



NEWS RELEASE

OFFICE OF ATTORNEY GENERAL HENRY MCMASTER
STATE OF SOUTH CAROLINA

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Carolina Investors - HomeGold Grand Jury Investigation Concluded

**Thirty-Six Month Investigation Yields Six Indictments,
Four Convictions With Two Trials Pending**

Columbia, S.C. – Attorney General Henry McMaster announced today that the thirty-six (36) month state grand jury investigation into the collapse of Carolina Investors, Inc and HomeGold, Inc. has concluded. The investigation has resulted in six (6) indictments, with four (4) convictions and two (2) pending trials.

Over the course of the investigation, two different state grand juries have been empanelled and have heard testimony from one hundred and forty-eight (148) witnesses and have issued two hundred and five (205) subpoenas for documents and evidence.

McMaster characterized the investigation as the “largest and most complex white collar investigation in state history. Every investigative avenue has been pursued, every lead has been followed to the end and probable cause for further indictments does not exist,” McMaster said.

In the six (6) indictments, the Attorney General’s Office alleged that Carolina Investors and HomeGold officers conspired to and purposely mislead investors about the financial condition of HomeGold and Carolina Investors and pressured investors not to make withdrawals.

HomeGold, Inc. was a Lexington based finance company engaged in the business of originating, selling and servicing sub-prime first and second-lien residential mortgage loan products. HomeGold, the parent company to Carolina Investors, Inc., used Carolina Investors’ unsecured investments to fund its volatile sub-prime mortgage lending activities.

When HomeGold filed for bankruptcy protection on March 31, 2003, Carolina Investors had closed its doors, owing approximately \$275 million on 8,000 accounts.

At the time, the Attorney General’s office and the state grand jury lacked the criminal investigative authority to investigate allegations of securities fraud, which prompted Attorney General McMaster to



immediately ask the General Assembly for the statutory authority. State Senator Larry Martin of Pickens quickly introduced a bill and pushed the legislation through in less than ninety days. Shortly after Governor Mark Sanford signed the bill into law, McMaster initiated a criminal state grand jury investigation into the collapse of Carolina Investors, Inc and HomeGold.

Carolina Investors and HomeGold officers indicted by the state grand jury and the resolution or status of their cases are as follows:

- **Larry Owen, former Carolina Investors President** pleaded guilty on July 22, 2004 to twenty-two (22) counts of Securities Fraud in violation of S.C. Code Sections 35-1-1210(1) and 35-1-1210(2). On March 30, 2005, Mr. Owen was sentenced to eight (8) years in prison.
- **Earle Morris, former Carolina Investors Chairman** was convicted on November 18, 2004, on twenty-two (22) counts of Securities Fraud in violation of S.C. Code Sections 35-1-1210(1) and 35-1-1210(2). Mr. Morris was sentenced to forty-four (44) months in prison. He is currently out on bond pending an appeal.
- **Anne Owen, former Carolina Investors Vice-President** pleaded guilty on July 18, 2005, to eight (8) counts of Securities Fraud in violation of S.C. Code Section 35-1-1210(2). Mrs. Owen was sentenced to 10 years suspended to 90 days in jail time. Owen was also sentenced to 5 years probation, the first 18 months of which are to be served as home detention.
- **Karen Miller, former Chief Financial Officer of HomeGold Inc.** pleaded guilty on Tuesday, September 13, 2005, to one (1) count of Conspiracy in violation of S.C. Code Section 16-17-410. Ms. Miller's sentencing is being deferred while she cooperates with the state grand jury investigation.
- **Ronald Sheppard, Former Chief Executive Officer of HomeGold Inc.** was indicted on Wednesday, November 16, 2005 by the State Grand Jury on ten (10) criminal counts to include securities fraud, conspiracy, bank fraud, insurance fraud, forgery, perjury, breach of trust and obtaining goods under false pretenses. Mr. Sheppard's trial is scheduled for January 15, 2007 in Lexington.
- **Jack Sterling, former Chairman of the Board of Directors of HomeGold, Inc.,** was indicted on Wednesday, April 12, 2006 by the State Grand Jury, on three (3) criminal counts to include two counts of securities fraud and conspiracy. If convicted on all counts, Mr. Sterling could face twenty-five (25) years in prison and one hundred and five thousand dollars (\$105,000.00) in fines for his role in the Carolina Investors collapse.

McMaster also announced that as part of the conclusion of the investigation, the state grand jury issued a final report on June 13, 2006 summarizing its activities over the last thirty-six months, with grand jurors stating that the issuance of the report is "in the public's interest" and "within our public duty in matters of public concern."

The report states that "the Fifteenth State Grand Jury was empanelled on June 18, 2003, and this matter first came before the Grand Jury in August 13, 2003. The Fifteenth Grand Jury was extended for a six-month term on April 2, 2004, and for an additional six months on December 7, 2004. On March 8, 2005, this matter was transferred to the Sixteenth Grand Jury by order of The Honorable Reginald I. Lloyd. The Sixteenth Grand Jury was empanelled on June 14, 2004. The Sixteenth Grand Jury was extended on May 18, 2005, and again on December 2, 2005, by the Honorable Reginald I. Lloyd."



McMaster pointed out that all defendants are innocent unless and until proven guilty. Agents of the State Law Enforcement Division, working with the Attorney General's Office and the state grand jury, have investigated this case.

****Grand Jury Report available at: www.sattorneygeneral.com/newsroom**

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