

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA) No.
)
) Violation: Title 18, United States
) Code, Section 1343
RICHARD L. THOMPSON)

COUNT ONE

The UNITED STATES ATTORNEY charges:

1. At times material to this Information:

a. Defendant RICHARD L. THOMPSON owned and operated Latten Management, LLC, a Florida company that defendant THOMPSON created in approximately 2007 for the purpose of developing real estate, including real estate in Tennessee. Defendant THOMPSON was the president and managing member of the company, and had exclusive authority to manage the operations and affairs of the company.

b. Latten Management never owned any real property, or generated any revenue from business operations.

c. Defendant THOMPSON purchased real property in Tennessee, known as Green Mountain, which was approximately 54 acres, and Green Ridge Park, which was approximately 15 acres, in order to develop those properties and build vacation homes. Defendant THOMPSON also purchased real property in North Carolina and Florida. All of the properties had mortgages on them, and there was no equity, or

very little equity, in any of the properties. Defendant THOMPSON held the titles on the properties, and never transferred the titles to Latten Management.

d. Defendant THOMPSON, together with several other individuals, purchased another property in Tennessee, known as Catawba Peak, which was approximately 217 acres. Defendant THOMPSON guaranteed payment for the mortgage loan on that property. The owners of that property defaulted on the mortgage loan in approximately February 2009, when full payment of the loan was due. Based on his guarantee of the mortgage, defendant THOMPSON and his co-borrowers owed the lending bank approximately \$9.8 million. Latten Management never owned the Catawba Peak property.

e. Defendant THOMPSON raised money for Latten Management by offering and selling shares of Latten Management to individuals, and by obtaining short term loans for Latten Management from individuals (hereinafter collectively referred to as “investors”). In exchange for the loans, defendant THOMPSON issued promissory notes from Latten Management, which were secured by shares in Latten Management.

f. Latten Management never earned any income, fees, commissions, or profit, and never sold any property. Latten Management’s only source of revenue was the money that Latten Management received from investors in the form of loans or purchases of shares.

2. Beginning in or about early 2009 and continuing until in or about April 2011, in the Northern District of Illinois, Eastern Division, and elsewhere,

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defendant herein, devised, intended to devise, and participated in a scheme to defraud investors and others, and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, and by concealment of material facts, which scheme is further described below.

3. It was part of the scheme that defendant THOMPSON fraudulently obtained funds from investors through the offer and sale of shares and promissory notes issued by Latten Management, in part, by falsely representing that the investments and loans would be secured by valuable real property owned by Latten Management, even though defendant THOMPSON knew that Latten Management did not own any real property. Defendant THOMPSON also falsely represented to investors that funds raised would be used to develop that real property, when, in fact, defendant THOMPSON intended to and did use certain investor funds to make Ponzi-type payments to other investors, and he misappropriated additional funds to pay his own personal expenses. Defendant THOMPSON also falsely represented that Latten Management had accountants, and would provide corporate financial reports, balance sheets, annual statements, and tax returns to investors, even though he knew that was false. In order to conceal his scheme, defendant THOMPSON made Ponzi-type payments of promised returns to investors, publicly filed false documents with the Securities and Exchange

Commission, and intentionally misled investors about the status of their investments and loans.

4. It was further part of the scheme that defendant THOMPSON falsely represented to investors that Latten Management owned two properties in Tennessee, known as Green Mountain and Green Ridge Park, as well as other real property in Tennessee, North Carolina, and Florida. Defendant THOMPSON falsely represented to investors that their shares in Latten Management would be and were secured by the land owned by Latten Management, and that investors each owned a percentage of that land. In fact, defendant THOMPSON knew that Latten Management did not own any real property.

5. It was further part of the scheme that defendant THOMPSON falsely represented to investors that they would have a first mortgage on Latten Management's real property, and that Latten Management would, and did, file a Deed of Trust with the County Recorder, securing their investments. In fact, defendant THOMPSON knew that the investors' funds were not secured by any real property, and all of the real property identified by defendant THOMPSON as belonging to Latten Management had first mortgages for the benefit of certain financial institutions as a result of large mortgage loans. In addition, defendant THOMPSON never placed, and never caused Latten Management to place, any liens on any real property to protect the investors' funds.

6. It was further part of the scheme that defendant THOMPSON falsely represented to investors that investors' funds would be used to develop Green Mountain and Green Ridge Park, which would involve building roads, installing utilities, and

improving the land. In fact, defendant THOMPSON misappropriated a substantial portion of investors' funds to pay for his own personal expenses, which included paying his home mortgage, his family's personal credit cards, electric bills, college tuition, taxes, personal loans, life insurance, making cash withdrawals, and purchasing a Lexus.

7. It was further part of the scheme that defendant THOMPSON also misappropriated additional investors' funds to make Ponzi-type payments to other investors, instead of using that money to develop the real property in Tennessee as he had represented. Defendant THOMPSON had to continually obtain new funds in order to satisfy his existing obligations to repay investors, and intentionally concealed this from investors.

8. It was further part of the scheme that defendant THOMPSON misled investors about Latten Management's intentions to develop Catawba Peak in Tennessee. Defendant THOMPSON identified Catawba Peak to investors as a proposed project, and included photographs and design plans as part of Latten Management's promotional materials. Defendant THOMPSON, however, intentionally concealed from investors that he and the co-owners of Catawba Peak had defaulted on the mortgage loan for the property in February 2009, and owed approximately \$9.8 million on that mortgage loan. Defendant THOMPSON gave tours of Green Mountain, Green Ridge Park, and Catawba Peak to investors who wanted to see the land.

9. It was further part of the scheme that defendant THOMPSON fraudulently obtained approximately \$667,000 in personal unsecured loans from individuals, for his own personal use, by falsely representing that he would repay those loans, with interest,

within a specified period of time, resulting in a loss of approximately \$500,000. Those personal loans were evidenced by personal promissory notes signed by defendant THOMPSON. Defendant THOMPSON knew that he did not have the financial ability to make the payments as promised. Defendant THOMPSON also falsely represented to certain individuals who provided personal loans to him that he would use the funds for specific purposes, including to pay costs associated with developing Latten Management projects, when, in fact, defendant THOMPSON used a portion of those funds for to pay for personal expenses, and to repay Latten investors.

10. It was further part of the scheme that defendant THOMPSON falsely represented to investors that Latten Management had accountants who worked for Latten Management, even though he knew that Latten Management did not have any accountants.

11. It was further part of the scheme that defendant THOMPSON falsely represented to investors that Latten Management would maintain accurate financial records, including records of all income and expenses. In fact, defendant THOMPSON did not maintain, or cause anyone else to maintain, accurate financial records for Latten Management. Defendant THOMPSON did not maintain a general ledger to keep track of money coming into and going out of Latten Management. During the scheme, defendant THOMPSON did not keep accurate records of how he spent cash that he withdrew from investors' funds, and he did not maintain accurate records of which credit card charges were for personal expenses and which were for business expenses, even though he used

investor funds to pay for the credit card charges. He also failed to keep accurate records of the total amount of investor funds that he took for his own personal benefit.

12. It was further part of the scheme that defendant THOMPSON falsely represented to investors that Latten Management would prepare, and provide to investors, corporate financial reports, balance sheets, annual statements, and tax returns that would be filed in a timely manner. In fact, defendant THOMPSON knew that Latten Management did not prepare any financial reports, balance sheets, annual statements, or tax returns.

13. It was further part of the scheme that in or about November 2009, and June 2010, defendant THOMPSON signed and publicly filed documents with the Securities and Exchange Commission, in order to notify the SEC of Latten Management's sale of securities. In these documents, in an effort to conceal the scheme from the investors and from law enforcement, defendant THOMPSON falsely represented that he had not previously taken any investor funds for his own personal use. In fact, defendant THOMPSON knew that he had taken investor funds for his own personal use, and began doing so in approximately June 2009.

14. It was further part of the scheme that in or about March 2011, in an effort to conceal the scheme and lull investors, defendant THOMPSON falsely represented to certain investors that he could not make payments to them because the bank had frozen his bank account by mistake. In fact, THOMPSON knew that he could not make payments to the investors because he had essentially run out of money.

15. It was further part of the scheme that defendant THOMPSON misrepresented, concealed, and hid, and caused to be misrepresented, concealed, and hidden, the existence of the scheme, the purposes of the scheme, and acts done in furtherance of the scheme.

16. It was further part of the scheme that, as a result of his actions, defendant THOMPSON caused losses to Latten investors of at least approximately \$1,652,000, and caused losses of at least approximately \$500,000 to individuals who made personal loans to defendant THOMPSON.

17. On or about October 4, 2010, at Naperville, in the Northern District of Illinois, Eastern Division, and elsewhere,

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defendant herein, for the purpose of executing the scheme to defraud, did knowingly cause to be transmitted in interstate commerce, from Richmond, California to Sarasota, Florida, by means of wire communication, certain writings, signs, and signals, namely: an interstate wire transfer of funds belonging to investor Pe.Boi., who lived in Naperville, Illinois, in the amount of approximately \$125,000, to purchase shares of Latten Management, which funds were sent from investor Pe.Boi.'s Individual Retirement Account, in Richmond, California, through the Fedwire Funds Transfer System, to Latten Management's bank, Bank of America, in Sarasota, Florida;

In violation of Title 18, United States Code, Section 1343.

UNITED STATES ATTORNEY