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THREE INDIANAPOLIS MEN INDICTED IN SCHEME TO DEFRAUD CONNECTED TO BUILDING IN ELKHART

South Bend, IN—The United States Attorney's Office announced that a Grand Jury sitting in South Bend, Indiana, returned a fourteen-count Indictment charging John M. Bales II, 44, and Paul J. Page, 47, both of Indianapolis, Indiana, and William E. Spencer, 44, of Carmel, Indiana, in a scheme to defraud the State of Indiana and a bank. Bales was the president of Venture Real Estate Services in Indianapolis (“Venture”), Spencer was the general counsel of Venture, and Page was an Indianapolis attorney and real estate developer.

Bales, Page and Spencer were each charged with one count of conspiracy to defraud, one count of bank fraud, three counts of mail fraud, and eight counts of wire fraud. Page was also charged with one count of making false statements to influence the actions of a bank insured by the Federal Deposit Insurance Corporation.

The indictment alleges that Venture obtained a contract with the State of Indiana in 2006 to locate buildings in which the State could lease office space for the Department of Child Services (“DCS”). In return for its services, Venture received a commission of three percent of the value of each lease for certain buildings, and was required to rebate any additional commission it received to the State. Bales told the State that these commissions would be its only form of compensation. In addition, the contract with the State prohibited Bales and Spencer from having any type of ownership interest in the buildings leased for DCS.

Venture arranged for the State to lease for DCS a building that was for sale in Elkhart (the “Elkhart Building”). Page, as alleged, bought the Elkhart Building through a company called L&BAB and leased it to the State. Page paid no money to buy the Elkhart Building. Instead, he used \$361,000 from an entity called BAB Equity. Spencer was a member of BAB Equity and the money was wired from Bales’ account. Page promised both to repay BAB Equity and to give it 25 percent of the profits when the Elkhart Building was resold, even though Bales and Spencer could not have any sort of ownership interest in the Elkhart Building and even though Venture told the State that it would only be compensated through commissions.

Page also used over \$531,000 from the bank ("Bank A") to buy the Elkhart Building. Page told Bank A that all the financial information he submitted in connection with the loan and mortgage was accurate. Page never told Bank A, before he obtained its money, about the details of his arrangement with BAB Equity.

In return for handling the Elkhart Building, Venture received an \$88,400 lease commission. Venture was required to promptly rebate \$22,100 of the lease commission to the State, and Spencer told the State that it had done so. However, Venture did not pay the \$22,100 to the State for over a year. Venture also received a \$28,875 broker's fee and a \$22,700 development fee, even though it told the State that it would only be compensated through lease commissions and would not receive dual compensation on any transactions.

In November 2009, BAB Equity filed a second mortgage on the Elkhart Building. The notary stamp indicated that Page had signed the mortgage in May 2008, even though he did not receive the unsigned mortgage until October 2009.

The indictment alleges that Bales and Spencer never informed the State of the details of its arrangement with Bank A. Bales told the State that he had "never recommended that the State lease space in any building in which I have an ownership interest" and Spencer told the State that Venture "has not acted so as to give rise to a conflict of interest."

The United States Attorney's Office anticipates that the defendants' initial appearance will be on December 15, 2011, in South Bend.

These charges were filed as the result of an investigation by the Federal Bureau of Investigation. This case has been assigned to and will be prosecuted by Assistant United States Attorney Jesse Barrett.

The specific sentence in each case to be imposed upon conviction will be determined by the judge after a consideration of federal sentencing statutes and the Federal Sentencing Guidelines.

The United States Attorney's Office emphasized that an Indictment is merely an allegation and that all persons charged are presumed innocent until and unless proven guilty in court.