



NEWS RELEASE

OFFICE OF ATTORNEY GENERAL HENRY MCMASTER
STATE OF SOUTH CAROLINA

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Former HomeGold CEO Indicted on Ten Counts

***Ronald Sheppard facing 57 years in prison and over \$165,500.00
in fines for role in Carolina Investors collapse***

Columbia, S.C. – Attorney General Henry McMaster announced today that Ronald J. Sheppard, age 48, former Chief Executive Officer of HomeGold, Inc., residing at 125 Belle Chase Drive in Lexington, 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.

If convicted on all counts, Mr. Sheppard could face fifty-seven (57) years in prison and over one hundred sixty-five thousand five hundred dollars (\$165,500.00) in fines for his role in the Carolina Investors collapse.

A bond hearing is scheduled for Tuesday, November 22, 2005 at 12:30 p.m. before the Honorable Reginald Lloyd at the Richland County Courthouse in Columbia.

The indictment alleges that Mr. Sheppard did knowingly and willfully violate the following laws:

Count One – Securities Fraud

This felony count in the indictment is punishable by ten (10) years imprisonment and a fine up to \$50,000. S.C. Code Section 35-1-1210(3)

Count Two – Bank Fraud

This felony count in the indictment is punishable by five (5) years imprisonment and a fine up to \$10,000. S.C. Code Section 34-3-110



Count Three – Forgery

This misdemeanor count in the indictment is punishable by three (3) years imprisonment and a fine at the discretion of the judge. S.C. Code Section 16-13-10

Count Four – Forgery

This misdemeanor count in the indictment is punishable by three (3) years imprisonment and a fine at the discretion of the judge. S.C. Code Section 16-13-10

Count Five – Insurance Fraud

This misdemeanor count in the indictment is punishable by three (3) years imprisonment and a fine up to \$50,000. S.C. Code Section 38-55-540

Count Six – Insurance Fraud

This misdemeanor count in the indictment is punishable by three (3) years imprisonment and a fine up to \$50,000. S.C. Code Section 38-55-540

Count Seven – Obtaining Signature or Property Under False Pretenses over \$5,000

This felony count in the indictment is punishable by ten (10) years imprisonment and a fine up to \$500. S.C. Code Section 16-13-240

Count Eight – Breach of Trust

This felony count in the indictment is punishable by ten (10) years imprisonment and a fine at the discretion of the judge. S.C. Code Section 16-13-230

Count Nine – Perjury

This felony count in the indictment is punishable by five (5) years imprisonment and a fine at the discretion of the judge. S.C. Code Section 16-9-10(A)(1)

Count Ten – Conspiracy

This felony count in the indictment is punishable by five (5) years imprisonment and a fine up to \$5,000. S.C. Code Section 16-17-410

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.

This is the fifth indictment resulting from the state grand jury's investigation into Carolina Investors, HomeGold and related entities.

In previous 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.



- Former Carolina Investors President Larry Owen 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.
- Former Carolina Investors Chairman Earle Morris 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.
- Former Carolina Investors Vice-President Anne Owen pleaded guilty on July 18, 2004 to eight (8) counts of Securities Fraud in violation of S.C. Code Section 35-1-1210(2). Mrs. Owen is awaiting sentencing before Judge James Johnson.
- 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.

"The State intends to prove that Mr. Sheppard did knowingly and willfully participate in the large-scale securities fraud and conspiracy which led to the financial collapse of Carolina Investors, Inc.," said McMaster.

McMaster emphasized that today's indictment does not close the state grand jury's criminal investigation into HomeGold and related entities. "We continue to follow the evidence wherever or to whomever it is leading us."

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.

A copy of the indictment may be downloaded at: www.scattorneygeneral.com/newsroom

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