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Date: January 29, 2010

To: ***Distinguished Representatives of North Carolina***

- Governor Bev Perdue
- Senator Richard Burr
- Senator Kay Hagen
- Attorney General Roy Cooper
- Congressman Bob Etheridge – 2nd Congressional District
- Congressman David Price – 4th Congressional District
- Commissioner Joseph Smith – State Banking Commission
- District Attorney Tracey Cline – Durham County
- District Attorney Colon Willoughby – Wake County
- District Attorney Jim Woodall – Orange County
- Sheriff Donnie Harrison – Wake County
- Sheriff Worth Hill – Durham County
- Sheriff Lindy Pendergrass – Orange County

cc: ***U.S. Senate Committees on: (1) Banking, Housing & Urban Affairs; (2) The Judiciary; and (3) Finance***, as well as the ***U.S. Attorney General***, and Heads of the ***Federal Reserve, Treasury, FDIC, SEC***, and ***FBI***

Subject: **Indictment¹ of Bank Execs and Attorneys for Fraud**

I need your help . . . for without it there may be loss of life TODAY. Hence, I hereby request your DIRECT and IMMEDIATE involvement to finally end an unrelenting string of criminal acts predicated on fraud principally carried out in Orange and Durham Counties, and engineered by representatives of a bank and law firm based in Wake County. And by “involvement” I mean:

- Reading this document in its entirety;
- Concurring this is a matter warranting your attention;
- Acknowledging the danger of allowing such crimes to continue unabated; and
- Ordering investigations of the 20 elements of fraud and 31 counts detailed herein.

Importantly, this is only the “tip of the iceberg” to an even more significant matter crossing state lines involving two “bailout banks”, numerous attorneys and public officials – hence relevant U.S. Senate Committees and Federal Officials (listed in **Exhibit I**) are also being alerted.

In undertaking this extraordinary measure of soliciting your DIRECT and IMMEDIATE involvement, please know all conventional means of responding to these sinister acts have been exhausted on both the business level (described in **Exhibit II**), as well as the legal end (detailed in **Exhibit III**) – because in each case, such efforts were unlawfully trumped. And only through official investigations YOU commission, will the full extent of corruption and lawlessness be revealed – and that which I have observed and experienced to date makes Chicago’s rampant depravity during the Prohibition era look like the inadvertent missteps of choir boys – and as you’ll see, the Perpetrators responsible for this are no choir boys.

¹ The evidence to these criminal acts is overwhelming, obvious and irrefutable; hence “indictment” is used in lieu of “allegation”, and because this constitutes a formal accusation in a common law state, use of this term is appropriate.

The Perpetrators²

The criminal activities have been directed by:

- **Robert C. (“Bob”) Hatley**, CEO of *Paragon Commercial Bank*

. . . and principally executed by:

- **James W. (“Jim”) Hoose, Jr.**, a Senior Vice President, and Credit Administrator at *Paragon Commercial Bank*;
- **Daniel G. (“Dan”) Cahill**, a Partner of *Poyner & Spruill*; and
- **David M. Warren**, a Partner of *Poyner & Spruill*

. . . with support provided by (at the very least³):

- **Matthew C. (“Matt”) Davis**, Chief Credit Officer of *Paragon Commercial Bank*; and
- **Martin Borden**, Senior Vice President & Head of Commercial Real Estate Lending at *Paragon Commercial Bank*

As you will discern from the details of this indictment, and the accompanying evidence, Bob Hatley's behavior matches up well with that of a megalomaniacal bully, whose disturbing directives have been principally executed by an assistant best described as a toadying homunculus (that being Jim Hoose), along with Dan Cahill and David Warren, arguably the “Charles Ng and Leonard Lake”⁴ among attorneys in North Carolina. But these are just my opinions – I could be wrong.⁵

Also complicit in this criminal fraud are: Matt Davis, who committed perjury on behalf of Paragon Commercial Bank in its official response to the complaints filed with the FDIC and the North Carolina Banking Commission (evidenced in **Exhibit IV**); and Martin Borden, who for many years served as my day-to-day relationship Banker and trusted advisor, and whose betrayal of trust would make Judas Iscariot proud. (Refer to **Exhibit V** for why I draw this parallel).

The collective actions of this iniquitous group reveal themselves to be deceitful, unethical, esurient and seemingly devoid of a conscience or sense of humanity – in short, they are AS EVIL, AS EVIL CAN BE.

And this heartless crew will continue to bully others, only to become more brazen over time . . . that is, until someone decides to fight back . . . and that someone should be ALL of us . . . collectively and with vigor. It's time we put these bullying mavens of minacity on the other side of the table and ask: *“Have you ever been this long overdue for an opening of a can of whoop-ass, as you are right now?”*

The “mug shots” of these evildoers can be found in **Exhibit VI**, along with photomontages and background information on many of the innocent people victimized by these monsters, further accentuating this as a clear-cut case of GOOD versus EVIL – and as described herein, their premeditated malevolent acts constitute an “Assault”.

² Certain locutions in this section were inspired by the trademark comedic diatribes of Dennis Miller, for if the impact of these criminal acts weren't so serious and devastating, the absurdity of their actions would otherwise be hilarious.

³ Your commissioned investigations will likely reveal the involvement of other culpable parties

⁴ Arguably the most evil and diabolical partners in crime in recorded history, according to ratings scale of evil ascribed by Columbia Clinical-Psychiatry Professor Michael H. Stone in his book **The Anatomy of Evil**.

⁵ For I may have been too lenient in these rebukes

The Assault & Its Significance

The Assault is premised on criminal FRAUD⁶ comprised of numerous elements executed on an ongoing basis since the outset of 2009, resulting in what is perhaps . . .

*. . . the most brazen and malicious
commercial mortgage **FRAUD**
ever perpetrated by a bank.*

In what way?

*Paragon foreclosed uncontested
on mortgage loans that were
never delinquent . . .*

How is this significant?

*If banks in the U.S. could do so
without consequence,
no one would borrow,
the economy would collapse,
and so would the United States of America.*

Ergo, as public servants in the leadership roles you each fulfill . . .

*. . . You Simply **MUST** Get Involved,
especially when considering the
themes that pervade this indictment*

Principal Themes

Two themes are emphasized throughout this indictment, and should be kept foremost in your mind as you peruse the details:

1. **Congress** did NOT bail out **Banks** so they could defraud and persecute the taxpayers who bailed them out; and
2. The corruption and unethical behavior observed in attorneys, judicial staff and public officials in this matter alone, suggests a threat to the integrity of the **U.S Justice System** may exist.

⁶ From this point forward, the word FRAUD is fully capitalized – to highlight the sociopathic “*I don't give a @#%!*” nature of the Perpetrators' unlawful acts. And when you realize the extent and audacity in which these were carried this out, you will no doubt cultivate a sense of deep outrage.

Preface to Details of the Indictment

Before getting into the particulars of the indictment, it is helpful to have an understanding of the:

- (1) Centerpiece – the four mortgage loans involved and the properties backing them;
- (2) Claimant – the relevant background of the person filing the complaint; and
- (3) Motives – why the Perpetrators would risk so much with this FRAUD.

The Mortgage Loans & Commercial Properties

The centerpiece in this FRAUD pertains to four commercial mortgage loans aggregating **\$5 million**, collateralized by four properties located in Durham, NC (in *Durham County*) and Chapel Hill, NC (in *Orange County*), and having a redevelopment value of **\$20 million**:

Loan Name & Loan #	Loan Balance ⁷	Starting Date	Redevelopment Value	Collateral Properties
<i>TPSoD Mtge.</i> (Loan# 2147)	\$3,905,000	Dec. 2004	\$7,750,000	<i>Triangle Village Auto Mall</i> , a 37,000 sq. ft. specialty mall in process of being rebranded as <i>The Pit Stop of Durham</i> .
<i>Line of Credit</i> (Loan# 3714)	\$100,000	Oct. 2007		
<i>MVC Mtge.</i> (Loan# 2346)	\$261,000	Feb. 2005	\$525,000	<i>Meadowmont Village Condo</i> , a 1,576 sq. ft. live/work condo
<i>TCoCH Valet Lots Mtge.</i> (Loan# 3857)	\$791,000	Jan. 2008	\$11,760,000	Adjacent land parcels acquired to provide valet parking to <i>The Courtyard of Chapel Hill</i> , an office/retail complex. ⁸
Total	\$5,057,000		\$20,035,000	

Note: Derivations of the Redevelopment Values are reflected in **Exhibit VII**

Complainant’s Background

The indictments are based on first-hand observations and experiences of a victim with an exceptionally deep and directly relevant background in finance and banking, with particular expertise in commercial mortgages.

This background includes thirteen years as a senior executive in commercial and investment banking, with involvement or oversight in roughly **\$50 Billion** in commercial mortgage transactions, chronologically as follows:

⁷ Loan balances when *Paragon Commercial Bank* and *Poyner & Spruill* began their FRAUD

⁸ This property was acquired in September 2005, with \$2.6 million in mortgage financing provided by *Wachovia Bank*. In the acquisition of the TCoCH Valet Lots, Paragon was provided a second lien mortgage against the office/retail complex, and the value shown is for the entire property.

- Division Controller and Treasurer of *Citicorp Real Estate* for five years, where commercial mortgage loan originations were as high as \$10 billion annually before they were abruptly halted by what was effectively an economic depression and market value freefall in the commercial real estate industry during the early 1990's;
- Chief Operating Officer of *JPMorgan*'s Commercial Mortgage Conduit for three years, after having founded the Commercial Mortgage Backed Securities ("CMBS") business at JPMorgan, and leading to the origination and securitization of \$1.5 billion in commercial mortgage loans during the nascent stages of the CMBS industry's development, achieving a #2 ranking for the underwriting and issuance of conduit CMBS; and
- Executive Director and Head of *Morgan Stanley*'s Commercial Mortgage Conduit during a five-year tenure, which included developing and trademarking the *IQ*® ("*Institutional Quality*") brand of CMBS, valued at \$250 million+, and originating \$5.5 billion and securitizing \$23.5 billion in commercial mortgage loans, including 3 consecutive years as the #1 underwriter of CMBS.

Preceding this banking career, roughly nine years were spent in Corporate Finance at *Dun & Bradstreet* and as an Auditor and CPA at *Arthur Andersen & Co.*, which ensued upon graduation from *Cornell University* with an MBA in Finance. (Additional information can be found in **Exhibit VIII**.)

Such an extensive and directly relevant background would suggest this indictment should be considered highly credible.

Motives

But why would the CEO and Senior Vice Presidents of a regulated banking institution collaborate with two senior partners at an established law firm to engage in such blatant and unlawful activities, and be willing to accept the substantial downside of being caught?

Two reasons: (1) As was the case with Bernie Madoff, insatiable Greed is the driving force behind their sociopathic behavior; and (2) as incredulous as it may seem, the Perpetrators honestly believe they have No Downside Risk from their actions.

How can this be?

Let's first cover "Greed". Your investigations will reveal they are each being richly compensated for relatively little effort. For instance, the two attorneys will make a minimum of \$765,000 for their dastardly work (see **Exhibit IX**), while the bankers (principally Mr. Hatley) will make considerably more. Mr. Hatley's cut is more difficult to track and identify, as his piece of the action comes in the form of bartered "favors", but invaluable guidance can be provided to unearth these.

Now let's address "No Downside Risk". The brazen nature of the acts of FRAUD in the context of the true downside risk, suggest Perpetrators hold an instilled belief they are "above the law", likely cultivated by the following factors:

- Been There, Done That – They have gotten away with victimizing others before;
- Strength in Numbers – There are enough other "supporting cast" members involved or otherwise connected to the execution of their misdeeds, so they think: "for me to go down, we'd all have to go down . . . and that could never happen";
- "I'm Bigger Than You" – Their resources dwarf those of their victims;
- "They Can't HEAR You" – They are associated with engaging in smear campaigns to marginalize their victims so their cries of "foul" will not be heard or acted upon; and
- Marsupial Justice – There is an obvious and disturbing level of entrenched judicial corruption within the North Carolina courts in Orange, Wake and Durham counties manifesting "kangaroo court" proceedings that not only condoned and supported the transgressions, the observed deep-rooted corruption in this matter alone suggests the Perpetrators have been effectively provided "Get-Out-Of-Jail-Free" cards.

And there are other motives behind this audacious FRAUD; however, these are (for the moment) beyond the scope of this communiqué.

Overview of the FRAUD

The Having established an understanding of who did it (the identified Perpetrators), why they did it (Greed), what was involved (criminal FRAUD), and where this took place (Orange, Durham and Wake counties), I will now delve into how this dastardly FRAUD was executed, which will be reported in the third person to underscore the veracity of the details, as though these are the findings of a thorough and objective investigation – for the surfeit of accompanying evidence will certainly bear this out.

In a nutshell, here's what happened:

- Acts of Bad Faith – Paragon abruptly rejected deposits, wired monies out without authorization, and failed to follow instructions to apply available funds to service the debt, thereby concocting a completely fabricated basis upon which to declare . . .
- FRAUDULENT Defaults – The Perpetrators declared bogus monetary defaults, prevented the opportunity to cure and then engaged in . . .
- Embezzlement – Paragon wrongfully intercepted ALL tenant rent remittance, while . . .
- Denying Due Process – The Perpetrators prevented the engagement of legal counsel to defend against this FRAUD, while colluding with judges to fast-track foreclosure hearings, which in turn resulted in . . .
- Grand Larceny Theft – North Carolina ("NC") law requires corporations be represented by NC licensed lawyers, and ALL the collateral properties are owned by corporations – ergo, the bogus foreclosure actions proceeded uncontested, the net effect of which was to manifest a grand larceny theft of Mr. Young's entire net worth of \$39 million (see **Exhibit X**), thereby leaving him . . .

- Destitute – As many family members have long relied on Mr. Young for the financial support he can no longer provide, there has been unimaginable pain and suffering, the details of which are covered later in this document.

The Elements FRAUD – the Summary

Listed below are the elements of FRAUD employed by the Perpetrators to carry out their Assault, followed by the details of each element, with frequent references to the corroborating evidence accompanying this indictment.

In the servicing and administration of the Subject Loans, the Perpetrators, as agents for *Paragon Commercial Bank* and the law firm of *Poyner & Spruill* collaborated in a multi-faceted, intricately planned, and exceptionally malicious criminal FRAUD campaign involving:

1. Abruptly Rejecting the Receipt and Deposit of Rent Remittances from Tenants
2. Deliberately Ignoring Instructions to Apply Funds to Ensure All Loans Were Current
3. Wiring Monies Out Without a Legitimate Reason, Nor Authorization
4. Declaring Maliciously Orchestrated and Entirely FRAUDULENT Monetary Defaults
5. Making Meritless Accelerated Demands for Payment in Full
6. Embezzling Income Through FRAUDULENT Exercise of Assignment of Rents
7. Undermining Property Value by Disrupting Property Operations and Commerce
8. Defaming Property Owner With Outrageous Lies, and Threatening Tenants
9. Negatively Impacting Property Value by Interfering with Leasing Activities
10. Closing Bank Accounts with Malicious Intent
11. Stealing Monies on Deposit from Bank Accounts
12. Misapplying Funds in the Derelict Administration of Loans
13. Preventing Engagement of Legal Counsel in Efforts to Deprive Rights to Due Process
14. Wasting Taxpayer Monies with Intimidation Tactics
15. Secretly Accelerating the FRAUD-Induced Appointment of a Receiver
16. Denying Reasonable Requests for Adequate Time to Engage Counsel
17. Orchestrating “Kangaroo” Court Proceedings
18. Carrying Out Illegitimate and Uncontested Foreclosure Sales
19. Committing Grand Larceny Theft; and
20. Undertaking Actions Intending to Cause Homelessness, Destitution and Death

Keep in Mind: As you read the details of each element of FRAUD, please understand ALL of the Subject Loans had an exemplary credit history, in that they were current and always paid on or before their due date each month, pursuant to automatic payment arrangements dating back to the initial loan's inception in 2004. **Exhibit XI** contains the **Transaction History Reports** prepared by Paragon that evidence this to be the case.

Importantly, commencement of this FRAUD was precisely timed to coincide with the cover up of yet another CRIMINAL FRAUD carried out by one of the “bailout” banks, who has close institutional ties with Paragon, which will be addressed in communiqués to follow.

The Elements FRAUD – the Details

The particulars of each element of FRAUD follow, and readily corroborated by the evidence contained in **Exhibit XII** (note: much has been produced by the Perpetrators themselves).

1. Abruptly Rejecting the Receipt and Deposit of Rent Remittances from Tenants

In late January 2009, *Paragon Commercial Bank* initiated their FRAUD by suddenly blocking the receipt and deposit of monthly rental remittances from tenants. Their malicious intent was obvious, and their timing was deliberate. They did this by abruptly canceling a long-established ACH⁹ agreement with Mr. Young, and fabricating reasons for doing so. Knowledge of the ACH is important in understanding how utterly absurd Paragon's actions and stated rationale were – hence an explanation of the ACH electronic network for processing interbank transfers of monies between customer accounts is presented in **Exhibit XIII**.

The rationale provided for carrying out such a sudden draconian action was predicated on a:

- (1) Lie – in fact, it was a bold-faced lie;
- (2) Misrepresentation – in this case, it was a complete misrepresentation of risks THAT DID NOT EXIST in this case because the ACH transactions pertained to the direct deposit of rental receipts from CORPORATE customers; and
- (3) Convolution - the reasoning for their action was predicated on a complete falsehood and entirely convoluted reasoning . . . in other words, because there was no legitimate reason for taking such a draconian action, and the circumstances could not support their evil plans, THEY JUST MADE IT UP . . . and as reflected in the evidentiary documents contained in **Exhibit XII – FRAUD Element # 1**, they did a poor job of that indeed.

Here's what happened: On Jan. 14, 2009, Jim Hoose sent Spencer Young an email informing him the ACH Agreements in effect for years with Paragon would be suddenly cancelled in 9 days.

The reason given was “several returned ACH transactions”, “over the last two months” posed an “unacceptable risk to the Bank”. As explained further below, this is utter NONSENSE.

Further Analysis of Paragon's Rationale & Conclusions:

- The Lie – This was a bold-faced lie and represented the initial step in the carefully orchestrated Assault – there were NOT several returned transactions – in fact, there were NO ACH reversals in the prior two months associated with the subject property. The ONE reversal occurring during this time period was: (1) UNRELATED to the Paragon Loans; (2) an insignificant amount, in that it was less than 5% of the monthly rent roll, and an even lesser percentage of the average deposit balance kept on account; and (3) a ONE-TIME event that was beyond Mr. Young's control, in that it was “kangaroo court” ordered (explained further in **FRAUD Element # 17**) but outside the scope of this matter. In actuality, it was a temporary deposit from a tenant at a property where Paragon was NOT the first mortgage lender. This lie was exposed in a Jan. 20, 2009 email from Mr. Young to CEO Bob Hatley, whereby Mr. Young provided a listing of ALL transactions over the past 2 ½ months using bank statements produced by Paragon's on-line reporting. In his response later that day, Mr. Hatley ignored the overwhelming evidence exposing this canard.

⁹ This is the acronym for **Automated Clearing House**, which is an electronic network for processing the transfer of monies between financial institutions.

- The Misrepresentation – There was NO ASSOCIATED RISK to Paragon, in that: (1) Paragon served as the Originating Depository Financial Institution on all of Mr. Young's ACHs; (2) all rent receipts are from corporate business entities (i.e., NOT consumers); and (3) the ONLY risk that could have possibly existed would be a “time-frame” risk, which would arise ONLY IF Paragon served as the “Receiving Depository Institution” and the monies were received from consumers, as there are certain provisions of the Electronic Funds Transfer Act that could introduce a time-frame problem. Since NONE OF THESE CONDITIONS APPLIED, the transactions posed NO RISK WHATSOEVER to Paragon. Moreover, if there was any fraudulent “money good” risk (there wasn't), it could be readily ameliorated by placing a simple “hold” for 24 hours, as the majority of any reversals occur within 24 hours of the processed ACH. And lastly, no bank would terminate such an arrangement under the circumstances – for it would merely be another source of income from the related NSF processing fees, which the banking industry has dramatically increased recently.
- The Convolution - A fundamental feature in sound commercial mortgage loan administration and related credit management is to require the direct receipt of rental monies (this was voluntarily arranged by Mr. Young years earlier). In this case, **Paragon Commercial Bank** did the opposite. The convoluted logic behind Paragon's action is beyond the pale, and only further underscores their malicious intentions.
- The Prophetic Warning - On Jan. 21, 2009, Mr. Young issued a memo to Hatley asking that he cease and desist from preventing the deposit of rental monies, and ended his message with a prophetic warning: “I want to go on record that your action is baseless, and absolutely irrational from a banking and credit risk perspective – ergo, it is seemingly sinister – for it appears you are trying to prevent the good faith deposit of monies in order to orchestrate a fraudulent loan default. “
- Fraud Exposed – in an email dated Feb. 10, 2009, Mr. Young sent a responding email to Carol Horton of Paragon, and copied Mr. Hatley and Martin Borden (Mr. Young's relationship banker). In this transmittal, Mr. Young laid bare Paragon's FRAUD-based rejection of deposits.

Note: Refer to **Exhibit XII – Fraud Element # 1** for supporting evidence, while recognizing **Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.**

2. Deliberately Ignoring Instructions to Apply Funds to Ensure All Loans Were Current

On Feb. 6, 2009 Mr. Young sent an email to Jim Hoose, directing **Paragon Commercial Bank** to “make the payments from [the main operating account], thereby bringing all the loans current [through the end of February 2009]”

Then on Feb. 10, 2009, in response to one of Mr. Hoose's typically prevarication-laden missives, Mr. Young responded with an email (copying Bob Hatley), which was aptly titled “Your Intentions Are Fraudulent & Malicious”. In it, Mr. Young repeated his earlier instructions – “I gave you explicit instructions via email to bring all Paragon loans current”, and asked him to

“report back when you’ve brought each of the loans current”. (Note: There were sufficient available funds to do so WHEN INSTRUCTED on February 6, 2009), which is confirmed by the February 2009 bank statement produced by Paragon – HOWEVER, Mr. Hoose did NOT do so.

On Feb. 11, 2009, Mr. Young fired off a memo to Mr. Hatley indicating its purpose to be to: “reiterate my instructions given to process debt service payments to ensure ALL of my loans with Paragon are kept current as they have always been since their inception”. Mr. Young further directed Mr. Hatley to “reinstate automatic debt service payments on all of my loans”, which were temporarily suspended for a couple of weeks in January.

Despite these very explicit written instructions, which were also supplemented with similar instructions communicated orally, Paragon deliberately failed to follow them, and instead undertook additional actions intended to orchestrate entirely FRAUDULENT loan defaults. When Mr. Young received the bank statement on Mar. 4, 2009, he noted the following:

- (1) Paragon failed to process the debt service payments to bring all loans current on Feb. 6, as he had directed
- (2) Although Jim Hoose of Paragon was told to cease making the \$5,000 monthly transfer to another of Mr. Young's accounts, it was processed anyway on February 10;
- (3) Paragon only made PARTIAL loan payments on Feb. 11, and failed entirely to process loan payments on the recently acquired Graham St. lots (to be used for stacked valet parking at *The Courtyard of Chapel Hill*);
- (4) On Feb. 13, Paragon wired monies out of Mr. Young's operating account in the amount of roughly \$12,000 without authorization, nor legitimacy (as discussed in the FRAUD element that follows). This is the same illegitimate transfer they said was carried out on Feb 10.
- (5) In failing to follow Mr. Young's instruction, blocking the receipt of ACH deposits, and items # 2 and # 4 above, Paragon created the impression that there were insufficient funds to make the remaining loan payments

As a result: Paragon deliberately defied Mr. Young's express instructions to bring ALL loans current on February 6th, and instead undertook sinister actions to orchestrate entirely BOGUS and FRAUDULENT loan defaults.

Note: Refer to **Exhibit XII – Fraud Element # 2** for supporting evidence, while recognizing **Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.**

3. Wiring Monies Out Without a Legitimate Reason, Nor Authorization

In response to the abrupt cancellation of rental receipts via ACH, Mr. Young made arrangements to receive such rental receipts at another bank; however, in a diabolical effort to anger Mr. Young's tenants, *Paragon Commercial Bank* processed the ACH rental payments anyway, thereby duplicating their rent payments that month. Mr. Young learned of this from an irate tenant.

On Feb. 10, 2009, Young pointed out in an email to Carol Horton of Paragon (where Mr. Hatley and Mr. Borden were also copied), the rental receipts "were reversed elsewhere, so no ACH's should be reversed on the Paragon end". On that same day, Mr. Young sent Mr. Hoose an email (also copying Mr. Hatley) and said "I expressly told you NOT to reverse the ACHs because I indicated they were already reversed at the other counterparty bank".

Then on Feb. 11th, Mr. Young sent Mr. Hatley a memo asking him to "ensure Paragon does NOT reverse any ACH Deposits as I have expressly articulated to your staff on many occasions (and you were also copied). As the duplicate deposits were reversed at the other receiving bank, they should NOT be reversed by Paragon, as those funds are necessary to make the February 2009 debt service payments – there is no basis nor legitimacy for doing so, and you do NOT have my authorization to do so. And if you did in fact do so, it would indicate you are fraudulently trying to orchestrate unlawful loan defaults."

Ignoring Mr. Young's reiterated directions, on Feb. 13, 2009, *Paragon Commercial Bank* wrongfully wired out numerous deposits of tenant rent remittances, thereby sending valid rental income deposits back to each of the tenant's bank accounts at their respective financial institutions. This was done without authorization, nor legitimacy, and in direct contradiction to express written instructions given by Mr. Young to NUMEROUS Paragon employees on NUMEROUS occasions. This also caused tremendous confusion, making recovery of this rental income a time-consuming and deliberately vexing task.

These actions were carried out with malicious intent on the eve of the loan payment due dates for the largest loans (i.e., Feb 15) so as to artificially create an insufficient fund balance to service the loans at that time. Clearly, had Paragon serviced the subject loans pursuant to the explicit and unambiguous instructions from Mr. Young on February 6th and thereafter, the loans would have been fully current, as they had always been since inception.

Note: Refer to **Exhibit XII – Fraud Element # 3** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

4. Declaring Maliciously Orchestrated and Entirely FRAUDULENT Monetary Defaults

On February 24th and March 3rd, 2009, *Paragon Commercial Bank*, declared FRAUDULENT monetary defaults on all four Subject Loans, predicated entirely on its sinister acts described in FRAUD Elements #s 1, 2 & 3.

Given Mr. Young's extensive background in commercial mortgages (as noted in **Exhibit VIII**) he was especially astonished by such audacious and obviously FRAUDULENT acts. In response, Mr. Young demanded an explanation, and fired off missives to Mr. Hatley, as principal representative for *Paragon*. In those communiqués, he made clear such blatant acts of criminal FRAUD would cause substantial damages for which at *Paragon* would be held accountable; and Mr. Young once again put *Paragon* on notice to correct their errors evidencing "derelict loan administration", and DEMANDED they cease and desist engaging in such CRIMINAL acts. Mr. Hatley never responded, the Perpetrators did NOT refrain, and instead amplified their unlawful efforts.

Note: Refer to **Exhibit XII – Fraud Element # 4** for supporting evidence, while recognizing **Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.**

5. Making Meritless Accelerated Demands for Payment in Full

On March 12th and 18th of 2009, *Poyner & Spruill* declared the acceleration of all four Subject Loans, on behalf of *Paragon Commercial Bank*, demanding immediate payment in full for ALL of the subject Loans. Since this was predicated entirely on Paragon's FRAUD, such demands were meritless, and constituted a wrongful acceleration with malicious intent, thereby exposing Paragon to SIGNIFICANT LENDER LIABILITY, and exposed Poyner & Spruill to liability for significant damages for its complicit role.

Demonstrating obvious malicious intent, they did this with the knowledge Mr. Young would be unable to meet this unwarranted call on the loans, especially under the circumstances, in that: (1) Mr. Young's his financial affairs were compromised from extensive **FRESCA**¹⁰ criminal activities; and (2) the then completely disjointed state of the credit markets were so severe, the likes of AIG, GMAC, Lehman Brothers and Wachovia were brought to their knees. Ergo, it was patently absurd to suggest the arranging of alternative replacement financing was the least bit feasible – in fact, it was an effectively impossible task at the time, and the Perpetrators KNEW it, thereby further underscoring what complete inhuman monsters they are.¹¹

¹⁰ **FRESCA** is a acronym for criminal activities of **F**raud, **R**acketeering, **E**xortion, **S**abotage, **C**orruption and other unlawful **A**buse-of-authority

¹¹ Note that the criminal investigations called for herein will reveal the Perpetrators are in-fact directly linked to the other **FRESCA** crimes in a MUCH LARGER and MORE SIGNIFICANT MATTER that crosses state lines.

Most importantly, had the Perpetrators not acted in an obviously CRIMINAL and FRAUDULENT manner, and had prudently serviced the Subject Loans as they had done each month for the past four years, the loans would continue their current status uneventfully, and this matter would never have transmogrified to its currently grave state.

Note: Refer to **Exhibit XII – Fraud Element # 5** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

6. Embezzling Income Through Fraudulent Exercise of Assignment of Rents

On March 25, 2009, *Paragon Commercial Bank* hand-delivered a letter to all of Mr. Young's commercial tenants, which FRAUDULENTLY stated his company, Spencer C. Young Investments, Inc., had defaulted on its loan to Paragon, and therefore Paragon was exercising its right under the terms of the loan agreement to begin collection of all rental proceeds from tenants.

With devious intentions, Paragon did not notify Mr. Young of having taken this action until April 3, 2009, when it sent an e-mail, albeit without giving him a call to confirm receipt -- going to Mr. Young was often subjected to cyber attacks that delayed his keeping up with e-mails. Paragon also sent a letter dated April 2 by regular mail, which oddly wasn't received until April 11 – it certainly shouldn't take 9 days for a letter sent from Raleigh to be received in Chapel Hill. Card on sinister intention was to further perpetuate their fraud, while compromising Mr. Young's ability to timely respond.

To be clear – the declared monetary default was a FRAUD, as it was entirely concocted by Paragon, with the assistance of Poyner & Spruill. Accordingly, these efforts to divert ALL of Mr. Young's income constituted yet another felony – to wit, EMBEZZLEMENT of income, and an instance of GRAND LARCENY THEFT.

The execution of these sinister actions were intended to catch Mr. Young off-guard, cause confusion among Mr. Young's tenants, and cut off all of Mr. Young's income, such that he was suddenly unable to continue supporting the large extended family that had long depended on him. And by doing this, the Perpetrators intended to cause intense personal strife to all of Mr. Young's family, and give the false impression that he was abandoning them. This is yet another reason why the identified Perpetrators are aptly referred to as outright MONSTERS.

In an attempt to expose the FRAUD and stem the damages, Mr. Young fired off letters and had extensive conversations with tenants and his members of his extended family throughout the month of April in an effort to stem the tremendous damage the Perpetrators were causing.

Note: Refer to **Exhibit XII – Fraud Element # 6** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

7. Undermining Property Value by Disrupting Property Operations and Commerce

As noted above, *Paragon Commercial Bank* personally visited with each tenant to hand-deliver a **FRAUDULENT notice of default**¹² and inform them they had declared the mortgage loan on the property in default and to direct them to stop making rent payments to Mr. Young – this proved to be disruptive to business operations and overall commerce at the subject property, known as The Pit Stop of Durham.

This caused a great deal of anguish and confusion for Mr. Young's tenants, introduced a dark cloud of uncertainty, and consumed much of their time unproductively, while also causing them to each incur a great deal of unnecessary legal expenses from having to confer with their attorneys. This being the case because they were unsure of how to respond to Paragon's demand to remit their rent directly to them, without any proof of default (remember, no legitimate proof existed, because the defaults declared on ALL four of Mr. Young's mortgage loans with Paragon were each an instance of CRIMINAL FRAUD).

And it is noteworthy how Paragon surreptitiously undertook this FRAUDULENT and baseless action on March 25, 2009 but chose not to advise Mr. Young (via email) of their disruptive action until 9 days had passed (i.e., April 3, 2009) .

Note: Refer to **Exhibit XII – Fraud Element # 7** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

8. Defaming Property Owner With Outrageous Lies and Threatening Tenants

Paragon Commercial Bank's March 25, 2009 Letter issued by Mr. Hoose to all tenants, as well as *Poyner & Spruill* ensuing April 9 letter both contained outrageous lies which were embellished with follow-up calls that disparaged Mr. Young as a deadbeat. Their letters also contained threats of unspecified legal consequences to any tenant who did not fully cooperate with their bullying baseless and entirely FRAUDULENT directives – which is a blatant instance of economic duress, slander and libel.

Note: Refer to **Exhibit XII – Fraud Element # 8** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

¹² See Exhibit ___ - **Fraudulent Notice of Default** delivered to ALL tenants

9. Reducing Property Values by Interfering with Leasing & Collection Activities

The malicious collaborative acts of *Paragon Commercial Bank* and *Poyner & Spruill* spooked various tenant prospects who had executed letters of intent and were otherwise ready to execute a long term lease. The capitalized value of the leases the Perpetrators had queered through their malicious actions was \$3.2 - 3.5 million, based on lost rental income of \$263,000, using current market cap rates.

In addition, to obtain the cooperation of tenants, the Perpetrators promised they would not seek to collect rent arrears after they foreclosed on the property, and would look for them to pay only their current rent. At the time they did this, rent arrears were approximately \$950,000, and this substantially impeded Mr. Young's ability to collect these monies. They also used this form of economic duress to gain the tenant's cooperation in their FRAUD.

Therefore aggregate damages caused by this element of fraud alone approaches \$5 million.

Note: Refer to **Exhibit XII – Fraud Element # 9** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

10. Closing Bank Accounts With Malicious Intent

Paragon Commercial Bank abruptly closed all of Mr. Young's deposit accounts, knowing it would make it additionally difficult for Mr. Young to make monthly debt service payments on the Subject Loans. In addition, such an action was intended to cause Mr. Young additional distress because of the many auto-pay arrangements Mr. Young had in place with various third party vendors.

Note: Refer to **Exhibit XII – Fraud Element # 10** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

11. Stealing Monies on Deposit From Bank Accounts

Although banks have the right to close the deposit account of a customer at its whim (thanks to a strong bank lobby in Washington DC), they do NOT have the right to abscond with the funds held

in those accounts when they do so. Because the subject loans were NOT in default, and they held funds in excess of debt service requirements, this was an instance of grand larceny theft of approximately \$30,000.

Despite being put on notice that closing the accounts and absconding with the funds would be deemed: (1) "a malicious act with intent to inflict emotional distress"; (2) "grand larceny"; and a (3) "fraudulent conveyance", *Paragon Commercial Bank* proceeded with this transgression.

Note: Refer to **Exhibit XII – Fraud Element # 11** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

12. Misapplying Funds in Derelict Administration of Loans

After absconding with all monies in Mr. Young's deposit accounts *Paragon Commercial Bank* misapplied those funds to pay down the principal balance of the line of credit, instead of for debt service on ALL four loans, thereby fraudulently perpetuating their bogus delinquent status, according to *Paragon*.

This was an instance of: (1) Breach of Fiduciary Duty; (2) Negligent Loan Processing and Administration; and (3) Unscrupulous and Deceitful Banking Practice. *Paragon Commercial Bank* failed to apply available funds to maintain the current status of each loan, in contradiction of long-standing Auto-Pay agreements on ALL of the subject mortgage loans since inception dating back to December 2004.

Note: Refer to **Exhibit XII – Fraud Element # 12** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

13. Preventing Engagement of Legal Counsel In Efforts to Deprive Rights to Due Process

Mr. Young was denied due process and specifically precluded from contesting this OBVIOUS FRAUD with the clear, convincing and irrefutable evidence you see throughout this document, as well as the Exhibits, which debunked the absurd and completely fabricated claims of the Perpetrators and exposed their audacious FRAUD.

This denial of due process was the result of: (1) thugs representing the interests of *Paragon Commercial Bank* and *Poyner & Spruill* prevented Mr. Young from engaging counsel; (2) current NC law requiring corporations be represented by licensed North Carolina attorneys; and therefore (3) the FRAUD-based railroading of the foreclosures and other legal proceedings proceeded uncontested.

Note: Refer to **Exhibit XII – Fraud Element # 13** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

14. Wasting Taxpayer Monies with Intimidation Tactics

Throughout this ordeal, the Perpetrators employed a wide range of intimidation tactics. One such tactic they often used was to deliver multiple copies of the same document on different occasions, and arrange delivery by the County Sherriff. This was entirely frivolous and completely unnecessary and an OBVIOUS waste of law enforcement resources.

This tactic became so prevalent and over-used that the fellow most often called upon to do this volunteered that in his career, he had never been asked to do something like this before, and Orange County Sergeant Simpson submitted an affidavit to attest to this aberration and abuse of public resources.

And what makes this especially ironic is that law enforcement officers were being manipulated to unwittingly engage in support of CRIMINAL FRAUD.

Note: Refer to **Exhibit XII – Fraud Element # 14** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

15. Secretly Accelerating the FRAUD-Induced Appointment of a Receiver

Paragon Commercial Bank and *Poyner & Spruill* were never required to prove there was a default -- rather all foreclosure actions they had undertaken were based solely on equivocations and bold-faced lies contained in an affidavit submitted by Jim Hoose of *Paragon Commercial Bank* – with absolutely no burden whatsoever of having to prove there was in fact a default.

And since all of the subject loans were made to corporations, and Mr. Young was denied his rights to engage legal counsel, the bogus assertions by the Perpetrators could not be challenged.¹³ And even though Mr. Young had in his possession evidence contained herein and in the Exhibits, that proved there was NEVER a default and that ALL legal actions undertaken by the Perpetrators were predicated on an audacious CRIMINAL FRAUD, the Perpetrators were allowed to aggressively proceed with their entirely FRAUDULENT foreclosures uncontested.

¹³ North Carolina law precludes corporations from being represented by anyone other than a duly licensed attorney

These facts were brought to the attention of Wake County Judge Carl Fox, Orange County Court Clerk James Stanford, and Wake County Judge Donald Stephens, and in each case, their response indicated their ethics had been severely compromised, and behaved in thoroughly corrupt manner – for there is something very wrong with this.

Moreover, *Poyner & Spruill* held a secretive hearing with Justice Donald Stephens without Mr. Young's knowledge to grant an uncontested motion to accelerate a hearing to appoint a Receiver, and deliberately delayed Mr. Young's receipt of this highly questionable and grossly inequitable ruling. And under the circumstances there was no need for something that is typically reserved for situations where a child's welfare is endangered.

Note: Refer to **Exhibit XII – Fraud Element # 15** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

16. Denying Reasonable Requests for Adequate Time to Engage Counsel

Despite the highly compromised and financially tenuous position Mr. Young was orchestrated into, certain Judges (e.g., Donald Stephens and Carl Fox of Wake County) or Court Clerks (i.e., James Stanford of Orange County) oddly denied his motions for continuance in order to avail sufficient time to hire an attorney.

In each instance, Mr. Young recounted how one attorney after the other who was engaged, ended up resigning for unspecified or entirely spurious reasons. Moreover, Mr. Young waxed eloquent of his extensive discussions with many other prospective attorneys, which were also fruitless, because Mr. Young learned there were counterparties linked to the Perpetrators who were actively getting the word out that anyone who represented Mr. Young and his interests would suffer unspecified dire consequences.

And what struck Mr. Young as especially odd, was while *Paragon Commercial Bank* aggressively pursued their FRAUDULENT foreclosures on all four of the Subject Collateral Properties, no assistance or guidance whatsoever was ever availed to Mr. Young concerning how to address or otherwise overcome the Perpetrator's deliberate denial of Mr. Young's rights to legal representation and due process. Moreover, the NC State Bar provided no assistance whatsoever, despite diligent attempts to engage their assistance through Luella Crane, who is the Director of Attorney/Client Assistance at the North Carolina State Bar. I also received a disturbing run-around from the NC Dept of Justice, suggesting the level of corruption is downright scary.

Note: Refer to **Exhibit XII – Fraud Element # 16** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this***

matter alone, suggests a threat to the integrity of the *U.S. Justice System* may exist.

17. Orchestrating “Kangaroo” Court Proceedings

In the rare instance where a continuance was granted, the extension of time was so dramatically cut back from that which was requested, it served the same purpose as a denial. At the hearings presided by Carl Fox and James Stanford, Mr. Young went on the record to declare the entire series of hearings to be KANGAROO PROCEEDINGS, a complete SHAM, and the byproduct of EXTENSIVE CORRUPTION.

In Wake County, Judge Carl Fox denied Mr. Young's motion for sufficient additional time to engage legal counsel, and denied Mr. Young the opportunity to present obvious and irrefutable evidence that the subject loans were NOT in default, and prima facie proof that Paragon Commercial Bank, in collaboration with Poyner & Spruill had committed CRIMINAL FRAUD

In Orange County, Mr. Young was granted no motion for continuance by Orange County Court Clerk James Stanford concerning his condominium residence, but allowed to represent his corporation for reasons the presiding clerk (James Stanford) would not articulate. However, when availed the opportunity to present the evidence of FRAUD, chronic “objections” were ALWAYS “sustained” with no basis articulated as to why, thereby yielding same effect as not allowing Mr. Young to represent his interests.

This was a complete disgrace of the U.S. System of Justice and an abomination of Mr. Young's civil rights.

Note: Refer to **Exhibit XII – Fraud Element # 17** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the *U.S. Justice System* may exist.***

18. Carrying Out Illegitimate and Uncontested Foreclosure Sales

The reality is that there was NEVER a default, only a fantastic collection of LIES and pernicious acts of FRAUD directed against the interests of Mr. Young – ergo the notion of proceeding with foreclosure sales of the subject collateral properties has no validity whatsoever, so the unlawfully uncontested and thoroughly BOGUS foreclosure sales were nothing more than fraudulent conveyances.

And it is clear the Perpetrators aggressively pursued accelerated court proceedings while unlawfully denying Mr. Young his fundamental right to legal due process, with grand larceny theft as their objective.

With regard to Mr. Young's condominium residence (owned by one of Mr. Young's limited liability companies) he was again left with no alternative but to file a Chapter 11 bankruptcy petition for relief, which the Perpetrators immediately responded with a motion to dismiss, knowing they would continue to prevent his engaging legal counsel, and get his case dismissed.

Note: Refer to **Exhibit XII – Fraud Element # 18** for supporting evidence, while recognizing **Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the *U.S. Justice System* may exist.**

19. Committing Grand Larceny Theft

Based the aforementioned instances of blatant CRIMINAL FRAUD, the Perpetrators committed MANY instances of grand larceny theft – here are three such examples:

1. Raided Accounts – the Perpetrators raided all bank accounts owned by Mr. Young and his affiliated companies, and STOLE the funds held in those accounts;
2. Income Diverted – the Perpetrators wrongfully and FRAUDULENTLY diverted rental income that was rightfully due and payable to Mr. Young – and they did so with no legitimate basis whatsoever, and then proceeded to STEAL such funds for their own use; and
3. Stole Properties – the Perpetrators literally STOLE Mr. Young's income-producing properties and his residence by holding illegitimate foreclosure sales predicated entirely on a maliciously orchestrated FRAUD, citing monetary defaults that NEVER occurred.

All of the above actions were FRAUDULENT CONVEYANCES, and therefore they are all NULL and VOID. Mr. Young will now aggressively seek to regain his rightful title, and send each of the identified perpetrators off to prison.

Note: Refer to **Exhibit XII – Fraud Element # 19** for supporting evidence, while recognizing **Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the *U.S. Justice System* may exist.**

20. Undertaking Actions Intending to Cause Homelessness, Destitution and Death

The above elements of FRAUD have translated (by design) into unimaginable pain & suffering to Mr. Young and the members of his extended family, most of whom have relied on him for financial support for decades.

By absconding with all monies held in Mr. Young's bank accounts, stealing his income producing properties, and FRAUDULENTLY depriving him of his only source of income, the Perpetrators have maliciously intended to cause homelessness, destitution and in some instances death.

Death? How so? The Perpetrators were fully knowledgeable that:

- Maria Young (Mr. Young's ex-wife) was dependent on Mr. Young for financial support;
- Mr. Young's financial support was necessary for her chemotherapy and radiation treatments for advanced pancreatic cancer;
- The Perpetrators FRAUDULENTLY deprived Mr. Young of his income;
- Mr. Young has no income to pay for Maria's cancer treatment; and
- Deprived such treatment will assuredly result in Maria's death

Moreover, the Perpetrators are actively seeking to evict Mr. Young, Leah Krier (his fiancée) and his toddler son, Jackson Young from their home. See **Exhibit XIV** for the FRAUD-based eviction notice that was intended to be carried out just before Thanksgiving. Due to an administrative error by the Perpetrators, they are now planning to do this TODAY.

To be clear – there was NEVER a monetary loan default (and the evidence proves this out) – and everything associated with this unbelievable nightmare have been COMPLETE LIES and FRAUDULENTLY CONCOCTED by the Perpetrators. Accordingly, Mr. Young's position is simple – if the Perpetrators are allowed to proceed with the last phase of their charade, he is within his rights to use DEADLY FORCE to protect his family, home and property.

While the Perpetrator's intentional MURDER of Maria Young may already be a fait accompli, should this BOGUS eviction proceed further, there will assuredly be ADDITIONAL LOSS OF LIFE, one way or the other.

Note: Refer to **Exhibit XII – Fraud Element # 20** for supporting evidence, while recognizing ***Congress did NOT bail out Banks so they could defraud and persecute the taxpayers who bailed them out. Moreover, the corruption observed in this matter alone, suggests a threat to the integrity of the U.S. Justice System may exist.***

Inadvertent Admission of Guilt

In addition to the overwhelming evidence already presented that lays bare an exceptionally malicious CRIMINAL FRAUD, on April 3, 2009, Jim Hoose (one of the Perpetrators) sent Mr. Young an email that inadvertently included *Paragon Commercial Bank's* **March 31, 2009 Classified Loans Report** FOR THE ENTIRE BANK. After realizing his colossal error, Mr. Hoose feverishly made 180 unsuccessful attempts over a six hour period to recall his email.

Why was he so assiduous in trying to “un-send”¹⁴ this email? As the former Division Controller & Treasurer for Citicorp Real Estate, I am highly conversant in such a report, because I was responsible for preparing it for many years. It is highly confidential report that provides a risk-based capital assessment of every loan on the books of a banking institution. Any anyone with a trained eye and an understanding of the underlying circumstances of this matter, knows that this

¹⁴ By the way, trying to “un-send” and email is as feasible as “un-ringing” a bell – in other words, it can't be done.

report CONFIRMS THE EVIDENCE OF FRAUD BEYOND A REASONABLE DOUBT. (Refer to **Exhibit XV** which contains this self-contradictory and self-indicting internal report, and other related documents and information.)

Specifically, this report contradicted the absurd and completely unjustified draconian actions undertaken by *Paragon Commercial Bank* and *Poyner & Spruill*, as follows:

- RISK RATING – The report showed the Subject Loans as being a risk-rated 6, which is NOT an adversely classified loan, and therefore no credit losses nor loan reserves are contemplated, and it is certainly NOT THE CORRECT DESIGNATION for a loan on which a bank has already commenced foreclosure proceedings;
- PREVIOUS RISK RATING – The report indicates this is a NEW designation of classification as of March 31, meaning on the date the perpetrators declared a monetary default, their internal reports indicated it was a performing loan;
- PERFORMING LOAN STATUS – Since the bogus monetary defaults were declared on March 3, *Paragon Commercial Bank* pursued foreclosure on what they themselves determined was a low-risk, fully-performing loan – and therefore certainly NOT a loan that a bank would have any legitimate basis upon which to pursue a foreclosure;
- EXEMPLARY CREDIT HISTORY – It is unheard of that a bank would so aggressively pursue foreclosure on such a loan, most especially since its payment history has been exemplary.

Paragon Commercial Bank's March 31, 2009 Classified Loans Report provides irrefutable corroborating evidence of the FRAUD perpetrated by *Paragon Commercial Bank* and *Poyner & Spruill* and it is a prima facie admission of guilt, which is underscored by the desperate efforts to retract this report by Mr. Hoose.

In effect, this report together with the overwhelming evidence of CRIMINAL FRAUD presented herein equates to “game over” for the Perpetrators and provides an overwhelming basis to finally STOP THE MADNESS and commission an extensive investigation into what I can assure you is only the “tip of the iceberg”.

The Charges (or Counts) in this INDICTMENT

The noted elements of CRIMINAL FRAUD translate into numerous criminal/civil charges which are hereby formally made against: the Perpetrators and the firms they represent, including:

1. Aiding and Abetting Fraud, Racketeering, Extortion, Sabotage, Corruption, and Unlawful Abuse of Vested Authority Detrimental to the General Public;
2. Negligent Loan Processing and Administration;
3. Unscrupulous and Deceitful Banking Practices;
4. Bad Faith Actions Intending to Create a Default;
5. Fraudulent Declarations of Default;
6. Defamatory Actions With Malicious Intent;

7. Lender Liability for Tortious Interference in the Operation of a Business;
8. Interference with Contractual Relations with Current and Prospective Tenants;
9. Wrongful Accelerations;
10. Intentional Infliction of Economic Duress;
11. Wrongful Foreclosure Actions;
12. Intentional Suppression of Evidence and Denial of Due Process of Law;
13. Wrongful Repossession;
14. Unauthorized Exercise of Rights of Ownership Over Property Belonging to Another;
15. Unlawful and Unauthorized Conversion of Realty;
16. Fraudulent Conveyance;
17. Embezzlement of Rent Income;
18. Grand Larceny Theft of Funds on Deposit;
19. Grand Larceny Theft of *The Pit Stop of Durham*;
20. Grand Larceny Theft of W/S Graham Street Parcel for *The Courtyard of Chapel Hill*;
21. Grand Larceny Theft of 110 Graham Street Parcel for *The Courtyard of Chapel Hill*;
22. Malicious Intent to Inflict Emotional Distress;
23. Breach of Contract;
24. Gross Misrepresentation and Fraud in the Inducement;
25. Breach of Duty of Good Faith and Fair Dealing;
26. Breach of Fiduciary Duty;
27. Malicious Intent to Defraud;
28. Violations of Deceptive Trade Practices Act;
29. Willful Disregard for Rights to Life, Liberty and the Pursuit of Happiness;
30. Grand Larceny Theft of *Meadowmont Village Condo of Chapel Hill*; and . . .

Potential Loss of Life

The final count (# 31) pertains to the underlying intention of the other 30 transgressions taken together, and reveals how truly sinister and evil-to-the-core the Perpetrators are – particularly in the context the information they possessed, the by-product of the trust that was earlier vested in Martin Borden . The bulleted points that ensue, lead to a deductively accurate, but nevertheless disturbing conclusion that represents the final count (or charge) in this damning indictment.

Specifically, the Perpetrators . . .

- . . . were aware Mr. Young had long been the primary or only source of financial support to an extended family encompassing four house-holds, and which included his: (1) fiancée

(Leah); (2) toddler son (Jackson); (3) mother (Edna); (4) ex-wife (Maria); (5) adult son who recently graduated from Duke (Michael); (6) son who is currently attending Duke (Kevin); and (7) son who is currently matriculating at the University of Maryland (Ryan).

- . . . were aware Edna was 83 years old, and had a heart condition
- . . . were aware Maria was diagnosed with advanced pancreatic cancer that required radical surgery, aggressive chemotherapy and radiation treatment
- . . . orchestrated their FRAUD such that they would intentionally embezzle all of Mr. Young's income and steal his income-producing properties so that he could no longer provide financial support to his extended family, thereby resulting in homelessness and destitution
- . . . intended by their malicious acts to create overwhelming stress from the prospect of homelessness and destitution that would ultimately kill Edna (from a stress-induced heart-attack); and kill Maria (by depriving her of monies necessary for her cancer treatment, and augmenting her stress, so that she would ultimately succumb to her cancer)
- . . . intended to make it appear that Mr. Young suddenly abandoned his family, pursuant to a "divide-and-conquer" strategy
- . . . intended to make Mr. Young feel like a complete failure, such that he might take his own life;
- . . . have made arrangements to otherwise "permanently silence" Mr. Young – which very well may happen TODAY!

Upon information and belief, the overall intent of the aforesaid actions was to orchestrate and effectively conspire in the murder of Mr. Young's mother and ex-wife and Mr. Young HIMSELF – hence **conspiracy to commit murder** is the 31st and final count.

In addition, since the foreclosure sale of Mr. Young's current residence is predicated on FRAUD and carries no legitimacy whatsoever, Mr. Young is prepared to exercise his right to use deadly force to protect his family and property should a BOGUS EVICTION BE CARRIED OUT AS THREATENED TODAY (which I only learned of YESTERDAY).. And this further underscores why it is IMPERATIVE you get involved NOW . . . to finally STOP THIS MADNESS.


Concluding Remarks

In the context of the painstaking detail of the 20 elements of criminal FRAUD, together with the accompanying overwhelming evidence, leading to the 31 charges against the Perpetrators, it should be OBVIOUS that this matter DEMANDS your DIRECT and IMMEDIATE involvement. To this end I urge you to PROMPTLY commission thorough investigations because this is a CRIMINAL FRAUD like no other.

And yet this is ONLY THE TIP OF THE ICEBERG and that if left unchecked, the notion of Banks foreclosing uncontested on mortgage loans with exemplary credit histories that were not, and never have been delinquent, represents a VERY REAL THREAT to our banking system, our system of justice, our economy and perhaps even our government.

And in response to the level of observed corruption desperately trying to cover this up, actions are being undertaken to effectively scream this from the mountaintop – the press release in **Exhibit XVI** is one such example, along with LOCAL TV COVERAGE of today's threatened FRAUDULENT eviction.

Sincerely,

A handwritten signature in black ink, appearing to read "Spencer C. Young". The signature is written in a cursive style with a large, stylized "S" at the beginning and a long, sweeping tail.

P.S. If this matter weren't so serious, the absurdity of it all would otherwise appear hilarious – with this in mind the elements of gravity and hilarity are combined in a historical context in **Exhibit XVII**).

Appendix

Listing of Informational & Evidentiary Exhibits

Exhibit

- I** U.S. Senate Committees & Federal Officials Alerted
- II** Evidence of Victim's Good Faith & Business Acumen
- III** Evidence of Denial of Due Process
- IV** Evidence of Perjury in Paragon's Response to Regulators
- V** Evidence of Relationship Banker's Betrayal
- VI** A Case of GOOD versus EVIL
- VII** Post-Redevelopment Values of Collateral Properties
- VIII** Complainant's Expertise in Banking & Mortgages
- IX** Greed-Laden Incentives to Poyner & Spruill
- X** Proforma Net Worth of Complainant
- XI** Evidence of Exemplary Loan Payment History
- XII** Evidence Supporting Each Element of FRAUD
- XIII** Explanation of ACH Transactions
- XIV** FRAUD-based Notice of Eviction
- XV** Inadvertent Admission of Guilt & Efforts to Retract
- XVI** Press Release on Indictment of the Perpetrators
- XVII** Historical Events Justifying Use of Expletives