

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA :
 :
 v. : Criminal No. 13-_____
 :
 : 18 U.S.C. § 1349
 PAUL WATTERSON : 18 U.S.C. § 1956(h)
 : 18 U.S.C. § 982(a)(1)

INFORMATION

The defendant having waived in open court prosecution by indictment, the United States Attorney for the District of New Jersey charges:

COUNT 1

(Conspiracy To Commit Wire Fraud)

The Defendants and Co-conspirators

1. At all times relevant to this Information:
 - a. Defendant PAUL WATTERSON resided in New Jersey, was the owner of Jennifer Lane Building, LLC, and held himself out to be a provider of real estate investors.
 - b. John Leadbeater, who is named as a co-conspirator but not as a defendant herein, resided in New Jersey, and was the sole owner and operator of the companies, BCJL Enterprises, LLC ("BCJL Enterprises") and Lead 1 Investments, LLC ("Lead 1 Investments"). Leadbeater held himself out to be a provider of real estate investors.
 - c. T.C.J., who is named as a co-conspirator but not

as a defendant herein, was a title company located in Wildwood, New Jersey.

d. S.T.A., who is named as a co-conspirator but not as a defendant herein, was a title company located in North Wildwood, New Jersey.

e. E.B., who is named as a co-conspirator but not as a defendant herein, resided in New York, and acted as a straw buyer in the transaction described below.

f. A.V., who is named as a co-conspirator but not as a defendant herein, resided in New York, and acted as a straw buyer in the transaction described below.

g. M.P., who is named as a co-conspirator but not as a defendant herein, resided in New Jersey, and acted as a straw buyer in the transaction described below.

h. R.C., who is named as a co-conspirator but not as a defendant herein, resided in New Jersey, and acted as a straw buyer in the transaction described below.

i. R.H., who is named as a co-conspirator but not as a defendant herein, resided in Ohio, and acted as a straw buyer in the transaction described below.

j. M.M., who is named as a co-conspirator but not as a defendant herein, resided in New Jersey and was employed as a mortgage broker for Strong Point Mortgage, a/k/a "Winged Foot Financial," located in Lakewood, New Jersey.

k. E.R., who is named as a co-conspirator but not as a defendant herein, resided in New Jersey, and was employed by Strong Point Mortgage, a/k/a "Winged Foot Financial," located in Lakewood, New Jersey. E.R. held himself out to be a property manager.

Mortgage Lending Generally

2. Mortgage loans were loans funded by banks and other financial institutions ("Lenders") to enable purchasers to finance the purchase of real estate. To apply for a mortgage loan, purchasers/borrowers typically filled out several forms, including a form called the Uniform Residential Loan Application. Lenders evaluated and relied upon the financial representations contained in the Uniform Residential Loan Application and other documents pertaining to the purchaser/borrower's income, assets, credit eligibility, and down payment requirements in deciding whether to loan a particular purchaser/borrower money for a mortgage. Lenders also evaluated and relied upon the representations in connection with the loan application pertaining to the purchaser/borrower's employment, and how the purchaser/borrower intended to use the property as either a primary residence, secondary residence, or investment property. In addition, Lenders also assessed the value of the real estate that would secure the mortgage loan by reviewing and relying on

property appraisals and other documents.

3. After locating an available property of interest, a purchaser/borrower typically applied for a mortgage loan through a mortgage Lender or a mortgage originator. Generally, mortgage brokers were third parties who acted as an intermediary between a purchaser/borrower and a pool of potential Lenders, one of which was selected based on the purchaser/borrower's financing needs and ability to repay the loan. Mortgage brokers were generally responsible for collecting documents from the purchaser/borrower in support of the mortgage loan, including the loan application. Additionally, the mortgage broker interviewed the proposed purchaser/borrower and obtained all pertinent data, including the borrower's name, date of birth, social security number, home address, monthly base employment income, employer, assets, and liabilities. Frequently, the mortgage broker made the initial loan to the purchaser/borrower and then sold it to a Lender after a short period of time, usually between one to thirty days after making the loan. Other times, the mortgage broker simply obtained and verified all of the relevant information for the Lender, including information on the Uniform Residential Loan Application, and the Lender made the mortgage directly to the borrower. A mortgage originator also assisted a purchaser/borrower to complete a mortgage transaction. Unlike a mortgage broker, a mortgage originator distributed its own money

to fund the mortgage.

4. Real estate appraisers were responsible for determining the fair market value of real estate properties. Fair market value was defined as the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, in which the buyer and seller act prudently and knowledgeably, assuming the price is not affected by undue stimulus.

5. Frequently, the mortgage loan was closed at a title company or an attorney's office. If a loan closed at a title company, the title company's escrow officers were responsible for depositing monetary instruments and funds provided by the purchaser/borrower (including down payments) and mortgage funds from the Lender (which were typically obtained by wire transfer) or on its behalf to the title company's escrow account, and, when authorized by the parties to the transaction and the Lender, for disbursing the funds from the escrow account to various individuals and entities as detailed on the U.S. Department of Housing and Urban Development Settlement Statement (hereinafter "HUD-1 Settlement Statement"). The HUD-1 Settlement Statement detailed the actual disbursement of monies, including mortgage fund loans, to the proper entities and/or individuals according to the original loan application.

6. After the loan application was approved, the mortgage

Lender caused funds to be transmitted (typically by wire transfer) to a settlement agent, such as a title company or a closing attorney. The title companies and/or closing attorneys then distributed the funds according to the HUD-1 Settlement Statements, generally with a large portion of the funds being distributed to the seller of the property. After funding the mortgages, the mortgage Lenders either serviced the loans during the mortgage period or sold them in the secondary market.

The Conspiracy

7. From in or about July 2007 through in or about March 2008, at Wildwood and Wildwood Crest, in Cape May County, in the District of New Jersey, and elsewhere, defendant

PAUL WATTERSON

did knowingly and intentionally conspire and agree with others to devise a scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, which scheme and artifice is set forth below in substance and in part, and for the purpose of executing such scheme and artifice, did transmit and cause to be transmitted by means of wire communications in interstate commerce certain writings, signs, signals, pictures, and sounds, contrary to Title 18, United States Code, Section 1343.

Object Of The Conspiracy

8. The object of the conspiracy, which caused more than

2.8 million dollars of losses to various Lenders, was to profit from the sale of ocean town condominiums overbuilt by financially distressed developers in Wildwood and Wildwood Crest, New Jersey by obtaining mortgage loans for unqualified borrowers using fraudulent loan applications, HUD-1 Settlement Statements, and other documents.

Manner And Means Of The Conspiracy

9. It was part of the conspiracy that defendant PAUL WATTERSON located ocean town condominiums overbuilt by financially distressed developers in Wildwood and Wildwood Crest, New Jersey (the "Wildwood Properties") to purchase from the developer directly, or from co-conspirator John Leadbeater.

10. It was further part of the conspiracy that defendant PAUL WATTERSON, co-conspirators John Leadbeater, M.M., E.R. and/or others, recruited "straw purchasers" (the "Straw Purchasers") to purchase the Wildwood Properties. The Straw Purchasers included, among others, co-conspirators E.B., A.V., M.P., R.C., and R.H., whom the conspirators knew had good credit scores, but lacked the financial resources to qualify for mortgage loans.

11. It was further part of the conspiracy that defendant PAUL WATTERSON and others informed the Straw Purchasers, including co-conspirators E.B., A.V., M.P., R.C., and R.H., that

in exchange for purchasing the properties in their names, the Straw Purchasers:

a. would neither pay deposits nor closing costs to acquire the properties;

b. would not have to make monthly mortgage payments after they owned the properties;

c. would receive an up-front payment after the closing for allowing their names and credit information to be used in connection with the transaction; and/or

d. would not have to manage the properties because defendant PAUL WATTERSON and/or others would maintain the properties, locate renters, collect rent, and make mortgage payments.

12. It was further part of the conspiracy that the conspirators obtained mortgage loans for the Straw Purchasers through fraudulent loan applications by providing false information concerning the employment, income, and assets of the Straw Purchasers and the Straw Purchasers' intended use of the properties.

13. It was further part of the conspiracy that the conspirators, including R.H. and others, created false documents such as fake Forms W-2, income tax returns, investment "statements," and rental agreements to make the Straw Purchasers appear more creditworthy than the Straw Purchasers actually were,

in order to induce the Lenders to make the loans to the Straw Purchasers.

14. It was further part of the conspiracy that the conspirators caused fraudulent documents to be prepared concerning the properties, including HUD-1 Settlement Statements that were supposed to accurately reflect the amounts of money due from the Straw Purchasers and to be paid to the sellers to close the sales of the properties.

15. It was further part of the conspiracy that prior to and during the closings, the conspirators caused the HUD-1 Settlement Statements, settlement disbursement sheets, and other documents to be manipulated, to falsely show that the Straw Purchasers brought their own funds to the closing when, in fact, the Straw Purchasers did not.

16. It was further part of the conspiracy that the conspirators, including defendant PAUL WATTERSON and co-conspirator John Leadbeater, took proceeds from the fraudulent mortgage loans and/or lines of credit by having funds wired or checks deposited into various accounts that they controlled. The Straw Purchasers, including co-conspirators E.B., A.V., M.P., R.C., and R.H., were paid a portion of the funds.

Furthering The Conspiracy

17. In furtherance of the conspiracy and to effect its objects, its members committed and caused to be committed numerous transactions involving the properties, including those on or about the following dates involving the following approximate amounts:

The Wildwood Properties

Date of Wire	Property	Lender	Mortgage Funds Released
7/24/07	411 E. Buttercup Rd.; Unit 103, Wildwood, NJ	Countrywide Home Loans	\$627,980.61
7/25/07	401 E. Stanton Ave.; Unit 201, Wildwood Crest, NJ	JP Morgan Chase	\$617,519.39
9/25/07	5501 Atlantic Ave.; Unit 204, Wildwood Crest, NJ	JP Morgan Chase	\$601,558.35
12/18/07	309 East Poplar Ave.; Unit 202, Wildwood, NJ	Countrywide Home Loans	\$387,854.63
3/26/08	415 E. Heather Rd.; Unit 306, Wildwood, NJ	Capital Markets WG	\$574,200.00

18. The pattern of fraud involved fraudulent line item payments off of the HUD-1 Settlement Statement involving Straw Purchaser A.V. to co-conspirator John Leadbeater.

19. The pattern of fraud also involved defendant PAUL WATTERSON directing the Straw Purchasers, including E.B., M.P., R.C., and R.H., to purchase a real estate property owned by co-conspirator John Leadbeater at a sales price that included a substantial increase to cover a pay-out to defendant PAUL WATTERSON and/or co-conspirator John Leadbeater.

a. Defendant PAUL WATTERSON, co-conspirator M.M., and others completed the Straw Purchaser's loan application, attributed to the Straw Purchaser inflated incomes, false bank account balances, fake sales contract deposits, fictitious assets, and sometimes falsely indicated that the properties would be owner-occupied, rather than investment properties.

b. The Straw Purchaser or a designee attended the closing which was held at a title company such as T.C.J. or S.T.A. There, defendant PAUL WATTERSON and/or his co-conspirators directed title clerks to prepare documents for the closings, including fraudulent HUD-1 Uniform Settlement Statements signed by the Straw Purchaser reflecting deposits and funds brought to closing by the Straw Purchaser that had never been made.

c. Title clerks for co-conspirators T.C.J. and S.T.A. distributed proceeds of the fraudulently-obtained mortgage loan to the conspirators by wire transferring funds into an account controlled by co-conspirator John Leadbeater or by issuing a

check made payable to John Leadbeater companies, BCJL Enterprises or Lead 1 Enterprises.

d. Co-conspirator John Leadbeater issued a check after the closing of the real estate property purchased by E.B. to defendant PAUL WATTERSON from an account controlled by John Leadbeater as payment to PAUL WATTERSON for recruiting E.B. to buy the property.

e. Co-conspirators A.V., M.P., and R.H. also obtained a line of credit for the real estate property at the direction of defendant PAUL WATTERSON and/or co-conspirators M.M. and E.R. Defendant PAUL WATTERSON then directed A.V., M.P., and R.H. to pay WATTERSON a portion of that money in the form of a check to defendant PAUL WATTERSON or his company, Jennifer Lane Building.

In violation of Title 18, United States Code, Section 1349.

COUNT 2

(Conspiracy To Commit Money Laundering)

1. Paragraphs 1 through 6 and 8 through 19 of Count 1 of this Information are hereby realleged and incorporated as though set forth in full herein.

2. From in or about July 2007 through in or about March 2008, in the District of New Jersey and elsewhere, defendant

PAUL WATTERSON

did knowingly conspire with others to engage in monetary transactions, namely, deposits, withdrawals, transfers and exchanges of U.S. currency and monetary instruments, through financial institutions affecting interstate commerce, in criminally derived property of a value greater than \$10,000 that was derived from specified unlawful activity, namely, conspiracy to commit wire fraud and wire fraud, contrary to Title 18, United States Code, Section 1957.

3. As part of the conspiracy, defendant PAUL WATTERSON and others caused more than 2.8 million dollars in fraudulent mortgage loans to be funded during 2007 and 2008 to enable unqualified Straw Purchasers to purchase the Wildwood Properties. Once the funds for these mortgages were deposited into a title company's escrow account, the co-conspirators extracted proceeds from the fraud through wire transfers and checks to co-conspirator John Leadbeater, who subsequently issued a check

payment to defendant PAUL WATTERSON.

4. As further part of the conspiracy, defendant PAUL WATTERSON and his co-conspirators caused the following wire transfers or checks to be deposited for the following approximate amounts:

Proceeds Associated with Sales of the Wildwood Properties

Date of Monetary Transaction	Wire Transfer or Check	Amount	Received By
08/08/07	Check	\$56,000.00	Jennifer Lane Building, LLC deposited into Wachovia account number *****3110
10/02/07	Check	\$18,600.00	Jennifer Lane Building, LLC deposited into Wachovia account number *****3110
10/29/07	Check	\$50,000.00	Jennifer Lane Building, LLC deposited into Wachovia account number *****3110
11/1/07	Wire	\$60,000.00	Jennifer Lane Building, LLC deposited into Wachovia account number *****3110
11/07/07	Check	\$39,000.00	Jennifer Lane Building, LLC deposited into Wachovia account number *****3110
06/26/08	Check	\$50,000.00	Jennifer Lane Building, LLC deposited into Wachovia account number *****3110

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

FORFEITURE ALLEGATION

1. The United States hereby gives notice to defendant PAUL WATTERSON that, upon his conviction of the offense in violation of Title 18, United States Code, Section 1956(h) charged in Count 2 of this Information, the Government will seek forfeiture in accordance with Title 18, United States Code, Section 982(a)(1), of all property, real and personal, involved in those offenses, and all property traceable thereto, including but not limited to a sum of money equal to at least approximately \$273,600.00 in United States currency, representing the amount of proceeds obtained as a result of the offense, for which the defendant is jointly and severally liable.

2. If any of the above-described forfeitable property, as a result of any act or omission of defendant PAUL WATTERSON:

- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty; it is the intent of

the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 18, United States Code, Section 982(b)(1), to seek forfeiture of any other property of defendant PAUL WATTERSON up to the value of the forfeitable property described above.

Pursuant to Title 18, United States Code, Section 982(a)(1).

A handwritten signature in black ink that reads "Paul J. Fishman". The signature is written in a cursive style with a horizontal line underneath it.

PAUL J. FISHMAN
UNITED STATES ATTORNEY