

STATE OF SOUTH CAROLINA
IN THE SUPREME COURT

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OCT 24 2014

S.C. Supreme Court

Certiorari to Lexington County

Edgar W. Dickson, Circuit Court Judge

2011-CP-32-2798

Ronald J. Sheppard, #320057,

PETITIONER,

v.

State of South Carolina,

RESPONDENT.

SUPPLEMENTAL APPENDIX

O. GRADY QUERY
Query Sautter Forsythe, LLC
147 Wappoo Creek Drive
Suite 202
Charleston, SC 29412
(843) 795-9500

ATTORNEY FOR PETITIONER

ALAN WILSON
Attorney General

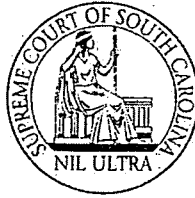
ASHLEY A. McMAHAN
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ATTORNEYS FOR RESPONDENT

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FEB 24 2011 W3

ATTORNEY GENERALS
OFFICE

The Supreme Court of South Carolina

DANIEL E. SHEAROUSE
CLERK OF COURT

BRENDA F. SHEALY
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POST OFFICE BOX 11330
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February 23, 2011

REMITTITUR

The Honorable Lisa Dunbar
State Grand Jury
PO Box 11508
Columbia, SC 29211

Re: The State v. Sheppard, Ronald J.
2005-GS-47-00020

Dear Ms. Dunbar:

The above referenced matter is hereby remitted to the lower court. A copy of the judgment of this Court is attached.

Very truly yours,

Daniel E. Shearouse
DS

CLERK

DES/dmh

Enclosure

cc: O. Grady Query, Esquire
Michael W. Sautter, Esquire
✓ Assistant Attorney General William M. Blich, Jr.

THE STATE OF SOUTH CAROLINA
In The Supreme Court

The State,

Respondent,

v.

Ronald J. Sheppard,

Appellant.

Appeal from Lexington County
James W. Johnson, Jr., Circuit Court Judge

Opinion No. 26927
Heard November 16, 2010 – Filed February 7, 2011

AFFIRMED

O. Grady Query and Michael W. Sautter, both of Query Sautter
Gliseman & Pric, of Charleston, for Appellant.

Attorney General Alan Wilson, Chief Deputy Attorney General John
W. McIntosh, Chief, Prosecution Division Jennifer D. Evans, and
Assistant Attorney General William M. Blich, Jr., all of Columbia,
for Respondent.

CHIEF JUSTICE TOAL: In this case, Ronald J. Sheppard, the former CEO of HomeGold Financial, Inc. (HomeGold), was charged with securities fraud, obtaining property under false pretenses, and conspiracy. He was found guilty on all three charges and sentenced to a total of twenty years imprisonment. Sheppard appeals, seeking either to have his convictions vacated, or to have his sentences vacated and remanded for resentencing, arguing: (1) he was denied a fair trial because of a third party's contact with a juror; (2) the state grand jury lacked subject matter jurisdiction over the counts of obtaining property under false pretenses and conspiracy; (3) section 14-7-1820 of the South Carolina Code violates the constitutional prohibitions against ex post facto laws; and (4) the circuit court abused its discretion by imposing a sentence disproportionate to those of his co-conspirators.

FACTS/PROCEDURAL BACKGROUND

This case stems from the financial collapse and ultimate bankruptcy of HomeGold, a financial services company heavily involved with subprime mortgages. Carolina Investors, Inc. originally financed the sale of cemetery plots, but later expanded into other lending. Carolina Investors was ultimately purchased by another company, which took over Carolina Investors' lending operations. Carolina Investors continued to sell debt instruments, but the money it raised went to fund the operation of its parent company, primarily through a series of intercompany loans. In 1998, the parent company began losing money, became a publicly traded company, and changed its name to HomeGold Financial, Inc. HomeGold began losing hundreds of millions of dollars and its indebtedness to Carolina Investors continued to grow. In an effort to stabilize the company, HomeGold merged with HomeSense, Sheppard's subprime mortgage lending business, and Sheppard became its CEO. After several years of financially abusing the company, Sheppard resigned his position with HomeGold to create a new company to buy HomeGold's mortgage business. Shortly thereafter, HomeGold filed for bankruptcy.

In November 2005, a state grand jury indicted Sheppard on eleven charges stemming from his involvement with the mishandling of HomeGold's business and financial operations. The circuit court granted Sheppard's

motion to dismiss eight of the eleven charges. Sheppard was found guilty and sentenced for the three remaining charges, with the sentences to run consecutively: (1) securities violation, ten years; (2) obtaining property by false pretenses, five years; and (3) conspiracy, five years.

ISSUES

Sheppard presents the following issues for review:

- I. Was Sheppard deprived of his constitutional right to a fair trial before an impartial jury when a spectator made contact with a juror in an elevator?
- II. Did the state grand jury have subject matter jurisdiction over the counts of obtaining property by false pretenses and conspiracy?
- III. Does section 14-7-1820 of the South Carolina Code violate the constitutional prohibitions against the passage of *ex post facto* laws?
- IV. Did the circuit court abuse its discretion by imposing a sentence on Sheppard that was substantially greater than the sentences of the co-conspirators?

STANDARD OF REVIEW

In criminal cases, the appellate court sits to review errors of law only. *State v. Baccus*, 367 S.C. 41, 48, 625 S.E.2d 216, 220 (2006). The conduct of a criminal trial is left largely to the sound discretion of the trial judge, who will not be reversed in the absence of a prejudicial abuse of discretion. *State v. Bridges*, 278 S.C. 447, 448, 298 S.E.2d 212, 212 (1982).

ANALYSIS

I. Contact with Juror

Sheppard argues that a spectator's contact with a juror deprived him of a fair and impartial trial because the circuit court judge failed to cure the resulting prejudice. We disagree.

Sheppard invokes the Sixth and Fourteenth Amendments of the United States Constitution in his conclusory argument that he was denied a fair trial by a spectator's comment to a juror in an elevator, and by the circuit court judge's failure to remedy any resulting prejudice. The comment itself is not in the record, and the only information about the comment is found when the circuit court judge addresses the jury:

Madam Forelady and ladies and gentlemen of the jury, hope you had a good weekend. For the juror who reported an inappropriate comment on the elevator on Thursday, I appreciate that, I will deal with that and thank you for making that report.

Sheppard contends the judge was required to ensure Sheppard received a fair and impartial trial by interviewing the juror to ascertain the extent of any potential prejudice and by giving the entire jury a curative instruction, even in the absence of any objection or motion by defense counsel. He argues not only that the circuit court was required to address the issue without motion or objection, but also that this Court may reach the unpreserved issue because the issue is "absolutely essential to a fair trial" and resolving the question now is in the interest of judicial economy.

First, Sheppard has not properly preserved this issue for appellate review. After the judge addressed the jury regarding the comment, Sheppard made no motion or objection; instead, he immediately began cross-examining a witness. Our law is clear that a party must make a contemporaneous objection that is ruled upon by the trial judge to preserve an issue for appellate review. *State v. Johnson*, 363 S.C. 53, 58, 609 S.E.2d 520, 523 (2005). This rule also applies to constitutional arguments. *See State v.*

Owens, 378 S.C. 636, 638, 664 S.E.2d 80, 81 (2008) (finding constitutional claims not preserved for review without a contemporaneous objection at trial).

Second, aside from the preservation problem, Sheppard is clearly arguing for this Court to apply the plain error rule. While Sheppard does not use the phrase "plain error," he states that the circuit court judge had the obligation to investigate and cure any potential prejudice even without objection or motion from defense counsel. This Court, however, has routinely held the plain error rule does not apply in South Carolina state courts. *See Jackson v. Speed*, 326 S.C. 289, 306, 486 S.E.2d 750, 759 (1997) (recognizing South Carolina appellate courts have consistently refused to apply the plain error rule). Instead, a party must have a contemporaneous and specific objection to preserve an issue for appellate review. *Johnson*, 363 S.C. at 58, 609 S.E.2d at 523. Thus, Sheppard's argument that a judge commits an abuse of discretion by not *ex mero motu*¹ addressing an issue at trial is not supported by our case law. Therefore, because Sheppard has not preserved this issue for review and because this Court does not apply the plain error rule, his argument fails.

II. State Grand Jury's Indictment

Sheppard argues the state grand jury did not have subject matter jurisdiction over the counts of obtaining property under false pretenses and conspiracy, and therefore his convictions should be vacated. We disagree.

Sheppard cloaks his argument as subject matter jurisdiction, but he is actually challenging the sufficiency of the indictment when he argues the state grand jury did not have jurisdiction over the counts of obtaining property under false pretenses and conspiracy. He contends section 14-7-1630 of the South Carolina Code does not specifically include these charges, and that these charges are not related to the securities violations that are expressly included in the grand jury's jurisdiction. For this reason, he argues,

¹ *Ex mero motu* is a synonym for *sua sponte*. *State v. Dicapua*, 383 S.C. 394, 398 n.3, 680 S.E.2d 292, 294 n.3 (2009) (citing Black's Law Dictionary 596 (7th ed. 1999)).

he could not have been properly charged with these crimes, and the circuit court consequently lacked subject matter jurisdiction to convict him.

Certainly, issues relating to subject matter jurisdiction may be raised at any time. *State v. Gentry*, 363 S.C. 93, 100, 610 S.E.2d 494, 498 (2005). In *Gentry*, this Court clarified that a court's subject matter jurisdiction is that court's power "to hear and determine cases of the general class to which the proceedings in question belong." *Id.* Further, the sufficiency of an indictment is a question separate from and does not implicate subject matter jurisdiction. *Id.* at 101, 610 S.E.2d at 499. Thus, this Court held that if an indictment is challenged as insufficient or defective, that challenge must be raised before the jury is sworn. *Id.*

Here, there is no question that the circuit court has subject matter jurisdiction over the crimes charged. See S.C. Const. art. V, § 11 ("The Circuit Court shall be a general trial court with original jurisdiction in civil and criminal cases") Despite Sheppard's phrasing and denial, he is challenging the sufficiency of the indictment when he claims the state grand jury could not consider the counts of obtaining property under false pretenses and conspiracy. As explained in *Gentry*, any challenge to the sufficiency of the indictment must be made before the jury is sworn. *Id.* at 101, 610 S.E.2d at 499. While Sheppard did timely file a motion to quash the indictment, he only challenged eight of the eleven counts, conceding the counts upon which he was ultimately convicted were within the limited subject matter jurisdiction of the state grand jury. Therefore, Sheppard mischaracterizes his argument as one of subject matter jurisdiction. Further, because he failed to timely challenge these counts in the indictment and instead went to trial on the charges, he cannot now, having lost at trial, come back to challenge the sufficiency of the indictment. See *Gentry*, 363 S.C. at 102, 610 S.E.2d at 499–500 (quoting *State v. Faile*, 43 S.C. 52, 59–60, 20 S.E. 798, 801 (1895)).

Further, we disagree with the substance of Sheppard's argument that the statute granting the state grand jury authority over securities violations does not encompass the crimes of obtaining property by false pretenses and conspiracy. While the statute establishing the jurisdiction of the state grand jury plainly evidences the General Assembly's intent to limit said jurisdiction, we do not believe it intended to hinder the grand jury's ability to investigate

and indict for crimes committed in the course of conduct of an enumerated crime. See S.C. Code Ann. § 14-7-1630 (Supp. 2009). Subsection 7 of the statute grants jurisdiction to the state grand jury over "a crime 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." *Id.* § 14-7-1630(7). We find the language "or a crime related to" is broad enough to encompass those crimes committed in the same course of conduct as an enumerated crime. Thus, the state grand jury has jurisdiction over the charges of obtaining property by false pretenses and conspiracy, even though those specific crimes may not be enumerated elsewhere in section 14-7-1630, because they were committed in the same course of conduct as the securities violations.

III. Section 14-7-1820 and the Ex Post Facto prohibition

Sheppard argues section 14-7-1820 of the South Carolina Code is an unconstitutional ex post facto law. However, Sheppard has not preserved this issue for appellate review. It appears from the record this argument is being made for the first time on appeal. Our law is clear that an issue may not be raised for the first time on appeal. See *I'on LLC v. Town of Mt. Pleasant*, 338 S.C. 406, 422, 526 S.E.2d 716, 724 (2000).

Section 14-7-1820 states, in its entirety, "This article applies to offenses committed both before and after its effective date." S.C. Code Ann. § 14-7-1820 (Supp. 2009). Sheppard argues this section violates the constitutional prohibitions against the passage of ex post facto laws because section 14-7-1630 of the South Carolina Code, the section that describes the jurisdiction of the state grand jury, did not include jurisdiction over securities violations until it was amended in 2003 in response to the HomeGold financial disaster. Sheppard argues that because the amendment was an ex post facto law, it is unconstitutional and that section of the statute is void. Therefore, he argues, because that unconstitutional section was the only grant of authority to the state grand jury over securities violations, the state grand jury did not have subject matter jurisdiction over the counts in the indictment, and his convictions should be vacated. This argument, however, is again a thinly veiled attempt to reach subject matter jurisdiction because Sheppard has not preserved his ex post facto argument for appellate review. See *Gentry*, 363 at

101, 610 S.E.2d at 499 (a challenge to the indictment must be made before the jury is sworn).

IV. Disproportionate Sentence

Sheppard argues the circuit court erred in sentencing him to twenty years total imprisonment because his sentence was disproportionately greater than those of his co-conspirators. This argument, however, was not raised to the trial judge; therefore, the issue is not preserved for appellate review. See *State v. Johnston*, 333 S.C. 459, 462, 510 S.E.2d 423, 425 (1999) ("[T]his Court has consistently held that a challenge to sentencing must be raised at trial, or the issue will not be preserved for appellate review.") (citations omitted).

CONCLUSION

For the foregoing reasons, the circuit court's conviction and sentence are affirmed.

PLEICONES, BEATTY, KITTREDGE and HEARN, JJ., concur.

The Supreme Court of South Carol

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AUG 27 2010 *LB*

**ATTORNEY GENERALS
OFFICE**

The State,

Respondent,

v.

Ronald J. Sheppard,

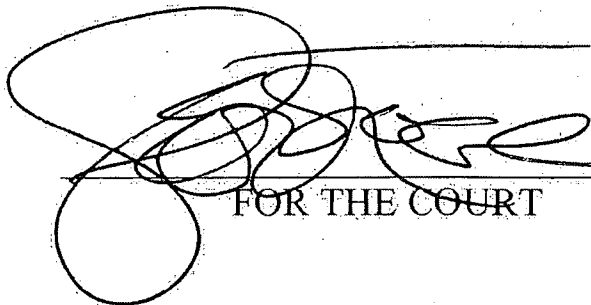
Appellant.

The Honorable James W. Johnson, Jr.
Unknown County
Trial Court Case No. 2005-GS-47-00020

ORDER

Pursuant to Rule 204(b) of the South Carolina Appellate Court Rules,
this appeal is hereby certified for review by the South Carolina Supreme
Court.

IT IS SO ORDERED.


C.J.
FOR THE COURT

Columbia, South Carolina

August 9, 2010

cc: O. Grady Query, Esquire
Michael W. Sautter, Esquire
Attorney General Henry Dargan McMaster
Chief Deputy Attorney General John W. McIntosh
Chief, Prosecution Division Jennifer D. Evans
Assistant Attorney General William M. Blich, Jr.
The Honorable Tanya Gee

The South Carolina Court of Appeals

The State,

Respondent,

v.

Ronald J. Sheppard,

Appellant.

The Honorable James W. Johnson, Jr.
Lexington County
Trial Court Case No. 2005-GS-47-00020

ORDER

Respondent filed a Motion to Strike, arguing two items listed in Appellant's Designation of Matter should not be included in the Record on Appeal. Both items are transcripts and voting records of grand jury deliberations: the first stems from the presentation of the indictment dated November 16, 2005, and the second stems from the presentation of the superseding indictment dated February 21, 2006. Respondent argues these transcripts were not presented to the trial court and are not relevant to the above-captioned appeal.

Appellant filed a Return, admitting the items had not been presented to the trial court and conceding he cannot challenge the sufficiency of the presentation, deliberations, and voting of the State Grand Jury for the first time on appeal. Appellant argues the items should nevertheless be included in the Record on Appeal because they are relevant to determine whether the State Grand Jury had subject matter jurisdiction to indict Appellant and whether Appellant's ex post

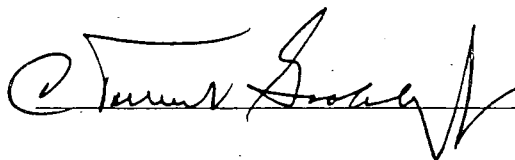
facto rights were violated. Appellant also moved to amend his Final Brief to include reference to these grand jury proceedings.

Respondent filed a Reply, pointing out that Appellant raises factual issues which would only be necessary if Appellant was challenging the sufficiency of the State Grand Jury proceedings, an argument he concedes he cannot make for the first time on appeal. The Respondent further argues the transcript of the grand jury proceedings is irrelevant to reaching a decision on Appellant's ex post facto claims.

After careful review of the motions, return, and reply, Respondent's Motion to Strike is granted. The transcripts were never presented to the trial court, and the Appellant has failed to convince us the transcripts are necessary to determine whether the trial court had subject matter jurisdiction or whether an ex post facto violation occurred. Because Respondent's Motion to Strike is granted, Appellant's Motion for Leave to Amend his Final Brief is denied.

Finally, Respondent moved for an extension to file and serve its Initial Brief until thirty days after this Court ruled on its Motion to Strike. That motion is granted.

AND IT IS SO ORDERED.

 , A.J.

Columbia, South Carolina

August 29, 2008

cc: O. Grady Query, Esquire
Assistant Attorney General William M. Blich, Jr.

FILED
8/29/08 

STATE OF SOUTH CAROLINA)
)
COUNTY OF LEXINGTON)

IN THE COURT OF GENERAL SESSIONS
FOR THE ELEVENTH JUDICIAL CIRCUIT

State of South Carolina)
)
v.)
)
Ronald J. Sheppard,)
)
Defendant.)

No. 2005-GS-47-20

ORIGINAL FILED

FEB 26 2007

JAMES R. PARKS
CLERK, STATE GRAND JURY

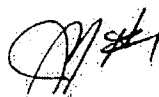
This matter came before this court on February 23, 2007, on defendant's Motion for Bond Pending Appeal. After a jury trial, the defendant was convicted on February 6, 2007, of one count of securities fraud, one count of obtaining money by false pretenses, and one count of conspiracy. He was sentenced on February 7, 2007, to ten (10) years, five (5) years, and five (5) years, respectively, to run consecutively to each other. On February 12, 2007, Defendant filed his Notice of Appeal.

Pursuant to Holmes v. State, 344 S.C. 41, 543 S.E.2d 537 (2001), the circuit court has jurisdiction to consider an appeal bond in this case.

Section 18-1-90, S.C. Code of Laws (1976, as amended) states in part that "bail may be allowed to the defendant..." (emphasis added) The decision of whether to authorize bail in this case is within the court's discretion.

The South Carolina Supreme Court set forth in In re Michael H., 360 S.C. 540, 602 S.E.2d 729 (2002), the factors to consider in authorizing bail pending appeal. Those factors include the probability of reversal, the nature of the crime, the possibility of escape, and the character and circumstances of the defendant.

A. The Probability of Reversal.



Under this factor this court does not determine the likelihood of reversal, but rather whether there are novel issues of law, whether an appeal is frivolous, or whether an appeal is filed merely for purposes of delay.

This court is aware that another defendant in this case was allowed to file an appeal bond after his conviction by a jury for several counts of securities fraud. One of the major factors in that case was the novel issues of law that were raised in that case. Those same or similar legal issues are involved in the present case. There have been very few criminal prosecutions for securities fraud in South Carolina.

However, in this case the defendant was also convicted of obtaining money by false pretenses and conspiracy. While those counts were related to securities fraud, the elements of those offenses have been addressed by South Carolina appellate courts on numerous occasions. There is a well-settled body of law dealing with each of those offenses.

B. The Nature of the Crime.

The defendant has been convicted of the three offenses noted above. The defense argues that the fact that such offenses are not classified as violent crimes supports the defendant's request for an appeal bond. However, the court's analysis does not end with an examination of whether a particular offense is classified as violent or nonviolent. The offenses in this case impacted thousands of South Carolinians. While no one was shot or assaulted or robbed, these victims have suffered personal and financial ruin as a direct result of these offenses. The defendant willfully participated in these offenses.

C. The Possibility of Escape.

Handwritten signature/initials

The state argues that the defendant is "the epitome of a flight risk." In support of this allegation, the state asserts that upon information and belief the defendant has sent money to off-shore bank accounts. Such statements, totally unsupported by any evidence presented to this court, only create in the victims of this case false hope of some treasure trove that will some day be theirs. These statements certainly do not assist the court in deciding whether to allow an appeal bond. Similarly, a simple statement by the defense witness that the defendant is not a flight risk is of little assistance to the court.

The court recognizes that the defendant has appeared at all court appearances, and that he has strong ties to the community. The court also recognizes that the defendant has historically been able to travel where and when he chose.

More importantly, there are a number of other charges still pending against the defendant. This fact in conjunction with the defendant's 20 year sentence impact whether the defendant is a flight risk.

D. The Character and Circumstances of the Defendant.

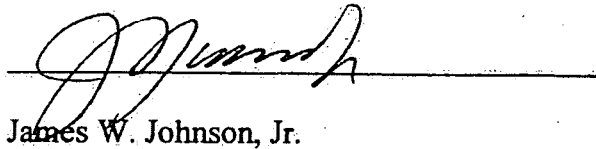
Through more than three weeks of testimony the court has heard numerous witnesses describe the defendant's conduct in this case. A defendant who maintains his innocence can not be faulted for not apologizing for his actions. However, the defendant's complete lack of concern for the victims in this case is a factor to consider.

Additionally, unlike another defendant in this case who was granted an appeal bond, this defendant is relatively young, 49 years of age, and apparently in good health. The other defendant was elderly and in failing health.

Handwritten signature/initials

When this defendant was convicted by a jury of securities fraud, obtaining money by false pretenses, and conspiracy, the presumption of innocence which he had previously enjoyed was stripped away. Having considered the factors set forth above, this court has concluded that bail pending appeal should not be granted. The defendant's Motion for Bond Pending Appeal is denied.

IT IS SO ORDERED this 26th day of February, 2007.

A handwritten signature in dark ink, appearing to read "J. Johnson", is written over a horizontal line.

James W. Johnson, Jr.

Circuit Judge

A handwritten mark or signature, possibly initials, is located at the bottom center of the page.

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FEB 14 2007

JAMES R. PARKS
CLERK, STATE GRAND JURY

STATE OF SOUTH CAROLINA
COUNTY OF LEXINGTON

) IN THE COURT OF GENERAL SESSIONS
) FOR THE ELEVENTH JUDICIAL CIRCUIT
)

STATE OF SOUTH CAROLINA

Criminal No.: 2005-GS-47-20

v.

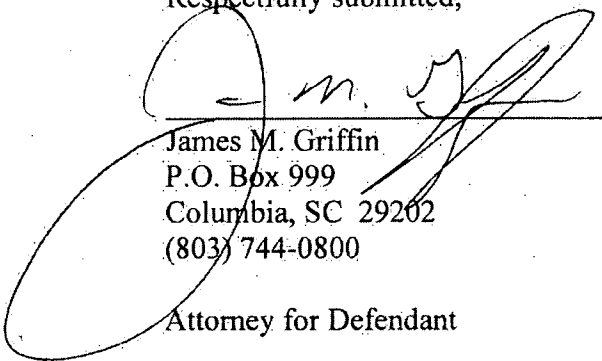
**MOTION FOR BOND PENDING APPEAL
AND REQUEST FOR EXPEDITED
HEARING**

RONALD J. SHEPPARD

Defendant, Ronald J. Sheppard, by and through his undersigned counsel hereby moves the Court for bond pending appeal pursuant to S.C. Appellate Rule 230(a), S.C. Code § 18-1-80 and 90 and *Holmes v. State*, 344 S.C. 41, 543 S.E.2d 537 (2001)..

A filed copy of Defendant's Notice of Appeal is attached hereto.

Respectfully submitted,



James M. Griffin
P.O. Box 999
Columbia, SC 29202
(803) 744-0800

Attorney for Defendant

Columbia, South Carolina

February 14, 2007

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STATE GRAND JURY
PROS SECTION

THE STATE OF SOUTH CAROLINA

IN THE SUPREME COURT

APPEAL FROM LEXINGTON COUNTY
CIRCUIT COURT

The Honorable James W. Johnson, Jr.
Circuit Court Judge

Criminal No.: 2005-GS-47-20

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FEB 12 2007

SC Court of Appeals

Ronald J. Sheppard,

Appellant,

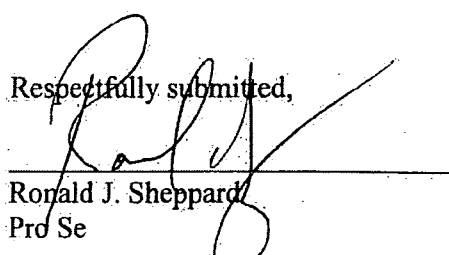
State of South Carolina,

Respondent.

NOTICE OF APPEAL

Appellant Ronald J. Sheppard appeals his conviction, sentence and judgment entered on February 7, 2007.

Respectfully submitted,



Ronald J. Sheppard
Pro Se

Columbia, South Carolina
February 12, 2007

Other Counsel of Record:

Jennifer Evans
South Carolina Attorney General's Office
P.O. Box 11549
Columbia, SC 29202

Attorney for Respondent
State of South Carolina

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FEB 14 2007

JAMES R. PARKS
CLERK, STATE GRAND JURY

THE STATE OF SOUTH CAROLINA
IN THE SUPREME COURT

APPEAL FROM LEXINGTON COUNTY
CIRCUIT COURT

The Honorable James W. Johnson, Jr.
Circuit Court Judge

Criminal No.: 2005-GS-47-20

Ronald J. Sheppard,

Appellant,

State of South Carolina,

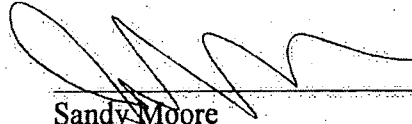
Respondent.

PROOF OF SERVICE

I, Sandy Moore, hereby certify that I have served a copy of the foregoing Notice of Appeal, in connection with the above-referenced case by mailing a copy of the same by United States Mail, postage prepaid, to the following addresses:

Jennifer Evans
South Carolina Attorney General's Office
P.O. Box 11549
Columbia, SC 29202

James R. Parks
Clerk, South Carolina State Grand Jury
1000 Assembly Street
Suite 519
Columbia, SC 29201


Sandy Moore

Columbia, South Carolina
February 12, 2007

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FEB 14 2007

JAMES R. PARKS
CLERK, STATE GRAND JURY

STATE OF SOUTH CAROLINA

) IN THE COURT OF GENERAL SESSIONS

COUNTY OF LEXINGTON

) FOR THE ELEVENTH JUDICIAL CIRCUIT

)

STATE OF SOUTH CAROLINA

Criminal No.: 2005-GS-47-20

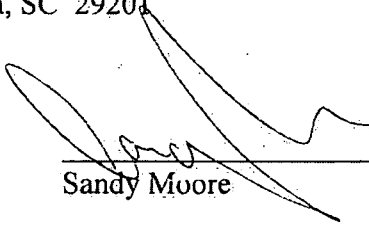
v.

CERTIFICATE OF SERVICE

RONALD J. SHEPPARD

I, Sandy Moore, an employee of the Law Firm of James Mixon Griffin, do hereby certify that I have served a copy of the foregoing Defendant's Motion for Bond Pending Appeal and Request for Expedited Hearing in connection with the above-referenced case by hand delivery to the following addresses:

Jennifer Evans
Assistant Attorney General
1000 Assembly Street, Fifth Floor
Columbia, SC 29201


Sandy Moore

Columbia, South Carolina
February 14, 2007

STATE OF SOUTH CAROLINA

IN THE COURT OF GENERAL SESSIONS

COUNTY OF LEXINGTON
STATE VS.
Ronald T. Sheppard
AKA:
Race W Sex M Age 49
DOB: SS#:
Address:
City, State, Zip: Lexington SC 29072
DL# SID#

INDICTMENT/CASE#: 05 GS 47-20 Count One
A/W#: DIRECT INDICTMENT
Date of Offense: 5/9/2000 - 7/15/2004
S.C. Code §: 35-1-26; 35-1-34
CDR Code #: 2615

SENTENCE SHEET FEB 07 2007

JAMES R. PARKS
CLERK, STATE GRAND JURY

In disposition of the said indictment comes now the Defendant who was ☒ CONVICTED OF or ☐ PLEADS

TO: Securities Fraud (0-10YRS +)

in violation of § 35-1-120(3); 1540.1 of the S.C. Code of Laws, bearing CDR Code # 2615

☒ NON-VIOLENT ☐ VIOLENT ☐ SERIOUS ☐ MOST SERIOUS ☐ Mandatory GPS (CSC ☐ §17-25-45
w/minor 1st or Lewd Act)

The charge is: ☒ As Indicted, ☐ Lesser Included Offense, ☐ Defendant Waives Presentment to Grand Jury (Defendant initial)

The plea is: ☐ Without Negotiations or Recommendation, ☐ Negotiated Sentence, ☒ Recommendation by the State

ATTEST:

James R. Parks
Solicitor

Ronald T. Sheppard
Defendant

[Signature]
Attorney for Defendant

WHEREFORE, the Defendant is committed to the ☒ State Department of Corrections, ☐ County Detention Center,
for a determinate term of 10 days/months/years or ☐ under the Youthful Offender Act not to exceed _____ years

and/or to pay a fine of \$ _____, provided that upon the service of _____ days/months/years and/or payment
of \$ _____ plus costs and assessments as applicable*, the balance is suspended with probation for _____

months/years and subject to South Carolina Department of Probation, Parole and Pardon Services standard conditions of probation, which
are incorporated by reference.

☐ CONCURRENT or ☐ CONSECUTIVE to sentence on:

☒ The Defendant is to be given credit for time served pursuant to S.C. Code §24-13-40 to be calculated and applied by the State
Department of Corrections.

☐ The Defendant is to be placed on Central Registry of Child Abuse and Neglect pursuant to S.C. Code §17-25-135.

SPECIAL CONDITIONS:

☐ RESTITUTION: ☐ Heard, ☐ Waived, ☐ Ordered

Total: \$ _____ plus 20% fee: \$ _____

Payment Terms:

☐ set by SCDPPPS

Recipient:

*Fine:	\$
§14-1-206 (Assessments 107.5%)	\$
§14-1-211(A)(1) (Conv. Surcharge)	\$100 \$ 100.00
§14-1-211(A)(2) (DUI Surcharge)	\$100 \$
§56-5-2995 (DUI Assessment)	\$12 \$
§35-13 (Public Def/Prob)	\$500 \$
§73-3, 1B TP (Law Enforce. Funding)	\$25 \$ 25.00
§33-7, 1B TP (Drug Court Surcharge)	\$100 \$
§50-21-114(BUI Breath Test Fee)	\$50 \$
§56-5-2942(J) (Vehicle Assessment)	\$40/ea \$
3% to County (if paid in installments)	\$ 3.75
TOTAL	\$ 128.75

PTUP

_____ days/hours Public Service Employment

Obtain GED

Attend Voc. Rehab. or Job Corp. _____

May serve W/E beginning _____

Substance Abuse Counseling _____

Random Drug/Alcohol Testing: _____

Fine may be pd. in equal, consecutive weekly/monthly

pmts. of \$ _____ beginning _____

\$ _____ paid to Public Defender Fund

Other: _____

☐ Appointed PD or appointed other counsel, §35.13 TP
Requires \$500 be paid to Clerk during probation.

James R. Parks
Clerk of Court/Deputy Clerk
Court Reporter: Jay E. Holston

PRESIDING JUDGE

Judge Code: 2 15 15

Sentence Date: 2-7-07

STATE OF SOUTH CAROLINA

IN THE COURT OF GENERAL SESSIONS

COUNTY OF LEXINGTON
STATE VS.
Ronald J. Sheppard
AKA: _____
Race: W Sex: M Age: 49
DOB: 5 S
Address: 1
City, State, Zip: Lexington SC 29077
DL# _____ SID# _____

INDICTMENT/CASE# 05-GS-47-20 Count 7
AW#: DIRECT INDICTMENT
Date of Offense: 2000 - March 2003
S.C. Code §: 16-13-240(1)
CDR Code #: 422

SENTENCE SHEET FEB 07 2007

In disposition of the said indictment comes now the Defendant who was ☒ CONVICTED OF or ☐ PLEADS CLERK, STATE GRAND JURY
TO Obtaining Property by False Pretenses > \$5,000 (0-10 yrs)
in violation of § 16-13-240(1) of the S.C. Code of Laws, bearing CDR Code # 422
☒ NON-VIOLENT ☐ VIOLENT ☐ SERIOUS ☐ MOST SERIOUS ☐ Mandatory GPS (CSC) ☐ \$17-25-45
w/minor 1st or Lewd Act)

The charge is: ☒ As Indicted, ☐ Lesser Included Offense, ☐ Defendant Waives Presentment to Grand Jury. _____ (Defendant initial)
The plea is: ☐ Without Negotiations or Recommendation, ☐ Negotiated Sentence, ☐ Recommendation by the State.
ATTEST:

James R. Parks
Solicitor

Ronald J. Sheppard
Defendant

James R. Parks
Attorney for Defendant

WHEREFORE, the Defendant is committed to the ☒ State Department of Corrections, ☐ County Detention Center,
for a determinate term of 5 days/months/years or ☐ under the Youthful Offender Act not to exceed _____ years
and/or to pay a fine of \$ _____, provided that upon the service of _____ days/months/years and/or payment
of \$ _____, plus costs and assessments as applicable, the balance is suspended with probation for _____
months/years and subject to South Carolina Department of Probation, Parole and Pardon Services standard conditions of probation, which
are incorporated by reference.
☐ CONCURRENT or ☒ CONSECUTIVE to sentence on: obtain conspiracy count 2-7-07
☐ The Defendant is to be given credit for time served pursuant to S.C. Code §24-13-40 to be calculated and applied by the State
Department of Corrections.
☐ The Defendant is to be placed on Central Registry of Child Abuse and Neglect pursuant to S.C. Code §17-25-135.

SPECIAL CONDITIONS:

☐ RESTITUTION: ☐ Heard, ☐ Waived, ☐ Ordered
Total: \$ _____ plus 20% fee: \$ _____
Payment Terms: _____
☐ set by SCDPPPS

PTUP

_____ days/hours Public Service Employment

Obtain GED
Attend Voc. Rehab. or Job Corp.
May serve W/E beginning _____
Substance Abuse Counseling
Random Drug/Alcohol Testing
Fine may be pd. in equal, consecutive weekly/monthly
pmts. of \$ _____ beginning _____
\$ _____ paid to Public Defender Fund
Other: _____

Recipient: _____
*Fine: \$ _____
\$14-1-206 (Assessments 107.5%) \$ _____
\$14-1-211(A)(1) (Conv. Surcharge) \$100 \$ 100.00
\$14-1-211(A)(2) (DUI Surcharge) \$100 \$ _____
\$56-5-2995 (DUI Assessment) \$12 \$ _____
\$35-13 (Public Def/Prob) \$500 \$ _____
\$73.3, 1B TP (Law Enforce. Funding) \$25 \$ 25.00
\$33.7, 1B TP (Drug Court Surcharge) \$100 \$ _____
\$50-21-114(BUI Breath Test Fee) \$50 \$ _____
\$56-5-2942(J) (Vehicle Assessment) \$40/ea \$ _____
3% to County (if paid in installments) \$ 3.75
TOTAL \$ 128.75

☐ Appointed PD or appointed other counsel, §35-13 TP
Requires \$500 be paid to Clerk during probation.

James R. Parks
Clerk of Court Deputy Clerk
Court Reporter: Joe E. Hooton

PRESIDING JUDGE
Judge Code: 210 15 15
Sentence Date: 2-7-07

STATE OF SOUTH CAROLINA

IN THE COURT OF GENERAL SESSIONS

COUNTY OF LEXINGTON
STATE VS.
Ronald J. Sheppard
AKA:
Race: W Sex: M Age: 49
DOB: SS#
Address:
City, State, Zip: Lexington SC 29077
DL# SID#

INDICTMENT/CASE# OS GS 47-20 Count II
AW# DIRECT INDICTMENT
Date of Offense: May 2000 - August 2004
S.C. Code §: 16-17-410
CDR Code #: 102

SENTENCE SHEET

FEB 07 2007

In disposition of the said indictment comes now the Defendant who was ☐ CONVICTED OF or ☐ PLEADS TO Conspiracy 10-5 yrs
in violation of § 16-17-410 of the S.C. Code of Laws, bearing CDR Code # 102
☒ NON-VIOLENT ☐ VIOLENT ☐ SERIOUS ☐ MOST SERIOUS ☐ Mandatory GPS (CSC w/minor 1" or Lewd Act) ☐ §17-25-45

JAMES R. PARKS
CLERK STATE GRAND JURY

The charge is: ☒ As Indicted, ☐ Lesser Included Offense, ☐ Defendant Waives Presentment to Grand Jury. (Defendant initial)
The plea is: ☐ Without Negotiations or Recommendation, ☐ Negotiated Sentence, ☐ Recommendation by the State.
ATTEST:

James D. Evans Solicitor Ronald J. Sheppard Defendant James R. Parks Attorney for Defendant

WHEREFORE, the Defendant is committed to the ☒ State Department of Corrections, ☐ County Detention Center, for a determinate term of 5 days/months/years or ☐ under the Youthful Offender Act not to exceed years and/or to pay a fine of \$; provided that upon the service of days/months/years and/or payment of \$; plus costs and assessments as applicable; the balance is suspended with probation for months/years and subject to South Carolina Department of Probation, Parole and Pardon Services standard conditions of probation, which are incorporated by reference.
☐ CONCURRENT or ☒ CONSECUTIVE to sentence on: securities fraud count 2-7-07
☐ The Defendant is to be given credit for time served pursuant to S.C. Code §24-13-40 to be calculated and applied by the State Department of Corrections.
☐ The Defendant is to be placed on Central Registry of Child Abuse and Neglect pursuant to S.C. Code §17-25-135.

SPECIAL CONDITIONS:

☐ RESTITUTION: ☐ Heard, ☐ Waived, ☐ Ordered
Total: \$ plus 20% fee: \$
Payment Terms:
☐ set by SCDPPPS
Recipient:
*Fine: \$
§14-1-206 (Assessments 107.5%) \$
§14-1-211(A)(1) (Conv. Surcharge) \$100 \$ 100.00
§14-1-211(A)(2) (DUI Surcharge) \$100 \$
§56-5-2995 (DUI Assessment) \$12 \$
§35-13 (Public Def/Prob) \$500 \$
§73-3, 1B TP (Law Enforce. Funding) \$25 \$ 25.00
§33-7, 1B TP (Drug Court Surcharge) \$100 \$
§50-21-114(BUI Breath Test Fee) \$50 \$
§56-5-2942(J) (Vehicle Assessment) \$40/ea \$
3% to County (if paid in installments) \$ 3.15
TOTAL \$ 125.15

PTUP days/hours Public Service Employment
Obtain GED
Attend Voc Rehab or Job Corp.
May serve W/E beginning
Substance Abuse Counseling
Random Drug/Alcohol Testing
Fine may be pd. in equal, consecutive weekly/monthly
pmts. of \$ beginning
\$ paid to Public Defender Fund
Other:
☐ Appointed PD or appointed other counsel §35-13 TP
Requires \$500 be paid to Clerk during probation.

James R. Parks
Clerk of Court Deputy Clerk
Court Reporter: CPA F. R. R. R.

PRESIDING JUDGE
Judge Code: 201515
Sentence Date: 2-7-07

FILED

FEB 06 2007

JAMES R. PARKS
CLERK, STATE GRAND JURY

State of South Carolina)
)
 v.)
)
 Ronald J. Sheppard,)
 Defendant.)
 _____)

2005-GS-47-20

CHARGE: Securities Fraud

1. Not Guilty

Foreperson

2. Guilty


Foreperson

If guilty, indicate the amount of loss resulting from the Defendant's actions:

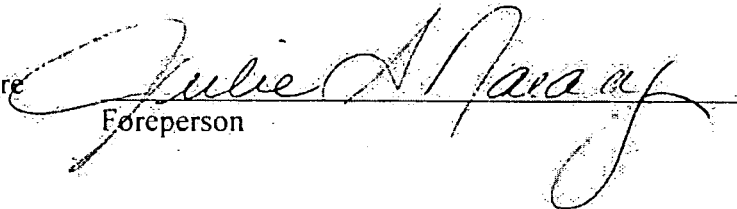
A. 0 -- \$1,000

Foreperson

B. \$1,001 -- \$19,999

Foreperson

C. \$20,000 or more


Foreperson

February 6, 2007

V.
Ronald J. Sheppard,
Defendant.

FILED

FEB 06 2007

JAMES R. PARKS
CLERK, STATE GRAND JURY

1. Not Guilty

Foreperson

2. Guilty

Foreperson


Foreperson

State of South Carolina)

v.)

Ronald J. Sheppard,)
Defendant.)
_____)

2005-GS-47-20

FILED

FEB 06 2007

JAMES R. PARKS
CLERK, STATE GRAND JURY

CHARGE: Conspiracy

1. Not Guilty

Foreperson

2. Guilty



Foreperson

February 6, 2007

STATE GRAND JURY OF SOUTH CAROLINA

STATE OF SOUTH CAROLINA

vs.

RONALD J. SHEPPARD,

Defendant.

Case No. 2005-GS-47-20

Superseding Indictment
for Securities Fraud,
Insurance Fraud, Bank Fraud,
Forgery, Obtaining Goods Under
False Pretenses, Breach of Trust,
Perjury, and Conspiracy

FILED

FEB 21 2006

CLERK, STATE GRAND JURY
USA C. DUNBAR

At a session of the State Grand Jury of South Carolina, convened in Columbia, South Carolina, on February 21, 2006, the State Grand Jurors present upon their oath and charge as follows:

Background and Summary

1. Carolina Investors, Inc. (Carolina Investors) was a South Carolina Corporation whose executive offices were located in Pickens, South Carolina. Carolina Investors had branch offices in Pickens, Greenville, and Anderson counties.
2. Carolina Investors was formed in 1963 by a Pickens, South Carolina businessman, who owned and operated a chain of perpetual care cemeteries. Carolina Investors' initial function was to finance the sale of cemetery plots through the annual sale of one year subordinated debentures and notes to the general public.
3. Subsequently, Carolina Investors engaged in other types of lending in South Carolina, including sub-prime home mortgage lending; small construction loans; sub-prime automobile loans; and sub-prime loans for the purchase of appliances. Carolina Investors formed two subsidiaries, The Loan Pro\$, Inc.

("Loan Pro\$"), and Premier Financial Services, Inc. ("Premier"), in 1987 and 1989 respectively, to conduct its automobile and appliance finance businesses.

4. In May 1991, Carolina Investors was acquired by National Railway Utilization Corporation ("NRUC"). In August 1991, NRUC changed its name to Emergent Group, Inc. ("Emergent").
5. Under Emergent, Carolina Investors continued its retail home mortgage business and the financing of automobile and appliance purchases. Carolina Investors also expanded into the wholesale mortgage business which involved funding, selling, and servicing sub-prime first and second home mortgages originated by loan brokers.
6. In June 1995, Emergent began to restructure its subsidiaries. As part of the restructuring, the stock of Loan Pro\$ and Premier was transferred to Emergent. In June 1995, Emergent borrowed \$15,000,000 from Carolina Investors and formed a new entity, Emergent Mortgage Corporation ("EMC"), to conduct and expand the wholesale and retail mortgage operations.
7. The formation of EMC marked the beginning of the inter-company debt between Carolina Investors and its parent corporation. It was also at this point that Carolina Investors ceased substantially all of its external lending activities.
8. Contemporaneous with the formation of EMC, Emergent undertook many of Carolina Investors' internal administrative functions, including the

accounting. As a result, Carolina Investors ceased to be a stand-alone business and its operations were devoted almost exclusively to the sale of debt instruments to raise funds that were transferred to Emergent and its various subsidiaries. Emergent's debt increased from approximately \$304,000 in 1995 to approximately \$242.2 million by the end of 2002.

9. Beginning in 1998, Emergent began suffering substantial operating losses. As a result, it sold all of the assets of its subsidiaries except for EMC and Carolina Investors. In March 1998, the retail mortgage business of Emergent, referred to as EMC, changed its name to HomeGold, Incorporated ("HomeGold"). Emergent, the parent corporation, changed its name to HomeGold Financial, Incorporated ("HomeGold Financial") in July 1998.
10. Likewise in 1998, HomeGold began to buy back bonds it had sold in 1997 in a \$125,000,000 offering. During the years 1998-2001, HomeGold was able to repurchase the bonds at approximately 37% - 60% of face value, reflecting concern in the bond market that HomeGold's financial condition would prevent it from paying the bonds when due. Carolina Investors, nevertheless, continued to sell its debt securities to the public at 100% face value and to upstream virtually all funds to HomeGold.
11. HomeGold's losses continued in 1999, and HomeGold formulated a plan to merge with another company. The apparent intent was to merge with a company that possessed substantial experience in the mortgage origination industry. Two merger attempts failed after the due diligence efforts of the then CFO, Kevin Mast and then CEO, Keith Giddens, revealed negative

financial information regarding the merger targets. On May 9, 2000, HomeSense Financial Corporation and affiliated companies ("HomeSense"), were merged into HomeGold, Inc. Defendant Ronald J. Sheppard was HomeSense's primary shareholder. Upon consummation of the merger, Defendant Ronald J. Sheppard became the Chief Executive Officer and a director of HomeGold Financial. Defendant Ronald J. Sheppard also became a director of both HomeGold and Carolina Investors. HomeGold, however, continued to report losses in 2000, 2001 and 2002.

12. As HomeGold's substantial operating losses continued, the indebtedness of HomeGold to Carolina Investors also substantially increased.
13. In or about April 2001, the Defendant Ronald J. Sheppard, decided to relocate the HomeGold headquarters from Pelham Road in Greenville, South Carolina to Lexington County, South Carolina.
14. Despite the massive losses, continuously unprofitable operations, continuing financial instability of HomeGold and the increasing inter-company debt, in April 2002, Carolina Investors issued a prospectus in connection with the sale to the public of \$180,000,000 of Series 2003 Floating Rate Notes and \$40,000,000 of Series H 6% Subordinated Debentures. The prospectus contained a going concern qualification, as well as an impairment of the inter-company debt owed by HomeGold/HomeGold Financial to Carolina Investors. The certified public accountants, Elliott Davis LLC (Elliott Davis), who were auditing HomeGold and Carolina Investors, issued a qualification to Carolina Investors' financial statement to explain that the auditors had

substantial doubt as to whether Carolina Investors would be able to stay in business as a going concern. In addition, the auditors required Carolina Investors to deduct an impairment allowance from the value of the loans it had made to HomeGold because, in the auditors' opinion, it was probable that Carolina Investors would be unable to collect the entire amount owed by HomeGold.

15. Notwithstanding the conclusions of the auditors, Carolina Investors continued to sell its securities to the public and all available cash was upstreamed to the parent corporation, seemingly without regard to the doubtful ability of the parent corporation to repay the outstanding obligations. In fact, Carolina Investors sold to the public over \$74,000,000 of debt securities between April 1 and December 31, 2002, and over \$16,000,000 from January 1 through March 21, 2003.
16. On March 21, 2003, Carolina Investors closed its doors to the public, and thousands of investors were unable to obtain the monies they had invested in Carolina Investors.
17. Further, Defendant Ronald J. Sheppard participated in public hearings during bankruptcy court proceedings and other litigation that arose from the demise of Carolina Investors and HomeGold. In doing so, Defendant Sheppard continued to perpetuate the fraud upon the holders of HomeGold and Carolina Investors securities.

COUNT ONE
Securities Fraud
(Violation S.C. Code Section 35-1-1210(3)
and Section 35-1-1590(1))

18. The allegations contained in paragraphs one (1) through seventeen (17) are repeated and realleged as if set forth verbatim herein.
19. Defendant Ronald J. Sheppard, and others, both known and unknown to the State Grand Jury, did engage in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon a "person" as defined in South Carolina Code Section 35-1-20, in many ways, including, but not limited to the following:

MEANS AND METHODS

20. On May 9, 2000, HomeSense and affiliated companies were merged into HomeGold. Defendant Ronald J. Sheppard, HomeSense's primary shareholder, became Chief Executive Officer and a director of HomeGold Financial, and a director of both HomeGold and Carolina Investors.
21. Defendant Ronald J. Sheppard, as CEO and a director of HomeGold, and other individuals at HomeGold, both known and unknown to the State Grand Jury, did in Lexington County, in connection with the offer, sale or purchase of a security, either directly or indirectly, engage in a fraudulent course of business from approximately May 2000 until HomeGold's ultimate demise in March 2003 and during bankruptcy court proceedings and other litigation that arose from the demise of Carolina Investors and HomeGold, which operated as a fraud or deceit upon numerous persons, or individuals, corporations,

partnerships, associations, joint-stock companies, trusts where the interests of the beneficiaries are evidenced by a security, unincorporated organizations, governments or political subdivisions of a government, in violation of S.C. Code Section 35-1-1210(3) to wit: Beginning in approximately 1998, HomeGold Financial began to suffer substantial operating losses. These losses continued until HomeGold filed for protection pursuant to Chapter 11 of the Bankruptcy Code. These operating losses were funded primarily by upstreaming funds from Carolina Investors as a "loan". As this inter-company debt grew, HomeGold's ability to repay the "loan" became increasingly less likely. It was necessary for those individuals at HomeGold to keep this fact hidden from certain members of the Carolina Investors' Board of Directors, namely Don Cook Bobo and Danny Ray Sharpe, government regulators, and the purchasers of Carolina Investors' subordinated notes and debentures. Defendant Ronald J. Sheppard, and others at HomeGold and Carolina Investors, engaged in a course of business in which they intentionally withheld the true financial condition of the company and its ability to repay the debt to Carolina Investors, and ultimately, Carolina Investors' ability to repay its note holders.

22. These actions were part of a course of business and a deliberate attempt to perpetrate a fraud which caused a financial loss to a number of investors, some of whom lost more than twenty thousand dollars (\$20,000).

23. Defendant Ronald J. Sheppard and others exploited the corporate structure of HomeGold to control the flow of information between the HomeGold Board

of Directors and directors Don Cook Bobo and Danny Ray Sharpe of the Carolina Investors' Board of Directors, and even further, to the holders of Carolina Investors' subordinated notes and debentures.

24. During the period of the offense, the Defendant Ronald J. Sheppard and others, with the intent to participate in, and advance the financial affairs of themselves and HomeGold, engaged in a fraudulent course of business and are criminally liable for criminal acts including but not limited to as follows:

Terms of Merger for Defendant Sheppard

25. The allegations contained in paragraphs one (1) through twenty four (24) are repeated and realleged as if set forth verbatim herein.
26. Defendant Ronald J. Sheppard's fraudulent conduct, which perpetrated and perpetuated the fraud, began in approximately 2000 during the course of the merger between HomeSense and HomeGold. Defendant Ronald J. Sheppard and others, both known and unknown to the State Grand Jury, used the merger and its underlying details to further the fraud in many ways, including but not limited to the following:
27. Pursuant to the terms of the merger, Defendant Ronald J. Sheppard, for his interest in HomeSense, received, among other things, a \$5.7 million non-recourse loan in the form of a \$4 million cash advance along with HomeGold Financial assuming \$1.7 million worth of personal debt.
28. Pursuant to the terms of the merger, Defendant Ronald J. Sheppard received 6,072,370 shares of the common stock and all 10,000,000 shares of the

preferred stock. In addition, Defendant Ronald J. Sheppard received options to purchase 825,423 shares of common stock at an exercise price of \$1.75 per share as part of his employment agreement with HomeGold.

29. The loan addressed herein was secured only by the HomeGold stock that Defendant Ronald J. Sheppard acquired at the consummation of the merger. HomeGold loaned the money to Defendant Ronald J. Sheppard at an interest rate of approximately 7.5%. The dividends from the stock addressed above essentially equaled Defendant Ronald J. Sheppard's obligation to make interest payments on the note. Defendant Ronald J. Sheppard convinced HomeGold to structure the note to look like a loan, and not income, in an effort to avoid paying income taxes on the proceeds of the financial transaction. However, as it was a non-recourse note and the dividends from the stock paid for the interest on the loan, it was essentially a \$5.7 million payment.

30. Nevertheless, in the proxy statement soliciting approval by the HomeGold Financial shareholders, Defendant Ronald J. Sheppard's \$5.7 million note was reported as an asset for HomeGold Financial. This, however, was not correct. As it was a non-recourse note, it was unlikely that it would be paid back by Defendant Ronald J. Sheppard, and therefore was essentially a \$5.7 million overstatement of the equity of HomeGold at the time of the merger.

31. The non-recourse promissory note matured on or about May 9, 2001. The loan is still outstanding as it was not paid in 2001, 2002, 2003, 2004 or 2005. In fact, no payments were ever made under the terms specified in the loan.

32. Subsequent to the merger, Defendant Ronald J. Sheppard made statements to other individuals that he had no intention of paying back the loan due to it being of a non-recourse nature.
33. Additionally, on or about May 9, 2000, or at least contemporaneous with the merger of HomeGold and HomeSense, as part of the merger agreement, Defendant Ronald J. Sheppard and representatives from HomeGold entered into a Mutual Indemnity Agreement. This indemnified both HomeGold and Defendant Ronald J. Sheppard from losses incurred as a result of a breach of certain warranties associated with the merger. Set forth therein is a provision providing that in the event the total equity (i.e. assets less total liabilities) of HomeSense at the closing of the merger did not equal at least \$2,373,233, as determined by generally accepted accounting principles, then Defendant Ronald J. Sheppard would have to immediately pay to HomeGold, in cash, the amount of the deficiency.
34. Thereafter, on January 30, 2001, HomeGold Financial and Defendant Ronald J. Sheppard entered into an agreement which cancelled the mutual indemnity agreement addressed above. The agreement states that it would be in the best interest of all parties, as well as the shareholders of HomeGold, to cancel the mutual indemnity agreement. However, this was not part of the agreement that was presented to the shareholders, and this transaction actually created a negative net worth in terms of the agreement relating to the money the Defendant Ronald J. Sheppard would have to pay to HomeGold.

35. The effect of the January 30, 2001, agreement was that it cancelled Defendant Sheppard's obligation to pay to HomeGold the amount of the deficiency in equity pursuant to the mutual indemnity agreement. This agreement was not presented to the shareholders prior to its execution, and more importantly, it was not in the shareholders' best interest for Defendant Ronald J. Sheppard not to provide the cash to make up the deficiency.

WAREHOUSE LINES OF CREDIT

36. The allegations set forth in Paragraphs one (1) through thirty five (35) are repeated and realleged as if set forth herein.
37. As stated above, HomeGold Financial, along with its subsidiary HomeGold, was a specialty finance company engaged in the business of originating, marketing, selling, and servicing sub-prime first and second lien residential mortgage loan products.
38. In order to fund these mortgages, HomeGold relied upon warehouse lines of credit from numerous lenders. HomeGold's ability to maintain warehouse lines of credit was essential to keeping HomeGold a viable entity and maintaining the appearance of a financially strong company. One such warehouse lender was CIT of New York.
39. In or about July of 2000, Defendant Ronald J. Sheppard and other representatives from HomeGold went to a meeting at the offices of CIT in

New York. CIT had requested the meeting due to the precarious financial position of HomeGold.

40. The representatives from CIT informed HomeGold that it would be immediately reducing the warehouse line of credit to \$100,000,000 and then to \$50,000,000 and would gradually close the line of credit by the year's end.
41. CIT's reasoning for this was that there was a looming inter-company debt. Specifically, it was relayed to HomeGold officials that CIT did not want to have priority over the claim of the debenture holders of Carolina Investors based upon the nature of the debt, to whom the debt was owed, and HomeGold's ability to repay the loan.
42. As of this meeting in or about July of 2000, it was readily apparent to not only HomeGold directors and employees, but also to its creditors, that the inter-company debt was an insurmountable issue. Defendant Ronald J. Sheppard, by his own admission, had direct knowledge of this fact.
43. As a result of losing this source of funding for the mortgages, HomeGold was forced to find funding elsewhere. The readily available source was to keep upstreaming funds from Carolina Investors and therefore, Carolina Investors acted like HomeGold's own line of credit.
44. The fact that HomeGold was using these funds from Carolina Investors on a regular basis, and the fact that HomeGold could not repay those funds, had to be kept from certain individuals at Carolina Investors, namely Don Cook Bobo and Danny Ray Sharpe, government regulators, the investment

counselors and most importantly, from the holders and potential purchasers of Carolina Investors' notes and debentures.

INTER-COMPANY DEBT

45. The allegations contained in paragraphs one (1) through forty four (44) are repeated and realleged as if set forth verbatim herein.
46. Defendant Ronald J. Sheppard, and others, both known and unknown to the State Grand Jury, as part of the course of business perpetrated and perpetuated the fraud using the inter-company debt in many ways, including but not limited to the following:
 47. As addressed above, the use of the funds from Carolina Investors and the fact that HomeGold could not pay back that sum, had to be kept from certain individuals such as Carolina Investors' directors Don Cook Bobo and Danny Ray Sharpe, government regulators, and holders and potential customers of Carolina Investors' subordinated notes and debentures. HomeGold, and its alter-ego, Carolina Investors, needed to appear financially sound.
 48. In order to operate, HomeGold needed to maintain the appearance of a certain financial position to retain its mortgage lending licenses in a number of states. These licensing agencies required the submission of annual audited financial statements. If the audited financial statement showed that HomeGold was insolvent, its license(s) would not have been renewed. Without these licenses, HomeGold would not be able to conduct its business.

49. Prior to 2000, HomeGold Financial, and its predecessor companies, submitted consolidated financial statements to these licensing authorities rather than a separate statement of HomeGold, which was the actual licensee. As of December 31, 2000, this presented a problem because a consolidated financial report would have shown HomeGold Financial to have been insolvent, in that it would have had a negative net worth.
50. In an attempt to ensure a "positive" financial status and in response to repeated operating losses, the Boards of HomeGold and Carolina Investors approved a series of internal financial transactions.
51. These transactions had no true effect on the overall financial condition of the companies, but the transactions were further part of the course of business designed to impact the financial statements of HomeGold and to convince various state regulatory agencies that HomeGold was solvent. By convincing the state agencies of the financial stability of HomeGold, the company was allowed to keep its licensing, and as a result, continue to operate and continue to upstream money from Carolina Investors and the purchasers of Carolina Investors' subordinated notes and debentures.
52. The financial transactions were as follows:
- a. As of December 31, 2000, HomeGold Financial assumed all of the debts owed by HomeGold to Carolina Investors, which totaled approximately \$100,840,449.
 - b. HomeGold Financial, of which Defendant Sheppard was the CEO and a director, executed a revolving promissory note dated

December 31, 2000, payable to Carolina Investors in the amount of \$125,000,000 and with a maturity date of December 31, 2005, to cover not only the debt assumed from HomeGold, but also any necessary future advances from Carolina Investors to HomeGold.

- c. HomeGold Financial recorded this transaction as a contribution to the capital of HomeGold through an Assumption of Debt and Capital Contribution Agreement (Assumption Agreement).
- d. Pursuant to the Assumption Agreement, HomeGold technically guaranteed the repayment to Carolina Investors of the amounts assumed by HomeGold Financial.
- e. On or about January 2, 2001, HomeGold executed a secured revolving promissory note payable to Carolina Investors in the amount of \$75,000,000, which was payable on December 31, 2005.
- f. In order to secure the guaranty mentioned above, and the revolving promissory note, HomeGold granted Carolina Investors a security interest in certain property. These security interests were not perfected.
- g. The assets that allegedly secured these interests were certain accounts receivable, and HomeGold's used equipment located in South Carolina, which had very little actual value.

53. As of March 29, 2001, HomeGold Financial entered into a three party agreement whereby HomeGold's indebtedness to Carolina Investors was assumed by HomeGold Financial, and HomeGold's liability was limited to guaranteeing HomeGold Financial's indebtedness to Carolina Investors. Therefore, because HomeGold did not directly owe this money to Carolina Investors, it was not necessary for it to list the debt as a liability on the balance sheet. It was only required that it be listed as a footnote.
54. Having HomeGold Financial become primarily liable on the loan from Carolina Investors instead of HomeGold, should not have resulted in such a dramatic change in the financial statements for HomeGold because the obligations had not materially changed. HomeGold Financial had no significant assets other than stock in HomeGold and Carolina Investors. These financial manipulations evidence a course of business conduct aimed at converting a liability, which had been on HomeGold's balance sheet, to an asset in order to mislead not only state licensing agencies and government regulators, but ultimately, the holders of Carolina Investors' subordinated notes and debentures.
55. The internal financial transactions set forth above removed approximately \$100,000,000 of debt from HomeGold. This gave HomeGold the appearance of solvency. This series of financial transactions was an intentional manipulation of the appearance and financial status of HomeGold's equity, which was positive as a result of the transaction.

56. This same conduct was repeated in 2001, and was on the books to occur again for the end of the year 2002, but did not occur because HomeGold Financial and its related entities closed their doors in March 2003.

Valuations

57. The allegations set forth in paragraphs one (1) through fifty six (56) are repeated and realleged as if set forth verbatim herein.
58. Based upon the failure of HomeGold to meet projections throughout 2001, individuals at the auditing firm of Elliot Davis requested that a valuation be conducted for the HomeGold retail mortgage division.
59. HomeGold management sent information to CBIZ Valuation Counselors, a company located in New Jersey, which performed a valuation of the division. The valuation was based upon an income statement and other documents prepared internally by HomeGold. CBIZ was not provided with a balance sheet for that portion of the business. Further, HomeGold management provided CBIZ with a multi-year projection of operations covering the mortgage production business. These projections were unrealistic based upon HomeGold's past performance.
60. This valuation excluded costs relating to corporate infrastructure and administration, as well as various areas of mortgage production and support. CBIZ accepted the documents provided by HomeGold without further investigation as proper representations of HomeGold's operations. CBIZ did

not independently investigate the accuracy or completeness of the data, which was disclosed and disclaimed in the valuation when it was sent to HomeGold on March 8, 2002.

61. Additionally, it was explicitly detailed by CBIZ that this valuation was to be used by HomeGold for internal purposes only, for its business planning, and neither the valuation, nor its contents, should be referred to or quoted in any registration statement, prospectus, offering memorandum, sales brochure, other appraisal, loan, or other agreement or document given to third parties without CBIZ's prior approval. Based upon information and belief, CBIZ did not give permission for this to be used in any manner set out above.
62. This evaluation was sent to Elliot Davis, which rejected this valuation and told HomeGold management to obtain a new appraisal.
63. The Defendant, Ronald J. Sheppard and others, used this valuation to continue to represent that HomeGold was a viable company and to continue a course of business aimed at misleading not only the State licensing agencies, government regulators, certain members of the Board of Directors of Carolina Investors, namely Don Cook Bobo and Danny Ray Sharpe, and government regulators, but ultimately holders of Carolina Investors' subordinated notes and debentures.
64. Subsequently, another valuation was prepared by Deloitte & Touche which was also based upon income statements prepared internally by HomeGold. Deloitte & Touche was not provided with a balance sheet for that portion of the business. Further, HomeGold management provided Deloitte & Touche

with a multi-year projection of operations covering the mortgage production business. HomeGold did not provide a projection for 2003. Again, these projections were unrealistic based upon HomeGold's past performance.

65. This valuation excluded costs relating to corporate infrastructure and administration, as well as various areas of mortgage production and support. Deloitte & Touche also accepted the documents by HomeGold without additional investigation as proper representations of HomeGold's operations. Deloitte & Touche did not independently investigate the accuracy or completeness of the data, which was put in the valuation when it was sent to HomeGold on April 2, 2002.

66. Additionally, it was explicitly detailed by Deloitte & Touche that this valuation was to be used for internal purposes only, for business planning, and that the valuation and its contents should not be referred to or quoted in any registration statement, prospectus, offering memorandum, sales brochure, other appraisal, loan or other agreement or document given to third parties without Deloitte & Touche's prior approval. Based upon information and belief, Deloitte & Touche did not give permission for this to be used in any manner set out above. Deloitte & Touche specifically detailed that the purpose of this valuation was for financial reporting purposes regarding impairment of a loan from Carolina Investors, and not to be used for any other purpose or given to a third party.

67. Defendant Ronald J. Sheppard used this valuation to continue to represent that HomeGold was a viable company and to continue a course of business aimed

at misleading the State licensing agencies, government regulators, certain members of the Board of Directors of Carolina Investors, namely Don Cook Bobo and Danny Ray Sharpe, and ultimately the holders of Carolina Investors' subordinated notes and debentures.

68. During the Summer and Fall of 2002, HomeGold attempted to actively market for sale the retail mortgage operations of HomeGold while simultaneously retaining Bankruptcy counsel to prepare a disaster plan, which included some form of receivership for Carolina Investors. In addition, the Chief Financial Officer of HomeGold, Kevin Martin, resigned in part due to his belief that the sale of securities through Carolina Investors should cease immediately because repayment of the debt to the investors was no longer possible. A copy of Mr. Martin's resignation letter was provided to all officers and directors of HomeGold, including Defendant Ronald J. Sheppard.

EMMCO TRANSACTION

69. The allegations contained in paragraphs one (1) through sixty eight (68) are repeated and realleged as if set forth verbatim herein.
70. After the loss of warehouse credit lines, from CIT and other entities, HomeGold reached the conclusion that it needed to sell its retail mortgage division and it began to actively seek potential buyers. Defendant Ronald J. Sheppard and others, both known and unknown to the State Grand Jury, used

the EMMCO transaction to perpetrate and perpetuate the fraud in a number of ways, including but not limited to the following:

71. On November 6, 2002, after repeated attempts to sell the retail mortgage division, Defendant Ronald J. Sheppard presented a proposal to the HomeGold Financial Board of Directors whereby he would resign in his role as an officer and director of HomeGold and purchase the retail mortgage division. Because of Defendant Ronald J. Sheppard's allegedly extensive contacts in the industry, he represented that he could obtain approximately \$100 million warehouse lines of credit secured in his name. Moreover, Defendant Ronald J. Sheppard indicated that he would not use HomeGold's name because of the inability of HomeGold to secure similar financing. Defendant Ronald J. Sheppard and his company EMMCO were then supposed to pay a percentage of any profits back to HomeGold.
72. On December 31, 2002, after not being able to find a purchaser willing to buy the retail mortgage division for a suitable amount, HomeGold consummated the sale of the retail mortgage division and related assets to EMMCO, LLC (EMMCO) and R-Doc, LLC (R-Doc), which were South Carolina Limited Liability Companies formed by Defendant Ronald J. Sheppard. Defendant Ronald J. Sheppard's consideration paid for these assets amounted to little more than an interest in the newly formed company and a hoped for distribution of future profits.
73. Specifically, Defendant Ronald J. Sheppard purchased the retail mortgage division for \$150,000 in cash and a "capped earn out", which would have

required Defendant Ronald J. Sheppard to pay money back to HomeGold out of the profits he earned through EMMCO. Additionally, HomeGold Financial loaned \$5 million to R-Doc and sold to R-Doc an office location in Lexington, South Carolina. The \$5 million loan was structured as a \$3 million cash payment and \$2 million worth of "in-kind" services, which included accounting and other services performed by HomeGold for EMMCO. Additionally, other vacant land whose combined net value was approximately \$3,445,000 was given to EMMCO as a part of this transaction. HomeGold received a promissory note in the amount of \$8,445,000, and upon information and belief, Defendant Ronald J. Sheppard has made no payments.

74. The Defendant Ronald J. Sheppard, at the time of the merger, guaranteed that he could obtain warehouse lines of credit based upon his personal financial wealth for approximately one hundred million dollars (\$100,000,000)
75. This transaction was completed without full and proper disclosure to the shareholders of HomeGold. It was done as a further attempt to perpetuate the ongoing fraudulent course of business such that certain members of the Carolina Investors Board of Directors, and holders of Carolina Investors' subordinated notes and debentures, would not fear any type of imminent danger or understand the true precarious financial position of HomeGold and Carolina Investors.
76. As a result of the EMMCO transaction, the ability of HomeGold to repay Carolina Investors and other creditors became dependent solely upon the success of three startup companies: EMMCO, R-DOC and FlexCheck.

77. Subsequent to the EMMCO transaction, HomeGold's operations were generally limited to mortgage servicing. With insubstantial revenues from operations, no payments forthcoming from EMMCO, and an inability to sell sufficient debt instruments to cover losses and redemptions, HomeGold ran out of funds by March 2003 and filed voluntary Chapter 11 petitions on March 31, 2003. Business operations were terminated shortly thereafter.

OTHER ACTS

78. The allegations contained in paragraphs one (1) through seventy seven (77) are repeated and realleged as if set forth verbatim herein.

79. Defendant Ronald J. Sheppard knew from the beginning of his tenure as an officer and director of HomeGold and its related companies, that HomeGold was failing. Based in part on his knowledge of the financial condition of HomeGold and the inter-company debt, Defendant Ronald J. Sheppard and other representatives from HomeGold engaged in a course of business which acted to perpetrate and perpetuate a fraud or deceit upon investors and others by working to hide the structure of the business and its financial position in many ways, including but not limited to the following:

80. Defendant Ronald J. Sheppard, knew, from as early as July 2000, when he and other representatives of HomeGold learned from CIT that the warehouse credit line was going to be terminated, that the viability of HomeGold and Carolina Investors was questionable. One reason given by CIT was that it was concerned about the looming inter-company debt and HomeGold's ability

to repay it. At this point, Defendant Ronald J. Sheppard knew that the inter-company debt was a major issue that was most probably insurmountable.

81. Beginning in or around May 2000 to around March 2003, Defendant Ronald J. Sheppard participated, directly or indirectly, by his actions, words, or deeds, and through the direction of officers, directors, and employees of both Carolina Investors and HomeGold, by means of materially false representations and/or omissions of material facts, to induce investors to invest money, or to maintain their investments with Carolina Investors, so that a "run on the money" would not occur which would hinder Carolina Investors' ability to continue in business and would thwart Carolina Investors' ability to continue to sell additional securities in order to continue funding the operations of its parent company, HomeGold.

82. Beginning in or around May 2000 until around March 2003, Defendant Ronald J. Sheppard and other participants, held meetings prior to the announcement of quarterly losses to coordinate ways in which to downplay negative information, and put a positive spin on information that would be disseminated to the public through press releases and through direct contact with potential or current investors in Carolina Investors securities and/or HomeGold stock. Through these acts, practices or courses of business, Defendant Ronald J. Sheppard, and others, did knowingly and willfully, in connection with the offer, sale, or purchase of securities, directly or indirectly, make untrue statements of material fact and omit to state material facts

necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to investors.

83. Defendant Ronald J. Sheppard, participated, directly or indirectly, from around May 2000 to around March 2003, in the distribution of misleading documents, pamphlets, prospectus, and statements that were provided to potential investors at Carolina Investors by officers, directors, and employees of Carolina Investors.
84. Defendant Ronald J. Sheppard, and other participants, knowingly and willfully from around May 2000 to around March 2003, after learning of the dissemination of misleading statements and/or documents to investors by officers, directors, and employees of Carolina Investors, continued to employ those responsible for the above-referenced conduct. In many instances, those providing misleading information were given additional compensation in the form of raises and bonuses after the discovery of improper conduct in connection with the offer, sale, or purchase of securities. The improper conduct by the officers, directors, and employees of Carolina Investors in connection with the offer, sale, or purchase of securities was allowed to continue until around March 2003.
85. It was further part of the course of business in defrauding investors that Defendant Ronald J. Sheppard, and other participants, sought to mislead investors about the financial strength of Carolina Investors by advertising Carolina Investors as millions in assets strong, when in fact, the primary income from Carolina Investors was the interest accrued from the inter-

company debt, and the largest asset of Carolina Investors was an impaired receivable from HomeGold.

86. It was further part of the course of business to defraud investors that Defendant Sheppard and others conspired to obligate FlexCheck Holdings, LLC and FlexCheck of South Carolina, LLC as a guarantor of HomeGold's outstanding senior debt in the amount of approximately twelve million dollars. Defendant Sheppard, with the assistance of others, removed Brendon R. Carpenter as manager of both companies, without the knowledge of Brendon R. Carpenter, while Mr. Carpenter was out of town on a family vacation. After Mr. Carpenter was removed as manager, he was replaced by Defendant Sheppard. Defendant Sheppard executed documents to obligate the above-referenced companies as guarantor of HomeGold's outstanding senior debt. By doing so, Defendant Sheppard falsely and fraudulently represented in HomeGold's public filings that FlexCheck stood as a guarantor of the senior debt, thereby misleading current and potential investors in HomeGold securities.

87. Defendant Ronald J. Sheppard, as CEO of HomeGold Financial, knew that the business had a strong potential to fail. Nonetheless, he continued to expend large amounts of funds in a claimed attempt to expand the business. More importantly, however, was the fact that even though Defendant Ronald J. Sheppard knew the business was failing, he engaged in a course of conduct whereby he treated these companies as his personal bank account, without any regard for the impact these tremendous expenditures had on HomeGold, and

ultimately, the holders of Carolina Investors' subordinated notes and debentures.

88. Defendant Ronald J. Sheppard lived an extravagant lifestyle and exhausted funds at a rate unprecedented by other corporate officers and directors at HomeGold or Carolina Investors. Moreover, Defendant Ronald J. Sheppard incurred expenses without the prior approval of the Board of Directors, some of which had to be retroactively approved, to wit:

- a. From approximately May of 2002 to December 2002, Defendant Ronald J. Sheppard incurred approximately \$102,499.80 in expenses payable to a personal fitness trainer; and
- b. At the consummation of the merger between HomeSense and HomeGold, HomeGold effectively purchased the then existing motorhome being used by Defendant Ronald J. Sheppard and from May 2000 until October 2001, Defendant Ronald J. Sheppard caused HomeGold to make loan payments in the amount of approximately \$61,684.33; and
- c. Thereafter, on or about October 31, 2001, Defendant Ronald J. Sheppard caused HomeGold to purchase a 2002 Royale Prevost motorhome with a purchase price of approximately \$885,254.67. From the time of purchase until approximately April of 2002, HomeGold paid approximately \$52,656.72 in loan payments on this motorhome.

- d. Between May of 2001 and June 30, 2001, Defendant Ronald J. Sheppard, in an act of self dealing and under false pretenses, did contract to sell a parcel of real estate known as "the Leaphart Road property," an asset of HomeGold, to a third party purchaser for approximately \$438,000 dollars. Defendant Sheppard then offered to purchase the property, an asset of HomeGold and, therefore, an asset of the shareholders of HomeGold, for a much lower price by presenting a low appraisal for the property to the board of directors of HomeGold. Defendant Sheppard realized a profit of greater than one hundred thousand dollars as a result of the false, fraudulent and misleading transaction.
- e. As addressed herein, on or about March 14, 2002, Defendant Ronald J. Sheppard and others attended a meeting at which time they were advised that the auditors had concluded that there was substantial doubt that the company would continue to exist as a going concern. Nonetheless, on or about March 29, 2002, only two weeks after learning of the questionable viability of the company, Defendant Ronald J. Sheppard submitted a request for reimbursement for the purchase of wallpaper for his office in the amount of approximately \$17,380.00, which had been purchased a number of years earlier.
- f. As addressed herein, on or about March 14, 2002, Defendant Ronald J. Sheppard and others attended a meeting at which time

they were advised that the auditors had concluded that there was substantial doubt that the company would exist as a going concern. Nonetheless, on or about March 29, 2002, Defendant Ronald J. Sheppard submitted a request for reimbursement for travel mileage that he incurred as a result of him traveling from Lexington, South Carolina to Greenville, South Carolina immediately prior to, and subsequent to the merger of HomeSense and HomeGold.

- g. Subsequent to the March 14, 2002, meeting wherein going concern language was discussed, Defendant Ronald J. Sheppard borrowed \$200,000 from HomeGold. The purpose behind this loan was that Defendant Ronald J. Sheppard could use this money to purchase a Carolina Investors' subordinated debenture. Defendant Ronald J. Sheppard, and others, thought that it would reflect positively that the CEO of HomeGold believed in Carolina Investors enough to have his own money invested in the company. However, the loan was only secured by the subordinated debenture that he purchased with the funds and was not an investment of his own money.
- h. Subsequent to the March 14, 2002, meeting wherein going concern language was discussed, Defendant Ronald J. Sheppard caused to be purchased a new 2003 Vantare Motorhome paid for by HomeGold but owned by Prevost Montana, LLC, which is a Montana company organized by the Defendant Ronald J.

Sheppard. The purchase price of the motorhome was approximately \$1,076,013.90.

- i. Subsequent to the March 14, 2002, meeting wherein going concern language was discussed, on April 30, 2002, Defendant Ronald J. Sheppard borrowed another \$200,000 from HomeGold. This was secured with 1,000,000 shares of HomeGold's common stock owned by Defendant Ronald J. Sheppard.
- j. Additionally, while HomeGold Financial's losses continued during the years 2001 and 2002, and the Carolina Investors' debt grew substantially, Defendant Ronald J. Sheppard's compensation averaged approximately \$1.3 million as reported on his W-2 Forms. On May 1, 2002, the HomeGold Financial Board had to retroactively approve an increase in Defendant Ronald J. Sheppard's compensation which he had previously unilaterally authorized.

89. Defendant Ronald J. Sheppard and other participants, after learning that the auditors of HomeGold and Carolina Investors had substantial doubts as to whether Carolina Investors would be able to stay in business as a going concern and that the loan between the two companies would be impaired, met with officers, directors Don Cook Bobo and Danny Ray Sharpe, and employees of Carolina Investors, several of which were investors in Carolina Investors securities, in an effort to downplay negative information concerning the company and put a positive spin on HomeGold's speculative

efforts to return to profitability. Defendant Ronald J. Sheppard knew the misleading information shared with the officers, directors and employees of Carolina Investors would be disseminated to potential or current investors in Carolina Investors' securities.

90. It was further part of the course of business to defraud investors that Defendant Ronald J. Sheppard and other participants made efforts to ensure that Don Cook Bobo, a member of the Carolina Investors' Board of Directors, and largest investor in Carolina Investors' securities, was "kept in the dark" as to the true financial condition of Carolina Investors and HomeGold. Defendant Ronald J. Sheppard and others feared that if Mr. Bobo were to withdraw his investment with Carolina Investors based on accurate information concerning the poor financial condition of both companies, other investors would become greatly concerned and a "run on the money" would occur at the Carolina Investors' branches.

91. It was further part of the course of business to defraud investors that Defendant Ronald J. Sheppard and others, directly or indirectly, engaged in the marketing of loan pools containing loans manipulated to increase their value to potential investors. Defendant Ronald J. Sheppard and others, directly or indirectly, engaged in falsifying credit scores and manipulating mortgage payments to increase the value of loan pools, a security under South Carolina law, which loan pools were marketed to potential investors.

92. It was further part of the course of business to defraud investors and in furtherance of the conspiracy that Defendant Ronald J. Sheppard did willfully

give false, misleading and incomplete testimony, while under oath at a deposition, during the bankruptcy proceedings titled Ralph C. McCullough, II, as Plan Trustee for HomeGold Financial, Inc. and Carolina Investors v. EMMCO, LLC and EMMCO Credit Corp. No.: 8:03-3569-13, on or about June 29, 2004.

93. Defendant Ronald J. Sheppard did, in Pickens County, in or around November 2001, in the course of business, knowingly and willfully, in connection with the offer, sale or purchase of a security, directly or indirectly, make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to certain members of the Carolina Investors Board of Directors, namely Don Cook Bobo and Danny Ray Sharpe.
94. Defendant Ronald J. Sheppard did, in Pickens County, in or around August 2002, in the course of business, knowingly and willfully, in connection with the offer, sale or purchase of a security, directly or indirectly, make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to certain members of the Carolina Investors Board of Directors, namely Don Cook Bobo and Danny Ray Sharpe.
95. Defendant Ronald J. Sheppard did, in Pickens County, in or around November 2001, in the course of business, knowingly and willfully, in connection with the offer, sale or purchase of a security, directly or indirectly, make untrue statements of material fact and omit to state material facts necessary in order

to make the statements made, in light of the circumstances under which they were made, not misleading to certain members of the Carolina Investors' Board of Directors, namely Don Cook Bobo and Danny Ray Sharpe.

96. Defendant Ronald J. Sheppard did, in Pickens County, in or around November 2002, in the course of business, knowingly and willfully, in connection with the offer, sale or purchase of a security, directly or indirectly, make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to certain members of the Carolina Investors' Board of Directors, namely Don Cook Bobo and Danny Ray Sharpe.

COUNT TWO
CRIME AGAINST A FEDERALLY CHARTERED OR INSURED FINANCIAL
INSTITUTION
(Violation of S.C. Code Section 34-3-110)

97. The allegations contained in paragraphs one (1) through ninety six (96) are repeated and realleged as if set forth verbatim herein.
98. On or about March 7, 2003, Ronald J. Sheppard, did in Lexington County knowingly execute, or attempt to execute, a scheme or artifice to defraud a federally chartered or insured financial institution; or obtain monies, funds, credits, assets, securities, or other property owned by or under the custody or control of a federally chartered or insured financial institution by means of false or fraudulent pretenses, representations, or promises to wit: Ronald J. Sheppard did apply to the National Bank of South Carolina (NBSC) for a

\$2.5 million credit for the operations of EMMCO. Ronald J. Sheppard was a personal guarantor on said application.

99. Defendant Ronald J. Sheppard presented to NBSC a completed Branch Banking and Trust (BB & T) Financial Statement dated November 1, 2002, in support of his application which was completed at his direction. Therein, he indicated that he possessed approximately \$30,421,900 in assets. Of that sum, he indicated that he owned \$11,000,000 in cash or deposit accounts, \$15,700,000 in stocks and bonds, \$237,000 of vehicles, boats, machinery, and equipment, \$2,934,900 in real estate, and \$550,000 in other assets.
100. Defendant Ronald J. Sheppard, in his original application to BB&T in or around November 2002, indicated that he had \$6,000,000.00 in cash or deposit accounts. Subsequent to that date, at the direction of Defendant Ronald J. Sheppard, an employee changed that amount from \$6,000,000.00 to \$11,000,000.00.
101. Of the \$15,700,000 in marketable stocks and bonds, Defendant Ronald J. Sheppard indicated that he had 6,800,000 shares of HomeGold Financial Common Stock that had a market value of \$3,200,000. Additionally, Defendant Ronald J. Sheppard indicated that he had 7,000,000 shares of HomeGold Financial Preferred Stock that had a market value of \$12,500,000.
102. As of November 1, 2002, the date that the application was filled out, the HomeGold Financial Common Stock was trading at \$0.09 per share in the over the counter market. Therefore, Defendant Ronald J. Sheppard's

107. Ronald J. Sheppard, did in Lexington County, on or about, March 25, 2002, falsely make, forge or counterfeit, cause or procure to be falsely made, forged, or counterfeited; or willfully act or assist in the false making, forging, or counterfeiting of any writing or instrument of writing; and/or utter or publish as true any false, forged, or counterfeited writing or instrument of writing to wit: Ronald J. Sheppard, did present or assist in the presentation of an application for Directors, Officers, and Corporate Liability Insurance Policy that contained false information that he willfully assisted in creating which was presented to Clarendon National Insurance Company. This is in direct violation of Section 16-13-10 of the South Carolina Code of Laws (1976), as amended.

COUNT FOUR

Forgery

(Violation of S.C. Code Section 16-13-10)

108. The allegations contained in paragraphs one (1) through one hundred seven (107) are repeated and realleged as if set forth verbatim herein.

109. That Ronald J. Sheppard, did in Lexington County, on or about March 25, 2002, falsely make, forge or counterfeit, cause or procure to be falsely made, forged, or counterfeited; or willfully act or assist in the false making, forging, or counterfeiting of any writing or instrument of writing; and/or utter or publish as true any false, forged, or counterfeited writing or instrument of writing to wit: Ronald J. Sheppard, did present or assist in the presentation of an application for an Employment Practices Liability Insurance Policy that

contained false information that he willfully assisted in creating which was presented to Clarendon National Insurance Company. This is in direct violation of Section 16-13-10 of the South Carolina Code of Laws (1976), as amended.

COUNT FIVE

**Making a False Statement or Misrepresentation
(Violation of S.C. Code Section 38-55-540)**

110. The allegations contained in paragraphs one (1) through one hundred nine (109) are repeated and realleged as if set forth verbatim herein.
111. That Ronald J. Sheppard, did in Lexington County, on or about March 25, 2002, make or cause to be made a false statement or misrepresentation in connection with Clarendon National Insurance Company, with the intent of obtaining an economic advantage benefit in the amount of \$1,000 or more. To wit: Ronald J. Sheppard made or caused to be made false statements or misrepresentations on an application for a Directors, Officers, and Corporate Liability Policy to Clarendon National Insurance Company.
112. This is in direct violation Section 38-55-540 of the South Carolina Code of Laws (1976), as amended.

COUNT SIX

**Making a False Statement or Misrepresentation
(Violation of S.C. Code Section 38-55-540)**

113. The allegations contained in paragraphs one (1) through one hundred twelve (112) are repeated and realleged as if set forth verbatim herein.

114. That Ronald J. Sheppard, did in Lexington County, on or about March 25, 2002, make or cause to be made a false statement or misrepresentation in connection with Clarendon National Insurance Company, with the intent of obtaining an economic advantage benefit in the amount of \$1,000 or more. To wit: Ronald J. Sheppard made or caused to be made false statements or misrepresentations on an application for a Employment Practices Liability Policy to Clarendon National Insurance Company.
115. This is in direct violation Section 38-55-540 of the South Carolina Code of Laws (1976), as amended.

COUNT SEVEN

**Obtaining Signature or Property by False Pretenses
(Violation of S.C. Code Section 16-13-240(1))**

116. The allegations of paragraphs one (1) through one hundred fifteen (115) are repeated and realleged as if set forth verbatim herein.
117. That Defendant Ronald J. Sheppard, did in Greenville County and Lexington County, during the period beginning approximately in 2000 through approximately March of 2003, with the intent to cheat and defraud a number of investors, to obtain money by perpetrating a fraud on investors and other false pretenses in an amount over five thousand dollars (\$5,000), through including but not limited to the following, in direct violation Section 16-13-240(1) of the South Carolina Code of Laws (1976), as amended.
118. On May 9, 2000, HomeSense and affiliated companies were merged into HomeGold. Defendant Ronald J. Sheppard, HomeSense's primary

shareholder, became Chief Executive Officer and a director of HomeGold Financial, and a director of both HomeGold and Carolina Investors.

119. Defendant Ronald J. Sheppard, as CEO and a director of HomeGold, and other individuals at HomeGold, both known and unknown to the State Grand Jury, did obtain money under false pretenses, to wit: Beginning in approximately 1998, HomeGold Financial began to suffer substantial operating losses. These losses continued until HomeGold filed for protection pursuant to Chapter 11 of the Bankruptcy Code. These operating losses were funded primarily by upstreaming funds from Carolina Investors as a "loan". As this inter-company debt grew, HomeGold's ability to pay the money back became increasingly less likely. It was necessary for those individuals at HomeGold to keep this fact hidden from certain members of the Carolina Investors' Board of Directors, and from the holders of Carolina Investors' subordinated notes and debentures. Defendant Ronald J. Sheppard, and others at HomeGold and Carolina Investors intentionally withheld and hid the true financial condition of the company and its ability to repay Carolina Investors, and ultimately, Carolina Investors' ability to repay its note holders. Defendant Ronald J. Sheppard's involvement began in approximately 2000 during the negotiations of the HomeSense merger with HomeGold, and continued until the end of March 2003 when HomeGold filed for bankruptcy.
120. These actions were a deliberate attempt to perpetrate a fraud which caused a financial loss to a number of investors, some of whom lost more than five thousand dollars (\$5,000).

121. Defendant Ronald J. Sheppard and others exploited the corporate structure of HomeGold to control the flow of information between the HomeGold Board of Directors and the Carolina Investors' Board of Directors and even further, to the holders of Carolina Investors' subordinated notes and debentures.

COUNT EIGHT

Obtaining Signature or Property by False Pretenses (Violation of S.C. Code Section 16-13-240(1))

122. The allegations contained in paragraphs one (1) through one hundred twenty one (121) are repeated and realleged as if set forth verbatim herein.
123. That Ronald Sheppard did in Lexington County, between on or about May 1, 2001 to on or about June 30, 2001, with intent to cheat and defraud the victim(s), HomeGold and/or the shareholders of HomeGold, to obtain a parcel of real property known as "the Leaphart Road property," valued at more than five thousand dollars, from the victim(s) by means of false pretenses and representations, to wit: Ronald J. Sheppard did enter into a contract to sell "the Leaphart Road property" to a third party purchaser for a purchase price of \$438,000 dollars. Said contract was entered into on or about June 6, 2001, at which time Ronald J. Sheppard did not hold title to the above-referenced property but represented falsely that he held a legitimate ownership interest in the property. Defendant Sheppard then procured a substantially lower appraisal for the property which he falsely

and fraudulently represented to the HomeGold board of directors as the fair market value for the property and offered to purchase the property for the lower price. He then completed the negotiated sale to the third party purchaser for a substantial profit for himself of more than one hundred thousand dollars, in violation of Sections 16-13-240(2), Code of Laws of South Carolina, 1976, as amended.

COUNT NINE
Breach of Trust
(Violation of S.C. Code Section 16-13-230(b)(3))

124. The allegations of paragraphs one (1) through one hundred twenty-three (123) are repeated and realleged as if set forth verbatim herein.
125. That Defendant Ronald J. Sheppard, as a fiduciary of HomeGold and Carolina Investors, did in Pickens, Lexington and Greenville counties, from in or about May 2000 until in or about March 2003, having been entrusted by the fiduciaries of Carolina Investors, with the care, keeping, and possession of certain personal property valued at more than Five Thousand Dollars (\$5,000), with fraudulent intentions or hired or counseled another to convert or appropriate such property to his own use and purposes with the intent to deprive the owner thereof, to wit: Ronald J. Sheppard, during the course of business, accepted upstreamed Carolina Investors' funds from Carolina Investors' fiduciaries and used these funds for his own benefit and purposes. This is in direct violation of Section 16-13-230(b)(3) of the South Carolina Code of Laws (1976), as amended.

COUNT TEN

Perjury

(Violation of S.C. Code Section 16-9-10(A)(1))

126. The allegations of paragraphs one (1) through one hundred twenty five (125) are repeated and realleged as if set forth verbatim herein.
127. That on or about June 29, 2004, the Defendant Ronald J. Sheppard, did in Richland County willfully give false, misleading, or incomplete testimony while under oath in any court of record, judicial, administrative, or regulatory proceeding in this State. The Defendant, Ronald J. Sheppard, did commit the crime of perjury while under oath at a deposition during the bankruptcy proceedings titled Ralph C. McCullough, II, as Plan Trustee for HomeGold Financial, Inc. and Carolina Investors, v. EMMCO, LLC and EMMCO Credit Corp. No.:8:03-3569-13. This is in direct violation of Section 16-9-10(A)(1) of the South Carolina Code of Laws (1976) as amended.

COUNT ELEVEN

Conspiracy

(Violation of S.C. Code Section 16-17-410)

128. The allegations of paragraphs one (1) through one hundred twenty seven (127) are repeated and realleged as if set forth verbatim herein.
129. Between May 2000 to in or around August of 2004, the Defendant Ronald J. Sheppard, did unlawfully and willfully unite, combine, conspire, confederate,

agree to or have a tacit agreement between two or more persons, whose names are known and unknown to the State Grand Jury, for the purpose of accomplishing a criminal or unlawful object, or a lawful object by criminal or unlawful means in violation S.C. Code Section 16-17-410 of the South Carolina Code of Laws (1976) as amended.

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

A TRUE Bill

FOREMAN

Patricia N. Malick

OFFICE OF THE ATTORNEY GENERAL

Henry McMaster

HENRY McMASTER (ags)

ATTORNEY GENERAL

STATE OF SOUTH CAROLINA

STATE OF SOUTH CAROLINA

**WARRANT FOR ARREST
SUPERSEDING**

vs.

RONALD J. SHEPPARD

CASE NUMBER: 2005-GS-47-20

TO: Any Law Enforcement Officer of this State, or
Any County or Municipal Officer Within his Jurisdiction

YOU ARE HEREBY COMMANDED to arrest "Ronald J. Sheppard" and bring him or her forthwith before me to answer a Superseding Indictment of the State Grand Jury of South Carolina charging him or her with:

(brief description of offense)

SECURITIES FRAUD,

CRIME AGAINST A FEDERALLY CHARTERED OR INSURED FINANCIAL INSTITUTION,

FORGERY,

MAKING A FALSE STATEMENT OR MISREPRESENTATION,

OBTAINING SIGNATURE OR PROPERTY BY FALSE PRETENSES,

BREACH OF TRUST, PERJURY AND CONSPIRACY

(A copy of the Superseding Indictment is attached for service on the Defendant.
For a description of the charges see the Superseding Indictment.)

in violation of 1976 Code of Laws of South Carolina, as amended, Section(s) 35-1-1210(3), 35-1-1590(1), 34-3-110, 16-13-10, 38-55-540, 16-13-240(1), 16-13-230(b)(3), 16-9-10(A)(1) & 16-17-410. A copy of this Warrant for Arrest shall be delivered to the defendant at the time of its execution, or as soon thereafter as practicable.

February 21, 2006

Date

James W. Johnson, Jr.

Name of Presiding Judge

Columbia, SC

Location



Signature of Presiding Judge

RETURN

This warrant was received and executed with the arrest of the above-named defendant at _____ . A copy of this warrant was delivered to the defendant on _____, 2006.

Date Received: _____

Name and Title of Arresting Officer

Signature of Arresting Officer

Date of Arrest: _____

THE FOLLOWING IS FURNISHED FOR INFORMATION ONLY:

DEFENDANT'S NAME: RONALD JOE SHEPPARD

ALIAS: _____

LAST KNOWN RESIDENCE: _____

LAST KNOWN EMPLOYMENT: EMMCO, LEXINGTON, SC

PLACE OF BIRTH: _____

DATE OF BIRTH: _____

DRIVER'S LICENSE NUMBER: _____

SOCIAL SECURITY NUMBER: _____

HEIGHT: 5'9"

WEIGHT: 195lbs.

SEX: MALE

RACE: WHITE

HAIR: UNKNOWN

EYES: UNKNOWN

SCARS, TATOOS, OTHER DISTINGUISHING MARKS: _____

FBI NUMBER: _____

COMPLETE DESCRIPTION OF AUTO: UNKNOWN

INVESTIGATIVE AGENCY AND ADDRESS: SLED

Agents [Signature]

STATE OF SOUTH CAROLINA

STATE OF SOUTH CAROLINA

WARRANT FOR ARREST

vs.

RONALD J. SHEPPARD

CASE NUMBER: 2005-GS-47-20

TO: Any Law Enforcement Officer of this State, or
Any County or Municipal Officer Within his Jurisdiction

ATTEST
A TRUE COPY
Clerk, State Grand Jury

YOU ARE HEREBY COMMANDED to arrest "Ronald J. Sheppard" and bring him or her
forthwith before me to answer a Indictment of the Grand Jury of South Carolina charging him or
her with:

(brief description of offense)

SECURITY FRAUD,

CRIME AGAINST A FEDERALLY CHARTERED OR INSURED FINANCIAL INSTITUTION,

FORGERY,

MAKING A FALSE STATEMENT OR MISREPRESENTATION,

OBTAINING SIGNATURE OR PROPERTY BY FALSE PRETENSES,

BREACH OF TRUST, PERJURY AND CONSPIRACY

(A copy of the Indictment is attached for service on the Defendant.

For a description of the charges see the Indictment.)

in violation of 1976 Code of Laws of South Carolina, as amended, Section(s) 35-1-1210(3), 35-1-590(1), 34-3-110, 16-13-10, 38-55-540, 16-13-240(1), 16-13-230(b)(3), 16-9-10(A)(1) & 16-17-410. A copy of this
Warrant for Arrest shall be delivered to the defendant at the time of its execution, or as soon thereafter
as practicable.

Reginald I. Lloyd

Name of Presiding Judge

Date

Columbia, SC

Location

Signature of Presiding Judge

RETURN

RECEIVED

This warrant was received and executed with the arrest of the above-named defendant at

COLUMBIA, SC

11/22

, 2005.

A copy of this warrant was delivered to the defendant on

NOV 28 2005

STATE GRAND JURY SECTION

Date Received: 11/20/05

Name and Title of Arresting Officer

Signature of Arresting Officer

Date of Arrest: 11/22/05

Lt. Channing Hyman
Lt. S. E. J.

Channing Hyman

THE FOLLOWING IS FURNISHED FOR INFORMATION ONLY:

DEFENDANT'S NAME: RONALD JOE SHEPPARD

ALIAS: _____

LAST KNOWN RESIDENCE: _____

LAST KNOWN EMPLOYMENT: EMMCO, LEXINGTON, SC

PLACE OF BIRTH: _____

DATE OF BIRTH: JULY 18, 1957

DRIVER'S LICENSE NUMBER: 8038379 - SC

SOCIAL SECURITY NUMBER: 251-08-5387

HEIGHT: 5'9"

WEIGHT: 195lbs.

SEX: MALE

RACE: WHITE

HAIR: UNKNOWN

EYES: UNKNOWN

SCARS, TATOOS, OTHER DISTINGUISHING MARKS: _____

FBI NUMBER: _____

COMPLETE DESCRIPTION OF AUTO: UNKNOWN

INVESTIGATIVE AGENCY AND ADDRESS: SLED

STATE GRAND JURY OF SOUTH CAROLINA

STATE OF SOUTH CAROLINA)

vs.)

RONALD J. SHEPPARD,)

Defendant.)

Case No. **2005GS 47 20**

**Indictment for Securities Fraud,
Insurance Fraud, Bank Fraud,
Forgery, Obtaining Goods Under
False Pretenses, Breach of Trust,
Perjury, and Conspiracy**

At a session of the State Grand Jury of South Carolina, convened in Columbia, South Carolina, on November 16, 2005, the State Grand Jurors present upon their oaths and charge as follows:

Background and Summary

1. Carolina Investors, Inc. (Carolina Investors) was a South Carolina Corporation whose executive offices were located in Pickens, South Carolina. Carolina Investors had branch offices in Pickens, Greenville, and Anderson counties.
2. Carolina Investors was formed in 1963 by a Pickens, South Carolina businessman, who owned and operated a chain of perpetual care cemeteries. Carolina Investors' initial function was to finance the sale of cemetery plots through the annual sale of one year subordinated debentures and notes to the general public.
3. Subsequently, Carolina Investors engaged in other types of lending in South Carolina, including sub-prime home mortgage lending; small construction loans; sub-prime automobile loans; and sub-prime loans for the purchase of appliances. Carolina Investors formed two subsidiaries, The Loan Pro\$, Inc.

("Loan Pro\$"), and Premier Financial Services, Inc. ("Premier"), in 1987 and 1989 respectively, to conduct its automobile and appliance finance businesses.

4. In May 1991, Carolina Investors was acquired by National Railway Utilization Corporation ("NRUC"). In August 1991, NRUC changed its name to Emergent Group, Inc. ("Emergent").
5. Under Emergent, Carolina Investors continued its retail home mortgage business and the financing of automobile and appliance purchases. Carolina Investors also expanded into the wholesale mortgage business which involved funding, selling, and servicing sub-prime first and second home mortgages originated by loan brokers.
6. In June 1995, Emergent began to restructure its subsidiaries. As part of the restructuring, the stock of Loan Pro\$ and Premier was transferred to Emergent. In June 1995, Emergent borrowed \$15,000,000 from Carolina Investors and formed a new entity, Emergent Mortgage Corporation ("EMC"), to conduct and expand the wholesale and retail mortgage operations.
7. The formation of EMC marked the beginning of the inter-company debt between Carolina Investors and its parent corporation. It was also at this point that Carolina Investors ceased substantially all of its external lending activities.
8. Contemporaneous with the formation of EMC, Emergent undertook many of Carolina Investors' internal administrative functions, including the

accounting. As a result, Carolina Investors ceased to be a stand-alone business and its operations were devoted almost exclusively to the sale of debt instruments to raise funds that were transferred to Emergent and its various subsidiaries. Emergent's debt increased from approximately \$304,000 in 1995 to approximately \$242.2 million by the end of 2002.

9. Beginning in 1998, Emergent began suffering substantial operating losses. As a result, it sold all of the assets of its subsidiaries except for EMC and Carolina Investors. In March 1998, the retail mortgage business of Emergent, referred to as EMC, changed its name to HomeGold, Incorporated ("HomeGold"). Emergent, the parent corporation, changed its name to HomeGold Financial, Incorporated ("HomeGold Financial") in July 1998.
10. Likewise in 1998, HomeGold began to buy back bonds it had sold in 1997 in a \$125,000,000 offering. During the years 1998-2001, HomeGold was able to repurchase the bonds at approximately 37% - 60% of face value, reflecting concern in the bond market that HomeGold's financial condition would prevent it from paying the bonds when due. Carolina Investors, nevertheless, continued to sell its debt securities to the public at 100% face value and to upstream virtually all funds to HomeGold.
11. HomeGold's losses continued in 1999, and HomeGold formulated a plan to merge with another company. The apparent intent was to merge with a company that possessed substantial experience in the mortgage origination industry. Two merger attempts failed after the due diligence efforts of the then CFO, Kevin Mast and then CEO, Keith Giddens, revealed negative

financial information regarding the merger targets. On May 9, 2000, HomeSense Financial Corporation and affiliated companies ("HomeSense"), were merged into HomeGold, Inc. Defendant Ronald J. Sheppard was HomeSense's primary shareholder. Upon consummation of the merger, Defendant Ronald J. Sheppard became the Chief Executive Officer and a director of HomeGold Financial. Defendant Ronald J. Sheppard also became a director of both HomeGold and Carolina Investors. HomeGold, however, continued to report losses in 2000, 2001 and 2002.

12. As HomeGold's substantial operating losses continued, the indebtedness of HomeGold to Carolina Investors also substantially increased.
13. In or about April 2001, the Defendant Ronald J. Sheppard, decided to relocate the HomeGold headquarters from Pelham Road in Greenville, South Carolina to Lexington County, South Carolina.
14. Despite the massive losses, continuously unprofitable operations, continuing financial instability of HomeGold and the increasing inter-company debt, in April 2002, Carolina Investors issued a prospectus in connection with the sale to the public of \$180,000,000 of Series 2003 Floating Rate Notes and \$40,000,000 of Series H 6% Subordinated Debentures. The prospectus contained a going concern qualification, as well as an impairment of the inter-company debt owed by HomeGold/HomeGold Financial to Carolina Investors. The certified public accountants, Elliott Davis LLC (Elliott Davis), who were auditing HomeGold and Carolina Investors, issued a qualification to Carolina Investors' financial statement to explain that the auditors had

substantial doubt as to whether Carolina Investors would be able to stay in business as a going concern. In addition, the auditors required Carolina Investors to deduct an impairment allowance from the value of the loans it had made to HomeGold because, in the auditors' opinion, it was probable that Carolina Investors would be unable to collect the entire amount owed by HomeGold.

15. Notwithstanding the conclusions of the auditors, Carolina Investors continued to sell its securities to the public and all available cash was upstreamed to the parent corporation, seemingly without regard to the doubtful ability of the parent corporation to repay the outstanding obligations. In fact, Carolina Investors sold to the public over \$74,000,000 of debt securities between April 1 and December 31, 2002, and over \$16,000,000 from January 1 through March 21, 2003.
16. On March 21, 2003, Carolina Investors closed its doors to the public, and thousands of investors were unable to obtain the monies they had invested in Carolina Investors.

COUNT ONE
Securities Fraud
(Violation S.C. Code Section 35-1-1210(3)
and Section 35-1-1590(1))

17. The allegations contained in paragraphs one (1) through sixteen (16) are repeated and realleged as if set forth verbatim herein.
18. Defendant Ronald J. Sheppard, and others, both known and unknown to the State Grand Jury, did engage in acts, practices, or courses of business which

operated or would operate as a fraud or deceit upon a "person" as defined in South Carolina Code Section 35-1-20, in many ways, including, but not limited to the following:

MEANS AND METHODS

19. On May 9, 2000, HomeSense and affiliated companies were merged into HomeGold. Defendant Ronald J. Sheppard, HomeSense's primary shareholder, became Chief Executive Officer and a director of HomeGold Financial, and a director of both HomeGold and Carolina Investors.
20. Defendant Ronald J. Sheppard, as CEO and a director of HomeGold, and other individuals at HomeGold, both known and unknown to the State Grand Jury, did in Lexington County, in connection with the offer, sale or purchase of a security, either directly or indirectly, engage in a fraudulent course of business from approximately May 2000 until HomeGold's ultimate demise in March 2003, which operated as a fraud or deceit upon numerous persons, or individuals, corporations, partnerships, associations, joint-stock companies, trusts where the interests of the beneficiaries are evidenced by a security, unincorporated organizations, governments or political subdivisions of a government, in violation of S.C. Code Section 35-1-1210(3) to wit: Beginning in approximately 1998, HomeGold Financial began to suffer substantial operating losses. These losses continued until HomeGold filed for protection pursuant to Chapter 11 of the Bankruptcy Code. These operating losses were funded primarily by upstreaming funds from Carolina Investors as

a "loan". As this inter-company debt grew, HomeGold's ability to repay the "loan" became increasingly less likely. It was necessary for those individuals at HomeGold to keep this fact hidden from certain members of the Carolina Investors' Board of Directors, namely Don Cook Bobo and Danny Ray Sharpe, government regulators, and the purchasers of Carolina Investors' subordinated notes and debentures. Defendant Ronald J. Sheppard, and others at HomeGold and Carolina Investors, engaged in a course of business in which they intentionally withheld the true financial condition of the company and its ability to repay the debt to Carolina Investors, and ultimately, Carolina Investors' ability to repay its note holders.

21. These actions were part of a course of business and a deliberate attempt to perpetrate a fraud which caused a financial loss to a number of investors, some of whom lost more than twenty thousand dollars (\$20,000).
22. Defendant Ronald J. Sheppard and others exploited the corporate structure of HomeGold to control the flow of information between the HomeGold Board of Directors and directors Don Cook Bobo and Danny Ray Sharpe of the Carolina Investors' Board of Directors, and even further, to the holders of Carolina Investors' subordinated notes and debentures.
23. During the period of the offense, the Defendant Ronald J. Sheppard and others, with the intent to participate in, and advance the financial affairs of themselves and HomeGold, engaged in a fraudulent course of business and are criminally liable for criminal acts including but not limited to as follows:

Terms of Merger for Defendant Sheppard

24. The allegations contained in paragraphs one (1) through twenty three (23) are repeated and realleged as if set forth verbatim herein.
25. Defendant Ronald J. Sheppard's fraudulent conduct, which perpetrated and perpetuated the fraud, began in approximately 2000 during the course of the merger between HomeSense and HomeGold. Defendant Ronald J. Sheppard and others, both known and unknown to the State Grand Jury, used the merger and its underlying details to further the fraud in many ways, including but not limited to the following:
 26. Pursuant to the terms of the merger, Defendant Ronald J. Sheppard, for his interest in HomeSense, received, among other things, a \$5.7 million non-recourse loan in the form of a \$4 million cash advance along with HomeGold Financial assuming \$1.7 million worth of personal debt.
 27. Pursuant to the terms of the merger, Defendant Ronald J. Sheppard received 6,072,370 shares of the common stock and all 10,000,000 shares of the preferred stock. In addition, Defendant Ronald J. Sheppard received options to purchase 825,423 shares of common stock at an exercise price of \$1.75 per share as part of his employment agreement with HomeGold.
28. The loan addressed herein was secured only by the HomeGold stock that Defendant Ronald J. Sheppard acquired at the consummation of the merger. HomeGold loaned the money to Defendant Ronald J. Sheppard at an interest rate of approximately 7.5%. The dividends from the stock addressed above essentially equaled Defendant Ronald J. Sheppard's obligation to make

interest payments on the note. Defendant Ronald J. Sheppard convinced HomeGold to structure the note to look like a loan, and not income, in an effort to avoid paying income taxes on the proceeds of the financial transaction. However, as it was a non-recourse note and the dividends from the stock paid for the interest on the loan, it was essentially a \$5.7 million payment.

29. Nevertheless, in the proxy statement soliciting approval by the HomeGold Financial shareholders, Defendant Ronald J. Sheppard's \$5.7 million note was reported as an asset for HomeGold Financial. This, however, was not correct. As it was a non-recourse note, it was unlikely that it would be paid back by Defendant Ronald J. Sheppard, and therefore was essentially a \$5.7 million overstatement of the equity of HomeGold at the time of the merger.

30. The non-recourse promissory note matured on or about May 9, 2001. The loan is still outstanding as it was not paid in 2001, 2002, 2003, 2004 or 2005. In fact, no payments were ever made under the terms specified in the loan.

31. Subsequent to the merger, Defendant Ronald J. Sheppard made statements to other individuals that he had no intention of paying back the loan due to it being of a non-recourse nature.

32. Additionally, on or about May 9, 2000, or at least contemporaneous with the merger of HomeGold and HomeSense, as part of the merger agreement, Defendant Ronald J. Sheppard and representatives from HomeGold entered into a Mutual Indemnity Agreement. This indemnified both HomeGold and Defendant Ronald J. Sheppard from losses incurred as a result of a breach of

certain warranties associated with the merger. Set forth therein is a provision providing that in the event the total equity (i.e. assets less total liabilities) of HomeSense at the closing of the merger did not equal at least \$2,373,233, as determined by generally accepted accounting principles, then Defendant Ronald J. Sheppard would have to immediately pay to HomeGold, in cash, the amount of the deficiency.

33. Thereafter, on January 30, 2001, HomeGold Financial and Defendant Ronald J. Sheppard entered into an agreement which cancelled the mutual indemnity agreement addressed above. The agreement states that it would be in the best interest of all parties, as well as the shareholders of HomeGold, to cancel the mutual indemnity agreement. However, this was not part of the agreement that was presented to the shareholders, and this transaction actually created a negative net worth in terms of the agreement relating to the money the Defendant Ronald J. Sheppard would have to pay to HomeGold.
34. The effect of the January 30, 2001, agreement was that it cancelled Defendant Sheppard's obligation to pay to HomeGold the amount of the deficiency in equity pursuant to the mutual indemnity agreement. This agreement was not presented to the shareholders prior to its execution, and more importantly, it was not in the shareholders' best interest for Defendant Ronald J. Sheppard not to provide the cash to make up the deficiency.

WAREHOUSE LINES OF CREDIT

35. The allegations set forth in Paragraphs one (1) through thirty four (34) are repeated and realleged as if set forth herein.
36. As stated above, HomeGold Financial, along with its subsidiary HomeGold, was a specialty finance company engaged in the business of originating, marketing, selling, and servicing sub-prime first and second lien residential mortgage loan products.
37. In order to fund these mortgages, HomeGold relied upon warehouse lines of credit from numerous lenders. HomeGold's ability to maintain warehouse lines of credit was essential to keeping HomeGold a viable entity and maintaining the appearance of a financially strong company. One such warehouse lender was CIT of New York.
38. In or about July of 2000, Defendant Ronald J. Sheppard and other representatives from HomeGold went to a meeting at the offices of CIT in New York. CIT had requested the meeting due to the precarious financial position of HomeGold.
39. The representatives from CIT informed HomeGold that it would be immediately reducing the warehouse line of credit to \$100,000,000 and then to \$50,000,000 and would gradually close the line of credit by the year's end.
40. CIT's reasoning for this was that there was a looming inter-company debt. Specifically, it was relayed to HomeGold officials that CIT did not want to be liable to the debenture holders of Carolina Investors based upon the nature of

the debt, to whom the debt was owed, and HomeGold's ability to repay the loan.

41. As of this meeting in or about July of 2000, it was readily apparent to not only HomeGold directors and employees, but also to its creditors, that the inter-company debt was an insurmountable issue. Defendant Ronald J. Sheppard, by his own admission, had direct knowledge of this fact.
42. As a result of losing this source of funding for the mortgages, HomeGold was forced to find funding elsewhere. The readily available source was to keep upstreaming funds from Carolina Investors and therefore, Carolina Investors acted like HomeGold's own line of credit.
43. The fact that HomeGold was using these funds from Carolina Investors on a regular basis, and the fact that HomeGold could not repay those funds, had to be kept from certain individuals at Carolina Investors, namely Don Cook Bobo and Danny Ray Sharpe, government regulators, the investment counselors and most importantly, from the holders and potential purchasers of Carolina Investors' notes and debentures.

INTER-COMPANY DEBT

44. The allegations contained in paragraphs one (1) through forty three (43) are repeated and realleged as if set forth verbatim herein.
45. Defendant Ronald J. Sheppard, and others, both known and unknown to the State Grand Jury, as part of the course of business perpetrated and perpetuated

the fraud using the inter-company debt in many ways, including but not limited to the following:

46. As addressed above, the use of the funds from Carolina Investors and the fact that HomeGold could not pay back that sum, had to be kept from certain individuals such as Carolina Investors' directors Don Cook Bobo and Danny Ray Sharpe, government regulators, and holders and potential customers of Carolina Investors' subordinated notes and debentures. HomeGold, and its alter-ego, Carolina Investors, needed to appear financially sound.
47. In order to operate, HomeGold needed to maintain the appearance of a certain financial position to retain its mortgage lending licenses in a number of states. These licensing agencies required the submission of annual audited financial statements. If the audited financial statement showed that HomeGold was insolvent, its license(s) would not have been renewed. Without these licenses, HomeGold would not be able to conduct its business.
48. Prior to 2000, HomeGold Financial, and its predecessor companies, submitted consolidated financial statements to these licensing authorities rather than a separate statement of HomeGold, which was the actual licensee. As of December 31, 2000, this presented a problem because a consolidated financial report would have shown HomeGold Financial to have been insolvent, in that it would have had a negative net worth.
49. In an attempt to ensure a "positive" financial status and in response to repeated operating losses, the Boards of HomeGold and Carolina Investors approved a series of internal financial transactions.

50. These transactions had no true effect on the overall financial condition of the companies, but the transactions were further part of the course of business designed to impact the financial statements of HomeGold and to convince various state regulatory agencies that HomeGold was solvent. By convincing the state agencies of the financial stability of HomeGold, the company was allowed to keep its licensing, and as a result, continue to operate and continue to upstream money from Carolina Investors and the purchasers of Carolina Investors' subordinated notes and debentures.
51. The financial transactions were as follows:
- a. As of December 31, 2000, HomeGold Financial assumed all of the debts owed by HomeGold to Carolina Investors, which totaled approximately \$100,840,449.
 - b. HomeGold Financial, of which Defendant Sheppard was the CEO and a director, executed a revolving promissory note dated December 31, 2000, payable to Carolina Investors in the amount of \$125,000,000 and with a maturity date of December 31, 2005, to cover not only the debt assumed from HomeGold, but also any necessary future advances from Carolina Investors to HomeGold.
 - c. HomeGold Financial recorded this transaction as a contribution to the capital of HomeGold through an Assumption of Debt and Capital Contribution Agreement (Assumption Agreement).

- d. Pursuant to the Assumption Agreement, HomeGold technically guaranteed the repayment to Carolina Investors of the amounts assumed by HomeGold Financial.
 - e. On or about January 2, 2001, HomeGold executed a secured revolving promissory note payable to Carolina Investors in the amount of \$75,000,000, which was payable on December 31, 2005.
 - f. In order to secure the guaranty mentioned above, and the revolving promissory note, HomeGold granted Carolina Investors a security interest in certain property. These security interests were not perfected.
 - g. The assets that allegedly secured these interests were certain accounts receivable, and HomeGold's used equipment located in South Carolina, which had very little actual value.
52. As of March 29, 2001, HomeGold Financial entered into a three party agreement whereby HomeGold's indebtedness to Carolina Investors was assumed by HomeGold Financial, and HomeGold's liability was limited to guaranteeing HomeGold Financial's indebtedness to Carolina Investors. Therefore, because HomeGold did not directly owe this money to Carolina Investors, it was not necessary for it to list the debt as a liability on the balance sheet. It was only required that it be listed as a footnote.

53. Having HomeGold Financial become primarily liable on the loan from Carolina Investors instead of HomeGold, should not have resulted in such a dramatic change in the financial statements for HomeGold because the obligations had not materially changed. HomeGold Financial had no significant assets other than stock in HomeGold and Carolina Investors. These financial manipulations evidence a course of business conduct aimed at converting a liability, which had been on HomeGold's balance sheet, to an asset in order to mislead not only state licensing agencies and government regulators, but ultimately, the holders of Carolina Investors' subordinated notes and debentures.
54. The internal financial transactions set forth above removed approximately \$100,000,000 of debt from HomeGold. This gave HomeGold the appearance of solvency. This series of financial transactions was an intentional manipulation of the appearance and financial status of HomeGold's equity, which was positive as a result of the transaction.
55. This same conduct was repeated in 2001, and was on the books to occur again for the end of the year 2002, but did not occur because HomeGold Financial and its related entities closed their doors in March 2003.

Valuations

56. The allegations set forth in paragraphs one (1) through fifty five (55) are repeated and realleged as if set forth verbatim herein.
57. Based upon the failure of HomeGold to meet projections throughout 2001, individuals at the auditing firm of Elliot Davis requested that a valuation be conducted for the HomeGold retail mortgage division.
58. HomeGold management sent information to CBIZ Valuation Counselors, a company located in New Jersey, which performed a valuation of the division. The valuation was based upon an income statement and other documents prepared internally by HomeGold. CBIZ was not provided with a balance sheet for that portion of the business. Further, HomeGold management provided CBIZ with a multi-year projection of operations covering the mortgage production business. These projections were unrealistic based upon HomeGold's past performance.
59. This valuation excluded costs relating to corporate infrastructure and administration, as well as various areas of mortgage production and support. CBIZ accepted the documents provided by HomeGold without further investigation as proper representations of HomeGold's operations. CBIZ did not independently investigate the accuracy or completeness of the data, which was disclosed and disclaimed in the valuation when it was sent to HomeGold on March 8, 2002.
60. Additionally, it was explicitly detailed by CBIZ that this valuation was to be used by HomeGold for internal purposes only, for its business planning, and

neither the valuation, nor its contents, should be referred to or quoted in any registration statement, prospectus, offering memorandum, sales brochure, other appraisal, loan, or other agreement or document given to third parties without CBIZ's prior approval. Based upon information and belief, CBIZ did not give permission for this to be used in any manner set out above.

61. This evaluation was sent to Elliot Davis, which rejected this valuation and told HomeGold management to obtain a new appraisal.
62. The Defendant, Ronald J. Sheppard and others, used this valuation to continue to represent that HomeGold was a viable company and to continue a course of business aimed at misleading not only the State licensing agencies, government regulators, certain members of the Board of Directors of Carolina Investors, namely Don Cook Bobo and Danny Ray Sharpe, and government regulators, but ultimately holders of Carolina Investors' subordinated notes and debentures.
63. Subsequently, another valuation was prepared by Deloitte & Touche which was also based upon income statements prepared internally by HomeGold. Deloitte & Touche was not provided with a balance sheet for that portion of the business. Further, HomeGold management provided Deloitte & Touche with a multi-year projection of operations covering the mortgage production business. HomeGold did not provide a projection for 2003. Again, these projections were unrealistic based upon HomeGold's past performance.
64. This valuation excluded costs relating to corporate infrastructure and administration, as well as various areas of mortgage production and support.

Deloitte & Touche also accepted the documents by HomeGold without additional investigation as proper representations of HomeGold's operations. Deloitte & Touche did not independently investigate the accuracy or completeness of the data, which was put in the valuation when it was sent to HomeGold on April 2, 2002.

65. Additionally, it was explicitly detailed by Deloitte & Touche that this valuation was to be used for internal purposes only, for business planning, and that the valuation and its contents should not be referred to or quoted in any registration statement, prospectus, offering memorandum, sales brochure, other appraisal, loan or other agreement or document given to third parties without Deloitte & Touche's prior approval. Based upon information and belief, Deloitte & Touche did not give permission for this to be used in any manner set out above. Deloitte & Touche specifically detailed that the purpose of this valuation was for financial reporting purposes regarding impairment of a loan from Carolina Investors, and not to be used for any other purpose or given to a third party.
66. Defendant Ronald J. Sheppard used this valuation to continue to represent that HomeGold was a viable company and to continue a course of business aimed at misleading the State licensing agencies, government regulators, certain members of the Board of Directors of Carolina Investors, namely Don Cook Bobo and Danny Ray Sharpe, and ultimately the holders of Carolina Investors' subordinated notes and debentures.

67. During the Summer and Fall of 2002, HomeGold attempted to actively market for sale the retail mortgage operations of HomeGold while simultaneously retaining Bankruptcy counsel to prepare a disaster plan, which included some form of receivership for Carolina Investors. In addition, the Chief Financial Officer of HomeGold, Kevin Martin, resigned in part due to his belief that the sale of securities through Carolina Investors should cease immediately because repayment of the debt to the investors was no longer possible. A copy of Mr. Martin's resignation letter was provided to all officers and directors of HomeGold, including Defendant Ronald J. Sheppard.

EMMCO TRANSACTION

68. The allegations contained in paragraphs one (1) through sixty seven (67) are repeated and realleged as if set forth verbatim herein.
69. After the loss of warehouse credit lines, from CIT and other entities, HomeGold reached the conclusion that it needed to sell its retail mortgage division and it began to actively seek potential buyers. Defendant Ronald J. Sheppard and others, both known and unknown to the State Grand Jury, used the EMMCO transaction to perpetrate and perpetuate the fraud in a number of ways, including but not limited to the following:
70. On November 6, 2002, after repeated attempts to sell the retail mortgage division, Defendant Ronald J. Sheppard presented a proposal to the HomeGold Financial Board of Directors whereby he would resign in his role

as an officer and director of HomeGold and purchase the retail mortgage division. Because of Defendant Ronald J. Sheppard's allegedly extensive contacts in the industry, he represented that he could obtain approximately \$100 million warehouse lines of credit secured in his name. Moreover, Defendant Ronald J. Sheppard indicated that he would not use HomeGold's name because of the inability of HomeGold to secure similar financing. Defendant Ronald J. Sheppard and his company EMMCO were then supposed to pay a percentage of any profits back to HomeGold.

71. On December 31, 2002, after not being able to find a purchaser willing to buy the retail mortgage division for a suitable amount, HomeGold consummated the sale of the retail mortgage division and related assets to EMMCO, LLC (EMMCO) and R-Doc, LLC (R-Doc), which were South Carolina Limited Liability Companies formed by Defendant Ronald J. Sheppard. Defendant Ronald J. Sheppard's consideration paid for these assets amounted to little more than an interest in the newly formed company and a hoped for distribution of future profits.

72. Specifically, Defendant Ronald J. Sheppard purchased the retail mortgage division for \$150,000 in cash and a "capped earn out", which would have required Defendant Ronald J. Sheppard to pay money back to HomeGold out of the profits he earned through EMMCO. Additionally, HomeGold Financial loaned \$5 million to R-Doc and sold to R-Doc an office location in Lexington, South Carolina. The \$5 million loan was structured as a \$3 million cash payment and \$2 million worth of "in-kind" services, which included

accounting and other services performed by HomeGold for EMMCO. Additionally, other vacant land whose combined net value was approximately \$3,445,000 was given to EMMCO as a part of this transaction. HomeGold received a promissory note in the amount of \$8,445,000, and upon information and belief, Defendant Ronald J. Sheppard has made no payments.

73. The Defendant Ronald J. Sheppard, at the time of the merger, guaranteed that he could obtain warehouse lines of credit based upon his personal financial wealth for approximately one hundred million dollars (\$100,000,000)

74. This transaction was completed without full and proper disclosure to the shareholders of HomeGold. It was done as a further attempt to perpetuate the ongoing fraudulent course of business such that certain members of the Carolina Investors Board of Directors, and holders of Carolina Investors' subordinated notes and debentures, would not fear any type of imminent danger or understand the true precarious financial position of HomeGold and Carolina Investors.

75. As a result of the EMMCO transaction, the ability of HomeGold to repay Carolina Investors and other creditors became dependent solely upon the success of three startup companies: EMMCO, R-DOC and FlexCheck.

76. Subsequent to the EMMCO transaction, HomeGold's operations were generally limited to mortgage servicing. With insubstantial revenues from operations, no payments forthcoming from EMMCO, and an inability to sell sufficient debt instruments to cover losses and redemptions, HomeGold ran

out of funds by March 2003 and filed voluntary Chapter 11 petitions on March 31, 2003. Business operations were terminated shortly thereafter.

OTHER ACTS

77. The allegations contained in paragraphs one (1) through seventy six (76) are repeated and realleged as if set forth verbatim herein.
78. Defendant Ronald J. Sheppard knew from the beginning of his tenure as an officer and director of HomeGold and its related companies, that HomeGold was failing. Based in part on his knowledge of the financial condition of HomeGold and the inter-company debt, Defendant Ronald J. Sheppard and other representatives from HomeGold engaged in a course of business which acted to perpetrate and perpetuate a fraud or deceit upon investors and others by working to hide the structure of the business and its financial position in many ways, including but not limited to the following:
79. Defendant Ronald J. Sheppard, knew, from as early as July 2000, when he and other representatives of HomeGold learned from CIT that the warehouse credit line was going to be terminated, that the viability of HomeGold and Carolina Investors was questionable. One reason given by CIT was that it was concerned about the looming inter-company debt and HomeGold's ability to repay it. At this point, Defendant Ronald J. Sheppard knew that the inter-company debt was a major issue that was most probably insurmountable.
80. Beginning in or around May 2000 to around March 2003, Defendant Ronald J. Sheppard participated, directly or indirectly, by his actions, words, or deeds,

and through the direction of officers, directors, and employees of both Carolina Investors and HomeGold, by means of materially false representations and/or omissions of material facts, to induce investors to invest money, or to maintain their investments with Carolina Investors, so that a "run on the money" would not occur which would hinder Carolina Investors' ability to continue in business and would thwart Carolina Investors' ability to continue to sell additional securities in order to continue funding the operations of its parent company, HomeGold.

81. Beginning in or around May 2000 until around March 2003, Defendant Ronald J. Sheppard and other participants, held meetings prior to the announcement of quarterly losses to coordinate ways in which to downplay negative information, and put a positive spin on information that would be disseminated to the public through press releases and through direct contact with potential or current investors in Carolina Investors securities and/or HomeGold stock. Through these acts, practices or courses of business, Defendant Ronald J. Sheppard, and others, did knowingly and willfully, in connection with the offer, sale, or purchase of securities, directly or indirectly, make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to investors.

82. Defendant Ronald J. Sheppard, participated, directly or indirectly, from around May 2000 to around March 2003, in the distribution of misleading documents, pamphlets, prospectus, and statements that were provided to

potential investors at Carolina Investors by officers, directors, and employees of Carolina Investors.

83. Defendant Ronald J. Sheppard, and other participants, knowingly and willfully from around May 2000 to around March 2003, after learning of the dissemination of misleading statements and/or documents to investors by officers, directors, and employees of Carolina Investors, continued to employ those responsible for the above-referenced conduct. In many instances, those providing misleading information were given additional compensation in the form of raises and bonuses after the discovery of improper conduct in connection with the offer, sale, or purchase of securities. The improper conduct by the officers, directors, and employees of Carolina Investors in connection with the offer, sale, or purchase of securities was allowed to continue until around March 2003.
84. It was further part of the course of business in defrauding investors that Defendant Ronald J. Sheppard, and other participants, sought to mislead investors about the financial strength of Carolina Investors by advertising Carolina Investors as millions in assets strong, when in fact, the primary income from Carolina Investors was the interest accrued from the inter-company debt, and the largest asset of Carolina Investors was an impaired receivable from HomeGold.
85. Defendant Ronald J. Sheppard, as CEO of HomeGold Financial, knew that the business had a strong potential to fail. Nonetheless, he continued to expend large amounts of funds in a claimed attempt to expand the business. More

importantly, however, was the fact that even though Defendant Ronald J. Sheppard knew the business was failing, he engaged in a course of conduct whereby he treated these companies as his personal bank account, without any regard for the impact these tremendous expenditures had on HomeGold, and ultimately, the holders of Carolina Investors' subordinated notes and debentures.

86. Defendant Ronald J. Sheppard lived an extravagant lifestyle and exhausted funds at a rate unprecedented by other corporate officers and directors at HomeGold or Carolina Investors. Moreover, Defendant Ronald J. Sheppard incurred expenses without the prior approval of the Board of Directors, some of which had to be retroactively approved, to wit:

- a. From approximately May of 2002 to December 2002, Defendant Ronald J. Sheppard incurred approximately \$102,499.80 in expenses payable to a personal fitness trainer; and
- b. At the consummation of the merger between HomeSense and HomeGold, HomeGold effectively purchased the then existing motorhome being used by Defendant Ronald J. Sheppard and from May 2000 until October 2001, Defendant Ronald J. Sheppard caused HomeGold to make loan payments in the amount of approximately \$61,684.33; and
- c. Thereafter, on or about October 31, 2001, Defendant Ronald J. Sheppard caused HomeGold to purchase a 2002 Royale Prevost motorhome with a purchase price of approximately \$885,254.67.

From the time of purchase until approximately April of 2002, HomeGold paid approximately \$52,656.72 in loan payments on this motorhome.

d. As addressed herein, on or about March 14, 2002, Defendant Ronald J. Sheppard and others attended a meeting at which time they were advised that the auditors had concluded that there was substantial doubt that the company would continue to exist as a going concern. Nonetheless, on or about March 29, 2002, only two weeks after learning of the questionable viability of the company, Defendant Ronald J. Sheppard submitted a request for reimbursement for the purchase of wallpaper for his office in the amount of approximately \$17,380.00, which had been purchased a number of years earlier.

e. As addressed herein, on or about March 14, 2002, Defendant Ronald J. Sheppard and others attended a meeting at which time they were advised that the auditors had concluded that there was substantial doubt that the company would exist as a going concern. Nonetheless, on or about March 29, 2002, Defendant Ronald J. Sheppard submitted a request for reimbursement for travel mileage that he incurred as a result of him traveling from Lexington, South Carolina to Greenville, South Carolina immediately prior to, and subsequent to the merger of HomeSense and HomeGold.

- f. Subsequent to the March 14, 2002, meeting wherein going concern language was discussed, Defendant Ronald J. Sheppard borrowed \$200,000 from HomeGold. The purpose behind this loan was that Defendant Ronald J. Sheppard could use this money to purchase a Carolina Investors' subordinated debenture. Defendant Ronald J. Sheppard, and others, thought that it would reflect positively that the CEO of HomeGold believed in Carolina Investors' enough to have his own money invested in the company. However, the loan was only secured by the subordinated debenture that he purchased with the funds and was not an investment of his own money.
- g. Subsequent to the March 14, 2002, meeting wherein going concern language was discussed, Defendant Ronald J. Sheppard caused to be purchased a new 2003 Vantare Motorhome paid for by HomeGold but owned by Prevost Montana, LLC, which is a Montana company organized by the Defendant Ronald J. Sheppard. The purchase price of the motorhome was approximately \$1,076,013.90.
- h. Subsequent to the March 14, 2002, meeting wherein going concern language was discussed, on April 30, 2002, Defendant Ronald J. Sheppard borrowed another \$200,000 from HomeGold. This was secured with 1,000,000 shares of HomeGold's common stock owned by Defendant Ronald J. Sheppard.

I. Additionally, while HomeGold Financial's losses continued during the years 2001 and 2002, and the Carolina Investors' debt grew substantially, Defendant Ronald J. Sheppard's compensation averaged approximately \$1.3 million as reported on his W-2 Forms. On May 1, 2002, the HomeGold Financial Board had to retroactively approve an increase in Defendant Ronald J. Sheppard's compensation which he had previously unilaterally authorized.

87. Defendant Ronald J. Sheppard and other participants, after learning that the auditors of HomeGold and Carolina Investors had substantial doubts as to whether Carolina Investors would be able to stay in business as a going concern and that the loan between the two companies would be impaired, met with officers, directors Don Cook Bobo and Danny Ray Sharpe, and employees of Carolina Investors, several of which were investors in Carolina Investors securities, in an effort to downplay negative information concerning the company and put a positive spin on HomeGold's speculative efforts to return to profitability. Defendant Ronald J. Sheppard knew the misleading information shared with the officers, directors and employees of Carolina Investors would be disseminated to potential or current investors in Carolina Investors' securities.

88. It was further part of the course of business to defraud investors that Defendant Ronald J. Sheppard and other participants made efforts to ensure that Don Cook Bobo, a member of the Carolina Investors' Board of Directors,

and largest investor in Carolina Investors' securities, was "kept in the dark" as to the true financial condition of Carolina Investors and HomeGold. Defendant Ronald J. Sheppard and others feared that if Mr. Bobo were to withdraw his investment with Carolina Investors based on accurate information concerning the poor financial condition of both companies, other investors would become greatly concerned and a "run on the money" would occur at the Carolina Investors' branches.

89. It was further part of the course of business to defraud investors that Defendant Ronald J. Sheppard and others, directly or indirectly, engaged in the marketing of loan pools containing loans manipulated to increase their value to potential investors. Defendant Ronald J. Sheppard and others, directly or indirectly, engaged in falsifying credit scores and manipulating mortgage payments to increase the value of loan pools, a security under South Carolina law, which loan pools were marketed to potential investors.

90. Defendant Ronald J. Sheppard did, in Pickens County, in or around November 2001, in the course of business, knowingly and willfully, in connection with the offer, sale or purchase of a security, directly or indirectly, make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to certain members of the Carolina Investors Board of Directors, namely Don Cook Bobo and Danny Ray Sharpe.

91. Defendant Ronald J. Sheppard did, in Pickens County, in or around August 2002, in the course of business, knowingly and willfully, in connection with

the offer, sale or purchase of a security, directly or indirectly, make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to certain members of the Carolina Investors Board of Directors, namely Don Cook Bobo and Danny Ray Sharpe.

92. Defendant Ronald J. Sheppard did, in Pickens County, in or around November 2001, in the course of business, knowingly and willfully, in connection with the offer, sale or purchase of a security, directly or indirectly, make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to certain members of the Carolina Investors' Board of Directors, namely Don Cook Bobo and Danny Ray Sharpe.

93. Defendant Ronald J. Sheppard did, in Pickens County, in or around November 2002, in the course of business, knowingly and willfully, in connection with the offer, sale or purchase of a security, directly or indirectly, make untrue statements of material fact and omit to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading to certain members of the Carolina Investors' Board of Directors, namely Don Cook Bobo and Danny Ray Sharpe.

COUNT TWO
CRIME AGAINST A FEDERALLY CHARTERED OR INSURED FINANCIAL
INSTITUTION
(Violation of S.C. Code Section 34-3-110)

94. The allegations contained in paragraphs one (1) through ninety three (93) are repeated and realleged as if set forth verbatim herein.
95. On or about March 7, 2003, Ronald J. Sheppard, did in Lexington County knowingly execute, or attempt to execute, a scheme or artifice to defraud a federally chartered or insured financial institution; or obtain monies, funds, credits, assets, securities, or other property owned by or under the custody or control of a federally chartered or insured financial institution by means of false or fraudulent pretenses, representations, or promises to wit: Ronald J. Sheppard did apply to the National Bank of South Carolina (NBSC) for a \$2.5 million credit for the operations of EMMCO. Ronald J. Sheppard was a personal guarantor on said application.
96. Defendant Ronald J. Sheppard presented to NBSC a completed Branch Banking and Trust (BB & T) Financial Statement dated November 1, 2002, in support of his application which was completed at his direction. Therein, he indicated that he possessed approximately \$30,421,900 in assets. Of that sum, he indicated that he owned \$11,000,000 in cash or deposit accounts, \$15,700,000 in stocks and bonds, \$237,000 of vehicles, boats, machinery, and equipment, \$2,934,900 in real estate, and \$550,000 in other assets.
97. Defendant Ronald J. Sheppard, in his original application to BB&T in or around November 2002, indicated that he had \$6,000,000.00 in cash or deposit accounts. Subsequent to that date, at the direction of Defendant

Ronald J. Sheppard, an employee changed that amount from \$6,000,000.00 to \$11,000,000.00.

98. Of the \$15,700,000 in marketable stocks and bonds, Defendant Ronald J. Sheppard indicated that he had 6,800,000 shares of HomeGold Financial Common Stock that had a market value of \$3,200,000. Additionally, Defendant Ronald J. Sheppard indicated that he had 7,000,000 shares of HomeGold Financial Preferred Stock that had a market value of \$12,500,000.

99. As of November 1, 2002, the date that the application was filled out, the HomeGold Financial Common Stock was trading at \$0.09 per share in the over the counter market. Therefore, Defendant Ronald J. Sheppard's 6,800,000 shares of HomeGold Financial Common Stock were only worth approximately \$612,000, not the \$3,200,000 that he claimed.

100. As of the date that Defendant Ronald J. Sheppard applied for the loan with NBSC, March 7, 2003, the HomeGold Common Stock was trading at \$0.055 per share. Therefore, under that scenario, Defendant Ronald J. Sheppard's 6,800,000 shares of HomeGold Financial Common Stock were only worth approximately \$374,000, not the \$3,200,000 that he claimed.

101. Thereafter, on June 2, 2003, Defendant Ronald J. Sheppard, executed a loan modification agreement with NBSC which modified the prior loan agreement from April 4, 2003. In the loan modification agreement, Defendant Ronald J. Sheppard acknowledged that his financial condition was a material inducement to NBSC's decision to extend the loan to him and that updated

valuations of certain stock holdings had a substantial negative impact on his net worth.

102. This updated valuation came as a result of the Bankruptcy of HomeGold. NBSC was able to determine that Defendant Ronald J. Sheppard misrepresented the value of his assets in an amount of at least \$2.5 million to almost \$3.0 million. This is in direct violation of Section 34-3-110 of the South Carolina Code of Laws (1976) as amended.

COUNT THREE

Forgery

(Violation of S.C. Code Section 16-13-10)

103. The allegations contained in paragraphs one (1) through one hundred two (102) are repeated and realleged as if set forth verbatim herein.
104. Ronald J. Sheppard, did in Lexington County, on or about, March 25, 2002, falsely make, forge or counterfeit, cause or procure to be falsely made, forged, or counterfeited; or willfully act or assist in the false making, forging, or counterfeiting of any writing or instrument of writing; and/or utter or publish as true any false, forged, or counterfeited writing or instrument of writing to wit: Ronald J. Sheppard, did present or assist in the presentation of an application for Directors, Officers, and Corporate Liability Insurance Policy that contained false information that he willfully assisted in creating which was presented to Clarendon National Insurance Company. This is in direct violation of Section 16-13-10 of the South Carolina Code of Laws (1976), as amended.

COUNT FOUR

Forgery

(Violation of S.C. Code Section 16-13-10)

105. The allegations contained in paragraphs one (1) through one hundred four (104) are repeated and realleged as if set forth verbatim herein.
106. That Ronald J. Sheppard, did in Lexington County, on or about March 25, 2002, falsely make, forge or counterfeit, cause or procure to be falsely made, forged, or counterfeited; or willfully act or assist in the false making, forging, or counterfeiting of any writing or instrument of writing; and/or utter or publish as true any false, forged, or counterfeited writing or instrument of writing to wit: Ronald J. Sheppard, did present or assist in the presentation of an application for an Employment Practices Liability Insurance Policy that contained false information that he willfully assisted in creating which was presented to Clarendon National Insurance Company. This is in direct violation of Section 16-13-10 of the South Carolina Code of Laws (1976), as amended.

COUNT FIVE

Making a False Statement or Misrepresentation

(Violation of S.C. Code Section 38-55-540)

107. The allegations contained in paragraphs one (1) through one hundred six (106) are repeated and realleged as if set forth verbatim herein.
108. That Ronald J. Sheppard, did in Lexington County, on or about March 25, 2002, make or cause to be made a false statement or misrepresentation in connection with Clarendon National Insurance Company, with the intent of obtaining an economic advantage benefit in the amount of \$1,000 or more.

To wit: Ronald J. Sheppard made or caused to be made false statements or misrepresentations on an application for a Directors, Officers, and Corporate Liability Policy to Clarendon National Insurance Company.

109. This is in direct violation Section 38-55-540 of the South Carolina Code of Laws (1976), as amended.

COUNT SIX

Making a False Statement or Misrepresentation (Violation of S.C. Code Section 38-55-540)

110. The allegations contained in paragraphs one (1) through one hundred nine (109) are repeated and realleged as if set forth verbatim herein.
111. That Ronald J. Sheppard, did in Lexington County, on or about March 25, 2002, make or cause to be made a false statement or misrepresentation in connection with Clarendon National Insurance Company, with the intent of obtaining an economic advantage benefit in the amount of \$1,000 or more. To wit: Ronald J. Sheppard made or caused to be made false statements or misrepresentations on an application for a Employment Practices Liability Policy to Clarendon National Insurance Company.
112. This is in direct violation Section 38-55-540 of the South Carolina Code of Laws (1976), as amended.

COUNT SEVEN

Obtaining Signature or Property by False Pretenses (Violation S.C. Code Section 16-13-240(1))

113. The allegations of paragraphs one (1) through one hundred twelve (112) are repeated and realleged as if set forth verbatim herein.

114. That Defendant Ronald J. Sheppard, did in Greenville County and Lexington County, during the period beginning approximately in 2000 through approximately March of 2003, with the intent to cheat and defraud a number of investors, to obtain money by perpetrating a fraud on investors and other false pretenses in an amount over five thousand dollars (\$5,000), through including but not limited to the following, in direct violation Section 16-13-240(1) of the South Carolina Code of Laws (1976), as amended.
115. On May 9, 2000, HomeSense and affiliated companies were merged into HomeGold. Defendant Ronald J. Sheppard, HomeSense's primary shareholder, became Chief Executive Officer and a director of HomeGold Financial, and a director of both HomeGold and Carolina Investors.
116. Defendant Ronald J. Sheppard, as CEO and a director of HomeGold, and other individuals at HomeGold, both known and unknown to the State Grand Jury, did obtain money under false pretenses, to wit: Beginning in approximately 1998, HomeGold Financial began to suffer substantial operating losses. These losses continued until HomeGold filed for protection pursuant to Chapter 11 of the Bankruptcy Code. These operating losses were funded primarily by upstreaming funds from Carolina Investors as a "loan". As this inter-company debt grew, HomeGold's ability to pay the money back became increasingly less likely. It was necessary for those individuals at HomeGold to keep this fact hidden from certain members of the Carolina Investors' Board of Directors, and from the holders of Carolina Investors' subordinated notes and debentures. Defendant Ronald J. Sheppard, and others

at HomeGold and Carolina Investors intentionally withheld and hid the true financial condition of the company and its ability to repay Carolina Investors, and ultimately, Carolina Investors' ability to repay its note holders.

Defendant Ronald J. Sheppard's involvement began in approximately 2000 during the negotiations of the HomeSense merger with HomeGold, and continued until the end of March 2003 when HomeGold filed for bankruptcy.

117. These actions were a deliberate attempt to perpetrate a fraud which caused a financial loss to a number of investors, some of whom lost more than five thousand dollars (\$5,000).
118. Defendant Ronald J. Sheppard and others exploited the corporate structure of HomeGold to control the flow of information between the HomeGold Board of Directors and the Carolina Investors' Board of Directors and even further, to the holders of Carolina Investors' subordinated notes and debentures.

COUNT EIGHT
Breach of Trust
(Violation S.C. Code Section 16-13-230(b)(3))

119. The allegations of paragraphs one (1) through one hundred eighteen (118) are repeated and realleged as if set forth verbatim herein.
120. That Defendant Ronald J. Sheppard, as a fiduciary of HomeGold and Carolina Investors, did in Pickens, Lexington and Greenville counties, from in or about May 2000 until in or about March 2003, having been entrusted by the fiduciaries of Carolina Investors, with the care, keeping, and possession of certain personal property valued at more than Five Thousand Dollars

(\$5,000), with fraudulent intentions or hired or counseled another to convert or appropriate such property to his own use and purposes with the intent to deprive the owner thereof, to wit: Ronald J. Sheppard, during the course of business, accepted upstreamed Carolina Investors' funds from Carolina Investors' fiduciaries and used these funds for his own benefit and purposes. This is in direct violation of Section 16-13-230(b)(3) of the South Carolina Code of Laws (1976), as amended.

COUNT NINE

Perjury

(Violation S.C. Code Section 16-9-10(A)(1))

121. The allegations of paragraphs one (1) through one hundred twenty (120) are repeated and realleged as if set forth verbatim herein.
122. That on or about June 29, 2004, the Defendant Ronald J. Sheppard, did in Richland County willfully give false, misleading, or incomplete testimony while under oath in any court of record, judicial, administrative, or regulatory proceeding in this State. The Defendant, Ronald J. Sheppard, did commit the crime of perjury while under oath at a deposition during the bankruptcy proceedings titled Ralph C. McCullough, II, as Plan Trustee for HomeGold Financial, Inc. and Carolina Investors, v. EMMCO, LLC and EMMCO Credit Corp. No. 8:03-3569-13. This is in direct violation of Section 16-9-10(A)(1) of the South Carolina Code of Laws (1976) as amended.

COUNT TEN
Conspiracy
(Violation S.C. Code Section 16-17-410)

123. The allegations of paragraphs one (1) through one twenty two (122) are repeated and realleged as if set forth verbatim herein.
124. Between May 2000 to in or around March 31, 2003, the Defendant Ronald J. Sheppard, did unlawfully and willfully unite, combine, conspire, confederate, agree to or have a tacit agreement between two or more persons, whose names are known and unknown to the State Grand Jury, for the purpose of accomplishing a criminal or unlawful object, or a lawful object by criminal or unlawful means in violation S.C. Code Section 16-17-410 of the South Carolina Code of Laws (1976) as amended.

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

A True Bill

FOREMAN

R.D.H.

OFFICE OF THE ATTORNEY GENERAL

Henry McMaster

HENRY McMASTER
ATTORNEY GENERAL

STATE OF SOUTH CAROLINA
COUNTY OF Lexington
STATE OF SOUTH CAROLINA

Ronald J. Sheppard
Name of Defendant

Ticket or Warrant No. 2005-65-47-20
IN THE () COURT OF GENERAL SESSIONS
() MAGISTRATE'S COURT
() MUNICIPAL COURT OF

ORDER SPECIFYING METHODS AND CONDITIONS OF RELEASE
(Bail Proceeding Form 2)

FILED

NOV 22 2005

LISA C DUNBAR
CLERK, STATE GRAND JURY

Offense Charged:

At a bail proceeding conducted by undersigned judge, for the defendant named above, it was determined by the court (check one or both):

- ☐ The release of the defendant on recognizance will not reasonably assure his appearance as required.
☐ The release of the defendant on recognizance will result in an unreasonable danger to the community.

This determination was based upon the following findings of fact:

[Considerations: Nature and circumstances of the offense charged, the accused's family ties, employment, financial resources, character and mental condition, the length of his residence in the community, his record of convictions, and any record of flight to avoid prosecution or failure to appear at other court proceedings.]

THEREFORE, IT IS HEREBY ORDERED:

1. That the above-named defendant be released from custody on the condition that he will personally appear before the designated court at the place, date and time required to answer the charge made against him and do what shall be ordered by the court and not depart the State without the permission of the court and be of good behavior.
2. That the above-named defendant be released from custody provided as follows (check one):

CASH IN LIEU OF BOND

- ☐ The defendant, acknowledging himself to be indebted to the State of South Carolina, deposits \$_____ to secure his release from custody. Should the defendant fail to comply with all terms and conditions of this Order, this sum of money is subject to being forfeited to the State.

CASH PERCENTAGE IN LIEU OF BOND

- ☐ The defendant acknowledges himself to be indebted to the State of South Carolina in the sum of \$_____. His release to be obtained by payment to the court of _____ () % of this bond in cash, this amount being \$_____. The defendant will be obligated to the State in the full amount of \$_____, such sum to be levied on his real and personal property for the use of the State, should he fail to perform the conditions of this Order.

APPEARANCE RECOGNIZANCE WITH SURETY

- ☒ The defendant will provide good and sufficient surety approved in the court, in the form set forth on the reverse side, acknowledging an indebtedness to the State in the amount of \$ 100,000.00.

3. That the defendant shall appear at (check one):

☒ the term of the court of general sessions beginning on [Date:] _____ at [Time:] _____ o'clock, _____ M., at [Place:] Other Scheduled by the Court and remain there throughout that term of court. If no disposition is made during that term, the defendant shall appear and remain throughout each succeeding term of court until final disposition is made of his case, unless otherwise ordered by the court.

☐ the session of magistrate/municipal (circle one) court beginning on [Date:] _____ at [Time:] _____ o'clock, _____ M., at [Place:] _____ If no final disposition is made during that session, the defendant shall appear at such other times and places as ordered by the court.

Initials of Defendant

RS

4. That the defendant will notify the court promptly if he changes his address from the one contained in this order and he will comply with those conditions described on the reverse side, which are marked.

See attached order
Signature of Judge

Date

ACKNOWLEDGEMENT BY DEFENDANT

I understand that if I violate any condition of this Order, including any conditions included on the reverse side of this Order, a warrant for my arrest will be issued.

I understand and have been informed that I have a right and obligation to be present at trial and should I fail to attend the court, the trial will proceed in my absence.

It has been explained to me that if I fail to appear before the court as required, an additional criminal charge will be instituted against me. If the failure to appear is in connection with a felony charge, or while awaiting sentence, or pending appeal or certiorari after conviction, the penalty is a fine of not more than \$5,000 or imprisonment for not more than five years, or both; if I fail to appear in connection with a misdemeanor charge, the penalty is a fine of not more than \$1,000 or imprisonment for not more than one year, or both.

I acknowledge the receipt of a copy of this Order and understand the conditions of my release and the penalties applicable to me in the event I violate any condition of the Order or fail to appear as required.

113 Reed Avenue
Address
Lexington SC 29072

Signature of Defendant

11-22-05
Date

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NOV 22 2005
STATE GRAND JURY SECTION

Social Security Number/Telephone No.

Attorney Representing Accused (If known)

ORIGINAL AND ONE COPY OF THIS FORM ARE TO BE COMPLETED IN EVERY BAIL PROCEEDING IN WHICH IT IS USED.

Original copy for the Trial Court - Copy for the Defendant

SCCA/511 (3/90)

FORM CONTINUES ON BACK

SPECIAL CONDITIONS OF RELEASE

a. ☐ Placement in custody. The defendant is placed in the custody of _____
Name of person or organization

Address _____ City _____ State/Zip _____ Telephone _____
who agrees (1) to supervise the defendant in accordance with conditions set forth by the court, (2) to use every effort to assure the appearance of the defendant at all scheduled hearings before the court, and (3) to notify the court immediately in the event the defendant violates any conditions of his release or disappears.

Signature of Custodian (If Appointed) _____ Date _____

b. ☐ Restrictions on Travel, Association or Residence. The defendant will comply with each of the following conditions:

c. ☐ Part-time Release. The defendant will be released from custody from _____ o'clock, _____ M. to _____ o'clock, _____ M. on _____
on condition that he return to the custody of _____ as designated.

d. ☒ Other Conditions. The defendant will comply with the following other conditions of release:

See attached order

APPEARANCE RECOGNIZANCE WITH SURETY

On the 22ND day of November 2005, personally appeared before the undersigned judge the surety named below who acknowledged himself indebted to the State of South Carolina, in the sum of \$ 100,000.00 such sum to be levied on his real and personal property for the use of the State, if the within named defendant shall fail in performing the conditions of this Order.

The surety, being duly sworn, says that he is a resident and free holder within the State and is worth the sum acknowledged and underwritten herein, over all his debts and liabilities, and exclusive of property exempt from execution.

ACable, Clarence Bonding Co.
Name of Surety (Printed or Typed)

3632-A Bellvue Blvd.
Address of Surety

Col, SC 29204
City/State/Zip
(803) 779-3793

James H. Kline
Signature of Surety

James H. Kline
Judge
Clerk of Court - State Building
Date November 22, 2005

Form Approved by
S.C. Attorney General
Section 17-15-40
March 4, 2000

POWER AMOUNT
\$100,000.00

POWER OF ATTORNEY
PALMETTO SURETY CORPORATION
126 Seven Farms Drive, Suite 170, Charleston, SC 29492-7595

PS100 01322

KNOW ALL MEN BY THESE PRESENTS, that PALMETTO SURETY CORPORATION, a corporation duly authorized and existing under the laws of the State of South Carolina, does constitute and appoint the below named agent its true and lawful Attorney-In-Fact for it and in its name, place and stead, to execute, and deliver for and on its behalf, as surety, a bail bond only.

Authority of such Attorney-In-Fact is limited to appearance bonds. No authority is provided herein for the execution of surety indemnification bonds or to guarantee alimony payments, fines, wages, or claims or other payments of any kind on behalf of below named defendant. The named agent is authorized only to execute the bond consistent with the terms of this power of attorney. The agent is not authorized to act as agent for receipt of service of process in any criminal or civil action.

This power is void if altered, amended or used in any combination with other powers of attorney of this company or any other company, to obtain the release of the defendant named below or to satisfy any bond requirement in excess of the stated face amount of this power. This power can only be used once. The obligation of the company shall not exceed the sum of:

ONE HUNDRED THOUSAND (\$100,000) DOLLARS

and provided this Power-Of-Attorney is filed with the bond and retained as a part of the court records. The said Attorney-In-Fact is hereby authorized to insert in this Power-Of-Attorney the name of the person on whose behalf this bond was given.

IN WITNESS WHEREOF, PALMETTO SURETY CORPORATION has caused these presents to be signed by its duly authorized officer, proper for the purpose and its corporate seal to be hereunto affixed this 22nd day of November 2005

Bond Amount \$ 100,000 Appearance Date COE
Defendant: Ronald J. Sheppard
Court State Grand Jury
Case # 2005-GS-47-20
Case # _____
Case # _____
County Richland/Col City Columbia St. SC Zip 29072
Offense Securities Fraud, etc. IVP
Offense _____ IVP
Executing Agent Debra A. Kibben IVP

Expires 12/31/06

PALMETTO SURETY CORPORATION



W. Funder Sander

Vice President

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NOV 28 2005
STATE GRAND JURY SECTION
PMP

STATE GRAND JURY OF SOUTH CAROLINA

STATE OF SOUTH CAROLINA,) IN THE COURT OF GENERAL SESSIONS
COUNTY OF RICHLAND,) FIRST JUDICIAL CIRCUIT

FILED

STATE OF SOUTH CAROLINA,)
Plaintiff,)

V.)

RONALD J. SHEPPARD)

Defendant.)

CASE NO: 2005-GS-47-20

ORDER SETTING BOND

NOV 22 2005

LISA C. DUNBAR,
CLERK, STATE GRAND JURY

This matter came before the Court on November 22, 2005 for the purpose of setting bond.

The defendant was present. The following attorney appeared on behalf of the defendant:

The State was represented by Susan Porter and Jennifer Evans of the Attorney General's Office.

The defendant is charged with the following offense(s): **SECURITIES FRAUD,**

INSURANCE FRAUD, BANK FRAUD, FORGERY, OBTAINING GOOD UNDER

FALSE PRETENSE, BREACH OF TRUST, PERJURY, AND CONSPIRACY.

After hearing from the defendant and the State, the Court finds it appropriate, and it is therefore Ordered, that:

_____ Bond is denied at this time with leave for defense counsel to file a written motion for bond.

_____ A Personal Recognizance Bond in the amount of \$ _____ is set at this time.

_____ A Surety Bond in the amount of \$ _____ is set at this time; and, the defendant is allowed to post 10%.

214 A Surety Bond in the amount of \$ 100,000.00 is set at this time; and, the defendant is not allowed to post 10%.

_____ Bond is reduced from _____ to _____ and does/does not include other pending charges.

AND IT IS SO ORDERED.


CHIEF ADMINISTRATIVE JUDGE - CRIMINAL
FIFTH JUDICIAL CIRCUIT
PRESIDING JUDGE
SOUTH CAROLINA STATE GRAND JURY

November 22, 2005
Columbia, South Carolina

RECEIVED
NOV 28 2005
STATE GRAND
JURY SECTION
gpc

STATE GRAND JURY OF SOUTH CAROLINA

STATE OF SOUTH CAROLINA

CASE NO. **2005GS 47 20**

VS.

VENUE ORDER

RONALD J. SHEPPARD,

DEFENDANT.

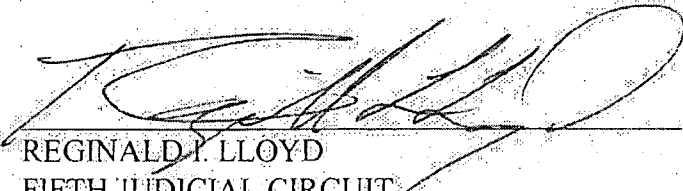
FILED

NOV 16 2005

LISA C. DUNBAR,
CLERK, STATE GRAND JURY

The State Grand Jury of South Carolina returned a True Bill of Indictment in the above case on November 16, 2005. The Indictment is within the authority of the State Grand Jury and is otherwise in accordance with the provisions of the State Grand Jury Act, found in S.C. Code Ann. §§14-7-1600 to -1820 (Law. Co-op. 1976). Venue is appropriate under South Carolina law in the County of Lexington. Accordingly, it is hereby

ORDERED that the instant Indictment be returned to Lexington County for prosecution by the Attorney General or his designee.


REGINALD J. LLOYD
FIFTH JUDICIAL CIRCUIT
PRESIDING JUDGE
STATE GRAND JURY OF SOUTH CAROLINA

Columbia, South Carolina

November 16, 2005

CMTI330D SCDC OFFENDER MANAGEMENT SYSTEM 03/19/12
 OMCOMITA RELEASE DATE SCREEN C051123
 SCDC# > 320057 LOC: STEVENSON
 SHEPPARD, RONALD J. SCDC CLASSIFICATION... NON-VIOLENT
 OFFENDER TYPE...: ADULT-STRAIGHT SENTENCE SEXUAL REGISTRY... N
 SEXUAL PREDATOR...: NOT APP
 DNA STATUS...: COMPLETED
 GPS REQUIREMENT...: N
 PREA DECISION...:
 CURRENT SENTENCE: 020-00-000 CONSECUTIVE SENTENCE ...: Y
 020-00-000 CURRENT SENT START DATE: 02/06/2007
 PROJECTED COMPLETION DATES
 MAXOUT DATE: 01/21/2017 CURRENT EWC ..: 2 F 5
 YOA SIX YEAR DATE: / / CURRENT EEC ..: NOT CURRENTLY EARNING EEC
 INITIAL PAROLE DATE: 12/16/2010 NEXT PAROLE HEARING DATE: 01/18/2013

 TOTAL GT DAYS EARNED: 001220 LABOR CREW/WORK PROG DATE: 99/99/9999
 TOTAL EARNED WORK CREDITS ...: 000649 LABOR CREW DISQ REASON:
 TOTAL EDUCATION CREDITS: 000000 PROGRAM DISQUALIFIER
 TOTAL EXTRA EARNED CREDITS ..: 000
 TOTAL SERVICE TIME EARNED ...: 001861

PFKEYS: 5: HISTORY OF DATE CHANGES

4-© 1 Sess-1 167.7.50.33 SCDC1552 3/11

SOUTH CAROLINA DEPARTMENT OF CORRECTIONS
RECORD SUMMARY REPORT DATED 03/21/12

C0404

SHEPPARD, RONALD J: FBI # 436714T10 SID# SC00093853 SENC # 320057	DORM..... M20026A
OFFENDER TYPE.: ADULT-STRAIGHT SENTENCE	RACE.....M SEX.....M
INSTITUTION.: STEVENSON CORR INST	PROJ MAXOUT DATE: 01/21/2017
SECURITY/CUST.: 1B MINIMUM OUT	PROJ PAROLE DATE: 01/18/2013
CURR INCARC SENT...: 20 YRS 0 MOS 0 DYS	ENC JOB.: CUSTODIAL WORKER
CENTRAL MONITORING.: YES	EDUC PGM.: NO CURR EDUC PROGRAM
SOCIAL SECURITY #....	ENC LEVEL: 2F5 EEC LEVEL:
CURRENT PROGRAM.: NO CURRENT PROGRAM	ASSIGNMENT.: CLASSIFICATION
AGE...: 54 DATE OF BIRTH..:	

PREVIOUS NUMBERS:

** NO PREVIOUS NUMBERS **

CURRENT OFFENSES	SENTENCE			COUNTY	SENTENCE			V/NV	CATEGORY
	YRS	MOS	DYS		START				
OBJ GOODS FALSE >= \$5000	5	0	0	LEXINGTON	2/ 6/20	7	N		2
CRIMINAL CONSPIRACY	5	0	0	LEXINGTON	2/ 6/20	7	N		2
FRAUD-SWINDLE	10	0	0	LEXINGTON	2/ 6/20	7	N		1

PRIOR COMMITMENTS OVER 90 DAYS:

MISSING PRIORS DATA

DETAINERS (HOLD, WANTED, NOTIFY):

NO DETAINERS

NO DETAINERS

ESCAPES:

NO ESCAPE HISTORY

CRIMINAL CHARGES:

NO CRIMINAL CHARGES WHILE IN CUSTODY

NO CRIMINAL CHARGES HISTORY

ASSAULTIVE DISCIPLINARIES:

NO ASSAULTIVE DISCIPLINARY HISTORY

NON-ASSAULTIVE DISCIPLINARIES:

NO NON-ASSAULTIVE DISCIPLINARY HISTORY

HISTORY OF MOVEMENTS:

3/ 9/12	STEVENSON	INCARCERATED	ADMINISTRATIVE
2/27/12	WATRINS	INCARCERATED	ADMINISTRATIVE
2/27/12	CENTRAL OFFICE	INCARCERATED	MEDICAL
1/18/12	WATKINS	INCARCERATED	ADMINISTRATIVE
1/18/12	BROAD RIVER	INCARCERATED	COURT/PAROLE HEARING VIA
12/14/11	WATKINS	INCARCERATED	ADMINISTRATIVE
12/14/11	BROAD RIVER	INCARCERATED	COURT/PAROLE HEARING VIA
12/ 8/11	WATKINS	INCARCERATED	ADMINISTRATIVE
12/ 8/11	RICHLAND CO	AUTH ABSENCE (AWL)	MEDICAL
12/ 1/11	WATKINS	INCARCERATED	ADMINISTRATIVE
12/ 1/11	KIRKLAND	INCARCERATED	MEDICAL
7/ 7/11	WATKINS	INCARCERATED	ADMINISTRATIVE
7/ 7/11	CENTRAL OFFICE	INCARCERATED	MEDICAL
7/ 1/11	WATKINS	INCARCERATED	ADMINISTRATIVE
7/ 1/11	KIRKLAND INFRM	INCARCERATED	MEDICAL
4/27/11	WATKINS	INCARCERATED	ADMINISTRATIVE
6/27/11	CENTRAL OFFICE	INCARCERATED	MEDICAL
12/15/10	WATKINS	INCARCERATED	ADMINISTRATIVE
12/15/10	BROAD RIVER	INCARCERATED	COURT/PAROLE HEARING VIA
7/14/10	WATKINS	INCARCERATED	ADMINISTRATIVE
7/14/10	CENTRAL OFFICE	INCARCERATED	MEDICAL
7/ 8/10	WATKINS	INCARCERATED	ADMINISTRATIVE
7/ 8/10	CENTRAL OFFICE	INCARCERATED	MEDICAL
3/ 9/10	WATKINS	INCARCERATED	ADMINISTRATIVE
6/12/ 8	KIRKLAND	INCARCERATED	RETURN FROM COURT

SHEPPARD, RONALD J. FBI # 486714T10 SID# SC00093853 SCDC # 320057 (CONTINUED)

6/12/ 8	RICHLAND CO	AUTH ABSENCE (AWL)	TO COURT
2/19/ 8	KIRKLAND	INCARCERATED	RETURN FROM COURT
2/19/ 8	LEXINGTON CO	AUTH ABSENCE (AWL)	TO COURT
9/22/ 7	KIRKLAND	INCARCERATED	ADMINISTRATIVE
9/22/ 7	SLED	INCARCERATED	ADMINISTRATIVE
9/13/ 7	KIRKLAND	INCARCERATED	RETURN FROM COURT
9/13/ 7	RICHLAND CO	AUTH ABSENCE (AWL)	TO COURT
8/28/ 7	KIRKLAND	INCARCERATED	RETURN FROM COURT
8/28/ 7	RICHLAND CO	AUTH ABSENCE (AWL)	TO COURT
8/22/ 7	KIRKLAND	INCARCERATED	RETURN FROM COURT
8/22/ 7	RICHLAND CO	AUTH ABSENCE (AWL)	TO COURT
8/ 7/ 7	KIRKLAND	INCARCERATED	RETURN FROM COURT
8/ 7/ 7	RICHLAND CO	AUTH ABSENCE (AWL)	TO COURT
7/31/ 7	KIRKLAND	INCARCERATED	RETURN FROM COURT
7/31/ 7	RICHLAND CO	AUTH ABSENCE (AWL)	TO COURT
3/ 6/ 7	KIRKLAND	INCARCERATED	RETURN FROM COURT
3/ 6/ 7	LEXINGTON CO	AUTH ABSENCE (AWL)	TO COURT
2/23/ 7	KIRKLAND	INCARCERATED	RETURN FROM COURT
2/23/ 7	LEXINGTON CO	AUTH ABSENCE (AWL)	TO COURT
2/20/ 7	KIRKLAND	INCARCERATED	RETURN FROM COURT
2/20/ 7	LEXINGTON CO	AUTH ABSENCE (AWL)	TO COURT
2/14/ 7	KIRKLAND	INCARCERATED	NEW ADMISSION

HISTORY OF EARNED WORK CREDIT ASSIGNMENTS:

JOB DESCRIPTION	START DATE	END DATE	TERMINATION REASON	JOB LVL
CUSTODIAL WORKER	03/13/12	0/ 0/ 0		YF5
FOOD SERVICE AIDE	09/09/10	3/ 9/12	INSTIT TRANSFER	YF7
LAUNDRY ROOM ATTENDA	08/16/10	9/ 8/10	PROMOTION	YF5
FOOD SERVICE AIDE	03/11/10	8/13/10	LATERAL TRANSFER	YF7
GENERAL WORKER	06/12/09	3/ 9/10	INSTIT TRANSFER	YF7
GENERAL WORKER	06/09/09	6/11/ 9	MI ELIGIBLE FOR LEVEL 2	YF7
CANTEEN OPERATOR	07/08/08	6/ 8/ 9	PROMOTION	YF5
LIBRARY HELPER	02/12/08	7/ 7/ 8	LATERAL TRANSFER	YF5
LIBRARY HELPER	03/29/07	9/22/ 7	INSTIT TRANSFER	YF5

HISTORY OF EARNED EDUCATION CREDITS:

EEC DESCRIPTION	START DATE	END DATE	TERMINATION REASON
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NO SCHOOL ASSIGNMENTS

***** END OF REPORT *****