

ORIGINAL

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

U.S. DISTRICT COURT NORTHERN DISTRICT OF TEXAS	
FILED	
NOV - 1 2011	
CLERK, U.S. DISTRICT COURT	
By _____	Deputy <i>NT</i>

UNITED STATES OF AMERICA

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§
§

v.

No.

FRED HOWARD

3 - 11 CR - 3.1.6 - 0

INDICTMENT

The Grand Jury Charges:

COUNT ONE

Securities Fraud and Aiding and Abetting
(15 U.S.C. §§ 77q(a) and 77x and 18 U.S.C. § 2)

1. Beginning in or about November 2006 and continuing through at least on or about July 5, 2007 ("the Relevant Period"), the Defendant, **Fred Howard** ("the Defendant") and persons acting in concert with him and at his direction (his "associates") offered and sold partnership interests in Secured Capital Trust, Ltd. ("SCT") to investors.
2. During the Relevant Period, the Defendant and his associates received more than \$5,000,000 in proceeds from sales of the partnership interests.
3. The partnership interests were securities, as defined by the United States securities laws, because they were investment contracts. The investors contributed money to a common enterprise, and in exchange they reasonably expected to earn investment returns from the managerial and entrepreneurial efforts of persons associated with SCT.

4. The Defendant and his associates represented to investors that SCT would earn profits, and generate returns for investors, by using the investors' money to purchase assets, including stock of publicly traded companies. The SCT offering materials specifically mentioned the right to purchase publicly traded stock, including shares of Interfinancial Holdings Corporation ("Interfinancial").

5. On a number of occasions, SCT purchased shares of Interfinancial, which traded publicly in the Over-the-Counter market and was listed on the Pink Sheets under the ticker symbol "IFCH."

6. The Defendant did not, however, reveal the complete truth about those purchases. Both personally and through his associates, the Defendant knowingly and willfully failed to disclose to investors material facts about SCT's purchases of Interfinancial shares. As a result, statements that the Defendant and his associates made to investors about SCT's investments were false and misleading.

7. Before SCT began purchasing Interfinancial shares, the Defendant and his business partners, Eric Glenn Hall and John Porter Priest (the Defendant's "partners") each owned over 11,000,000 restricted shares of Interfinancial. Therefore, the Defendant and his partners had an interest in increasing the value of Interfinancial stock, which they could achieve by using SCT investors' funds to purchase the stock.

8. Yet neither the Defendant nor his partners, either directly or through their associates, ever disclosed to SCT investors that they had a reason to purchase

Interfinancial stock other than generating returns for SCT and its investors.

9. Furthermore, the Defendant and his partners repeatedly purchased Interfinancial shares at the direction of individuals based in Dallas, Texas (their "Dallas associates"), who they knew to be holders of large numbers of Interfinancial shares.

10. During the period starting in November 2006 and continuing into July 2007, one or more of these Dallas associates, either personally or through a securities broker, repeatedly contacted the Defendant and his partners and directed them to purchase Interfinancial shares.

11. The Defendant and his partners routinely complied by purchasing Interfinancial shares with SCT investor funds.

12. Neither the Defendant nor his partners, either directly or through their associates, ever disclosed to SCT investors that they were purchasing Interfinancial stock pursuant to a "side deal" with their Dallas associates.

13. Also, before the Defendant and his partners purchased Interfinancial shares for SCT at the direction of their Dallas associates, their Dallas associates had promised to pay the Defendant and his partners a "rebate" of part of the purchase price of the Interfinancial shares. And on many of those occasions, their Dallas associates did pay rebates to the Defendant and his partners.

14. When the Defendant and his partners received the rebates, they did not pass all or substantially all of the rebates on to the SCT investors whose money was used to

purchase the Interfinancial shares. Instead, they kept some or all of the money and used it to pay business and personal expenses.

15. By way of this “rebate” arrangement, the Defendant and his partners took for their own use and benefit a substantial portion of the SCT investors’ money, rather than using it to generate investment returns for the investors.

16. Neither the Defendant nor his partners, either directly or through their associates, ever disclosed to SCT investors that they were purchasing Interfinancial stock in return for kickback payments from their Dallas associates.

17. The facts that the Defendant directly and indirectly failed to disclose to SCT investors were material, because they directly impacted the appropriateness of the decision to invest in Interfinancial shares, as well as the value and price of those shares.

18. Because of the non-disclosure of those facts, the Defendant’s direct and indirect representations to investors about SCT’s use of investors’ money were false and misleading.

19. Furthermore, the Defendant knew the undisclosed facts were material, and he knew that the non-disclosure of those facts caused representations to the investors to be misleading.

20. The Defendant also directly and indirectly used means and instruments of transportation and communication in interstate commerce as part of his fraudulent conduct.

21. The Defendant and his partners had their principal place of business in Florida, but they often received instructions to purchase Interfinancial shares from their Dallas associates by way of interstate telephone calls, usually between Texas and Florida.

22. The Defendant and his partners also placed orders with a securities broker in Florida for purchases of Interfinancial shares from their Dallas associates.

23. In the foregoing manner, in the Dallas Division of the Northern District of Texas and elsewhere, the Defendant, aided and abetted by his partners and by other persons known to the Grand Jury, willfully, knowingly, and with intent to defraud, directly and indirectly by use of the mails and means and instruments of transportation and communication in interstate commerce, in the offer and sale of the SCT partnership interests:

- employed devices, schemes and artifices to defraud;
- obtained money and property by means of untrue statements of material facts and by omitting to state material facts that were necessary in order to make statements that were made not misleading in light of the circumstances under which the statements were made; and
- engaged in transactions, practices and courses of business that operated or would operate as a fraud or deceit on the purchaser of the securities.

In violation of 15 U.S.C. §§ 77q(a) and 77x and 18 U.S.C. § 2.

FORFEITURE ALLEGATION
(18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c))

Upon conviction for the offense alleged in Count One of this Indictment, the defendant, **Fred Howard** (“the Defendant”) shall forfeit to the United States any property, real or personal, constituting or derived from proceeds traceable to the offense, pursuant to 18 U.S.C. § 981(a)(1)(C) and 28 U.S.C. § 2461(c). The property to be forfeited includes, but is not limited to:

Money Judgment

The total amount of proceeds obtained as a result of the offense, which is at least \$5,000,000.


Substitute Assets

Pursuant to 21 U.S.C. § 853(p), as incorporated by 18 U.S.C. §§ 982(b)(1) and 28 U.S.C. § 2461(c), if any of the property described above, as a result of any act or omission of the Defendant:

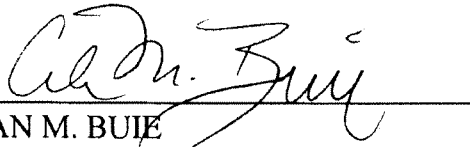
- a. cannot be located upon the exercise of due diligence;
- b. has been transferred or sold to, or deposited with, a third party;
- c. has been placed beyond the jurisdiction of the court;
- d. has been substantially diminished in value; or
- e. has been commingled with other property which cannot be divided without difficulty,

the United States of America shall be entitled to forfeiture of substitute property up to the value of the previously described property that is subject to forfeiture.

A TRUE BILL


FOREPERSON

SARAH R. SALDAÑA
UNITED STATES ATTORNEY


ALAN M. BUIE
Assistant United States Attorney
Texas State Bar No. 00783751
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Dallas, Texas 75242
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Facsimile: 214.659.8812
alan.buie@usdoj.gov

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

THE UNITED STATES OF AMERICA

v.

3. - 11CR - 3.1.6. - 0

FRED HOWARD(1)

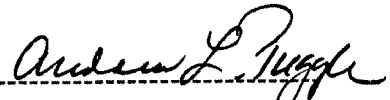
INDICTMENT

15 U.S.C. § 77q(a) and 77x
and 18 U.S.C. § 2
Securites Fraud and Aiding and Abetting

18 U.S.C. § 981(a)(1)(C) and
28 U.S.C. § 2461(c);
18 U.S.C. § 982(a)(2)(A)
Forfeiture Notice

1 Count

A true bill rendered



DALLAS

FOREPERSON

Filed in open court this 1st day of November 2011

Clerk

Warrants to Issue - YES



UNITED STATES DISTRICT/MAGISTRATE JUDGE

ORIGINAL
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS

Related Case Information

Superseding Indictment: Yes No

New Defendant: Yes No

Pending CR Case in NDTX: Yes No

Search Warrant Case Number: _____

Rule 20 from District of: **3. - 11CR - 3.1.6. - 0**

Magistrate Case Number: _____

1. **Defendant Information**

Juvenile: Yes No

Matter to be sealed:

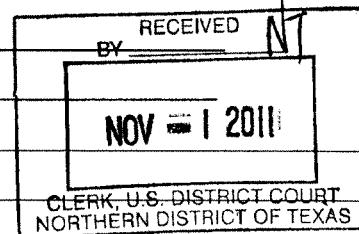
Yes No

Defendant Name

Fred Howard (1)

Alias Name

Address



County in which offense was committed:

Dallas

2. **U.S. Attorney Information**

Alan Buie

Bar # 00783751

3. **Interpreter**

Yes No

If Yes, list language and/or dialect: _____

4. **Location Status**

- Already in Federal Custody
- Already in State Custody
- On Pretrial Release

5. **U.S.C. Citations**

Total # of Counts as to This Defendant: 1

Petty

Misdemeanor

Felony

Citation

Description of Offense Charged

Count(s)

15 U.S.C. §§ 77q(a) and 77x and 18 U.S.C. § 2

Securities Fraud and Aiding and Abetting

1

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

Forfeiture

Date 31 OCT 11

Signature of AUSA: _____