

FILED

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TENNESSEE
AT CHATTANOOGA**

JUN 21 2017

Clerk, U. S. District Court
Eastern District of Tennessee
At Chattanooga

UNITED STATES OF AMERICA)
)
v.)
)
RICHARD ALAN BAZZELL)

1:17-cr-92
Judge Mattice/Lee

INFORMATION

COUNTS ONE AND TWO
MAIL FRAUD
(18 U.S.C. § 1341)

THE UNITED STATES ATTORNEY CHARGES:

AT ALL TIMES MATERIAL TO THIS INFORMATION:

1. The defendant, RICHARD ALAN BAZZELL, was seeking investors in the Eastern District of Tennessee and elsewhere to invest in TrailSteaks, LLC and its parent company Prosperitas Capital, LLC.

a. TrailSteaks, LLC was a snack food distribution business, of which Richard Alan Bazzell was manager.

b. Prosperitas Capital was envisioned by its creators, Richard Alan Bazzell and another individual, as a parent company of small businesses, although the only business it produced was TrailSteaks.

2. Beginning in 2010, in order to obtain funding for TrailSteaks and Prosperitas, the defendant contacted prospective investors by various means. In transacting business with investors the defendant would sometimes use the United States Mail.

3. The defendant would inflate the value of Prosperitas Capital and inform investors that they would receive a guaranteed fixed rate of return on their investment, usually 8% or above.
4. The defendant would represent to prospective investors that the money invested would be offered as a loan to qualified companies in order that these companies would grow and expand their businesses. The defendant usually represented to investors that TrailSteaks would be the recipient of the loan.
5. The defendant would prepare written loan agreements for investors, which would specify a term of months. The defendant would inform investors that upon maturity of the loan, they could opt to receive both the interest due and return of the principal, or to receive the interest and re-invest the principal, or to re-invest both the interest earned and the principal.
6. The defendant would sign the loan agreements in his capacity as president of the business, and he would sometimes sign the loan agreement in his capacity as an individual, as well.
7. The defendant would ask investors to make out checks either to "Prosperitas Capital" or to "TrailSteaks."
8. In his capacity as manager of Prosperitas Capital and TrailSteaks, and until the end of 2013, the defendant routinely made interest payments to investors when interest was due. At the end of a term the defendant returned the entire investment to some investors. For investors who authorized him to re-invest their entire investment (interest and principal), the defendant would do so, memorializing the agreement in a renewed loan agreement that reflected the re-investment of the original loan and the additional investment of the interest due.

9. TrailSteaks, LLC did not perform as well as the defendant had represented it would, with the result that by the end of 2013 the funds from investors' loans had been dissipated and Prosperitas Capital and TrailSteaks no longer had the financial resources to repay investors the principal on their loans when the loans came due.

THE SCHEME TO DEFRAUD:

10. The United States Attorney charges that beginning in or about May, 2010, and continuing until in or about August, 2015, in the Eastern District of Tennessee and elsewhere, the defendant, RICHARD ALAN BAZZELL, did knowingly devise and intend to devise a scheme to obtain money from investors in the Eastern District of Tennessee and elsewhere, by means of false and fraudulent pretenses, representations and promises, and with reckless disregard for the truth of such pretenses, representations and promises, such scheme and artifice to defraud and to obtain money by false and fraudulent pretenses being in substance as follows:

11. It was a part of the scheme to defraud that the defendant, RICHARD ALAN BAZZELL, contacted investors to invest in his company, Prosperitas Capital, LLC.

12. It was further a part of the scheme to defraud that the defendant, RICHARD ALAN BAZZELL, knowingly and with reckless disregard for the truth, would and did falsely and fraudulently inform investors that they would receive a guaranteed fixed interest rate on their investment.

13. It was further a part of the scheme to defraud that the defendant, RICHARD ALAN BAZZELL, would and did falsely and fraudulently report to investors that their investments were secure. In fact, most of the investors' money had been lost by the end of 2013.

14. It was further a part of the scheme to defraud that the defendant, RICHARD ALAN BAZZELL, would and did sometimes falsely and fraudulently use some of the invested funds to pay interest payments to other investors, thereby attempting to maintain the appearance of solvency for his fraudulent scheme.

15. It was further a part of the scheme to defraud that the defendant, RICHARD ALAN BAZZELL, would and did falsely and fraudulently provide a letter and an account statement in which the defendant informed the investors of non-existent gains in their investments. These letters and account statements were sometimes sent in the U.S. Mail.

THE EXECUTION:

16. The information contained above is incorporated fully herein. On or about the date listed below, in the Eastern District of Tennessee, the defendant, RICHARD ALAN BAZZELL, for the purpose of executing and attempting to execute the scheme and artifice to defraud and to obtain money by false and fraudulent pretenses set forth above in this Information, falsely and fraudulently informed investors of the above mentioned falsehoods, namely that investor's funds were being used in accordance with the terms of the loans he had obtained from them, when as he then knew, he had knowingly provided investors false information, their money was not secure, and re-investing the money would not produce the income for the investors that the defendant promised.

17. As a result of these false and fraudulent representations, the defendant, RICHARD ALAN BAZZELL, on or about the dates listed below, did knowingly cause to be delivered by the United States Postal Service, from the defendant and Prosperitas Capital to an address in the

Eastern District of Tennessee, mail matter, that is, documents submitted in furtherance of the defendant's investment scheme.

| Count | Posted Date | Document |
|--------------|--------------------|-------------------|
| 1 | 6/6/2013 | Letter |
| 2 | 3/31/2014 | Account Statement |

All in violation of Title 18, United States Code, Section 1341.

COUNT THREE
BANK FRAUD
(18 U.S.C. § 1344(1) & (2))

THE UNITED STATES ATTORNEY CHARGES THAT:

At all times material herein, Capital Mark Bank was a financial institution whose accounts were insured by the Federal Deposit Insurance Corporation. The defendant, RICHARD ALAN BAZZELL, was a part owner of Scenic City Brands, LLC, in the Eastern District of Tennessee. The defendant had business partners in Scenic City Brands. Scenic City Brands was engaged in the business of selling snacks, primarily beef jerky.

Beginning in or about August, 2014, and continuing until in or about May, 2015, in the Eastern District of Tennessee, the defendant, RICHARD ALAN BAZZELL, did knowingly devise and intend to devise a scheme and artifice to defraud, and to obtain money and property owned by and under the custody and control of Capital Mark Bank by means of false and fraudulent pretenses, representations and promises. The scheme and artifice to defraud and to obtain money so devised and intended to be devised by defendant was in substance as follows:

In or about November 2011 RICHARD ALAN BAZZELL sold a percentage of his business, Trailsteaks, LLC, to an investor for approximately \$220,000. In 2012, the defendant, RICHARD ALAN BAZZELL, gave this same investor an additional 5% interest in Trailsteaks, LLC. Trailsteaks, LLC, ultimately became Scenic City Brands, LLC. After the conversion to Scenic City Brands, LLC, this investor was told by the defendant that he would have a 25% ownership interest in Scenic City Brands, LLC.

In or about March, 2014 the defendant, RICHARD ALAN BAZZELL, sold a 15% interest in Trailsteaks, LLC, to another investor. After the conversion from Trailsteaks, LLC, to Scenic City Brands, LLC, this investor was also informed by the defendant that he had a 15% ownership interest in Scenic City Brands, LLC.

In August 2014 the defendant, RICHARD ALAN BAZZELL, told an individual in Marion County, Tennessee, that the defendant would assign a partial ownership interest in Scenic City Brands, LLC (the successor to Trailsteaks, LLC) to this individual in return for his assistance in obtaining a loan for Scenic City Brand, LLC. At the time the defendant promised an ownership interest, the defendant did not have the authority to assign an ownership interest in Scenic City Brands, LLC. As a result of these representations, the individual secured a line of credit from a bank in Marion County, Tennessee, and provided the proceeds to Scenic City Brands, LLC.

THE SCHEME TO DEFRAUD CAPITAL MARK BANK

RICHARD ALAN BAZZELL also told an individual (a relative) in Hamilton County, Tennessee that the defendant would assign a partial ownership interest in Scenic City Brands, LLC to this individual in return for this individual's assistance in obtaining a loan for Scenic City

Brands, LLC. At the time the defendant promised an ownership interest to this individual, he did not have the authority to assign an ownership in Scenic City Brands, LLC. As a result of the defendant's representations, in May 2015 the individual helped RICHARD ALAN BAZZELL secure a loan for Scenic City Brands, LLC from Capital Mark Bank in Chattanooga, Tennessee, by serving as a guarantor. Ultimately, the defendant, RICHARD ALAN BAZZELL, and this individual each guaranteed the loan, which was made to Scenic City Brands, LLC. At the time of this loan from Capital Mark Bank, the relative who assisted in obtaining it informed the Bank that he had a 20% ownership interest in the company, Scenic City Brands, LLC. This information was material to the Bank in the Bank's decision to grant the loan to this individual.

The defendant, RICHARD ALAN BAZZELL, misused some of the funds obtained from the Bank in that the defendant applied some of the funds for ventures other than Scenic City Brands. For example, the defendant used some of the funds to make interest payments to TrailSteaks, LLC and Prosperitas Capital investors, who were not part-owners of Scenic City Brands, LLC.

THE EXECUTION:

The United States Attorney realleges and incorporates by reference the above paragraphs of this Information as if fully set forth herein. On or about the date set forth below in the Eastern District of Tennessee and elsewhere, the defendant, RICHARD ALAN BAZZELL, for the purpose of executing the aforesaid scheme and artifice to defraud a financial institution, Capital Mark Bank, and attempting to do so, and to obtain money, funds, assets and other property owned by, and under the custody and control of a financial institution insured by the Federal Deposit Insurance Corporation, Capital Mark Bank, by means of materially false and

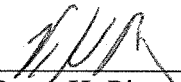
fraudulent pretenses, representations, and promises, did knowingly cause another to serve as guarantor and thus assist in obtaining a line of credit from the Bank, the proceeds of which were then available to the defendant, intending such fraudulent pretenses and representations to conceal that the loan application omitted material facts, such transactions being more fully described as follows:

| Count | On or about: | Loan No. | Approximate Amount: |
|-------|--------------|-----------|---------------------|
| 3 | May 22, 2015 | 400299243 | \$200,000.00 |

All in violation of Title 18, United States Code, Sections 1344(1) & (2).

NANCY STALLARD HARR
UNITED STATES ATTORNEY

By:



Perry H. Piper
Assistant U.S. Attorney

CRIMINAL CASE COVER SHEET

U.S. ATTORNEY'S OFFICE

Place of Offense (City & County): Chattanooga, Hamilton County, Tennessee

Defendant Information:

Juvenile Yes No Matter to be Sealed: Yes No

Defendant Name: RICHARD ALAN BAZZELL

Interpreter: No Yes Language _____

Total # of Counts: _____ Petty _____ Misdemeanor (Class _____) 3 Felony

| | <u>ORIGINAL</u> U.S.C. Citation(s) and Description of Offense Charged | Count(s) |
|-------|--|----------|
| Set 1 | 18 U.S.C. § 1341 Mail Fraud | 1-2 |
| Set 2 | 18 U.S.C. § 1344(1) and (2) | 3 |

(Use tab key after entering counts to create additional rows)

| | <u>SUPERSEDING INDICTMENT</u> U.S.C. Citation(s) and Description of Offense Charged | New count? Y or N | New Count # | Old Count # (if applicable) |
|-------|--|----------------------|-------------|--------------------------------|
| Set 1 | | | | |

(Use tab key after entering counts to create additional rows)

Current Trial Date (if set): n/a before Judge _____

Criminal Complaint Filed: No Yes Case No. _____

Related Case(s):

| Case Number | Defendant's attorney | How related |
|-------------|----------------------|-------------|
| | | |

Criminal Informations:

Pending criminal case: No Yes Case No. _____

New Separate Case _____ Supersedes Pending Case _____

Name of defendant's attorney: Leslie Cory

Retained: Appointed:

Date: 6/21/2017 Signature of AUSA: 