

NEWS RELEASE

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Decatur Man and Associate Charged in \$8 Million Real Estate Scheme

Springfield, IL - Jan Paul Miller, United States Attorney for the Central District of Illinois, announced that a Decatur man and his business associate have been charged with participating in a broad real estate scheme involving properties in Springfield and Decatur, Illinois, and totaling more than \$8 million dollars. **Gary Knox**, age 59, of 2630 South Forest Green Drive, Decatur, Illinois, and **Dennis Wiese, Jr.**, age 37, of 6908 Osage Drive, Belleville, Illinois, were charged in an indictment returned by the federal grand jury in Springfield late Friday afternoon, July 8, 2005. The indictment had remained sealed pending Knox's arrest.

Knox was arrested Saturday, July 9, 2005, in Decatur, by federal law enforcement agents, and made his initial appearance today before U.S. Magistrate Judge David G. Bernthal in Urbana. A detention hearing has been scheduled for 2:30 p.m. on Friday, July 15, 2005. Knox entered a plea of not guilty during his court appearance today and trial was scheduled for August 29, 2005. Wiese will be issued a summons by the U.S. District Clerk to appear in federal court in Urbana.

The indictment alleges that from at least 1999 or before, and continuing into 2005, Knox and Wiese engaged in a real estate "flipping" scheme to defraud lenders, buyers and sellers. As alleged in the indictment, the scheme involved more than 150 fraudulent real estate sales and financing transactions, totaling more than \$8 million dollars, and resulted in Knox obtaining more than \$3 million for his personal use and to promote the ongoing scheme.

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According to the indictment, Knox allegedly represented himself and his business, Central Illinois Management and Development Company, to be in the business of buying, selling and managing real estate; however, he was not a licensed real estate broker or salesperson. Wiese, at the time of the alleged scheme, was a licensed Illinois real estate appraiser who allegedly performed numerous appraisals for Knox in which he falsely inflated, usually significantly, the value of the real estate.

The indictment alleges Knox used the fraudulent appraisals prepared by Wiese to buy, sell, and finance properties at prices which they fraudulently inflated to substantially higher prices than their reasonable value. The defendants then allegedly reaped the benefits of the scheme as Wiese was paid appraisal fees of \$350 to \$450 per appraisal, and Knox used the profits from the fraudulent transactions for his personal use and to promote the ongoing scheme.

The indictment alleges Wiese performed more than 100 fraudulent appraisals for Knox rendering values that were identical to or exceeded Knox's inflated sales prices. Knox also allegedly secured a buyer-investor to purchase Wiese's home which allowed Wiese to continue living in his rented home.

To carry out the scheme, Knox allegedly recruited buyers, typically of modest means with little or no experience in real estate investment. To entice buyers, Knox allegedly made one or more representations to them: they would be paid as much as \$5,000 for each property purchased; they could purchase properties for no money down; the properties were worth the appraised amounts; Knox would assist them in making loan applications to mortgage lenders; that Knox would act as the buyers' property manager; that he would locate tenants and collect the rents; that he would make the loan payments directly to the mortgage lenders; and, that he would buy back the properties on a contract for deed. As a result of the scheme, the indictment alleges various mortgage lenders, and real estate buyers and sellers often incurred significant financial losses.

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Nine counts of the ten-count indictment charge both Knox and Wiese with either bank fraud, wire fraud or mail fraud related to the transactions between various buyers and sellers for properties for which Wiese allegedly prepared fraudulent appraisals for Knox:

418 S. Siegel; 1145 N. Pine; 467 S. Boyd; and 1039 N. Church Street, Decatur, Illinois; and in Springfield, at 830 S. 12th Street; 1320 S. 13th St.; 1305 South Grand Avenue East; 821 S. 14th Street; and, 1414 South Grand Avenue East.

Count ten of the indictment charges only Knox with mail fraud related to the illegal “flip” of his former Decatur residence, at 8 Montgomery Place, in 2004. The indictment alleges that Knox negotiated an actual sale price for the property of \$110,000 with the owner, a Decatur businessman. Knox allegedly established an inflated sale price of \$210,000 for the property, obtained a falsely-inflated appraisal and converted approximately \$79,000 in profit to his personal use. To obtain the false appraisal, Knox allegedly obtained comparable sales information for three other Decatur properties and forged the sale prices to make it appear they had sold for \$70,000 more than their actual sales price. The indictment alleges Knox faxed the forged sale prices to the appraiser who used them as comparable sales information to support the appraisal.

U.S. Attorney Miller announced the charges with Nancy Grinnell, Special Agent in Charge of the Federal Deposit Insurance Corporation’s (FDIC) Office of Inspector General, Western Region; Joseph A. Pirone, Assistant Inspector in Charge of the Chicago Division of the U.S. Postal Inspection Service; Weysan Dun, Special Agent in Charge of the Springfield Division, Federal Bureau of Investigation; and Fernando E. Grillo, Secretary of the Illinois Department of Financial and Professional Regulation whose Division of Banks and Real Estate also provided assistance in the investigation. The government is being represented by Assistant U.S. Attorney Timothy A. Bass.

If convicted, each offense of bank fraud, mail fraud and wire fraud contained in the indictment carries a maximum statutory penalty of up to 30 years imprisonment and a fine of \$1,000,000.

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Members of the public are reminded that an indictment is merely an accusation; the defendants are presumed innocent unless proven guilty.

U.S. Attorney Miller said, “Financial fraud schemes, such as the one alleged in this indictment, burden our financial system and leave many victims in desperate financial straits. The investigative agencies have devoted substantial resources to this investigation and the U.S. Attorney’s Office remains committed to working together with them to aggressively prosecute those who would seek to exploit the system for financial gain.”

Weysan Dun said, “The mortgage industry is an important component of our national economy. The FBI will continue to devote resources to combat financial institution fraud, including mortgage related fraud. Those who seek to take advantage of the banking system will soon cross paths with the myriad of law enforcement agencies who work together every day to protect the economy.”

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