



IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI  
HATTIESBURG DIVISION

UNITED STATES OF AMERICA

v.

**SUPERSEDING INDICTMENT**

CRIMINAL NO. 2:06cr1KSRHW

RICHARD B. LUCAS  
PHILLIP N. WEARY  
KIMBERLY A. CASTLE  
KENNETH STALNAKER  
LORETTA JOY CHAMP  
WILLIAM V. FAIRLEY a/k/a Vaston  
KENNETH FAIRLEY, JR.  
JAFUS JONES II  
KRISTY N. PACKER

18 U.S.C. § 371  
18 U.S.C. §1014  
18 U.S.C. §1341  
18 U.S.C. §1344  
18 U.S.C. §1956(h)

**The Grand Jury charges:**

COUNT 1

Introduction

1. At all times material to this Indictment, defendant **RICHARD B. LUCAS** was the controlling person for Lucas Development and Investments ("Lucas Development") and its affiliates, including C&J Properties, Southwest Trust Co., the Mellon Group, Lucas & Castle Properties, and the Auto Marketing Group.

2. At all times material to this Indictment, defendants **PHILLIP N. WEARY, WILLIAM V. FAIRLEY a/k/a Vaston, JAFUS JONES II, and KRISTY N. PACKER** were employees of Lucas Development or its affiliates.

3. At all times material to this Indictment, defendants **KENNETH FAIRLEY, JR., and KRISTY N. PACKER** were nominal borrowers for the purpose of obtaining mortgage loans for the purchase of real property.

4. At all times material to this Indictment, defendant **KIMBERLY A. CASTLE** was a Mississippi attorney who handled real estate settlements for defendant **LUCAS**.

5. At all times material to this Indictment, defendant **KENNETH STALNAKER** was a real estate appraiser doing business as Accurate Appraisals.

6. At all times material to this Indictment, defendant **LORETTA JOY CHAMP** acted as a real estate appraiser doing business as J&J Appraisal Services.

7. At all times material to this Indictment, the Federal Deposit Insurance Corporation ("FDIC") was an agency of the United States government, which insures the deposits of financial institutions throughout the United States

8. At all times material to this Indictment, Countrywide Home Loans, Inc. ("Countrywide") was the main operating subsidiary of Countrywide Financial Corporation, a depository institution holding company within the definition of the Federal Deposit Insurance Act.

9. At all times material to this Indictment, Alliance Funding Company ("Alliance") was a subsidiary of Superior Federal Bank, FSB, a financial institution with deposits insured by the FDIC.

#### The Bank and Wire Fraud Conspiracy

10. Beginning in or about December 2000, and continuing until in or about November 2002, in Forrest County, in the Hattiesburg Division of the Southern District of Mississippi, and elsewhere, defendants **RICHARD B. LUCAS, PHILLIP N. WEARY, KIMBERLY A. CASTLE, KENNETH STALNAKER, LORETTA JOY CHAMP, WILLIAM V. FAIRLEY a/k/a Vaston, KENNETH FAIRLEY, JR., JAFUS JONES II, and KRISTY N. PACKER** did knowingly and willfully conspire with each other and with others known and unknown to the Grand Jury, to commit offenses against the United States as follows: (a) knowingly make false statements and reports, and

willfully overvalued land and property, for the purpose of influencing the actions of entities subject to the Federal Deposit Insurance Act in connection with applications for mortgage loans, in violation of Title 18, United States Code, Section 1014; (b) to knowingly execute a scheme to obtain funds owned by, or under the custody or control of a financial institution by means of materially false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code, Section 1344, and (c) 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 and for the purpose of executing the scheme and artifice to defraud to knowingly use and cause to be used interstate wires, in violation of Title 18, United States Code, Section 1343.

Overt Acts

11. On or about various dates between December 2000 and November 2002, defendants **RICHARD B. LUCAS, PHILLIP N. WEARY, WILLIAM V. FAIRLEY a/k/a Vaston,** and **JAFUS JONES II,** and others known and unknown to the grand jury, acquired distressed properties in Hattiesburg and Laurel, Mississippi, and elsewhere.

12. On or about various dates between December 2000 and November 2002, defendant **RICHARD B. LUCAS** arranged to produce inflated appraisals for the properties that were acquired in the name of defendants **PHILLIP N. WEARY, WILLIAM V. FAIRLEY a/k/a Vaston,** and **JAFUS JONES II.**

13. On or about various dates between December 2000 and November 2002, defendants **KENNETH STALNAKER** and **LORETTA JOY CHAMP** along with others, both known and unknown to the grand jury, prepared appraisals for the properties that significantly inflated the true value of the properties.

14. On or about various dates between December 2000 and November 2002, defendants **WILLIAM V. FAIRLEY a/k/a Vaston, KENNETH FAIRLEY, JR., and KRISTYN. PACKER,** and others, both known and unknown to the grand jury, submitted false mortgage loan applications to finance their purchase of properties from defendant **PHILLIP N. WEARY.**

15. On or about various dates between December 2000 and November 2002, defendants **RICHARD B. LUCAS and JAFUS JONES II.** recruited purported investors to acquire properties from defendant **PHILLIP N. WEARY** and others knowing that such purported investors would not be required to make any down payment for such purchases.

16. On or about various dates between December 2000 and November 2002, defendant **RICHARD B. LUCAS** arranged to have a co-conspirator prepare false financial information documents in support of the mortgage loan applications, which false documents included fictitious pay stubs and bank account statements.

17. On or about various dates between December 2000 and November 2002, defendant **KIMBERLY A. CASTLE** conducted real estate closings for the purchase of the subject properties knowing full well that the mortgage loan borrowers routinely did not make the down payment that defendant **CASTLE** referred to the borrowers as having made on the Housing and Urban Development Form 1 ("HUD-1") settlement statements that she prepared.

18. On or about various dates between December 2000 and November 2002, defendant **RICHARD B. LUCAS** initiated mortgage loan transactions that resulted in the transmission of funds by check and wire transfer, which included payments sent by means of interstate wires from accounts under the control of Countrywide in Calabasas, California to Hattiesburg, Mississippi.

All in violation of Section 371, United States Code, Title 18.

COUNT 2

Bank Fraud

19. The allegations in paragraphs 1 through 9 of Count 1 are repeated and incorporated by reference as though fully set forth in this count.

20. Beginning in or about December 2000, and continuing until in or about November 2002, in Forrest County, in the Hattiesburg Division of the Southern District of Mississippi, and elsewhere, defendants **RICHARD B. LUCAS, PHILLIP N. WEARY, KIMBERLY A. CASTLE, KENNETH STALNAKER, LORETTA JOY CHAMP, WILLIAM V. FAIRLEY a/k/a Vaston, KENNETH FAIRLEY, JR, JAFUS JONES II, and KRISTY N. PACKER**, aided and abetted by each other and others both known and unknown to the grand jury, knowingly executed a scheme and artifice to obtain funds owned by, or under the custody or control of a financial institution by means of materially false and fraudulent pretenses, representations, and promises.

Scheme to Defraud

21. It was a part of the scheme and artifice to defraud that defendant **RICHARD B. LUCAS** and others located houses in Hattiesburg and Laurel, Mississippi, and elsewhere, that were for sale at low prices.

22. It was a further part of the scheme and artifice to defraud that defendants **PHILLIP N. WEARY, WILLIAM V. FAIRLEY a/k/a Vaston, and JAFUS JONES II** would purchase the houses for immediate resale.

23. It was a further part of the conspiracy that defendants **KENNETH STALNAKER** and **LORETTA JOY CHAMP**, along with others known and unknown to the grand jury, would prepare appraisals for the properties that significantly inflated their true value.

24. It was further a part of the scheme and artifice to defraud that defendants **RICHARD B. LUCAS** and **PHILLIP N. WEARY** arranged for defendants **KRISTY N. PACKER** and **KENNETH FAIRLEY, JR.** to serve as nominal borrowers for the purpose of obtaining mortgage loans for the purchase of the houses that defendant **WEARY** and others purchased for resale.

25. It was further a part of the scheme and artifice to defraud that defendants **RICHARD B. LUCAS** and **JAFUS JONES II** persuaded persons to purchase these houses by telling them they would receive a payment for allowing their names to be used to obtain a mortgages on the property.

26. It was a part of the scheme and artifice to defraud that defendants **RICHARD B. LUCAS** and **JAFUS JONES II** represented to potential investors that in purchasing the property, the investor would have no out-of-pocket expenses.

27. It was a part of the scheme and artifice to defraud that defendant **RICHARD B. LUCAS** would provide funds due from the borrower at settlement, thus creating the false impression that the down payment was made by the borrower.

28. It was a part of the scheme and artifice to defraud that defendants **RICHARD B. LUCAS** and **JAFUS JONES II** and others known and known to the grand jury represented to potential investors that Lucas Development or its affiliates would lease the houses to tenants, would collect the rents, would make the monthly mortgage payments, and would handle all necessary maintenance and repairs on the houses.

29. It was a part of the scheme and artifice to defraud that defendant **RICHARD B. LUCAS** caused mortgage loan applications to be made on behalf of the investors and on behalf of the nominal borrowers, defendants **KRISTY N. PACKER** and **KENNETH FAIRLEY, JR.**, which falsely represented the income and assets of the loan applicant.

30. It was a part of the scheme and artifice to defraud that defendants **RICHARD B. LUCAS, PHILLIP N. WEARY, and KIMBERLY A. CASTLE** caused settlements to occur for which false settlement statements ("HUD-1s") were prepared and transmitted to the mortgage lenders.

31. It was a part of the scheme and artifice to defraud that the HUD-1s that defendant **KIMBERLY A. CASTLE** prepared were false in that they showed that the applicant's down payments had been collected at settlement from the applicant. In truth and in fact, defendant **RICHARD B. LUCAS** provided the funds for the down payment, thus making it appear that the borrower had invested funds in the property when in truth the borrower did not have any such equity interest.

32. It was a further part of the scheme and artifice to defraud that after each settlement, defendant **KIMBERLY A. CASTLE** sent the lender's closing package to the lender which purportedly reflected an accurate description of what had happened at closing, but which closing packages included false, fictitious and misleading HUD-1s that did not reflect that applicant's down payment had come from defendant **RICHARD B. LUCAS**.

All in violation of Sections 1344 and 2, Title 18, United States Code.

COUNTS 3-11

Wire Fraud

33. The allegations in paragraphs 1 through 9 of Count 1 and the allegations in paragraphs 21 through 32 of Count 2 are repeated and incorporated by reference as though fully set forth in these Counts.

34. On or about the dates set forth below, in Forrest County, in the Hattiesburg Division of the Southern District of Mississippi, and elsewhere, defendants **RICHARD B. LUCAS, PHILLIP N. WEARY, KIMBERLY A. CASTLE, KENNETH STALNAKER, LORETTA JOY CHAMP, WILLIAM V. FAIRLEY a/k/a Vaston, JAFUS JONES II, KENNETH FAIRLEY, JR., and KRISTY N. PACKER**, aided and abetted by each other and others both known and unknown to the grand jury, devised and intended to devise a scheme and artifice to defraud and to obtain money by means of materially false and fraudulent pretenses, representations and promises, and for the purpose of executing the scheme and artifice to defraud, did knowingly cause to be sent or delivered by interstate wires, certain items as specified below:

Count	Date	Item
3	7/31/01	Mortgage proceeds in the amount of \$66,514.05
4	8/6/01	Mortgage proceeds in the amount of \$125,764.99
5	8/10/01	Mortgage proceeds in the amount of \$57,619.09
6	8/20/01	Mortgage proceeds in the amount of \$64,786.96
7	8/28/01	Mortgage proceeds in the amount of \$56,286.15
8	10/31/01	Mortgage proceeds in the amount of \$61,966.23
9	12/31/01	Mor mortgage proceeds in the amount of \$60,301.10
10	2/25/02	Mortgage proceeds in the amount of \$52,202.41
11	8/30/02	Mortgage proceeds in the amount of \$52,637.76

All in violation of Sections 1343 and 2, Title 18, United States Code.

COUNT 12

The Money Laundering Conspiracy

35. Beginning in or about December 2000, and continuing until in or about November 2002, in Forrest County, in the Hattiesburg Division of the Southern District of Mississippi, and elsewhere, defendants **RICHARD B. LUCAS, PHILLIP N. WEARY, and KIMBERLY A. CASTLE** did knowing and willfully conspire with each other and with others known and unknown to the Grand Jury to conduct and attempt to conduct financial transactions, which transactions involved the proceeds of the specified unlawful activity described in Count 1 above, with the intent to promote the carrying on of specified unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(A)(I).

36. It was a part of the conspiracy that the defendants would use the proceeds of the mortgage transactions referred to in Counts 1 through 11 to purchase additional distressed properties for the purpose of promoting the specified unlawful activity described in Counts 1 through 11.

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

  
DUNN LAMPTON  
United States Attorney

A TRUE BILL:

s/ Signature

Foreperson of the Grand Jury