



NEWS RELEASE

OFFICE OF ATTORNEY GENERAL HENRY MCMASTER
STATE OF SOUTH CAROLINA

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Former HomeGold Board Chairman Indicted on Three Counts

***Jack Sterling facing 25 years in prison and over \$105,000.00
in fines for role in Carolina Investors collapse***

Columbia, S.C. – Attorney General Henry McMaster announced today that John M. Sterling, Jr. a/k/a Jack Sterling, age 68, former Chairman of the Board of Directors of HomeGold, Inc., residing at 44 Harvest Court in Greenville 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 over one hundred and five thousand dollars (\$105,000.00) in fines for his role in the Carolina Investors collapse.

A bond hearing is scheduled for Monday, April 17, 2006, at 12:00 noon before the Honorable James W. Johnson, Jr. at the Richland County Courthouse in Columbia.

The indictments allege that Mr. Sterling 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 – 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 33-1-160.

Count Three – 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 sixth 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.

- **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). On March 29, 2006, Mrs. Owen was sentenced to ten (10) years suspended to 90 days, five (5) years probation, home detention and electronic monitoring for eighteen (18) months.
- **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.

"The State intends to prove that Mr. Sterling 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.

****Indictment available at: www.scattorneygeneral.com/newsroom**

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