

FILED IN OPEN COURT

ON 9/5/12

Julie A. Richards, Clerk  
US District Court  
Eastern District of NC

WMG

UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF NORTH CAROLINA  
WESTERN DIVISION

NO. 5:12-CR-301-1 (3)

UNITED STATES OF AMERICA )  
 )  
 v. )  
 )  
 JAMES THOMAS WEBB )

INDICTMENT

The Grand Jury charges that:

INTRODUCTION

1. JAMES THOMAS WEBB (hereinafter "WEBB"), defendant herein, was an individual who conducted business within the city of Raleigh and elsewhere within the Eastern District of North Carolina.

2. Between 2002 and 2006, WEBB operated various real estate companies, including but not limited to Alpine Properties, LLC and Webb Builders, LLC, for a profit. Through these and other companies owned or controlled by him, WEBB promised investors financial gains through the purchase, renovation, and resale of distressed residential real estate in primarily low-income neighborhoods. WEBB purported to purchase, renovate, and resell properties in various states, including North Carolina, Virginia, and Tennessee. WEBB solicited investments from individuals residing in various states, including North Carolina and California.

3. WEBB presented himself as "The Real Estate Investor and Developer's Best Friend." WEBB marketed himself as being able to

assist individuals who "have extraordinary dreams to grow their financial future through real estate ownership," and who "desperately seek an avenue to safety, [and] place in motion their financial strength instead of sitting on the sidelines, watching America and their financial future go to shreds." WEBB told potential investors that "Real Estate Investing ... has always, and always will be, the safest and the best long term investment ... in America..."

4. In addition to marketing himself as being able to generate quick, large, and safe financial gains for investors, WEBB also sold his alleged investment opportunity as one which benefitted economically disadvantaged people and communities. WEBB told investors that their money would be used to not only renovate houses, but to revitalize communities. Houses allegedly renovated by WEBB were supposed to be quickly resold to a first-time home buyer who wanted "a beautiful starter home". WEBB also indicated that he trained and used local labor and contractors who needed help getting started.

5. WEBB induced various individuals to give money to WEBB or one of his affiliated companies by presenting one of several alleged investment opportunities:

- (A) WEBB promised some investors a fixed rate of return for a cash investment with him. WEBB generally told such investors that their money would be used

to renovate houses for resale.

- (B) WEBB promised some investors that in exchange for a \$40,000 investment, approximately \$10,000 to \$15,000 would be used by WEBB or his companies to purchase a distressed property for the investor. The remaining \$25,000 to \$30,000 would be used by WEBB and his companies to renovate the property for resale to a first-time home buyer. WEBB told investors that the properties he renovated would be sold for a substantially higher price within a period of a few months, and that he would split the proceeds on the sale of the renovated property with the investor. Properties that were not immediately sold to first time home-buyers would be rented by WEBB and his companies.

6. WEBB described the foregoing as being a "turn-key" operation, and a passive investment. WEBB promised investors that he would handle the purchase, renovation, and resale of the properties. WEBB also promised investors that they would not have to manage or upkeep the purchased properties, find tenants for the properties, or rent the properties.

7. Typically within a few months of an initial cash investment with WEBB, WEBB would pay an investor a sum or sums of cash which purported to be investment returns. WEBB would then

suggest that the investor either: (A) make additional cash investments with his companies, or (B) withdraw "equity" from properties that WEBB had allegedly renovated.

8. When WEBB recommended that investors withdraw equity from properties, this ultimately meant that WEBB and his staff would obtain approval for the investor to receive loans on properties that WEBB represented were fully renovated. WEBB further represented to investors that he would take the loan proceeds and use them to purchase and renovate additional properties. WEBB represented that when equity was withdrawn from a property in the form of a loan, WEBB would maintain the property, rent the property, and deliver interest payments on the property. WEBB further represented that the investors would not have to put up any of their own money to withdraw equity from the properties in this manner.

9. As a part of WEBB's ongoing solicitations, WEBB would show investors "before and after" pictures of properties allegedly purchased and rehabilitated by WEBB and his companies. When asking investors to assume a loan on a property, WEBB frequently provided investors a copy of an appraisal which stated that the property had been renovated in the manner represented by WEBB. The properties which WEBB represented as being renovated were typically located in a different city or state from the investor. Investors trusted WEBB and did not visit the properties that WEBB represented as being

fully renovated.

10. Despite WEBB's alleged philanthropic and humanitarian objectives, WEBB carried out a fraud upon both the investors who invested cash with WEBB to renovate houses, and the banks and lenders who WEBB caused to disburse loan proceeds. The properties sold to investors and financed by banks and lenders were not always completed or in the condition represented in the appraisal reports. WEBB also did not always rent the properties and sell them to first-time home buyers as promised. Instead, Webb caused investors to buy properties from one another or from related entities. Finally, WEBB did not always deliver interest payments on investor loans and maintain the properties as promised. Meanwhile, throughout the course of the scheme WEBB lived lavishly, residing in a multi-million dollar mansion, driving expensive vehicles including a Bentley, traveling extensively, and otherwise paying himself handsomely.

11. To carry out the scheme, WEBB conspired with others, including a licensed attorney and a licensed real estate appraiser to submit false documents to banks and lenders in support of loans. The false documents were transmitted to banks and lenders by mail and interstate wire, both directly and indirectly, and included the following:

(A) False Appraisal Documents. Unbeknownst to investors, WEBB had established a corrupt relationship with a West Virginia

appraiser named Larry Max McDaniel, and his former associate Jackie Gale Weaver. Under this relationship, McDaniel would issue real property appraisal reports commensurate with WEBB's investment objectives without ever personally inspecting the properties to confirm that the renovations had been made, or that the property was actually <sup>very low</sup> worth WEBB's desired value of around \$65,000. Moreover, WEBB paid Weaver to quickly generate appraisal reports bearing McDaniel's name and seal on properties allegedly renovated by WEBB, using photographs, measurements, and sketches provided by WEBB and his staff. The appraisal reports and other appraisal documents contained numerous false statements and representations including, among others:

- (1) The appraiser conducted a physical inspection of both the interior and exterior of the subject property;
- (2) While on site at the time of the physical inspection, the appraiser made a sketch of the interior rooms, measured the exterior, and took representative photographs;

WEBB was aware that McDaniel was not actually visiting the properties, and that McDaniel was relying upon WEBB's word that the properties were in the condition represented to banks and lenders in the appraisal reports.

(B) False Closing Documents. In connection with every loan transaction orchestrated by WEBB, banks and lenders required a document known as a HUD-1 Settlement Statement (HUD-1). The HUD-1 was supposed to be a truthful and complete record of all funds received and disbursed by the attorney handling the real estate

closing. WEBB conspired with a closing attorney named Amy Robinson to falsify the HUD-1 Settlement Statements that were sent to banks and lenders in support of the loans orchestrated by WEBB. The HUD-1s contained numerous false statements and representations, including, among others:

- (1) The borrower brought cash to the closing;
- (2) Closing funds were paid to secondary, prior lienholders;
- (3) The amount of funds paid to WEBB;
- (4) The HUD-1 was a true and accurate statement of all receipts and disbursements made by or on behalf of the parties to the transactions;

12. WEBB made and caused to be made the foregoing false appraisal documents and false closing documents, and further caused the same to be sent to institutions whose deposits were insured by the Federal Deposit Insurance Corporation, as well as other mortgage lenders. To carry out the scheme, interstate wire communications were utilized in various ways, including the interstate transmission of emails, faxes, and bank deposits. The foregoing scheme affected financial institutions.

13. Based upon WEBB's statements and representations to investors, various individuals collectively invested millions of dollars with WEBB and his companies. Moreover, based upon the statements and representations of WEBB and his coconspirators, banks and lenders disbursed millions of dollars in loans. Likewise, investors assumed millions of dollars in debt to various

banks and lenders.

14. In 2004 WEBB abruptly left North Carolina to take up residence in Florida, where he began to market his alleged investment services under new company names. In doing so, WEBB left various neighborhoods in North Carolina and Virginia blighted with boarded up and dilapidated homes, many of which were ultimately demolished as uninhabitable. Investors in multiple states lost the majority of their principal investments with WEBB and were left holding hundreds of thousands of dollars in debt which they could not repay without the promised assistance from WEBB.

**COUNT ONE**

***Conspiracy to Commit Bank and Wire Fraud***  
**18 U.S.C. § 1349**

**The Conspiracy**

15. Introductory paragraphs 1 through 14 are realleged and incorporated herein as though fully set forth in this Count.

16. Beginning at a time unknown, but no later than May of 2002, and continuing to a time unknown, but no earlier than June of 2005, within the Eastern District of North Carolina and elsewhere, the defendant, JAMES THOMAS WEBB, did knowingly combine, conspire, confederate, and agree with others known to the grand jury, to commit offenses against the United States, to wit:

- (a) to knowingly execute a scheme and artifice to defraud a financial institution, and to obtain any moneys, funds, and other property owned by, and under the custody and control of a financial institution by means of materially



false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code, Section 1344 ("Bank Fraud"); and

- (b) having devised and intending to devise any scheme and artifice to defraud, and for the purpose of obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, to transmit and cause to be transmitted by means of wire in interstate commerce, certain writings, signals, and sounds, for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, Section 1343 ("Wire Fraud").

#### Purpose of the Conspiracy

17. It was the purpose of the conspiracy for WEBB and others to benefit through the submission of false documents to banks and mortgage lenders.

#### Overt Acts

18. In furtherance of the conspiracy, and to effect the objects thereof, the conspirators carried out various overt acts including, but not limited to, the following:

- (a) A member of the conspiracy signed at least one false HUD-1 settlement statement on a transaction orchestrated by WEBB.
- (b) A member of the conspiracy created at least one real property appraisal report containing a false statement on a transaction orchestrated by WEBB.

All in violation of Title 18, United States Code, Section 1349.

**COUNTS 2 THROUGH 10**  
***Bank Fraud & Aiding and Abetting***  
**18 U.S.C. §§ 1344 and 2**

**THE SCHEME**

19. Beginning at a time unknown, but no later than May of 2002, and continuing to a time unknown, but no earlier than June of 2005, within the Eastern District of North Carolina and elsewhere, the defendant, JAMES THOMAS WEBB, devised a scheme and artifice:

a. To defraud financial institutions whose accounts were insured by the Federal Deposit Insurance Corporation, as identified in the following table, and

b. To obtain moneys owned by and under the control of the financial institutions identified in the following table by means of materially false and fraudulent pretenses and representations.

**MANNER AND MEANS**

20. Introductory paragraphs 1 through 14 are realleged and incorporated herein as though fully set forth in this Count.

**EXECUTION OF THE SCHEME**

21. On or about the dates set forth below, each entry constituting a separate count of this Indictment, in the Eastern District of North Carolina and elsewhere, the Defendant, JAMES THOMAS WEBB, aiding and abetting others, executed, and attempted to execute, the scheme and artifice set forth above, in that the defendant caused financial institutions to disburse loan proceeds by means of materially false and fraudulent pretenses and

representations as detailed in the following table:

COUNT	CLOSING DATE	BANK	BORROWER	LOAN
2	7/30/03	RBC Centura	S.P.	\$243,750
3	11/14/03	Crescent State Bank	S.P.	\$196,000
4	11/14/03	Crescent State Bank	G.S.	\$197,000
5	11/7/03	SouthTrust Bank	P.P.I.	\$1,155,368
6	3/19/03	Central Carolina Bank	G.S.	\$261,000
7	9/5/03	Central Carolina Bank	S.L.	\$373,998
8	3/15/05	First National Bank of Arizona	J.S.	\$49,400
9	3/31/05	First National Bank of Arizona	P.C & Y.C.	\$48,500
10	4/25/05	First National Bank of Arizona	T.O.	\$49,600

Each entry constituting a separate violation of Title 18, United States Code, Sections 1344 and 2.

**COUNTS 11 THROUGH 13**  
***Wire Fraud & Aiding and Abetting***  
**18 U.S.C. §§ 1343 & 2**

**The Scheme to Defraud**

22. Beginning at a time unknown, but no later than May of 2002, and continuing until approximately December of 2005, within the Eastern District of North Carolina and elsewhere, the defendant, JAMES THOMAS WEBB, knowingly devised and intended to devise, a scheme and artifice to defraud mortgage lenders and investors as to a material matter, and to obtain money and property

from mortgage lenders and investors by means of materially false and fraudulent pretenses.

The Manner and Means of the Scheme

23. Introductory paragraphs 1 through 14 are realleged and incorporated herein as though fully set forth in this Count.

The Use of the Wires

24. On or about the dates listed below, in the Eastern District of North Carolina and elsewhere, for the purpose of executing the aforementioned scheme and artifice to defraud and attempting to do so, the defendant, JAMES THOMAS WEBB, aiding and abetting others, knowingly caused to be transmitted in interstate commerce, by means of wire communications, certain writings, signs, and signals, to wit, electronic wire deposits from banks located outside of the North Carolina, into the trust account of A.R. within North Carolina, on the approximate dates and in relation to the transactions set forth below, and in so doing, affected an institution whose deposits were insured by the Federal Deposit Insurance Corporation:

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COUNT	DATE	LENDER	BORROWER	LOAN
11	8/18/04	SunTrust Mortgage	K.O.	\$42,400
12	7/16/04	Chase Manhattan Mortgage Corporation	A.C.	\$56,100
13	6/29/04	Chase Manhattan Mortgage Corporation	J.S.	\$56,700

Each entry in the above table constituting a separate violation of Title 18, United States Code, Sections 1343 and 2.

**COUNTS 14 THROUGH 50**  
***False Statements to Influence Banks On Loans &***  
***Aiding and Abetting***  
**18 U.S.C. §§ 1014 and 2**

25. Introductory paragraphs 1 through 14 are realleged and incorporated herein as though fully set forth in this Count.

26. On or about the dates set forth below, each entry constituting a separate count of this Indictment, in the Eastern District of North Carolina and elsewhere, the Defendant, JAMES THOMAS WEBB, aiding and abetting others, knowingly made and caused to be made a false statement for the purpose of influencing an institution whose deposits were insured by the Federal Deposit Insurance Corporation, in connection with loans, in that the defendant executed and caused others to execute false HUD-1 Settlement Statements and False Appraisals as identified below:

COUNT	DATE	FALSE STATEMENT
14	7/30/03	HUD-1 to RBC Centura on loan for Sunrise Properties, LLC relating to 514 Beale and others  1. Cash to WEBB was \$9,626.43 2. \$40,000 payoff of second mortgage El Tex
15	7/22/03	Appraisal report to RBC Centura on loan for Sunrise Properties, LLC relating to 514 Beale  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
16	7/18/03	Appraisal report to RBC Centura on loan for Sunrise Properties, LLC relating to 204 North College  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
17	7/17/03	Appraisal report to RBC Centura on loan for Sunrise Properties, LLC relating to 722 Henna  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
18	7/17/03	Appraisal report to RBC Centura on loan for Sunrise Properties, LLC relating to 1218 Clark  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
19	4/4/03	HUD-1 to RBC Centura on loan for JS relating to 731 Clark and others  1. Cash to WEBB was \$5,760.40
20	4/29/03	HUD-1 to RBC Centura on loan for SP and TP relating to 1402 Ward and others  1. Cash to WEBB was \$243,795.64 2. \$80,000 payoff of first mortgage loan 3. \$40,000 payoff of Deed of Trust "MM" 4. \$40,000 payoff of Deed of Trust "SL" 5. \$20,000 payoff of Deed of Trust "IW"

21	5/15/03	<p>HUD-1 to RBC Centura on loan for Innovator 5, Inc. relating to 103 Alsop, and others</p> <ol style="list-style-type: none"> <li>1. Cash to WEBB was \$187,428.30</li> <li>2. \$40,000 payoff of first mortgage loan</li> <li>3. \$40,000 payoff of second mortgage</li> </ol>
22	11/14/03	<p>HUD-1 to Crescent State Bank on loan for Sunrise Properties, LLC relating to 68 National and others</p> <ol style="list-style-type: none"> <li>1. Cash to WEBB was \$110,851.40</li> <li>2. \$40,000 payoff of first mortgage loan</li> <li>3. \$40,000 payoff of second mortgage loan</li> </ol>
23	10/15/03	<p>Appraisal report to Crescent State Bank on loan for Sunrise Properties, LLC relating to 68 National</p> <ol style="list-style-type: none"> <li>1. McDaniel conducted a physical inspection</li> <li>2. McDaniel sketched, measured, took photos</li> </ol>
24	10/15/03	<p>Appraisal report to Crescent State Bank on loan for Sunrise Properties, LLC relating to 301 S. Seneca</p> <ol style="list-style-type: none"> <li>1. McDaniel conducted a physical inspection</li> <li>2. McDaniel sketched, measured, took photos</li> </ol>
25	10/15/03	<p>Appraisal report to Crescent State Bank on loan for Sunrise Properties, LLC relating to 204 S. Seneca</p> <ol style="list-style-type: none"> <li>1. McDaniel conducted a physical inspection</li> <li>2. McDaniel sketched, measured, took photos</li> </ol>
26	10/15/03	<p>Appraisal report to Crescent State Bank on loan for Sunrise Properties, LLC relating to 1967 Fire Tower</p> <ol style="list-style-type: none"> <li>1. McDaniel conducted a physical inspection</li> <li>2. McDaniel sketched, measured, took photos</li> </ol>
27	11/14/03	<p>HUD-1 to Crescent State Bank on loan for Grand Summit, LLC relating to 705 Western and others</p> <ol style="list-style-type: none"> <li>1. Cash to WEBB was \$151,725.10</li> <li>2. \$40,000 payoff of first mortgage loan</li> </ol>

28	10/15/03	Appraisal report to Crescent State Bank on loan for Grand Summit, LLC relating to 208 N. Sycamore  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
29	10/15/03	Appraisal report to Crescent State Bank on loan for Grand Summit, LLC relating to 537 Cokey  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
30	10/2/03	Appraisal report to Crescent State Bank on loan for Grand Summit, LLC relating to 705 Western  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
31	10/15/03	Appraisal report to Crescent State Bank on loan for Grand Summit, LLC relating to 1614 Washington  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
32	11/7/03	HUD-1 to Southtrust Bank on loan for Premier Property Investments, LLC relating to Beaman Street and others  1. Cash to WEBB was \$310,041.62 2. \$200,000 payoff of second mortgage 3. \$80,000 payoff Deed of Trust
33	3/12/03	HUD-1 to Branch Banking and Trust on loan for J.S. and S.S. relating to 316 W. 4 <sup>th</sup> Street  1. Cash to WEBB was \$26,167 2. \$20,000 payoff first mortgage loan
34	9/5/03	HUD-1 to Central Carolina Bank on loan for SL relating to 2217 Roosevelt and others  1. Cash to WEBB was \$362,434.10 2. Cash from SL was \$76,602.00 3. \$40,000 payoff of first mortgage loan 4. \$40,000 payoff of second mortgage loan



35	6/25/03	Appraisal report to Central Carolina Bank on loan for SL relating to 920 Washington  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
36	6/25/03	Appraisal report to Central Carolina Bank on loan for SL relating to 1014 Sycamore  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
37	6/18/03	Appraisal report to Central Carolina Bank on loan for SL relating to 510 Kenan  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
38	6/18/03	Appraisal report to Central Carolina Bank on loan for SL relating to 506 Oak  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
39	3/15/05	HUD-1 to First National Bank of Arizona on loan for JS relating to 1113 Scott Street  1. Cash from JS was \$17,545.47
40	2/5/05	Appraisal report to First National Bank of Arizona on loan for JS relating to 1113 Scott  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
41	3/31/05	HUD-1 to First National Bank of Arizona on loan for P.C. & Y.C. relating to 122-124 Temple  1. Cash from P.C. & Y.C. was \$12,681.39
42	3/2/05	Appraisal report to First National Bank of Arizona on loan for P.C. relating to 122-124 Temple  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos

43	4/25/05	HUD-1 to First National Bank of Arizona on loan for T.O. relating to 1577 Boxwood  1. Cash from T.O. was \$15,835.33
44	3/6/05	Appraisal report to First National Bank of Arizona on loan for T.O. relating to 1577 Boxwood  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
45	3/10/05	Appraisal report to First National Bank of Arizona on loan for J.S. relating to 506 Plum  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
46	1/13/05	Appraisal report to First National Bank of Arizona on loan for K.O. relating to 746 Holbrook  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
47	4/5/05	Appraisal report to First National Bank of Arizona on loan for J.H. and E.S. relating to 418 Mercer  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
48	2/5/05	Appraisal report to First National Bank of Arizona on loan for A.C. relating to 2202 S. Church  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
49	2/5/05	Appraisal report to First National Bank of Arizona on loan for A.C. relating to 313 Matthews  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos

50	2/18/05	Appraisal report to First National Bank of Arizona on loan for C.G. relating to 816 Rison  1. McDaniel conducted a physical inspection 2. McDaniel sketched, measured, took photos
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Each entry in the above table constituting a separate violation of Title 18, United States Code, Sections 1014 and 2.

#### FORFEITURE ALLEGATIONS

27. WEBB is given notice of the provisions of 18 U.S.C. Sections 981(a)(1)(C), as made applicable by Title 28, United States Code, Section 2461.

28. As a result of the foregoing offenses as alleged in this Indictment, the defendant shall forfeit to the United States any and all property constituting, or derived from, any proceeds the said defendant obtained directly or indirectly as a result of the said offense.

29. If as a result of any act or omission of the defendant any forfeitable property

- (1) cannot be located upon the exercise of due diligence;
- (2) has been transferred or sold to, or deposited with, a third person;
- (3) has been placed beyond the jurisdiction of the court;
- (4) has been substantially diminished in value; or
- (5) has been commingled with other property which cannot be

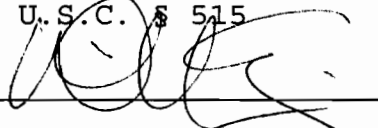
subdivided without difficulty;  
it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property.

A TRUE BILL

FOREPERSON

DATE: 09/05/2012

JOHN STUART BRUCE  
Attorney for the United States  
Acting Under Authority Conferred by  
28 U.S.C. § 515

  
BY: WILLIAM M. GILMORE  
Assistant United States Attorney

**REDACTED VERSION**

Pursuant to the E-Government Act and the federal rules, the unredacted version of this document has been filed under seal.