

JUN - 3 2008

U.S. DISTRICT COURT  
W. DIST. OF N.C.

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF NORTH CAROLINA  
ASHEVILLE DIVISION

UNITED STATES OF AMERICA	)	DOCKET NO. 1:08 CR <u>55</u>
	)	
V.	)	<b>BILL OF INDICTMENT</b>
	)	
1) KATHY RAY WAHLER	)	Violations:
2) EDWARD WILLIAM WAHLER	)	18 USC § 2
3) LEWIS VINCENT HUGHES	)	18 USC § 371
4) RICHARD WALSER TURNER	)	18 USC § 1341
	)	18 USC § 1344

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**THE GRAND JURY CHARGES:**

INTRODUCTORY PARAGRAPHS

**I. Relevant Parties**

1. Defendants Kathy Ray Wahler and Edward William Wahler, a married couple, maintained a residence in Fletcher, North Carolina, in Buncombe County. The Wahlers devised and carried out a scheme and artifice to defraud several of their creditors and the Federal Reserve by submitting fictitious documents to those creditors, the Department of the Treasury, additional governmental entities, and others. The scheme and artifice is described in detail in Introductory Paragraph 8.
2. Defendant Lewis Vincent Hughes ("HUGHES"), a resident of Granite Falls, Washington, assisted the Wahlers in furthering their scheme by mailing fictitious documents and by receiving transfers of property from the Wahlers in attempts to protect the property from seizure by lending institutions.
3. In or around October 2003, Defendant Richard Walser Turner ("TURNER") was associated with a business called Axiom ID and resided in Huntersville, North Carolina. TURNER assisted the Wahlers by mailing fictitious documents in support of the fraudulent scheme.
4. Leslie Tyler Frazier ("FRAZIER"), a Notary Public and an unindicted co-conspirator herein, assisted the Wahlers and others by notarizing and signing fictitious documents which were submitted in furtherance of the fraudulent scheme.

## II. The Scheme to Defraud

5. The scheme employed by the Wahlers and their co-conspirators involved the submission of various fictitious financial instruments to financial institutions, the U.S. Department of the Treasury, and other entities in an attempt to eliminate their personal mortgage and other debts. The scheme sought to deceive the IRS, private creditors, and financial institutions, including the Federal Reserve, to treat the fictitious documents as authentic checks or valid money orders. The named defendants, and other co-conspirators, both known and unknown to the grand jury, aided and abetted one another in the schemes.
6. A common practice among the co-conspirators was to create fraudulent Private Treasury Direct Accounts (PTDA) or U.S. Treasury Direct Accounts (USTDA) through what is referred to as a "strawman". Scheme participants mailed fictitious documents to the Department of the Treasury which purported to create a Treasury Direct Account (TDA) with the United States Treasury. Under the theory of the scheme, the participants attempted to create a false TDA account under their "strawman" which would then allow them to draw upon this false account to satisfy debts. The co-conspirators would tell creditors that the government, that is, the U.S. Department of the Treasury, would pay the debt using these accounts when, in reality, no such accounts existed.
7. Essential to the scheme to defraud are numerous documents that the co-conspirators represented to be true legal documents and filings, but which were created merely to further the fraudulent scheme. The co-conspirators submitted documents with various names such as "Bill of Exchange", "Banker's Acceptance Note", "Affidavit of Tender", "Non-Negotiable Charge Back", "Notice of International Commercial Claim Administrative Remedy", and others in an effort to deceive creditors.
8. The Wahlers and their co-conspirators utilized this scheme in an attempt to eliminate their debts with various creditors, including certain financial institutions, in the following manner.
  - a. On or about March 22, 2001, the Wahlers, doing business as KMA, Inc., deposited a check, drawn on the account of An dex Resources, LLC into the Wahlers' BB&T account in the amount of \$473,371.86. The An dex check, which was drawn on a legitimate Chase Bank account not belonging to the Wahlers, was altered and made payable to the Wahlers. The altered An dex check was deposited into the Wahlers BB&T KMA, Inc. account and the Wahlers

subsequently withdrew a total of \$468,071.86 from that account.

- b. Thereafter, Chase Bank notified BB&T that the Andex Resources check was non-negotiable because of the fraudulent alteration, and demanded payment from BB&T in the amount of \$473,371.86. BB&T accepted liability for accepting the altered check and paid Chase Bank for the entire value of the altered Andex Check. BB&T then made a demand for the Wahlers to make restitution for the funds withdrawn from their account. The Wahlers refused to repay the funds.
- c. After the Wahlers refused to repay BB&T, BB&T filed a civil lawsuit in Superior Court of Buncombe County. The civil case resulted in a judgment in favor of BB&T. On or about December 9, 2002, the court ordered the Wahlers to make restitution to BB&T; however, the Wahlers did not make restitution.
- d. On or about March 5, 2003, KATHY RAY WAHLER opened a checking account with Bank of America and deposited \$100.00 (one-hundred dollars) into the account. On or about March 28, 2003, Bank of America closed the account due to insufficient funds. In correspondence sent to Bank of America on or about April 7, 2003, KATHY RAY WAHLER provided notice of the closed checking account and instructed the bank to accept and process certain "instruments" through the "federal Electronic Funds Transfer (EFT)" system. In reality, KATHY RAY WAHLER did not maintain any legitimate federal account through which she could draw funds, or from which the bank could withdraw funds as she directed.
- e. On or about April 8, 2003, KATHY RAY WAHLER and TURNER caused to be mailed to various U.S. and North Carolina government offices, including the U.S. Department of the Treasury, a document entitled "Declaration and Treaty of Peace to the World". The document, signed by KATHY RAY WAHLER, states in part, "...I hereby claim my exemption and inheritance on right from my fiduciary heir, within the UNITED STATES corporation with an initial claim of \$100,000,000.00 (one hundred million dollars) to be returned to me by the fiduciary heir over an undetermined period of time at my discretion".
- f. On or about April 8, 2003, KATHY RAY WAHLER and TURNER caused the mailing of additional documents to the U.S. Department of the Treasury, collectively referred to as a "Non-Negotiable Charge Back", which fraudulently

purported to open a Treasury Direct Account in the name of KATHY RAY WAHLER.

- g. Between on or about April 17, 2003 and on or about April 22, 2003, after KATHY RAY WAHLER'S Bank of America account was closed by the bank due to insufficient funds, KATHY RAY WAHLER wrote ten checks on the closed account. The creditors to whom checks were mailed included Countrywide Home Loans (\$323,915.67); Chase Platinum Visa (\$14,672.07); Capital One Bank (\$7,001.19); Choice Visa (\$4,453.39); Juniper (\$992.88); Providian Visa (\$729.66); Capital One (\$3,017.23); Chase (\$2,821.33); Citibank (\$2,927.54); and, Citibank (\$35,099.55). KATHY RAY WAHLER purported to negotiate these checks on a "FedWire" account when, in reality, no such account existed.
- h. The Wahlers had a home in Buncombe County, North Carolina which was financed through a mortgage with Countrywide Home Loans, Inc. To recover the Wahlers' debt to BB&T for the fraudulent Andex check, a court ordered land sale of the Wahlers' property (acreage, not the Wahler residence) was initiated by Buncombe County. In an effort to eliminate the Countrywide mortgage debt, on or about May 6, 2003, KATHY RAY WAHLER caused to be mailed a fictitious document entitled "Notice of Acceptance and Return of Equity" to Countrywide Home Loans, which falsely claimed that Bank of America check #1401, in the amount of \$323,915.67 which was previously sent to Countrywide by WAHLER, settled the Wahlers' debt to Countrywide.
- i. As a further part of the scheme to eliminate the debt, on or about May 13, 2003, KATHY RAY WAHLER sent a document entitled "Bill of Exchange", labeled as a "Preauthorized Transfer", to the Buncombe County Clerk of Superior Court via Registered Mail. This "Bill of Exchange" listed a fictitious direct treasury account number and included processing instructions to "REMIT AT PAR" the amount of \$496,685.93.
- j. In furtherance of the fraudulent scheme to eliminate debt, on or about May 13, 2003, KATHY RAY WAHLER and TURNER caused certain documents to be mailed to the U.S. Department of Treasury, including: "Notice of Preauthorized Transfer", a "Copy of the Charging Instrument", a "Copy of Preauthorized Transfer", and a "Certificate of Service" signed by TURNER.

- k. On or about May 14, 2003, KATHY RAY WAHLER signed and mailed a document entitled "Affidavit of Tender of Payment" to Chase Bank falsely declaring that KATHY RAY WAHLER tendered payment in full to the Buncombe County Clerk of Superior Court in the amount of \$496,685.93 when, in fact, no such payment was made.
- l. On or about June 20, 2003, KATHY RAY WAHLER caused the mailing of a document entitled "Notice of Dishonor" to the Buncombe County Clerk of Superior Court, the Buncombe County Sheriff's Office, BB&T, and other individuals, which referenced and attached the Wahlers' previous mailings of fictitious documents which purported to eliminate the Wahlers' debt with BB&T.
- m. On or about June 27, 2003, KATHY RAY WAHLER and TURNER caused to be mailed a "Conditional Acceptance" letter to the President of Countrywide Home Loans, Inc., in which KATHY RAY WAHLER falsely described the checks which she had written from the closed Bank of America checking account as "a prepaid item from a private account that is closed to the public, no longer under control of Bank of America, but still open on the private side to the U.S. Treasury Bank."
- n. On or about July 2, 2003, in a further effort to fraudulently eliminate the Wahlers' debt with BB&T, KATHY RAY WAHLER caused the mailing of a document entitled "Notice of Protest and Opportunity to Cure" to BB&T.
- o. On or about September 15, 2003, KATHY RAY WAHLER and EDWARD WAHLER caused to be mailed to BB&T a document entitled "Notice of International Commercial Claim Administrative Remedy" purporting to create a false claim against BB&T in which the Wahlers were entitled to \$3,695,057.79 restitution from BB&T.
- p. During this time frame, Defendant HUGHES was indebted to Wells Fargo Mortgage for a mortgage on his property in Snohomish, Washington. As part of the fraudulent scheme, EDWARD WAHLER and HUGHES purported to transfer their respective mortgage debts to each other and claim that each creditor actually owed them money. In conjunction with this scheme, on or about October 20, 2003, EDWARD WAHLER and KATHY RAY WAHLER prepared and signed a document entitled "Sale Transfer and Assignment of Interest" regarding their

"Notice of International Commercial Claim Administrative Remedy" which is referenced in the preceding paragraph ("o") of this Bill of Indictment. This document purported to transfer the Wahlers' fictional interest in their claim against BB&T to HUGHES. Similarly, on November 12, 2003, HUGHES signed a "Sale Transfer and Assignment of Interest" purporting to transfer his fictional interest in the "Notice of International Commercial Claim Administrative Remedy" to EDWARD WAHLER. Thereafter HUGHES began demanding money from BB&T (WAHLER'S creditor) and WAHLER began demanding money from Wells Fargo (HUGHES' creditor).

- q. On or about October 21, 2003, a document entitled "Notice of Judgment in Estoppel" was filed in the Haywood County, North Carolina Register of Deeds Office regarding "Edward William: Wahler", "Kathy Ray: Wahler", and BB&T. The document is signed by "Edward William: Wahler" and notarized by MJH. The document claimed that the Wahlers should recover \$14,780,231.16 from BB&T, have the judgment against them from the Buncombe County Civil Case (02 CVS 01118) voided, and that the attached "Notice of International Commercial Claim Administrative Remedy" was settled. The "Notice of International Commercial Claim Administrative Remedy" listed an "Accounting of True Bill" which was payable by BB&T to the Wahlers in the amount of \$3,695,057.79.
- r. On or about October 21, 2003, HUGHES and EDWARD WAHLER prepared a "Promissory Note" in the amount of \$3,695,057.79, the same amount of money that was demanded from BB&T by EDWARD WAHLER and KATHY RAY WAHLER in the document entitled "Notice of International Commercial Claim Administrative Remedy" previously referenced in this Bill of Indictment.
- s. On or about October 22, 2003, HUGHES sent a letter to the President of BB&T Trust Company stating that HUGHES had purchased the "settled claim" between BB&T and the Wahlers. HUGHES included an invoice for \$3,695,057.79 to be paid to him, as well as a "Consent Judgment" which was to be executed by BB&T and the Superior Court Judge "In the General Court of Justice". Also attached to the letter was a document entitled "Sale Transfer and Assignment of Interest" dated October 20, 2003, signed by EDWARD WAHLER and KATHY RAY WAHLER, and which purported to transfer, to HUGHES, the Wahlers' fictional

interest in the fraudulent documents entitled "Notice of International Commercial Claim Administrative Remedy" and "Judgement in Estoppel".

- t. On or about November 7, 2003, EDWARD WAHLER and HUGHES caused a letter to be sent to the President of BB&T Trust Company, through DM (an unindicted co-conspirator), stating that DM was "holding an original signature Bill of Exchange in the amount of Fourteen million, seven hundred eighty thousand, two hundred thirty-one dollars and sixteen cents (\$14,780,231.16)." The letter instructed BB&T to send the funds to DM to redeem the Bill of Exchange and included a Consent Judgment to be executed by BB&T and the Superior Court Judge "In the General Court of Justice". The Consent Judgment instructed that \$3,695,057.79 be sent to HUGHES in Snohomish, Washington.
- u. On or about November 18, 2003, WAHLER and HUGHES caused the mailing of a "Demand Letter", an "Invoice" and a "Sale, Transfer, and Assignment Agreement" to Wells Fargo Mortgage (HUGHES' mortgage lender), demanding \$13,000,000 (thirteen million dollars).
- v. On or about December 5, 2003, EDWARD WAHLER cause the mailing of the following documents to Wells Fargo in Des Moines, Iowa: "Notice of Dishonor and Demand for Payment" (demanding \$39 million from Wells Fargo), a "Bill of Exchange", and a "Certificate of Service".
- w. In a further effort to defraud Wells Fargo, on or about December 22, 2003 EDWARD WAHLER caused to be mailed to Wells Fargo documents entitled "Notice of Protest and Opportunity to Cure".
- x. On or about January 21, 2004, EDWARD WAHLER sent documents including one entitled "Affidavit of Tender of Payment in Discharge of a Debt Obligation and Notice of Claim of Remedy Under HJR-192" to Countrywide Home Loans, Inc. in an additional attempt to negate the home loan.
- y. On or about January 29, 2004, EDWARD WAHLER caused the mailing of another letter to Countrywide Home Loans, Inc. entitled "Notice of Agreement in Satisfaction of Debt". This letter again indicated WAHLER'S contention that he provided an "exemption" on mortgage loan 183193. He again fraudulently claimed that the mortgage loan was paid in full based upon his previous mailings.

**COUNT ONE**  
**(Conspiracy)**

9. Paragraphs One through Eight of the Introduction to this Indictment are re-alleged and incorporated by reference into Count One.
  
10. From on or around April 5, 2003 and continuing until in or around February 2004, in Buncombe County and Mecklenburg County, within the Western District of North Carolina, and elsewhere,

**KATHY RAY WAHLER,  
EDWARD WILLIAM WAHLER,  
LEWIS VINCENT HUGHES, and  
RICHARD WALSER TURNER**

did knowingly, willfully and unlawfully combine, conspire, confederate and agree with each other, and with other persons both known and unknown to the grand jury, to commit the following offenses against the United States:

- A. It was a part and an object of the conspiracy that the defendants, and others both known and unknown to the grand jury, having devised a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, to wit: a scheme and artifice to defraud creditors and others as set forth in the Introductory Paragraphs, 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 scheme and artifice, in violation of Title 18, United States Code, Section 1341 (mail fraud); and,
  
- B. It was a part and object of the conspiracy that the defendants, and others both known and unknown to the grand jury, having devised a scheme and artifice to defraud, and to obtain by means of false and fraudulent pretenses, representations and promises, money, funds, and credit under the custody and control of federally insured financial institutions, to wit: a scheme and artifice to defraud creditors and others as set forth in the Introductory Paragraphs, would and did execute said scheme and artifice in violation of Title 18, United States Code, Section 1344 (bank fraud).



**Overt Acts**

11. In furtherance of the conspiracy, the defendants engaged in the overt acts set forth in paragraphs 1 through 8, among others.

All in violation of Title 18, United States Code, Section 371.

**COUNTS TWO THROUGH TWENTY-FOUR**  
**(Mail Fraud, Aiding and Abetting)**

12. Paragraphs One through Eight of the Introduction to this Indictment are re-alleged and incorporated by reference into Counts Two through Twenty-Four.
13. On or about the dates set forth below, in Buncombe County, Mecklenburg County, and other Counties within the Western District of North Carolina, and elsewhere, the defendants identified below, aiding and abetting each other, along with others both known and unknown to the grand jury, having devised a scheme and artifice to defraud to obtain money and property by means of false and fraudulent pretenses and representations, and for the purpose of executing and attempting to execute the scheme and artifice, did place and cause to be placed in a U.S. Post Office and an authorized depository for mail, the mail matters as described below for delivery by the United States Postal Service and by private or commercial interstate mail carriers:

COUNT	DATE	DEFENDANT	ITEM MAILED	RECIPIENT
TWO	4/7/03	KATHY RAY WAHLER	Document entitled "Notice to Fiduciary of Closed Account"	Bank of America Charlotte, NC
THREE	4/8/03	KATHY RAY WAHLER RICHARD TURNER	Document entitled "A Declaration and Treaty of Peace to the World"	U.S. Department of Treasury Washington, D.C.
FOUR	4/8/03	KATHY RAY WAHLER RICHARD TURNER	Various documents collectively entitled "Non-Negotiable Charge Back"	U.S. Department of Treasury Washington, D.C.

<b>FIVE</b>	4/17/03	KATHY RAY WAHLER RICHARD TURNER	Bank of America Check (#1401) in amount of \$323,915.67 and related documents, including Certificate of Service	Countrywide Home Loans Calabasas, CA
<b>SIX</b>	4/21/03	KATHY RAY WAHLER	Bank of America check (#1402) in amount of \$14,672.07	Chase Platinum Visa
<b>SEVEN</b>	4/20/03	KATHY RAY WAHLER	Bank of America check (#1403) in amount of \$7,001.19	Capital One Bank
<b>EIGHT</b>	4/20/03	KATHY RAY WAHLER	Bank of America check (#1404) in amount of \$4,453.39	Choice Visa
<b>NINE</b>	4/22/03	KATHY RAY WAHLER	Bank of America check (#1405) in amount of \$992.88	Juniper Bank
<b>TEN</b>	4/22/03	KATHY RAY WAHLER	Bank of America check (#1406) in amount of \$729.66	Providian Visa Card
<b>ELEVEN</b>	4/22/03	KATHY RAY WAHLER	Bank of America check (#1407) in amount of \$3,017.23.	Capital One
<b>TWELVE</b>	4/22/03	KATHY RAY WAHLER	Bank of America check (#1408) in amount of \$2,821.33.	Chase
<b>THIRTEEN</b>	4/22/03	KATHY RAY WAHLER	Bank of America check (#1409) in amount of \$2,927.54	Citibank
<b>FOURTEEN</b>	4/22/03	KATHY RAY WAHLER	Bank of America check (#1410) in amount of \$35,099.55	Citibank
<b>FIFTEEN</b>	5/6/03	KATHY RAY WAHLER	Document entitled "Notice of Acceptance and Return of Equity"	Countrywide Home Loans Calabasas, CA

<b>SIXTEEN</b>	5/13/03	KATHY RAY WAHLER	Document entitled "Bill of Exchange/ Preauthorized Transfer"	Clerk of Buncombe County Superior Court
<b>SEVENTEEN</b>	5/13/03	KATHY RAY WAHLER RICHARD TURNER	Documents entitled "Notice of Preauthorized Transfer", "charging instrument", "Preauthorized Transfer", and "Certificate of Service"	U.S. Department of Treasury, Washington, D.C.
<b>EIGHTEEN</b>	5/14/03	KATHY RAY WAHLER	Document entitled "Affidavit of Tender of Payment"	Chase Manhattan
<b>NINETEEN</b>	6/27/03	KATHY RAY WAHLER RICHARD TURNER	Conditional Acceptance letter and "Certificate of Service"	Countrywide Home Loans Calabasas, CA
<b>TWENTY</b>	9/15/03	KATHY RAY WAHLER EDWARD WAHLER	Document entitled "Notice of International Commercial Claim Administrative Remedy"	BB&T Winston Salem, NC
<b>TWENTY-ONE</b>	11/18/03	EDWARD WAHLER LEWIS HUGHES	Documents entitled "Invoice", "Demand Letter" demanding \$13,000,000, and a "Sale, Transfer, and Assignment Agreement"	Wells Fargo, Des Moines, IA
<b>TWENTY-TWO</b>	12/5/03	EDWARD WAHLER LEWIS HUGHES	Documents entitled "Notice of Dishonor and Demand for Payment" of \$39 million, "Bill of Exchange", and "Certificate of Service"	Wells Fargo, Des Moines, IA
<b>TWENTY-THREE</b>	1/16/04 - 1/21/04	EDWARD WAHLER	Document entitled "Affidavit of Tender of Payment" and associated documents	Countrywide Home Loans Calabasas, CA

<b>TWENTY-FOUR</b>	1/29/04	EDWARD WAHLER	Document entitled "Notice of Agreement in Satisfaction of Debt" and Proof of Mailing	Countrywide Home Loans Calabasas, CA
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All in violation of Title 18, United States Code, Sections 1341 and 2.

**COUNTS TWENTY-FIVE THROUGH THIRTY-TWO**

**(Bank Fraud, Aiding and Abetting)**

14. Paragraphs One through Eight of the Introduction to this Indictment are re-alleged and incorporated by reference into Counts Twenty-Five through Thirty-Two.
15. On or about the dates reflected below for Counts Twenty-Five through Thirty-Two, in Buncombe County, within the Western District of North Carolina, and elsewhere, the defendants identified below, willingly and knowingly aiding and abetting each other and others both known and unknown to the grand jury, did execute and attempt to execute a scheme and artifice to defraud, and to obtain by means of false and fraudulent pretenses, representations and promises, money, funds, and credit under the custody and control of the federally insured financial institutions reflected below in Counts Twenty-Five through Thirty-Two.

<b>COUNT</b>	<b>DATE</b>	<b>DEFENDANT</b>	<b>INSTITUTION</b>	<b>EXECUTION</b>
<b>TWENTY-FIVE</b>	4/5/03- 1/29/04	KATHY RAY WAHLER EDWARD WAHLER LEWIS HUGHES	BB&T; Federal Reserve	Submission of fictitious documents to eliminate the WAHLER's debt and acquire additional money
<b>TWENTY-SIX</b>	10/20/03- 1/29/04	EDWARD WAHLER LEWIS HUGHES	Wells Fargo; Federal Reserve	Submission of fictitious documents to eliminate HUGHES' debt and acquire additional money
<b>TWENTY-SEVEN</b>	4/21/03- 4/22/03	KATHY RAY WAHLER	Chase Bank; Federal Reserve	Submission of two Bank of America checks related to closed account

<b>TWENTY-EIGHT</b>	4/20/03 - 4/22/03	KATHY RAY WAHLER	Capital One; Federal Reserve	Submission of two Bank of America checks related to closed account.
<b>TWENTY-NINE</b>	4/20/03	KATHY RAY WAHLER	Choice Bank; Federal Reserve	Submission of Bank of America check related to closed account
<b>THIRTY</b>	4/22/03	KATHY RAY WAHLER	Juniper Bank; Federal Reserve	Submission of Bank of America check related to closed account
<b>THIRTY-ONE</b>	4/21/03 - 4/22/03	KATHY RAY WAHLER	Providian Bank; Federal Reserve	Submission of Bank of America check related to closed account
<b>THIRTY-TWO</b>	4/22/03	KATHY RAY WAHLER	Citibank; Federal Reserve	Submission of two Bank of America checks related to a closed account

All in violation of Title 18, United States Code, Sections 1344 and 2.

A TRUE BILL:



GRAND JURY FOREMAN

GRETCHEN C.F. SHAPPERT  
UNITED STATES ATTORNEY

*Jill Westmoreland Rose*  
JILL WESTMORELAND ROSE

ASSISTANT U.S. ATTORNEY

*DCR by JR*  
D. CRAIG RANDALL

ASSISTANT U.S. ATTORNEY