

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA

UNITED STATES OF AMERICA	:	
	:	
v.	:	
	:	
CHARLES RICHARDSON, JR.	:	1:05CR <u>230</u> -1
PHILLIP WAYNE MIDDLEBROOKS	:	1:05CR <u>230</u> -2
RICK FRANKLIN SHUMATE	:	1:05CR <u>230</u> -3

The Grand Jury charges:

COUNT ONE

1. At all times herein material, CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS operated various entities, including C. Richardson and Associates.

2. At all times herein material, RICK FRANKLIN SHUMATE acted as a real estate closing attorney.

3. At all times herein material, First Indiana Bank, Concorde Acceptance Corporation, Wilmington National Finance, and Maximum Funding Group acted as mortgage lenders.

4. At all times herein material, First Indiana Bank and Wilmington National Finance were financial institutions, the deposits of which were insured by the Federal Deposit Insurance Corporation.

5. From in and around August 1999, through in and around January 2001, the exact dates to the Grand Jurors unknown, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS, RICK FRANKLIN

SHUMATE, and divers other persons, known and unknown to the Grand Jurors, devised and intended to devise a scheme and artifice to defraud mortgage lenders, including financial institutions, by submitting and causing the submission of materially false information to and by fraudulently concealing and causing the concealment of material information from mortgage lenders in order to obtain mortgage loans and, in executing said scheme and artifice to defraud, used and caused the use of commercial interstate carriers and interstate wire communications.

SCHEME AND ARTIFICE TO DEFRAUD

6. It was a part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS would and did recruit individuals to act as the purported purchasers ("straw-buyers") of parcels of real property.

7. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS would and did promise the straw-buyers a kickback of \$1,000 to \$5,000 for acting as straw-buyers.

8. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS would and did tell the straw-buyers that, following the purchase of the parcels of real property in their names, the straw-buyers would not have to pay monthly mortgage loan installments and the parcels of real property promptly would be transferred out of their names.

9. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS would and did lead the straw-buyers to believe that the straw-buyers' credit records would be improved because timely monthly mortgage loan installments would be paid for the parcels of real property while they were in the straw-buyers' names.

10. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS, RICK FRANKLIN SHUMATE, and divers other persons, known and unknown to the Grand Jurors, knowingly submitted and caused the submission of materially false information to and fraudulently concealed and caused the concealment of material information from mortgage lenders, including as to the fact that the straw-buyers were not the actual purchasers and as to the intent of the straw-buyers to occupy the parcels of real property as primary residences, as well as regarding the assets, deposits, down-payments, employment, income, liabilities, and residence history of the straw-buyers.

11. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS, and divers other persons, known and unknown to the Grand Jurors, would and did provide and cause the provision of false verifications of false information submitted to mortgage lenders.

12. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS

would and did select and cause the selection of RICK FRANKLIN SHUMATE as the closing attorney for transactions involving straw-buyers.

13. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS, and RICK FRANKLIN SHUMATE would and did fraudulently obtain and cause the obtaining of funds from mortgage lenders by structuring and causing the structuring of sale transactions for the parcels of real property as "double closings" in which: (a) a mortgage loan for an amount above the actual sale price for a parcel of real property would be secured in a straw-buyer's name; (b) CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS or entities they operated then nominally would purchase the parcel of real property at the sale price without actually committing any funds; and (c) CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS or entities they operated thereafter immediately would resell the parcel of real property to the straw buyer at a higher price near the amount of the mortgage loan, thereby securing a profit for themselves and funds to pay attorney's fees to RICK FRANKLIN SHUMATE.

14. It was a further part of the scheme and artifice to defraud that, as part of the effort to conceal the true nature of the transactions involving straw-buyers and double-closings, RICK FRANKLIN SHUMATE would and did falsify and cause the falsification of title insurance documents to make it appear that CHARLES

RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS or entities they operated owned parcels of real property on dates prior to the double-closings.

15. It was a further part of the scheme and artifice to defraud that RICK FRANKLIN SHUMATE would and did open and cause the opening of a trust account with SouthTrust Bank, a bank utilized by CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS, for handling transactions involving straw-buyers and double-closings on behalf of CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS, despite the fact that RICK FRANKLIN SHUMATE already had an existing trust account with First Citizens Bank, allowing CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS quicker access to funds fraudulently obtained from mortgage lenders.

16. It was a further part of the scheme and artifice to defraud that, in connection with transactions involving straw-buyers and double-closings, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE would and did create and submit to mortgage lenders and cause the creation and submission to mortgage lenders of HUD-1 settlement statements containing materially false information and concealing material information regarding, among other things, the true nature of and participants in double-closing transactions and kickbacks paid to straw-buyers.

17. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS

would and did pay and cause the payment of kickbacks of approximately \$1,000 to \$5,000 to straw-buyers whose names were used in double-closing transactions.

18. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS failed to pay and to cause the payment of monthly mortgage loan installments for parcels of real property purchased in the names of straw-buyers and failed to transfer and to cause the transfer of parcels of real property out of the straw-buyers' names, thereby causing mortgage loans in straw-buyers' names to go into default, leading to the sale of parcels of real property at foreclosure, and resulting in losses for mortgage lenders and significant damage to the credit records of straw-buyers.

EXECUTION

19. On or about July 17, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE did knowingly execute and attempt to execute the scheme and artifice to defraud a financial institution, by causing the transfer of funds in the amount of \$79,761.80, from First Indiana Bank to a SouthTrust Bank trust account in the name of RICK FRANKLIN SHUMATE, in Greensboro, North Carolina, for the purchase of 116 Laura Avenue, Winston-Salem, North Carolina, in the name of Anita Siddle.

All in violation of Title 18, United States Code, Sections 1344(1) and 2.

COUNT TWO

1. At all times herein material, SouthTrust Bank was a financial institution within the meaning of Title 18, United States Code, Section 1956(c)(6) and Title 31, United States Code, Section 5312(a)(2), that is, a bank, the deposits of which were insured by the Federal Deposit Insurance Corporation, and was engaged in interstate commerce and in activities which affected interstate commerce in any way and degree.

2. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

3. On or about July 18, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE did knowingly engage and attempt to engage in a monetary transaction, involving the use of SouthTrust Bank, in criminally derived property of a value of over \$10,000.00, that is, the transfer of \$22,701.07, via check number 1001, drawn on a SouthTrust Bank trust account in the name of RICK FRANKLIN SHUMATE, payable to CHARLES RICHARDSON, JR., such property having been derived from specified unlawful activity, that is, bank fraud, in violation of Title 18, United States Code, Sections 1344(1) and 2.

All in violation of Title 18, United States Code, Sections 1957(a) and 2.

COUNT THREE

1. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

2. On or about July 19, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE, for the purpose of executing the scheme and artifice to defraud, did cause the transmission of writings, signs, signals, pictures, and sounds, by means of wire communication in interstate commerce, that is, a wire transfer in the amount of \$169,958.20, from Bank One, Dallas, Texas, on behalf of Concorde Acceptance Corporation, to a First Citizens Bank trust account in the name of RICK FRANKLIN SHUMATE, in Greensboro, North Carolina, for the purchase of 4002 Jessup Grove Court, Greensboro, North Carolina, in the name of Paul Hairston.

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

COUNT FOUR

1. At all times herein material, First Citizens Bank was a financial institution within the meaning of Title 18, United States Code, Section 1956(c)(6) and Title 31, United States Code, Section 5312(a)(2), that is, a bank, the deposits of which were insured by

the Federal Deposit Insurance Corporation, and was engaged in interstate commerce and in activities which affected interstate commerce in any way and degree.

2. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

3. On or about July 19, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE did knowingly engage and attempt to engage in a monetary transaction, involving the use of First Citizens Bank, in criminally derived property of a value of over \$10,000.00, that is, the transfer of \$13,676.20, via check number 6660, drawn on a First Citizens Bank trust account in the name of RICK FRANKLIN SHUMATE, payable to CHARLES RICHARDSON, JR., such property having been derived from specified unlawful activity, that is, wire fraud, in violation of Title 18, United States Code, Sections 1343 and 2.

All in violation of Title 18, United States Code, Sections 1957(a) and 2.

COUNT FIVE

1. At all times herein material, SouthTrust Bank was a financial institution within the meaning of Title 18, United States Code, Section 1956(c)(6) and Title 31, United States Code, Section 5312(a)(2), that is, a bank, the deposits of which were insured by the Federal Deposit Insurance Corporation, and was engaged in

interstate commerce and in activities which affected interstate commerce in any way and degree.

2. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

3. On or about July 20, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS did knowingly and willfully conduct and cause to be conducted a financial transaction involving SouthTrust Bank, that is the transfer and delivery of \$5,000, via check numbers 92 and 93, drawn on a SouthTrust Bank account in the name of C. Richardson and Associates, payable to Paul Hairston, in the amounts of \$900 and \$4,100, respectively, which involved proceeds of a specified unlawful activity, that is, wire fraud, in violation of Title 18, United States Code, Sections 1343 and 2, with the intent to promote the carrying on of said specified unlawful activity and that while conducting and causing to be conducted such financial transaction knew that the property involved in the financial transaction, that is, funds in the amount of \$5,000, represented the proceeds of some form of unlawful activity.

All in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i) and 2.

COUNT SIX

1. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

2. On or about July 25, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE did knowingly execute and attempt to execute the scheme and artifice to defraud a financial institution, by causing the transfer of funds in the amount of \$131,771.80, from First Indiana Bank to a SouthTrust Bank trust account in the name of RICK FRANKLIN SHUMATE, in Greensboro, North Carolina, for the purchase of 3906 Southeast School Road, Greensboro, North Carolina, in the name of Paul Hairston.

All in violation of Title 18, United States Code, Sections 1344(1) and 2.

COUNT SEVEN

1. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

2. On or about July 26, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE did knowingly execute and attempt to execute the scheme and artifice to defraud a financial institution, by causing the transfer of funds in the amount of \$239,305, from Wilmington National Finance to a SouthTrust Bank trust account in the name of RICK FRANKLIN SHUMATE, in Greensboro, North Carolina, for the purchase of 3220 Cross Tree Way, Winston-Salem, North Carolina, in the name of Paul Hairston.

All in violation of Title 18, United States Code, Sections 1344(1) and 2.

COUNT EIGHT

1. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

2. On or about July 26, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE, for the purpose of executing and attempting to execute the scheme and artifice to defraud, deposited and caused to be deposited any matter and thing, that is, a package containing executed mortgage loan documents related to the purchase of 3220 Cross Tree Way, Winston-Salem, North Carolina, in the name of Paul Hairston, to be sent and delivered by commercial interstate carrier to Wilmington National Finance.

All in violation of Title 18, United States Code, Sections 1341 and 2.

COUNT NINE

1. At all times herein material, SouthTrust Bank was a financial institution within the meaning of Title 18, United States Code, Section 1956(c)(6) and Title 31, United States Code, Section 5312(a)(2), that is, a bank, the deposits of which were insured by the Federal Deposit Insurance Corporation, and was engaged in

interstate commerce and in activities which affected interstate commerce in any way and degree.

2. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

3. On or about July 26, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE did knowingly engage and attempt to engage in a monetary transaction, involving the use of SouthTrust Bank, in criminally derived property of a value of over \$10,000.00, that is, the transfer of \$34,474.65, via check number 1046, drawn on a SouthTrust Bank trust account in the name of RICK FRANKLIN SHUMATE, payable to CHARLES RICHARDSON, JR., such property having been derived from specified unlawful activity, that is, mail fraud and bank fraud, in violation of Title 18, United States Code, Sections 1341, 1344(1) and 2.

All in violation of Title 18, United States Code, Sections 1957(a) and 2.

COUNT TEN

1. At all times herein material, SouthTrust Bank was a financial institution within the meaning of Title 18, United States Code, Section 1956(c)(6) and Title 31, United States Code, Section 5312(a)(2), that is, a bank, the deposits of which were insured by the Federal Deposit Insurance Corporation, and was engaged in

interstate commerce and in activities which affected interstate commerce in any way and degree.

2. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

3. On or about July 28, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS did knowingly and willfully conduct and cause to be conducted a financial transaction involving SouthTrust Bank, that is the transfer and delivery of \$5,000, via check number 1019, drawn on a SouthTrust Bank account in the name of C. Richardson and Associates, payable to Paul Hairston, in the amount of \$5,000, which involved proceeds of a specified unlawful activity, that is, mail fraud and bank fraud, in violation of Title 18, United States Code, Sections 1341, 1344(1) and 2, with the intent to promote the carrying on of said specified unlawful activity and that while conducting and causing to be conducted such financial transaction knew that the property involved in the financial transaction, that is, funds in the amount of \$5,000, represented the proceeds of some form of unlawful activity.

All in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i) and 2.

COUNT ELEVEN

1. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

2. On or about August 3, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE, for the purpose of executing the scheme and artifice to defraud, did cause the transmission of writings, signs, signals, pictures, and sounds, by means of wire communication in interstate commerce, that is, a wire transfer in the amount of \$75,409.68, from Bank One, Dallas, Texas, on behalf of Concorde Acceptance Corporation, to a SouthTrust Bank trust account in the name of RICK FRANKLIN SHUMATE in Greensboro, North Carolina, for the purchase of 128 Laura Avenue, Winston-Salem, North Carolina, in the name of Anita Siddle.

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

COUNT TWELVE

1. At all times herein material, SouthTrust Bank was a financial institution within the meaning of Title 18, United States Code, Section 1956(c)(6) and Title 31, United States Code, Section 5312(a)(2), that is, a bank, the deposits of which were insured by the Federal Deposit Insurance Corporation, and was engaged in interstate commerce and in activities which affected interstate commerce in any way and degree.

2. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

3. On or about August 3, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE did knowingly engage and attempt to engage in a monetary transaction, involving the use of SouthTrust Bank, in criminally derived property of a value of over \$10,000.00, that is, the transfer of \$18,484.50, via check number 1056, drawn on a SouthTrust Bank trust account in the name of RICK FRANKLIN SHUMATE, payable to CHARLES RICHARDSON, JR., such property having been derived from specified unlawful activity, that is, wire fraud, in violation of Title 18, United States Code, Sections 1343 and 2.

All in violation of Title 18, United States Code, Sections 1957(a) and 2.

COUNT THIRTEEN

1. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

2. On or about August 14, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS and RICK FRANKLIN SHUMATE, for the purpose of executing and attempting to execute the scheme and artifice to defraud, deposited and caused to be deposited any matter and thing, that is, a package containing executed mortgage loan documents related to the purchase of 3400 Sandon Place, Winston-Salem, North Carolina, in the name of Paul Hairston, to be

sent and delivered by commercial interstate carrier to Maximum Funding Group.

All in violation of Title 18, United States Code, Sections 1341 and 2.

COUNT FOURTEEN

1. At all times herein material, SouthTrust Bank was a financial institution within the meaning of Title 18, United States Code, Section 1956(c)(6) and Title 31, United States Code, Section 5312(a)(2), that is, a bank, the deposits of which were insured by the Federal Deposit Insurance Corporation, and was engaged in interstate commerce and in activities which affected interstate commerce in any way and degree.

2. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

3. On or about August 14, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS, and RICK F. SHUMATE did knowingly engage and attempt to engage in a monetary transaction, involving the use of SouthTrust Bank, in criminally derived property of a value of over \$10,000.00, that is, the transfer of \$26,549.55, via check number 1079, drawn on a SouthTrust Bank trust account in the name of RICK FRANKLIN SHUMATE, payable to CHARLES RICHARDSON, JR., such property having been derived from specified unlawful activity,

that is, mail fraud, in violation of Title 18, United States Code, Sections 1341 and 2.

All in violation of Title 18, United States Code, Sections 1957(a) and 2.

COUNT FIFTEEN

1. At all times herein material, SouthTrust Bank was a financial institution within the meaning of Title 18, United States Code, Section 1956(c)(6) and Title 31, United States Code, Section 5312(a)(2), that is, a bank, the deposits of which were insured by the Federal Deposit Insurance Corporation, and was engaged in interstate commerce and in activities which affected interstate commerce in any way and degree.

2. The Grand Jury realleges paragraphs one through eighteen of Count One, as if set forth fully herein.

3. On or about August 15, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR. and PHILLIP WAYNE MIDDLEBROOKS did knowingly and willfully conduct and cause to be conducted a financial transaction involving SouthTrust Bank, that is the transfer and delivery of \$1,000, via check number 1045, drawn on a SouthTrust Bank account in the name of C. Richardson and Associates, payable to Paul Hairston, in the amount of \$1,000, which involved proceeds of a specified unlawful activity, that is, mail fraud, in violation of Title 18, United States Code, Sections 1341 and 2, with the intent to promote the

carrying on of said specified unlawful activity and that while conducting and causing to be conducted such financial transaction knew that the property involved in the financial transaction, that is, funds in the amount of \$1,000, represented the proceeds of some form of unlawful activity.

All in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i) and 2.

COUNT SIXTEEN

1. At all times herein material, CHARLES RICHARDSON, JR. operated various entities, including Macrich Capital, LLC.

2. From in and around April 2000, through in and around April 2002, the exact dates to the Grand Jurors unknown, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR. and divers other persons, known and unknown to the Grand Jurors, devised and intended to devise a scheme and artifice to defraud by inducing individuals to invest money with Macrich Capital, LLC, and to continue to expect returns on their investments, through the use of materially false statements to and the fraudulent concealment of material information from investors.

SCHEME AND ARTIFICE TO DEFRAUD

3. It was a part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. would and did form Macrich Capital, LLC.

4. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. would and did recruit and

cause the recruitment of individuals to invest thousands of dollars with Macrich Capital, LLC, with false promises of large returns over a short period of time.

5. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. would and did make material false statements to prospective investors to induce them to invest, including that the investors' principal investment would be sent out from Macrich Capital, LLC, to another person or entity in California for investment, that the investors' principal investment was insured against any loss by reputable entities, such as Lloyd's of London, that the investment program was limited to only a small, select group that included prominent athletes and entertainers, that the investment program was and should be kept secret, and that prior participants in the program had received large returns on their investments.

6. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. would and did fail to invest or cause the investment of the investors' funds, and instead would and did divert and cause the diversion of investors' funds to other purposes, including his own benefit and the payment of expenses associated with the operation of other business ventures.

7. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. and divers other persons, known and unknown to the Grand Jurors, would and did prepare and

cause the preparation of monthly account statements falsely reflecting that investors' funds had been invested and were producing large positive returns.

8. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. and divers other persons, known and unknown to the Grand Jurors, would and did mail and cause the mailing to investors of monthly account statements falsely reflecting that investors' funds had been invested and were producing large positive returns.

9. It was a further part of the scheme and artifice to defraud that CHARLES RICHARDSON, JR. and divers other persons, known and unknown to the Grand Jurors, repeatedly would and did reassure investors that they would receive both their principal and/or profits from the investment when the promised time for the payoff on their investments passed, including by falsely stating that the delay in payment was a result of paperwork or problems with the wiring of funds.

EXECUTION

10. On or about July 17, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR. and divers other persons, known and unknown to the Grand Jurors, for the purpose of executing and attempting to execute the scheme and artifice to defraud, knowingly caused to be delivered by mail any matter and thing, that is, an envelope addressed to Anthony M.

Harris, 614 Westover Drive, High Point, North Carolina, containing a monthly account statement falsely reflecting that Anthony M. Harris's funds had been invested and were producing large positive returns.

All in violation of Title 18, United States Code, Sections 1341 and 2.

COUNT SEVENTEEN

1. The Grand Jury realleges paragraphs one through nine of Count Sixteen, as if set forth fully herein.

2. On or about August 17, 2000, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR. and divers other persons, known and unknown to the Grand Jurors, for the purpose of executing and attempting to execute the scheme and artifice to defraud, knowingly caused to be delivered by mail any matter and thing, that is, an envelope addressed to Timothy C. McMaster, 1711 Lazy Lane, High Point, North Carolina, containing a monthly account statement falsely reflecting that Timothy C. McMaster's funds had been invested and were producing large positive returns.

All in violation of Title 18, United States Code, Sections 1341 and 2.

COUNT EIGHTEEN

On or about November 5, 2001, in the County of Guilford, in the Middle District of North Carolina, CHARLES RICHARDSON, JR., in

a matter within the jurisdiction of the executive branch of the Government of the United States of America, that is, the United States Department of Justice, Federal Bureau of Investigation, did knowingly and willfully make a materially false, fictitious, and fraudulent statement and representation during an interview with the Department of Justice, Federal Bureau of Investigation, in that, CHARLES RICHARDSON, JR. stated, in connection with the investment program he operated through Macrich Capital, LLC, that all funds that were supposed to be invested were sent to a bank in Atlanta, when, in truth and in fact, as CHARLES RICHARDSON, JR. then well knew, all funds that were supposed to be invested were not sent to a bank in Atlanta; in violation of Title 18, United States Code, Section 1001(a)(2).

COUNT NINETEEN

On or about August 27, 2004, in the County of Guilford, in the Middle District of North Carolina, RICK FRANKLIN SHUMATE, in a matter within the jurisdiction of the executive branch of the Government of the United States of America, that is, the United States Department of Justice, Federal Bureau of Investigation, did knowingly and willfully make a materially false, fictitious, and fraudulent statement and representation during an interview with the Department of Justice, Federal Bureau of Investigation, in that, RICK FRANKLIN SHUMATE stated, in connection with real estate closings he conducted involving CHARLES RICHARDSON, JR. and PHILLIP

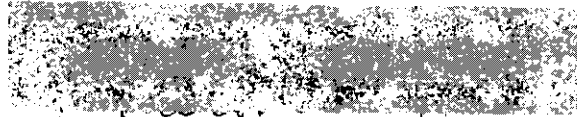
WAYNE MIDDLEBROOKS, that he did not realize that individuals purchased multiple properties as primary residences, when, in truth and in fact, as RICK FRANKLIN SHUMATE then well knew, he did realize that individuals purchased multiple properties as primary residences; in violation of Title 18, United States Code, Section 1001(a)(2).

COUNT TWENTY

On or about February 17, 2005, in the County of Guilford, in the Middle District of North Carolina, and elsewhere, CHARLES RICHARDSON, JR., PHILLIP WAYNE MIDDLEBROOKS, and divers other persons, known and unknown to the Grand Jurors, knowingly did make, possess, and utter a counterfeited and forged security of an organization that operated in and engaged in activities affecting interstate commerce, that is, a falsely made, completed and signed High Point Bank and Trust Company check number 1160, in the amount of \$32,700, payable to C. Richardson and Associates, LLC, bearing a signature in the name of P.W. Middlebrooks, purportedly drawn on an account of Macrich Capital, LLC, with the intent to deceive

another person and organization, in violation of Title 18, United States Code, Sections 513(a) and 2.

A TRUE BILL:



FOREPERSON

A handwritten signature in cursive script, appearing to read "L. Patrick Auld".

L. PATRICK AULD
ASSISTANT UNITED STATES ATTORNEY

A handwritten signature in cursive script, appearing to read "Anna Mills Wagoner".

ANNA MILLS WAGONER
UNITED STATES ATTORNEY