

THE STATE OF SOUTH CAROLINA
In The Court of Appeals

APPEAL FROM GREENVILLE COUNTY
G. Edward Welmaker, Circuit Court Judge
Charles B. Simmons, Jr., Master-in-Equity

Case No. 2010-CP-23-6767

Arthur M. Field,..... Respondent-Appellant,

v.

Henry McMaster, Attorney General, ... Appellant-Respondent.

**MOTION TO STAY FILING OF
RECORD ON APPEAL
PENDING POSSIBLE MOOTNESS**

Appellant-Respondent, the Attorney General of South Carolina, hereby moves for an Order staying the filing of the Record on Appeal, including exhibits, in this appeal, pending possible mootness of much or all of this case. The Record on Appeal is currently due to be filed on or before July 30, 2012.

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JUL 27 2012

SC Court of Appeals

Appellant-Respondent also requests that that July 30, 2012 deadline and any other deadlines in this case be stayed pending the resolution of this motion.

The grounds for this motion are discussed more fully in the accompanying Memorandum filed herewith.

Respectfully submitted,

DAVIDSON & LINDEMANN, P.A.

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July 27, 2012

THE STATE OF SOUTH CAROLINA
In The Court of Appeals

APPEAL FROM GREENVILLE COUNTY
G. Edward Welmaker, Circuit Court Judge
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Case No. 2010-CP-23-6767

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SC Court of Appeals

Arthur M. Field, ... Respondent-Appellant,

v.

Henry McMaster, Attorney General, ... Appellant-Respondent.

**MEMORANDUM IN SUPPORT OF MOTION
TO STAY FILING OF RECORD ON APPEAL
PENDING POSSIBLE MOOTNESS**

Appellant-Respondent, the Attorney General of South Carolina, has moved for an Order staying the filing of the Record on Appeal in this case. The Record on Appeal is currently due to be filed on or before July 30, 2012.

The basis for this motion is that this case may be rendered moot to a large degree. This is a FOIA case that in the lower court involved the review of

thousands of pages of documents, consisting of approximately twelve banker's boxes in all. The lower court agreed in part with the Attorney General that many documents did not need to be produced, but also held that a large number of documents should be produced. A copy of the July 18, 2011, Order of the lower court, the primary Order in the case, is attached.¹ The Attorney General appealed, and Field in turn cross appealed.

Plaintiff Field was indicted by the State Grand Jury on June 13, 2012. A copy of the 91-page indictment is attached hereto. It charges Field and another individual with fourteen counts in all, many of which involve securities fraud, the same general subject of the Securities Division files, as shown by the document lists attached to the July 18, 2012 Order. A review of the lists of documents

The practical effect of the indictment on the present case is that copies of a substantial number of the documents that Field has sought in this FOIA action are now subject to being requested by him under S.C.R.Crim.P Rule 5 and *Brady v. Maryland*, 373 U.S. 83 (1963).² Rule 5 is very broad. Specifically, Rule 5(a)(1)(C) provides, among other things, for the production of the following:

¹ The court below later held in effect that it would not require the documents to be produced pending this appeal.

² The original documents are still in the possession of the Securities Division, but copies of many, if not all, were supplied to the State Grand Jury Division some time ago. The Attorney General ultimately did not claim in this FOIA case that the requested Securities Division documents were exempt from FOIA disclosure merely because copies may have been supplied to

(C) Documents and Tangible Objects. Upon request of the defendant the prosecution shall permit the defendant to inspect and copy books, papers, documents, photographs, tangible objects, buildings or places, or copies or portions thereof, which are within the possession, custody or control of the prosecution, and which are material to the preparation of his defense or are intended for use by the prosecution as evidence in chief at the trial, or were obtained from or belong to the defendant.

Criminal Rule 5(a)(2) provides that discovery of the following is not authorized:

“reports, memoranda, or other internal prosecution documents made by the attorney for the prosecution or other prosecution agents in connection with the investigation or prosecution of the case, or of statements made by prosecution witnesses. . . .”

The undersigned counsel, retained by the Attorney General for the purpose of the present FOIA case, cannot speak for the prosecution attorneys in the State Grand Jury Division as to exactly what might now be released pursuant to criminal discovery procedures, or not released as set forth above in Rule 5(a)(2). However, given the breadth of Criminal Rule 5, there is a substantial possibility that many, if not most, of the documents sought by Field in the present FOIA case could be made available to him via the alternative route of a request under Rule 5 and *Brady*.

the State Grand Jury Division, given that the originals have remained with the Securities Division at all times.

Because of the sheer volume of the documents that might be reviewed by this Court in this appeal, and the amount of labor that would be required to separate the ones designated from the ones not designated, the Attorney General had originally intended to move to file as an exhibit, not included within the bound Record on Appeal, only the original documents designated by the Attorney General. (Plaintiff Field did not designate any of the documents.) In addition, because during the pendency of this appeal, none of the documents in dispute have been disclosed to Plaintiff Field, the Attorney General had intended to be permitted to file those documents under seal. Finally, the Attorney General had intended to request permission to file, under seal, a bound exhibit volume that would contain several hundred pages of representative documents in order to facilitate review by the Court of the voluminous documents.

Now, however, it appears that if many of the documents in dispute in the present case are made available to Field under criminal discovery processes, then the only documents that would need to be made available for review by this Court (still under seal) would be whatever would remain after Field makes a criminal discovery request and the Attorney General responds thereto. As of this date, Field has not made such a request of the Grand Jury Division, but that route is presently available to him.

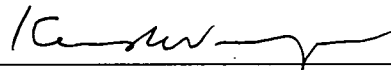
Based on the information above, Appellant-Respondent Attorney General therefore requests that the Court stay the filing of the Record on Appeal and exhibits at present. The Attorney General further proposes that the Court order that 45 days after the entry of an Order on this issue, or within such other time period as the Court may deem necessary, the Attorney General should provide the Court with a status report as to (a) the status of discovery by Field in the State Grand Jury case, (b) the responses to any such discovery by the State Grand Jury Division, and (c) the quantity of records still in issue in this case at such time as the State Grand Jury Division has decided which of those records in its possession it will or will not disclose to Field.

This stay is requested because the volume of documents, and accordingly the number of issues subject to review by this Court in this appeal, will almost surely be greatly reduced, depending on what happens with the criminal discovery process. In addition, the process for handling the exhibits to be supplied to this Court in this case for its review may well be greatly simplified if the number of documents still in dispute in this case is greatly reduced.

The Attorney General would further request that all deadlines in this case be stayed pending the resolution of this motion.

Respectfully submitted,

DAVIDSON & LINDEMANN, P.A.

BY: 
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1611 Devonshire Drive - Second Floor
Post Office Box 8568
Columbia, South Carolina 29202
T: (803) 806-8222
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Counsel for Appellant-Respondent

Columbia, South Carolina

July 27, 2012

STATE OF SOUTH CAROLINA
COUNTY OF GREENVILLE
IN THE COURT OF COMMON PLEAS

JUDGMENT IN A CIVIL CASE

CASE NO: 2010 CP 2306767

Arthur M Field vs. Attorney General

CHECK ONE:

- ☐ **JURY VERDICT.** This action came before the court for a trial by jury. The issues have been tried and a verdict rendered.
- ☐ **DECISION BY THE COURT.** This action came to trial or hearing before the court. The issues have been tried or heard and a decision rendered.
- ☐ **ACTION DISMISSED (CHECK REASON):** ☐ Rule 12(b). SCRPC: ☐ Rule 41(a).
SCRPC (Vol. Nonsuit); ☐ Rule 43(k), SCRPC (Settled); ☐ Other: _____
- ☐ **ACTION STRICKEN (CHECK REASON):** ☐ Rule 40(j) SCRPC; ☐ Bankruptcy;
☐ Binding arbitration, subject to right to restore to confirm, vacate or modify arbitration award;
☐ Other: _____
- ☐ **DISPOSITION OF APPEAL TO THE CIRCUIT COURT (CHECK APPLICABLE BOX):**
☐ Affirmed; ☐ Reversed; ☐ Remanded;
☐ Other: _____

NOTE: ATTORNEYS ARE RESPONSIBLE FOR NOTIFYING LOWER COURT, TRIBUNAL, OR ADMINISTRATIVE AGENCY OF THE CIRCUIT COURT RULING IN THIS APPEAL.

IT IS ORDERED AND ADJUDGED: ☒ See attached order; ☐ Statement of Judgment by the Court:

Dated at Greenville, South Carolina, this .

Court Reporter:

PRESIDING JUDGE -

This judgment was entered on the 18th day of July, 2011, and a copy mailed first class this 18th day of July, 2011, to attorneys of record or to parties (when appearing pro se) as follows:

Arthur M Field 310 Thornblade Blvd Greer, SC
29650

William H. Davidson II Davidson & Lindemann,
P.A. P.O. Box 8568 Columbia, SC 292028568

ATTORNEY(S) FOR THE PLAINTIFF(S)

ATTORNEY(S) FOR THE DEFENDANT(S)

Paul B. Wickensimer Greenville County Clerk Of Court
- Clerk of Court

STATE OF SOUTH CAROLINA)
COUNTY OF GREENVILLE)

IN THE COURT OF COMMON PLEAS
2010-CP-23-6767

Arthur M. Field,)

Petitioner,)

vs.)

Henry McMaster, Attorney General,)

Respondent.)

ORDER

FILED-CLERK OF COURT
GREENVILLE CO. S.C.
JUL 21 2011

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The within action is a result of Petitioner filing a Complaint on August 17, 2010 seeking certain documents from the Attorney General for the State of South Carolina pursuant to the South Carolina Freedom of Information Act. See, S.C. Code 30-4-10, et seq.

The Honorable G. Edward Welmaker issued an Order filed April 4, 2011 and supplemented by way of an Order filed April 30, 2011, directing that the undersigned review in camera the documents requested in Petitioner's July 13, 2009 FOIA request.

The Freedom of Information Act (FOIA) is designed and intended to give "any person a right to inspect or copy any public record of a public body." S.C. Code 30-4-30(a). The FOIA is remedial in nature and should be liberally construed to carry out its purpose. Quality Towing, Inc. v. City of Myrtle Beach, 547 S.E.2d 862 (S.C. 2001). FOIA creates an affirmative duty for the public body to disclose information. Bellamy v. Brown, 408 S.E.2d 219 (S.C. 1991). However, this duty is not without certain exceptions as enumerated under §30-4-40. As such, the determination of whether documents or portions thereof are exempt from FOIA must be made on a case-by-case basis, and the exempt and nonexempt material shall be separated and the



nonexempt material disclosed. See, Evening Post Pub. Co. v. Berkley County School District, SC, 2011 WL 98024 (2011).

Using the guidelines as set forth above, the undersigned has reviewed every of the 1000's of documents in the 12 boxes of materials submitted to the Court by the Office of the Attorney General. At the Court's direction, Respondent submitted an 18-page log of all documents it was producing to the Court. In this log, Respondent contends that literally every document in the 12 boxes of materials is exempt from any type of disclosure to Petitioner. In other words, Respondent, citing very broad conclusions for nondisclosure, has taken the position that none of the 1000's of pages of documents contained in the 12 boxes of materials should be disclosed. Respondent even objects to disclosure of documents in its possession that came either directly from Petitioner or his attorney since Respondent contends they are, at least in part, "documents from the investigative side of the Securities Division that constitute either attorney work product or correspondence, or material obtained in investigation". See, Respondent's Motion For Documents To Remain Under Seal or In Camera filed with Clerk of Court June 3, 2011.

Notwithstanding the above, Respondent also objected to disclosure of its 18-page log or, for that matter, any type of identifying information regarding the 1000's of documents arguing that the mere disclosure of the log or identifying information would provide exempt materials to Petitioner. Pursuant to a conference call held with Petitioner and Respondent's counsel on June 3, 2011, the Court required Respondent to submit to the Court a privilege log capable of production to Petitioner based upon the Court's opinion that Petitioner had rights to know, at least in very general terms, the nature of the documents Respondent was contending were exempt from disclosure. It is simply unreasonable, once a FOIA request is made, for a public body to issue a blanket response that basically says, "I don't have to tell you anything about what we may have since you are not entitled to it anyway." Such is contrary to the intent of FOIA.



The Court is attaching to this Order as Exhibit A the 17-page privilege list submitted by Respondent following the June 3, 2011 conference call.

It is important to note that documents compiled during a criminal investigation by an agency are not automatically exempt from disclosure under FOIA. Rather, our Legislature has determined that such documents would be exempt from disclosure only if the disclosure of the information would harm the agency in one of the four specifically enumerated ways. See, §30-4-30(a)(3); Newberry Pub. Co., Inc. v. Newberry County Commission on Alcohol and Drug Abuse, 417 S.E.2d 870 (S.C. 1992). Documents contained in the files which are otherwise available to the public as public records are not automatically exempt from disclosure merely because they were incorporated into an agency's reports and/or files. See, Newberry Pub. Co., Id.

As set forth in §30-4-40 and Evening Post Pub. Co. v. City of North Charleston, 611 S.E.2d 496 (S.C. 2005), the burden of proving exemption from nondisclosure falls upon, in this particular case, the Respondent. Upon a thorough review of the complete record, other than making very broad, general objections to literally each and every of the 1000's of pages of documents in its files, with the vast majority of objections being styled "Work product; Obtained in investigation" or "Correspondence/Work product", the Respondent has made no showing how the release of the records would interfere with any pending criminal investigation, no showing of how certain documents are "Correspondence/Work product" exempt from disclosure, and no showing of how certain documents are "Work product".

Accordingly, after a thorough review, the Court finds that the following generally identified documents, attached as a list denoted Exhibit B, are exempt from the FOIA request based upon the exemption standards set out at §30-4-30 and §30-4-40. The Court was able, based upon its inspection and review of the documents, to independently find they are exempt

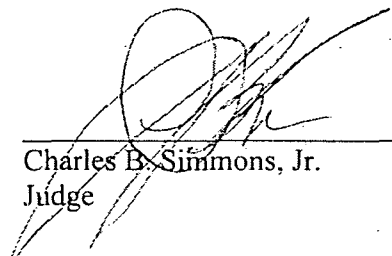


from disclosure. All other documents noted in Exhibit A shall be produced to Petitioner under the conditions as set forth below.

The Court allows Respondent 10 days from the date of this Order being filed and served to file a motion specifically objecting, with the reasons for such objection, to disclosure of any information contained in Exhibit A. Likewise, Petitioner shall also have the right to file a similar motion seeking disclosure of items listed on Exhibit B. Any such motion shall then be heard by the undersigned in open court, if in the Court's discretion such a hearing is necessary, so as to allow the Court to hear from both parties relative to the reasons for disclosure or nondisclosure.

Once the Court determines the exact documents to be disclosed, the Respondent shall have 7 days from the date of such Order to arrange for pick up of the 12 boxes of documents currently housed in the Greenville County Courthouse and return them to Respondent's offices in Columbia, South Carolina. Following the return of all of the documents to Respondent's offices, Respondent shall separate all materials into an exempt and non-exempt file system consistent with this Order. Petitioner shall then have the right to personally inspect the nonexempt documents during regular business hours and upon at least 72 hours written notice to Respondent. Petitioner shall be entitled to make copies and shall also pay such costs as allowable under the Freedom of Information Act.

AND IT IS SO ORDERED.



Charles B. Simmons, Jr.
Judge

July 18 2011

Greenville, South Carolina

Exhibit A

Arthur M. Field
Capital Investment Funding, LLC
File Cabinet/Redwall Materials
Revised June 10, 2011

DLSCN 07/21/11

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Box 1-A Redwall 0 Folder A	Correspondence 1	Correspondence: Letters to and from subject of investigation and his Attorney 2006-07; Copy of investor complaint; copies of extra correspondence	Correspondence or work product ¹ ; Obtained in investigation ² ; This has been provided to Plaintiff, or was to or from Plaintiff
Folder B	Correspondence 2	One letter to an outside Attorney in response to a FOIA request	Correspondence/work product
Folder C	Bill Condon Correspondence file	Attorney correspondence file. Has letter to and from Plaintiff, and a copy of a NOI to Revoke issued in the case; Letter retaining an expert in case; More correspondence including letters regarding retaining hearing officers and responses; letters, some with attachments, to and from Plaintiff and his counsel Letter from CPA with attachments Letter to CPA	Plaintiff has or should have these materials, except those materials which are correspondence/work product Correspondence - Plaintiff should have all that are clean copies; Those with Attorney's notes on them have not been provided and are correspondence/work product Obtained in investigation Correspondence/work product
Folder D	Pleadings	Draft of Pleadings NOI	Correspondence/work product This has been provided to Plaintiff
Redwall #1 Folder A	Investigator Notes	Investigator Notes	Correspondence/work product

¹ S.C. Code § 30-4-40(a)(7) exempts from disclosure "Correspondence or work products of legal counsel for a public body and any other material that would violate attorney-client relationships."

² S.C. Code § 30-4-607(b)(1) exempts from disclosure "a record obtained by the Securities Commissioner in connection with an audit or inspection under Section 35-1-411(d) or an investigation under Section 35-1-602." The Securities Division's investigation of Capital Investment Funding and Field was conducted pursuant to authority granted the Securities Commissioner in S.C. Code Ann. § 35-1-602.

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder B	Correspondence	Criminal referral letter Letter to CIF regarding public documents Internal Division communications Corporate documents and complaint	Correspondence/work product Correspondence/work product; This has been provided to Plaintiff, or was to or from Plaintiff Correspondence/work product Obtained in investigation
Folder C	Research	Factual and legal research	Correspondence/work product
Folder D	Accounting/Auditing Experts	Factual and legal research	Correspondence/work product
Folder E	CIFs Mention of Federal Interstate Exam	Factual and legal research; Work copies registration filings	Obtained in investigation; Correspondence/work product
Folder F	Dissolution and Winding Up	Attorney research, copies of Secretary of State filing Corporate documents Corporate documents with Attorney comments Phone calls and Attorney notes Corporate documents with Attorney comments handwritten	Research is Correspondence/work product. Secretary of State filing was obtained in investigation but Plaintiff filed it, so he has it Correspondence/work product Investment materials came from Plaintiff – he has (also Correspondence/work product) Correspondence/work product Letter - This has been provided to Plaintiff, or was to or from Plaintiff Correspondence/work product; call slip can be provided Correspondence/work product
Folder G	Attorney Notes	Attorney notes; Research	Correspondence/work product
Folder H	Notes/Research on need to take action against CIF	Attorney notes and legal research	Correspondence/work product
Folder I	F. Scott Pfeiffer	Research	Correspondence/work product
Folder J	CIF/LRI notes receivable	Attorney created spreadsheet of corporate documents	Correspondence/work product. Corporate documents were obtained in investigation, but Plaintiff issued so he has them (also correspondence/work product)
Folder K	LRI & MFG Notes Receivable	Corporate documents	Obtained in investigation
Folder L	Notes Receivable Cosimo	Corporate documents	Obtained in investigation

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder M	Notes Receivable Lancaster Mortgage Banker	Corporate documents	Obtained in investigation
Folder N	Notes Receivable Canebrake	Complaint to Division	Obtained in investigation
Folder O	Notes Receivable Lion Financial	Investigative materials; Corporate documents; Secretary of State info; Attorney notes written on documents	Obtained in investigation & Correspondence/work product
Folder P	Loans to/from MFG	Notes, file copy of spreadsheet; Attorney notes on corporate documents	Correspondence/work product
Folder Q	Legal research	Factual and legal research; Secretary of State company info	Correspondence/work product Obtained in investigation
Folder R	Drafts and Approvals	Drafts of letters, subpoenas, & pleadings	Correspondence/work product
Redwall #2 Folder A	Research – LLCs	Factual and legal research on case law	Correspondence/work product
Folder B	Attorney notes – internal meetings/thoughts	Attorney notes	Correspondence/work product
Folder C	To Do List/In Process/Other Notes	Attorney lists & notes	Correspondence/work product
Folder D	Major Complaint – draft	Draft of complaint & related documents	Correspondence/work product
Folder E	Complaint examples	Factual and legal research	Correspondence/work product
Folder F	Securities Fraud – Aid & Abet	Typed Attorney notes, outline of evidence, and legal research	Correspondence/work product
Folder G	Evidence – Miscellaneous	Attorney prepared spreadsheet Emails to/from witnesses, some with evidence attached; research Attorney prepared spreadsheet of research Work copy of miscellaneous documents (documents are also elsewhere-these are working copies)	Correspondence/work product Obtained in investigation Correspondence/work product Correspondence/work product - summary of information obtained in investigation Correspondence/work product
Redwall #3 Folder H	Documents from Registration File	Documents from Registration File	All documents from registration – Enforcement obtained them (from registration) for investigation but also this has been provided to Plaintiff, or was to or from Plaintiff
Folder I	2007 Prospectus dated 3/13/07	Corporate documents	Obtained in investigation but also this has been provided to Plaintiff, or was to or from Plaintiff
Folder J	Disclosures by CIF/Field re: Investor Notes	Factual research; internal case material; Work copy of various documents	Obtained in investigation; Correspondence/work product; Obtained in investigation

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Redwall #4 Folder A	Documents from Registration File	Copies of corporate documents from registration files	Obtained in investigation but also all has been provided to Plaintiff (because registration documents are public)
Folder B	CIF/LRI/LG Audited Financial Statement and Internal Financial Statements	Attorney created list of and copies of corporate documents, includes some cover letters from Plaintiff that accompanied the documents when sent to the Division	Correspondence/work product Obtained in investigation but also most came from Plaintiff
Redwall #5 Folder A	Investors – general	Attorney created list relating to the investigation	Correspondence/work product & Obtained in investigation
Folder B	There are 26 manila folders, each labeled with one or more investor names.	Files on possible witnesses	Obtained in investigation – as well as some correspondence/work product (research) in a few files
Redwall #6 Folder A	LRI Bankruptcy	Filings and pleadings	Obtained in investigation
Redwall #7 Folder A	CIF v Lancaster	Documents from lawsuit, background info, list of creditors	Obtained in investigation
Box 2-A Redwall #8 Folder A	Proposed Private Settlement	Notes from settlement hearing Court filings Letter to Judge Few (cc to Plaintiff) Letter from investor's attorney to Division Staff	Correspondence/work product Obtained in investigation Plaintiff was cc'd on letter Obtained in investigation
Folder B	Mediated Global Settlement Agreement	Documents & transmittal letter for Consent Agreement Attorney notes	Obtained in investigation - This has been provided to Plaintiff, or was to or from Plaintiff Correspondence/work product
Folder C	Tomz v CIF & Field	Court filings with handwritten Attorney notes Copy of lawsuit & related documents	Correspondence/work product Obtained in investigation Correspondence/work product
Folder D	Settlement	Correspondence relating to case	Obtained in investigation Correspondence/work product

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder E	Pantsari Deposition Depositions of Logan, Jordan & Windsor	Notice of Deposition, testimony Attorney notes Copy of a Rule 30 Notice of Deposition	Obtained in investigation, but deposition was taken by Plaintiff and Plaintiff's Attorney, both of whom asked questions. This has been provided to Plaintiff, or was to or from Plaintiff Correspondence/work product Obtained in investigation but Notice was signed by Plaintiff - This has been provided to Plaintiff, or was to or from Plaintiff
Folder F	State Grand Jury Subpoena	Letter from Receiver with SGJ subpoena attached	Not sure but Plaintiff & both his Attorneys were cc'd on letter. This has been provided to Plaintiff, or was to or from Plaintiff (also correspondence/work product)
Folder G	Tomz v CIF Hearing on Asset freeze	Corporate legal document Attorney Notes Fax cover sheet of subpoena Legal research Letter requesting specific information	Obtained in investigation, contains some materials which were provided to Plaintiff, or were to or from Plaintiff Correspondence/work product Correspondence/work product
Folder H	Windsor Affidavit re: sales	Affidavit; Attorney prepared factual information	Correspondence/work product
Redwall #9	Folders Labeled: Lee vs. BFG Bridges v CIF Johnny Hagens Roberts	Collectively these folders contain materials obtained in investigation including: copies of lawsuits/filings in cases against Plaintiff	Copies of lawsuits have been provided to Plaintiff, or were to or from Plaintiff (also correspondence/work product); Letters are correspondence/work product and/or obtained in investigation; News articles and research are correspondence/work product and/or obtained in investigation; Attorney notes are correspondence/work product
Redwall #10 Folder A	CIF/Field/Others – criminal referral	Referral letter	Correspondence/work product
Folder B	Witness Subpoena to Field	Subpoena to Plaintiff, and related documents	Subpoena has been provided to Plaintiff (also correspondence/work product); Related documents are correspondence/work product

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder C	Immunity	Internal emails with Attorney impressions	Correspondence/work product
		Legal research	Correspondence/work product
Folder D	More sheets of paper bundled "copy of folder 10"	Duplicate copies of items in the three folders directly above	Correspondence/work product
Redwall #11 Folder A	Subpoena to Porter & Highley	Correspondence and attached documents	Correspondence/work product
Folder B	FYE 12/31/01 Audit W/P 1	Audit materials	Obtained in investigation
Folder C	FYE 12/31/01 Audit W/P 2	Audit materials	Obtained in investigation
Folder D	FY Audit 12/31/03 Audit W/PS 1	Audit materials	Obtained in investigation
Folder E	FYE 12/31/03 Audit WPS 2	Audit materials	Obtained in investigation
		Attorney notes	Correspondence/work product
Folder F	FYE 12/31/03 Audit W/PS 3	Audit materials	Obtained in investigation
Folder G	PE 6/30/04 Audit W/PS	Audit Materials	Obtained in investigation
Box 2-B Redwall #12 Folder A	FYE 12/31/04 Audit W/PS 1	Audit Materials	Obtained in investigation
Folder B	FYE 12/31/04 W/PS 2	Corporate documents	Obtained in investigation
Folder C	12/3/05 W/PS	Audit Materials	Obtained in investigation
Folder D	P&H 2006 Documents re: Tiger	Documents from Accountants	Obtained in investigation
Folder E	P&H - Info re: Amos & White/Liberty One/Liberty Two	Lawsuit information	Obtained in investigation
		Correspondence	Obtained in investigation
Redwall #13 Folder A	Correspondence	Attorney correspondence	Correspondence/work product
Folder B	CPA Licensing Info	Factual research	Correspondence/work product; Obtained in investigation
Folder C	Porter, Corley Statement 9/25/08	Attorney notes	Correspondence/work product
Folder D	Porter & Highley Attorney notes	Attorney notes	Correspondence/work product
Redwall #14 Folder A	Subpoena to McKinley & Cooper	Letter and attached documents	Correspondence/work product
Folder B	12/31/06 Audit W/PS 1/2	Audit materials	Obtained in investigation

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder C	12/31/06 Audit W/PS 2/2	Audit materials	Obtained in investigation
Folder D	FYE 12/31/06	Audit materials	Obtained in investigation
Redwall #15 Folder A	McKinley Cooper – correspondence	Attorney correspondence	Correspondence/work product
Folder B	McKinley Cooper - CP & Corporate licensing info	Secretary of State information; Other factual research	Obtained in investigation
Folder C	McKinley Cooper – communication with LLR	Corporate documents	Obtained in investigation
Folder D	McKinley Cooper testimony 9/30/08	Witness statements and attorney notes	Correspondence/work product; obtained in investigation
Folder E	McKinley Cooper Attorney notes	Attorney notes	Correspondence/work product
Folder F	Analysis of McKinley Cooper's confirmations of N/R	Attorney prepared factual analysis	Correspondence/work product
Folder G	Detail of NR – MFG	Copies of documents with Attorney notes on them	Correspondence/work product
Redwall #16 Folder A	SASs	Factual and legal research	Correspondence/work product
Folder B	SFASs	Factual and legal research	Correspondence/work product
Folder C	Bank of America Financial Statements	Corporate documents	Correspondence/work product; Obtained in investigation
Folder D	Securities fraud by CPAs	Factual and legal research with Attorney notes	Correspondence/work product; Obtained in investigation
Folder E	Lawsuits/Complaints against CPA Firms	Cases and articles; Westlaw research; Factual research	Correspondence/work product
Box 3-A Redwall #17 Folder A	Waiver of Venue – Legal research	Legal research with handwritten Attorney notes	Correspondence/work product
Folder B	Venue-Legal Research	Westlaw cases with Attorney notes on them	Correspondence/work product
Folder C	Attorney Notes	Outline by Attorney on Motion to Quash; Attorney notes	Correspondence/work product
Folder D	808 Powdersville Road Office Building	Factual research; Public records	Obtained in investigation
Folder E	Form U-2 – Uniform Consent	Copies of Corporate documents from Registration Files	Obtained in investigation (plaintiff has)
Redwall #18 Folder A	Securities Division Memo in Opposition to Motion to Quash	Securities Division Memo in Opposition to Motion to Quash; Additional copy with Attorney notes	Correspondence/work product; this has been provided to Plaintiff, or was to or from Plaintiff, except ones with attorney notes

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder B	Letters to William Nettles dated June 8, 2009	Letter to William Nettles, Plaintiff was copied	This has been provided to Plaintiff, or was to or from Plaintiff. Correspondence/work product
Folder C	Reply of Arthur Field to Respondent's Motion to Quash	Copies of reply of Plaintiff to Motion to Quash	This has been provided to Plaintiff, or was to or from Plaintiff; Correspondence/work product
Folder D	Letter to Judge Childs re: CIF & Field Subpoena	Letter to Judge Childs from Bill Nettles (CIF Attorney)	This has been provided to Plaintiff, or was to or from Plaintiff; Correspondence/work product
Folder E	Letter to Pfeiffer & Field	Letter to Pfeiffer & Plaintiff (CIF Attorney)	This has been provided to Plaintiff, or was to or from Plaintiff; Correspondence/work product
Folder F	Letter to Judge Childs re: CIF & Field Subpoena	Letter to Scott Pfeiffer (CIF Attorney)	This has been provided to Plaintiff, or was to or from Plaintiff; Correspondence/work product
Folder G	Response to motion to Quash	Two filed copies of Response to Motion to Quash	This has been provided to Plaintiff, or was to or from Plaintiff; Correspondence/work product
Folder H	Letter to Judge Manning Status Conference	Letter to Judge Manning, regarding status conference	This has been provided to Plaintiff, or was to or from Plaintiff; Correspondence/work product
Folder I	Field's Memo in Support or Motion to Quash	Attorney work copy of Plaintiff's Memo in Support of Motion to Quash with handwritten notes on it	Correspondence/work product on SCAG copy of memo filed by Plaintiff
Folder J	CIF Motion to Quash Subpoena	CIF Motion to Quash Subpoena	This has been provided to Plaintiff, or was to or from Plaintiff; Correspondence/work product
Folder K	CIF Subpoena	CIF Subpoena	This has been provided to Plaintiff, or was to or from Plaintiff; Correspondence/work product
Folder L	Motion for Protection and to Quash Subpoena	Copy of subpoena with Attorney notes; Legal research with Attorney notes; copy of motion with Attorney notes	Correspondence/work product
Folder M	Production of corporation records and the 4 th Amendment	Legal research, cases with notes written on them	Correspondence/work product
Folder N	Securities Act – constitutionality	Legal research	Correspondence/work product
Folder O	MTQ – Court filings	Copies of various filings with Attorney marks	Correspondence/work product; Filings have been provided to Plaintiff, or were to or from Plaintiff. Attorney marks/notes are correspondence/work product

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder P	MTQ – Merits Argument	Attorney typed notes and outline	Correspondence/work product
Folder Q	MTQ – Legal Research	Legal research	Correspondence/work product
Redwall #19 Folder A	LRI Subpoena	Attorney-prepared documents, some with attorney notes; Correspondence	Correspondence/work product; Obtained in investigation
Folder B	Martin Ender/Want & Ender CPA	Handwritten notes; Correspondence obtained in investigation	Correspondence/work product; Obtained in investigation
Folder C	Subpoena to BB&T	Attorney prepared correspondence	Correspondence/work product; Obtained in investigation
Folder D	Subpoena to MFG	Draft of attorney prepared correspondence	Correspondence/work product
Folder E	Subpoena to Charter Communications	Draft of attorney-prepared correspondence	Correspondence/work product
Folder F	Research on Subpoena for Emails	Factual and legal research	Correspondence/work product
Redwall # 20 Folder A	Subpoena to Greenville First Bank	Correspondence, response, and related materials	Correspondence/work product; Obtained in investigation
Box 3-B Redwall #21 Folder A	[None]	Financial materials	Obtained in investigation
Redwall #22 Folder A	Southern First Bank	Attorney prepared noted and correspondence; Related materials	Correspondence/work product; Obtained in investigation
Folder B	[None]	Financial materials; Corporate documents; Factual research	Correspondence/work product; Obtained in investigation
Redwall #23 Folder A	[None]	Financial materials	Obtained in investigation
Redwall #24 Folder A	Southern First Subpoena	[Empty folder]	
Folder B	[None]	Financial materials	Obtained in investigation
Redwall #25 Folder A	James Caserta	Documents provided by witness; Attorney notes to file	Obtained in investigation; Correspondence/work product
Folder B	Bob Kurtz	Attorney notes	Correspondence/work product

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Redwall #26 Folder A	CIF Corporate Documents	Corporate documents	Obtained in investigation
Folder B	CIF, LLC	Corporate documents; Secretary of State information	Obtained in investigation
Folder C	CIF TC, LLC	Attorney notes; Research; Secretary of State information; Correspondence including: an email from Plaintiff and attachment	Correspondence/work product Obtained in investigation
Folder D	Lancaster Resources Incorporation	Corporate documents	Correspondence/work product; Obtained in investigation
Folder E	LMB, LLC	Corporate documents	Correspondence/work product; Obtained in investigation
Folder F	MFG Ltd.	Corporate documents	Correspondence/work product; Obtained in investigation
Folder G	People's Home Funding Corp	Corporate documents	Correspondence/work product; Obtained in investigation
Folder H	East Coast Properties/Phoenix RE	Corporate documents; Attorney created spreadsheet	Correspondence/work product; Obtained in investigation
Folder I	Phoenix RE Management Group	Corporate documents	Correspondence/work product; Obtained in investigation
Folder J	Red Lion	Corporate documents	Correspondence/work product; Obtained in investigation
Folder K	Sky Mark Holdings / Sky Mark Associates	Factual and legal research	Correspondence/work product; Obtained in investigation
Redwall #27 Folder A	Sky Mark website	Factual research	Obtained in investigation; Correspondence/work product
Folder B	Sky Mark	Factual research	Obtained in investigation; Correspondence/work product
Folder C	O'Shea	Factual research	Obtained in investigation; Correspondence/work product
Redwall #28 Folder A	Kathryn Taillon	Factual research	Obtained in investigation; Correspondence/work product
Folder B	Corporate Entities involved with CIF	Attorney notes; Corporate documents	Obtained in investigation; Correspondence/work product
Folder C	Aladdin's Café and Grille	Corporate documents	Obtained in investigation; Correspondence/work product
Folder D	Amos & White LLC	Corporate documents	Obtained in investigation; Correspondence/work product
Folder E	Midland Properties LLC	Corporate documents	Obtained in investigation; Correspondence/work product
Folder F	Our Tree House LLC	Corporate documents	Obtained in investigation; Correspondence/work product
Folder G	Upstate SC Tae Kwon Do	Corporate documents	Obtained in investigation; Correspondence/work product
Folder H	Log Cabin Financial, LLC	Corporate documents	Obtained in investigation; Correspondence/work product
Folder I	Krondor Trading Co., LLC	Corporate documents	Obtained in investigation; Correspondence/work product

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder J	He Will Provide, LLC	Corporate documents	Obtained in investigation; Correspondence/work product
Folder K	Bountiful Bingo, LLC	Corporate documents	Obtained in investigation; Correspondence/work product
Folder L	Blenheim Properties, LLC	Corporate documents	Obtained in investigation; Correspondence/work product
Folder M	Miscellaneous Deeds (LRI)	Corporate documents	Obtained in investigation; Correspondence/work product
Redwall # 29 Folder A	Arthur Field Statement, SEC Letter	Correspondence; Statement on Record from Plaintiff; Attorney's notes on statement	Obtained in investigation; Correspondence/work product; Plaintiff should have statement; notes are work product
Folder B	Georgia Road	Corporate documents; Attorney's notes; Correspondence	Obtained in investigation; Correspondence/work product
Folder C	Draft Orders, etc, Subpoenas, Responses in prior investigations	Copies of attorney notes from prior file; Correspondence between Securities Division and Plaintiff; Letter to Plaintiff from Attorney; Copies of Notice of Intent to Revoke to Plaintiff; Response to Notice of Intent; Additional correspondence, Letter from Plaintiff's Attorney	Correspondence or work product; Obtained in investigation; Plaintiff has correspondence
Folder D	Delinquent Loan Workout with Tiger Transport	Investigator's notes; Copies of Notice of Intent to Revoke to Plaintiff; Response to Notice of Intent to Revoke; Subpoena; additional subpoenas; Letter from Plaintiff's Attorney	Correspondence/work product; some obtained in investigation; Plaintiff has correspondence, or was to or from Plaintiff
Redwall #30 Folder A	Prospectus	Corporate documents with notes; Correspondence	Correspondence/work product; Obtained in investigation; This has been provided to Plaintiff, or was to or from Plaintiff
Folder B	Financial Statements	Correspondence; Corporate documents; Financial information; Attorney notes; Factual and legal research	Obtained in investigation; Correspondence or work product
Redwall #31 Folder A	CIF's new plan of financing	Corporate filings; Corporate documents	Obtained in investigation; Work product; Plaintiff has corporate documents
Folder B	Refer CIF investigation to SEC	Attorney correspondence and attachments	Correspondence or work product; Obtained in investigation
Redwall #32 Folder A	CIF other similar cases	Attorney research	Correspondence/work product
Redwall #33 Folder A	Attorney Notes	Attorney notes, outline of questions, Research; Corporate documents	Correspondence/work product; Obtained in investigation
Folder B Legal research	Legal Research	Results from Westlaw internet research; Factual research	Correspondence/work product

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder C Legal research and attorney notes	Permanent Injunction/remedies research	Attorney research and notes	Correspondence/work product
Folder D	Intrastate exemption research and notes	Legal research with notes; SEC Rules; Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Redwall #34 Folder A	New security research	Legal research	Correspondence/work product
Folder B	Concept of Integration	Legal research	Correspondence/work product
Folder C	Integration – Other research	Legal research	Correspondence/work product
Folder D	Integration – SEC Rules/Releases	Legal research	Correspondence/work product
Redwall #35 Folder A	[None]	Attorney notes; Correspondence; Other attorney created documents	Correspondence/work product; Obtained in investigation
Redwall #36 Folder A	Immunity	Legal research	Correspondence/work product
Folder B	Condon, B subpoena defenses	Legal research; Other attorney created documents	Correspondence/work product
Folder C	Condon, B Fifth Amendment	Legal research	Correspondence/work product
Folder D	CIF financial documents/analysis	Attorney notes	Correspondence/work product
Folder E	03051 - Capital Investment Funding by Lawrence Bagwell	Handwritten index; Complaint with documents; Response; Internal email; Letter from Plaintiff; Documents with attorney notes	Correspondence/work product; Obtained in investigation
Folder F	03031 – Capital Investment Funding by Sam Banks	Complaint; Letter to Plaintiff from Division Staff and response to Division	Obtained in investigation; Correspondence/work product; Correspondence has been provided to Plaintiff, or was to or from Plaintiff
CIF - 03073 #2 Folder A	Folder 1 Redwall 2	Attorney notes and research; Correspondence from Plaintiff to Division and from Division to Plaintiff	Correspondence/work product; Obtained in investigation; Correspondence has been provided to Plaintiff, or was to or from Plaintiff
Folder B	Folder 2 Redwall 2	Corporate documents	Obtained in investigation; All are registered documents filed by Plaintiff
Folder C	Folder 3 Redwall 2: Statement and Possible Subpoena	Subpoena, correspondence in reply; witness statements; Attorney questions for witness; subpoenas are to Plaintiff entities/employees; responses are from Plaintiff's Attorney	Correspondence/work product; Obtained in investigation; Subpoena response has been provided to Plaintiff, or was to or from Plaintiff

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
03073 #3 Folder A	Redwall 3 Folder 1; Field 10/8/03 Statement and Subpoena	Letter to Division from Plaintiff's Attorney; subpoenas; statements and exhibits; Attorney notes and correspondence	Obtained in investigation; Correspondence/work product
Folder B	[None]	Miscellaneous documents that look to be drafts and/or copies of documents that also are filed in other files; Includes corporate documents, notes, and legal research	Obtained in investigation; Correspondence/work product
Redwall #37 Folder A	[None]	Correspondence; Attorney notes; Attorney internet research; corporate documents	Obtained in investigation; Correspondence/work product
Folder B			
Box 5-A 03073 #1 Folder A	Index of File Folder	Interoffice memo with list of documents; Index of file 03073	Correspondence/work product
Folder B	03073 Case File (File #1)	Attorney notes; internal emails; draft letter; Corporate documents; correspondence; fax to Division; correspondence to/from Plaintiff and his Attorney from Division; original and copy of a complaint letter; affidavit by Plaintiff; emails from Division; emails from Plaintiff's Attorney	Correspondence/work product; Obtained in investigation; Correspondence has been provided to Plaintiff, or was to or from Plaintiff
Folder C	03073 Case File (File #2)	Internal emails and drafts of legal pleadings	Correspondence/work product
Folder D	03076 York Mortgage Funding	Statement of Plaintiff	Obtained in investigation; This has been provided to Plaintiff, or was to or from Plaintiff
Folder E	Subpoena Duces Tecum to CIF on 10/6/03 and 10/20/03; correspondence; responses	Correspondence; Responses; Attorney notes	Correspondence/work product; Obtained in investigation; Plaintiff has correspondence to/from him and his attorney
Redwall #3 Folder A	Folder #3	Letter to Plaintiff's Attorney from Division; letters from Plaintiff and his Attorney; statement; Attorney notes	Obtained in investigation; Correspondence/work product; Plaintiff has letters and statement
Redwall #3 Folder B	Folder #4	Complaints; Investigator notes; Corporate documents, Division correspondence; Attorney research and notes	Obtained in investigation; Attorney notes and internal communication are correspondence/work product
03073 #4 Folder A	Redwall 4 Folder 1: CIF Notes	Attorney notes	Correspondence/work product
Folder B	Redwall 4 Folder 2: Scott Pfeiffer/CIF Cosimo	Attorney notes; Corporate documents; Factual and legal research	Correspondence/work product; Obtained in investigation

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder A	Redwall #5 Folder 1: Lancaster Group and Affiliates	Corporate documents; Attorney notes	Correspondence/work product; Obtained in investigation
Folder B	Redwall #5 Folder 2: Capital Investment Funding Lenders	Corporate documents; Attorney notes	Obtained in investigation; Correspondence/work product
Folder C	Redwall #5 Folder 3: Loans to Individuals	Corporate documents	Obtained in investigation
Folder D	Redwall #5 Folder 4: Cosimo 51 Webster	Corporate documents	Obtained in investigation; This has been provided to Plaintiff, or was to or from Plaintiff
03073 #6 Folder A	Redwall #6 Folder 1: Monmouth Financial Group	Corporate information obtained in investigation; Attorney research	Obtained in investigation; Correspondence/work product; All except Attorney research has been provided to Plaintiff, or was to or from Plaintiff
Folder B	Redwall #6 Folder 2: Kathryn Taillon/Mithril CIF	Corporate information obtained in investigation; Attorney research	Obtained in investigation; Correspondence/work product
Folder C	Redwall #6 Folder 3: Thomas Moore – Tiger Transport First Alliance	Factual research; Corporate documents	Obtained in investigation; Correspondence/work product
Folder D	Redwall #6 Folder 4: Credo Land Holdings/Scott Pfeiffer	Corporate information obtained in investigation; Attorney notes	Obtained in investigation; Correspondence/work product
Folder E	Redwall #6 Folder 5: Morgan Green, LLC	Corporate information obtained in investigation	Obtained in investigation
Folder F	Redwall #6 Folder 6: Lancaster Mortgage Bankers/South Pointe Mortgage (Haney)	Corporate documents	Obtained in investigation
Folder G	Redwall #6 Folder 7: Saxon Holdings, LLC	Corporate information obtained in investigation	Obtained in investigation
Folder H	Redwall #6 Folder 8: CIF Tiger Transportation (Credo)	Corporate documents; Attorney notes; Research	Obtained in investigation
Folder I	Redwall #6 Folder 9: CIF/Credo	Research; Corporate documents	Obtained in investigation; Correspondence/work product
Folder J	Redwall #6 Folder 10: CIF/Bradford Funding	Corporate documents	Obtained in investigation; Correspondence/work product
Folder K	Redwall #6 Folder 11: Bolingbroke United (ENG)	Corporate documents; Notes; F actual research	Obtained in investigation; Correspondence/work product

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder L	Background Check on Field	Factual research	Correspondence/work product
Redwall #7 Folder A	Cosimo/Ripley Light	Corporate documents; Attorney notes	Obtained in investigation; Correspondence/work product
Folder B	Cosimo/Bean Creek	Corporate documents; Attorney notes	Obtained in investigation; Correspondence/work product
Folder C	Cosimo/Bean Creek	Corporate documents; Attorney notes	Obtained in investigation; Correspondence/work product
Folder D	Cosimo/Bread Concepts	Corporate documents; Attorney notes	Obtained in investigation; Correspondence/work product
Folder E	Cosimo/Guglielmi	Corporate documents	Obtained in investigation
Redwall #8 Folder A	Cosimo/Earth Artist	Corporate documents; Attorney notes	Obtained in investigation; Correspondence/work product
Folder B	Cosimo/124 Chelsea	Corporate documents; Attorney notes	Obtained in investigation; Correspondence/work product
Folder C	Cosimo/Tiger Asset	Corporate documents; research; Attorney notes	Obtained in investigation; Correspondence/work product
Folder D	Cosimo/Tiger Asset	Research on corporate documents from previous folder	Obtained in investigation; Correspondence/work product
Redwall #9 Folder A	Cosimo/Tiger Asset	Attorney notes; research; Corporate documents	Correspondence/work product; Obtained in investigation
Folder B	Cosimo/Pembroke	Corporate documents; Attorney notes	Obtained in investigation; Correspondence/work product
Folder C	Cosimo/ Liberty One	Attorney notes; research; Corporate documents	Correspondence/work product; Obtained in investigation
Folder D	Cosimo/Simpsonville Cotton	Corporate documents; Attorney notes; Research	Obtained in investigation; Correspondence/work product
Folder E	Cosimo/Albrecht	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder F	Cosimo Morgan Green	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder G	Cosimo/Progressive	Corporate documents	Obtained in investigation; Correspondence/work product
Folder H	Cosimo/Albrecht	Corporate documents; Attorney notes	Obtained in investigation; Correspondence/work product
Redwall #10 Folder A	Cosimo/Earth Artist	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder B	Cosimo/Ramsey-Will	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder C	Cosimo/D&D	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Redwall #11 Folder A	MFG/Tiger Asset	Attorney notes; Research; Corporate documents	Correspondence/work product; Obtained in investigation

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Folder B	LRI Loan Documents	Corporate documents	Correspondence/work product; Obtained in investigation
Redwall #12 Folder A	Cosimo/Palmetto Affordable Homes	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Drawer 6B Redwall #13 Folder A	MFG/LD-30 Roft	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder B	MFG/LD 410.Brink	Corporate documents	Obtained in investigation
Folder C	MFG/LRI Romina Martinez	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder D	MFG/LRI East Riley	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder E	MFG/Lancaster Development	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder F	MFG/ Tiger Asset	Attorney notes; research; Corporate documents	Correspondence/work product; Obtained in investigation
Folder G	MFG/ LRI PGR Group	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder H	MFG/ Lancaster Development/President Road	Attorney notes; research; Corporate documents	Correspondence/work product; Obtained in investigation
Folder I	MFG/LRI S Castle Hill	Attorney notes; research; Corporate documents	Correspondence/work product; Obtained in investigation
Folder J	MFG/Lancaster Development 638 E. Crescent	Attorney notes; research; Corporate documents	Correspondence/work product; Obtained in investigation
Folder K	MFG/Lancaster Development 532 Walnut	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder L	MFG/ LRI RCD Ent	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder M	MFG/LRI SRG 457	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder N	MFG/LRI Trylon/Crest	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Folder O	MFG/Ind Weltshire	Attorney notes; Corporate documents	Correspondence/work product; Obtained in investigation
Redwall #14 Folder A	No folder	Corporate documents	Obtained in investigation

Box/Redwall	Title of File Folder	General Explanation of Contents	Privilege
Redwall #15 Folder A	3 CMB Loans To Albrecht	Corporate documents	Obtained in investigation
Redwall #16 Folder A	Miscellaneous No folder	Attorney notes; letter from Plaintiff's Attorney to Division	Correspondence/work product; Obtained in investigation; Letter has been provided to Plaintiff, or was to or from Plaintiff
Folder B	CIF prospectus	Corporate documents	Obtained in investigation; Provided to Plaintiff, or to or from Plaintiff

Field v. McMaster, et al.
2010-CP-23-6767
Court's Exempt List
Exhibit B

DLSCN 07/21/11

<u>BOX/REDWALL</u>	<u>TITLE OF FOLDER</u>	<u>EXEMPT FROM FOIA REQUEST</u>	<u>COURT'S RATIONALE</u>
<i>Box 1 - A</i>			
<i>Redwall 0</i>	Folder B Correspondence 2	(1) Meyer's Email 5-29-07 (2) Possible Hearing Officers-A. Field (3) Candidate 1 (4) Candidate 2 (5) Candidate 3 (6) Candidate 4 (7) Candidate 5 (8) Email 10/22/07 (9) Email 10/18/07 (10) Letter 10/4/07 (11) Letter 9/25/07 (12) Field Deposition	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder C Bill Condon Correspondence file	(1) Letter 5/15/07 (2) Field Deposition (3) Letter 5/14/07 (4) Loans..As Of... Page 29-31 (5) Letter COPY 3/9/07 (6) Capital Investment Funding (Copy) (7) Letter 3/9/07 (8) Capital Investment Funding...	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 1</i>	Folder A Investigator Notes	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Correspondence	(1) Condon Letter 6/6/08 (2) Condon Letter 4/21/08 (3) ...Timeline...Memo (4) Meyers Email 2/2/04 CI Funding (5) Meyers Email 1/30/04 (6) Meyers Email 1/16/04 CI Funding (7) 11/25/03: Summary of Field Stmtnt	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder E CIF's Mention of...	(1) CIF... 6/29/09	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder F Dissolution and Winding Up	(1) Case Research Printout 2/11/08 (2) Letter 1/20/08 (3) Senior Note Series 2007 (4) Senior Note Series 2006	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
<i>Redwall 1 conti'd</i>	Folder G Attorney Notes	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder H Notes/Research on...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder I F. Scott Pfeiffer	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder J CIF/LRI notes...	(1) Amendment to...Note	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder N Notes Receiveable C	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder O Notes Receiveable L	(1) CIF Schedule...2006 (2) Field to Meyers 3/9/07 (3) Supplemental Affidavit...Personal	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder P Loans To/From M	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder Q Legal Research	(1) §...Out of State...	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder R Drafts and Approvals	(1) AG Letter to Charter (2) Condon Letter 8/22/08 (3) Condon Letter 8/22/08 COPY (4) Response to Motion (5) AG Subpoena 1 (6) AG Subpoena 2 (7) AG Subpoena 3 (8) AG Subpoena 4 (9) AG Subpoena 5 (10) AG Subpoena 6 (11) AG Subpoena 7	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
<i>Redwall 2</i>	Folder A Research- LLC's	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Attorney notes...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder C To Do List...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder D Major Complaint...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder E Complaint Examples	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder F Securities Fraud...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder G Evidence- Misc.	(1) CIF - Reasons...7/7/08 (2) CIF - Schedule...2004 (3) Email 11/7/06 Update on funds? (4) Field Email 4/14/03 (5) L... Email 10/27/08 (6) G...@aol.com Email 10/26/08 (7) T...@aol.com Email 10/26/08 (8) G...@aol.com Email 10/25/08 (9) L...to G...@aol.com 10/27/08 (10) Cosimo...Spreadsheet (11) Letter 1/20/08 (12) Fax: WITHHOLD Pages 32 & 33	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 3</i>	Folder J Disclosures...	(1) Confidential...Memo Pages: 11-25 (2) Letter 1/20/08 (3) Letter 7/14/07 (4) Letter 10/10/07 (5) Letter 1/6/08	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Box 1 - B</i>			
<i>Redwall 4</i>	Folder A Docs from Reg...	(1) Letter 3/28/03	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
<i>Redwall 4 cont'd</i>	Folder B ...Audited Financial..	(1) ...- Audits...	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 5</i>	Folders A & B Investors...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Box 2 - A</i>			
<i>Redwall 8</i>	Folder A Proposed Private Settlement	(1) Notes and Case File dated 7/23/09 (2) Mediated...Agreement (3) Proposed Court Order (4) Proposed Notice	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Mediated Global...	(1) Hearing Notes dated 12/30/08	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder C Tomz v. CIF & Field	(1) Notes dated 5/23/08	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder E Pantsari Deposition	(1) Legal Notes (no date is listed)	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder G Tomz v. CIF	(1) Legal Notes dated 6/29/09 (2) Case Law research	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder H Affidavit re: sales	(1) Time Line	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 9</i>	Johnny Hagens	(1) Complaint Draft (2) Copy of Complaint Draft (3) Legal Notes dated 5/6/07 (4) CIF Notes- Phone Conv. with J.H.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Roberts	(1) Complaint Draft	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 10</i>	Folder A CIF/Field/Others...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
<i>Redwall 10 cont'd</i>	Folder C Immunity	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
Box 2 - B			
<i>Redwall 13</i>	Folder C Porter, Corley Stmt	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder D Porter & Highley Atty	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 15</i>	Folder B McK. C. CP & Corp.	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder D McK. C. Testimony	(1) Attorney Notes dated 9/30/08	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder E McK. C. Atty Notes	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder F Analysis of McK...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder G Detail of NR- MFG	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 16</i>	Folder D Securities Fraud by...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder E Lawsuits/Complaints against CPA Firms	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
Box 3 - A			
<i>Redwall 17</i>	Folder A Waiver of Venue...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

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BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
<i>Redwall 17 cont'd</i>	Folder B Venue- Legal...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder C Attorney Notes	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder D 808 Powdersville	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 18</i>	Folder I ...Memo in Support..	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder L Motion for Prot...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder M Production of corp...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder N Securites Act...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder O MTQ - Court filings	(1) Field's Reply & Notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder P MTQ- Merits...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder Q MTQ - Legal...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 19</i>	Folder A LRI Subpoena	(1) Attorney Notes dated 9/10/08	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
<i>Redwall 19 cont'd</i>	Folder B Martin Ender/Want..	(1) Attorney Notes dated 3/3/09 (2) SEC Info - M.E.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder D Subpoena to MFG	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder F Research on Subp...	ALL CONTENTS EXEMPT... **... <i>EXCEPT FOR</i> Condon Fax dated 11/6/08**	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 20</i>	Folder A Subpoena to Green...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Box 3 - B</i>			
<i>Redwall 21</i>	Folder A [None]	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 22</i>	Folder A Southern First Bank	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B [None]	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 23</i>	Folder A [None]	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 24</i>	Folder A Southern First Sub...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 25</i>	Folder A James Caserta	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Bob Kurtz	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
Redwall 26	Folder A CIF Corporate Doc..	**PRODUCE ALL IN FOLDER A**	
	All Other Folders	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
Box 4 - A			
Redwall 28	Folder B Corporate Entities...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder D Amos & White LLC	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder M Misc. Deeds (LRI)...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
Redwall 29	Folder A A. Field Statement...	(1) Field Deposition (2) Attorney Notes dated 3/13/07	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Georgia Road	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder C Draft Orders, etc...	(1) Copy of Hand-written notes (2) Administrative Proceeding...	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder D Delinquent Loan Workout with Tiger Transport	(1) Attorney Notes starting w/ Liberty (2) Attorney Notes starting w/ TTS (3) Index Search from 1/1/04 (4) Filings Printout from 5/21/08	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
Redwall 30	Folder A Prospectus	(1) Prospectuses with notes (left side) (2) Attorney Notes (part of right side)	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Financial Statements	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
<i>Redwall 31</i>	Folder B Refer CIF Invest...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 32</i>	Folder A CIF other similar...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 33</i>	Folder A Attorney Notes	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Research	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
Box 4 - B			
<i>Redwall 34</i>	Folder A New Security...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 35</i>	Folder A [None]	ALL CONTENTS EXEMPT... **EXCEPT FOR (1) Condon Letter dated 10/28/08*	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 36</i>	Folder A Immunity	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 37</i>	Open Issues	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
Box 5 - A			
<i>Redwall 1</i>	Index of File Notes	ALL CONTENTS EXEMPT... **EXCEPT FOR (1) Email 4/24/03 (2) Corning to S... Email**	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Case File (Green File Folder #1)	(1) Letter dated 7/1/03 (2) Letters dated 3/28/03 (3) Email dated 4/5/03	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Case File (Green File Folder #2)	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
<i>Redwall 1 cont'd</i>	Case File (Green File Folder #3)	(1) Attorney Notes - York...	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Case File (Green File Folder #4)	(1) Attorney Notes Titled Green File #4 RW #1 03073 (2) Corning Email 8/14/03 (3) Corning Email 8/18/03 (4) Windsor Email 8/18/03 (5) Corning Email 8/18/03 (6) Attorney's Notes 8/25/03 (7) Attorney's Research dated 8/21/03	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 2</i>	Folder #1	(1) Attorney Notes Dated 10/8/03	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder #2	(1) Field to Pantsari Letter Unsub. N. (2) Field: Plain English Explanation (3) Prospectus 3/17/03 (AG- 8/8/03) (4) CIF Prospectus (AG- 4/14/03) (5) Faxed copy letter 3/28/03	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder #3	(1) Attorney Notes concerning P.H.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 3</i>	Folder #1	ALL CONTENTS EXEMPT **EXCEPT FOR (1) Fax Letter 10/7/03 (2) Field Witness Subpoenas **	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder #2	(1) Schedule dated 10/9/03 (2) Table of Contents dated 11/4/02 (3) Email 10/21/03 (4) Letter 9/11/03 with 2 attachments (5) Attorney Notes dated 1/25/03 (6) Email dated 1/30/04 (7) Email dated 2/2/04	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder #3	(1) Copy of Examination dated 3/2/04 (2) Examination 3/2/04 (w/ notes) (3) Attorney Notes re: exam dtd 3/2/04	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

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BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
<i>Redwall 3 cont'd</i>	Folder #4	(1) Fax sent on 1/21/04 (2) Attorney notes dated 10/6/07 (3) Attorney notes dated 10/9/03 (4) Field Letter & attachment 12/12/03 (5) Letter dated 3/9/04 & attachments (6) Mortgage Execution: 2/5/04 (7) Attorney Notes/News story/CD	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Box 5 - B</i>			
<i>Redwall 4</i>	Folder A Folder 1: CIF Notes	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Folder 2: Scott Pfeiffer/ CIF Cosimo	(1) Spreadsheet #1 of 2 (2) Attorney Notes titled CIF (3) Attorney Notes titled Cosimo (4) Spreadsheet #2 of 2	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 5</i>	Folder A Folder 1: Lancaster...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Folder 2: Capital...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 6</i>	Folder C Folder 3: Thomas...	(1) National Comprehensive Report	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder H Folder 8: CIF Tiger...	(1) Attorney Notes titled W. Georgia Road	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder L Background Check...	ALL CONTENTS EXEMPT	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 7</i>	Folder A Cosimo/Ripley...	(1) Notes titled C. → C. → R. (2) Loan documents	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Cosimo/Bean...	(1) Notes titled C. → C. → B.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
<i>Redwall 7 cont'd</i>	Folder C Cosimo/Bean...	(1) Notes titled C. → C. → B.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder D Cosimo/Bread...	(1) Notes titled C. → C → B.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 8</i>	Folder B Cosimo/124...	(1) Notes titled C. → C. → I	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder C Cosimo/Tiger Asset	(1) Notes titled C. to T.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Box 6 - A</i>			
<i>Redwall 9</i>	Folder A Cosimo/Tiger Asset	(1) Notes titled C. → T.A.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Cosimo/Pembroke	(1) Notes titled C. → P.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder C Cosimo/Liberty One	(1) Notes titled C. → C. → L.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder D Cosimo/Simpsonville	(1) Attorney Notes titled 2001 (2) Attorney Notes titled Simpsonville.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder E Cosimo/Albrecht	(1) Notes titled C. → A.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder F Cosimo Morgan...	(1) Notes titled C. → C. → M.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder H Cosimo/Albrecht	(1) Notes titled C. → A	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

BOX/REDWALL	TITLE OF FOLDER	EXEMPT FROM FOIA REQUEST	COURT'S RATIONALE
<i>Redwall 10</i>	Folder A Cosimo/Earth Artist	(1) Notes titled C. → R. → W.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder B Cosimo/Ramsey...	(1) Attorney Notes Box 8 Redwall 1 (2) Notes titled C. → C. → E.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder C Cosimo/D&D	(1) Notes titled C. → C. → D.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 11</i>	Folder A MFG/Tiger Asset	(1) Attorney Notes: Box 8 Redwall #2 (2) Notes titled C. → M. → T.	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 12</i>	Folder A Cosimo/Palmetto...	(1) Attorney Notes Box 8 Redwall #3	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
Box 6 - B			
<i>Redwall 13</i>	Folder A MFG/LD-30 Roft	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder C MFG/LRI Romina...	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder D East Riley	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder E MFG/Lancaster Dev	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder F MFG/Tiger Asset	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder G MFG/LRI PGR...	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

<u>BOX/REDWALL</u>	<u>TITLE OF FOLDER</u>	<u>EXEMPT FROM FOIA REQUEST</u>	<u>COURT'S RATIONALE</u>
<i>Redwall 13 cont'd</i>	Folder H MFG/Lancaster/Pres.	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder I MFG/LRI S Castle...	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder J MFG/Lancaster/638	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder K MFG/Lancaster/532	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder L MFG/LRI RCD Ent	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder M MFG/LRI SRG 457	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder N MFG/LRI Trylon...	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
	Folder O MFG/Ind Weltshire	(1) Handwritten notes	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 15</i>	Folder A 3 CMB Loans to Albrecht	(1) A. Loan Packet 1: Credit Info (2) A. Loan Packet 2: Application Info (3) A. Loan Packet 2: Employment Inf (4) A. Loan Packet 2: Disclosures (5) A. Loan Packet 3: **ALL CONTENTS EXEMPT**	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.
<i>Redwall 16</i>	[No folder]	(1) Attorney notes titled C. G. P. (2) Field Email dated 11/21/2003	Record sufficient to establish legal counsel correspondence/work product or obtained in investigation and not subject to disclosure.

STATE GRAND JURY OF SOUTH CAROLINA

STATE OF SOUTH CAROLINA

Case No. **2012GS 47 08**

V.

ARTHUR M. FIELD and FREDRICK
SCOTT PFEIFFER,

Defendants.

**INDICTMENT FOR CONSPIRACY,
SECURITIES FRAUD, AND FORGERY**

FILED

JUN 13 2012

JAMES R. PARKS
CLERK, STATE GRAND JURY

At a session of the State Grand Jury of South Carolina, convened in Columbia, South Carolina, on June 13, 2012, the State Grand Jurors present upon their oath and charge as follows:

BACKGROUND

At times material to this Indictment:

1. ARTHUR M. FIELD ("FIELD") is an attorney who first was licensed by New Jersey in 1977 and by Connecticut in 1978. He managed a commodities fund at one time, and engaged in a legal practice that included real estate and business law. In the 80s, FIELD passed the examinations to receive from the Financial Industry Regulatory Authority (FINRA) a Securities Series 3 license, a Securities Series 7 license, and a Securities Series 63 license. Indeed, FIELD has referred to himself as a securities law expert. FIELD moved to South Carolina in the late 90s, and received a Ph.D in management science from Clemson. He has never been a licensed attorney in this State. Kathryn Taillon is FIELD's wife. Davyd Field is FIELD's son.

2. FREDRICK SCOTT PFEIFFER ("PFEIFFER") is an attorney in South

Carolina who was first licensed in 1993. His first job with a law firm was with Nelson, Mullins, Riley, and Scarborough, LLP, where he engaged in a sophisticated corporate practice. In 1999, he left Nelson, Mullins, Riley, and Scarborough, LLP and formed his own firm, to engage in a "general corporate law firm for entrepreneurially owned businesses".

FORMATION OF LRI AND CIF

3. Elliot Salzman was a mortgage broker in the northeast United States who was in the business of buying and selling foreclosed properties. He befriended ARTHUR FIELD, who handled closings and other legal work for Salzman's transactions.

4. At some point in time in the late 1990s, FIELD and Elliot Salzman found a commercial property for sale in Ridgefield Park, New Jersey. FIELD and Salzman put together a group of shareholders to form a company named Wiltshire to purchase and develop this property. The group they approached included Robert L'Abbate, a real estate broker Elliot Salzman had met during Salzman's real estate transactions; Dr. Stuart Katz, an oral surgeon who had been loaning money to Salzman for use in Salzman's real estate ventures; Martin Ender, an accountant in the firm of Want and Ender who did accounting for Elliot Salzman, and Dr. Jim Caserta, a dentist for whom FIELD had done legal work.

5. At some point in the late 1990s, FIELD became aware of Homegold Financial, which was the parent company of a South Carolina entity named Carolina Investors, Inc., which raised money for its parent by selling securities to South Carolina investors.

6. FIELD and Elliot Salzman arranged a meeting in New Jersey with the Wiltshire group to pitch to them the idea of forming a similar business plan as Homegold and Carolina Investors, whereby money would be raised from South Carolina investors and

then sent to the parent company in New Jersey for relending and real estate development. FIELD had prepared a prospectus for the proposed South Carolina entity which he based on the prospectus issued by Carolina Investors.

7. The other members of LRI agreed. Accordingly, Lancaster Resources, Incorporated ("LRI") was a New Jersey corporation that was formed on November 19th, 1998, by filing with the New Jersey State Treasurer. The director and registered agent was listed as Elliot Salzman.

8. LRI held its organizational meeting of the first Board of Directors on February 24th, 1999. The shareholders and directors of LRI were the following: Elliot S. Salzman, Dr. James Caserta, Martin Ender, Stuart Katz, Matthew A. Glassman, Dyanna Darrigan, and Defendant FIELD. FIELD was elected Chairman of the Board and Salzman was elected President and Chief Executive Officer of LRI.

9. The minutes of this February 24th, 1999 meeting reflect that LRI was to "engage in the business of operating a mortgage bank, lending funds it has borrowed or raised, acquiring, developing, managing and selling properties, and any other legal acts which a corporation may pursue within or without the State of New Jersey."

10. The minutes of this February 24th, 1999 meeting also reflect that LRI was to "acquire controlling interests of one or more other businesses to be used to further the business interests of the Corporation, from time to time", and that LRI also was to "enter into a relationship with Capital Investment Funding, LLC, a South Carolina limited liability company, and shall own 90% thereto, and shall borrow funds from such company and enter into repayment agreements, as the officers of the two companies deem prudent."

11. The South Carolina entity formed pursuant to this business plan developed

by FIELD and Salzman was ultimately named Capital Investment Funding, LLC ("CIF"). It was a South Carolina limited liability company with its main office located in the town of Easley, in Pickens County, South Carolina. CIF had branch offices in Greenville County, Charleston County, and Horry County.

12. CIF was formed by a filing with the South Carolina Secretary of State on January 13th, 1999, under the name "Carolina Investment Funding, LLC". Defendant FIELD and Elliot S. Salzman signed the form as organizers of CIF. FIELD was listed as the agent for service.

13. The minutes reflect the initial incorporators meeting for CIF took place on February 25, 1999. The interim directors were Stuart Katz, Martin Ender, Robert L'Abbate, FIELD, FIELD's wife Kathryn Taillon, and Elliot S. Salzman. LRI owned more than 90% of the CIF membership interest, with relatively small amounts of membership interest going to Kathryn Taillon, Brad Kelly, and each of the directors LRI individually.

14. Again, FIELD told individuals he got the idea for CIF from a different company, Carolina Investors, Inc., which raised money from South Carolina investors for its parent HomeGold. Indeed, Homegold and Carolina Investors, Inc., objected to the CIF's use of the name "Carolina Investment Funding" as being too similar, which resulted in CIF changing its name to "Capital Investment Funding".

15. On February 26, 1999, FIELD signed Form U-1, Uniform Application to Register Securities, which was submitted to the South Carolina Securities Division ("Securities Division") in connection with its application to register securities of up to \$4,000,000. (1477)

16. CIF issued a prospectus dated April 1, 1999 for the distribution to residents

of South Carolina for securities in the form of promissory notes ("99 Prospectus"). These included an offering of \$1,000,000 in "Series A, 6% Subordinated One Year Debentures", and \$3,000,000 in "Series 99 Floating Rate Notes". This prospectus, and its subsequent amendment, were filed with the Securities Division, and the issuance was subject to the provisions of the Uniform Securities Act of South Carolina. The Securities Division registered the offering on March 19, 1999.

17. CIF then began selling promissory notes to investors in South Carolina. The sale of these notes and all subsequent CIF notes and renewals constitutes the sale of securities under the statutory law of the State of South Carolina.

18. During this period of time, FIELD, who now lived in South Carolina, primarily controlled as co-manager of CIF the business activities of CIF in South Carolina. Elliot Salzman as President and CEO of LRI primarily controlled the relending and other business activities of LRI, including its use of the money FIELD with CIF lent LRI.

19. On March 13th, 2000, an Operating Agreement was executed by the members of CIF. Elliot S. Salzman signed the agreement for LRI, which owned 90% of the membership interest in CIF. FIELD, his wife Kathryn Taillon, T. Brad Kelley, T. Bart Kelley, Calvin L. Williams, and Lonnie Saxon also had membership interests and signed the agreement.

20. The Operating Agreement named FIELD and Elliot S. Salzman as co-Managers of CIF. The agreement provided that "the primary purpose of [CIF] shall be to raise funding to be loaned to Lancaster Resources, Inc., for the purposes set forth in its Articles of Incorporation, By-Laws, Operating Agreements, etc., including the making of loans to purchase, develop, operate, lease, manage, and sell, alone or with others,

commercial real property in the New York tri-state area. but this statement shall not confine or limit the Company's legitimate business activities."

21. On March 8, 2000, FIELD signed Form U-1, Uniform Application to Register Securities, which was submitted to the Securities Division in connection with CIF's application to register securities of up to \$8,000,000.

22. CIF issued the 2000 prospectus dated on April 1, 2000, for an offering of \$8,000,000 "Series 2000 Floating Rate Notes". This prospectus was filed with the South Carolina Securities Division, and the issuance was subject to the provisions of the Uniform Securities Act in the statutory law of South Carolina. The Securities Division registered the offering on March 17, 2000.

23. Attached to this 2000 prospectus was a letter purporting to be from an independent auditors report from Want & Ender, CPAs. In reality, this audit never occurred and the firm issued no such letter.

24. Copies of CIF's balance sheet, included with the 2000 Prospectus, reflect \$1,531,787.86 in Notes owed to investors as of December 31, 1999; as well as \$3,303,139.34 in Notes owed to investors of March 8, 2000.

25. At some point, FIELD met and befriended PFEIFFER, as both were interested in playing boardgames with military, historical, or fantasy themes. These games are strategy games in which the players often attempt to outwit each other to consolidate their power on the game board. As will be seen, many of the business entities formed by FIELD and PFEIFFER took their names from these historical or fantasy themes.

26. Having become friends with this similar interest in these strategy games, FIELD and PFEIFFER began to intertwine their business affairs to take advantage of

FIELD's source of funding from the investors in CIF. On February 8, 2001, PFEIFFER issued an opinion letter, for purposes of registration with the South Carolina Securities Division, that the CIF prospectus and the proposed notes complied with state law and were enforceable.

27. On March 18, 2001, FIELD signed Form U-1, Uniform Application to Register Securities, which was submitted to the Securities Division in connection with CIF's application to register securities of up to \$20,000,000.

28. On April 1, 2001, CIF issued the 2001 Prospectus for an offering of \$20,000,000 "Series 2001 Floating Rate Notes". This prospectus was filed with the South Carolina Securities Division, and the issuance was subject to the provisions of the Uniform Securities Act in the statutory law of South Carolina. The Securities Division registered the offering on April 5, 2001.

29. Copies of CIF's balance sheet, included with the 2000 Independent Auditor's Report, which accompanied the 2001 Prospectus, reflect \$10,195,911 in Notes due investors as of December 31, 2000.

30. On March 12, 2001, PFEIFFER issued an opinion letter to FIELD, in which he stated that the South Carolina Securities Division may view CIF as a "sham entity" with LRI as the actual issuer, and that CIF should do three things: (1) carefully document all transfers of funds, (2) use arms length transactions between LRI and CIF, and (3) use portions of CIF funds for third party lending outside of loaning money to LRI in New Jersey.

FIELD'S HIDDEN INTEREST IN BOLINGBROKE

31. On September 27, 2001, an entity was registered with the Wyoming

Secretary of State named Bolingbroke United (England) Ltd ("Bolingbroke"). The incorporator was listed as Geneva Sellers of the Nevada Processing Center, Inc., a Nevada corporation. Geneva Sellers is an associate of Jack Campitelli, who also uses the name "A.J. Camp". Jack Campitelli is an associate of PFEIFFER. Eventually, the registered agent listed with the Wyoming Secretary of State's Office was "Henry Rex", the supposed president of Bolingbroke. The address was a P.O. Box in Eugene, Oregon, which was opened by Geneva Sellers and on which A.J. Camp was listed as a recipient of mail. Additionally, a South Carolina Bank of America business investment account was opened on October 18, 2001 with the signatory listed as "H Rex". The Bolingbroke bank account used the PFEIFFER law firm address. For some reason, the bank did not certify the signature. Ultimately, a number of checks would be issued on this account purportedly signed by "Henry Rex".

32. "Henry Rex" is a fictitious person and does not exist. Bolingbroke and "Henry Rex" were created by PFEIFFER and FIELD to hide FIELD's true interest in Bolingbroke and the entities with which Bolingbroke would do business. FIELD and PFEIFFER did this to hide FIELD's true interest in various entities from investors, FIELD's partners in LRI, the South Carolina Securities Division, and others.

33. As noted before, FIELD and PFEIFFER enjoyed strategy board games with historical themes. In history, Bolingbroke is the name of a castle in England. Henry Bolingbroke (because he was born at Bolingbroke castle) eventually became King Henry IV. Once he became king, Henry of Bolingbroke would have signed his name "Henry Rex" in the custom of English royalty. "Rex" means "king" in Latin.

34. The first use of Bolingbroke was to loan money to Credo Land Holdings, LP

("Credo"). Credo was made of entities in which PFEIFFER and Tommy Moore had ownership interests, and on September 10, 2001, FIELD purchased a 10% interest in Credo and a 10% interest in Saxon Holdings, LLC, a limited partner of Credo's controlled by PFEIFFER. On October 16, 2001, Credo agreed to purchase property owned by the Baby Superstore, Inc. for \$400,000. This transaction was completed on October 30, 2001. Credo that day gave a \$340,000 note and mortgage to Bolingbroke and a \$40,000 note and mortgage to Kathryn Taillon, Field's wife. These documents were prepared and signed by PFEIFFER.

35. Ultimately, this property was condemned by the South Carolina Department of Transportation, which March of 2003 paid \$1,150,000 in a check made out to Credo, Bolingbroke, Kathryn Taillon, and CIF. This was endorsed by PFEIFFER for Credo, FIELD for CIF, Field's wife Kathryn Taillon, and "Henry Rex" for Bolingbroke. Of these funds, PFEIFFER wrote checks from Credo to Bolingbroke for \$342,963.03, and from Credo to Taillon and Arthur Field as well. On January 31, 2003, "H Rex" also signed a release of Bolingbroke's mortgage on the property, which was supposedly witnessed by Paula Haney and Jane Passiouk, two of PFEIFFER's employees.

ELLIOT SALZMAN'S IMPROPER USE OF LRI MONEY

36. On September 1, 2001, LRI executed a Revolving Loan Note for up to \$30,000,000 in favor of CIF at 12.75% per annum. Elliot S. Salzman and Richard Malagiere signed the note on behalf of LRI.

37. As noted before, Elliot Salzman as President and CEO of LRI primarily controlled and directed LRI's business activities and its use of the money from South Carolina investors that CIF lent LRI, while FIELD primarily controlled the business activities

of CIF. At some point around this time, some LRI board members became aware of Elliot Salzman's improper and unauthorized use of LRI money. These board members also became concerned about FIELD's actions as manager of CIF due to FIELD's involvement with these transactions and his close relationship with Elliot Salzman. They sought explanations about and oversight over CIF's actions.

38. However, FIELD did not wish to give up control and sought help from his friend PFEIFFER. On December 18, 2001, PFEIFFER issued an opinion letter to FIELD as manager of CIF, in which PFEIFFER opined that moving the accounting function of CIF to New Jersey would "threaten the South Carolina nature of the company", since most of the funds were invested outside of South Carolina. Thus, he concluded that in order to meet the federal "intrastate exemption" from registration of CIF's securities with the Securities and Exchange Commission ("SEC"), at least the management of CIF's funds needed to remain in South Carolina. PFEIFFER noted that this is why he advised FIELD a year ago to begin investing in local projects, and that in relying on the intrastate exemption FIELD was "holding out to your investors that you are a South Carolina company". PFEIFFER also advised FIELD that since he was the manager of CIF and CIF was a manager-managed LLC, the other members of LRI could not force him to relocate the accounting function. PFEIFFER advised FIELD to resign from the board of LRI to avoid any conflicts of interest.

39. FIELD, however, continued to participate as an active member in the LRI Board meetings. The next day, on December 19, 2001, a meeting of the LRI Board was held in which FIELD acted in his position as Chairman of the Board. At the meeting, FIELD moved to dismiss the corporate counsel and secretary, Richard Malagiere, which passed.

The other members of the board were told that this was done because Malagiere was spending too much money on outside counsel. In fact, Malagiere was spending this money in an attempt to adequately document loans Salzman had made with the money LRI had received from CIF.

40. Additionally, FIELD put on the record a motion that was passed unanimously for "disciplinary action" against LRI President and CEO Elliot Salzman for a transaction involving "457 Westview". In this transaction Salzman had improperly retained the funds at a loan closing that were supposed to be used to pay off a first mortgage on a property LRI was purchasing. Salzman then began servicing the first mortgage to prevent this from being discovered, thus impairing LRI's title to the property it purchased.

41. Additional information had come to light regarding Elliot Salzman's improprieties with LRI funds during his time as president of the entity, and the 457 Westview transaction was the "last straw" for many of the other members. On January 3, 2002, a meeting of the LRI Board of Directors was held in which FIELD participated as a member. At the meeting, it was decided that because of the \$5.6 million debt Salzman had incurred to LRI as a result of his improper and unauthorized use of LRI money, which had come from CIF loans, the Board would remove Elliot Salzman from LRI membership, remove Elliot Salzman as president and CEO of LRI, remove Elliot Salzman as managing member of all the many related entities, remove Elliot Salzman from board of LRI, remove Elliot Salzman from the LLCs management committee, and that there would be no distributions to members until all Elliot Salzman's shortfalls were remedied. At the meeting, Robert L'Abbate noted the concern was to prevent the members from being able to bleed LRI dry without paying the money back to CIF.

42. Once Elliot Salzman was removed from day-to-day control of LRI, it was realized that many of the loans and transactions were improperly or insufficiently documented.

FIELD AND PFEIFFER'S CONTROL OF THE SOUTH CAROLINA RELENDERS

43. Meanwhile, with the assistance of PFEIFFER, FIELD continued in his efforts to solidify his control of CIF's lending activities. On January 15, 2002, FIELD caused CIF to issue a check for \$657,752.00 to PFEIFFER's firm trust account for a direct loan from CIF to the South Carolina entity Tiger Transport Service, Inc, in which Tommy Moore (also of Credo) had a controlling interest.

44. The next day, January 16, 2002, PFEIFFER sent FIELD as manager of CIF an opinion letter in which he: (1) noted that he had now been asked to look at CIF's qualification for the Intrastate Offering Exemption from federal registration; (2) expressed concern because "nearly 100% of all proceeds are sent to New Jersey for use their [sic]"; (3) recommended "to mitigate this problem" that "CIF needs to diversify its lending to lend to non-LRI entities"; (4) recommended that LRI "open a South Carolina subsidiary to be the direct borrower from CIF", which would then lend to LRI, and which should also consider placing South Carolina loans; and (4) warned that "even with these actions I cannot guarantee that you will meet the [Intrastate Offering Exemption] test".

45. Two days later, PFEIFFER drew up the paperwork and acted as the closing attorney for the \$657,752.00 CIF direct loan to Tiger Transport Service, Inc., which was guaranteed by Credo, in which PFEIFFER and FIELD had ownership interests.

46. Additionally, PFEIFFER and FIELD executed their plan to attempt to get around the Intrastate Offering Exemption by creating a South Carolina entity to act as an

intermediary in the lending from CIF to LRI in New Jersey. On January 28, 2002, Lancaster Resources (South Carolina), Inc., was formed with the filing of Articles of Incorporation with the South Carolina Secretary of State. FIELD was listed as the incorporator and F. SCOTT PFEIFFER signed for the attorney certification of compliance. On February 11, 2002, Articles of Amendment were filed changing the name of this entity to Monmouth Financial Group, Ltd ("Monmouth"). FIELD signed this amendment as the incorporator. PFEIFFER had ownership and management interests in Monmouth.

47. In keeping with FIELD and PFEIFFER's interest in historical themes, according to history Henry V was born at Monmouth Castle, and was known as Henry of Monmouth. Henry V later followed his father Bolingbroke, or Henry IV, on the throne. Henry Bolingbroke would, as noted before, sign his name "Henry Rex" upon taking the throne.

48. Additionally, FIELD and PFEIFFER also executed their plan to start lending to South Carolina entities with the formation of Cosimo, LLC ("Cosimo"). On January 31, 2002, PFEIFFER filed with the South Carolina Secretary of State the Articles of Organization for Cosimo. PFEIFFER was listed as the organizer. 50% of Cosimo was owned by Red Lion Trading House, LLC, an entity controlled by PFEIFFER. The other 50% was owned by Bolingbroke, which, as noted before, was controlled by FIELD and created for the purpose of hiding FIELD's ownership interest in this relender of CIF.

49. Cosimo took its name from Cosimo D'Medici, a historic figure from Italy during the Renaissance known for consolidating political and financial power. On at least two occasions, FIELD and PFEIFFER sent business letters from Cosimo which were purportedly signed by a "Larry Medici".

50. Around the time PFEIFFER caused Cosimo's formation documents to be filed with the South Carolina Secretary of State, PFEIFFER and FIELD began relending through Cosimo. FIELD transferred funds from CIF to Cosimo, which then lent \$595,000 to Guglielmi, LLC. This transaction was facilitated through Elliot Salzman at Lancaster Mortgage Bankers ("LMB"). PFEIFFER drew up the loan documents and functioned as the closing attorney. He addressed the cover letter – as if the transaction was arm's length – to Alysia Hazelton as Assistant Manager of Red Lion Trading House, LLC, in which PFEIFFER had ownership. In fact, Alysia Hazleton was an employee of PFEIFFER's law firm. This sort of documentation was intended to create the illusion of an arm's length transaction, and was typical of many of the Cosimo loans which PFEIFFER executed.

51. Meanwhile, on February 27, 2002, FIELD signed Form U-1, Uniform Application to Register Securities, which was submitted to the Securities Division in connection with CIF's application to register securities of up to \$33,000,000.

52. On March 6, 2002, CIF issued the 2002 prospectus for an offering of \$33,000,000 "Series 2002 Floating Rate Notes". This prospectus was filed with the South Carolina Securities Division, and the issuance was subject to the provisions of the Uniform Securities Act in the statutory law of South Carolina. The Securities Division registered the offering on March 7, 2002.

53. Copies of CIF's balance sheet, included with the 2001 Independent Auditor's Report, which accompanied the 2002 Prospectus, reflect \$24,116,479.46 in Notes Due Investors of December 31, 2001.

54. FIELD and PFEIFFER also provided to the members of LRI PFEIFFER's opinion that CIF could comply with the Intrastate Offering Exemption by merely loaning to

a South Carolina intermediary such as Monmouth, before the money was loaned to LRI in New Jersey. At some point Dr. Stuart Katz as Acting President of LRI issued a letter authorizing PFEIFFER to form Monmouth and to be a shareholder, officer, or director of Monmouth. The first Monmouth loan occurred on or about February 10, 2002, when FIELD caused \$800,000 to be loaned from CIF to Monmouth, and PFEIFFER then caused those funds to be loaned to LRI.

55. However, the other members of LRI again became concerned with these relending activities of FIELD and PFEIFFER. On March 21, 2002, Dr. Stuart Katz sent FIELD a letter in which he noted FIELD had been directed by the Board of LRI not to do any business with Elliot Salzman, but FIELD had caused Cosimo to loan CIF money to Guglielmi, LLC, which involved Salzman. Katz complained that LRI had not been informed about the creation of Cosimo and asked whether it "violated any securities laws". Katz concluded: "Arthur, I trusted and respected your judgment, but cannot sit idly by while you unilaterally take CIF in a business direction without any input from the LRI board".

56. On March 25, 2002, FIELD responded to Katz's concerns by email. In the email, FIELD stated that the LRI board could "have nothing whatsoever to say" in FIELD's relending decisions for CIF. FIELD stated that he was a passive member of LRI with no knowledge of whether LRI has any financial difficulties. This statement is not true as the LRI Board minutes reflect FIELD actively participating through at least December 2002.

57. FIELD also stated that Monmouth and Cosimo were created to address PFEIFFER's opinion letter that a "pass-through relending" through a South Carolina Company was necessary to comply with the Intrastate Offering Exemption. FIELD stated that "neither CIF nor Arthur Field nor any other member of CIF board has anything

whatsoever to do with the ownership or management of [Cosimo and Monmouth]". This statement represents a material misrepresentation of fact, i.e., a lie., as FIELD did in fact have such an interest through Bolingbroke.

58. FIELD stated that with regard to the Guglielmi loan, Cosimo was created to "shield LRI from any connection with" Elliot Salzman.

59. FIELD stated that he and PFEIFFER were underwriting the Cosimo and Monmouth loans.

60. FIELD stated Monmouth and Cosimo would take small markups, "to make sure they appear to be more than just sham passthroughs". FIELD stated that local loans are "what the people of SC believe their money is going for. So, at least some of it had better be".

61. FIELD stated he did the renewal paperwork and all the accounting for CIF.

62. FIELD stated in the email: "If we are going to try to build a firewall between CIF and LRI to comply with the state and federal securities laws, then we have to form and maintain companies such as MFG and Cosimo to do it and we have to live with the 'independence' of those entities. . . . Only trouble was you guys are in NJ and I have the money in SC and lending it to you directly may violate some big ass federal laws".

63. FIELD stated in the email that he is the one trying to "keep Elliot under control"; and complained that the agreement FIELD wrote to terminate Elliot's relationship with LRI had not been signed by LRI officers.

64. On March 29, 2002, Dr. Stuart Katz responded with a letter to the LRI board members. In it, he stated: "I cannot sign an agreement that clears Elliot Salzman of what he did! Elliot Salzman stole 5+ million dollars and left us holding the bag." Additionally:

"I believe that by our white washing what Elliot did, we are placing ourselves at greater risk for criminal charges by assisting in his theft".

65. In the letter, Katz further stated: "Scott Pfeifer is the lawyer who initially gave us the opinion letter that the Blue Sky laws would not affect CIF loaning money to LRI. Out of the clear blue, Arthur felt it necessary for Scott Pfeifer to reassess his initial opinion. This came at a convenient time, just as we began to realize that there was going to be trouble with Elliot. I am not sure what new information came to Scott Pfeifer, but low and behold his opinion changed. His opinion is now that CIF must lend to a South Carolina company".

66. In the letter, Katz further stated: "Remember that Arthur was not sending us [LRI] money until recently, and now only enough to meet the interest payments." Further: "[Arthur] has control of CIF, any and all companies formed in South Carolina, and the ability to withhold money to LRI. Arthur withholding money will push us into bankruptcy." Katz also stated that LRI should separate from FIELD and CIF.

67. Meanwhile, on or about March 26, 2002, FIELD caused Bolingbroke to loan \$56,000 to Monmouth for the purchase of a condominium at the River Bend development in Greenville. Monmouth executed a mortgage in favor of Bolingbroke which was signed by PFEIFFER as President of Monmouth. This condominium was used by PFEIFFER and FIELD and some of their friends as a place where they could play their historical and fantasy strategy boardgames. FIELD and PFEIFFER also used this property as an address for Bolingbroke and Monmouth and to store records related to these entities as well as Cosimo.

68. Despite his claims that he was a passive member of LRI, FIELD continued

to actively participate in LRI board meetings. He was the one who sent the agenda out for the April 2002 board meeting, which included ratification of the settlement agreement with Elliot Salzman based on the misconduct and the acceptance of Salzman's resignation from LRI. The meeting was held on April 17, 2002, and FIELD was present by telephone. FIELD seconded five motions during the Board meeting and voted on these and several other motions during the Board Meeting. FIELD gave the CIF update, and was present for the LRI update.

69. On June 5, 2002, LRI executed a Revolving Credit Promissory Note for up to \$21,000,000 and an accompanying Loan Agreement in favor of CIF. The documents were signed by Martin Ender as President of LRI and FIELD as manager of CIF, and prepared by F. SCOTT PFEIFFER.

70. As collateral for the June 5, 2002 loan agreement, LRI pledged to CIF its membership interest in nineteen LLCs and mortgages in its favor on thirteen third party loans.

71. The June 5, 2002 loan agreement also included the following payment schedule for LRI to retire its principal obligation to CIF:

<u>Dates</u>	<u>Maximum Credit Limit</u>
July 1, 2002 - December 31, 2002	\$21,000,000
January 1, 2003 - June 30, 2003	\$19,000,000
July 1, 2003 - December 31, 2003	\$16,000,000
January 1, 2004 - June 30, 2004	\$13,000,000
July 1, 2004 - December 31, 2004	\$10,000,000
January 1, 2005 - June 30, 2005	\$5,000,000
July 1, 2005 - December 31, 2005	\$1,000,000
January 1, 2006	End of Term.

LRI would be unable to meet this drawdown schedule.

72. FIELD and PFEIFFER also attended the LRI board meeting on August 18, 2002. FIELD made or seconded a number of motions. He gave the CIF business update, and was present for the LRI update.

73. In November of 2002, a secretary at LRI was reconciling a Federal Express bill and discovered a number of transactions reflecting packages being sent from Lancaster Mortgage Bankers, or "LMB", to Bradford Financial Group, or "BFG" at the CIF address. They also discovered LMB packages being sent to FIELD's home address and one to PFEIFFER for Cosimo. LMB involves Elliot Salzman, and the possibility that FIELD was still dealing with Salzman caused great concern to the other members of LRI.

74. FIELD attended the December 22, 2002 LRI board meeting, where he made or seconded a number of motions. FIELD gave the CIF update and was present for the LRI business update. The minutes reflect there were "[l]engthy discussions regarding CIF and the other pass through companies it utilizes. Who owns them and what information does LRI/CIF have about them? BFG was the most in question with Credo following". FIELD at this time knew full well the ownership of these entities; BFG refers to Bradford Financial Group, which was formed in April 2002 with FIELD's wife Kathryn Taillon as the organizer, and as stated before FIELD had an ownership interest in Credo.

75. The minutes from the December 22, 2002 meeting also reflect "a lengthy discussion regarding the 'HIT' taken as a result of Salzman and the need to mandate that no related company or person, whether involved with LRI, CIF, LG, LD, Wiltshire or any other company, have any dealings with Salzman or LMB now or in the future". The minutes reflect that "not all present were in agreement".

76. On January 9, 2003, PFEIFFER provided an opinion letter to FIELD as

manager of CIF in which PFEIFFER opined that the proposed 2003 prospectus complied with state law.

77. In a January 11, 2003 email to the LRI partners, on which PFEIFFER was copied, FIELD again stated that "LRI cannot control CIF", that PFEIFFER "knocks himself out to get loans and service them", and that PFEIFFER "devotes 25% of his time to helping us".

78. In a January 13, 2003 email to his partners in LRI, FIELD stated: "As to MFG and Cosimo, I own not a single share in either of them. To my knowledge I have never received a penny from either." These statement(s) were material misrepresentations of fact, i.e., lies, given FIELD's effective ownership of Bolingbroke.

79. In February 2003, FIELD tried to get Martin Ender as president of LRI to sign a ratification he and PFEIFFER prepared, which purported to ratify all actions taken by CIF management in 2002, to waive any conflicts given PFEIFFER's indirect ownership in Monmouth and Cosimo, and to indemnify PFEIFFER. Robert L'Abbate responded by email that LRI could not execute such a document, as "LRI . . . does not control or have any management input on the operations of CIF" and has "no knowledge of [CIF]'s accountant's activities, attorney's dealings or business practices as a whole".

80. On February 27, 2003, FIELD signed Form U-1, Uniform Application to Register Securities, which was submitted to the Securities Division in connection with CIF's application to register securities of up to \$50,000,000.

81. On March 17, 2003, CIF issued the 2003 Prospectus for an offering of \$50,000,000 "Series 2003 Floating Rate Notes". This prospectus, and its subsequent amendments, were filed with the South Carolina Securities Division, and the issuance was

subject to the provisions of the Uniform Securities Act in the statutory law of South Carolina. The Securities Division registered the offering on March 17, 2003.

82. Copies of CIF's balance sheet, included with the 2002 Independent Auditor's Report, which accompanied the 2003 Prospectus, reflect \$37,370,679.95 in Notes Due Investors as of December 31, 2002.

83. On March 17, 2003, FIELD sent a letter to noteholders generally describing to them CIF's financial position. Underlined in the letter was the following: "The only debt CIF has is to its investors." On or around August 14, 2002, FIELD caused CIF to loan \$2,275,000.00 to Cosimo for the Tiger related entities. A portion of this money went to Credo, again in which both FIELD and PFEIFFER had an ownership interest. On or about October 15, 2002, Credo loaned \$550,000.00 to CIF from funds Credo had received through Cosimo from CIF. CIF paid this money back to Credo on or about October 21, 2002.

84. Indeed, in a letter to LRI's auditors, Smolin & Lupin in approximately April of 2003, and which was copied to PFEIFFER, FIELD claimed that Credo had actually borrowed \$500,000 on a short term note on October 15, 2002. This statement represents a material misrepresentation of fact, i.e., a lie., as it was actually CIF that borrowed from Credo according to FIELD's own accounting.

85. Late in March of 2003, Carolina Investors, Inc., folded, causing a loss to many noteholders in that company. In response to the unease created by this event, FIELD sent a letter dated March 28, 2003 to noteholders to reassure them about CIF's financial standing. In the letter, FIELD noted he offered to serve on a regulatory commission and had offered his "expert legal services in the drafting of legislation".

86. FIELD's letter of March 28, 2003 promised that CIF would undergo voluntary semi-annual audits. This did not occur. FIELD's letter also promised that two investors would be added to the management committee as observers. While this did initially occur with Sharon Finch and George Grant being so added, this did not persist after 2004.

KNOWLEDGE OF A POTENTIAL VIOLATION OF THE BLUE SKY LAWS

87. The failure of Carolina Investors caused further concern for the remaining directors of LRI as to the actions being taken by FIELD and PFEIFFER with regard to CIF, Cosimo, Monmouth, and the other entities. On March 30, 2003, a special meeting of the LRI board was held. FIELD was not present. According to the minutes, the purpose of the meeting was "to discuss the current situation of CIF and LRI and the issue of 'Blue Sky Laws.'" "Blue Sky Laws" refer to the laws enacted by the various states governing the sale of securities. Robert L'Abbate discussed that LRI would need competent legal counsel to address the issues of securities laws, regulations, and rules. It was noted that the LRI auditors were going to need a "complete audit of CIF and its related companies such as BFG, Cosimo, MFG and whatever others may exist". There was a discussion of separating LRI from FIELD and CIF. Finally, the minutes reflect that the Board of LRI agreed that LRI "WILL NOT ACCEPT any actions taken by" Field, CIF, or any employees or members of companies affiliated with CIF, including capital calls, unless the LRI Board was involved in the decision-making process.

88. On April 7, 2003, Mr. Chris Devito at Smolin Lupin & Co, PA, the auditors of LRI, sent a letter to Robert L'Abbate at LRI in which he noted his firm could not complete their audit of LRI without information on CIF's other lending activities and the ownership to those entities, including Credo, Saxon Holdings, Tiger Transport, Cosimo, Monmouth,

and Bradford Financial Group. These concerns were relayed to FIELD at CIF.

89. FIELD responded to the concerns of the auditor by letter on around some time in April of 2003. PFEIFFER was copied with this letter. In justifying his lending activities outside of LRI, FIELD stated the following: "Fortunately, after review, our securities lawyers and our accounting firm recommended immediate diversification in a much belated attempt to gain the Safe Harbor provisions of the 1933 Act. We are a long way off, but are working very hard to achieve this." And: "It is only through swift and substantial diversification of loans inside of South Carolina that we can hope to survive federal regulatory scrutiny." CIF investors were never told that CIF had been operating outside the Intrastate Offering Exemption of the Federal Securities laws, that CIF was "a long way off" from complying, or that, at the time, the statement was made, that CIF was concerned about its ability to "survive regulatory scrutiny."

90. FIELD also had PFEIFFER send FIELD another opinion letter, dated April 15, 2003. In it, PFEIFFER discussed again the Intrastate Offering Exemption, and noted that CIF had made "great progress" in moving towards compliance with the exemption by its cessation of direct lending to LRI and its new lending in South Carolina. However, it continued: "Several goals need to be accomplished yet. In order to clearly qualify for the SEC Safe Harbor, 80% of all collateral should be located in South Carolina. Qualification for the safe harbor is not required, but the closer you get the more likely to succeed you will be."

91. Further, in an email to his LRI partners dated April 14, 2003, FIELD wrote that he had employed his wife Kathryn Taillon to assist him as the two of them handled the distributions and other financial transactions of CIF.

92. FIELD's responses to the LRI members and the LRI auditor caused them to hire investigator Michael O'Shea to look into FIELD and PFEIFFER's conduct in South Carolina. On behalf of LRI, Robert L'Abbate also engaged Kymric Mahnke, Esquire, of the respected and longstanding law firm of Nelson, Mullins, Riley, and Scarborough, LLP, to review the propriety of FIELD and PFEIFFER's conduct. Mahnke has extensive business law experience, and indeed PFEIFFER had been employed at Nelson, Mullins Riley, and Scarborough, LLP. Mahnke also involved Neil Grayson, Esquire, of Nelson, Mullins, Riley, and Scarborough, LLP. Grayson has decades of securities law experience.

93. On April 21, 2003, Michael O'Shea and Chris DeVito from Smolin Lupin went to CIF's auditor, Porter and Highley, to retrieve the audit work papers. They were taken to Legal Eagle, a copying service, to be duplicated and provided to Kymric Mahnke. The next day, FIELD, KATHRYN TAILLON, and a third individual who refused to identify himself, arrived at Legal Eagle demanding return of the documents. FIELD presented a business card with his Greenville, SC address identifying him as an "Attorney-at-law", even though he was not and never has been licensed in South Carolina. The documents were copied and returned to Porter and Highley.

94. Faced with these new developments, another special meeting of the LRI board took place on April 27, 2003 in the absence of FIELD. The Board discussed CIF and Field after L'Abbate raised concerns about FIELD being manager of CIF. L'Abbate's main concern was that the LRI Board and management did not know what FIELD was doing in South Carolina and with whom FIELD was conducting business. The Board discussed splitting LRI and CIF, firing FIELD as manager of CIF, or putting another manager in place at CIF along with FIELD. Ultimately, it was decided that legal counsel needed to look at

the situation, and the ultimate goal was to protect the investors in South Carolina.

95. Meanwhile, Kymric Mahnke and Neil Grayson had reviewed CIF's actions and became concerned as to the sufficiency of the disclosures in the CIF prospectuses as well as the legality of CIF's operations under the federal Intrastate Offering Exemption. At some point in May of 2003, Mahnke had a meeting with PFEIFFER in which he discussed some of these concerns with PFEIFFER. Mahnke also expressed concern with the ethical and legal implications of PFEIFFER functioning as the attorney while having an ownership in the various entities. PFEIFFER did not try to defend his actions and listened to Mahnke with a blank stare.

96. PFEIFFER responded to Mahnke's concerns with an unsigned letter to Mahnke dated May 7, 2003. PFEIFFER proposed two solutions to Mahnke's concerns: (1) the companies are split with FIELD getting CIF and LRI getting FIELD's interest in the Lancaster-related entities, following the creation of a trust in which the assets were placed and an effort was made to collect the roughly 1.8 million dollars still owed to LRI by Elliot Salzman for his misconduct, or (2) LRI could register a public offering to raise money to pay off the CIF notes. PFEIFFER concluded: "With the South Carolina notes repaid, the entire issue of South Carolina and the intra-state offerings disappears, and CIF is no longer needed and can be simply dissolved."

97. Following these discussions with PFEIFFER, on May 8, 2003 Kymric Mahnke recommended to L'Abbate that LRI get the following information from PFEIFFER "as soon as possible": the maturity date of all investor notes, accountant confirmation of all money owed to investors, an accounting of all the loans to and from Cosimo, loan documentation as to the end borrower of all the Cosimo loans, and all correspondence to the Attorney

General. Neil Grayson concurred and offer further suggestions, further asking if Mahnke had "a summary of the structure or issues or background or description of this mess".

98. In any event, Kymric Mahnke and Neil Grayson, who again both have extensive experience with business law and are members of the respected firm of Nelson, Mullins, Riley and Scarborough, LLP, concluded that CIF clearly did not fall within the Intrastate Offering Exemption and that CIF's activities were in violation of federal law. They concluded that PFEIFFER's assertion that CIF could be in compliance by diversifying its lending and merely lending to a South Carolina intermediary like Monmouth before sending the money out of state was "ridiculous", and that no reasonable lawyer could think such a plan was legal.

99. Accordingly, on May 9, 2003, Mahnke sent a letter to L'Abbate in which he stated: "CIF must be instructed to stop selling securities immediately. Now that LRI has advice that the securities laws exemption is not available, it cannot permit CIF to continue selling securities at all. To do so would result in a knowing violation of the securities laws, and subject LRI and its principals to increased civil, and perhaps even criminal liability".

100. Mahnke's May 9, 2003 letter continued that FIELD also needed to be instructed to stop selling securities for any other entity, and that someone representing LRI should be posted at CIF offices to preserve records and ensure no further sales of securities occurred.

101. Mahnke's May 9, 2003 letter stated that the CIF records needed to be subjected to a forensic accounting to determine the actual amount of investor liability, and that sufficient funds should be put in place to cover redemptions.

102. Finally, Mahnke's May 9, 2003 letter suggested mechanisms by which LRI

could "negotiate a separation from FIELD as quickly as possible".

103. On May 12, 2003, Mahnke followed up with a letter to PFEIFFER in which noted their "discussions this past week" and asked for the information from CIF that he and Neil Grayson identified in their email of May 8, 2003. Mahnke concluded: "Scott, it is imperative this information be provided [to] LRI as soon as practicable".

104. Robert L'Abbate raised Mahnke and Grayson's concerns to FIELD. FIELD refused to stop selling securities and responded that LRI legally could not dictate anything to FIELD as to how he ran CIF.

105. On May 20, 2003, L'Abbate wrote Mahnke an email in which he stated, among other things: "I am working on getting something done to deal with Field. . . . He is working hard at getting us to buy his interests out of [LRI] and fund the next company for him. That isn't an option but we will accomplish the goal of shutting down CIF quickly".

106. On June 9, 2003, Mahnke wrote L'Abbate an email in which he complained that he had just attended a concert and CIF was still advertising there. L'Abbate responded with an email to Mahnke in which he stated that FIELD had been working with PFEIFFER on agreements and to meet with the state Securities Commissioner. L'Abbate wrote that "I do understand your position on the sales of securities and Mr. Field is on notice as to take in any new securities". Among other things, L'Abbate also states that "the hardest thing will be to get an agreement that allows us to move forward and not have Arthur interfere in either NJ or CIF".

107. The Nelson Mullins file for LRI reflects Mahnke and Grayson discussing a response to L'Abbate on June 10, 2003, in which Mahnke noted that "[w]hile the South Carolina Securities Laws may be an issue, the overriding issue concerns the Federal

Securities laws for which CIF does not have an exemption for the sale of its securities." He stated that nothing worked out by the South Carolina authorities could address the federal problem. Additionally, he noted that "the problem with Field's continuing presence needs to be addressed immediately. Even though [Field] has been directed to stop selling securities, the ads continue to run suggesting he may not be obeying that order."

108. After having heard nothing from LRI, Mahnke sent on June 20, 2003, a letter in which he terminated his representation of LRI. Mahnke wrote: "It is our opinion, however, that the risks of this engagement under the present circumstances are too great for this firm to continue to work for Lancaster. Another advertisement for CIF investments ran right in the middle of the Greenville News' stock quotations this morning. No reasonable person could conclude, at this point, that your command to Mr. Field to stop selling CIF securities has been obeyed."

109. However, L'Abbate was unable to come to an agreement with FIELD to stop CIF's selling of securities, or to remove FIELD from control of CIF. Faced with ARTHUR FIELD's refusals, L'Abbate and LRI began to try to negotiate a split of LRI and CIF and FIELD. In an August 11, 2003 letter to the South Carolina Securities Division to address various concerns as to whether CIF's advertising was misleading, PFEIFFER wrote that "negotiations are currently underway with the New Jersey member to redeem its interest, which will make the company totally locally owned and operated".

110. On October 4, 2003, FIELD sent a letter to LRI in which he requested verification of the condition of title to any property LRI had, and also demanded "the \$3 Million payment on the credit line remitted to CIF on or before December 31, 2003, in accord with the terms of the Agreement filed with the Securities Division of the Attorney

General of South Carolina".

111. On October 9, 2003, FIELD held a meeting for investors, at which he made the following representations. At the meeting, he told the investors that loans are to be secured by a first mortgage, and that the appraised value had to exceed the loan by 20%. He also stated that the company would never loan money to its managers. Of course, CIF was already lending to Cosimo, in which FIELD had a hidden interest through Bolingbroke.

112. On October 10, 2003, FIELD issued a letter to noteholders "as part of our commitment to keep you fully informed" regarding the status of CIF's business. Despite such a laudable promise, at no point in the letter did FIELD advise noteholders that experienced business attorneys at one of the State's most respected firms had advised that CIF's business model was flatly illegal and subjected the company to the prospect of significant civil and criminal liability. Nor did FIELD advise that he had an interest in Cosimo and was hiding his involvement with use of Bolingbroke and a fake name. These failures to disclose represent omissions to state material facts to investors.

113. On November 14, 2003, Gary Kraft as Controller of LRI sent a letter to PFEIFFER for Monmouth in which he offered to substitute Lancaster's membership interest in Point Pleasant Towers, LLC, in an attempt to "over-collateralize" the Monmouth loans. In return, he requested that Monmouth extend the term of the loans.

114. Given that CIF and FIELD were going to be separating from LRI, CIF acquired 100% of the Monmouth membership interest and PFEIFFER resigned as manager at some point in November 2003.

115. Meanwhile, a meeting took place at PFEIFFER's office between Robert L'Abbate and Gary Kraft of LRI, and ARTHUR FIELD, PFEIFFER, and attorney Jim

Bannister, Esquire, representing FIELD and CIF. On November 19, 2003, Jim Bannister wrote a letter to L'Abbate regarding this meeting, in which he discussed, among other things, LRI's need to provide sufficient proof of security by mortgage or UCC lien for those properties on which it was possible, discussed the pending payment of \$3,000,000 due by LRI on December 31, 2003, noted that the LRI revolving loan would be recast with a lowering of the interest rate, and stated that in return for FIELD transferring his interest in the Lancaster-related entities to LRI, LRI would transfer its 91% ownership interest in CIF to FIELD.

116. On November 24, 2003, a special meeting of the LRI board occurred to discuss these issues. FIELD was not present. The members agreed to transfer LRI's interest in CIF to FIELD in return for FIELD's interest in all the Lancaster-related entities. Further, there was a discussion how to "cover the shortfall, if applicable, in the collateral that may be needed to guarantee the outstanding debt to South Carolina". The members agreed to pledge their interests in the Wiltshire project to cover any shortfall in LRI's collateral to CIF.

117. At some point on or around November of 2003, FIELD and Martin Ender as president of LRI executed a "Stock and Membership Transfer Agreement" which memorialized the split of LRI from FIELD and CIF.

118. On November 24, 2003, Gary Kraft as Controller of LRI sent a letter to FIELD advising that LRI would payoff a number of loans prior to their maturity date at the end of the year, but requesting an extension of the maturity date of other loans to September 30, 2004.

119. On November 25, 2003, FIELD responded to Kraft's letter, in which he

agreed to accept only \$50,000 of LRI's pending \$3,000,000 payment, and extend the note term. FIELD also agreed to change the note from a fixed rate to a floating rate which had the effect of lowering LRI's interest rate at that time. In return, FIELD requested that LRI agree to pay \$2,890,750 on Monmouth loans by December 15, 2003, and for its members to assign Wilshire interests as collateral. FIELD also stated LRI was to provide a complete listing of collateral and to secure such collateral with UCC liens or mortgages if it could.

120. LRI executed resolutions memorializing the split from CIF and FIELD on December 8, 2003.

121. On or about December 12, 2003, FIELD sent a letter to investors to inform them of his split from LRI and his acquisition of LRI's 91% interest in CIF. In the letter, touting "significant developments at Capital Investment Funding", FIELD stated: "Although we had an excellent and profitable relationship with that firm [LRI] since our creation in January 1999, our attorneys advised us it would be preferable to disconnect the ownership of the entities. Since LRI owned 91% of CIF, and was also its principal debtor, our advisors felt this could present a conflict of interest some time in the future".

122. These statements were materially misleading in a reference to an "excellent . . . relationship" and a mere possible conflict of interest. Among other things, FIELD did not inform the investors that experienced business attorneys at one of the State's most respected firms had advised LRI that CIF's business model was plainly illegal, and that the breakup was precipitated by FIELD's insistence on continuing CIF's sale of securities despite this legal opinion and LRI's order to stop selling securities. FIELD did not advise investors about the removal of Elliot Salzman from LRI for improper use of money CIF lent to LRI, and the disagreements the other members had with FIELD's continued dealings

with Salzman despite this improper conduct. FIELD did not disclose the concern of the LRI Board as to FIELD's dealings and involvement with PFEIFFER, Monmouth, Cosimo, Credo, Bradford, and other South Carolina entities.

123. In the December 12, 2003, letter to investors, FIELD also stated that "all lending activities will be totally independent". This statement was materially misleading, as FIELD did not disclose his then-existing hidden ownership interest in Cosimo.

124. In a document dated December 2003, LRI and CIF entered into yet another Amendment to Revolving Credit Promissory Note. This document was signed by Martin Ender as President of LRI and FIELD as manager of CIF.

125. This December 2003 Amendment stated it was for the purpose of converting the interest rate from a fixed to a floating rate, and "amending the payment schedule on the note". The agreement required LRI to submit by February of each year sufficient proof of collateral, by way of "mortgage or UCC lien, or similar lien sufficient to secure debt as set forth in the Uniform Commercial Code". Struck out by hand from the agreement was a provision that failure to submit sufficient proof of collateral in a timely manner would constitute a breach.

126. This December 2003 Amendment further stated that no further advances would be made to LRI until the balance was reduced below \$6,000,000, and "[t]hereafter, advances shall be limited to a maximum of 20% of CIF's total assets or such other amount as shall keep CIF within the Safe Harbor provisions of the Securities and Exchange Act, but not more than \$9 million".

127. The December 2003 loan agreement also included the following payment schedule for LRI to retire its principal obligation to CIF:

<u>Dates</u>	<u>Maximum Credit Limit</u>
January 1, 2004 - June 30, 2004	\$18,950,000
July 1, 2004 - December 31, 2004	\$16,000,000
January 1, 2005 - June 30, 2005	\$13,500,000
July 1, 2005 - December 31, 2005	\$10,000,000
January 1, 2006 - July 1, 2006	\$5,000,000
July 1, 2006 - December 30, 2006	\$1,000,000
December 31, 2006	End of Term.

LRI would prove to be unable to live up to this paydown schedule either.

128. On January 22, 2004, FIELD sent a letter to Gary Kraft, on which CIF's auditor was copied, in which FIELD asked if the amendment to the revolving note had been executed yet by LRI.

129. On March 9, 2004, FIELD signed Form U-1, Uniform Application to Register Securities, which was submitted to the Securities Division in connection with CIF's application to register securities of up to \$50,000,000.

130. On March 19, 2004, CIF issued the 2004 prospectus for an offering of \$50,000,000 "Series 2004 Floating Rate Notes". This prospectus was filed with the South Carolina Securities Division, and the issuance was subject to the provisions of the Uniform Securities Act in the statutory law of South Carolina. The Securities Division registered the offering on March 19, 2004.

131. Copies of CIF's balance sheet, included with the 2003 Independent Auditor's Report, which accompanied the 2004 Prospectus, reflect \$39,330,342.37 in Notes Due Investors as of December 31, 2003.

132. On January 22, 2005, FIELD signed Form U-1, Uniform Application to Register Securities, which was submitted to the Securities Division in connection with CIF's application to register securities of up to \$50,000,000.

133. On March 19, 2005, CIF issued the 2005 prospectus for an offering of \$50,000,000 "Series 2005 Floating Rate Notes". This prospectus was filed with the South Carolina Securities Division, and the issuance was subject to the provisions of the Uniform Securities Act in the statutory law of South Carolina. The Securities Division registered the offering on March 21, 2005.

134. Copies of CIF's balance sheet, included with the 2004 Independent Auditor's Report, which accompanied the 2005 Prospectus, reflect \$38,048,629.31 in Notes Due Investors as of December 31, 2004.

135. On March 14, 2006, FIELD signed Form U-1, Uniform Application to Register Securities, which was submitted to the Securities Division in connection with CIF's application to register securities of up to \$50,000,000.

136. On March 22, 2006, CIF issued the 2006 prospectus for an offering of \$50,000,000 "Series 2006 Floating Rate Notes". This prospectus was filed with the South Carolina Securities Division, and the issuance was subject to the provisions of the Uniform Securities Act in the statutory law of South Carolina. The Securities Division registered the offering on March 29, 2006.

137. Copies of CIF's balance sheet, included with the 2005 Independent Auditor's Report, which accompanied the 2006 Prospectus, reflect \$38,994,739.83 in Notes Due Investors as of December 31, 2005.

FIELD'S KNOWLEDGE OF LRI'S DETERIORATION

138. LRI's financial position continued to deteriorate and it was unable to live up to the principal paydown schedule put in place with the December 2003 amendment. According to FIELD's own books, LRI last made a principal payment on the LRI direct

loans on May 12, 2005. As time passed, LRI fell further and further behind on the drawdown schedule put in place by the December 2003 Amendment to the revolving note. The inability of CIF's largest creditor to pay its debts timely meant that CIF's largest creditor was insolvent, with the consequence that CIF's solvency was placed at risk.

139. In January of 2006, FIELD sold 5% of his ownership interest in CIF to Sharon and Glen Finch for \$136,500. FIELD helped them set up a South Carolina entity named Log Cabin Financial, LLC to own this interest. In selling this 5% to the Finches, FIELD told them CIF's business was very healthy.

140. On November 7, 2006, FIELD sent an email to Robert L'Abbate as president of the Lancaster Group. In the email, FIELD stated that he had to cancel an \$8 million loan commitment because LRI and the related Lancaster Group had not paid CIF and "were in default in their payment of principal to CIF". FIELD continued:

"(1) We still need whatever money you can send ASAP. I have other commitments still waiting. Plus, we would like to clean up the default. The Atty General is waiting on the revised prospectus and I don't want to let anyone know your firm has not made a principal payment in over 1 year, despite the promissory note on file with the Atty General showing payments due of roughly \$4 Million annually;"

"(2) We have a new auditor who is supposed to start on 11/9. I will delay that for 10 days but I doubt I can wait beyond 12/1. I doubt the auditor will be as liberal as our prior auditor and will object greatly to the non-payment of principal. Most assuredly this will cause a problem for CIF."

"(3) I have gone \$200K in the hole. Between redemptions and small loan commitments I had to honor, I am overdrawn on available cash to lend. I can maintain this for a very short period, but not more than 10 days without fear of incident."

FIELD added: "I must insist upon an immediate payment of at least \$1.5 million to help you cure the current default"

457 CARLTON: FIELD SENDS MONEY TO LRI SO IT CAN PAY CIF

141. LRI was unable to make such a payment to cure its default and was in dire straits. In order to provide funds to LRI so that LRI could continue to make interest and principal payments to CIF and Monmouth, so that FIELD could avoid disclosure to CIF noteholders and regulatory authorities of LRI's and thus CIF's true situation, FIELD engaged in a scheme to send new CIF money to LRI through another company he owned named Trazom, LLC ("Trazom").

142. Trazom, LLC was first registered with the South Carolina Secretary of State on June 9, 2006. FIELD was listed as the agent and organizer.

143. Trazom takes its name from the fact that the famous composer and conductor Mozart occasionally signed his name Gnagflow Trazom, or Wolfgang Mozart backwards. As another hobby or avocation in addition to his fantasy boardgaming, FIELD conducts classical music.

144. LRI through L'Abbate issued a check to Monmouth for \$500,000 with the memo line "principal payoff", dated December 29, 2006 – right before end of the year 2006. The same day, LRI also issued a check to Monmouth for \$14,186.50, with the memo notation "11/01 - 11/30". LRI also issued that day a check to CIF for interest on its direct debt, in the amount of \$153,938.22. At the time LRI issued these checks (the "LRI checks") for a total of \$668,124.72, it had only \$373.77 in the bank.

145. FIELD then caused Monmouth to issue a check (the "Monmouth check") , dated December 31, 2006, to CIF for the amount of \$514,186.50, as a supposed payment of principal and interest.

146. At the time FIELD caused the Monmouth check to be issued, Monmouth had

only \$11,631.10 in the bank.

147. On January 2, 2007, FIELD caused CIF to "loan" \$725,000 to Trazom. The same day, Trazom paid \$750,000 to LRI, with a check (the "Trazom check") signed by FIELD, which had the memo line "Acquisition Wyckoff \$250K balance".

148. FIELD did not physically deposit the LRI checks totalling \$668,124.72 until January 4, 2007. They were physically deposited at a branch, and this was the day after FIELD's Trazom check to LRI cleared, on January 3, 2007.

149. FIELD did not physically deposit the Monmouth check he wrote to CIF, dated December 31, 2006, to the CIF account until January 8, 2007.

150. FIELD structured the transaction like this so he could later claim that LRI repaid CIF \$500,000 of principal in 2006, and was current on all its payments of interest in 2006. These circular checking account transactions were artifices to create a false appearance about LRI, and served to postpone the inevitable day of reckoning from the reality that CIF's lead debtor was insolvent.

151. Of course, the January payments from LRI inevitably came due and LRI still did not have any money. Thus, in furtherance of the same scheme, FIELD caused CIF to "loan" an additional \$250,000 to Trazom by check dated January 29, 2007. With a check dated the next day, January 30, 2007, Trazom paid \$250,000 to LRI, with a check signed by FIELD, that had the memo line merely stating "Bal note purchase".

152. On January 31, 2007, LRI wrote two interest payment checks dated January 31, 2007: one check for \$153,938.22 to CIF, and the other for \$14,186.05 to Monmouth. At the time it wrote these checks, it had just over \$200 in the bank. FIELD booked the checks as paid on January 31, 2007.

153. FIELD's Trazom check for \$250,000 cleared in LRI's account on February 1, 2007.

154. FIELD did not physically deposit LRI's check into the Monmouth account until February 5, 2007. He then wrote a check for \$14,180.00 from Monmouth to CIF that was dated January 31, 2009, at a time when Monmouth only had \$11,671.94 in the bank. FIELD did not deposit this check from Monmouth to CIF until February 7, 2007.

155. These cumulative payments of \$1,000,000 from CIF through Trazom to LRI were supposedly for the purchase of a \$600,000 note and mortgage from SRG 457, LLC to LRI, secured by a property at 457 Carlton Road in Wyckoff, New Jersey. Previously, in March of 2002 CIF had loaned \$600,750 to Monmouth for relending to LRI for SRG 457, LLC. In December 2002, CIF gave Monmouth an additional \$100,000 with the memo "SRG increase". On August 29, 2006, LRI had already filed foreclosure against SRG 457, LLC for failure to pay its obligation to LRI.

156. On July 16, 2007, FIELD then caused CIF to pay Trazom, LLC \$25,000, and forgave Trazom's outstanding loan balance by the full \$1,000,000 by booking the transaction as the purchase of real property (when in fact CIF had supposedly only purchased a note and mortgage already in foreclosure, and for which it did not even have any assignment yet). FIELD's Quickbooks memorialized this transaction as: "SRG 457 Purchase real property NJ foreclosure; satisfy outstanding mortgage [of Trazom]; CIF to collect interest from 7/1/07; Trazom to acquire and assign SRG 457 to CIF immediately; foreclosure to continue in LRI and CIF name". Thus, FIELD caused CIF to pay \$1,000,000 to LRI through Trazom, for a \$600,000 note and mortgage that was already in foreclosure proceedings, on a property for which CIF had already lent LRI over \$700,000 – solely so

LRI could send substantially all of the \$1,000,000 back to Monmouth and CIF as "payment" of interest and principal. The purpose of these transactions was to enable CIF to hide the reality that its leading debtor was insolvent, meaning that CIF itself faced insolvency.

157. Moreover, FIELD did not even bother to immediately secure for CIF the asset he had supposedly caused CIF to purchase for \$1,000,000. It was not until June 6, 2008 – over a year later – that Robert L'Abbate executed an Assignment on behalf of LRI II, LRI's successor in interest. It was not until July 28, 2008 when FIELD caused CIF to file a motion to intervene in an imminent foreclosure sale of the underlying property at 457 Carlton.

158. On or about August 27, 2008, FIELD caused CIF to enter into a contract to sell the 457 Carlton property to 457 Carlton Road, LLC, for \$394,000. The contract with CIF was signed for 457 Carlton Road, LLC by its Managing Member Elliot Salzman – who was, as noted before, the long-time friend of FIELD's who been kicked out of LRI for financial improprieties with LRI money lent to it by CIF.

159. The deed to CIF from the court ordered sheriff's sale from the foreclosure was issued on September 15, 2008. On September 22, 2008, FIELD prepared a deed conveying the 457 Carlton Road property to 457 Carlton Road LLC. On October 21, 2008, Elliot Salzman wrote a letter to FIELD in which was enclosed a check for CIF's net proceeds from the sale of \$305,998.63. FIELD never cashed the check on behalf of CIF. He ultimately delivered it to Jerry Saad, the receiver of CIF, on or about some time in December 2011 when Saad inquired about this transaction. FIELD stated to Saad that he did not cash the check as he knew it would be no good.

160. Thus, FIELD caused CIF to spend \$1,000,000 for a \$600,000 note and

mortgage that was already in foreclosure on a property for which CIF had already lent LRI over \$700,000, then sell the property to an entity involving his friend Elliot Salzman (who had already been kicked out of LRI for financial improprieties) for a mere \$394,000, for which CIF only received a check for the net of \$305,778.63, which FIELD did not even bother to cash or collect. These transactions caused a large loss to CIF and were only for the purpose of assisting FIELD's efforts to cover-up the fact of LRI's difficult financial position and the consequences such a position presented for CIF.

161. Further, on June 19, 2009, long after these transactions had taken place, FIELD filed with the South Carolina Secretary of State a "Statement of Dissociation" from Trazom, in which he put he had left the membership of Trazom on July 1, 2007 – nearly two years earlier, and immediately before FIELD had caused CIF to buy the note from Trazom for the full \$1,000,000, and also wrote a \$25,000 check to Trazom.

REGULATORY ISSUES WITH THE SECURITIES DIVISION

162. Around the same time FIELD was sending money to LRI to conceal the dire nature of LRI and thus CIF's position, CIF developed severe regulatory problems.

163. CIF and FIELD's registration to sell its Series 2006 Senior Notes expired on or about March 29, 2007.

164. On or about March 9, 2007, the Securities Division of the South Carolina Attorney General's Office ("Securities Division") received from FIELD CIF's 2007 application for registration for a \$50,000,000 offering of Senior Notes.

165. On March 9, 2007, David L. Thomas gave the opinion letter for the proposed 2007 prospectus. He expressly did not offer any opinion on "any state securities or blue sky laws".

166. On March 13, 2007, FIELD met with members of the Securities Division.

167. On or about March 22, 2007, the Securities Division received the opinion of a Certified Public Accountant ("CPA") that CIF's 2006 financial statements did not comply with Generally Accepted Accounting Principals ("GAAP").

168. On or about May 11, 2007, the Securities Division issued a "Notice of Intent to Seek the Issuance of a Stop Order Denying Effectiveness to a Registration Statement and to Seek the Issuance of an Order Revoking Available Exemptions".

169. This document alleged CIF's registration was incomplete in a number of material respects and could tend to work a fraud upon purchasers. One ground alleged was that CIF did not qualify for the Intrastate Offering Exemption from federal registration.

170. On May 14, 2007, FIELD signed an affidavit in which he claimed his March 13, 2007 unsworn interview had been taken out of context. In it, he claimed that CIF has acted since 2003 with the "firm belief it is not committing any federal securities violations and is doing all reasonable efforts to come within the exemptions provided"; that in 2006 LRI paid \$500,000 of its debt; that LRI had paid \$100,000 of its direct debt and \$50,000 of its MFG debt in 2007; that LRI has made all payments due prior to May 1, 2007; that "at no time did [he] intend to indicate that either risk [a default or anticipatory breach by LRI] was imminent"; and that "[i]t was not my intent to imply any such default (or 'anticipatory breach') existed and any such implication on my part was a misstatement other than to advise the Division it is always possible any borrower could default, which could adversely affect the company".

171. On May 16, 2007, FIELD wrote a letter to the Securities Division, in which he contended, among other things, that "as of December 31, 2006, LRI was not in default

under the terms of the loan agreement in place at that time", and contended LRI had repaid \$500,000 during 2006, which was applied to the MFG debt by agreement of the parties.

172. On May 21, 2007, FIELD filed with the Securities Division an amended registration for CIF's 2007 Senior Notes, which the Securities Division returned. On May 23, 2007, FIELD advised that he was having PFEIFFER explore "the federal law and various exemptions".

173. On May 30, 2007, PFEIFFER wrote the Securities Division that they had "formulated a plan for going forward that we believes [sic] not only complies with all applicable federal and state securities laws, and addresses the concerns of your department".

174. The plan formulated by FIELD and PFIEFFER to address CIF's lack of compliance with the Intrastate Offering Exemption was to create a new entity by the name of Capital Intrastate Funding, LLC ("CIF2"). On June 11, 2007, an application for registration for \$30,000,000 of notes was filed by FIELD's son Davyd Field on behalf of CIF2. The membership of this company was to be Ashley Morey, a long-time employee of CIF; Davyd Field; Gary Malvern, a friend of FIELD's; Davyd Field for Tikal trust; and PFIEFFER for Britannia Trust.

175. Accompanying it was a letter from FIELD, in which he explained that as notes mature, accredited investors could renew with CIF under the Rule 506 exemption from federal registration, and non-accredited investors could only buy notes in CIF2, which would solely do intrastate transactions within South Carolina.

176. On June 15, 2007, CIF sent the Securities Division a copy of the Rule 506

filing with the federal Securities and Exchange Commission.

177. On October 9, 2007, the Securities Division filed a "Notice of Intent to Seek the Issuance of a Stop Order Denying Effectiveness to a Registration Statement", regarding CIF2's filing. The document alleged that the registration was incomplete and would tend to work as a fraud on purchasers.

178. This regulatory trouble severely impeded FIELD's efforts to bring in new money to try to meet CIF's obligations.

CONTINUED LRI DETERIORATION AND THE FORMATION OF LRI II

179. Meanwhile, LRI's financial position continued to falter, and FIELD continued to send money to Lancaster-related entities so that they could send it back as payments on the LRI debt, and FIELD could continue to conceal the dire straits of LRI and thus CIF.

March 2007

180. On March 29, 2007, FIELD caused CIF to send \$290,000 by wire to Lancaster Developers, a Lancaster related entity, supposedly to "purchase units".

181. On April 2, 2007, \$9,290.12 was wired from Lancaster Developers back to Monmouth.

182. That day, FIELD then wrote a check for \$9,290.00 from Monmouth to CIF to represent LRI's interest payment.

183. On April 2, 2007 as well, money was also wired back from Lancaster Developers to CIF for LRI's interest payment of \$155,217.49 on the direct debt, which FIELD booked as occurring on March 30, 2007.

April 2007

184. On April 18, 2007, some of the remaining shareholders of LRI executed a Written Consent, in which it was noted that LRI was in default in its loan to CIF, and had "no liquid assets to make any payment to CIF or its subsidiary, and no credit". The document also noted that LRI had interests in real property, but that it was subject to mortgages and LRI had no ability to make mortgage payments. They approved a series of transactions whereby a new entity would be formed in which Robert L'Abbate would have sole ownership.

185. Of course, while FIELD's scheme took care of the March payments, inevitably the April payments to CIF and Monmouth had to occur, and LRI could not make them.

186. Lancaster Developers started the month of April 2007 with about \$63 in the bank. Thus, on April 24, 2007, FIELD caused CIF to send another \$290,000 by wire to Lancaster Developers. This time FIELD's Quickbooks entry reflects it was for "condo purchase acquisition".

187. Once Lancaster Developers had the money from CIF, it on April 30, 2007 wired CIF \$155,217.49 for LRI's direct debt interest, and \$9,290.12 to Monmouth for LRI's Monmouth interest payment.

188. That day, FIELD then wrote a check for \$9,290.00 from Monmouth to CIF to represent LRI's interest payment.

May 2007

189. LRI then used some of the remaining funds FIELD caused CIF to send to Lancaster Developers to make a supposed "principal payment" to Monmouth on May 2, 2007. Lancaster Developers actually wired Monmouth \$50,492.39 on May 1, 2007. On

May 2, 2007, FIELD wrote a Monmouth check to CIF for \$50,000.

190. As with the \$1,000,000 Trazom transaction to prop up LRI described previously, FIELD did not even bother at the time to get any documentation – much less sufficient documentation – that CIF owned the two condo units he was supposedly purchasing with \$580,000 of CIF and thus investor money.

191. It was a year later in May of 2008 before FIELD sent an email to LRI, on which he copied PFEIFFER, in which he stated: "I have asked twice more now about the condo units. I have a buyer wanting both of CIF's units. I have not heard anything from you nor received the necessary paperwork. I don't want to lose the sale".

192. On May 23, 2008, Gary Kraft responded on behalf of LRI with an email in which he attached among other things a contract memorializing the sale of Unit 401 only.

193. On May 27, 2008, FIELD sent an email to LRI, on which he copied PFEIFFER, in which he enclosed "title affidavits and deeds to units 401 and 109", and asked that they be executed.

194. On July 21, 2008, FIELD sent an email to LRI in which he stated, among other things: "This firm's primary goal is to recoup its \$580,000 or as much as can be gotten swiftly. (We still don't understand why a deed with clear title wasn't recorded in 2007 as agreed for each unit, but will overlook that for the time being if this matter is resolved correctly before August 15)." Later: "I might expect it might be difficult for whomever received the funds to explain where the \$580,000 went last year in that event. Let us hope that doesn't become an issue."

195. There was no resolution as to whether CIF even owned these properties to which it had sent LD a total of \$580,000 a year earlier. Thus, CIF had to file suit in New

Jersey on July 25, 2008, to try to obtain an ownership interest in the properties which CIF had supposedly purchased a year earlier. In the lawsuit, CIF was not even sure what it was supposed to have received when FIELD caused CIF to send the total of \$580,000 to LRI for the two properties. CIF alleged it sent the money based solely on representations that title would be transferred to CIF, "or that CIF would be granted some other security interest in Unit 401".

196. Indeed, FIELD signed a Certification, dated November 3, 2008, that was filed in the lawsuit, in which he noted that as of May 15, 2008 – a year after he sent the money to LD – he had "not heard anything nor received the necessary documentation reflecting ownership of Units 401 and 109".

197. Ultimately, LRI did provide title to CIF for Unit 401. FIELD then caused CIF to sell that condo to an entity that involved Robert Sypher and Elliot Salzman (who had, as noted before, been kicked out as President and CEO of LRI for financial improprieties). The net CIF received after all of this was a net of only \$184,423.10.

June 2007

198. LRI's financial position had gotten so bad that in June of 2007 Robert L'Abbate approached FIELD for a loan in order to make LRI payroll. In order to continue his scheme and avoid having to advise investors and regulatory authorities of the true dire financial status of LRI and thus CIF, FIELD caused CIF to loan L'Abbate personally \$75,000 on June 10, 2007, which L'Abbate paid back on June 26, 2007 by getting a home equity loan.

Capital distributions

199. Despite knowing full well the true dire status of LRI and thus CIF, and having engaged in the above described schemes to prop up LRI so he would not have to disclose the true financial condition to investors and the Securities Division, FIELD made sure to get as much as he could out of CIF before the inevitable demise that he was keeping a secret. Aside from his salary, on May 25, 2007, FIELD wrote a check to himself for \$180,000 from a CIF bank account, as a "partial distribution capital account".

200. FIELD also wrote a check to himself an additional \$90,000 on August 31, 2007, as "capital distribution".

October 2007 Agreement

201. On October 1, 2007, LRI II (as successor in interest to LRI) entered with CIF into an "Agreement to Repay Indebtedness owed by Lancaster Resources, Inc., to Capital Investment Funding, LLC". This document was signed by Robert L'Abbate as Manager of LRI, II and FIELD as manager of CIF and Monmouth Financial Group, Ltd ("MFG").

202. The October 1, 2007 agreement stated that since LRI was merging into LRI II, it was for the purpose of LRI II assuming the debt LRI owed to CIF and CIF's wholly owned subsidiary MFG. The outstanding amounts LRI owed were listed as \$17,424,980.89 owed to CIF and \$922,251.60 owed to MFG.

203. The October 1, 2007 agreement further waived all defaults under the prior agreements, providing: "The date of maturity of the amounts payable under the Note and the Promissory Note will be extended as provided below; all defaults are hereby waived; and no prior default shall be deemed to exist with respect thereto."

204. The October 1, 2007 agreement set forth yet another payment schedule, as follows:

<u>Dates</u>	<u>Principal Payment Due</u>
October 31, 2007	\$500,000
December 31, 2007	\$1,000,000
June 30, 2008	\$2,500,000
December 31, 2008	\$4,500,000
June 30, 2009	\$4,000,000
December 31, 2009	\$7,847,232.49 (or the balance of the total indebtedness)

Again, LRI would be unable to live up to this latest drawdown schedule.

205. The October 1, 2007 agreement also included a Release of Collateral in which CIF and MFG released LRI and LRI II of "any and all security interests they may have in collateral under the [previously existing] Loan Documents and Promissory Note". The provision stated that LRI was to provide in February of each year proof of sufficient collateral, including "valuations in form commonly accepted in the industry" such as independent commercial appraisals.

206. Finally, the October 1, 2007 agreement had a confidentiality provision which precluded disclosure to anyone but the professional advisors of CIF, LRI II, and L'Abbate.

207. LRI was unable to make the principal payments as required by this latest agreement, and made its last interest payment to Monmouth in January 2008 (which FIELD booked as occurring in December 2007).

THE WINDING UP

208. Accordingly, FIELD and PFIEFFER decided to wind up CIF and called a CIF board meeting on January 15, 2008. FIELD called Sharon Finch and asked her to attend the meeting. He did not tell her at that time that the company was in difficult financial position or that he wanted to wind the company up. At the meeting, ARTHUR FIELD presented to Finch and others that CIF's position was still very positive, and it was related

that all the investors would be paid back. FIELD then asked Sharon Finch if anyone had a motion, and looked at her. She then made the motion to wind up the business, feeling as if FIELD expected her to make the motion.

209. The minutes from this meeting reflect a very detailed winding up motion being made by Finch, and that FIELD abstained from the first vote on the motion. However, the details of this motion came from FIELD, and the motion was his proposal that he was advocating to Finch and the other members.

210. On January 20, 2008, FIELD sent a letter to noteholders that CIF would be winding up. He characterized the company's financial position as solvent and "in good financial condition", and stated he "strongly believed" all noteholders could be substantially repaid.

211. Civil lawsuits were filed against CIF, from which Jerry Saad, CPA, was appointed as the Reciever for CIF.

212. On April 17, 2008, L'Abbate, as the sole member of LRI II, executed a Written Consent in which he noted that the October 1, 2007 agreement required LRI to set forth a schedule of collateral to pledge for the indebtedness to CIF. LRI was only able to pledge the Partial Settlement Agreement owed by Elliot Salzman for \$1,747,728 (which had resulted from his misconduct towards LRI and CIF), a promissory note between LD II and LRI II, as well as shares in a company named Skymark Holdings.

213. Approximately \$38,000,000 in principal borrowed by CIF and FIELD from citizens of South Carolina is outstanding and has not been paid back.

214. For example, on or about some time in July 2002, Hisanao Marushima invested over \$200,000 with CIF. He continually invested money and reinvested principal

as it matured. When CIF declared its winding up in January of 2008, Marushima was owed over \$200,000 in principal.

215. For example, on or about some time in January of 2003, George Grant Jr. invested over \$200,000 with CIF. He continually invested money and reinvested principal as it matured. When CIF declared its winding up in January of 2008, Grant was owed over \$200,000 in principal.

216. For example, Larry Sons invested over \$20,000 in May of 2006. He continually invested money and reinvested principal as it matured. When CIF declared its winding up in January of 2008, Sons was owed over \$20,000 in principal.

217. For example, on or about some time in August of 2003, James Medina invested over \$100,000 with CIF. He continually invested money and reinvested principal as it matured. When CIF declared its winding up in January of 2008, Medina was owed over \$50,000 in principal.

218. For example, on or about some time in April of 2005, Charles Watson invested over \$50,000 with CIF. He continually invested money and reinvested principal as it matured. When CIF declared its winding up in January of 2008, Watson was owed over \$50,000 in principal.

219. For example, on or about some time in February of 2000, Benjamin Brooks invested over \$100,000 with CIF. He continually invested money and reinvested principal as it matured. When CIF declared its winding up in January of 2008, Brooks was owed over \$100,000 in principal.

220. For example, on or about some time in May of 2000, Bob Wynn invested over \$20,000 with CIF. He continually invested money and reinvested principal as it

matured. When CIF declared its winding up in January of 2008, Wynn was owed over \$60,000 in principal.

221. The Receiver Jerry Saad states that at best that the assets of the company will generate approximately five cents on the dollar for the South Carolina citizens who invested in CIF.

WHEREAS, THE GRAND JURY CHARGES:

COUNT ONE
CRIMINAL CONSPIRACY
(S.C. Code Ann. § 16-17-410)

222. The allegations of paragraphs 1 through 221 of this Indictment, and all the allegations after this paragraph, are realleged and incorporated by reference as if fully set forth herein.

223. ARTHUR M. FIELD, FREDRICK SCOTT PFEIFFER, and/or other persons both known and unknown to the Grand Jury, in Pickens County, from on or about some time in March 2001 to on or about December 8, 2003, did wilfully, unlawfully, and feloniously combine unite, combine, conspire, confederate, agree and have a tacit understanding or agreement between two or more persons, for the purpose of accomplishing an unlawful object or lawful object by unlawful means, including but not limited to securities fraud, forgery, and other crimes involving the business activities and actions of Capital Investment Funding, Cosimo, Monmouth, Bolingbroke, and other entities related to FIELD and PFEIFFER, prior to CIF and FIELD's separation from the LRI and the Lancaster entities.

224. All in violation of Section 16-17-410, *THE CODE OF LAWS OF SOUTH*

CAROLINA, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

225. Against the peace and dignity of this State and contrary to the law in such case made and provided.

WHEREAS, THE GRAND JURY CHARGES:

COUNT TWO
CRIMINAL CONSPIRACY
(S.C. Code Ann. § 16-17-410)

226. The allegations of paragraphs 1 through 225 of this Indictment, and all the allegations after this paragraph, are realleged and incorporated by reference as if fully set forth herein.

227. ARTHUR M. FIELD, FREDRICK SCOTT PFEIFFER, and/or other persons both known and unknown to the Grand Jury, in Pickens County, from on or about December 9, 2003 to on or about some time in August 2009, did wilfully, unlawfully, and feloniously combine unite, combine, conspire, confederate, agree and have a tacit understanding or agreement between two or more persons, for the purpose of accomplishing an unlawful object or lawful object by unlawful means, including but not limited to securities fraud, forgery, and other crimes involving the business activities and actions of Capital Investment Funding, Cosimo, Monmouth, Bolingbroke, and other entities related to FIELD and PFEIFFER, after CIF and FIELD's separation from the LRI and the Lancaster entities.

228. All in violation of Section 16-17-410, *THE CODE OF LAWS OF SOUTH*

CAROLINA, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

229. Against the peace and dignity of this State and contrary to the law in such case made and provided.

2002 PROSPECTUS AND ELLIOT SALZMAN

230. As previously alleged and incorporated here, Elliot Salzman was an initial organizer, shareholder, and President and CEO of LRI, and was an initial organizer and director of CIF.

231. The 1999 CIF Prospectus identified Elliot Salzman as Director and Treasurer of CIF, and also a Board member of LRI.

232. The 2000 CIF Prospectus identified Elliot Salzman as Director and Treasurer of CIF, and also a Board member of LRI.

233. The CIF operating agreement signed by FIELD, Elliot Salzman, and others on March 13, 2000, identified FIELD and Elliot Salzman as co-Managers of CIF.

234. The 2001 CIF Prospectus identified Elliot Salzman as Director and Treasurer of CIF, and also a Board member of LRI.

235. However, the 2002 Prospectus removes any mention of Elliot Salzman as a Director of CIF or Board member of CIF's parent LRI. The 2002 Prospectus instead provides: "The Board of Directors of [LRI] has waived the right to vote on the Management Committee of [CIF] in order to maintain a firewall between the two companies. The

Company is under no duty whatsoever to lend to LRI and no manager of LRI shall be involved in running the daily operations of CIF, although such a situation existed prior hereto."

236. As more fully alleged previously and incorporated here, Elliot Salzman had been disciplined in December 2001 and excised from LRI and CIF in early 2002 because of his improper financial transactions as President and CEO of LRI with LRI's money, which in large measure came from the loans to LRI from CIF. At these times Elliot Salzman was President and CEO of LRI, CIF's parent company, and a director of CIF.

237. As more fully alleged previously and incorporated here, ARTHUR FIELD was in management for both LRI and CIF and was aware of and present during the LRI Board meetings which resulted in first the discipline and second the removal of Elliot Salzman from the companies for his financial improprieties, and which resulted in Salzman owing substantial sums to LRI.

238. As more fully alleged previously and incorporated here, in January, February, and March 2002, ARTHUR FIELD and FREDRICK SCOTT PFEIFFER caused CIF to loan money to Cosimo which was relent to Guglielmi, LLC – a transaction that involved Elliot Salzman with Lancaster Mortgage Bankers.

239. As more fully alleged previously and incorporated here, ARTHUR FIELD as manager of CIF authored the 2002 prospectus and was responsible for its registration, filing, and issuance, and FREDRICK SCOTT PFEIFFER reviewed the 2002 prospectus for legal efficacy with an intimate knowledge of the details of LRI and CIF's business, due not only to his representation of FIELD and CIF, but also his partnership and scheme with FIELD with regard to entities that directly and indirectly were doing and would do business

with CIF, including Credo, Cosimo, Monmouth, Bolingbroke, and others.

WHEREAS, THE GRAND JURY CHARGES:

COUNT THREE
SECURITIES FRAUD
(S.C. Code Ann. § 35-1-501 & § 35-1-508)

240. The allegations of paragraphs 1 through 239 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

241. ARTHUR M. FIELD, and FREDRICK SCOTT PFEIFFER as an aider or abettor, in Pickens County, from on or about March 6, 2002 until on or about March 16, 2003, in connection with the offer, sale, or purchase of securities in Capital Investment Funding, directly or indirectly, did knowingly and willfully employ a device, scheme, and artifice to defraud; and did make an untrue statement of a material fact or omit stating a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and did engage in an act, practice, or course of business which operated and would operate as a fraud and deceit upon any person; resulting in a loss to investors of twenty thousand dollars (\$20,000) or more, to wit:

242. The 2002 Prospectus did not disclose to South Carolina investors that Elliot Salzman, the President and CEO of CIF's parent company LRI, and also a Director and co-Manager of CIF, had been removed from those entities for improper financial transactions with LRI's money that came primarily from CIF, that as a result of Salzman's misconduct sizeable sums of LRI's money had been lost; and that CIF through its relender Cosimo was continuing to do business with entities involving Elliot Salzman. These facts about the conduct of management of the parent of CIF and CIF itself are material.

243. All in violation of Sections 35-1-501 and 35-1-508(a)(1), *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

244. Against the peace and dignity of this State and contrary to the law in such case made and provided.

THE 2004 PROSPECTUS AND ELLIOT SALZMAN

245. As previously alleged and incorporated here, Elliot Salzman was an initial organizer, shareholder, and President and CEO of LRI, and was an initial organizer and director of CIF.

246. The 1999 CIF Prospectus identified Elliot Salzman as Director and Treasurer of CIF, and also a Board member of LRI.

247. The 2000 CIF Prospectus identified Elliot Salzman as Director and Treasurer of CIF, and also a Board member of LRI.

248. The CIF operating agreement signed by FIELD, Elliot Salzman, and others on March 13, 2000, identified FIELD and Elliot Salzman as co-Managers of CIF.

249. The 2001 CIF Prospectus identified Elliot Salzman as Director and Treasurer of CIF, and also a Board member of LRI.

250. However, the 2002 Prospectus removes any mention of Elliot Salzman as a Director of CIF or Board member of CIF's parent LRI. The 2002 Prospectus provides:

"The Board of Directors of [LRI] has waived the right to vote on the Management Committee of [CIF] in order to maintain a firewall between the two companies. The Company is under no duty whatsoever to lend to LRI and no manager of LRI shall be involved in running the daily operations of CIF, although such a situation existed prior hereto."

251. As more fully alleged previously and incorporated here, Elliot Salzman had been disciplined in December 2001 and excised from LRI and CIF in early 2002 because of his improper financial transactions as President and CEO of LRI with LRI's money, which in large measure came from the loans to LRI from CIF. At these times Elliot Salzman was President and CEO of LRI, CIF's parent company, and a director of CIF.

252. As more fully alleged previously and incorporated here, ARTHUR FIELD was in management for both LRI and CIF and was aware of and participated in the removal of Elliot Salzman from the companies for his financial improprieties, which resulted in Salzman owing substantial sums to LRI.

253. The various 2003 Prospectuses are similar to the 2002 Prospectus in that they have no reference to Elliot Salzman as a Director of CIF or Board member of CIF's parent LRI.

254. The 2004 Prospectus is similar to the 2002 Prospectus in that it has no reference to Elliot Salzman as a Director of CIF or Board member of CIF's parent LRI. It notes that in November 2003 LRI transferred its 91% ownership of CIF to FIELD in return for FIELD's interest in the Lancaster companies. The 2004 prospectus also references CIF dealings with Lancaster Mortgage Bankers, LLC ("LMB"). The prospectus states that LMB became an independent entity in 2002.

255. As more fully alleged previously and incorporated here, in January, February, and March 2002, ARTHUR FIELD and FREDRICK SCOTT PFEIFFER caused CIF to loan money to Cosimo which was relented to Guglielmi, LLC – a transaction that involved Elliot Salzman with Lancaster Mortgage Bankers. Additional loans were made with CIF funds through Cosimo for loans in which Salzman was involved through as late as April 2004.

256. As more fully alleged previously and incorporated here, LRI separated from CIF and FIELD in November and December of 2003. Part of the difficulties and concern the other LRI Board members had with FIELD was that ARTHUR FIELD continued to do business directly and indirectly with entities involving Elliot Salzman.

257. As more fully alleged previously and incorporated here, ARTHUR FIELD as manager of CIF authored the 2004 prospectus and was responsible for its registration, filing, and issuance, and FREDRICK SCOTT PFEIFFER reviewed the 2004 prospectus for legal efficacy with an intimate knowledge of the details of LRI and CIF's business, due not only to his representation of FIELD and CIF, but also his partnership and scheme with FIELD with regard to entities that directly and indirectly were doing and would do business with CIF, including Credo, Cosimo, Monmouth, Bolingbroke, and others.

WHEREAS, THE GRAND JURY CHARGES:

COUNT FOUR
SECURITIES FRAUD
(S.C. Code Ann. § 35-1-501 & § 35-1-508)

258. The allegations of paragraphs 1 through 257 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

259. Therefore, ARTHUR M. FIELD, and FREDRICK SCOTT PFEIFFER as an aider or abettor, in Pickens County, from on or about March 18, 2004 until on or about March 19, 2005, in connection with the offer, sale, or purchase of securities in Capital Investment Funding, directly or indirectly, did knowingly and willfully employ a device, scheme, and artifice to defraud; and did make an untrue statement of a material fact or omit stating a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and did engage in an act, practice, or course of business which operated and would operate as a fraud and deceit upon any person; resulting in a loss to investors of twenty thousand dollars (\$20,000) or more, to wit:

260. The 2004 Prospectus did not disclose to South Carolina investors that Elliot Salzman, the former President and CEO of CIF's parent company LRI, and also the former Director and co-Manager of CIF, had been removed from those entities for improper financial transactions with LRI's money that came primarily from CIF, that as a result of Salzman's misconduct sizeable sums of LRI's money had been lost; and that CIF through its relender Cosimo was continuing to do business with entities involving Elliot Salzman. These facts about the conduct of management of the parent of CIF and CIF itself are material.

261. All in violation of Sections 35-1-501 and 35-1-508(a)(1), *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

262. Against the peace and dignity of this State and contrary to the law in such case made and provided.

THE 2006 PROSPECTUS AND ELLIOT SALZMAN

263. As previously alleged and incorporated here, Elliot Salzman was an initial organizer, shareholder, and President and CEO of LRI, and was an initial organizer and director of CIF.

264. The 1999 CIF Prospectus identified Elliot Salzman as Director and Treasurer of CIF, and also a Board member of LRI.

265. The 2000 CIF Prospectus identified Elliot Salzman as Director and Treasurer of CIF, and also a Board member of LRI.

266. The CIF operating agreement signed by FIELD, Elliot Salzman, and others on March 13, 2000, identified FIELD and Elliot Salzman as co-Managers of CIF.

267. The 2001 CIF Prospectus identified Elliot Salzman as Director and Treasurer of CIF, and also a Board member of LRI.

268. However, the 2002 Prospectus removes any mention of Elliot Salzman as a Director of CIF or Board member of CIF's parent LRI. The 2002 Prospectus provides: "The Board of Directors of [LRI] has waived the right to vote on the Management Committee of [CIF] in order to maintain a firewall between the two companies. The Company is under no duty whatsoever to lend to LRI and no manager of LRI shall be involved in running the daily operations of CIF, although such a situation existed prior hereto."

269. As more fully alleged previously and incorporated here, Elliot Salzman had

been disciplined in December 2001 and excised from LRI and CIF in early 2002 because of his improper financial transactions as President and CEO of LRI with LRI's money, which in large measure came from the loans to LRI from CIF. At these times Elliot Salzman was President and CEO of LRI, CIF's parent company, and a director of CIF.

270. As more fully alleged previously and incorporated here, ARTHUR FIELD was in management for both LRI and CIF and was aware of and participated in the removal of Elliot Salzman from the companies for his financial improprieties, which resulted in Salzman owing substantial sums to LRI.

271. The various 2003 Prospectuses are similar to the 2002 Prospectus in that they have no reference to Elliot Salzman as a Director of CIF or Board member of CIF's parent LRI.

272. As more fully alleged previously and incorporated here, in January, February, and March 2002, ARTHUR FIELD and FREDRICK SCOTT PFEIFFER caused CIF to loan money to Cosimo which was relent to Guglielmi, LLC – a transaction that involved Elliot Salzman with Lancaster Mortgage Bankers. Additional loans were made with CIF funds through Cosimo for loans in which Salzman was involved through as late as April 2004.

273. As more fully alleged previously and incorporated here, LRI separated from CIF and FIELD in November and December of 2003. Part of the difficulties and concern the other LRI Board members had with FIELD was that ARTHUR FIELD continued to do business directly and indirectly with entities involving Elliot Salzman.

274. The 2004 Prospectus is similar to the 2002 Prospectus in that it has no reference to Elliot Salzman as a Director of CIF or Board member of CIF's parent LRI. It

notes that in November 2003 LRI transferred its 91% ownership of CIF to FIELD in return for FIELD's interest in the Lancaster companies. The 2004 prospectus also references CIF dealings with Lancaster Mortgage Bankers, LLC ("LMB"). The prospectus states that LMB became an independent entity in 2002.

275. The 2005 Prospectus also makes no reference to Elliot Salzman as a Director of CIF or Board member of CIF's parent LRI, and described the November 2003 split between FIELD and CIF, and LRI. The 2005 prospectus also references CIF dealings with Lancaster Mortgage Bankers, LLC ("LMB"), and prospectus states that LMB became an independent entity in 2002. It also mentions Lion Financial, LLC ("LF"), receiving a \$3,000,000 revolving credit line from CIF in 2004, and states Lion Financial works closely with LMB. As to Lion Financial, the prospectus discloses that "Field renders services from time to time to LF, but has no ownership interest therein".

276. The 2006 Prospectus also makes no reference to Elliot Salzman as a Director of CIF or Board member of CIF's parent LRI, and described the November 2003 split between FIELD and CIF, and LRI. The 2006 prospectus also references CIF dealings with Lancaster Mortgage Bankers, LLC ("LMB"), and prospectus states that LMB became an independent entity in 2002. It also mentions Lion Financial, LLC ("LF"), receiving a \$3,000,000 revolving credit line from CIF in 2004, and states Lion Financial works closely with LMB. As to Lion Financial, the prospectus discloses that "Field renders services from time to time to LF, but has no ownership interest therein". The prospectus says that "Lion Financial is managed by Elliot Salzman of New Jersey and Lori Holweg [sic] of Pennsylvania". *Laurie Hollweg* Salzman is Elliot Salzman's wife.

277. In 2004 and 2005, FIELD caused CIF to loan millions to Lion Financial, LLC.

278. As more fully alleged previously and incorporated here, ARTHUR FIELD as manager of CIF authored the 2006 prospectus and was responsible for its registration, filing, and issuance, and FREDRICK SCOTT PFEIFFER reviewed the 2006 prospectus for legal efficacy with an intimate knowledge of the details of LRI and CIF's business, due not only to his representation of FIELD and CIF, but also his partnership and scheme with FIELD with regard to entities that directly and indirectly were doing and would do business with CIF, including Credo, Cosimo, Monmouth, Bolingbroke, and others.

WHEREAS, THE GRAND JURY CHARGES:

COUNT FIVE
SECURITIES FRAUD
(S.C. Code Ann. § 35-1-501 & § 35-1-508)

279. The allegations of paragraphs 1 through 278 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

280. Therefore, ARTHUR M. FIELD, and FREDRICK SCOTT PFEIFFER as an aider or abettor, in Pickens County, from on or about March 26, 2006 until on or about January 15, 2008, in connection with the offer, sale, or purchase of securities in Capital Investment Funding, directly or indirectly, did knowingly and willfully employ a device, scheme, and artifice to defraud; and did make an untrue statement of a material fact or omit stating a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and did engage in an act, practice, or course of business which operated and would operate as a fraud and deceit upon any person; resulting in a loss to investors of twenty thousand dollars (\$20,000) or more, to wit:

281. The 2006 Prospectus did not disclose to South Carolina investors that Elliot Salzman, the former President and CEO of CIF's parent company LRI, and also the former Director and co-Manager of CIF, had been removed from those entities for improper financial transactions with LRI's money that came primarily from CIF, that as a result of Salzman's misconduct sizeable sums of LRI's money had been lost; and that CIF was continuing to do business with entities involving Elliot Salzman. These facts about the conduct of management of the parent of CIF and CIF itself are material.

282. All in violation of Sections 35-1-501 and 35-1-508(a)(1), *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

283. Against the peace and dignity of this State and contrary to the law in such case made and provided.

THE 2003 PROSPECTUS AND OWNERSHIP IN COSIMO

284. As more fully alleged previously and incorporated here, on September 27, 2001, Bolingbroke was registered with the Wyoming Secretary of State. This entity was used to hide FIELD's true interest vis a vis various entities, such as Credo, Cosimo, and others. FIELD used the fictitious name "Henry Rex" to conduct business for Bolingbroke, to further conceal FIELD's true ownership interest in Bolingbroke, and thus his interest in Cosimo.

285. As more fully alleged previously and incorporated here, FIELD and PFEIFFER started Cosimo by its filing with the Secretary of State on January 31, 2002. Half of Cosimo was owned by Red Lion, an entity controlled by PFEIFFER, and the other half was owned by Bolingbroke, which was an entity controlled by FIELD, and a fact which PFEIFFER knew. PFEIFFER assisted in the formation of this scheme and of Bolingbroke, and was aware of the use of the false name "Henry Rex".

286. As more fully alleged previously and incorporated here, Cosimo began relending CIF money provided by FIELD in January 2002.

287. The 2002 CIF Prospectus, dated March 6, 2002, had a general related party provision that directors of CIF "may serve together on others Board of Directors for related or non-related entities from time to time or hold financial interests in such companies . . ."

288. In the March 2003 Prospectus, the April 2003 Amended Prospectus, and the August 4, 2003 Amended Prospectus, Cosimo is discussed under the "other entities referred to" section of the prospectus. At that point, there is no discussion of the specific ownership or management of Cosimo. In the paragraphs that follow, there is a general provision that "[m]embers in the company may have direct or indirect membership interests in one or more of the above" Six pages later in the prospectus is the general related party provision, which tracks the language in the 2002 prospectus set forth in the preceding paragraph.

289. The notes to the Independent Auditor's Report on CIF attached to the March, April, and August 2003 prospectuses flatly state: "No person or entity having an ownership interest in CIF holds any interest in either Monmouth or Cosimo." This statement represents a material misrepresentation of fact, i.e., a lie.

290. The November 2003 Amended Prospectus added items. It adds a discussion to the section on Cosimo that "Attorney Pfeiffer may act, directly or indirectly, as the manager of Cosimo and such relationship is fully disclosed and the Company does not feel this presents a significant conflict and does generate corresponding benefits". This provision does not expressly disclose FIELD and PFEIFFER's then-existing ownership interests in Cosimo.

291. Seven pages later, the general related party provision has been expanded greatly. Buried in the second paragraph is the following sentence: "In addition, legal counsel for the Company may act as counsel for re-lenders and/or borrowers from time to time, or have other forms of direct or indirect conflict and attorney Pfeiffer and Field held an interest in one or more relenders, and auditors may audit one or more entities named herein or a re-lender or debtor."

292. The notes to the Independent Auditor's Report on CIF attached to the November 2003 prospectus still state: "No person or entity having an ownership interest in CIF holds any interest in either Monmouth or Cosimo."

293. As more fully alleged previously and incorporated here, ARTHUR FIELD as manager of CIF authored the 2003 prospectuses and was responsible for their registration, filing, and issuance, and FREDRICK SCOTT PFEIFFER reviewed the 2003 prospectus for legal efficacy with an intimate knowledge of the details of LRI and CIF's business, due not only to his representation of FIELD and CIF, but also his partnership and scheme with FIELD with regard to entities that directly and indirectly were doing and would do business with CIF, including Credo, Cosimo, Monmouth, Bolingbroke, and others.

WHEREAS, THE GRAND JURY CHARGES:

COUNT SIX
SECURITIES FRAUD
(S.C. Code Ann. § 35-1-501 & § 35-1-508)

294. The allegations of paragraphs 1 through 293 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

295. Therefore, ARTHUR M. FIELD, and FREDRICK SCOTT PFEIFFER as an aider or abettor, in Pickens County, from on or about March 17, 2003 until on or about March 18, 2004, in connection with the offer, sale, or purchase of securities in Capital Investment Funding, directly or indirectly, did knowingly and willfully employ a device, scheme, and artifice to defraud; and did make an untrue statement of a material fact or omit stating a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and did engage in an act, practice, or course of business which operated and would operate as a fraud and deceit upon any person; resulting in a loss to investors of twenty thousand dollars (\$20,000) or more, to wit:

296. The 2003 prospectuses fail to adequately disclose the true nature of the ownership of Cosimo: that FIELD and PFIEFFER clearly owned Cosimo and that FIELD's ownership in Cosimo was through the use of Bolingbroke and fictitious names such as "Henry Rex". These facts are material.

297. All in violation of Sections 35-1-501 and 35-1-508(a)(1), *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by

law.

298. Against the peace and dignity of this State and contrary to the law in such case made and provided.

THE 2004 PROSPECTUS AND OWNERSHIP IN COSIMO

299. In the middle of the general related party section, the following is written: "From time to time, one or more of the members of the Company *may* be holders of Series 2004 notes (although none exist at this time), or *may* have transactions with any directly or indirectly related party and *may* profit therefrom or hold an interest therein (including, as noted, LRI, Cosimo, BFG, Credo, and MFG)" (emphasis added). Later in the same paragraph, "In addition, legal counsel for the Company may act as counsel for re-lenders and/or borrowers from time to time, or have other forms of direct or indirect conflict and both Field and attorney Pfeiffer (or entities directly or indirectly related to them) *held in the past or may hold in the future* an interest in one or more relenders (including but not limited to Lancaster, BFG, MFG or Cosimo or related companies, as the case may be), and auditors may audit one or more entities named herein or a re-lender or debtor" (emphasis added). However, it also says "Field may hold an interest in the future" in Cosimo.

300. The notes to the Financial Statements attached state: "Members of the Company may have a direct or indirect interest in one or more re-lender or borrower, which could be a potential conflict."

301. However, the 2004 Prospectus in the "Other Entities Referred to" section disclosed that PFEIFFER acted as manager of Cosimo; however, it did not discuss

ownership. Indeed, it specifically stated the following: "However, the Company (and/or Field) *may* elect to acquire part or all of Cosimo *in the future* or operate its own lending department" (emphasis added). Of course, FIELD already had an ownership interest in Cosimo since 2002 through use of the entity Bolingbroke and fictitious names such as "Henry Rex".

302. In the Management section of the prospectus, pages later, the statement is made in the middle of a biography that "Field *may* also serve or hold an interest in one or more re-lenders, as noted elsewhere (He acts as manager of BFG, and as President of MFG and *may* acquire an interest in Cosimo and formerly was a member of the Lancaster entities)" (emphasis added). Later in the same section, the point is repeated: "Field or CIF *may* purchase, directly or indirectly, an interest in Cosimo or other relender, but shall not own an interest in LRI or any Lancaster related entity" (emphasis added). Again, FIELD already had an ownership interest in Cosimo since 2002, and he had that interest through use of Bolingbroke and fictitious names such as "Henry Rex".

303. As more fully alleged previously and incorporated here, ARTHUR FIELD as manager of CIF authored the 2004 prospectus and was responsible for its registration, filing, and issuance, and FREDRICK SCOTT PFEIFFER reviewed the 2004 prospectus for legal efficacy with an intimate knowledge of the details of LRI and CIF's business, due not only to his representation of FIELD and CIF, but also his partnership and scheme with FIELD with regard to entities that directly and indirectly were doing and would do business with CIF, including Credo, Cosimo, Monmouth, Bolingbroke, and others.

WHEREAS, THE GRAND JURY CHARGES:

COUNT SEVEN
SECURITIES FRAUD
(S.C. Code Ann. § 35-1-501 & § 35-1-508)

304. The allegations of paragraphs 1 through 303 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

305. Therefore, ARTHUR M. FIELD, and FREDRICK SCOTT PFEIFFER as an aider or abettor, in Pickens County, from on or about March 19, 2004 until on or about March 18, 2005, in connection with the offer, sale, or purchase of securities in Capital Investment Funding, directly or indirectly, did knowingly and willfully employ a device, scheme, and artifice to defraud; and did make an untrue statement of a material fact or omit stating a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and did engage in an act, practice, or course of business which operated and would operate as a fraud and deceit upon any person; resulting in a loss to investors of twenty thousand dollars (\$20,000) or more, to wit:

306. The 2004 prospectus states that FIELD may acquire an ownership interest in Cosimo in the future when in fact FIELD already had an ownership interest in Cosimo since 2002, and FIELD held that interest through the use of Bolingbroke and fictitious names. These facts were material.

307. All in violation of Sections 35-1-501 and 35-1-508(a)(1), *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by

law.

308. Against the peace and dignity of this State and contrary to the law in such case made and provided.

THE 2005 PROSPECTUS AND OWNERSHIP IN COSIMO

309. The 2005 Prospectus states: "Cosimo, LLC, wherein PFEIFFER acts as manager and holds an indirect interest and Field holds an indirect interest as of 2004 (as members of Red Lion, LLC and Krondor Trading Co, LLC)."

310. As more fully alleged previously and incorporated here, ARTHUR FIELD as manager of CIF authored the 2005 prospectus and was responsible for its registration, filing, and issuance, and FREDRICK SCOTT PFEIFFER reviewed the 2005 prospectus for legal efficacy with an intimate knowledge of the details of LRI and CIF's business, due not only to his representation of FIELD and CIF, but also his partnership and scheme with FIELD with regard to entities that directly and indirectly were doing and would do business with CIF, including Credo, Cosimo, Monmouth, Bolingbroke, and others.

WHEREAS, THE GRAND JURY CHARGES:

COUNT EIGHT
SECURITIES FRAUD
(S.C. Code Ann. § 35-1-501 & § 35-1-508)

311. The allegations of paragraphs 1 through 310 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

312. Therefore, ARTHUR M. FIELD, and FREDRICK SCOTT PFEIFFER as an aider or abettor, in Pickens County, from on or about March 19, 2005 until on or about March 21, 2006, in connection with the offer, sale, or purchase of securities in Capital

Investment Funding, directly or indirectly, did knowingly and willfully employ a device, scheme, and artifice to defraud; and did make an untrue statement of a material fact or omit stating a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and did engage in an act, practice, or course of business which operated and would operate as a fraud and deceit upon any person; resulting in a loss to investors of twenty thousand dollars (\$20,000) or more, to wit:

313. The 2005 prospectus states that FIELD held an indirect interest in Cosimo since 2004 when in fact FIELD already had an ownership interest in Cosimo since its formation in 2002, and FIELD held that interest through the use of Bolingbroke and fictitious names. These facts were material.

314. All in violation of Sections 35-1-501 and 35-1-508(a)(1), *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

315. Against the peace and dignity of this State and contrary to the law in such case made and provided.

"HENRY REX" FORGERY

316. As more fully alleged previously and incorporated here, on September 27, 2001, Bolingbroke was registered with the Wyoming Secretary of State. This entity was

used by FIELD to hide from investors, his partners in LRI, the South Carolina Securities Division, and others with whom he did business his true interest via a vis various entities, such as Credo, Cosimo, and others. FIELD used the fictitious name "Henry Rex" to conduct business for Bolingbroke, to further conceal FIELD's true ownership interest in Bolingbroke, and thus his interest in Cosimo.

317. As more fully alleged previously and incorporated here, the 2004 Prospectus, which was registered by the Securities Division on March 17, 2003, stated "Field or CIF *may* purchase, directly or indirectly, an interest in Cosimo or other relender, but shall not own an interest in LRI or any Lancaster related entity" (emphasis added).

318. Shortly after registration of this new offering and the 2004 Prospectus, FIELD paid Bolingbroke, an entity which he controlled, \$20,000 through a check which he signed on behalf of Krondor Trading Co., a company which FIELD admits he owns in the 2005 and 2006 prospectuses. The memo line states "purchase Cosimo 15K due".

319. On April 13, 2004, FIELD paid Bolingbroke, an entity which he controlled, \$15,244 through a check which he signed on behalf of Krondor Trading Co., a company which FIELD admits he owns in the 2005 and 2006 prospectuses. The memo line states "Cosimo".

320. On or about February 15, 2005, FIELD caused Bolingbroke to write a check with the memo line "Loan 25 years 1%" for \$415,000, to Krondor Trading Co., a company which FIELD admits he owns in the 2005 and 2006 prospectuses. FIELD signed the check "Henry Rex".

321. The \$415,000 Bolingbroke sent to Krondor primarily came from monthly Simpsonville Cotton Mill interest checks signed by PFEIFFER and made out to

Bolingbroke, and the check FIELD wrote on August 2nd, 2004 which caused CIF to pay Bolingbroke \$350,000, with the memo line "note purchase". FIELD's CIF Quickbooks list the check as being made out to Cosimo, when in fact it was made out to Bolingbroke – although the Quickbooks memo says "purchase note from Bolingbroke".

322. As more fully alleged previously and incorporated here, the 2005 Prospectus stated: "Cosimo, LLC, wherein PFEIFFER acts as manager and holds an indirect interest and Field holds an indirect interest as of 2004 (as members of Red Lion, LLC and Krondor Trading Co, LLC)." This of course is not true, as FIELD through Bolingbroke had a half ownership interest in Cosimo since its formation in 2002. The point of the use of "Henry Rex" on the check between Bolingbroke and Krondor was to create the illusion that FIELD had no ownership interest in Bolingbroke and only had an ownership interest in Cosimo through Krondor in 2004.

WHEREAS, THE GRAND JURY CHARGES:

COUNT NINE
FORGERY
(S.C. Code Ann. § 16-13-10)

323. The allegations of paragraphs 1 through 322 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

324. Therefore, ARTHUR M. FIELD, in Pickens County, on or about February 15, 2005, did wilfully, unlawfully, and feloniously, falsely make, forge, or counterfeit any writing and instrument of writing; and did cause and procure to be falsely made, forged, or counterfeited any writing or instrument of writing; and did wilfully act and assist in the false making, forging, or counterfeiting of any writing or instrument of writing; and did utter or

publish as true any false, forged, or counterfeited writing or instrument of writing; and did willingly act or assist in any of the above, with an intention to defraud any person; to wit:

325. On or about February 15, 2005, FIELD caused Bolingbroke to write a check with the memo line "Loan 25 years 1%" for \$415,000, to Krondor Trading Co., which was signed by the fictitious person "Henry Rex".

326. All in violation of Section 16-13-10, *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended; and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

327. Against the peace and dignity of this State and contrary to the law in such case made and provided.

2004 PROSPECTUS AND THE INTRASTATE OFFERING EXEMPTION

328. As more fully alleged previously and incorporated here, FIELD is an attorney licensed in New Jersey and Connecticut since the 70s, who at one time held various securities licenses from FINRA, and who has held himself out as a securities law expert. PFEIFFER is a South Carolina attorney licensed since the early 90s with experience in a sophisticated corporate practice.

329. As more fully alleged previously and incorporated here, FIELD and PFEIFFER were aware as early as PFEIFFER's opinion letter to FIELD in December of 2001 that CIF had a substantial legal problem with its entire business model, inasmuch as its qualification to sell securities without registration with the federal Securities and

Exchange Commission under the Intrastate Offering Exemption was doubtful, given that all of CIF's money had been lent out of state to LRI in the Northeast.

330. As more fully alleged previously and incorporated here, on or about some time in May of 2003 Kymric Mahnke, Esquire, of one of the largest and most respected law firms in South Carolina, who had also consulted with a fellow firm member Neil Grayson, Esquire who has extensive experience in securities law, advised members of LRI that CIF flatly did not qualify for the Intrastate Offering Exemption, and CIF had to stop selling securities immediately as it faced civil and criminal liability.

331. As more fully alleged previously and incorporated here, FIELD and PFEIFFER, who both had already recognized this problem, were advised of Mahnke's unambiguous direction that CIF was violating the law and needed to stop selling securities immediately.

332. As more fully alleged previously and incorporated here, FIELD and PFEIFFER, rejected this directive and CIF continued to advertise and sell securities to the citizens of South Carolina.

333. As more fully alleged previously and incorporated here, this issue with the inapplicability of the Intrastate Offering Exemption was a significant reason that precipitated the split between FIELD and CIF, on one hand, and the other members of LRI, on the other.

334. The 2004 prospectus recounts the deal in which FIELD ended up with majority ownership in CIF in return for giving up his interest in the Lancaster-related entities. It does not mention the concern over inapplicability of the Intrastate Offering Exemption as one of the reasons for the split.

335. The 2004 prospectus states that "[t]here is no guarantee that the regulatory requirements affecting the operations of the Company will not significantly change in the future." It makes no specific reference to the then-existing concern about the Intrastate Offering Exemption.

336. The Financial Statements attached to the 2004 Prospectus do not identify the possibility of significant civil and criminal liability for violation of the federal Intrastate Offering Exemption as a contingent liability of CIF.

337. As more fully alleged previously and incorporated here, ARTHUR FIELD as manager of CIF authored the 2004 prospectus and was responsible for its registration, filing, and issuance, and PFEIFFER reviewed the 2004 prospectus for legal efficacy with an intimate knowledge of the details of LRI and CIF's business, due not only to his representation of FIELD and CIF, but also his partnership and scheme with FIELD with regard to entities that directly and indirectly were doing and would do business with CIF, including Credo, Cosimo, Monmouth, Bolingbroke, and others.

WHEREAS, THE GRAND JURY CHARGES:

COUNT TEN
SECURITIES FRAUD
(S.C. Code Ann. § 35-1-501 & § 35-1-508)

338. The allegations of paragraphs 1 through 338 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

339. Therefore, ARTHUR M. FIELD, and FREDRICK SCOTT PFEIFFER as an aider or abettor, in Pickens County, from on or about March 19, 2004 until on or about March 18, 2005, in connection with the offer, sale, or purchase of securities in Capital

Investment Funding, directly or indirectly, did knowingly and willfully employ a device, scheme, and artifice to defraud; and did make an untrue statement of a material fact or omit stating a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and did engage in an act, practice, or course of business which operated and would operate as a fraud and deceit upon any person; resulting in a loss to investors of twenty thousand dollars (\$20,000) or more, to wit:

340. The 2004 prospectus fails to adequately disclose the issue, as expressed by FIELD and PFEIFFER as well as opinion of counsel to the parent of CIF, that CIF potentially had significant civil and criminal liability for lack of compliance with the Intrastate Offering Exemption of the Federal securities laws. These facts were material.

341. All in violation of Sections 35-1-501 and 35-1-508(a)(1), *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

2005 PROSPECTUS AND THE INTRASTATE OFFERING EXEMPTION

342. The 2005 prospectus recounts the deal in which FIELD ended up with majority ownership in CIF in return for giving up his interest in the Lancaster-related entities. It does not mention the concern over inapplicability of the Intrastate Offering Exemption as one of the reasons for the split.

343. The 2005 prospectus states that "[t]here is no guarantee that the regulatory requirements affecting the operations of the Company will not significantly change in the future." It makes no specific reference to the then-existing concern about the Intrastate Offering Exemption.

344. As more fully alleged previously and incorporated here, ARTHUR FIELD as manager of CIF authored the 2005 prospectus and was responsible for its registration, filing, and issuance, and FREDRICK SCOTT PFEIFFER reviewed the 2005 prospectus for legal efficacy with an intimate knowledge of the details of LRI and CIF's business, due not only to his representation of FIELD and CIF, but also his partnership and scheme with FIELD with regard to entities that directly and indirectly were doing and would do business with CIF, including Credo, Cosimo, Monmouth, Bolingbroke, and others.

WHEREAS, THE GRAND JURY CHARGES:

COUNT ELEVEN
SECURITIES FRAUD
(S.C. Code Ann. § 35-1-501 & § 35-1-508)

345. The allegations of paragraphs 1 through 344 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

346. Therefore, ARTHUR M. FIELD, and FREDRICK SCOTT PFEIFFER as an aider or abettor, in Pickens County, from on or about March 19, 2005 until on or about March 21, 2008, in connection with the offer, sale, or purchase of securities in Capital Investment Funding, directly or indirectly, did knowingly and willfully employ a device, scheme, and artifice to defraud; and did make an untrue statement of a material fact or omit stating a material fact necessary in order to make the statements made, in light of the

circumstances under which they were made, not misleading; and did engage in an act, practice, or course of business which operated and would operate as a fraud and deceit upon any person; resulting in a loss to investors of twenty thousand dollars (\$20,000) or more, to wit:

347. The 2005 prospectus fails to adequately disclose the issue, as expressed by FIELD and PFEIFFER as well as opinion of counsel to the parent and former parent of CIF, that CIF potentially had significant civil and criminal liability for lack of compliance with the Intrastate Offering Exemption of the Federal securities laws. These facts were material.

348. All in violation of Sections 35-1-501 and 35-1-508(a)(1), *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

2006 PROSPECTUS AND THE INTRASTATE OFFERING EXEMPTION

349. The 2006 prospectus recounts the deal in which FIELD ended up with majority ownership in CIF in return for giving up his interest in the Lancaster-related entities. It does not mention the concern over inapplicability of the Intrastate Offering Exemption as one of the reasons for the split.

350. The 2006 prospectus states that "[t]here is no guarantee that the regulatory requirements affecting the operations of the Company will not significantly change in the future." It makes no specific reference to the then-existing concern about the Intrastate

Offering Exemption.

351. As more fully alleged previously and incorporated here, ARTHUR FIELD as manager of CIF authored the 2006 prospectus and was responsible for its registration, filing, and issuance, and FREDRICK SCOTT PFEIFFER reviewed the 2006 prospectus for legal efficacy with an intimate knowledge of the details of LRI and CIF's business, due not only to his representation of FIELD and CIF, but also his partnership and scheme with FIELD with regard to entities that directly and indirectly were doing and would do business with CIF, including Credo, Cosimo, Monmouth, Bolingbroke, and others.

WHEREAS, THE GRAND JURY CHARGES:

COUNT TWELVE
SECURITIES FRAUD
(S.C. Code Ann. § 35-1-501 & § 35-1-508)

352. The allegations of paragraphs 1 through 351 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

353. Therefore, ARTHUR M. FIELD, and FREDRICK SCOTT PFEIFFER as an aider or abettor, in Pickens County, from on or about March 21, 2006 until on or about some time in January 2008, in connection with the offer, sale, or purchase of securities in Capital Investment Funding, directly or indirectly, did knowingly and willfully employ a device, scheme, and artifice to defraud; and did make an untrue statement of a material fact or omit stating a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and did engage in an act, practice, or course of business which operated and would operate as a fraud and deceit upon any person; resulting in a loss to investors of twenty thousand dollars

(\$20,000) or more, to wit:

354. The 2006 prospectus fails to adequately disclose the issue, as expressed by FIELD and PFEIFFER as well as opinion of counsel to the parent and former parent of CIF, that CIF potentially had significant civil and criminal liability for lack of compliance with the Intrastate Offering Exemption of the Federal securities laws. These facts were material.

355. All in violation of Sections 35-1-501 and 35-1-508(a)(1), *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

HIDING LRI'S TRUE CONDITION: 2006 PROSPECTUS

356. As more fully alleged previously and incorporated here, in November 2006 FIELD sent an email to Robert L'Abbate, the president of LRI, advising him that LRI was in default, that FIELD did not want to let the Attorney General's office know LRI had not made a principal payment in over a year, and that CIF's new auditors would object greatly to the non-payment by LRI.

357. As more fully alleged previously and incorporated here, at this time LRI had not made a principal payment since May of 2005.

358. As more fully alleged previously and incorporated here, LRI was unable to make the payments to cure the default to which FIELD referred in his email to L'Abbate.

359. The 2006 Prospectus, which was dated March 22, 2006 and tied to the

series 2006 Notes which were registered by the South Carolina Securities Division on March 29, 2006, states: "Were LRI and/or LG to suffer a partial or total loss relating to any such investment, its ability to repay the Company might be substantially impaired, which would be detrimental to the financial position of the Company".

360. The 2006 Prospectus states: "Neither LRI nor any relender with whom the Company deals has ever defaulted on its payments to the Company" (underlining in original).

361. Instead of advising the investors and the Securities Division of LRI's default and inability to continue to pay CIF, and the negative consequences to CIF as a result, FIELD manufactured a scheme to send further CIF money to LRI, so that LRI could then return it in the form of principal and interest payments to CIF.

362. As more fully alleged previously and incorporated here, this scheme involved sending \$1,000,000 to LRI through Trazom in January of 2007, so that LRI could then send much of the money back for payment to CIF.

363. As more fully alleged previously and incorporated here, transfer of money was supposedly for the purchase of a note for the 457 Carlton property. However, FIELD caused CIF through Trazom to pay \$1,000,000 for a \$600,000 note that was already in foreclosure, for a property for which CIF had already loaned LRI money to relend.

364. The 2006 Prospectus states: "No new funds will be lent to LRI after 2003, directly or indirectly".

365. FIELD continued to sell notes to CIF investors on the 2006 Prospectus from November 6, 2006 through March 21, 2007.

WHEREAS, THE GRAND JURY CHARGES:

COUNT THIRTEEN
SECURITIES FRAUD
(S.C. Code Ann. § 35-1-501 & § 35-1-508)

366. The allegations of paragraphs 1 through 365 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

367. Therefore, ARTHUR M. FIELD, in Pickens County, from on or about November 6, 2006 until on or about March 21, 2007, in connection with the offer, sale, or purchase of securities in Capital Investment Funding, directly or indirectly, did knowingly and willfully employ a device, scheme, and artifice to defraud; and did make an untrue statement of a material fact or omit stating a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and did engage in an act, practice, or course of business which operated and would operate as a fraud and deceit upon any person; resulting in a loss to investors of twenty thousand dollars (\$20,000) or more, to wit:

368. FIELD concealed from investors LRI's dire financial situation and inability to pay CIF by sending CIF funds to LRI through Trazom so that LRI could make its principal and interest payments to CIF. These facts were material.

369. All in violation of Sections 35-1-501 and 35-1-508(a)(1), *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

HIDING LRI'S TRUE CONDITION: 2007

370. As more fully alleged previously and incorporated here, in November 2006 FIELD sent an email to Robert L'Abbate, the president of LRI, advising him that LRI was in default, that FIELD did not want to let the Attorney General's office know LRI had not made a principal payment in over a year, and that CIF's new auditors would object greatly to the non-payment by LRI.

371. As more fully alleged previously and incorporated here, at the this time LRI had not made a principal payment since May of 2005.

372. As more fully alleged previously and incorporated here, LRI was unable to make the payments to cure the default to which FIELD referred in his email to L'Abbate.

373. The 2006 Prospectus, which was dated March 22, 2006 and tied to the series 2006 Notes which were registered by the South Carolina Securities Division on March 29, 2006, states: "Were LRI and/or LG to suffer a partial or total loss relating to any such investment, its ability to repay the Company might be substantially impaired, which would be detrimental to the financial position of the Company".

374. The 2006 Prospectus states: "Neither LRI nor any relender with whom the Company deals has ever defaulted on it payments to the Company" (underlining in original).

375. Instead of advising the investors and the Securities Division of LRI's default and inability to continue to pay CIF, and the negative consequences to CIF as a result, FIELD manufactured a scheme to send further CIF money to LRI, so that LRI could then return it in the form of principal and interest payments to CIF.

376. As more fully alleged previously and incorporated here, this scheme

involved sending \$1,000,000 to LRI through Trazom in January of 2007, so that LRI could then send much of the money back for payment to CIF.

377. As more fully alleged previously and incorporated here, transfer of money was supposedly for the purchase of a note for the 457 Carlton property. However, FIELD caused CIF through Trazom to pay \$1,000,000 for a \$600,000 note that was already in foreclosure, for a property for which CIF had already loaned LRI money to relend.

378. The 2006 Prospectus states: "No new funds will be lent to LRI after 2003, directly or indirectly".

379. As more fully alleged previously and incorporated here, FIELD continued to hide LRI's true condition by causing CIF to send money to LRI so that LRI could then send it back to CIF for principal and interest payments – this time by sending \$290,000 to Lancaster Developers on March 29, 2007, and a further \$290,000 to LRI on April 25, 2007 – ostensibly for the purchase of condominium units.

380. As more fully alleged previously and incorporated here, FIELD continued to hide LRI's true condition by causing CIF to send money to LRI so that LRI could continue to operate, by causing CIF to lend \$75,000 to Robert L'Abbate on June 10, 2007.

381. As more fully alleged previously and incorporated here, the Securities Division declined to approve FIELD and CIF's March 2007 registration, and in May of 2007 filed "Notice of Intent to Seek the Issuance of a Stop Order Denying Effectiveness to a Registration Statement and to Seek the Issuance of an Order Revoking Available Exemptions". This document alleged CIF's registration was incomplete in a number of material respects and could tend to work a fraud upon purchasers.

382. Despite CIF's financial condition and its regulatory troubles, FIELD

continued to cause CIF to sell securities to investors by three different mechanisms after expiration in March of 2007 of the registration for the 2006 offering.

383. First, in July of 2007, FIELD caused CIF to sell securities to approximately eleven investors for a total of over \$450,000 based on the Rule 506 exemption from federal registration.

384. The prospectus distributed with the securities sold pursuant to the Rule 506 exemption made no mention of CIF's regulatory troubles and the pending Notice of Intent. Indeed, the prospectus expressly stated that CIF had "no legal actions pending" and that "no legal actions are contemplated against the Company".

385. The prospectus distributed with the securities sold pursuant to the Rule 506 exemption claimed that "the debt from LRI was being repaid pursuant to a schedule put in place by LRI during 2002, amended periodically". It also claimed that LRI paid \$500,000 in principal on the MFG debt in 2006. The prospectus did not disclose CIF and LRI's dire straits and FIELD's scheme to prop up LRI by sending it CIF money for the payments to CIF – which was the source of funds for the supposed \$500,000 payment.

386. Second, FIELD simply sold some new notes to existing investors who were re-investing their money. For example, on July 27, 2007 FIELD sold a CIF note to George Grant for over \$29,000. For example, on March 29, 2007 FIELD sold a CIF note to Hisanao Marushima for over \$350,000.

387. On August 22, 2007, George Grant received the letter from FIELD regarding the impending maturity of one of his notes and asking whether Grant wished to reinvest or redeem. In the letter, FIELD wrote, "We believe the various safeguards implemented over the last few years greatly enhance the stability of our firm and security of your investment."

Grant faxed a request to redeem, but the note was reinvested anyway. Despite FIELD's knowledge of CIF's true financial and regulatory situation, in the cover letter FIELD sent Grant with his new note, he wrote that "business in 2007 has been excellent". These positive statements led Grant not to challenge the reinvestment.

388. Third, FIELD sold some CIF notes as "amendments" to the existing note, where on the face it claimed it was not a new securities transaction. For example, on July 8, 2007 FIELD caused CIF to sell John Carpenter a note for \$10,000. Despite FIELD's knowledge of CIF's true financial and regulatory situation, in the cover letter FIELD sent Carpenter with his new note, he wrote that "business in 2007 has been excellent".

389. Since he was unable to get approval from the Securities Division to register his 2007 offering, and was facing regulatory issues, FIELD began to send periodic quarterly reports to noteholders. However, these reports were misleading.

390. On July 14, 2007 FIELD sent the CIF Mid-Year Report to noteholders. In it, he wrote that CIF was "excited" about the changes, and that issuance of securities under Rule 506 was "considered an excellent step forward for CIF". The document states the "Securities Division also preserved its review rights by filing a private Notice of Intent, still pending". It did not disclose to the noteholders that in the report that the Securities Division's Notice of Intent alleged CIF's offering would operate as a fraud on purchasers.

391. In the 2007 Mid-Year Update, FIELD and CIF told CIF's existing note holders that it had not received any notice "of any alleged S.E.C. violation" from the SEC or "any federal authority"; however, FIELD and CIF omitted to state the material fact that it received notice from the Securities Division on or about May 11, 2007, that CIF did not qualify for the federal Intrastate Offering Exemption that FIELD and CIF had been claiming

since 1999.

392. In the 2007 Mid-Year Update, FIELD and CIF told CIF's existing note holders that "\$500,000 was repaid by LRI in 2006", that "regular payments to MFG by LRI continued in the first half of 2007", that "LRI debt service is kept current", and that CIF acquired "contractual rights" to two properties. It did not disclose that LRI was only able to make these payments with money FIELD sent it from CIF.

393. FIELD caused CIF to send a Third Quarter Report on October 10, 2007, and a Fourth Quarter Report on January 6, 2008. While these described to some extent the worsening situation of some of CIF's lenders, they did not disclose FIELD's scheme to cause CIF to send CIF money to LRI so it could make its payments, and did not disclose that the Securities Division's Notice of Intent alleged CIF's offering would operate as a fraud on purchasers, and that CIF did not qualify for the Intrastate Offering Exemption.

WHEREAS, THE GRAND JURY CHARGES:

COUNT FOURTEEN
SECURITIES FRAUD
(S.C. Code Ann. § 35-1-501 & § 35-1-508)

394. The allegations of paragraphs 1 through 393 of this Indictment are realleged and incorporated by reference as if fully set forth herein.

395. Therefore, ARTHUR M. FIELD, in Pickens County, from on or about March 22, 2007 until on or about January 15, 2008, in connection with the offer, sale, or purchase of securities in Capital Investment Funding, directly or indirectly, did knowingly and willfully employ a device, scheme, and artifice to defraud; and did make an untrue statement of a material fact or omit stating a material fact necessary in order to make the statements

made, in light of the circumstances under which they were made, not misleading; and did engage in an act, practice, or course of business which operated and would operate as a fraud and deceit upon any person; resulting in a loss to investors of twenty thousand dollars (\$20,000) or more, to wit:

396. FIELD concealed from investors CIF's true position with regard to its regulatory problems and LRI's default by sending CIF funds to LRI and its president so that LRI could make its principal and interest payments.

397. All in violation of Sections 35-1-501 and 35-1-508(a)(1), *THE CODE OF LAWS OF SOUTH CAROLINA*, (1976), as amended, and such conduct involving a violation of Chapter 1, Title 35 of the Uniform Securities Act, or a crime related to securities fraud or a violation of the securities laws, and such conduct having not been authorized by law.

All against the peace and dignity of the State, and contrary to the statute in such case made and provided.

A True Bill

Michael E. Earnheart
FOREMAN

Alan Wilson
ALAN WILSON (scw)
ATTORNEY GENERAL

NTHE STATE OF SOUTH CAROLINA
In The Court of Appeals

APPEAL FROM GREENVILLE COUNTY
G. Edward Welmaker, Circuit Court Judge
Charles B. Simmons, Jr., Master-in-Equity

Case No. 2010-CP-23-6767

Arthur M. Field,..... Respondent-Appellant,

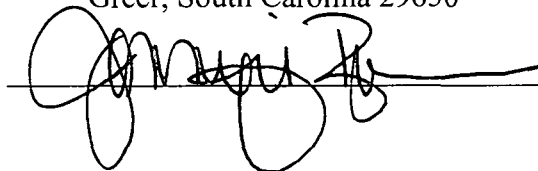
v.

Henry McMaster, Attorney General, ... Appellant-Respondent.

CERTIFICATE OF SERVICE

The undersigned employee of Davidson & Lindemann, P.A., attorneys for the Appellant-Respondent, Henry McMaster, does hereby certify that service of the **Motion to Stay Filing of Record on Appeal Pending Possible Mootness and Memorandum in Support of Motion to Stay Filing of Record on Appeal Pending Possible Mootness** in the above-captioned matter was made upon Arthur M. Field, *pro se* Respondent-Appellant, by placing a copy in the United States Mail, first class postage prepaid, at the below listed address clearly indicated on said envelope this the 27th day of July 2012:

Arthur M. Field
310 Thornblade Boulevard
Greer, South Carolina 29650



RECEIVED

JUL 27 2012

SC Court of Appeals

DAVIDSON & LINDEMANN, P.A.

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*Also Admitted In North Carolina
†Certified Mediator

July 27, 2012

Writer's Email: kwoodington@dml-law.com

Hand Delivered

The Honorable Jenny Abbott Kitchings
Clerk of Court
South Carolina Court of Appeals
1015 Sumter Street
Columbia, South Carolina 29201

RE: Arthur M. Field v. Henry McMaster, Attorney General
SCCA Case Tracking Number: 2011199466
Civil Action Number: 2010-CP-23-6767
Our File Number: 103.8516

Dear Ms. Kitchings:

Please find enclosed for filing the originals and seven copies each of the **Motion to Stay Filing of Record on Appeal Pending Possible Mootness and Memorandum in Support of Motion to Stay Filing of Record on Appeal Pending Possible Mootness** with regard to the above referenced matter. Please file the originals and return a clocked-in copy of each document to me by way of my courier. I have not enclosed a filing fee for this request since the moving party is a State agency.

By copy of this letter, I am serving copies on Mr. Field.

Thank you for your assistance in this matter.

With highest regards, I am

Sincerely yours,

DAVIDSON & LINDEMANN, P.A.



Kenneth P. Woodington

KPW/jmb
Enclosures

RECEIVED
JUL 27 2012
SC Court of Appeals

The Honorable Jenny Abbott Kitchings
July 27, 2012
Page Two

cc: (w/ Enclosures)

Arthur M. Field
310 Thornblade Boulevard
Greer, South Carolina 29650