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December 19, 2014

E. Margriet Langenberg .
Attorney at Law
4124 Leonard Dr.
Fairfax, Virginia 22030

Re: Capital Management Consultants, Inc.

Forensic Review of Accounting records

Dear Ms. Langenberg:

INTRODUCTION

We have conducted a fraud examination concerning the embezzlement, misappropriation/conversion of assets and funds of Capital Management Consultants, Inc. (The Company/CMCI). This examination was predicated upon unauthorized and excessive disbursements to James Scott Tucker, the inside Certified Public Accountant (CPA) and Secretary/Treasurer of CMCI (Scott), Karen Duhon a bookkeeper for CMCI (Karen) and Donnasue Peveto an inventory clerk, secretary and receptionist (Donnasue) and information contained in the Company's books and records that were compiled by Scott his their capacity as the accountant/CPA and an officer of the Company and Karen in her capacity as the bookkeeper for the company..

CMCI had three accounting schedules that comprised the main books of the company; monthly detail schedule of cash receipts and disbursements, annual general ledger/working trial balance both prepared, with substantial assistance from Scott, by Karen and a working trial balance prepared by Scott. The working trial balance prepared by Scott Tucker started with the figures from the working trial balance and Scott made the final year-end adjustment entries. In order to make the final year-end adjustment entries, Scott would have had to refer to and review the monthly detail schedule of cash receipts and disbursements and the annual general ledger/working trial balance.

Our fraud examination was conducted in accordance with lawful fraud examination techniques, which included an examination of the accounting records, interviews with owners, officers and accountants and, review of paperwork submitted by the stockholders and other procedures as necessary under the circumstances.

The evidence gathered and analyzed demonstrates a well-orchestrated and systematic plan developed and implemented by Scott with the help of Karen and Donnasue that resulted in the theft and conversion of assets over a period of fifteen (15) years.

SUMMARY OF FINDINGS

As of the date of this report the total estimated fraud of the co-conspirators, James Scott Tucker, Karen Duhon and Donnasue Peveto (Donnasue) jointly and severally is $9,530,174.32. Based on the results of our fraud examination, we find that there is sufficient evidence to support the conclusion that assets and funds and property of no less than **$ 9,530,174.32.** were misappropriated, converted or embezzled from the period 1999 – 2013 by the concerted efforts of Scott, Karen, and Donnasue and that these three individuals together collaborated and conspired to misappropriate, convert and embezzle these assets for their personal benefit, and that of their families

The evidence further appears to reflect that Scott illegally had himself made president of the corporation with the intent of transferring to himself certain properties and mineral rights without the knowledge or approval of the stockholders of CMCI. He and the other defendants engaged in illegal practices; and that they have committed fraud which did in fact yield ill-gotten gains which were placed into their personal accounts and into Scotts Company –Nelson Tucker L.L.C. –and into Karen and her husband Armond Duhon's company, A.B.C. Siding Company of Morgan City, Inc. .all in violation of State and Federal RICO Statutes.

The result is that CMCI. has been deprived of cash and other assets, and forced to hire outside attorneys, consultants and accountants to determine the amounts, scope and nature of all the diversion and conversion of assets

The details and summary of the fraud is presented in this report and attached exhibits. The totals herein, represent the totals of the frauds committed by Scot, Karen and Donnasue. As the investigation continues, it has become apparent that assets of other related entities were probably involved. We reserve the right to amend or revise our report as new or different information becomes available.

EXECUTIVE SUMMARY

Based upon the initial predication, a fraud examination was initiated and is still on going. Our investigation has included interviews with family members, discussions with the stockholders and officers of the Company, review of the relevant records and paperwork, a trip to the offices of the Company's current CPA, a trip to the home of the stockholders for meetings and review of records, and a trip to the corporate offices in Morgan City Louisiana to meet with counsel and company representatives.

The examination began when irregularities were noted in the cash disbursements records to employees in excessive amounts. It then became apparent that disbursements had been made to several individuals and subsequently were concealed in the company records. It was discovered that Scott illegally made himself "president" of CMCI in order to perpetrate fraud involving the transfer of land and real-estate from the company to himself. Scott went further and perpetuated a fraud whereby mineral rights and real estate owned by CMCI were transferred to him for a total of $11.00 (eleven dollars).

He used CMCI funds to purchase assets for himself and his family, allowed Karen and Donnasue to do the same, and then concealed the transactions in the books of the company.

Based on my experience, reasonable review of the corporate documents and financial records and upon my rationally based observations, there is no doubt that Scott, Karen and Donnasue worked in concert to accomplish the fraudulent transfers of money and assets belonging to CMCI. . Without each other's assistance, the adjustments could not have been made, the fraudulent checks could not have been written, the bogus loans could not have been written off, and the financial statements and tax returns could not have been prepared.

HISTORY OF COMPANY

Capital Management Consultants, Inc. is a C corporation formed in the state of Louisiana in 1982 by Peter V Guarisco who was also its President. The Company was formed to act as the administrative head of a group of affiliated entities owned by the family of the stockholders. Mr. Guarisco did not discuss the operations or management with family members nor were the family members involved in the operations, management or decision making process. The family members did not become involved with the operations and management of CMCI until after the sudden death of Scott on January 22, 2014. CMCI performed services for Guarisco Gallery, Madison Gallery, Hellenic L.L.C. and other related entities. CMCI managed cash, transferred funds as needed and generally worked as the financing and administrative arm of the group. Scott and Karen kept the accounting records, bank accounts and paperwork.

James Scott Tucker:

In 1977 Mr. Guarisco hired James Scott Tucker, CPA to work as the business accountant for the companies. Scott had previously worked with the CPA firm that handled the accounts for the Companies and Mr. Guarisco trusted his abilities.

Scott's duties were to oversee all transactions, reporting, tax preparation and cash flow for the group of entities in which the family held interests. He was to manage the funds for the family and answer and advise them in all matters related to finances. For his services, Scott received a salary from Hellenic. Since his work for CMCI was part time, Mr. Tucker was paid $3,000 per month in consulting fees from that entity. In addition he would continue to be paid to prepare the tax returns for the individuals and the Companies.

By 1998, Mr. Tucker was such a trusted member of the organization that he was elected as Secretary - Treasurer of CMCI. In just a few years, Scott had become the business extension of Mr. Guarisco. Scott was the person who wrote the checks and transferred the money. He kept the records, supervised the staff and continued to prepare all of the tax reports for the family members as well as the company.

In response to their father's respect for Scott, the family members began to place their trust and faith in Scott, just as they had in their father.

Corporate records are not complete for the older years, but at some time before 2005, Scott acquired a 5% interest in CMCI. The share certificates cannot be located.

When Mr. Guarisco passed away in 2005, the family was comforted by the fact that Scott would continue on with the management of the businesses and their finances. By this time they had come to regard him almost as a member of their family and trusted him implicitly. They have no working knowledge of the companies held by their father and trusted that Scott would safeguard their interest in the future. Scott worked in his position until his death on January 22, of 2014.

Karen Duhon:

In March of 1982, Karen Duhon is hired by Capital Management Consultants, Inc. to work as a part time bookkeeper. She was previously employed by the business of another member of the family and the decision was made to keep her on in this new position. Karen would receive all the vendor bills and statements in the mail, code all expenses and prepare all payments Karen's duties included preparing checks for vendors as well as employees. Scott signed all checks for the Company.

She would help Scott who had primary responsibility to track cash disbursements and cash balances for the Companies and for the family accounts. Karen and Scott would make all entries into spread sheets (cash books) and at the end of the month she would total the sheets in columns for Scott. (general ledger sheets). At the end of the year Scott used the totals and cash sheets to compile his year-end working trial balance report and make his adjustments Scott prepared and signed all tax returns for the Company as well as for the affiliated entities and the owners.

Interviews with employees indicate that at some point Karen and Scott became involved in a romantic relationship. Karen worked directly under and with Scott until his death. We also know from the employee interviews that Karen was not "computer literate" and that Scott would set up the spreadsheet on her computer so that she could input the data. If Karen encountered a problem with inputting the data or computer then Scott would assist her or fix the issue by working on Karen's computer himself. If Karen had to send an email or attach a document she would ask another employee to help her

Donnasue Peveto:

Donna was employed by the Companies for over 30 years as inventory clerk, secretary and receptionist The family owned an entity called Guarisco Gallery and up until the end of 2007 when it closed, Donnasue was in charge of tracking and maintaining the art inventory and related records. In 2009, she moved to a related entity, Hellenic as a secretary receptionist.

Hellenic had offices in the same building as CMCI, and Donnasue still worked closely with Karen and Scott. Donnasue would turn in expense reports for small office supplies or other items to Karen and or Scott Donnasue worked as a secretary and receptionist, and remained in that capacity until 2014 when she was dismissed because of the discovery of fraud.

A MATTER OF TRUST

From 1977 until his death on January 22, 2014, Mr. Scott managed all aspects of the Guarisco family holdings, managing cash flow, bank accounts, receipts and disbursements. The family had complete faith in him and his abilities. It wasn't until his sudden death on January 22, 2014 that it was discovered that Scott, in concert with, Karen and Donnasue had contrived to embezzle, divert and misappropriate millions of dollars in cash and property from the Guarisco companies and family members.

Throughout the years, Scott nurtured a relationship with the five children and other family members of Mr. Guarisco. Scott became a trusted member of the family, overseeing all aspects of the business interests. His total control fostered dependence by the family on his guidance, expertise and advice, a situation that he created as part of his scheme to conceal his, Karen's and Donnasure's fraud.

Accounting records for the Capital Management can only be found as far back as 1999, but at some point in time, prior to January 1999, a system of embezzlement and diversion began to be implemented by Scott, with help from Karen and Donnasue. Earliest Company records found for January of 1999 indicate apparent diversion of funds and collaborated acts designed to conceal the misappropriations from the stockholders. Such activities continued until Scott's death on January 22, 2014, a period of 15 years.

After Scott's death, the stockholders instructed Karen to send the financial records to CMCI's new accountant Mark Munson so that he could prepare the 2013 tax returns. Karen failed to turn over the books and records and subsequent investigation and involvement by the stockholders uncovered the systematic conspiracy to defraud the company of funds and property.

Scott and Karen worked with the cash accounts of other affiliated entities. We have not reviewed the books and records of the other companies. Our report is limited to Capital Management Consultants. In our review, it was noted that many times funds were transferred in from other entities in an attempt to cover or conceal the missing funds in CMCI. Evidence strongly suggests that the same types of fraud may have been occurring within those companies.

DISCOVERY OF FRAUD

On January 22, 2014 Scott, the in house CPA and Secretary/Treasurer of CMCI is found dead in his home. In response, the stockholders begin the process of picking up his duties with regard to the financial activities of the Companies. Upon discovering unauthorized checks in large amounts, the family requests copies of all the bank statements. The family begins contacting Karen by phone asking for records and the summary of the 2013 year for the tax preparer. When no information is forthcoming, they become suspicious and their requests become more direct.

When the banking information is received, it is soon evident that Karen and Donnasue have been receiving large undocumented sums of cash over an extended period of time. Karen is escorted out by company personnel. When Karen leaves she takes with her several boxes of files and papers. These items have not been identified as of the date of this report.

Invoices from Fed Ex and interviews with witnesses confirm that within days of Scotts death Karen and Donnasue were shipping large boxes of files and documents out of the office. They were also shredding or otherwise destroying records. The contents and whereabouts of those files and documents were not known as of the date of this report.

The stockholders and remaining staff and family members began the work of tracing transactions through the check journals, yearend totals and tax returns. They reviewed and summarized thousands of documents including bank statements, copies of checks, check stubs, receipts and invoices. Their review uncovers a complicated and interrelated scheme of fraud perpetrated by Scott, Karen and Donnasue. It becomes apparent that books, journals and ledgers as well as federal and state income tax returns have been falsified. The task proved difficult and time consuming due to the system of manual spreadsheets, manual journals and ledgers. Scott with his expertise as a Certified Public Accountant, had established a manual, disjointed and outdated system of accounting that offered many opportunities for fraud and the concealment of wrong doing.

Money, funds, real estate, mineral rights and other company assets have been diverted through the concerted efforts of these three individuals. Evidence shows that Karen, under Scott's supervision and control, knowingly and with his approval and guidance, entered falsified transactions into the accounting records of the Company. She wrote herself and Donnasue checks for many thousands of dollars which Scott knowingly signed. Documents and evidence also demonstrate that Scott had knowledge of all transactions and entries, and used his accounting knowledge to reclassify and hide those misappropriations from owners and stockholders.

To further assist in the scheme, Scott created falsified and altered corporate records appointing himself as president and Karen as Secretary. This was done in order to give third parties the impression that he and Karen were duly appointed officers of CMCI and were acting on behalf of the Corporation and shareholders in all business dealings. The timing of this particular act was just prior to him selling himself land mineral rights that were owned by CMCI. [1]

The investigation and reconstruction of records is still ongoing, and more fraud and theft are likely to be uncovered. It is not possible at this time to trace all funds that may have been diverted into other accounts owned by the perpetrators. We reserve the right to amend, revise and supplement to our report if new or additional information becomes available.

OUTLINE OF FRAUD, CONCEALMENT AND OVERIEW OF ACCOUNTING PROCESS

The company had no computerized accounting system, but instead used a series of spread sheets designed by Scott to log transactions and disbursements. Computers were not connected to a network and all accounting records were on paper and manually prepared. Though most of the paper records had been destroyed, copies of the spreadsheets used for this report were obtained from company computers by the owners.

The records maintained by Scott and Karen were in such disarray as to make it difficult if not impossible for the owners to understand or comprehend the extent and scope of the fraud scheme. Account numbers and uses changed from year to year and sometimes within the same month. Despite Scott's accounting background, the books and records for CMCI were kept on manual and outdated system thus further prohibiting the ease of tracing transactions.

MANNER OF CONCEALMENT

Checks written to vendors, employees and others were from a manual check book. The transactions were entered onto a "cash book" (a spread sheet). This log was prepared by Karen with Scott's help. Check amounts were separated within the company's cash log to allocate the fraudulent expenses and disbursements into accounts where they would not be noticed. At the end of the period, when Scott received the totals, he would make more entries to further reclassify, write off, and conceal the inconsistencies and fraud within the records. Records indicate that some accounts submitted by Karen to Scott were backwards and bordered on nonsense, (for example negative amounts in the salary expense accounts for year-end). Scott would then make one massive journal entry adjusting the books, hiding the fraud, further dispersing the amounts into accounts and forcing the books and records into what he believed was a reasonable presentation.

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[1] See Exhibit 11

There are several reasons that the fraud went undetected for so long. The first and foremost is that the individuals involved had complete access and control of the funds and the reporting of all transactions. All normal segregation of duties with supervision that was in place failed due to the collaboration of those involved. The internal control procedures implemented also failed due to the alliance that was formed by Scott, Karen and Donnasue in circumventing all such safeguards. The procedures that Scott put in place to perpetrate the fraud was to make sure that even if shareholders were to look into the check register it did not reflect the amounts of moneys actually embezzled but small amounts that would appear normal for everyday ordinary business expenses

The second factor was Scott's ability to convince outside third party vendors, financial institutions and attorneys that he was the president of CMCI and thus able to conduct business on behalf of and with the full approval of, the stockholders of the corporation. He accomplished this by filing fraudulent documents appointing himself president and Karen as Secretary[2]

Third, and perhaps most importantly, Scott had earned the complete trust and confidence of the family members. He went through great pains to communicate with them individually on matters that he said affected the Company which the stockholders had no reason to question. The family had no reason to be involved in the management of the Company prior to their father's death and after his death, expected that Scott would continue to operate and manage CMCI in an efficient and profitable manner.

Scott would call about small inconsequential matters involving charitable donations, or small expenditures. He would consult with each of the siblings individually on transactions and offer advice on larger decisions, sales or tax matters. His apparent openness and willingness to discuss even the most insignificant details of operations led all to believe he was performing his fiduciary duty and had their best interest at heart in all business dealings.

FRAUD INSIDE AND OUTSIDE THE COMPANY BOOKS.

Some of the fraudulent transaction that we were able to be identified and quantified in our re-creation of the records using the summaries of the accounting transactions for the periods involved. (1999-2013). Other transactions occurred partly in and outside of the Company books and records and information on those was obtained through other methods, such as interviews with stockholders, family members and review of their records and documents for those transactions. Some of these transitions may have no dollar amount of loss attributable to them, as the amount either cannot be determined or is unavailable as of the date of this report.

[2] See Exhibit 11

Those transactions outside the normal accounting records are described below.

Mobile House[3]

In 2005, during the time that Mr. Guarisco was dying, Scott withdrew $225,000.00 from CMCI's Merrill Lynch account. On June 22, 2005, Karen Duhon prepared a deposit slip and deposited the $225,000.00 into CMCI's checking account at Whitney Bank. On June 22, 2005 Karen Duhon wrote a check payable to James Scott Tucker in the amount of $225,000.00, which he signed. On June 30, 2005 James Scott Tucker used the $225,000.00 to purchase real property in Mobile, Alabama with an address of 1979 Bradbury Drive, West, Mobile, Alabama 36695 (Property). The Property was deeded to James Scott Tucker and Mary Tucker.(his wife) Karen Duhon and James Scott Tucker recorded this transaction as a "loan to Scott". James Scott Tucker never intended to pay this loan and on December 31, 2006 he wrote off the $225,000.00 and other "loans" in the amount of $6,000.00 for a total write off of $231,000.00 against A/C FAGNO and A/C GLADE ENTERPRISES. On May 8, 2013 James Scott Tucker transferred the Property to his daughter Jamie Tucker Kocher.

Lot and Mineral Rights Sale[4]

In September of 2008, Scott drafts company documents appointing himself as president of CMCI and Karen as Secretary. He knows of an offer to lease land owned by CMCI for possible oil and gas drilling. In order to make his possible percentage larger, he sells himself an extra lot for $10.00 that is owned by CMCI. The lot is the same one the Company sold 4 years before for $168,000. He pays the lot owners $375K with company funds and puts the lot in his name. He then draws up documents selling himself the mineral rights to the land for $1.00. The amounts of lease payments received by Scott are unknown. The sale of the lot to himself is listed as a fraud in the amount of $375,000.

Sterling Sugar Stock Sale

Scott moves personal assets of the family into the C Corporation in anticipation of a sale of same. The Company and its owners individually owned several hundred shares of Sterling Sugar Stock. Scott began moving those shares of stock into the Corporation in 2007 and by 2009 had all shares held by the C Corporation. The shares are sold, and Scott pays himself a distribution for 5% of the gross proceeds, totaling $230,000. These checks are coded to "treasury stock" Because Scott Tucker owned 5% of CMCI when the Sterling Sugar shares were transferred from the Guarisco family members into the C corporation, Tucker received a total of $230,000 from the sale of the Sterling shares to which he had no entitlement.

In another scheme, a new bank account was opened by Karen and her husband Armond Duhon. The account was titled under the Company name, but also had Karen and her husband Armond's names listed. Their names appeared on the checks, on the deposit slips and on the statements. This would allow the diversion of company assets into this account. Due to Karen's lack of education and business experience, it is doubtful that she orchestrated this without Scott's help.

[33] See Exhibit 7 with all pages for details – Mobile House
[4] See Exhibit 6 for support

As of the date of this report, we have not received any information on any accounts of Scott and therefore cannot speculate if this was the only such account of this type.[5]

Evidence shows that the embezzled moneys paid to Karen would be deposited into this account. She would also transfer money out of this account into the account for a company that she and her husband owned by the name of A.B.C. Siding Company of Morgan City, Inc... [6]

Some of the larger transactions that are supported within the accounting records are as follows:

Scott purchased, in the name of Nelson-Tucker ,LTD, now Nelson-Tucker, LLC, a Mercedes Benz on November 13, 2007 using CMCI's financial accounts, paid for its maintenance and then gifted the Mercedes to his daughter Marcie Tucker Green. . The cost of the Mercedes was $60,500.00. He traded in a vehicle and received a trade in allowance of $33,000.00 leaving a balance of $27,500.00 which he paid with CMCI's money. At this juncture we do not yet know if the vehicle that was traded in was originally paid for by CMCI . Scott had an auto allowance and expenses through Hellenic and had no reason or authority to purchase this auto or pay auto expenses with CMCI funds[7]

Scott purchased a health insurance policy and pays premiums from Company funds. All insurance for health is coded to general fraud. The policy covers not only himself but his wife and Donnasue and Karen's families also. The obtaining and paying for health insurance was done in direct violation of the Board's decision to not provide health insurance benefits

Scott renovates his corporate office in the Hellenic building and pays $47,753 from the CMCI account. The office was not CMCI property, but rental. The renovation was to create an executive-looking office which was an unauthorized renovation. Tucker misrepresented that he used his own funds to pay for the renovation when in fact CMCI moneys were used.[8]

Scott has fence built in his subdivision and for his home. He uses company funds in the amount of $47,413 to pay for the improvements. (See Exhibit 9)

THE ACCOUNTING AND FRAUD PROCEDURE

Karen would write out a check for a fraudulent amount to herself or to Scott or to Donnasue. Usually these were in the form of checks coded to "payroll" or to "consulting". The checks were normally made for $9,000 more than the actual amount should have been. In order to conceal the fraudulent checks, she and Scott would break up the transaction into various accounts within the accounting records. For example, a check made out to herself in the amount of $9,548.00 was coded as $548.50 to salary and $9,000 to a receivable account or miscellaneous expenses or travel. The real check made out to herself

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[5] See Exhibit 12 for sample of bank statement, check and deposit

[6] The total transferred to ABC Siding Company of Morgan City, Inc. from this account totaled $19,600 as of the date of this report

[7] See Exhibit 8 for details of this purchase

[8] See Exhibit 10 for details on the office

for $9,548.00 would be signed by Scott. In this manner, Scott, Karen and Donnasue received extra funds each month. The concealment of the fraud was directed by Scott instructing Karen how to input the data onto the spreadsheets while from beginning to the end Scott was making multiple adjustment entries to conceal the theft in different chart of accounts and instructing Donnasue how to adjust the inventory.

Large checks were written to Scott, Karen or Donnasue... Amounts were anywhere from $1,000 to $50,000. The payments would either be reclassified by Scott to other expenses, or coded as a "loan". The loan balance would be written off by Scott at year end.

During the month, Karen and Scott would adjust the cash sheets (cash book) to further to cover the missing funds. Deposits coming in from affiliates or customers were being recorded in increased amounts, thus helping to conceal missing funds. Sometimes completely fraudulent-nonexistent deposit entries would be listed on the cash sheets. These entries were made in order to make it appear as if the cash balance was not declining.

At the end of each month, the cash receipts and cash disbursements sheets (cash book) were totaled and those totals were transferred to a monthly summary sheet. (General ledger sheets) This was a manual process with no accounting software. This would have had to be done by Scott or with Scott's direction and assistance.

As totals were transferred, the amounts would be further reclassified, adjusted and concealed, making the trail more difficult to trace and or identify. Due to Karen's limited education and accounting background, it is believed that many of these reclassifications were done by Scott. For example, the total in the miscellaneous account for the month may be moved into a related party receivable account, or into a travel expense, thus reducing the total in the miscellaneous account so as not to draw any unwanted attention to a large balance.

At the end of the year, Scott would gather the cash sheets and general ledger sheets from Karen (totals by month). He would use these to make his year-end work paper files for tax returns. Instead of using the totals from the ending balance as his beginning year-end working trial balance, the evidence shows that Scott would review and make more reclassifications and adjustments to the totals in order to additionally conceal the fraudulent transactions and to smooth out any amounts that might look unusual or out of line

Once Scott had compiled a beginning trail balance, he would begin his year-end adjustments and reclassifications. These entries usually would consist of writing off of any amounts that were coded as employee loans to himself or Karen and Donnasue. It appears that amounts that could not be concealed elsewhere would be written off against related party accounts for the other companies owned by the family or the family members themselves. In this manner, Scott was able to control the amounts reported in accounts and records of the company and disguise the theft and fraud. Since he was also in charge of the accounting for the related entities, the movement of funds at the end of the year was not likely to be detected[9]...

Scott would prepare the corporate tax returns, signing them and filing as necessary. They were kept under lock and key in his office. He would relate to the owners orally the results and tell them of any taxes that were due. Evidence shows that Scott used the tax accounts many times in the books to hide conceal fraudulent transactions. As of the date of this report, we have not received requested confirmation from the Internal Revenue Service nor State authorities with regard to any missing filings or payments that may be due. However, in compiling our data, it became clear that there were several checks written to taxing authorities that never cleared the bank and thus are suspected as being fraudulent in nature. There is also no way to tell without verification if the payments listed in the cash sheets by Karen and Scott were properly posted to corporate accounts. The investigation in this area is on-going.

Scott was also in charge of the books and records for the related affiliates and the investment accounts for the Company and shareholders. Some of the fraudulent checks and disbursements were made from the Merrill Lynch account that belonged to CMCI. Time limitation has prohibited us from reviewing all activities for the all companies so this area is still ongoing.

Through fraudulent transfers of cash from other entities Scott was able to cover the withdrawal of the cash and other assets from the stockholders. Many fraudulent transactions were run through the related party receivable accounts. Since Scott was also the accountant for these other entries, he could easily conceal both side of the transaction.

This coupled with the lack of transparency and cohesiveness in the accounting records made the fraud invisible to anyone not tracing each transaction through its recordation and subsequent reclassifications throughout the entire year. Each fraudulent transaction would undergo up to five (5) different reclassifications and changes orchestrated by Scott before being finally allocated in tax return categories.

TYPES AND CLASSIFICATIONS OF FRAUD

The types and manner of fraud took many different forms and this report will not try to detail each transaction but will provide an overview of the classes of the fraud. For purposes of this report we have placed transactions into similar groups. We have outlined and summarized those in the accompanying exhibits. .A summary of the findings can be found in Exhibit 3, Summary Index of Fraud

Fraudulent payments to themselves were made and disguised. For example, a payroll check to Karen that should be for a net of $985.00 would be written, and clear the bank for $9,000 more. [10]

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[9] See Exhibit 2 for adjustments by year

[10] The consistent adding of $9,000 to fraudulent checks and reimbursements is believed to be due to banking requirements to report unusual transactions in amounts of $10,000 or more.

The stub and coding to the cash book would show the $985.00 as salary and he additional $9.000 as miscellaneous or travel expense.

Scott obtained credit cards in the company name and allowed Karen and Donnasue to use the cards for personal expenditures. He also allowed his family members and Karen and Donnasue's family members to use the cards. The stockholders were not aware of any corporate credit cards and did not authorize the use of such cards. Charges were generally many thousands of dollars and were coded to travel, miscellaneous and other expense accounts by Karen and Scott. Examples include the following:

1 Payment of personal expenses with corporate funds. Checks prepared by Karen and or Scott, signed by Scott. Concealed by both. Expenses included such things as the following:[11]

a.	Scott – Jewelry, guns and other items purchased at auctions	$297,779.05
b.	Scott – Hunting trips and related expenses	$53,957.48
c.	Scott – Landscaping at his home	$21,504.66
d.	Appliances for Scott's daughter	17,284.71

2 Scott also allowed Karen and Donnasue as well as their family members to use the company credit cards and vendor accounts. Examples include but are not limited to:

a.	Exxon charges for Karen, Donnasue and their families	$24,623.36[12]
b.	Federal Express charges for Karen, Donnasue and their families	$32,084.81[13]

RECONSTRUCTION OF COMPANY BOOKS AND RECORDS

As part of the examination the following procedures were performed:[14] We obtained records from company files and re-created the company books and records within an accounting software called QuickBooks. (QB) Each transaction was input into the system as it was originally put onto the manual system of records. Each entry made by them to hide or conceal was re-created by corresponding journal entries into the QB system. We used Scott's name when entering transactions he would have been responsible for, and Karen's name when it involved the cash book, though it is believed that Scott was responsible for all such entries.

This examination included the records of CMCI only. Evidence indicates that other entities that Scott was involved with may also have suffered the same sort of fraud. This report will be amended or revised if new or additional information is revealed. Our review covered the period from 1999 through 2013. Due to record availability and other factors, the review was conducted in the following manner.

[11] These are included in various categories within the summary, for example the appliances are included with the American Express payments for personal expenses.
[12] For the period from 2008-2013 as example
[13] This amount is from the period 1999-2006 as example
[14] See also Exhibit 5 QuickBooks overview for a detailed description of the re-creation of the books and records.

Period of 2006 – 2012:

Our engagement included the re-construction of the books and records for CMCI for the period Jan 2006 to December 2012. Due to the manual system in place, transactions and adjustments were difficult to follow. A company file was created in QuickBooks accounting software and every transaction was input from each of the manual sheets for the periods from 2006-2012.[15] These entries were taken from the cash books, general ledgers, summaries and working trial balances as prepared by Scott and Karen.

Several separate user names were set up, Karen, Karen 1, Karen 2, Scott, or WMDDH or Admin. (Please note that the user names were set up merely to be able to identify the multiple adjustments and do not in any way mean that Karen alone made these adjustments but Scott and Karen together made the adjustments) Karen and Scott names were used to enter entries or make adjustments just as they did on their manual systems. WMDDH or Admin was the login used to enter the actual information from bank statements and copies of checks that had cleared the bank. This name was also used as the login when transactions that were classified into the various fraud categories. In this manner changes to the books and records could be identified and tracked

Karen's cash sheets created by Scott and Karen were re-created and a summary can be found in Exhibit 2. It will show the items that were in cash books and not in cash books and also the adjustments made by Scott and Karen to hide/conceal the fraud.[16]

Exhibit 2 Adjustments has the details of the adjustments made by Karen and by Scott throughout the accounting process.

After all original transactions were entered, the bank accounts were reconciled and actual amounts were recorded. The transactions were allocated into the fraud categories by person and then a grand total was calculated for the fraud of Scott, Karen and Donnasue working in concert and as co-conspirators. Credit card payments were separated into personal and actual. Summaries of office supplies, shipping and other expenses were used to further allocate and identify fraud. The differences between the fraudulent set of books and actual results of operations began to appear.

Period of 1999-2005

Not as many records were available for this period of time. No cash books or general ledgers were available. That coupled with deadline constraints prohibited us from performing the same reconstruction of those years.

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[15] See also Exhibit 5, QuickBooks Overview In our re-creation we received and used documents supplied to us by the client and the stockholders of Capital Management Consultants. (see also Exhibit 4, Inventory of Documents)

[16] In QB the designation "cashbook" represents transactions taken directly from the sheets prepared by Scott and Karen. Non-cash book represents the transactions or part of transactions that although actual, either did not appear on any of the records prepared by Scott or Karen or were classified so incorrectly as to be fraudulent.

We received copies of checks from those years and from those documents prepared summaries of payments to Scott, Karen, Donnasue and vendors that appear fraudulent based upon known facts. Those checks were traced to the corresponding bank statements to assure that they cleared. A summary was prepared and the totals added to our index summary that can be found in Exhibit 3.

Period of 2013

After Scott died, the family hired Mark Munson CPA to prepare the yearend tax return for the Company. Mr. Munson supplied WMDDH with a copy of the QuickBooks file he had prepared for year of 2013. From that file, we extracted checks that by nature or intent were fraudulent. The list included those paid to Karen, Scott or Donnasue or amounts paid to credit card companies or other vendors that were personal in nature. The amounts were summarized and added to the summary file in exhibit 3

SUMMARY

As of the date of this report the total estimated fraud of the co-conspirators, James Scott Tucker, Karen Duhon and Donnasue Peveto jointly and severally is $9,530,174.32. Based on the results of our fraud examination, we find that there is sufficient evidence to support the conclusion that assets and funds and property of no less than $ 9,530,174.32. was misappropriated, converted or embezzled from Capital Management Consultants, Inc. from the period 1999 – 2013 by the combined efforts of James. Scott Tucker, Karen Duhon, and Donnasue Peveto and that these individuals together collaborated and conspired to misappropriate these assets for their personal benefit, and that of their families

As stated above, this investigation is ongoing. We reserve the right to amend or revise our report as additional information becomes available. If we can be of any further service to you, please do not hesitate to contact us.

Sincerely,

WRIGHT, MOORE, DEHART,

DUPUIS & HUTCHINSON, L.L.C.

Joan Martin

Joan M Martin, CPA, CVA, CFF, DABFA