UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF **CALIFORNIA**

FILED
FEB - 6 2009
CLERK, U.S. DISTRICT COURT
EASTERN DISTRICT OF CALIFORN
BY DEPUTY CLERK

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UNITED STATES OF AMERICA
v.
SCOTT EDWARD CAVELL
a/k/a Adam Kingsbury Curry

(Name and Address of Defendant)

CRIMINAL COMPLAINT

CASE NUMBER: 2:09-mj-0050 KJM

I, the undersigned complainant state that the following is true and correct to the best of my knowledge and belief. Beginning on or about **September 18, 2007 and on or about July 7, 2008 and on or about January 24, 2009** in **Placer and Sacramento Counties**, in the Eastern District of California defendant did, (Track Statutory Language of Offense)

- **Conspired to commit bank fraud and mail fraud; and on January 24, 2009, committed passport fraud,**

in violation of Title **18**, United States Code, Sections **2, 1341, 1344, 1349 and 1542**. I further state that I am a Special Agent of the Internal Revenue Service and that this complaint is based on the following facts:

- **SEE ATTACHED AFFIDAVIT OF IRS-CI SPECIAL AGENT CHRISTOPHER S. FITZPATRICK**

Continued on the attached sheet and made a part of this complaint: X

Signature of Complainant
Special Agent Christopher S. Fitzpatrick
Internal Revenue Service - Criminal Investigation

Sworn to before me, and signed in my presence
February 6, 2009 at Sacramento, California

Date City State

KIMBERLY J. MUELLER U.S. Magistrate Judge

Name of Judge Title of Judge

Signature of Judge

AFFIDAVIT OF CHRISTOPHER S. FITZPATRICK
IN SUPPORT OF ARREST WARRANT and CRIMINAL COMPLIANT

I. INTRODUCTION

A. Agent's Background and Experience

1. I, Christopher S. Fitzpatrick, having been duly sworn, do hereby depose and state the following:

2. I am a Special Agent with Treasury Department, Internal Revenue Service - Criminal Investigation ("IRS-CI"), presently assigned to the Sacramento office. I have been employed as a Special Agent since September 2001. In the course of my employment with the IRS-CI, I have conducted or been involved in more than 100 investigations of alleged criminal violations, which have included: aiding or assisting in the preparation of false tax returns (26 U.S.C. § 7206(2)); conspiring to defraud the United States with respect to claims (18 U.S.C. § 286); money laundering (18 U.S.C. §§ 1956, 1957); identity fraud (18 U.S.C. § 1028); conducting an unlicensed money transmitting business (18 U.S.C. § 1960); structuring cash transactions (31 U.S.C. § 5324); mail fraud (18 U.S.C. § 1341); wire fraud (18 U.S.C. § 1343); bank fraud (18 U.S.C. § 1344); false statements in connection with a loan (18 U.S.C. § 1014); theft, embezzlement, or misapplication by bank officer or employee (18 U.S.C. § 656); assisting in the unlawful interception and reception of communications service offered over a cable system (47 U.S.C. § 553(a)(1)); importing controlled substances (21 U.S.C. § 952); distributing controlled substances (21 U.S.C. § 841(a)(1)); making a false statement (18 U.S.C. § 1001); criminal conspiracy (18 U.S.C. §§ 371, 1349) and forfeiture (18 U.S.C. §§ 981, 982). Most of these investigations focused on individuals deriving property from illegal activity.

3. I have attended more than 1,000 hours of training in various aspects of criminal investigation, and I have attended classes and seminars dealing specifically with money laundering, various financial crime techniques, and related financial investigative techniques.

4. I base this affidavit on my own investigation and on findings provided to me by records maintained by Citibank dba Citimortgage, Inc., a federally-insured bank. I have also conducted several interviews and reviewed interview memoranda prepared by other law enforcement assigned to the Federal Bureau of Investigation and the State of California - Department of Real Estate Enforcement Division. Lastly, I have also conducted IRS-CI agency and pubic database searches. I have not included every fact known to me, rather, only those facts necessary to establish probable cause.

B. Charges

5. I make this affidavit in support of a criminal complaint and warrant for arrest. The information below establishes probable cause to believe that the following crimes have been committed:

(a) Between on or about September 18, 2007 and on or about July 7, 2008, in the Eastern District of California, defendants SCOTT EDWARD CAVELL a/k/a ADAM KINGSBURY CURRY and others, in connection with the preparation of fraudulent mortgage loan applications, conspired to commit bank fraud and mail fraud, in violation of 18 U.S.C. §§ 2, 1349, & 1344.

(b) On or about January 24, 2009 in the Eastern District of California and elsewhere, defendant SCOTT EDWARD CAVELL a/k/a ADAM KINGSBURY CURRY knowingly made false statements on an application for U.S Passport, intending to induce the U.S. Department of State to issue Passport No. 450640491 in the false name of ADAM KINGSBURY CURRY, at the address of 2229 T. Street, Sacramento, California, in violation of 18 U.S.C. § 1542.

AGENT'S AFFIDAVIT REGARDING CHRISTOPHER WARREN

6. On February 4, 2009, Magistrate Judge Kimberly J. Mueller approved a criminal complaint and issued an arrest warrant for CAVELL's business partner, CHRISOPHER JARED WARREN a/k/a MARK ANDREW SEAGRVAE. The arrest warrant for WARREN was based upon the facts set forth in my affidavit, also dated February 4, 2009. That affidavit is attached hereto as Exhibit A, and is incorporated into this document as if set forth in full.

BACKGROUND REGARDING SCOTT EDWARD CAVELL

7. For years, CAVELL has been the right-hand man of WARREN in many of WARREN's fraudulent activities. As described below, CAVELL was one of the "personal account managers" ("PAMs") that WARREN brought with him to LOOMIS WEALTH SOLUTIONS ("LWS") and its lending entity, NATIONWIDE LENDING GROUP ("NLG"). Many witnesses, including WARREN, implicated CAVELL in falsifying documents and assisting in the fraud at LWS.[Fn] When he was cooperating with the government, WARREN informed Special Agent Mark Roberts of the FBI that on his "top ten" list of mortgage fraudsters, CAVELL figured in the top ten behind LOOMIS and himself.

8. Documents obtained by IRS-CI and the United States Attorney's Office indicate that since CAVELL and WARREN left LWS and NLG in approximately May 2008, CAVELL has served as a board member and director of Triduanum Financial, along with JAY GRIVETTE and CHRISTOPHER WARREN. WARREN posted a

Fn: Information Warren provided about criminal conduct of himself and others has proven correct where verified to date. ½ ✓

confession on his Triduanum website. A print-out of that website confession is attached to my affidavit of February 4, 2009. See Exhibit A. According to documents obtained by the United States Attorney's Office and the FBI on or about January 15, 2009, CAVELL also serves as the "manager" of United Financial Investments, LLC. According to these documents, WARREN was the other "director" of this entity. In an interview with FBI Special Agent Mark Roberts and Assistant United States Attorney Russell L. Carlberg on January 30, 2009, WARREN admitted that Triduanum was his attempt to copy the fraudulent model of NLG after he left employment with LOOMIS. In that same interview, WARREN admitted that United Financial Investments, LLC was his attempt to copy the fraudulent NARAS Secured Fund #2. In other words, WARREN admitted that the entities that he, CAVELL and GRIVETTE were involved with were an attempt to copy ~~to~~ of the LOOMIS Ponzi scheme and mortgage fraud model he learned at LWS.

ADDITIONAL FACTS REGARDING INVOLVEMENT OF CAVELL

9. Between in or about September 2008 and in or about January 2009, I and other special agents assigned to this investigation interviewed various personal account managers ("PAM") that worked at the LWS and NLG office in Roseville, California. Each of the PAM's gave similar accounts of the fraud they committed and observed while working at LWS.

a. Interview of Christopher Jared WARREN

10. On or about September 2, 2008, I along with other law enforcement agents interviewed WARREN. Also, present was ~~WARREN present~~ & was WARREN's attorney Donald Heller and Assistant United States Attorneys Russell L. Carlberg and Matthew C. Stegman. In pertinent part, WARREN stated the following:

a. As the general manager for Advanced Lending Group, Inc., dba Nationwide Lending Group, Inc., WARREN personally committed fraud and he witnessed other LOOMIS employees committing fraud. Under the direction of LOOMIS, WARREN supervised employees in the fraud. The primary employees who falsified the information on the loan applications and supporting documents were the PAMs. CAVELL was one of the PAMs.

b. WARREN indicated he had several PAM's working under him that included Christina MCCLAIN, Jason SANBEI, Scott CAVELL, Don GONZALEZ, Jason WATSON, and Tony KIM. WARREN indicated that these individuals and others were responsible for the fraud that occurred relating to the lease agreements, assets, loan applications, and Schedule E's. WARREN and the PAM's used the software programs Microsoft Paint and Adobe Professional to perpetrate the fraud. WARREN also reminded all the PAM's that they need to abide by the "4506 test." The 4506 test relates to the IRS Form 4506. The IRS Form 4506 is signed by a member and it allows lenders to check the income amount that was reported to the IRS by the member. WARREN indicated this is why they did not prepare fraudulent Form W-2's because lenders would be able to verify

the figures through the IRS. WARREN indicated that the fraudulent IRS Schedule E's he prepared would pass the "4506 test" because he was always careful to "zero out" the rental income. In other words, he would never show on a Schedule E an actual profit or positive cash-flow after expenses were deducted. Therefore, the Schedule E profit amount reported to IRS (zero dollars) matched the IRS database because no rental income had, in fact, ever been reported. When no rental income is reported, IRS records show a zero dollar amount.

b. Interview of Christina MCCLAIN

11. On or about January 8, 2009, I and another agent interviewed Christina MCCLAIN. In pertinent part, she stated the following:

a. In approximately February/March 2008, MCCLAIN was promoted to a personal account manager ("PAM"). MCCLAIN admitted to the agents that she and other PAM's that included WARREN, Scott CAVELL, Krista MERWIN, Tony KIM, Jason SANBEI, Heidi SARIS (WARREN's sister-in-law), and Nate BLANTON committed fraud in various areas in order to get the member's loans funded. MCCLAIN stated she and the other PAM's listed above committed fraud in a number of areas.

b. WARREN taught MCCLAIN how to use DW Professional System software to alter existing appraisal reports. MCCLAIN admitted to changing the name of the buyer(s) listed on the appraisal report. For example, if Member A was scheduled to purchase an investment property but they changed their mind, MCCLAIN would use the software program to erase Member A's name from the appraisal report and replace the name with Member B. MCCLAIN admitted that she changed buyer's names on the appraisal reports at least 100 times. MCCLAIN never changed the home values listed on the appraisal reports.

c. MCCLAIN and the other PAM's fraudulently listed on the loan applications that member's investment properties were rented and earned income, but in fact, the properties were never rented. LOOMIS told the PAM's to make sure to list on the loan application a "little negative cash-flow as possible" pertaining to the rental income. LOOMIS told the PAM's it was ok to fraudulently list the member's were receiving rental income because LOOMIS was paying the mortgages on the properties.

d. MCCLAIN and the other PAM's fraudulently inflated the gross monthly income listed the on the loan applications. MCCLAIN admitted to the agents she and other PAM's had to inflate the gross monthly income in order for the members to qualify for the loans. MCCLAIN had to increase the member's gross monthly income when they acquired more investment properties. Sometimes members caught the inflated gross monthly income

listed on the loan application. MCCLAIN told the members not to worry because they were obtaining stated-income loans. As early as September 2006, LOOMIS directed his employees to inflate the member's gross monthly income on the loan applications. MCCLAIN believed LOOMIS was able to justify the inflated income because the members obtained stated-income loans. MCCLAIN indicated LOOMIS was never concerned about the interest rates the members received on their loans.

e. At the direction of LOOMIS, MCCLAIN and other the PAM's listed on the loan applications that a member had a NARAS Fund account, but in fact, the member never invested in NARAS. LOOMIS told the PAM's, "if they don't have an account, put one on there."

f. MCCLAIN and other PAM's created fraudulent lease agreements indicating member's properties were being rented. Linda Belch provided MCCLAIN and other PAM's a blank lease agreement in Word format to use.

g. MCCLAIN admitted she and other PAM's forged the signatures of member's names on various mortgage documents to include loan applications, truth and lending statements, IRS Form 4506, good faith estimates, final HUD1 statements, and other miscellaneous mortgage documents.

h. WARREN told MCCLAIN and the other PAM's to intentionally submit multiple loans to different lenders at the same time in order to avoid detection on the member's credit report.

i. MCCLAIN admitted a separate 1-800 telephone number was establish for lenders to call to verify a member's account balance in the NARAS Fund. When the 1-800 telephone number was first established, LOOMIS Illinois employee, Jolyn Magnafichi, answered the telephone. Eventually, Dawn Powers started answering the telephone.

j. MCCLAIN witnessed Krista MERWIN create two fraudulent final HUD1 statements for the same investment property using a software program that WARREN purchased. The statements were created at the direction of WARREN because MERWIN was WARREN's assistant.

k. MCCLAIN witnessed PAM Dan GONZALEZ create fraudulent verification of deposit forms regarding the NARAS Fund. MCCLAIN also witnessed PAM Nicole SERPA create fraudulent lease agreements. Lastly, MCCLAIN witnessed PAM Jason WATSON create fraudulent lease agreements and NARAS Fund statements indicating a member had a account, but in fact, the member never invested in NARAS.

c. Interview of JASON SANBEI

12. On or about January 26, 2009, I and another agent interviewed Jason SANBEI. In pertinent part, SANBEI stated the following:

a. From the last week of February 2008 through August 1, 2008, SANBEI worked as a PAM at LWS. SANBEI was hired as a PAM at LWS by Chris WARREN.

b. As a PAM at LWS, SANBEI called his clients, or LWS members assigned to him, approximately every two weeks in order to touch base with them, let the members know the status of any pending property transactions and to collect financial information from the members. SANBEI regularly collected information from the members such as asset information, pay check stubs, investment account statements, and bank statements. All of the information SANBEI collected from the members was scanned into the networked computer system.

c. SANBEI created false lease agreements for properties that were not being rented. SANBEI made up names to put on the false lease agreements. SANBEI did this "quite a few times," or approximately 30 percent of the time. SANBEI knew right from wrong and knew it was illegal to create false lease agreements. LOOMIS was also aware of the false lease agreements that were created by employees of LWS.

d. Initially, SANBEI stated that sometimes an employee of the lender inflated the income on the Uniform Residential Loan Application, or Form 1003. SANBEI then stated that he (SANBEI) used the Point system and inflated members' income on the Forms 1003. SANBEI knew how much a member needed to make in order to qualify for a loan and would "bump up" the salary accordingly. SANBEI was aware that he had to increase the monthly income on the loan application the more investment properties the member purchased. If a member submitted a pay-check that was higher than usual, SANBEI used the amount from that particular pay-check in order to determine the monthly salary of the member for the loan application. SANBEI stated he "pushed" members' income less than five times. SANBEI also listed properties that were not yet owned by a member on the Forms 1003.

e. According to SANBEI, the following individuals all committed fraud at LWS: WARREN, CAVELL, MCCLAIN, BECKY HEIR, KRISTA MERWIN, TONY KIM, and NICOLE SERPA.

d. Interview of Scott CAVELL

13. On or about October 21, 2008, I and another agent interviewed CAVELL. CAVELL agreed to answers questions about the other PAM's that worked at LWS, but he would not answer any questions that would incriminate him. In pertinent part, CAVELL stated the following:

a. On October 1, 2007, CAVELL started to work for LWS as a PAM. Chris

WARREN was CAVELL's manager. Eventually, CAVELL was promoted to a senior PAM. CAVELL earned approximately $5,000 to $8,000 per month depending on the success of the mortgage department at LWS. CAVELL left LWS on May 2, 2008, because he learned that there was no money left in the Naras Secured Fund #2, LLC.

b. CAVELL worked with other PAM's that included Tony KIM, Jason SANBEI, Kristina MCCLAIN, Jason WATSON, and Krista MERWIN. These PAM's committed fraud on various levels that included: created fraudulent lease agreements indicating the member's investment properties were being rented; fraudulent IRS Form Schedule E's indicating the members reported rental income; fraudulent verification of deposits regarding the money held in the Naras Secured Fund #2, LLC; and the member's gross monthly income would be fraudulently increased on the loan applications as the members homeownership increased in investment properties. For example, the PAM's would indicate that a member earned $8,000 per month on the loan application for the first investment property. When the member applied for a third or fourth investment property, the gross monthly income would be increased to $12,000. A majority of the loans were secured through stated income loans. LOOMIS was aware of that fraud that was committed by the PAM's. LOOMIS had high expectations, and he wanted the PAM's to close at least 50-100 loans per month.

c. CAVELL and the other PAM's were responsible for preparing the loan applications that were subsequently forwarded to the lenders. CAVELL and the other PAM's would use some of the personal information of the members that was contained in the member's portfolio to prepare the loan application. However, CAVELL and the other PAM's would have to call the members to ask subsequent questions to prepare the loan applications. For example, a PAM might ask an investor how long the member lived at his or her primary residence.

ADDITIONAL INTERVIEW OF LWS VICTIMS R.D. and S.D.

14. On or about August 13, 2008 and November 3, 2008, I along with other agents interviewed LWS Victims R.D. and S.D., who are husband and wife. In pertinent part, they stated the following:

a. On July 20, 2007, R.D. and S.D. invested $300,000 in the Naras Fund. LOOMIS told R.D. and S.D. he would give back their money in two or three days upon request. R.D. and S.D. purchased five properties within a four month time period. Two of five properties were located in Bakersfield, California. R.D. told CAVELL that he did not want to go through with the purchases of the two properties in Bakersfield, California, before the sale was final and the deal closed.

b. R.D. provided the agents a copy of an email chain between him and CAVELL informing CAVELL that R.D. wanted to cancel the two Bakersfield property deals (9017 Sentido Drive and 9122 Rhine Valley Drive). In an email from R.D. to CAVELL dated March 27, 2008, at 3:59 p.m., R.D. states, "We spoke a few weeks ago, and I requested that we step away from the Bakersfield properties. You indicated that

that would be no problem since those properties were below the acceptable LTV[1] ratio anyway. Now, a couple of days ago we received two insurance bills from State Farm for Bakersfield properties. Please advise what the status is. Did these properties close after our conversation?" On March 27, 2008, at 4:15 p.m., CAVELL responds to R.D.'s email and states, "No, those properties did not and will not fund. The insurance bills is [sic] from Lori Rogers at Allstate. She is trying to bill us for binding coverage on properties that never closed and therefore were not legally yours and could not legal [sic] be insured...she binded [sic] coverage when we only ask for quotes." The investigation has disclosed that two investment properties located in Bakersfield, California, were purchased on the same day (January 30, 2008) from the same builder, Lenox Homes, in R.D.'s name, without R.D.'s consent or knowledge, all in violation of 18 U.S.C. § 1028(a)(7) (identity theft) and 18 U.S.C. §§ 1341, 2 (mail fraud). Thus, at the time he wrote the March 27, 2008 email, CAVELL was not accurate.

c. During the interview of CAVELL on or about October 21, 2008, agents questioned CAVELL regarding the two Bakersfield, California properties in R.D.'s name. CAVELL stated he specifically feels bad for R.D. R.D. emailed CAVELL and asked him to cancel three investment properties in Bakersfield prior to them being funded. CAVELL told WARREN about R.D. and WARREN told CAVELL to talk with LOOMIS. CAVELL informed LOOMIS that R.D. wanted to back out of the three investment properties. LOOMIS told CAVELL that R.D. couldn't because once you are in the program, you are in the program. CAVELL was surprised to learn R.D.'s three[2] transactions in Bakersfield funded even though R.D. requested that they cancel the contracts prior to the closings. CAVELL believes that he learned about R.D.'s properties funding by either reviewing the funding sheet or by R.D. contacting him.

d. S.D. indicated her and her husband's signatures on the loan application to secure funding to purchase the property at 9017 Sentido Drive, Bakersfield, California were not their signatures. Additionally, the loan application contained fraudulent information regarding R.D.'s gross monthly income. The loan application indicated that R.D. was employed as an investment advisor for "Davis Investment" earning $11,000 a month. R.D. indicated he has never worked at Davis Investment, but in fact, worked for Volcano Corporation as a production planner, and his monthly salary was approximately $5,333. The investigation disclose Cavell was the personal account manager to victims R.D. and S.D. That mean he was responsible for all aspect of their loans

e. S.D. indicated her and her husband's signatures on the loan application appeared to be forged. Furthermore, just like the Sentido Drive loan application, the employment and monthly income information on the Rhine Valley loan application fraudulently indicated that R.D. was an investment advisor making $11,000 a month.

PASSPORT FRAUD AND FLIGHT FROM JUSTICE

15. On or about February 5, 2009, I received a copy of a United States passport application in the name MARK ANDREW SEAGRAVE ("SEAGRAVE") from

[1] Affiant's note: LTV stands for "Loan to Value" ratio.
[2] R.D. and S.D. only purchased two properties in Bakersfield, California, not three.

a U.S. Department of State official. A review of the passport application revealed SEAGRAVE listed his mailing address as 1215 K Street, Sacramento, California. SEAGRAVE listed under the section "Travel Plans" of the passport application, that on February 3, 2009, he planned on traveling to Mexico for 6 months. Attached to the passport application was a photograph of the purported person SEAGRAVE. According to a U.S. Department of State official, on or about January 27, 2009, U.S. Department office in San Francisco granted SEAGRAVE a United States passport, number 450640495, with an expiration date of January 27, 2019.

16. According to the California Department of Corporations, Triduanum Financial, Inc. maintains an active California Finance Lender license at 1215 K Street, Suite 1647, Sacramento, California. According to the California Secretary of State, Triduanum Financial, Inc. has had an active license since July 23, 2008, and the agent of service of process is CHRISTOPHER WARREN, 1215 K Street, Suite 1647, Sacramento, California. On or about February 6, 2009, I obtained a copy of California DMV Driver's License photograph in the name of CHRISTOPHER JARED WARREN from a FBI special agent. A review of the photograph attached to the passport application in the name of SEAGRAVE and a review of the photograph contained on the California Driver's License of WARREN appear to be one in the same individual.

17. On or about February 5, 2009, I received a copy of a United States passport application in the name ADAM KINGSBURY CURRY from a U.S. Department of State official. A review of the passport application revealed CURRY listed his mailing address as 2229 T Street, Sacramento, California. CURRY also listed under the section "Travel Plans" of the passport application, that on February 3, 2009, he planned on traveling to Mexico for 6 months. Attached to the passport application was a photograph of the purported person CURRY. According to a U.S. Department of State official, on or about January 27, 2009, U.S. Department office in San Francisco granted CURRY a United States passport, number 450640491, with an expiration date of January 27, 2019.

18. On or about February 6, 2009, I obtained a copy of California DMV Driver's License photograph in the name of SCOTT EDWARD CAVELL from a FBI special agent. A review of the photograph revealed CAVELL listed his address with DMV as being 2229 T Street, Sacramento, California. A review of the photograph attached to the passport application in the name of CURRY and a review of the photograph contained on the California Driver's License of CAVELL appear to be one in the same individual.

19. According to IRS-CI intelligence resources, on or about February 2, 2009, both WARREN and CAVELL fled the country. WARREN, traveling under the false name MARK ANDREW SEAGRAVE, spent approximately $156,000 on a private jet. CAVELL, traveling under the false name ADAM KINGBURY CURRY, fled separately on a commercial flight.

Based on Cavell's flight under an assumed name and fraudulently obtained passport, his conduct shows evidence of guilt for the crimes described herein.

CONCLUSION

20. The statements of WARREN, CAVELL and other PAMs indicate that LWS and NLG were essentially "boiler room" operations that were permeated by fraud. The PAMs, including CAVELL, combined, conspired and agreed among themselves to commit mail fraud and bank fraud in connection with the purchase of homes and condominiums in the following states: California, Florida, Nevada, Illinois, Colorado, and Arizona. In addition to the myriad daily fraudulent activities committed by CAVELL and others, I have also laid out a number of specific overt acts that CAVELL made in furtherance of the crime of conspiring to commit mail fraud and bank fraud, in violation of18 U.S.C. §§ 2, 1349, & 1344. Finally, I have detailed how there is probable cause to believe that CAVELL knowingly made false statements on an application for U.S. Passport, in violation of 18 U.S.C. 1542. Accordingly, I request that a criminal complaint and arrest warrant issue for SCOTT EDWARD CAVELL a/k/a ADAM KINGSBURY CURRY, for the crimes detailed above.

Christopher S. Fitzpatrick
Special Agent
Internal Revenue Service–Criminal Investigation

Approved as to form:

Russell L. Carlberg
Assistant United States Attorney

Approved as to form:

Matthew Stegman
Assistant United States Attorney

Subscribed and sworn to before me this 6th day of February, 2009

Kimberly J. Mueller
United States Magistrate Judge

Attachment A

UNITED STATES DISTRICT COURT

EASTERN DISTRICT OF CALIFORNIA

FILED
FEB 05 2009
CLERK, U.S. DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA
BY _____ DEPUTY CLERK

UNITED STATES OF AMERICA
v.
CHRISTOPHER J. WARREN
a/k/a Mark A. Seagrave

(Name and Address of Defendant)

CRIMINAL COMPLAINT

CASE NUMBER:

2:09-MJ-0046 KJM

I, the undersigned complainant state that the following is true and correct to the best of my knowledge and belief. Beginning on or about **September 18, 2007 through on or about July 7, 2008** in **Placer and Sacramento Counties**, in the Eastern District of California defendant did, (Track Statutory Language of Offense)

- **Conspired to commit bank fraud in violation of 18 U.S.C. §§ 2, 1349 and 1344, did commit mail fraud in violation of 18 U.S.C. §§ 2 and 1341 and conducted a continuing financial crimes enterprise, in violation of 18 U.S.C. §§ 225, 2.**

in violation of Title 18, United States Code, Sections **2, 225, 1341, 1344 & 1349**. I further state that I am a Special Agent of the Internal Revenue Service and that this complaint is based on the following facts:

- **SEE ATTACHED AFFIDAVIT OF IRS-CI SPECIAL AGENT CHRISTOPHER S. FITZPATRICK**

Continued on the attached sheet and made a part of this complaint: X

Signature of Complainant
Special Agent Christopher S. Fitzpatrick
Internal Revenue Service - Criminal Investigation

Sworn to before me, and signed in my presence
February 4, 2009 at Sacramento, California

Date City State

KIMBERLY J. MUELLER U.S. Magistrate Judge

Name of Judge Title of Judge

Signature of Judge

AFFIDAVIT OF CHRISTOPHER S. FITZPATRICK
IN SUPPORT OF ARREST WARRANT and CRIMINAL COMPLIANT

I. INTRODUCTION

A. Agent's Background and Experience

1. I, Christopher S. Fitzpatrick, having been duly sworn, do hereby depose and state the following:

2. I am a Special Agent with Treasury Department, Internal Revenue Service - Criminal Investigation ("IRS-CI"), presently assigned to the Sacramento office. I have been employed as a Special Agent since September 2001. In the course of my employment with the IRS-CI, I have conducted or been involved in more than 100 investigations of alleged criminal violations, which have included: aiding or assisting in the preparation of false tax returns (26 U.S.C. § 7206(2)); conspiring to defraud the United States with respect to claims (18 U.S.C. § 286); money laundering (18 U.S.C. §§ 1956, 1957); identity fraud (18 U.S.C. § 1028); conducting an unlicensed money transmitting business (18 U.S.C. § 1960); structuring cash transactions (31 U.S.C. § 5324); mail fraud (18 U.S.C. § 1341); wire fraud (18 U.S.C. § 1343); bank fraud (18 U.S.C. § 1344); false statements in connection with a loan (18 U.S.C. § 1014); theft, embezzlement, or misapplication by bank officer or employee (18 U.S.C. § 656); assisting in the unlawful interception and reception of communications service offered over a cable system (47 U.S.C. § 553(a)(1)); importing controlled substances (21 U.S.C. § 952); distributing controlled substances (21 U.S.C. § 841(a)(1)); making a false statement (18 U.S.C. § 1001); criminal conspiracy (18 U.S.C. §§ 371, 1349) and forfeiture (18 U.S.C. §§ 981, 982). Most of these investigations focused on individuals deriving property from illegal activity.

3. I have attended more than 1,000 hours of training in various aspects of criminal investigation, and I have attended classes and seminars dealing specifically with money laundering, various financial crime techniques, and related financial investigative techniques.

4. I base this affidavit on my own investigation and on findings provided to me by records maintained by Citibank dba Citimortgage, Inc., a federally-insured bank. I have also conducted several interviews and reviewed interview memoranda prepared by other law enforcement assigned to the Federal Bureau of Investigation and the State of California - Department of Real Estate Enforcement Division. Lastly, I have also conducted IRS-CI agency and pubic database searches. I have not included every fact known to me, rather, only those facts necessary to establish probable cause.

B. Charges

5. I make this affidavit in support of a criminal complaint. The information below establishes probable cause to believe that:

(1) On or about September 18, 2007, in the Eastern District of California, defendants CHRISTOPHER J. WARREN a/k/a MARK A. SEAGRAVE and others, in connection with LOOMIS WEALTH SOLUTIONS' victims T.B. and J.B. purchasing the real property located at 16239 Via Solera Circle, #102, Fort Myers, Florida, conspired to commit bank fraud, in violation of 18 U.S.C. §§ 2, 1349, & 1344.

(2) On or about January 16, 2008, in the Eastern District of California, defendants CHRISTOPHER J. WARREN a/k/a MARK A. SEAGRAVE and others, in connection with LOOMIS WEALTH SOLUTIONS' victims R.S. and J.S. purchasing the real property located at 66239 Latana Lane, Desert Hot Springs, California, conspired to commit bank fraud, in violation of 18 U.S.C. §§ 2, 1349, & 1344.

(3) On or about July 7, 2008, in the Eastern District of California, defendants CHRISTOPHER J. WARREN a/k/a MARK A. SEAGRAVE, and others, in connection with purchase of 3737 Castle Pines Lane #4412, Orlando, Florida, by straw buyer Reyes Jiminez Gonzales, did commit mail fraud, in violation of 18 U.S.C. §§ 2, 1341.

(4) Between on or about September 18, 2007 and on or about July 7, 2008, CHRISTOPHER J. WARREN a/k/a MARK A. SEAGRAVE, and others, have conducted a continuing financial crimes enterprise, in violation of 18 U.S.C. §§ 2, 225. This statute criminalizes the receipt of more than $5 million in gross receipts from financial institutions in any two year period, combined with three or more frauds that involved four or more persons acting in concert. It carries a minimum mandatory sentence of ten years up to life in prison.

C. Overview of the Investigation

6. Since at least 2006, WARREN and other directors of LOOMIS WEALTH SOLUTIONS ("LWS"), Nationwide Lending Group ("NLG"), and the NARAS Secured Fund #2 LLC, and related entities, have been running a large Ponzi scheme and real estate mortgage fraud. The fraudulent activities span five states and involves approximately five hundred properties. Losses are estimated at approximately $100 Million. In a nutshell, this complex fraud involves three levels of deceit.

7. At public investment seminars, LWS lured investors with the promise that the company would serve as an unpaid financial advisor, drafting individualized financial plans for

families to get out of debt and to put their home equity to work earning money for college and retirement. Purchasing a life insurance policy through Lawrence Leland "Lee" Loomis (the president of LWS) qualified one as a Tier 1 investor. LWS promised investors who then agree to become Tier 2 investors, that LWS will even advance the cost of their life insurance policies for the first year, loaning them the substantial monthly premiums of around $1,300. LWS does not disclose to investors that it receives a referral fee of approximately $25,000 from AmerUs Insurance (now Aviva, Inc.). To become a Tier 2 investor, the investor had to invest money. LWS liquidated the investors' home equity in their primary residence or misrepresented that retirement funds could be "rolled-over" and invested in LWS and the NARAS Fund without tax consequences. Once the equity was removed from the investor's primary residence (or drained from the retirement account), the money was then invested by purchasing "units" of the NARAS Secured Fund #2 LLC. The NARAS Fund is a $10,000,000 private placement of unregistered securities. The NARAS Fund is controlled by John Hagener, who is LOOMIS's father-in-law. LWS promises investors a guaranteed 12% annual return on investment with the NARAS Fund. LWS claims that the pooled money in the NARAS Fund is loaned out to subprime borrowers at 14%. This supposedly enables LWS to return 12% to investors, clearing a modest 2% as profit for the NARAS Fund. NARAS Fund investors are mailed periodic statements showing their ever-increasing "balance" in the fund. The balance is stated as a dollar amount, always increasing by the promised 12%. In fact, at the time a search warrant was executed on LWS in August 2008, the NARAS Fund had taken in millions of dollars but only had about $1,700 in its account. New investor money has simply been brought in to keep the fund afloat.

8. After investing their home equity into the NARAS Fund, investors with LWS are offered the opportunity to become Tier 3 investors. Being a Tier 3 investor consists of serving as what LWS actually calls "nominees" to purchase residential real estate in California, Florida, Arizona and Illinois. The individual investors are then matched with multiple properties "in the pipeline" that are purchased from new home builders and others. Investigation has shown that at WARREN's direction, the NLG team of "mortgage helpers" located in the offices of LWS used sophisticated computer programs to scan and alter tax forms, rental income, and other financial information to get loans approved on a massive scale. LWS also simply manufactured verifications of deposit forms using documents from the insolvent NARAS Fund.

9. The LWS Ponzi scheme also includes a builder bailout scheme involving undisclosed "cash back to buyer" deals, in which LWS received many tens of thousands of dollars per transaction. This money back to LWS was concealed from lenders and from the "nominee" buyers by manipulation of HUD-1 forms and other means.

II. CITIBANK, NA dba CITIMORTGAGE, Inc., MORTGAGE RECORDS

10. In the course of this investigation, I reviewed loan records obtained from Citibank, NA dba Citimortgage, Inc., a federally-insured bank. A review of these records revealed WARREN submitted loan applications of LWS Victims R.S., J.S., T.B., and J.B containing fraudulent information with respect to the borrower's gross monthly income, intent to occupy the property, and real estate owned. WARREN was the loan officer on at least 15

fraudulent loans, as confirmed by bank records and investigation. Citimortgage is a federally-insured lender and reports over $6 Million in losses. I am including a summary of a few representative examples:

a. 66239 Lantana Lane, Desert Hot Springs, California

11. A review of the Citimortgage, Inc., records revealed on or about February 7, 2008, LWS Victims R.S. and J.S., who are husband and wife, purchased the real property located at 66239 Lantana Lane, Desert Hot Springs, California, for approximately $265,051. A review of the loan application to secure funding to purchase the Lantana Lane property revealed that R.S. and J.S. signed the loan application on or about January 16, 2008. Additionally, the loan application revealed that WARREN was the individual that completed the loan application and he also signed his name on the loan application on or about January 16, 2008.

12. The investigation disclosed that the loan application contained several false statements. First, the loan application indicated R.S. was employed with Rideout Memorial Hospital as a radiation therapist earning $7,139.94 in gross monthly income, while J.S. was employed with Yuba City Unified School District as a teacher/coach earning $6,102.03 in gross monthly income. On or about November 6, 2008, R.S. and J.S. provided a signed attestation letter to Citimortgage, Inc., and attached their monthly paystubs for February 2008, the timeframe they signed the loan application. A review of J.S.'s paystub showed his gross monthly income to be $5,620.29, not $6,102.03. A review of J.S.'s paystub showed her gross monthly income to be $6,628.80, not $7,139.94. I know from experience in mortgage fraud cases that inflating income even by relatively small amounts of money is material to the lender. That is because even small changes in income alter the borrower's debt-to-income ratio, which has the capability of influencing the lender's decision whether to fund the loan. There is probable cause to believe that WARREN inflated both R.S.'s and J.S.'s monthly income to induce Citimortgage, Inc. to fund the loan.

13. The investigation also disclosed that the loan application fraudulently purported R.S. and J.S. were to occupy the Lantana Lane property as their secondary residence. This statement on the loan application is false. A review of R.S.'s and J.S.'s signed attestation letter on or about November 6, 2008, indicated they had no intentions of owning a second home to live in. The sole purpose of the Lantana Lane property was to acquire an investment property. A Citimortgage Inc. employee indicated the bank would not have funded the loan if the true facts of the transaction had been known.

b. 16239 Via Solera Circle, #102, Fort Myers, Florida

14. A review of the Citimortgage, Inc., records revealed on or about March 24, 2008, LWS Victims T.B. and J.B, who are husband and wife, purchased the real property located at 16239 Via Solera Circle, #102, Fort Myers, Florida, for approximately $297,600. A review of the loan application to secure funding to purchase the Via Solera Circle property showed that T.B. and J.B. signed the loan application on or about September 18, 2007. Additionally, the loan

application revealed that WARREN was the individual that completed the loan application and he also signed his name on the loan application on or about September 18, 2007.

15. The investigation disclosed that the loan application contained several false statements. First, the loan application indicated T.B. was employed with S & L Meat Sales earning $7,985 in gross monthly income, while J.B. was employed with S& L Meat Sales earning $4,950 in gross monthly income. On or about November 5, 2008, T.B. and J.B. provided a signed attestation letter to Citimortgage, Inc. A review of attestation letter revealed T.B. indicated his true correct gross monthly income was $5,633.33 not, $7,985 and J.B. indicated her true correct gross monthly income was $2,426.67, not $4,950. There is probable cause to believe that WARREN inflated both R.S.'s and J.S.'s monthly income to induce Citimortgage, Inc. to fund the loan.

16. The investigation also disclosed that the loan application fraudulently purported that T.B. and J.B. were to occupy the Via Solera Circle property as their secondary residence. This statement on the loan application is false. A review of T.B.'s and J.B.'s signed attestation letter on or about November 5, 2008, indicated they had no intentions of owning a second home to live in. The sole purpose of the Via Solera Circle property was to acquire an investment property. I know from training and experience in mortgage fraud cases that misrepresentations about occupancy are often used to disguise the true purpose of the loan. Based on my training and experience, I know that lenders have many more restrictions on investment properties than on properties that are indicated as primary and/or secondary residences.

17. Lastly, the investigation disclosed that the loan application failed to list that T.B. and J.B. owned the property located at 8933 Rhine Valley Drive, Bakersfield, California under the section "Schedule of Real Estate Owned" of the loan application. According to Accurint, an IRS-CI paid subscription database, T.B. and J.B. purchased the Rhine Valley Drive property on or about January 30, 2008. A Citimortgage Inc. employee indicated the bank would not have funded the loan if the true facts of the transaction had been known.

III. STATEMENTS MADE BY CHRISTOPHER J. WARREN

a. Interview of CHRISTOPHER J. WARREN on September 2, 2008

18. On or about September 2, 2008, I along with other law enforcement agents interviewed WARREN. Also, present was WARREN's attorney Donald Heller and Assistant United States Attorneys Russell L. Carlberg and Matthew C. Stegman. The interview was conducted under a proffer agreement. In pertinent part, WARREN stated the following:

a. Prior to September 2007, LOOMIS approached WARREN when he worked for Jeff Tarbell dba ATM Mortgage. WARREN helped broker approximately 18-24 loan files that were given to him by LOOMIS. LOOMIS told WARREN that he was in the mortgage business between 1996 and 1999. LOOMIS liked what he saw in WARREN and in September 2007,

LOOMIS hired WARREN to be the general manager for Advanced Lending Group, Inc dba Nationwide Lending Group, Inc. LOOMIS hired WARREN because NLG was failing and LOOMIS wanted to get it up running again. WARREN had been in the mortgage industry for many years and had lots of experience. In 2004, WARREN formed WTL Financial, Inc., through the California Department of Corporations. This company was a subprime bank that had a $15 million dollar warehouse line that sold loans to other investors to include New Mortgage Company. In November 2006, WARREN surrendered his license and went to work for Jeff Tarbell at ATM Mortgage.

b. As the general manager for Advanced Lending Group, Inc dba Nationwide Lending Group, Inc., WARREN personally committed fraud and he witnessed other LOOMIS employees committing fraud. The two main areas of fraud occurred with respect to the lease agreements contained in the lender files and assets that included fraudulent bank statements, verification of deposits, and verification of employments. With respect to the lease agreements, eight out of every ten lease agreements contained in the loan files were fraudulent. It was a company policy to create fraudulent lease agreements. WARREN and other LOOMIS employees would often just make up the names of renters to list on the fraudulent lease agreements. The lease agreements were fraudulent because 80% of all the member's investment properties were vacant. But the lenders were being told that the members' investment properties were rented out and cash-flowing. WARREN repeatedly told LOOMIS that he needed to get the members investment properties rented out. The monthly NARAS Fund statements that were sent to the members were used as verification of deposits. Each monthly statement indicated that the member's investment in NARAS Fund had increased, but the fund contained no money, and NARAS never held title to anything.

c. WARREN indicated every Settlement Statement ("HUD-1") contained in the lender/escrow files was fraudulent. The escrow company that handled these transactions is called Lender Services Direct, which is owned by Joe Gekko, and is licensed with the California *Department of Real Estate. WARREN introduced Gekko to LOOMIS. A HUD-1 would be* created not showing LOOMIS' commission on the real estate transaction. A second HUD-1 would be created showing LOOMIS' commission on the real estate transaction. The lender would receive the HUD-1 not showing LOOMIS' commission and technically this HUD-1 is an estimated HUD-1 that is not file stamped. The legitimate HUD-1 showing LOOMIS' commission is kept in Gekko's file. LOOMIS compensated Gekko $5,000 per real estate transaction, plus fees. WARREN indicated that escrow companies are usually only compensated between $400 and $1,000 for fees.

d. WARREN indicated in addition to fraud occurring with respect to the lease agreements and assets, fraud also occurred on the loan applications to secure the investment properties for the members. Members would usually secure a "stated-income" loan to acquire the investment property. WARREN and the personal account managers ("PAM") under him would overstate the member's monthly income on the loan applications. Some members would question the inflated income on the loan applications during the escrow signing. These members were told not to worry because they were obtaining a "stated-income" loan. WARREN or the PAM's under

him would never indicate on the loan application that the member intended to utilize the property as his/her primary residence. WARREN also indicated that he and the PAM's would list other real estate owned by the members on the loan applications. At first, they were not doing this because they were getting loans denied.

e. WARREN indicated he and the PAM's under him also created fraudulent IRS Form Schedule E's. This form is intended to report rental income. Lenders would ask for the Schedule E because member's investment properties would be listed on the loan applications as rentals. WARREN and the PAM's under him would have to create the form upon the lenders request. LOOMIS would issue members a Form 1099 or a Schedule K-1 to report rental income even though the members never actually received the rental income. Members would question LOOMIS with respect to this practice. LOOMIS would inform the members that they are getting free life insurance because he is paying the monthly premiums. Therefore, LOOMIS was issuing the Form 1099's or Schedule K-1's to the members.

f. WARREN indicated he had several PAM's working under him that included Christina McClain, Jason Sanbei, Scott Cavell, Don Gonzalez, Jason Watson, and Tony Kim. WARREN indicated that these individuals and others were responsible for the fraud that occurred relating to the lease agreements, assets, loan applications, and Schedule E's. WARREN and the PAM's used the software programs Microsoft Paint and Adobe Professional to perpetrate the fraud. WARREN also reminded all the PAM's that they need to abide by the "4506 test." The 4506 test relates to the IRS Form 4506. The IRS Form 4506 is signed by a member and it allows lenders to check the income amount that was reported to the IRS by the member. WARREN indicated this is why they did not prepare fraudulent Form W-2's because lenders would be able to verify the figures through the IRS. WARREN indicated that the fraudulent IRS Schedule E's he prepared would pass the "4506 test" because he was always careful to "zero out" the rental income. In other words, he would never show on a Schedule E an actual profit or positive cash-flow after expenses were deducted.

g. WARREN indicted as the general manager for Advanced Lending Group, Inc., dba Nationwide Lending Group, Inc., LOOMIS would often tell WARREN that he needed to have 200 loans fund each month. LOOMIS constantly threatened WARREN that he was going to fire him if he did not fulfill LOOMIS' demands. WARREN told LOOMIS that the only way to accomplish LOOMIS' demand would be that WARREN and the PAM's under him would have to falsify loans. LOOMIS would state, "Do what it takes."

b. Confession Statement by CHRISTOPHER J. WARREN

19. On or about February 3, 2009, I received an email from an LWS victim indicating News 10 of Sacramento posted a story on their website, www.news10.net, titled "Mortgage Fraud Insider Apologizes." After receiving this email, on February 3, 2009, I logged onto website, www.news10.net, to view the story. The news story indicated that WARREN

replaced the home page of Triduanum Financial with a seven-page essay by him. According to the California Department of Corporations, Triduanum Financial, Inc. maintains an active California Finance Lender license at 1215 K Street, Suite 1647, Sacramento, California. According to the California Secretary of State, Triduanum Financial, Inc. has had an active license since July 23, 2008, and the agent of service of process is CHRISTOPHER WARREN, 1215 K Street, Suite 1647, Sacramento, California. I know from other interviews of WARREN and documents he provided that he controls Triduanum. According to media reports, the Triduanum website acknowledged that the company exceeded its line-of-credit with its bank by $20 Million.

20. On or about February 3, 2009, I logged onto website, www.triduanum.com. There is a tab on the homepage of Triduanum that allows users to view the seven-page essay purportedly written by WARREN entitled, "Restoring International Confidence in American MSB/CMBS/ABS Investment System by CHRISTOPHER J. WARREN." A copy of WARREN's seven-page essay is attached to the back of the criminal complaint as Attachment A. [Assuming authorship,] WARREN wrote, in pertinent part:

> As a 19 then 20 year old boy, my managers and handlers taught me the ins and outs of mortgage fraud, drugs, sex, and money, money, and more money…And more than half the staff manipulating documents to get loans to fund and more then 75% just completely made false statements on 1003s regarding stated income etc to get loans funded. A typical welcome aboard gift was a pair of scissors, tape, and white out, three things a loan officer or financial professional should never need. Of course no where in training OR in management training did this 20 year old ever learn that false statements on a 1003 were a federal offense. Overall in the two and half years I was at Ameriquest I funded over $90,000,000 in mortgages, of which more then $75,000,000 contained some sort of material frauds undetected by management and funders…So at the ripe old age of 22, I founded a mortgage brokerage/bank - WTL FINANCIAL INC., at 22, a fraudster trained by the best corporate environment for fraud, I built a company modeled after the movie boiler room…Over the course of the 3 years, over $810,000,000 in mortgage backed securities originated from my companies. That's a 24 year old selling a billion dollars in bad mbs securities which by 2008 were in default with out doubt…It was time to learn new things: money laundering, escrow company management, real estate, flipping, lease-backs, joint ventures, llc until capital offerings. I found my place to learn AFG HOLDINGS COMPANY, the parent

> company of LOOMIS WEALTH SOLUTIONS, AFP of California LLC., AFG Technologies, and Nationwide Lending Corp(their mortgage banking division). I started as the general manager for the mortgage company, turning it around in 90 days…The complete operation was highly illegal and a form of a panzi [sic] scheme. Still, I had no problems or resistance in getting close to fifty million in mortgages purchased and closed…There is currently an investigation into my role with this firm and likely I myself will be indicted…Built a fraudster by my trainers in corporate America. Mastered the fraud. Trained others in the fraud. Paid by the fraud. Mastered mortgage banking, escrow, real estate. Every scam possible: fraud for profit, fraud to fund loans for the under-qualified, fraud of evasion of taxes, reverse flipping, flipping, false liens, software manipulation. And it utterly disgusts me. Looking back at the life I have led, I beg a higher power for forgiveness. For mercy.

21. The investigation revealed that on or about February 1, 2009, WARREN using the email address of cwarren@triduanum.com emailed Sacramento Bee reporter Denny Walsh at DWalsh@sacbee.com. The email to WALSH included the confession statement (discussed above) that WARREN would post later on the Triduanum website. The email from WARREN lists his credentials as being the former vice president of LWS. In the email to Walsh, WARREN also boasts that his credentials also include that he is the former best friend and business partner of Garret Griffith Gililland III, who was recently indicted on over twenty counts of mortgage fraud, money laundering, and conspiracy to manufacture marijuana plants. See Case No. 2:08-CR-376 EJG. Indeed, in an interview with Special Agent Mark Roberts of the F.B.I., WARREN admitted to doing fraudulent mortgage loans with Gililland. WARREN specifically admitted to guilt in Count 24 of the Superseding Indictment against Gililland. WARREN admitted to serving as the escrow agent for the purchase of real property at 3737 Castle Pine Lane #4412, Orlando, Florida, for straw buyer Reyes Jiminez Gonzales. WARREN admitted that he knew at the time that Reyes Jiminez Gonzales was a straw buyer in multiple fraudulent transactions processed by loan officers in Southern California that WARREN claimed were also drug dealers. Additionally, Special Agent Roberts obtained multiple fraudulent emails in the Gililland case. In one email that WARREN sent in or around May 2008, WARREN informed Gililland and others in the scheme that he could falsify certain information for straw buyers, but not all information. SA Roberts showed this email to WARREN and he admitted it was from him and was made in furtherance of multiple fraudulent transactions.

22. On February 4, 2009, according to IRS-CI intelligence resources, CHRISTOPHER WARREN fled the country on a private jet on February 2, 2009.

V. CONCLUSION

23. In summary, I have probable cause to believe that between on or about September 17, 2007 through on or about July 7, 2008, CHRISTOPHER J. WARREN a/k/a MARK A. SEAGRAVE conspired to commit bank fraud, in connection with a loan in violation of 18 U.S.C. §§ 2, 1349, & 1344, committed mail fraud, in violation of 18 U.S.C. §§ 2, 1341, and operated a continuing financial crimes enterprise, in violation of 18 U.S.C. §§ 225, 2.

Christopher S. Fitzpatrick
Special Agent
Internal Revenue Service–Criminal Investigation

Approved as to form:

Russell L. Carlberg
Assistant United States Attorney

Subscribed and sworn to before
me this 4th day of February, 2009

Kimberly J. Mueller
United States Magistrate Judge

ATTACHMENT A

RESTORING INTERNATIONAL CONFIDENCE IN AMERICAN MBS/CMBS/ABS INVESTMENT SYSTEM
BY: CHRISTOPHER JARED WARREN

A. Resume

Before diving into the heart of what is wrong, why its wrong, and what is needed to fix it, I must speak on my qualifications for this dissertation to substantiate my arguments. My name is Christopher Jared Warren, and in 2001 I was hired as a 19 year old to become a sales Account Executive for ACC Capital Holdings subsidiary, the now infamous "Ameriquest Mortgage Company". Over the next three years of employment, I became the shining star of "portfolio retention", a predatory division that would specialize in refinancing home owners who JUST got loans from Ameriquest in the last 24 months. I was the number one producer in the region over 60% of the time I was there, the company sent me to management training in Orange CA twice, trips to the Super bowl twice, Hawaii and Las Vegas based on my large production statistics and paychecks. Most moths I would individually sell more then $5,000,000 in volume and bring in over $30,000 in net income……typically ore then 15 loans with more then 3 points and all rates higher then 7.00% - much higher then industry standard at the time and not to mention not bad for a 19-22 year old kid with no degree. As a19 then 20 year old boy, my managers and handlers taught me the ins and outs of mortgage fraud, drugs, sex, and money, money, and more money. My friend and manager handed out crystal methamphetamine to loan officers in a bid to keep them up and at work longer hours. At any given moment inside the restrooms - cocaine and meth was being snorted by my estimates more than a third of the staff, and more than half the staff manipulating documents to get loans to fund and more then 75% just completely made false statements on 1003s regarding stated income etc to get loans funded. A typical welcome aboard gift was a pair of scissors, tape, and white out, three things a loan officer or financial professional should never need.. Of course no where in training OR in management training did this 20 year old ever learn that false statements on a 1003 were a federal offense. Overall in the two and half years I was at Ameriquest I funded over $90,000,000 in mortgages, of which more then $75,000,000 contained some sorts of material frauds undetected by management and funders. However, near the end of my employment there, I had hacked the computer systems run by EMPOWER for Ameriquest and was clearing my own funding conditions with no documentation, literally waiving file conditions as if I were an underwriter. The day I left I left with the entire customer database. I had made over $700,000 I was 22 had beat their system, had gotten paid and ripped off one of the largest private companies in the worlds entire customer database.

So what to do with 680,000 Ameriquest customer private information? Well…….start a mortgage company and offer better rates and lower fees then AMC. So at the ripe old age of 22, I founded a mortgage brokerage/bank - WTL FINANCIAL INC., at 22, a fraudster trained by the best corporate environment for fraud, I built a company modeled after the movie boiler room and got WTL licensed in OR CA, MN, CT, RI, FL as a mortgage banking company. From 2004 until its grand 2007 collapse, WTL killed it. As a 22, 23, and 24 year old with no credentials I made

over $2.25m all of which was spent on 24 cars(at 26 the number is only 31 total), 5 houses, drugs, 1 engagement and split, 1 300 person wedding, 2 kids. Our company boasted region-best 30,000 square feet, 120 employees, and handling a monthly gross revenue over $5m. Fraud was rampant. We found investors that were not re-pulling credit reports, so we would change a 500 fico to a 700 fico, a person in foreclosure and make It look like they were never late, fake w2s, pay stubs, bank statements, verification of deposits, none of which was being re-verified. These investors, who were securitizing these assets as AAA rated were not even verifying anything in the files? I am sure that their investors were *assured* everything from correspondents was being audited. Every time a lender caught a file we would "fire" the employee produce termination paperwork to the investor, and re-hire the employee under a different alias. Over the course of the 3 years, over $810,000,000 in mortgage backed securities originated from my companies. That's a 24 year old selling a billion dollars in bad mbs securities which by 2008 were in default with out doubt. With the collapse of sub prime giant New Century, came our defeat, as we were too big and too stiff to be agile enough to change.

So then in 2007 I diversified. I knew everything at the age of 25 about mortgage banking, origination, funding, reselling securities, underwriting. It was time to learn new things: money laundering, escrow company management, real estate, flipping, lease-backs, joint ventures, llc unit capital offerings. I found my place to learn AFG HOLDINGS COMPANY, the parent company of LOOMIS WEALTH SOLUTIONS, AFP of California LLC., AFG Technologies, and Nationwide Lending Corp(their mortgage banking division). I started as the general manager for the mortgage company, turning it around in 90 days. When I showed up they hadn't funded a loan in 66 days, they had no warehouse line and no investors. Within 90 days NLG was funding again, with a warehouse line, investors like Indymac, Lehman Brothers, and CITI Mortgage Corp. The trick to this company was simple: AFG would partner with developers and buy real estate at 50 cents on the dollar, then sell it to his "financial consulting" members for 80 cents on the dollar, wed appraise the properties at 100 cents on the dollar artificially inflate the purchase prices so the loans were at 80 AFG would credit back the down and the closing costs. AFG would net 25 points per closing and promise the buyers they would oer the mortgage payment, property management and even buy them free life insurance policy if they bought enough houses. This is what you call a classic panzi scheme because it requires exponential growth to continue. Words I never knew or understood prior to my experience there. Even in that volatile and crunching down market, fraud was still easy to execute. Another $44m funded while I managed the firm, until I got kicked out for starting my own title and escrow company. The complete operation was highly illegal and a form of a panzi scheme. Still, I had no problems or resistance in getting close to fifty million in mortgages purchased and closed. Loomis Wealth and AFG Holdings ended up getting indicted by the Department of Justice after extensive investigation by the FBI and the IRS. There is currently an investigation into my role with this firm and likely I myself will be indicted.

Built a fraudster by my trainers in corporate America. Mastered the fraud. Trained others in the fraud. Paid by the fraud. Mastered mortgage banking, escrow, real estate. Every scam possible: fraud for profit, fraud to fund loans for the under-qualified, fraud of evasion of taxes, reverse flipping, flipping, false liens, software manipulation.

And it utterly disgusts me. Looking back at the life I have led, I beg a higher power for forgiveness. For mercy. For I got caught up, my first corporate experience taught me fraud mixed

with drugs and money. The very top ranks of the corporate ladders knew what was going on. "When a pool of loans gets audited they will audit less then 10% of that bulk pool, and if they find a loan with misreps we simply replace it with a loan from another pool and put the bad loan back in to another pool and hope it wont get audited"2002 Vice President of Collateral – Ameriquest Mortgage in Orange, CA. But its always the small guy, the kid, the kid off the street with no college degree no ethics training no nothing they teach how to do their dirt, like a gang recruiting a minor who will only go to juvy. I was only rewarded for my actions. Trips, over 16 trophies from AMC alone, prizes and huge paychecks. I am disgusted. This is the reason American Mortgage Backed Securities and ABS pools are being hammered and default rates are at heir highest level. And what has been bred is a new generation of younger fraudsters that are young, technology adapt, and much quick and innovative then their two generation older counter-part regulators and regulation authors.

And it is around that final point that is the center for this memo on mortgage fraud its consequences and final solution: the disparity between the talent of the regulators and the fraudsters. The age plays into it. The ambition and drive plays into it. The technology plays into it. But still, if you could only put the correct people at the top of regulation, writing the reg manuals and enforcing them to 100% on pre-purchasing of assets by the government, you could literally cut mortgage fraud down so massively that you could see a return to below traditionally acceptable foreclosure rates, somewhere in the 1.5 – 2.5% range vs the typically accepted range of 3-5% and the current level of 13.9% and in California, FL, NV over 21%. That's right, eliminate mortgage fraud. Completely. Forever.

And if it doesn't happen, this economic downturn which was entirely started by mortgage fraud(well get into that in a minute) will continue to plague us and housing will not get a solid footing in housing again because currently I would speculate that over 40% of mortgage securitizations today in Q1 2009 have some form of misrepresentation on them, whether detected or undetected. If you fix MBS and ABS securities, you will re-ignite performance and foreign and domestic investors will believe again in a broken system, putting back much needed cash into the system to increase liquidity, balance sheet, and the overall economic production of the nation.

I helped ruin this nations economy. Almost a billion dollars of toxic assets came from me making others above me rich beyond my imagination. They asked for more and more, knowingly, and I gave it to them. Now I intend to fix it and help the best I can by sharing what I have learned and know. I am the best at what I was taught and then re-created again and again and mastered myself. I am the best man for shutting it down. Completely and forever.

2. The Heart of The Problem

The credit crisis. The recession. The total fall out of investors foreign and domestic fleeing from once-loved American ABS and MBS securities. The fall out of the this has spread to a lack of liquidity from home owners to corporations, affecting everything from gas to employment figures, to the auto industry. The current state of the financial markets as of Q1 09 entirely has its roots in the mortgage and real estate collapse which in turn crippled and effectively killed the credit markets. When the problems first started arising in 2006, economic experts predicted that the problem was only a "sub prime" and "alt a" problem that would stay confined to the companies like Long Beach Mortgage, Ameriquest, New Century, ABC Mortgage, Indymac, those companies that insured, purchased, and securitized loans with horrible underwriting

guidelines. The problem was this: it wasn't just these independent or subsidiary companies at all. Deutche Bank, Merryl Lynch, Citi Group, all were purchasing insanely high volumes of funded loans with horrible underwriting guidelines that would have made an underwriter from the 70s or 80s complete scream at the top of his lungs in concern. But its not just the underwriting guidelines that caused this, because that is already fixed by Q1 09. In today's current climate, underwriting guidelines are where they should be. Full documentation on income, lower levels of debt allowed vs your income, and more needed for down payments or more equity to be approved for a refinance. All this being done, still does not come close to fixing the problem. Now, more then ever, in this market, as an industry insider I see more fraud happening now then in 2005. More fraud. Bigger fraud. Bigger profits. More defaults and foreclosure. So the underwriting is fixed but the industry still cannot improve the performance of their mortgage backed securities.

The problem is mortgage fraud has morphed, and will never ever bee a stagnate thing. The regulators, managers, qc department employees, guideline writers, and board members of mortgage lending institutions and banks are all, when averaged, over the age of forty seven. The average mortgage fraudster is in mid twenties to early thirties. Most fraudsters are complete idiots, as they are just the typical criminal, that have found a different arena to smash around in. They are the easy ones to find: first payment defaults, obvious white out on documents, 1003s that don't match Super pages or cant pass a Veri-tax.com Mortgage Fraud Report. The current system is good at catching these gentlemen and ladies. The problem is the 5% of fraudsters out there there are extremely intelligent, agile, and constantly innovating techniques to beat every effort of the anti-fraud forces in the banking industry. Age plays into this, because the youth is innovative and aggressive, and as we age and approach AARP land, we become less nimble in our mind, closed to new ideas.

I actually had an FBI agent ask me "how in this market with all the changes is it even still possible to get cash back on a purchase". Any FBI agent who has to ask that question, shouldn't be involved in a mortgage fraud investigation, period. This example brings us the second problem, and that's the individuals fighting fraud are doing it completely backwards and with the wrong skill-sets. Mortgage fraud can be, should be, and is desperately needed to be fought from the front, aggressively stopping mortgage fraud before the funding date by a special division, a nationwide division, that is focused on mortgage data, title and records, and streaming information from investors, funders, and originators. Mortgage fraud currently is regulated by prosecution. This is unacceptable.

Lastly there is way too much duplication in our current system of collateralized lending and mortgage securitization. This leads to poor performance, fragmented information sharing if any at all, and low securities performance. The fact is simple that with the nationalization of Freddie and Fannie that is four government-owned agencies that are purchasing and/or insuring over 96.5% of the mortgage fundings on residences in America. That is so beyond against the constitution, but mandatory in todays market. We must realize that subsidy is the savior from depression, which can easily be accepted once studied. But if the government if this country is going to be this big of a player on the nations biggest natural resource: American land and lending on that land, then it absolutely and unequivocally cannot run it like it runs most of its bureaucracy's: inefficiently. It has to be streamlined. It has to be non-duplicated in roles and responsibilities. It has to have its own internal mechanisms of regulations and controls and checks and balances.

Why are there THREE institutions that do the EXACT same thing for the federal government and the three boards and senior managements of those firms take out over $200m a year in compensation when the companies are losing money? Why is the performance of the securities suffer so much? Because they aren't doing it right and haven't been. The answer is simple: the mortgage industry fell behind the technology industry department, and never caught up, and it has cost them and now the entire country greatly, in the trillions of dollars.

The philosophy is wrong: instead of regulation by prosecution it should be regulation to prevent fraudulent fundings. This has to change first and foremost. When your at war, and trust me, this is a financial war with huge consequences(fraud losses topping over ¾ of a trillion dollars in 2008), you don't wait for the opposing enemy to bomb, then invade your home towns and then after they have burned your bridges and farms and houses drop a nuke on your own home town to kill them. That is the equivalent of our current regulation. Let the fraudsters do fraud, they fund a bunch of bad loans, and after the losses have piled high enough then and only then do we go in a tear it all up. You have to catch them upfront. Its possible. The current staffing, regulators, and investors simply are too under-qualified, under-trained, and not coordinated with each other enough to make it happen. Their solution is fancy computer modular software that gives you "mortgage fraud scores" or "avm modules" to "reconcile discrepancies". Its all bullshit, I have beaten those computer models time and time again and other fraudsters know how to as well and you will continue to see the same results if the same regulators, regulation writers, and enforces stay in place that exist today.

The analysis is wrong: many times FBI agents who just got transferred from narcotic divisions or international assignments are put on mortgage fraud with absolutely no background. It has taken me ten years of learning to get to where I am and I would consider myself an extremely capable and fast learner far above average and anyone with less then five experience has no right leading or working a mortgage fraud case. Mortgage fraud cases MUST be worked by industry insiders. And while there must be oversight and traditional law enforcement structure and attorneys at the top and managing it, those insiders must be younger or show extreme signs of quick learning ability and/or demonstrate knowledge of today's advanced fraud techniques. Its a very basic principle that each generation that comes up through the professional world takes the work from the previous generation and makes strides to improve the efficiencies, technologies, and methods of the generation before them. The industry must self regulate with law enforcement assistance with the help of the generation and industry insiders. Meaning if a majority of the fraud is being committed by 20-30 year olds inside the industry utilizing highly technological techniques why do you have 40-60 year olds who don't understand the technology who got transferred to this type of work from interstate commerce, traditional banking, narcotics,etc? You wouldn't and you shouldn't. As previously stated, traditional law enforcement figures are fine for oversight and management but you must leverage the best from the other side against themselves, increasing efficiency bringing in the newer fresher though processes with a better and more concrete understanding of the business and the fraud. The bigger and more elaborate the fraudster, the better permanent asset that individual could be if flipped into a consultant and/or employee for the federal government, specifically the Department of Justice and the Mortgage Fraud tasks forces.

The time is wrong: the FBI and DOJ are prosecuting their regulation. This is incorrect because by being reactive instead of proactive you are allowing massive frauds to occur for billions and billions of dollars in losses and damages further pushing MBS and ABS ratings into the dump, and eroding investor confidence in the securities. You regulate by doing just that, regulating. Increase efficiencies and processes, require more burden of proof prior to loan funding and re-sale on capital markets. Operate under the assumption that every mortgage application is being processed by a fraudulent borrower, loan officer, processor, or underwriter. Assume that the computer technology being used by investors and mortgage banking institutions are inadequate and are already being beaten by fraudsters, because they are. Assume nothing works and that no matter what the "representations and warrants" are of a warehouse lender, the correspondent lender, or the Freddie Mac or Fannie Mae seller, that is not good enough and there is truly no amount of net worth or security can cover a 50% default or fraud rating.

Change the philosophy change the analysis, change the team and/or add a lot of new team mates, and change the timing of regulation.

C. Executing Change and Expected Results, A Return to Stability in Securities

Just on the platform that our new commander in chief used, the time for change is now. You can restore confidence in MBS and ABS, and REITS, and American investing by eliminating fraud. Today the guidelines have been fixed, but the fraud hasn't, and it has worsened. As more and more loan officers go broke and more and more real estate professionals go broke they are turning to fraud to fund deals and raise money. Eliminate fraud and you lower delinquencies, get rid of foreclosures restore confidence in securities, restore confidence and the credit markets are restored, and with credit markets restored the rest of the economy will utilize much needed facilities and regain a solid footing once again. Literally you can fix the majority of the problems by regulation and eliminating fraud. Streamlining effeciencies must be the first step by merging the four government agencies into two(Freddie, Fannie, Ginnie, and HUD) into two (HUD and Freddie) and have Freddie absorb FNMA and Ginnie Mae. Immediately cutting overhead and costs by over 60% and reducing the staffing and overhead costs, hence increasing profitability for the government to help offset costs of future defaults of all the mortgages booked prior the execution of a business plan modeled after this memo.

Next step is to increase the information sharing by all agencies and utilize a platform as an information verification center. MERS is a perfect government-sponsored entity is the perfect entity for this. It is already used as an anti-fraud and mortgage transferree platform by all four government investment houses, all major mortgage funding sources, and a majority of correspondent lenders. Expand its access to include title searching capabilities, access to all IRS documentation, and access to FDIC depository records and SEC holding records to verification of assets independent from the origination processes. Use this verification platform to build the security, as opposed to utilizing documentation provided by borrower and/or originator. While this will be the most expensive and very costly endeavour, it pales in comparison to the hundreds of billions of dollars spent on curing and/or selling toxic assets insured by the tax payers at a loss. Even at a cost of $1b the return on investment will be over 1000%.

Then infuse talent to any and all federal mortgage fraud investigations currently in process, and mandate co-operation by all lenders and investment companies for the new blood to have access to files prior to funding and pipeline reviews - truly regulating pipelines and helping find criminals prior to funding. Have all Suspicious Activity Reports filed in regards to mortgage activity immediately diverted to the new task forces force teams. Just as any part of the FBI you bring in talent on every level, low level, mid level, and management. Not to replace but to act in concert, provide guidance and speciality information to assist with the cases, and identify and prevent mortgage fraud in action before fundings occur, bringing regulation to pro-active instead of re-active.

Following this steps increases efficiency, saves billions of dollars, gets the right people in the right place, utilizes the talent of the people that actually know what to look for, and will bring defaults caused by fraud down to acceptable levels: 0-1%. At a maximum. This is what is wrong and how to fix it. I am the man for the job, Chris Warren, have the management experience, the banking experience, and could assist in the oversight of the most major transformation of mortgage regulation without changing one guideline and still completely eliminate mortgage fraud and restore confidence in the American dream and the securities that that very dream provides for investors. The performance of the securities improves, the funds will come back, the government can re-sell off positions in Freddie Mac, or keep possession and return to massive profitability which could act as a huge profit center to help pay for many needed budget and defecit shortfalls and provides answers for the overall performance of the national budget and economy.

Christopher Jared Warren