



5. Branch Banking & Trust Company (hereafter, "BB&T") was a financial institution the deposits of which were then insured by the FDIC, and which engaged in and the activities of which affected interstate commerce.

6. Central Carolina Bank (hereafter, "CCB") was a financial institution the deposits of which were then insured by the FDIC, and which engaged in and the activities of which affected interstate commerce.

7. First Union National Bank (hereafter, "First Union") was a financial institution the deposits of which were then insured by the FDIC, and which engaged in and the activities of which affected interstate commerce.

8. First Charter Corp. (hereafter, "First Charter") was a financial institution the deposits of which were then insured by the FDIC, and which engaged in and the activities of which affected interstate commerce.

### **North Carolina Attorney Ethics Rules**

9. N.C. Rule of Professional Conduct 1.15-2(j) provided that "[a] lawyer shall not use . . . any entrusted property to obtain . . . personal benefit for . . . any person other than the legal or beneficial owner of that property."

10. N.C. Rule of Professional Conduct 1.15-3(a)(3) provided that "[t]he minimum records required for general trust accounts, dedicated trust accounts and fiduciary accounts maintained at a bank shall consist of . . . in the case of a general trust account, a ledger containing a record of receipts and disbursements for each person or entity from whom and for whom funds are received and showing the current balance of funds held in the trust account for each such person or entity."

**COUNT ONE**  
**18 U.S.C. § 1349**  
**(Mail, Wire, and Bank Fraud Conspiracy)**

11. The Grand Jury realleges and incorporates by reference herein all of the allegations contained in paragraphs 1 through 10 of the Indictment, and further alleges that:

12. From in or about 2001 through in or about September 2002, in Mecklenburg County, within the Western District of North Carolina, and elsewhere, the defendants,

- (1) MICHAEL D. PAHUTSKI  
(2) VICTORIA L. SPROUSE

did knowingly, willfully and unlawfully combine, conspire, and agree together, with Hawfield, and with other persons known and unknown to the Grand Jury, to commit the following offenses against the United States:

- A. Mail fraud, in violation of Title 18, United States Code, Sections 1341 and 1346;
- B. Wire fraud, in violation of Title 18, United States Code, Sections 1343 and 1346; and
- C. Bank fraud, in violation of Title 18, United States Code, Sections 1344 and 1346.

**Objects of the Conspiracy**

13. It was a part and an object of the conspiracy that the defendants, and others known and unknown to the Grand Jury, having devised schemes and artifices to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, to wit, schemes and artifices to defraud financial institutions and others of money and their intangible right to honest services, would and did cause things to be deposited with and delivered by the U.S. Postal Service and private and commercial interstate carriers for the purposes of executing said schemes and artifices, in violation of Title 18, United States Code, Sections 1341 and 1346.

14. It was a part and an object of the conspiracy that the defendants, and others known and unknown to the Grand Jury, having devised schemes and artifices to defraud and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, to wit, schemes and artifices to defraud financial institutions and others of money and their intangible right to honest services, would and did transmit and cause to be transmitted by means of wire communication in interstate commerce, writings, signs, signals, pictures, and sounds for the purposes of executing said schemes and artifices, in violation of Title 18, United States Code, Sections 1343 and 1346.

14. It was a part and an object of the conspiracy that the defendants, and others known and unknown to the Grand Jury, executed and attempted to execute schemes and artifices to defraud financial institutions and for obtaining money, funds, credits, and other property owned by and under the custody and control of financial institutions by means of false and fraudulent pretenses, representations, and promises, in violation of Title 18, United States Code, Sections 1344 and 1346.

#### **Manner and Means of the Conspiracy**

16. The manner and means by which the conspiracy was carried out included, among others, the following:

A. The defendants and others would and did prepare materially false mortgage loan applications;

B. The defendants and others would and did submit materially false mortgage loan applications to FDIC insured banks and others;

C. The defendants and others would and did produce and submit fake documentation in support of mortgage loan applications;

D. The defendants and others would and did prepare and sign materially false HUD-1 settlement statements;

E. The defendants and others would and did prepare and cause to be prepared false and fraudulent real estate appraisals;

F. The defendants and others would and did deliver and accept down-payment checks from persons other than the buyers listed in the HUD-1 settlement statements; and

G. The defendants and others would and did prepare, deliver, and accept checks distributing closing funds to sellers prior to the deposit of down-payment checks from buyers.

#### **Overt Acts**

17. In furtherance of the conspiracy, and to accomplish the objects thereof, the defendants and co-conspirators committed the following overt acts, among others, in the Western District of North Carolina and elsewhere:

A. On or about July 24, 2001, SPROUSE conducted a closing for the sale of the property located at 1433 Jules Court from Ms. H to Ms. F for a sales price of \$234,000;

B. Also on or about July 24, 2001, SPROUSE executed a HUD-1 settlement statement for the sale of the property located at 1433 Jules Court to Ms. F, which settlement

statement SPROUSE knew falsely stated that the closing occurred on July 20, 2001, and falsely stated that the buyer (Ms. F) provided cash in the amount of \$232,926.39 at the closing;

C. Also on or about July 24, 2001, SPROUSE accepted check #5352 from Hawfield's First Union checking account in the amount of \$232,926.39;

D. Also on or about July 24, 2001, PAHUTSKI and Hawfield submitted a mortgage loan application to nBank in connection with the purchase of the property located at 1433 Jules Court, which application enclosed falsified bank statements and tax returns;

E. Also on or about July 24, 2001, SPROUSE conducted another closing for the sale of the property located at 1433 Jules Court from Ms. F to Hawfield for a sales price of \$335,000;

F. Also on or about July 24, 2001, SPROUSE accepted check #5353 from Hawfield's Firust Union checking account in the amount of \$42,643.92;

G. On or about July 25, 2001, SPROUSE signed and caused to be delivered to Ms. F check #16172 from her law firm's trust account at BB&T in the amount of approximately \$332,531, purportedly representing Ms. F's proceeds from the sale of the 1433 Jules Court property;

H. On or about July 25, 2001, Ms. F converted check #16172 into a BB&T cashier's check payable to Hawfield in the amount of approximately \$282,531;

I. On or about July 26, 2001, Hawfield deposited the BB&T cashier's check in the amount of approximately \$282,531 into his checking account at First Union;

J. On or about July 27, 2001, SPROUSE caused check #5353 from Hawfield to be deposited into her law firm's trust account at BB&T;

K. On or about July 30, 2001, SPROUSE caused check #5352 from Hawfield to be deposited into her law firm's trust account at BB&T;

L. On or about September 25, 2001, SPROUSE conducted a closing for the sale of the property located at 2729 Sloan Drive from Mr. and Mrs. D to Hawfield for a sales price of \$145,000;

M. Also on or about September 25, 2001, SPROUSE executed a HUD-1 settlement statement for the sale of the property located at 2729 Sloan Drive to Hawfield, which settlement statement SPROUSE knew falsely stated that the sellers (Mr. and Mrs. D) received cash in the amount of \$41,260.97 at the closing;

N. On or about September 25, 2001, SPROUSE conducted a closing for the sale of the property located at 2729 Sloan Drive from Hawfield to Mr. K for a sales price of \$145,000;

O. Also on or about September 25, 2001, PAHUTSKI and Hawfield caused a mortgage loan application to be submitted to nBank in connection with Mr. K's purchase of the property located at 2729 Sloan Drive, which application enclosed falsified tax returns;

P. On or about September 26, 2001, SPROUSE signed and caused to be delivered to Hawfield check #17294 from her law firm's trust account at BB&T in the amount of approximately \$41,260.97;

Q. On or about February 5, 2002, SPROUSE conducted a closing for the sale of the property located at 7993-111 Shady Oak Trail from Mr. and Mrs. B to Ms. C for a sales price of \$42,500;

R. Also on or about February 5, 2002, SPROUSE executed a HUD-1 settlement statement for the sale of the property located at 7993-111 Shady Oak Trail to Ms. C, which settlement statement SPROUSE knew falsely stated that the buyer (Mr. C) provided cash in the amount of \$37,904.32 at the closing;

S. Also on or about February 5, 2002, SPROUSE accepted check #5858 from Hawfield's Firust Union checking account in the amount of \$37,904.32;

T. Also on or about February 5, 2002, SPROUSE conducted another closing for the sale of the property located at 7993-111 Shady Oak Trail from Ms. C to Hawfield for a sales price of \$78,000;

S. Also on or about February 5, 2002, SPROUSE accepted check #5837 from Hawfield's Firust Union checking account in the amount of \$17,984.20;

U. On or about February 7, 2002, SPROUSE signed and caused to be delivered to Ms. C check #3745 from her law firm's trust account at CCB in the amount of approximately \$76,157, purportedly representing Ms. C's proceeds from the sale of the 7933-111 Shady Oak Trail;

V. On or about February 7, 2002, Ms. C endorsed and Hawfield deposited check #3745 into his checking account at First Union;

W. On or about February 11, 2002, SPROUSE caused check #5858 from Hawfield to be deposited into her law firm's trust account at CCB;

X. On or about February 11, 2002, SPROUSE caused check #5837 from Hawfield to be deposited into her law firm's trust account at CCB;

Y. On or about April 22, 2002, SPROUSE conducted a closing for the sale of the property located at 1909-25 Mereview Court from a company to Mr. D for a sales price of \$65,000;

Z. Also on or about April 22, 2002, SPROUSE executed a HUD-1 settlement statement for the sale of the property located at 1909-25 Mereview Court to Mr. D, which settlement statement SPROUSE knew falsely stated that the buyer (Mr. D) provided cash in the amount of \$65,103.67 at the closing;

Aa. Also on or about April 22, 2002, SPROUSE accepted check #6515 from Hawfield's Firust Union checking account in the amount of \$65,103.67;

Bb. Also on or about April 22, 2002, PAHUTSKI and Hawfield submitted a mortgage loan application to nBank in connection with the purchase of the property located at 1909-25 Mereview Court, which application enclosed falsified bank statements and tax returns;

Cc. Also on or about April 22, 2002, SPROUSE conducted another closing for the sale of the property located at 1909-25 Mereview Court from Mr. D to Hawfield for a sales price of \$95,000; and

Dd. Also on or about April 22, 2002, SPROUSE accepted check #6529 from Hawfield's Firust Union checking account in the amount of \$21,641.24;

Ee. On or about April 23, 2002, SPROUSE signed and caused to be delivered to Mr. D check #5740 from her law firm's trust account at CCB in the amount of approximately \$92,648, purportedly representing Ms. C's proceeds from the sale of the 1909-25 Mereview Court;

Ff. On or about April 25, 2002, Mr. D endorsed and Hawfield deposited check #5740 into his checking account at First Union;

Gg. On or about April 25, 2002, SPROUSE caused check #6529 from Hawfield to be deposited into her law firm's trust account at CCB; and

Hh. On or about September 12, 2002, SPROUSE conducted a closing for Hawfield's refinancing of the mortgages on the property located at 1909-25 Mereview Court and other properties,

All in violation of 18 U.S.C. § 1349.

**COUNTS TWO THROUGH FOUR**

**18 U.S.C. § 1341**

**(Mail Fraud)**

18. The Grand Jury realleges and incorporates by reference herein all of the allegations contained in paragraphs 1 through 10 of the Indictment, and further alleges that:

19. On or about the dates set forth below, in Mecklenburg County, within the Western District of North Carolina, and elsewhere, the defendants,

(1) MICHAEL D. PAHUTSKI

(2) VICTORIA L. SPROUSE

aided and abetted by each other and others known and unknown to the Grand Jury, having devised schemes and artifices to defraud and for obtaining money and property by means of materially false and fraudulent pretenses, representations, and promises, to wit schemes and artifices to defraud financial institutions and others of money and their intangible right to honest services, caused things, as described below, to be sent and delivered by mail and by private and commercial interstate carrier for the purposes of executing said schemes and artifices, each instance described below being a separate violation of Title 18, United States Code, Sections 1341, 1346, and 2.

<b>COUNT</b>	<b>DATE</b>	<b>MAILING</b>
<b>Two</b>	7/24/01	Federal Express from Southland Mortgage to underwriter's home address in connection with the mortgage loan for 1433 Jules Court
<b>Three</b>	9/26/01	Federal Express of hazard insurance and mortgage insurance premiums in connection with the closing of the property located at 2729 Sloan Drive
<b>Four</b>	4/22/02	Loan package sent via Freight Savers from nBank to SPROUSE's law firm in connection with closing of the property located at 1909-25 Mereview Court



**COUNTS FIVE THROUGH EIGHT**

**18 U.S.C. § 1014**

**(False Statement to Bank)**

20. The Grand Jury realleges and incorporates by reference herein all of the allegations contained in paragraphs 1 through 10 of the Indictment, and further alleges that:

21. On or about the dates set forth below, in Mecklenburg County, within the Western District of North Carolina, and elsewhere, the defendant,

(1) MICHAEL D. PAHUTSKI

aided and abetted by others known and unknown to the Grand Jury, knowingly made and caused to be made false statements and reports for the purpose of influencing the action of institutions the accounts of which were then insured by the FDIC, to wit, nBank and First Charter, upon an application, commitment, loan, and acceptance of security therefor, all in violation of Title 18, United States Code, Sections 1014 and 2.

<b>COUNT</b>	<b>DATE</b>	<b>FALSE STATEMENT</b>
<b>Five</b>	7/24/01	Mortgage loan application and documentation for 1433 Jules Court
<b>Six</b>	9/25/01	Mortgage loan application and documentation for 2729 Sloan Drive
<b>Seven</b>	4/22/02	Mortgage loan application and documentation for 1909-25 Mereview Court
<b>Eight</b>	9/12/02	Refinancing application and documentation for twelve properties

**COUNT NINE**  
**18 U.S.C. § 1956(h)**  
**(Money Laundering Conspiracy)**

22. The Grand Jury realleges and incorporates by reference herein all of the allegations contained in paragraphs 1 through 21 of the Indictment, and further alleges that:

23. From in or about 2001 through in or about September 2002, in Mecklenburg County, within the Western District of North Carolina, and elsewhere, the defendants,

(1) MICHAEL D. PAHUTSKI  
(2) VICTORIA L. SPROUSE

did knowingly, willfully and unlawfully combine, conspire, and agree together, with Hawfield, and with other persons known and unknown to the Grand Jury, to commit the following offenses against the United States:

A. Promotion money laundering, in violation of Title 18, United States Code, Section 1956(a); and

B. Money laundering, in violation of Title 18, United States Code, Section 1957.

**Objects of the Conspiracy**

24. It was a part and an object of the conspiracy that the defendants, and others known and unknown to the Grand Jury, knowing that the property involved in financial transactions represented the proceeds of some form of unlawful activity, would and did conduct and attempt to conduct financial transactions involving the proceeds of specified unlawful activity with the intent to promote the carrying on of specified unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(A)(i).

25. It was a part and an object of the conspiracy that the defendants, and others known and unknown to the Grand Jury, with the intent to promote the carrying on of specified unlawful activity, would and did conduct and attempt to conduct financial transactions involving property used to conduct and facilitate specified unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(3)(A).

26. It was a part and an object of the conspiracy that the defendants, and others known and unknown to the Grand Jury, would and did knowingly engage and attempt to engage in monetary transactions in criminally derived property of a value greater than \$10,000, such property having been derived from specified unlawful activity, in violation of Title 18, United States Code, Section 1957.

All in violation of Title 18, United States Code, Section 1956(h).

**COUNT TEN**  
**18 U.S.C. § 1956(a)(1)(A)(i)**  
**(Promotion Money Laundering)**

27. The Grand Jury realleges and incorporates by reference herein all of the allegations contained in paragraphs 1 through 21 of the Indictment, and further alleges that:

28. On or about September 12, 2002, in Mecklenburg County, within the Western District of North Carolina, and elsewhere, the defendant,

(2) VICTORIA L. SPROUSE

aided and abetted by others known and unknown to the Grand Jury, knowing that the property involved in financial transactions represented the proceeds of some form of unlawful activity, knowingly conducted and attempted to conduct such financial transactions (to wit, transactions involving nBank, First Charter, BB&T, and the pledge of real property) involving the proceeds of specified unlawful activity with the intent to promote the carrying on of specified unlawful activity, all in violation of Title 18, United States Code, Sections 1956(a)(1)(A)(i) and 2.

**COUNT ELEVEN**  
**18 U.S.C. § 1956(a)(3)(A)**  
**(Promotion Money Laundering)**

29. The Grand Jury realleges and incorporates by reference herein all of the allegations contained in paragraphs 1 through 21 of the Indictment, and further alleges that:

30. On or about September 12, 2002, in Mecklenburg County, within the Western District of North Carolina, and elsewhere, the defendant,

(2) VICTORIA L. SPROUSE

aided and abetted by others known and unknown to the Grand Jury, with the intent to promote the carrying on of specified unlawful activity, knowingly conducted and attempted to conduct financial transactions (to wit, transactions involving nBank, First Charter, BB&T, and the pledge of real property) involving property used to conduct and facilitate specified unlawful activity, all in violation of Title 18, United States Code, Sections 1956(a)(3)(A) and 2.

**COUNT TWELVE**  
**18 U.S.C. § 1957**  
**(Money Laundering)**

31. The Grand Jury realleges and incorporates by reference herein all of the allegations contained in paragraphs 1 through 21 of the Indictment, and further alleges that:

32. On or about September 12, 2002, in Mecklenburg County, within the Western District of North Carolina, and elsewhere, the defendants,

- (1) MICHAEL D. PAHUTSKI
- (2) VICTORIA L. SPROUSE

aided and abetted by each other and others known and unknown to the Grand Jury, knowingly engaged in, attempted to engage in, and caused others to engage in monetary transactions in criminally derived property of a value greater than \$10,000, such property having been derived from specified unlawful activity, all in violation of Title 18, United States Code, Sections 1957 and 2.

**COUNT THIRTEEN**

**18 U.S.C. § 1623**

**(Perjury)**

33. The Grand Jury realleges and incorporates by reference herein all of the allegations contained in paragraphs 1 through 21 of the Indictment, and further alleges that:

34. On or about March 9, 2006, a civil complaint was filed against SPROUSE in the United States District Court for the Western District of North Carolina, alleging that defendant SPROUSE had engaged in, among other things, fraud in connection with the closing of various mortgage loan transactions.

35. From on or about January 29, 2007, through on or about February 2, 2007, a civil trial was held in the United States District Court for the Western District of North Carolina (Charlotte Division) with regard to the above-referenced civil complaint filed against SPROUSE. It was material to that proceeding whether SPROUSE had accepted down payments from persons other than the listed buyers of real property. During that trial, SPROUSE testified.

36. On or about January 30 and 31, 2007, in Mecklenburg County, within the Western District of North Carolina, and elsewhere, the defendant,

(2) VICTORIA L. SPROUSE

while under oath and testifying in a proceeding before a court of the United States, knowingly made false material declarations, that is to say:

37. At the time and place alleged, SPROUSE, appearing as a witness under oath during a federal civil trial in which she was a defendant, knowingly made the following declarations in response to questions with respect to the material matter alleged in paragraph 35 above:

Specification #1

“Q: Ms. Sprouse, I’m looking at a check dated May 31<sup>st</sup>, 2001, from Mr. Hawfield to you for \$5,305.50.”

“A: Yes.”

“Q: What is this check for?”

“A: It says at the bottom of the check ‘124 SOT.’”

\* \* \*

“Q: You don’t know what it’s for, correct?”

“A: I mean, I’d have to guess, which is to purchase or refinance or sell 124 S-O-T.”

“Q: Was it a down payment for a buyer on one of these properties that he was selling?”

“A: I would not have accepted the check from Mr. Hawfield as a down payment for somebody.”

“Q: So it couldn’t have been that.”

“A: I’m just telling you I wouldn’t have accepted it from him if he wasn’t the purchaser.”

“Q: So it couldn’t have been that.”

“A: It couldn’t have been that.” (1/30/07 Tr. at 226-27).

#### Specification #2

“Q: Would you agree with me that this check [#5352] that Mr. Hawfield is paying you on was for 1433 JC, or Jules Court?”

“A: No.”

“Q: Why not?”

“A: I mean, it could be anything.”

“Q: Okay. Well, what do you think it is other than 1433 Jules Court?”

“A: I don’t know. I mean, Mr. Hawfield bought a lot of properties and sold a lot of properties and refinanced a lot of properties. I have no idea.” (1/31/07 Tr. at 290-91).

#### Specification #3

“Q: Did Mr. Hawfield flip this piece of property?”

“A: I have no idea.”

“Q: Do you know what a flip is?”

“A: Yes. I know it’s when you buy a piece of property and then you sell it, resell it.”

“Q: Okay. Is it a legal transaction?”

“A: There are legal flips and there are illegal flips.”

“Q: Please tell the jury what kind an illegal flip is.”

“A: When one person buys a piece of property – well, let me take that back. If A buys a piece of property and B wants to buy it and C’s going to buy it from B, then A will sell it to C without B bringing any money to the table at a different price.”

“Q: Has that ever happened at your office?”

“A: No.”

“Q: Never ever?”

“A: Never ever.” (1/31/07 Tr. at 291).

38. The aforesaid underscored testimony of SPROUSE, as she then and there well knew and believed, was false. Specifically, knew that she had accepted checks from Hawfield as the down payment for other parties, that check #5352 from Hawfield was for the purchase of 1433 Jules Court, and that she had conducted illegal property flip transactions as defined by her.

All in violation of Title 18, United States Code, Section 1623(a).



**COUNT FOURTEEN**  
**18 U.S.C. § 1503**  
**(Obstruction of Justice)**

39. The Grand Jury realleges and incorporates by reference herein all of the allegations contained in paragraphs 1 through 21 and paragraphs 34 through 38 of the Indictment, and further alleges that:

40. From on or about January 30, 2007, through on or about January 31, 2007, in Mecklenburg County, within the Western District of North Carolina, and elsewhere, the defendant,

(2) VICTORIA L. SPROUSE

corruptly influenced, obstructed and impeded, and endeavored to influence, obstruct and impede the due administration of justice, in violation of Title 18, United States Code, Sections 1503 and 2.

**NOTICE OF FORFEITURE AND FINDING OF PROBABLE CAUSE**

41. The Grand Jury realleges and incorporates by reference herein all of the allegations contained in paragraphs 1 through 40 of the Indictment, and further alleges that:

42. Notice is hereby given, pursuant to Federal Rule of Criminal Procedure 32.2(a), of the provisions of 18 U.S.C. § 982, 21 U.S.C. § 853, and 28 U.S.C. § 2461(c). Under Section 2461(c), criminal forfeiture is applicable to any offenses for which forfeiture is authorized by any other statute, including but not limited to 18 U.S.C. § 981, and all specified unlawful activities listed or referenced in 18 U.S.C. § 1956(c)(7), which are incorporated as to proceeds by 18 U.S.C. § 981(a)(1)(C). The defendants have or had possessory or legal interests in the following property that is subject to forfeiture in accordance with Section 982 and/or Section 2461(c):

- A. All property involved in the violations alleged in this Bill of Indictment, or traceable to such property;
- B. All property which is proceeds of such violations, or traceable to such property; and,
- C. In the event that any property described in (A) or (B) cannot be located or recovered or has been substantially diminished in value or has been commingled with other property which cannot be divided without difficulty, all other property of the defendants, to the extent of the value of the property described in (A) and (B).

43. The Grand Jury finds probable cause to believe that the following property is subject to forfeiture on one or more of the grounds stated above:

- A. Any and all currency and monetary instruments that were received during, involved in, or used or intended to be used to facilitate the crimes alleged in this Bill of Indictment, including but not limited to the sum of approximately \$3,297,597 in proceeds and funds involved in the alleged violations; and
- B. Any and all interest of SPROUSE in Victoria L. Sprouse, P.A.

A TRUE BILL

GRETCHEN C.F. SHAPPERT  
UNITED STATES ATTORNEY

  
MATTHEW T. MARTENS  
ASSISTANT UNITED STATES ATTORNEY