



Roy Cooper North Carolina Attorney General

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AG Cooper stops \$100 million mountain real estate scheme

Developers convinced dozens of consumers to invest in overvalued lots in Mitchell County

Raleigh: Attorney General Roy Cooper won a court order this week to stop a real estate venture that sold overpriced lots in the North Carolina mountains by promising consumers they could make a profit without having to invest any of their own money.

The defendants' complicated investment scheme used inflated appraisals and phony second mortgages as down payments to entice consumers to borrow millions of dollars to purchase property in the Village of Penland development in Mitchell County.

"These developers squandered more than \$100 million in financing, leaving consumers stuck with property that isn't worth what they owe on it," said Cooper. "We're putting a stop to this scheme before any more consumers get caught up in it."

Wake County Superior Court Judge Michael Morgan on Wednesday ordered a group of developers behind the Village of Penland project in Mitchell County to stop using misrepresentations to encourage consumers to take out loans to purchase lots. Cooper is also asking the court to permanently stop the developers' deceptive practices and to order them to pay refunds to consumers to satisfy consumers' loans on properties sold by the developers.

Developers involved in the Village of Penland project and named in Cooper's complaint include Peerless Real Estate Services, Village of Penland, MFSL Landholdings, Communities of Penland, COP Land Holdings, PG Capital Holdings, and West Side Development, all of Spruce Pine. Also named as defendants are the following individuals connected with these companies: Frank Amelung, Richard Amelung and Michael Yeomans of Florida; J. Kevin Foster of Georgia; and Anthony Porter and Neil O'Rourke of North Carolina. A. Greg Anderson, a licensed appraiser in North Carolina, is also named as a defendant.

Cooper asked the court to appoint a receiver to take control of these companies. On Wednesday, Judge Morgan appointed Joseph W. Grier III of Grier, Furr & Crisp in Charlotte as receiver.

According to Cooper's complaint, around 2002 the defendants purchased at least 1,200 acres of land in Mitchell County and subdivided it into more than 2,000 lots to create the Village of Penland development. The developers set up the companies listed above and have since received more than \$100 million in loan proceeds by marketing the lots to consumer investors. The developers have failed to complete any part of the project and instead used the money to fund other failed projects in South Carolina and St. Thomas and to pay for trips such as a cruise of the Greek isles and a ski trip to Switzerland.

As alleged in the complaint, the defendants sold most lots in the development for \$125,000 based on inflated appraisals by Anderson even though the lots had tax values of \$20,000 or less. Many of the lots could not

realistically be used to build homes because none of the lots included water and sewer systems, and many were too small to support a septic tank or a well.

Cooper alleges that the defendants promised consumers that they would profit from the Village of Penland without ever having to invest any of their own money. The developers used several different schemes to entice consumers to use their credit to purchase lots. In one scenario cited in Cooper's complaint, the developers told consumers to apply for credit to buy ten lots for a total of \$1.25 million and promised to buy back the lots at the same price within three years. Consumers were told that these ten lots would then be developed and that they would receive \$100,000 when each home sold. In other cases, developers asked consumers to buy 20 lots for \$2.5 million. The developers promised to buy the lots back in two years and deed consumers an additional 20 lots plus a house, which the companies said they would then rent from the consumer for \$280,000 a year as a model home.

Cooper alleges that consumers who agreed to invest in the Village of Penland were told by the developers to fill out four or five loan applications. Without most consumers' knowledge, the defendants sent all of the loan applications to different lenders at the same time so that the lenders were unaware that the consumers were taking out multiple loans. The developers provided illusory second mortgages to cover the down payments on these loans through a company related to one of the defendants. These second mortgages were not shown on required closing statements that instead showed deposits of earnest money which the consumers did not make.

On May 30, 2007, defendant Anthony Porter notified some of these consumers that the developers would not be able to make the monthly mortgage payments as promised, leaving consumers stuck with large debts and no way to sell their lots for enough money to cover the loans.

According to Cooper's complaint, the defendants also failed to register the project with the US Department of Housing and Urban Development, which requires developers to provide a disclosure statement outlining how housing developments will be completed and how services such as water and sewer systems will be provided. This same law, the Interstate Land Sales Full Disclosure Act, also provides protections for consumers by giving them a period of time to cancel their purchase in the development.

"Do your homework carefully when investing in real estate," Cooper cautioned consumers. "Watch out for offers that promise high profits with little or no investment."

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