

FILED IN OPEN COURT  
U.S.D.C. - Atlanta

JAN -7<sup>th</sup> 2019

JAMES N. HATTEN, Clerk

Deputy Clerk

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION

UNITED STATES OF AMERICA

*v.*

KATHERINE TICE CRAIG

Criminal Indictment

No. **1 20-CR-007**

THE GRAND JURY CHARGES THAT:

**Counts 1 through 3**

**MAIL FRAUD**

**18 U.S.C. § 1341**

**Embezzlement from Caribbean Service Group**

1. From a date unknown to the Grand Jury, but at least from on or about February 1, 2012, through at least on or about January 3, 2019, in the Northern District of Georgia and elsewhere, the defendant, KATHERINE TICE CRAIG, knowingly devised and participated in a scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, and by the omission of material facts.

**Background**

2. Beginning in the 1980s, Glenn Baldwin and Marjorie Baldwin of Atlanta, Georgia marketed interests in a timeshare resort located in the Bahamas, the Woodbourne Estate Resort ("WER" or "the resort"), to people throughout the United States.

3. The Baldwins operated the resort through the entities Woodbourne Estates (Bahamas) Limited and Caribbean Service Group (Bahamas) Limited (collectively, "CSG").

4. In approximately 2003, the Baldwins hired the defendant, KATHERINE TICE CRAIG, to work for CSG.

5. Glenn Baldwin controlled another corporate entity, Gee Jay Bhe, Inc. Gee Jay Bhe, Inc. received certain rental income, often in the form of checks mailed to CSG's offices.

6. Glenn Baldwin died in 2009, and Marjorie Baldwin died in 2010. Following the Baldwins' deaths, ownership of CSG and their other assets passed to the Baldwins' estates, and to certain trusts.

7. CSG remained in trust and/or probate until at least July 1, 2019.

8. An individual with the initials E.S., of Mount Dora, Florida, served as executor of the Baldwins' estates.

9. E.S. kept CRAIG on as an employee to manage the timeshare business, but did not closely supervise her work.

10. CSG paid CRAIG a salary. The salary was typically paid by a check from a Regions Bank account in the name of CSG, with an account number ending in 3722.

11. At all relevant times, CRAIG worked out of locations in the Northern District of Georgia.

12. Another employee, V.S., worked for CSG under CRAIG's supervision.

### **The Scheme and Artifice to Defraud**

13. Beginning shortly after Marjorie Baldwin's death in 2010, CRAIG began embezzling and misappropriating funds from CSG and from Gee Jay Bhe, Inc. by various means.

14. For example, CRAIG made numerous transfers from the CSG account ending in 3722 at Regions Bank to her own personal bank accounts at Regions Bank and United Bank. From 2012 to 2018, CRAIG took over \$1.2M from CSG in this manner.

15. Similarly, CRAIG negotiated over \$450,000 in checks made out to "cash" from the CSG account ending in 3722.

16. CRAIG kept the vast majority of this money for herself, as CSG did not pay substantial expenses in cash.

17. CRAIG also paid her personal credit card bills out of CSG funds, even though all or almost all of the charges on the credit cards were purely personal in nature rather than being reimbursable business expenses. From 2012 to 2018, CRAIG took over \$300,000 from CSG through payments to her personal credit cards. These personal credit cards included ones issued by Farm Bureau Bank, Discover, Regions Bank, and First Bankcard. It was part of the scheme and artifice to defraud that CRAIG made some of those payments to her personal credit cards by checks drawn on CSG's account, on which she wrote misleading memos, such as "supplies, phone, labor."

18. Taken together, the funds CRAIG embezzled from CSG (not including her salary) totaled over \$2 million.

19. CRAIG spent much of this money on gambling, including frequent trips to the Beau Rivage casino in Biloxi, Mississippi and high-volume purchases of Georgia Lottery tickets.

20. It was part of the scheme and artifice to defraud that CRAIG prepared W-2 forms for various years, which reported only amounts roughly equal to the salary she received by check from CSG's Regions Bank account ending in 3722, omitting proceeds from the bank transfers, checks to "cash," and payments to her personal credit cards.

#### **Execution of the Scheme and Artifice to Defraud**

21. On or about each of the dates set forth below, defendant CRAIG, for the purpose of executing the aforesaid scheme and artifice to defraud, with intent to defraud, knowingly caused the following matters and things to be delivered according to the directions thereon, by mail and by private and commercial interstate carrier:

Count	Date	From	To	Description
1	8/26/2015	CRAIG in Georgia	Farm Bureau Bank in San Antonio, Texas	CSG check #14127 for \$3,000
2	9/28/2015	CRAIG in Georgia	Farm Bureau Bank in San Antonio, Texas	CSG check #14150 for \$1,800
3	3/2/2016	CRAIG in Georgia	Farm Bureau Bank in San Antonio, Texas	CSG check #14225 for \$2,800

All in violation of Title 18, United States Code, Section 1341 and Section 2.

**Counts 4 through 24**  
**MAIL FRAUD**  
**18 U.S.C. § 1341**  
**Fraud Against Timeshare Lessees**

22. The Grand Jury re-alleges and incorporates herein by reference the factual allegations contained in paragraphs 2 through 20 of this Indictment and all subparts thereof, as if fully set forth herein.

23. From a date unknown to the Grand Jury, but at least from on or about February 1, 2012, through at least on or about February 22, 2019, in the Northern District of Georgia and elsewhere, the defendant, KATHERINE TICE CRAIG, knowingly devised and participated in a scheme and artifice to defraud, and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, and by the omission of material facts.

**Background**

24. The timeshare interests sold and operated by CSG were long-term leases, formalized in written Lease Agreements setting forth the rights and obligations of the parties.

25. The form and the precise language of the Lease Agreements changed over time. However, all of the agreements included, in essence, the following terms:

- a. The Lessees have the right to the specified unit at the resort, at the specified time;
  - b. Lessees are required to pay an annual “maintenance fee” to Lessor;
- and

- c. Lessor warranted that at all times during the lease term, it would maintain sufficient fire, casualty, and loss insurance to reconstruct, repair, and replace the premises of the vacation suite in the event of destruction.

26. Many of the written Lease Agreements also contained language specifying that Lessor would use the maintenance fee for resort utilities and maintenance, weekly maid service, towels and linens, real estate taxes, insurance (including fire, casualty, and liability), and necessary services or supplies.

27. Because CSG had been operating since at least the 1980s, many of the Lessees are elderly.

28. At all relevant times, CSG maintained a post office box in Atlanta, Georgia, 30364, to receive mail from Lessees.

### **The Scheme and Artifice to Defraud**

29. Because of CRAIG's employment with CSG and her embezzlement from CSG, as described above, CRAIG had a strong motive to maximize CSG's income and minimize its expenditures.

30. CRAIG devised a scheme and artifice to defraud CSG's Lessees by soliciting money from the Lessees through misrepresentations and fraudulent omissions, while starving the resort of financial support.

31. CSG's main source of income was the maintenance fees paid annually by Lessees.

32. Since at least January 2012, it was part of the scheme and artifice to defraud that CRAIG fraudulently omitted to disclose to the Lessees that one of CSG's main expenses was her own embezzlement, and that she was paying out a substantial portion of the maintenance fees being collected to herself in payments over and above her salary.

33. The maintenance fees billed to Lessees generally stayed the same or increased from year to year.

34. However, the amount of money CRAIG paid out for upkeep of the resort gradually declined over time, with regular expenditures stopping in December 2015.

35. After December 2015, it was part of the scheme and artifice to defraud that CRAIG fraudulently omitted to disclose to Lessees the fact that CSG had stopped financially supporting the resort.

36. CRAIG knew that the Lease Agreements obligated WER to maintain casualty insurance on the resort property, and also that the Lease Agreements specified that the casualty insurance was to be paid for out of the maintenance fees.

37. It was part of the scheme and artifice to defraud that CRAIG operated CSG and WER without maintaining casualty insurance on the resort.

38. CRAIG omitted to disclose to Lessees the fact that no casualty insurance was in place on the resort property.

39. CRAIG also knew that Lease Agreements entitled Lessees to occupy particular units of the resort at particular times.

40. By early 2016, all buildings at WER had deteriorated to the point that they were unsuitable for use as resort lodgings, and CRAIG was no longer allowing leaseholders to vacation there.

41. Beginning in early 2016, it was also part of the scheme and artifice to defraud that CRAIG fraudulently omitted to disclose to Lessees the fact that the resort was in such poor condition that she was not allowing guests to stay there.

42. The resort was damaged by storms and hurricanes on several occasions, including severe damage by Hurricane Matthew in October 2016.

43. CRAIG delayed disclosing the damage caused by Hurricane Matthew to Lessees until May 2017.

44. When CRAIG did make disclosures concerning the Hurricane Matthew damage, they were incomplete.

45. Omitting and delaying these disclosures was part of the scheme and artifice to defraud, as CRAIG sought to collect as much money as possible from Lessees before they received the disclosures.

46. It was further part of the scheme and artifice to defraud that CRAIG threatened Lessees who were late on their payments with referral to a collection agency.



47. In fact, CRAIG stopped attempting to collect maintenance fees from many Lessees who were represented by attorneys, and who had the attorneys write letters on their behalf.

48. It was part of the scheme and artifice to defraud that CRAIG allowed timeshare units to be transferred to new owners well after the resort was uninhabitable, and then caused the new Lessees to be billed for maintenance fees. CRAIG fraudulently omitted to disclose to the new Lessees: a) her ongoing embezzlement scheme from CSG; b) that the resort was uninhabitable; c) that the resort was not covered by casualty insurance; and d) that CSG was no longer providing financial support to the resort.

49. On at least one occasion, CRAIG signed a letter threatening to refer a Lessee to a collection agency as "K. Tice, Accounting Manager." CRAIG typically signed CSG correspondence as "Kathy Craig" or "Katherine Craig."

50. It was part of the scheme and artifice to defraud for CRAIG to use her maiden name, Tice, as an alias.

51. Eventually, some Lessees began communicating with each other about the deterioration of the resort, and CRAIG began making partial, belated disclosures of some of the information omitted from prior communications. However, none of CRAIG's mailings to Lessees notified them that casualty insurance had not been in effect for the resort, as required and promised by the Lease Agreement; nor did CRAIG ever disclose to Lessees that since at least 2012, CSG's main expense had been her own pattern of embezzlement and misappropriation.

### Execution of the Scheme and Artifice to Defraud

52. On or about each of the dates set forth below, defendant CRAIG, for the purpose of executing the aforesaid scheme and artifice to defraud, with intent to defraud, knowingly caused the following matters and things to be delivered according to the directions thereon, by mail and by private and commercial interstate carrier:

Count	Date	From	To	Description
4	2/2/2015	B.S. and C.S. in Maryland	CSG in Georgia	Invoice for 2015 maintenance fee
5	4/30/2015	CSG in Georgia	B.S. and M.S. in Virginia	Invoice for 2016 maintenance fee
6	7/23/2015	CSG in Georgia	A.H. in Georgia	Invoice for 2016 maintenance fee
7	3/2/2016	CSG in Georgia	M.C. in Maryland	Letter requesting \$500 to "buy out" timeshare lease
8	4/19/2016	CSG in Georgia	J.R. in Maryland	Letter acknowledging payment of 2016 maintenance fee
9	11/4/2016	M.H. and A.H. in Virginia	CSG in Georgia	Check for \$990.00
10	11/18/2016	B.S. and C.S. in Maryland	CSG in Georgia	Invoice for 2017 maintenance fee
11	5/2/2017	C.S. and S.S. in Maryland	CSG in Georgia	Letter of Intent 2017 and check
12	5/9/2017	CSG in Georgia	J.W. in Colorado	Letter enclosing assignment of lease
13	5/24/2017	CSG in Georgia	B.S. and M.S. in Virginia	Invoice for 2018 maintenance fee and notice captioned "Attention Leaseholders"

Count	Date	From	To	Description
14	5/24/2017	CSG in Georgia	C.S. and S.S. in Maryland	Invoice for 2017 maintenance fee and notice captioned "Attention Leaseholders"
15	6/2/2017	K.K. and T.K. in California	CSG in Georgia	Letter of Intent
16	6/5/2017	J.R. and C.R. in Maryland	CSG in Georgia	Letter of Intent 2017 and check
17	7/31/2017	CSG in Georgia	B.S. and M.S. in Virginia	Invoice for 2018 maintenance fee and notice captioned "Attention Leaseholders"
18	9/26/2017	CSG in Georgia	D.G. and S.G. in Georgia	Invoice for 2018 maintenance fee
19	12/28/2017	F.O.T.S.R., Inc. in Virginia	CSG in Georgia	Check for 2018 maintenance fee
<del>20</del>	<del>4/22/2018</del>	<del>CSG in Georgia</del>	<del>B.C. and L.C. in Pennsylvania</del>	<del>Woodbourne Resort Assignment of Lease</del>
21	4/24/2018	CSG in Georgia	M.C. in Maryland	Letter demanding payment of \$1,600 on delinquent account
22	11/6/2018	CSG in Georgia	J.D. and B.D. in Alabama	Invoice for 2019 maintenance fee
23	11/21/2018	CSG in Georgia	M.C. in Maryland	Letter stating account is past due in amount of \$4,497
24	2/22/2019	CSG in Georgia	D.H. and D.H. in Virginia	Invoice for 2019 maintenance fee

All in violation of Title 18, United States Code, Section 1341 and Section 2.

### **Forfeiture Provision**

53. Upon conviction of one or more of the offenses alleged in Counts 1 through 24 of this Indictment, defendant CRAIG shall forfeit to the United States, pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c), any property constituting or derived from proceeds obtained directly or indirectly as a result of said violation(s).

54. If any of the above-described forfeitable property, as a result of any act or omission of the defendant, cannot be located upon the exercise of due diligence; has been transferred or sold to, or deposited with, a third party; has been placed beyond the jurisdiction of the Court; has been substantially diminished in value; or has been commingled with other property which cannot be divided without difficulty; it is the intent of the United States, pursuant to 21 U.S.C. § 853(p) as incorporated by 18 U.S.C. § 982(b), to seek forfeiture of any other property of said defendant up to the value of the forfeitable property described above.

All pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c).

A TRUE BILL

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