



PRESS RELEASE

Internal Revenue Service - Criminal Investigation Cincinnati Field Office *Special Agent in Charge Kathy A. Enstrom*

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COLUMBUS BUSINESSMAN INDICTED IN “MORTGAGE AMELIORATION” INVESTMENT FRAUD SCHEME

COLUMBUS, OHIO -- A federal grand jury here has indicted Gary Jones, 52, of Columbus, Ohio, charging him with thirteen counts of mail fraud, eight counts of money laundering, and four counts of willfully failing to file a federal income tax return with the Internal Revenue Service (IRS).

Carter M. Stewart, United States Attorney for the Southern District of Ohio, and Kathy A. Enstrom, Special Agent in Charge, Internal Revenue Service Criminal Investigation, Cincinnati Field Office, announced the indictment returned today.

According to the indictment, between January 2010 and March 2012, Jones was the managing member of 3ARCK Capital Group, LLC, also d/b/a Three Arck Capital Group, LLC (hereinafter “3Arck”). Jones is alleged to have been the sole authorized signatory on several bank accounts for the benefit of 3Arck, which had a banking relationship with Fifth Third Bank, PNC Bank, and J.P. Morgan Chase Bank. In addition, Jones allegedly partnered with an individual in an investment company known as North American Realty Services Corporation, LLC (hereinafter “NARSCOR”).

It has been alleged that between May 2009 and September 2012, Jones, by himself, through his position at 3Arck, and through his partnership with NARSCOR, raised funds under false pretenses through a process called “mortgage amelioration.” Through “mortgage amelioration,” Jones represented that he could eliminate or modify mortgages held by banks, based on theories that the mortgages were invalid or illegal because the banks had no right to foreclose on the loans. Jones represented that, after a long process, the banks would acknowledge that the mortgages and/or foreclosures were not legitimate.

Jones allegedly represented that he could present claims to the banks and the courts on behalf of property owners, and that he could either force the banks to return properties that had already been repossessed through foreclosures, or that he could get restitution for property owners upon whom the foreclosures had occurred. Jones allegedly represented that the property owners could then either have their mortgages completely eliminated, or at the very least, modified with lower payments and a better term. In addition, Jones allegedly represented that those who had already lost their homes would be rewarded with monetary compensation or the return of bank-owned properties.

It has further been alleged that the property owners or investors could place a property into the “mortgage amelioration” program by paying an application fee of between \$3,995 and \$7,995. The fee was to be held in an escrow account and was represented to be 100% refundable, whether the process was

successful or unsuccessful.

Allegedly, Jones represented that the only expenditures out of the escrow account were to be for incidentals necessary for filings with the courts and for the creation of a trust. Even if expenditures were made from funds in the escrow account, the fee was to be returned in full to the investor at the end of the process. Once the trust was created, Jones represented that he would "ameliorate" the mortgages on the properties through communications with the banks and the courts. After the mortgage had been "ameliorated," the property owner, allegedly, could either buy the property back from the trust or walk away from the property.

It has been alleged that the property owners or investors either mailed or e-mailed their application and other documentation. The application fees were paid by mailing checks or by wire transfer to Jones, 3Arck, Jones's partner at NARSCOR, or to NARSCOR.

Jones represented to victims that he had completed numerous "mortgage amelioration" deals and had a 100% success rate; however, it has been alleged that no mortgages were ever successfully eliminated or reduced through the program. Also, despite representations that the refundable application fees would be kept in escrow accounts, it has been alleged that the money was deposited into bank accounts controlled by Jones and no application fees were ever refunded; rather, Jones used the homeowners' and investors' funds for personal use.

It has been alleged that Jones failed to file a federal income tax return with the IRS for the 2009-2012 income tax years, despite earning gross income in the amount of \$280,340 in 2009; \$1,090,304.54 in 2010; \$880,791.12 in 2011; and \$146,554.50 in 2012.

Mail fraud carries a maximum penalty of 20 years in prison and a fine of up to \$250,000. Money laundering carries a maximum penalty of 10 years in prison and a fine of up to \$250,000. Failing to file an income tax return with the IRS carries a maximum penalty of 1 year in prison and a fine of up to \$100,000.

"Mr. Jones's actions not only caused negative ramifications to those financially connected to him, but also the honest taxpayer when he committed significant tax fraud violations as detailed in the indictment," said Kathy A. Enstrom, Special Agent in Charge, IRS Criminal Investigation, Cincinnati Field Office. "Honest and law abiding citizens are fed up with the likes of those who use deceit and fraud to line their pockets with other people's money as well as skirt their tax obligations."

This case is being prosecuted by Assistant United States Attorney Jessica H. Kim and was investigated by special agents of IRS-Criminal Investigation.

An indictment merely contains allegations, and the defendant is presumed innocent unless proven guilty in a court of law.

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