November and December 2002, and without the knowledge or approval of Buyer 1, Defendants **KNOX** and **CIOTA** created and caused to be created an additional six fraudulent sales of properties in Decatur, Illinois, from other real estate owners to Buyer 1 without the knowledge or approval of Buyer 1. To accomplish this, Defendant **WIESE** prepared additional fraudulent appraisals for Defendant **KNOX**. Defendants **KNOX** and **CIOTA** then utilized the appraisals to complete the fraudulent sales of the six properties to Buyer 1 for a total of \$350,000 and cause mortgage financing for Buyer 1 of \$321,000. Defendant **WIESE** obtained a fee for his fraudulent appraisals, and Defendants **KNOX** and **CIOTA** converted approximately \$234,000 (more than 2/3 of the total of the sales) in falsely-inflated profits on the sales to their personal use and used such profits to promote the ongoing fraudulent scheme.

The Aftermath of the Transactions Involving Sellers 1 and 2 and Buyer 1

7. As a result of the scheme, Defendant **WIESE** prepared fraudulent appraisals for Defendant **KNOX**. Defendants **KNOX** and **CIOTA** then utilized the appraisals to create a total of 12 fraudulent transactions involving the purchase of Springfield and Decatur properties in the name of Buyer 1 (Defendant **CIOTA**'s relatives). These transactions involved falsely-inflated sales prices totaling approximately \$684,500 and mortgage financing for Buyer 1 totaling approximately \$594,400, with Defendant **WIESE** receiving appraisal fees and Defendants **KNOX** and **CIOTA** converting approximately \$525,000 (more than 75% of the total sales) in falsely-inflated profits on the sales to their personal use and using such profits to promote the ongoing fraudulent scheme. Defendants **KNOX** and **CIOTA** made few, if any, improvements or repairs to the properties and failed to manage the properties or provide rental income to sustain the mortgage payments, which, when combined with the falsely-inflated sales prices, caused significant losses to the mortgage lenders and to Buyer 1.

Count 7 (Mail Fraud) - 467 S. Boyd, Decatur, IL

1. Paragraphs 1 through 32 of Count 1 are incorporated herein by reference.

2. Buyer 2 was a married couple and were residents of Jerseyville, Illinois. In 2001, Buyer 2 owned rental properties in Jerseyville and were interested in purchasing additional properties to increase their monthly rental income. Buyer 2 was subsequently introduced to Defendant **KNOX** by a mutual friend.

3. As a further part of the scheme, in or about late-2001, Defendant **KNOX** falsely represented to Buyer 2 that he could assist Buyer 2 in increasing their monthly rental income. Defendant **KNOX** further represented that he would assist Buyer 2 in locating homes to purchase, qualifying Buyer 2 for financing, obtaining appraisals to support the financing, and closing the sale and financing transactions. Defendant **KNOX** also represented that he would provide the down payment for the purchase of any property purchased by Buyer 2 and pay all closing costs. Finally, Defendant **KNOX** represented that after Buyer 2 purchased any properties, Defendant **KNOX** would, in turn, purchase the properties from Buyer 2 on contract for deed. Buyer 2 agreed to work with Defendant **KNOX** to purchase additional properties with the expectation that they could increase their monthly rental income by \$1,000 per month.

4. As a further part of the scheme, between December 2001 and September 2002, Defendant **KNOX** created and caused to be created a total of 22 fraudulent transactions involving the purchase of Decatur, Peoria, and Belleville, Illinois, properties by Buyer 2. To accomplish this, Defendant **WIESE** prepared additional fraudulent appraisals for Defendant **KNOX**. Defendant **KNOX** then utilized the

appraisals to complete the 22 fraudulent sales of properties to Buyer 2 for total sales prices of more than \$1,000,000 and fraudulently qualified Buyer 2 for mortgage financing of more than \$1,000,000. Defendant **WIESE** obtained a fee for his fraudulent appraisals, and Defendant **KNOX** converted approximately \$600,000 in falsely-inflated profits on the sales to his personal use and used such profits to promote the ongoing fraudulent scheme.

5. While Defendant **WIESE** was performing fraudulent appraisals for Defendant **KNOX**, Defendant **KNOX**, in turn, assisted Defendant **WIESE** in continuing to live in his rented home. Defendant **KNOX** did so by causing Buyer 2 to purchase Defendant **WIESE**'s home, which resulted in Buyer 2 being Defendant **WIESE**'s landlord. During that same time, however, Defendant **WIESE**, on behalf of Defendant **KNOX**, was also performing fraudulent appraisals on properties purchased by Buyer 2, thereby enabling the scheme to defraud to continue.

6. One of the fraudulent transactions involving Buyer 2 included the sale of a property at 467 S. Boyd, Decatur, Illinois.

7. As a further part of the scheme, on or about April 12, 2002, Defendant **KNOX** created and caused to be created the fraudulent sale of the 467 S. Boyd property to Buyer 2 for \$109,000 and mortgage financing for Buyer 2 of \$92,650, with Defendant **KNOX** converting approximately \$84,440 in falsely-inflated profit on the sale to his personal use and using such profit to promote the ongoing fraudulent scheme.

8. To accomplish the fraudulent sale, Defendant **WIESE** prepared a fraudulent appraisal for Defendant **KNOX** and was paid an appraisal fee. Defendant

KNOX then utilized the appraisal to support the falsely-inflated sale price. He also fraudulently qualified Buyer 2 for mortgage financing by falsifying the amount of the actual down payment to reflect that the source of the down payment was Buyer 2. As Defendant KNOX well knew, however, the source of the down payment was the use of a portion of the loan proceeds from the mortgage lender that was disbursed to Defendant KNOX by the title insurance company prior to the sale closing.

9. On or about April 12, 2002, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX and DENNIS WIESE, JR.,

for the purpose of executing and attempting to execute the scheme to defraud and to obtain money and property did cause the fraudulent mortgage documents to be shipped in interstate commerce by UPS, a private interstate mail carrier, from a title insurance company in Springfield, Illinois, to a mortgage lender in Oakbrook, Illinois.

All in violation of Title 18, United States Code, Sections 1341 and 2.

Count 8 (Bank Fraud) - 1039 N. Church St., Decatur, IL.

1. Paragraphs 1 through 32 of Count 1 and paragraphs 2 through 6 of Count 7 are incorporated herein by reference.

2. One of the fraudulent transactions involving Buyer 2 included the sale of a property at 1039 N. Church St., Decatur, Illinois. This property was purchased by the previous owner in 1959 for \$3,300.

3. As a further part of the scheme, on or about July 2, 2002, Defendant **KNOX** created and caused to be created the fraudulent sale of the 1039 N. Church St. property to Buyer 2 for \$74,000 and mortgage financing for Buyer 2 of \$66,600, with Defendant **KNOX** converting approximately \$61,000 in falsely-inflated profit on the sale to his personal use and using such profit to promote the ongoing fraudulent scheme.

4. To accomplish the fraudulent sale, Defendant **WIESE** prepared a fraudulent appraisal for Defendant **KNOX** and was paid an appraisal fee. Defendant **KNOX** then utilized the appraisal to support the falsely-inflated sale price. He also fraudulently qualified Buyer 2 for mortgage financing by falsifying the amount of the actual down payment to reflect that the source of the down payment was Buyer 2. As Defendant **KNOX** well knew, however, the source of the down payment was the use of a portion of the loan proceeds from the mortgage lender that was disbursed to Defendant **KNOX** by the title insurance company prior to the sale closing.

5. On or about July 2, 2002, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX and DENNIS WIESE, JR.,

for the purpose of executing and attempting to execute the scheme to defraud and to obtain money and property did close and cause to be closed the fraudulent sale of the 1039 N. Church St. property for \$74,000 and financing of the transaction of \$66,600 by Central Illinois Bank, Champaign, Illinois, a federally-insured bank.

All in violation of Title 18, United States Code, Sections 1344 and 2.

The Aftermath of the Transactions Involving Buyer 2

6. In the months following Buyer 2's purchases of 22 rental homes, Defendant **KNOX** made few, if any, improvements or repairs to the properties and failed to manage the properties or provide rental income to sustain the mortgage payments.

7. In approximately August 2003, Defendant **CIOTA** met with Buyer 2, falsely represented that he would manage the properties, and fraudulently obtained an initial payment of \$1,000 for such management from Buyer 2. Defendant **CIOTA**, however, failed to perform any work as promised.

8. As a result of the defendants' scheme, mortgage lenders foreclosed on all of Buyer 2's properties, which caused significant losses to the mortgage lenders and Buyer 2.

Count 9 (Bank Fraud) - 1414 S. Grand Ave., Springfield, IL.

1. Paragraphs 1 through 32 of Count 1 are incorporated herein by reference.
2. As a further part of the scheme, Defendant **WIESE** prepared a fraudulent appraisal for Defendant **KNOX** for an additional property owned by Defendant **KNOX's** company, CIMD. Defendant **KNOX** then utilized the appraisal to conduct a fraudulent sale of the property to a buyer for \$48,000. Defendant **WIESE** obtained a fee for his fraudulent appraisal, and Defendant **KNOX** converted more than \$40,000 in profit on the fraudulent sale to his personal use. This transaction occurred as follows:
 3. In March 2003, Defendant **KNOX**, through CIMD, purchased a home at 1414 S. Grand Ave. in Springfield for \$1,500.
 4. Buyer 3 was a resident of Chicago, Illinois.
 5. In or about early-2003, Buyer 3 was introduced to Defendant **KNOX** by a mutual friend. Buyer 3 expressed an interest to Defendant **KNOX** in investing in rental real estate with no money down.
 6. Defendant **KNOX** falsely represented to Buyer 3 that he could assist Buyer 3 in making money by investing in rental real estate. Defendant **KNOX** further represented that he would assist Buyer 3 in locating homes to purchase in Decatur, Illinois, qualifying Buyer 3 for financing, obtaining appraisals to support the financing, and closing the sale and financing transactions. Finally, Defendant **KNOX** represented that after Buyer 3 purchased any properties, Defendant **KNOX** would fix them up, rent them out to Section 8 (government-subsidized) tenants, manage the properties, and collect the rental income to support the mortgage payments.

7. Buyer 3 requested that Defendant **KNOX** assist him in investing in real estate. Pursuant to Defendant **KNOX**'s request, Buyer 3 provided Defendant **KNOX** with financial information to be used to qualify Buyer 3 for mortgage financing.

8. As a further part of the scheme, between July 2003 and July 2004, Defendant **KNOX** created and caused to be created a total of 10 fraudulent transactions involving the purchase of Springfield and Decatur properties by Buyer 3. To accomplish this, Defendant **WIESE** prepared additional fraudulent appraisals for Defendant **KNOX**. Defendant **KNOX** then utilized the appraisals to complete the 10 fraudulent sales of properties to Buyer 3 for total sales prices of approximately \$798,000. Defendant **KNOX** also fraudulently qualified Buyer 3 for total financing of approximately \$625,700 from mortgage lenders by falsifying the source of the down payments. Defendant **WIESE** obtained a fee for his fraudulent appraisals, and Defendant **KNOX** converted more than \$300,000 in falsely-inflated profits on the sales to his personal use and used such profits to promote the ongoing fraudulent scheme. One of the 10 fraudulent transactions was Defendant **KNOX**'s sale in August 2003, through CIMD, of the 1414 S. Grand Ave. property to Buyer 3 for \$48,000.

9. To facilitate the fraudulent sales of properties other than 1414 S. Grand Ave., Defendant **KNOX** negotiated with at least two sellers to establish actual sales prices for their properties that were substantially less than the sales prices later disclosed to Buyer 3 or the lenders that financed his purchases. Defendant **KNOX** and those sellers agreed that Defendant **KNOX** could retain any of the proceeds from the inflated sales prices that exceeded the actual sale price set by the sellers. Defendant

KNOX then falsely-inflated the sales prices and supported such sales prices with fraudulent appraisals performed by Defendant **WIESE**. To facilitate the sale of his own 1414 S. Grand Ave. property, Defendant **KNOX** concealed from Buyer 3 that Defendant **KNOX** owned CIMD or that it had purchased the property for \$1,500 less than six months prior to its purchase by Buyer 3 for \$48,000.

10. As a part of the scheme, one of the 10 fraudulent transactions included the July 2004 sale of a property at 684 W. Forsyth Parkway, Forsyth, Illinois, from a Decatur businessman to Buyer 3 for \$315,000. In order to convince Buyer 3 to make such a large purchase, Defendant **KNOX** falsely represented to Buyer 3 that the property had already been leased to a Decatur business executive and provided Buyer 3 with a lease in the name of Defendant **CIOTA**. As Defendant **KNOX** well knew, however, Defendant **CIOTA** was not a business executive and could not and did not make the lease payment.

11. On or about August 18, 2003, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX and DENNIS WIESE, JR.,

for the purpose of executing and attempting to execute the scheme to defraud and to obtain money and property did close and cause to be closed the fraudulent sale of the 1414 S. Grand Ave. property for \$48,000 and financing of the transaction of \$43,200 by Central Illinois Bank, Champaign, Illinois, a federally-insured bank.

All in violation of Title 18, United States Code, Sections 1344 and 2.

The Aftermath of the Transactions Involving Buyer 3

12. In the months following Buyer 3's purchases of 10 rental homes, Defendant KNOX made few, if any, improvements or repairs to the properties and failed to manage the properties or provide rental income to sustain the mortgage payments, which, when combined with the falsely-inflated sales prices for the properties, caused significant losses to the mortgage lenders and Buyer 3 and caused Buyer 3 to file for bankruptcy.

Count 10 (Mail Fraud) - 8 Montgomery Place, Decatur, IL

1. Paragraphs 1 through 32 of Count 1 are incorporated herein by reference.
2. In 1994, Defendant **KNOX** and his wife purchased a home at 8 Montgomery Place in Decatur for \$112,500. The home was their primary residence. After the **KNOXes** later sold the home in 2001 to a friend, it was the subject of a foreclosure action and was repossessed by a lending institution.
3. In August 2004, 8 Montgomery Place was purchased by a Decatur businessman for \$94,000.
4. Buyer 4 was a resident of Mechanicsburg, Illinois.
5. As a further part of the scheme, in or about September 2004, Defendants **KNOX** and **CIOTA** falsely represented to Buyer 4 that they could assist Buyer 4 in making money by investing in rental real estate. Defendants **KNOX** and **CIOTA** further represented that if Buyer 4 purchased any homes, Defendants **KNOX** and **CIOTA** would pay Buyer 4 \$5,000 for each home he purchased, manage the properties, and collect the rental income to support the mortgage payments. Based on Defendants **KNOX's** and **CIOTA's** representations, Buyer 4 agreed to purchase the property at 8 Montgomery Place in Decatur.
6. Meanwhile, Defendant **KNOX** negotiated with the Decatur businessman who owned 8 Montgomery Place and established an actual sale price for the property of \$110,000. Defendant **KNOX** and the Decatur businessman agreed that Defendant **KNOX** could retain any of the proceeds from any inflated sale price that exceeded the actual sale price of \$110,000.

7. As a further part of the scheme, Defendants **KNOX** and **CIOTA** fraudulently established an inflated sale price for the property of \$210,000, qualified Buyer 4 for mortgage financing of \$189,000 by falsifying the source of the down payment, obtained a falsely-inflated appraisal to support the sale price and financing, caused the real estate sale and financing to be closed in the names of the Decatur businessman and Buyer 4, and converted approximately \$79,000 in profit from the fraudulent sale to their personal use.

8. In acquiring the falsely-inflated appraisal, Defendant **KNOX** obtained comparable sales information for three other properties sold in the Decatur area and forged the sale prices of those properties in order to make it look like they sold for more than \$70,000 higher than their actual sales price. He then faxed the forged sale prices to the appraiser, who used such forged sale prices as comparable sales information to support the appraisal.

9. On or about December 17, 2004, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX and FRANK KELLY CIOTA,

for the purpose of executing and attempting to execute the scheme to defraud and to obtain money and property did cause the fraudulent sale and mortgage documents to be placed in an authorized depository for mail matter in Freeport, Illinois, for delivery by the U.S. Postal Service to the Macon County Recorder of Deeds in Decatur, Illinois.

All in violation of Title 18, United States Code, Section 1341.

Count 11
(Conspiracy to Commit Money Laundering)

1. Between at least late-2002 or before, and continuing into 2005, in the Central District of Illinois, and elsewhere, the defendants,

GARY KNOX and FRANK KELLY CIOTA,

knowingly and intentionally conspired with each other and with others to commit the following offenses, in violation of Title 18, United States Code, Section 1956:

a. To conduct and attempt to conduct a financial transaction affecting interstate commerce, which transaction involved the proceeds of specified unlawful activity, namely, bank fraud, mail fraud and wire fraud, as charged in Counts 1 through 10 of this superseding indictment, with the intent to promote the carrying on of such specified unlawful activity, and, while conducting and attempting to conduct such financial transaction, knowing that the property involved in the financial transaction represented the proceeds of some form of unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i); and

b. To conduct and attempt to conduct a financial transaction affecting interstate commerce, which transaction involved the proceeds of specified unlawful activity, namely, bank fraud, mail fraud and wire fraud, as charged in Counts 1 through 10 of this superseding indictment, knowing that the transaction was designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of such specified unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

2. As part of the conspiracy, Defendants **KNOX** and **CIOTA** engaged in a fraudulent real estate "flipping" scheme, as charged in Counts 1 through 10 of this superseding indictment.

3. As a further part of the conspiracy, Defendants **KNOX** and **CIOTA** engaged in numerous financial transactions, including the issuance and negotiation of more than \$1,000,000 in bank cashier's checks and personal bank checks, involving the proceeds of their fraudulent scheme, with the intent to promote the carrying on of such scheme and with the intent to conceal and disguise the nature, location, source, ownership, and control of the proceeds of the scheme. In so doing, Defendants **KNOX** and **CIOTA** conducted numerous financial transactions that were designed to create fictitious down payments for fraudulent real estate transactions and thereby promote their scheme. Defendants **KNOX** and **CIOTA** conducted numerous other financial transactions that were designed to convert the proceeds of the fraudulent real estate transactions to cash and thereby conceal or disguise the nature, location, source, ownership, and control of the proceeds of their scheme.

All in violation of Title 18, United States Code, Section 1956(h).

A TRUE BILL.

s/Foreperson

FOREPERSON

s/Tim Bass

JAN PAUL MILLER
UNITED STATES ATTORNEY
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