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**FEDERAL GRAND JURY RETURNS
SUPERSEDING INDICTMENT AGAINST CHAPMAN**

BALTIMORE, Maryland – Thomas DiBiagio, United States Attorney for the District of Maryland, announced that a federal grand jury has returned a superseding indictment today against Nathan A. Chapman, Jr., age 46, of Columbia, Maryland. The 36-count superseding indictment charges Chapman with wire fraud, mail fraud, investment advisory fraud, making false statements to a federal government agency, making false statements on tax returns, making false statements in connection with a home mortgage application and engaging in monetary transactions with property derived from the mortgage fraud.

As in the original indictment against Chapman returned on June 25, 2003, the superseding indictment charges Chapman with crimes committed in connection with schemes to defraud the State Retirement & Pension System of Maryland (“State Pension System”), shareholders in his companies and the public. The superseding indictment alleges that Chapman, who served as an investment manager for State Pension System retirement funds, fraudulently invested more than \$5 million of the system’s funds in the stock of his own company, *eChapman*. Chapman allegedly compelled Alan Bond, another investment manager he was supervising, to purchase *eChapman* stock

with State Pension System funds, eventually causing the system to lose \$4.724 million.

The superseding indictment further alleges that Chapman “looted” his public companies by using corporate funds to pay for gifts, trips and financial support to various women. According to the superseding indictment, Chapman unlawfully took more than \$518,000 for such personal use, approximately \$80,000 more than had been identified in the original indictment.

The superseding indictment also alleges that Chapman made false statements on the joint federal income tax returns he and his wife filed for the years 1997, 1998, 1999, 2000, and 2001. The superseding indictment alleges that at the time he signed the tax returns, Chapman knew that his taxable income for the years in question was substantially in excess of the income reported on the returns, due to his unlawful expenditure of corporate funds for personal purposes.

The superseding indictment also charges that in July 1999, Chapman made material false statements to Sandy Spring National Bank in connection with an application for a \$920,000 mortgage loan. The superseding indictment charges that Chapman told bank officials that he would be paying for the down payment and settlement charges on the \$1.15 million house and property he was purchasing in Clarksville by selling some of the stock in one of his companies. According to the superseding indictment, Chapman also submitted a document supposedly confirming this stock sale. It is alleged, however, that Chapman actually had obtained the funds for the down payment from one of his companies, and that the purported stock sale confirmation was fraudulent. Chapman allegedly also failed to disclose to the bank that at the time of the application he owed three of his companies over \$725,000.

The superseding indictment further alleges that Chapman engaged in money laundering last year when the Chapmans sold their house in Clarksville. The indictment alleges that Chapman

conducted a series of monetary transactions involving the proceeds from the sale of the Clarksville house. These proceeds were allegedly derived from the false statements made to Sandy Spring National Bank in connection with Chapman's mortgage application. As a result of the alleged money laundering activity, the superseding indictment also provides notice of the government's intent to forfeit a home purchased with the proceeds, and the contents of several bank accounts.

Finally, the superseding indictment alleges that Chapman devised and executed a scheme to deprive the participants and beneficiaries of the State Pension System of their right to the honest services of Debra B. Humphries. Chapman provided Humphries with cash and other gifts while she was supervising his investment performance in her role as a State Pension System Trustee. On August 29, 2003, Humphries pleaded guilty to committing perjury before a federal grand jury that was investigating her relationship with Chapman.

The maximum penalties for each count of making false statements on tax returns are 3 years imprisonment and a \$100,000 fine. The maximum penalties for each of the counts of mail fraud, wire fraud, investment adviser fraud, and making a false statement to a government agency are 5 years imprisonment and a \$250,000 fine. The maximum penalties for each count of money laundering are 10 years imprisonment and a \$250,000 fine. Finally, the maximum penalties for making a false statement on a home mortgage application are 30 years imprisonment and a \$1,000,000 fine.

U.S. District Court Judge William D. Quarles, Jr. has scheduled trial for June 7, 2004.

An indictment is not a finding of guilt. An individual charged by indictment is presumed innocent unless and until prove guilty at some later criminal proceedings.

The criminal charges in the superseding indictment are the results of a joint investigation by

the Federal Bureau of Investigation, the Securities and Exchange Commission, the Internal Revenue Service - Criminal Investigation, and the United States Attorney's Office. The case is being prosecuted by Assistant United States Attorneys Jefferson M. Gray, P. Michael Cunningham and Craig M. Wolff.