

21 June 2007

Dear Family,

This letter is agonizing to write, but I need to prepare the family for a very unfortunate situation. Disturbing information about theft and betrayal will soon become public at trial and it's going to be very hard on many people I love. The scale of this information is massive as are the crimes that were committed. As such, this letter is going to be very long. I apologize for that in advance. Nonetheless, the family deserves to know, and I would prefer you hear this information from me rather than reading it in the newspaper for the first time.

For many years, I have tried to deal with this in quiet dignity behind-the-scenes. It has taken years of research and discovery to piece together the information, and it is shocking. The scale of the lies, manipulation and cover-up are enormous. But I've always felt secrets are terrible things. Like a cancer, their destructive power grows unabated until they destroy. In contrast, the truth is precious even when it's difficult to face.

As many of you know, my sister Teri has cancer. And it breaks my heart. You may also know that her husband Rick worked for Decipher years ago. In 2001, we discovered Rick had embezzled money from the company, and in the intervening years, more and more information has come to the surface about those crimes.

After six years, we have now come into possession of documents that expose details Rick covered up from Decipher and the family all this time. If we had not filed a civil suit against him, these documents would have remained hidden forever. Through interrogatories and discovery, we received copies of "some" of Rick's bank records and tax returns. In the last few months, we have tracked stolen funds to Rick's personal bank accounts. We have discovered at least five personal bank accounts (one in Rick's name alone), and there are probably more. During this process, we also discovered over a million dollars in income tax evasion.

For a period of nine years while employed at Decipher Inc. Rick secretly committed thousands of acts of embezzlement, forgery, computer fraud, credit card fraud, equipment theft, income tax evasion, failure of fiduciary duties to trusts set up for my nieces when I started the company, the unauthorized procurement of company loans and equipment, grand larceny, criminally receiving goods and services fraudulently, money laundering, failure to file accurate expense reports, conspiracy, submission of false financial

statements and financial reports to management and financial institutions, wire fraud, the intentional mismanagement of company assets, and a cover-up that included a vast web of overt lies to employees, management, and family members. Rick started stealing covertly in 1993, only one month after I gave him the authority to sign company checks. Every time we go back into the records, we find additional crimes that were covered up. It's too immense to imagine.

To date, Decipher has discovered \$392,435.01 in check fraud; \$439,940.89 in credit card fraud; \$41,188.21 for embezzlement checks in Teri's name (which we believe Rick forged without Teri's knowledge); \$209,317.72 in trust fraud; \$4,723,732.23 in covert mismanagement and other clandestine activities (including computer fraud), \$1,008,093.70 in salary and bonuses paid to Rick during the period when he was stealing and covering up his crimes, and much more. Just with what we know (and we will never know it all), Rick stole millions directly. In addition, he covertly expended millions in company assets in an effort to bankrupt Decipher and thus conceal his crimes. A year or two after the discovery of this cover-up, Decipher wrote off \$8,958,984.00 as a direct result of Rick's actions. Since that time, we have uncovered more.

A few weeks ago, I privately gave Rick the opportunity to settle the civil case out-of-court in an effort to prevent Teri from having to endure depositions or his civil trial while she is bravely undergoing chemotherapy. Teri's condition is especially hard on my parents because my brother-in-law has driven a wedge between family members with lies and manipulation. In a letter to Rick, I stated:

*While I firmly believe you should be punished for your crimes, my sister's health has become an extenuating factor for me. I don't think Teri should be forced to endure depositions or suffer the pain of hearing evidence in a civil court that you stole funds in her name, forged her signature, and put her at risk of going to jail. Your decision to file joint tax returns that did not report over a million dollars in stolen funds made Teri an unwitting participant and put her at great personal risk.*

*The idea that Teri might have to endure depositions, testimony and a trial while undergoing chemotherapy is untenable to me. Since crimes were committed in her name, she has to be deposed if this trial moves forward.*

*For my sister's sake, not yours, I am willing to make a settlement offer to set aside the pending civil action. The terms of settlement require you to come clean about the level of your betrayal, accept responsibility for your actions, and agree to pay restitution. With what we know today, I would never offer you a settlement of any kind were it not for Teri's condition.*

*It's up to you how hard you make this on Teri. All of the information on your criminal activities and much more about your deceit and manipulation will be exposed at the public trial. Therefore, I make this offer to protect my sister.*

*If you disagree with any word or phrase in this settlement offer and present evidence to Bradley Reaves (Decipher's attorney) to the contrary, we will negotiate changing that word or phrase.*

I gave Rick the opportunity to admit that: (1) he acted alone, without Teri's knowledge or consent when he wrote embezzlement checks payable to her; (2) he forged her signature; (3) Teri did not assist him in any way; and (4) Teri was unaware of his crimes when she signed joint Federal and State income tax returns. He refused. I also offered to settle the case for 20% of what Rick's actions directly cost the company. A condition of settlement, however, was that Rick tell the truth. This would force him to admit to his wife and children what he had done. Instead, Rick chose to try to protect himself at their expense. To prevent depositions while Teri is sick, Decipher initiated an extension of the case. Rick, on the other hand, did nothing to protect her.

So, before this information becomes public, I'm going to disclose to the family the unfortunate character of Rick Eddleman. What I offer is candor and sincerity. These details will be revealed at trial, but here's a condensed version of literally thousands of unspeakable acts of betrayal committed by a man we all trusted.

While I'll add to the details later, in early 2001, Decipher initially discovered about \$120,000 in theft by Rick. Rick told us (and my parents) that he didn't know why he had "borrowed" the money, but that he had documented everything and intended to pay it back. While we were shocked by the discovery of this covert behavior, we could only surmise at the time that Rick was under intense pressure. Out of concern for Rick's mental and physical safety, Decipher allowed him to resign, paid him severance, and offered to pay for therapy. Still, we confronted him and asked the most obvious question, "Is this all?" Rick said, "Yes. That's everything."

**He lied. \$120,000 was barely 1% of his crimes.**

He was covering up millions and millions of dollars in criminal acts. No one but Rick knew this at the time, but he had been stealing for nine years. It was grand larceny on a grand scale. Determined to hide this, Rick continued the lies and manipulation he had been carrying out for so long. In the initial stage of discovery, Rick told his family he had "borrowed" money from Decipher and "intended to pay it back." Rick sold an office building that my parents had given to him and his children years before. He used \$15,000 from Rickell, \$15,000 from Brielle, and \$15,000 from his and Teri's proceeds, and paid \$45,000 to Decipher. A few days later, he paid \$2,500. We now know this behavior was calculated to deceive his wife and children into thinking that he was going to pay back what he said he had "borrowed." These were the last and only payments Rick would ever make. In the intervening six years, he hasn't paid a dime.

Within a few months of the "tip of the iceberg" discovery, it was clear the scale of his crimes was many hundreds of thousands of dollars more than he led us to believe. Within two years, it was clear it was in the millions. Rick had covered up everything in dozens and dozens of calculated and elaborate schemes. Stealing from Decipher wasn't just

stealing from me. My parents owned 13% of the stock. Cindy Thornburg, the company president, owned 10% of the stock. I had set up a trust for each of my nieces when I formed the company in 1983, long before we ever made any money, that gave Rickell and Brielle each 5% of the company's stock.

What kind of man steals from his own children and then lies to them? The pathology of embezzlement is quite common, unfortunately. So are phenomena like "betrayal bonding" and the Stockholm syndrome where the victims and family members of criminals rush to the defense of the person who is manipulating them. It's human nature to take up for the ones we believe love us, even when they are abusing us. However, it's only the mask that is seen, not the surreptitious manipulation and malicious intent behind it.

Before I get to some of the narrative of what we have discovered and will present at trial, first let me provide a *small* sampling of Rick's credit card fraud at Decipher that began in 1995, the first year the company issued cards to employees. As vice-president of finance and information technology officer, Rick was responsible for reviewing and auditing employees' charges and expense reports. Thus, he could veil his own. In cloak-and-dagger fashion, he did. I emphasize that this is a very small sample. There are far too many to list them all here. Nonetheless, it's a glimpse behind the mask of the man.

**1995: Rick stole over \$101,000 that year from this ONE method of embezzlement alone. Examples include:**

Sofas Etc.	\$1,200.00
Sports Authority	\$389.41
Murrays Fly Shop	\$660.81
Hecht's	\$421.57
Best Western-Radford	\$141.86
Radford University Bookstore	\$664.14
Budget Rent A Car	\$260.79
Barnes & Noble	\$210.16
Best Western-Radford	\$145.70
Sprint Cellular	\$413.46
Circuit City	\$6,038.18
Haynes Furniture	\$1,118.15
Ritz Camera	\$342.58
Military Circle Gift	\$659.70
Rigorno Sunglass	\$218.38
Reed Jewelers	\$825.80
etc.	

**1996: Rick stole over \$68,000 in credit card embezzlements including such things as:**

Seashore Hobby Bike Shop	\$325.88
Nada Chair	\$200.26
Mai Ab Roller	\$27.25
Abercrombie	\$103.55
Men & Mice	\$530.00

Seashore Hobby Bike Shop	\$390.62
Conte's Bike & Fitness	\$1,039.34
Making Money/Health Tec	\$1,995.00
Hall Honda-Va Beach	\$2,982.27
Beecroft & Bull	\$177.91
Radford University Bookstore	\$541.33
Barnes & Noble	\$644.43
Hecht's-Va Beach	\$742.98
Ticketmaster	\$321.05
etc.	

**1997: Rick stole over \$107,000 in credit card embezzlements including such things as:**

Leggett	\$715.69
Ritz Camera	\$1,736.54
Suncoast Video	\$328.92
Circuit City	\$541.31
Levin's Brass Beds	\$1,522.32
Beecroft & Bull LTD	\$1,533.54
1-800-Flowers	\$83.98
Frederick's of Hollywood	\$142.45
Trade Your Way To Riches	\$289.60
Home Quarters	\$190.35
Best Western Radford	\$155.86
Radford University	\$189.70
Frank Gruber MD	\$375.00
LCT Fine Jewelers	\$458.96
Decorum furniture	\$1,250.00
The Atlantic Sands Hotel - Rehoboth	\$400.14
Experienceplus	\$3,800.00
Newcastle Motel - Virginia Beach	177.00
Jake Seafood House-Rehoboth	\$54.90
Chick's Oyster Bar	\$112.65
Alleghany Inn-Radford	\$85.40
Lynnhaven Fish House	\$125.64
etc.	

**1998: Rick stole over \$67,000 in credit card embezzlements including such things as:**

Advanced Answers for Skin	\$67.93
Bed Bath & Beyond	\$55.14
BJ's Wholesale	\$142.56
Store of Knowledge	\$125.30
Dive Quarters	\$225.55
Planet Music	\$100.00
Lynnhaven Dive Center	\$667.39
Classic Custom Vacations	\$2,441.97
Godiva Choclatier	\$95.28

Henry's Raw Bar-Va Beach	\$240.74
Costal Grill	\$214.32
Gap	\$98.20
UNC Bookstore-NC	\$370.83
Marina Shores LTD	\$132.65
Midwest Center for Stress	\$391.80
Lifestyle Homedesign	\$2,556.50
Honey Bee Golf Club	\$84.00
Skymall Airline Catalog	\$332.36
etc.	

**1999: Rick stole over \$72,000 in credit card embezzlements including such things as:**

Hall Auto Mall	\$630.30
Lifestyle Homedesign	\$2,556.50
Geoffrey Beene	\$365.39
Saks Fifth Avenue	\$134.81
Suncoast Video	\$124.28
Blue Ridge Mountain Sports	\$252.89
Fine Jewelers	\$282.15
Planet Music	\$213.57
The Bombay Co.	\$135.59
Banana Republic	\$792.58
AAA Tidewater membership	\$133.00
800-Send-FTD Lfower	\$90.05
800-Send-FTD Lfower	\$85.62
THA*Bioslim	\$30.93
Genesis Media Group	\$1,695.00
Williams Sonoma	\$484.88
Fanigs Footwear	\$652.50
Honey Bee Golf	\$1,035.00
Nordstrom	\$462.86
Hotel Moon Palace	\$205.04
GTE Mobile	\$208.90
Decorum	\$4,172.61
Patient Choice Inc.	\$148.00
The Rowe Showplace-Va Beach	\$814.00
Chef Maxwell's Restaurant	\$257.81
Edwin Watts Golf Shops	\$585.17
Lenscrafter's	\$315.65
Peoples Pottery	\$376.20
etc.	

**2000: Rick stole over \$69,000 in credit card embezzlements including such things as:**

Nordstrom	\$820.33
Tidewater Galleries	\$2,502.78
FTD.com	\$128.98

Delta Air - T Eddleman	\$614.00
The Atlantic Sands Hotel	\$583.20
One Fish Two Fish-Va Beach	\$131.08
Foons Rest-Va Beach	\$63.63
Britt Worldwide	\$155.00
Baywood Greens	\$204.00
Polo Factory Store	\$269.99
Pro Step Inc	\$314.00
Diamond Men's Wear	\$916.90
Pargo's-Va Beach	\$68.37
Y Not Pizza	\$45.95
Chili's Restaurant-Va Beach	\$74.79
Max & Erma's	\$42.55
Lone Star Steakhouse	\$204.12
Wyndham Myrtle Beach Resort	\$141.92
Franklin Covey	\$196.99
Atlas Diner	\$52.84
Silver Diner-Va Beach	\$60.14
Denny's	\$26.25
Lord & Taylor Layettes	\$84.17
etc.	

**2001: (Rick worked two months in 2001 before the tip of the iceberg of his crimes started to come to light. In those two months, he stole \$11,640.98 through this method alone) including such things as:**

Davinci Toys	\$74.14
Hecht's Gadgets	\$201.66
Old Navy	\$150.00
Kroger	\$41.95
Zia Maria-Va Beach	\$223.25
Cracker Barrel	\$71.69
Holiday Inn Coliseum	\$189.00
The Bistro-Va Beach	\$218.04
David Nygaard Fine Jewelers	\$2,037.75
Lynnhaven Fish House-Va Beach	\$168.32
etc.	

As one example, when everyone else in the company was conserving money in 2001, Rick covertly bought Teri an expensive piece of jewelry for Valentine's Day paid for with stolen funds from Decipher. That's the charge listed above from David Nygaard Fine Jewelers for \$2,037.75. As you can see from this small excerpt, most of the purchases were daily occurrences. It was premeditated theft on an enormous scale. I'll explain how he got away with this a bit later, but remember we initially only knew of \$120,000, and Rick told us, "Yes. That's everything."

To put Rick's criminal activity into perspective... to give you a "sense" of what Rick did and will do to steal and conceal... I need to relate a few stories throughout this letter. The extent of the deeds makes it difficult to start. So, I'm going to begin with a story that defines his character. It's shocking:

*In 1999, on the morning of my beautiful niece Rickell's wedding, a golf outing was organized for about twenty people. Those in attendance included the groom (Matt), Uncle Bo (the Baptist minister presiding over the nuptials that day), Rick and others. I did not go.*

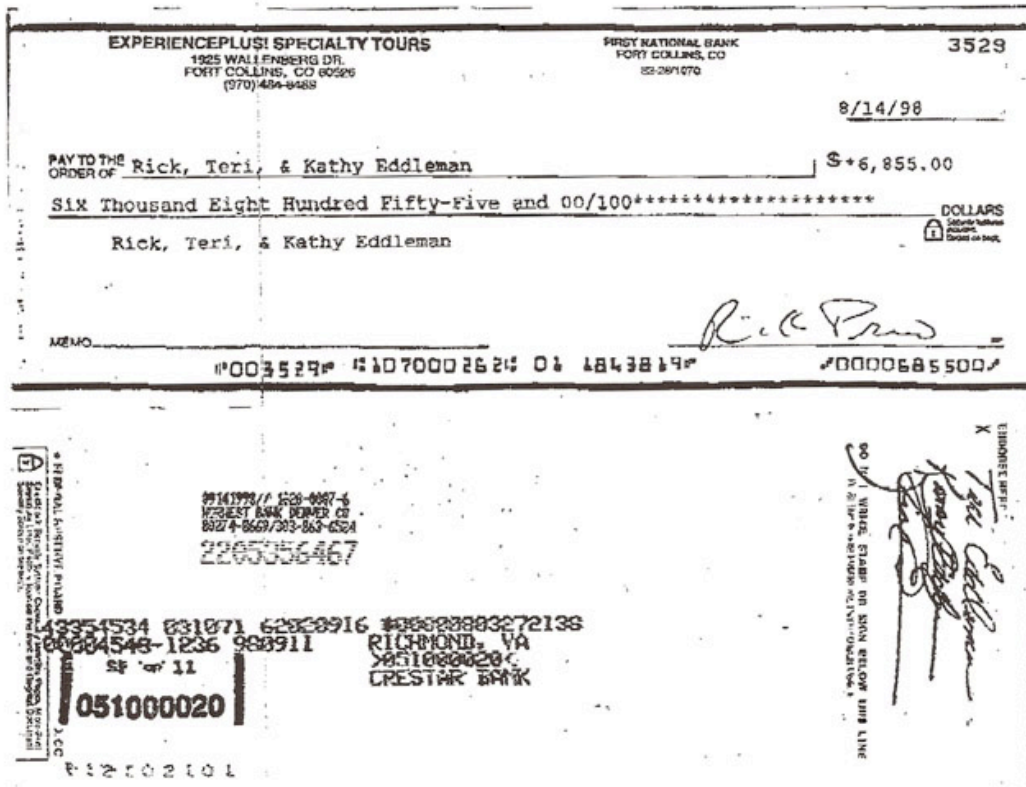
*One day when I was showing Uncle Bo a spreadsheet of credit card fraud listing some things Rick had embezzled, Uncle Bo pointed to one of the charges and said, "I know what that is!" He proceeded to tell me the story of how, outside of the clubhouse, Rick had taken up a cash collection from the participants, approaching \$1,000, and Rick paid the green fees. Everyone then played golf and came back for the wedding. In reality, what Rick had done was paid the bill of \$1,035 with his Decipher credit card (embezzling the funds), and he kept everyone else's cash. Rick stole from his soon to be son-in-law, a Baptist minister, Decipher and others **on the day of his daughter's wedding!***

Another example...

*In September 1997, Rick, Teri, and Rick's sister Kathy (also a Decipher employee at the time) took a bike trip in Italy. They gushed with joy about the experience. Rick covertly paid for the \$4,300 trip by embezzling the funds from Decipher via credit card. I have no reason to believe that Teri had any knowledge of how the trip was funded, but given Rick's refusal to say that she was not involved, this is one of the many questions the lawyers must now ask her in preparation for the civil trial.*

*In July 1998, Rick and Kathy booked a trip for three with the same travel company (Experienceplus) to Provence, France. They charged the \$6,135 final payment on Kathy's Decipher credit card and again embezzled the funds. A month later, they canceled the trip, got Experienceplus to issue a refund check in the names of Rick, Teri, & Kathy Eddleman, and they cashed the check and kept the money. I assume Teri's signature was forged, but here's the refund check supplied to us by Experienceplus:*





*Under Virginia law the above crimes are felonies: Embezzlement deemed larceny (§18.2-111), criminally receiving goods and services fraudulently obtained (§18.2-197) and Money Laundering (§18.2-246.3), among others.*

Another example...

*We have discovered records of nearly every Christmas present, about \$10,000 a year, Rick gave to his family at least between 1995 and 2000. They were all clandestinely paid for with stolen funds from Decipher. Imagine what must go through a man's mind when, year after year, Christmas presents are opened to gleeful and appreciative eyes and Rick alone, behind the mask of generosity, knows the gifts were all stolen.*

Another example...

*The year Rick started with Decipher, his construction company, Eastman, had gone out of business and Rick had filed for personal bankruptcy. Rick told me how much he loved working with computers. When Eastman's bankruptcy occurred, Decipher was in a growth phase. I offered Rick a job to help him and his family through a very rough time. But also because Decipher was a family business in many respects and the trust one has in a close family member is unquestioned.*

*Rick spoke of the struggles at the end of Eastman and how the banks were unsupportive and put him out of business. In the course of many tales, he*

*mentioned that he had a \$20,000 tax bill due. That Christmas, I gave \$10,000 to Rick and \$10,000 to Teri. I told them both that I wanted Rick to be able to pay the tax lien, start at Decipher with a clean slate, and not have to worry about the weight of past adversities encroaching on the future.*

*Our lawyers later learned from IRS contacts, and we learned from former business associates of Rick's, that he didn't pay the Eastman taxes in question... his former partner did. But, Rick kept the \$20,000 I gave them and never told anyone the truth.*

*That same December, Rick was given the position of vice-president of Finance in Decipher. Rick spoke of his joy in working on our computer challenges and he mentioned how grateful he was to be at Decipher where things were positive. **He started stealing from the company less than 30 days later.***

How could he get away with it? It's amazingly simple in hindsight: We totally and completely trusted him.

The company was enormously profitable, making millions of dollars a year, and it was very easy for Rick to hide hundreds of thousands of dollars at a time. No one... not management, not our accountant, not our vendors, not our lawyer, not my parents, not Rick's family, and not anyone else could imagine Rick was committing such crimes for all nine years he was employed. And yet, he did... day after day.

*Another way Rick got away with it was manipulating his own accounting staff.*

*Over time, through many tricks, Rick implied to some of his staff that the reason they had jobs was because he shielded them from Cindy and me. In other words, Rick was the hero and we were the bad guys. Once he had built this psychological wall of protection, Rick told Becky, our controller, that I had given him the right to borrow money from the company. It was a lie, I had not. Rick had already been stealing for two years with checks and he saw this as an opening to steal more by betraying another trust.*

*He constructed a web of lies so our controller would not catch his planned credit card theft. Once the cards were issued to everyone in the company, it was Rick's job to review and audit the expenses. He immediately started using his own company card for personal items and marked some (a few of them) as loans so Becky wouldn't question the charges. Some of these purchases were recorded in a "suspense" account. It's a holding account until the funds are cleared with a repayment. Thus, Rick projected the appearance of honesty to his subordinates. It was all an act perpetrated as follows:*

*When the suspense account would get to \$50,000 or so (small enough that it would not be material to our outside accountants), Rick would sometimes show Becky a personal check in that amount as if he were making a deposit to pay it back. That*

*night when Rick was working late (because Decipher was working him so hard, he told my father repeatedly), Rick would destroy the personal check (never to touch his bank accounts as we now know) and write-off the suspense account illicitly in small amounts to nearly every general ledger account in the company.... spreading the theft through the entire financial statement and thus only changing numbers in each category by a small fraction of a percent. It was totally undetectable in this form and yet massive amounts of money could be stolen. The next day, the suspense account would be zero again, and our controller and other workers in accounting believed Rick had repaid his "personal" charges. Since Rick also did the bank reconciliations, no one on his staff saw that it was all a lie.*

*One former accounting employee was suspicious of Rick. Rick created stories in the management meetings about her "poor performance" that ultimately led us to supporting him in firing her. In a telephone interview I had with her years later she said to me, "I suspected Rick was skimming. There were rumors, but he was your brother-in-law so I never said anything. Besides, he told us what bad people you and Cindy were. When I was fired, I just left quietly."*

### **I'm pretty sure my sister didn't know either. But, Rick was stealing in her name...**

In 1993, 1994, and 1995 Teri also worked at Decipher. In 1993, for example, Rick stole over \$37,000 via checks and forgery, and hid those checks by writing them off in the computer system to various accounts in the General Ledger. By stealing in Teri's name, Rick implicated her. Under Virginia law, these methods of theft represent five different kinds of felonies: Embezzlement and fraudulent conversion (§18.2-111), Fraudulent entries (§18.2-113), Computer fraud (§18.2-152.3), Forgery (§18.2-172), and Obtaining money or signature by false pretense (§18.2-178).

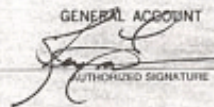

In 1994, the above methods were used by Rick to steal over \$93,000 (with just over \$17,000 stolen in Teri's name). For example, the following spreadsheet details one method of embezzlement (that of writing triple or quadruple payroll checks). Decipher's payroll was twice a month. Every month in green has three or four checks, and every check marked in yellow below is an embezzlement. The evidence is irrefutable: we have now traced these stolen funds directly to a personal joint bank account in Rick and Teri's name. There are many, many more, but they would overwhelm you if you are not already overwhelmed.

The ones in Rick's name are much, much larger, but let's look at just 1994 and just the checks in Teri's name to give you a sample.

Date	Check#	Payee		Amount
1/13/94	13716	Teri Eddleman	Payroll	\$644.08
1/31/94	13824	Teri Eddleman	Payroll	\$644.39
2/14/94	13906	Teri Eddleman	Payroll	\$644.39
2/25/94	13988	Teri Eddleman	Payroll	\$644.39
Rick didn't supply requested bank statements for above months.				
3/15/94	14083	Teri Eddleman	Payroll	\$644.39
3/28/94	14171	Teri Eddleman	Embezzlement	\$644.39
3/31/94	14183	Teri Eddleman	Payroll	\$644.39
4/15/94	14231	Teri Eddleman	Payroll	\$644.39
4/26/94	14268	Teri Eddleman	Embezzlement	\$644.39
4/30/94	14307	Teri Eddleman	Payroll	\$644.39
5/13/94	14346	Teri Eddleman	Payroll	\$644.39
5/31/94	14414	Teri Eddleman	Payroll	\$644.39
6/9/94	14458	Teri Eddleman	Embezzlement	\$644.39
6/15/94	14530	Teri Eddleman	Payroll	\$644.39
6/29/94	14579	Teri Eddleman	Payroll	\$644.39
7/11/94	14612	Teri Eddleman	Embezzlement	\$644.39
7/14/94	14622	Teri Eddleman	Payroll	\$644.39
7/25/94	14661	Teri Eddleman	Embezzlement	\$644.39
7/29/94	14677	Teri Eddleman	Payroll	\$644.39
8/15/94	14744	Teri Eddleman	Payroll	\$644.39
8/26/94	14793	Teri Eddleman	Embezzlement	\$644.39
8/31/94	14809	Teri Eddleman	Payroll	\$644.39
9/13/94	14857	Teri Eddleman	Payroll	\$644.39
9/20/94	14903	Teri Eddleman	Embezzlement	\$644.39
9/30/94	14940	Teri Eddleman	Payroll	\$644.39
10/14/94	14994	Teri Eddleman	Payroll	\$644.39
10/25/94	15092	Teri Eddleman	Embezzlement	\$644.39
10/31/94	15148	Teri Eddleman	Payroll	\$644.39
11/14/94	15327	Teri Eddleman	Payroll	\$644.39
11/21/94	15373	Teri Eddleman	Embezzlement	\$667.98
11/29/94	15423	Teri Eddleman	Payroll	\$667.98
12/2/94	15515	Teri Eddleman	Embezzlement	\$667.98
12/15/94	15603	Teri Eddleman	Payroll	\$712.75
12/19/94	15632	Teri Eddleman	Embezzlement	\$712.75
12/29/94	15721	Teri Eddleman	Payroll	\$712.75

We have discovered over \$41,000 stolen in Teri's name alone from 1993 to 1995. We now have copies of the front and back of ALL the checks written from 1992 until Rick left in 2001.

I'll enclose the December 2004 transactions from above just so you can see some hard data. Two of the checks below are real payroll checks and the other two are embezzlements. This is a process Rick repeated hundreds of times putting my sister at risk for going to jail.

<b>DECIPHER INC.</b> 253 granby street • norfolk • virginia • 23510-1813 p.o. box 56 • norfolk • virginia • 23501-0956 phone (804)623-3600 • fax (804)623-3630		<b>CRESTAR BANK</b> NORFOLK, VIRGINIA 68-34/514	CHECK NO. <b>15515</b>
<b>Six hundred sixty seven and 98/100</b>		DATE <b>12/2/94</b>	AMOUNT <b>****667.98</b>
PAY TO THE ORDER OF <b>Teri Eddleman</b> 2313 Beach Haven Drive #302 Virginia Beach VA 23451	GENERAL ACCOUNT  AUTHORIZED SIGNATURE		
⑈015515⑈ ⑆051400345⑆ 00048??88⑈ ⑆0000066?98⑆			
ENDORSE HERE 	DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE RESERVED FOR FINANCIAL INSTITUTION USE	<b>CRESTAR BANK</b> 7618 PARHAM RD RICHMOND, VA 23229 ⑆0510-0002-0⑆ DEC 2 1994	⑆051000020⑆ DEC 9 02

DECIPHER INC.  
253 granby street • norfolk • virginia • 23510-1813  
p.o. box 56 • norfolk • virginia • 23501-0056  
phone (804)623-3600 • fax (804)623-3630

CRESTAR BANK  
NORFOLK, VIRGINIA

68-34/514

CHECK NO.

15603

Seven hundred twelve and 75/100

DATE  
12/15/94

AMOUNT  
\*\*\*\*712.75

PAY  
TO THE  
ORDER  
OF  
Teri Eddleman  
2313 Beach Haven Drive #302  
Virginia Beach VA 23451

GENERAL ACCOUNT

*Teri Eddleman*  
AUTHORIZED SIGNATURE

⑈015603⑈ ⑆051400345⑆ 000487788⑆ ⑆0000071275⑆

ENDORSE HERE

*Teri Eddleman*

1132 77292  
DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE  
RESERVED FOR FINANCIAL INSTITUTION USE

CRESTAR BANK  
7818 PARHAM RD  
RICHMOND, VA 23229  
⑈0510-0002-0⑈

DEC 16 3 41

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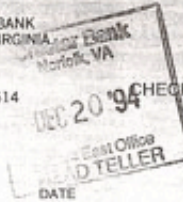
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DECIPHER INC.  
253 granby street • norfolk • virginia • 23510-1813  
p.o. box 56 • norfolk • virginia • 23501-0056  
phone (804)623-3600 • fax (804)623-3630

Seven hundred twelve and 75/100

CRESTAR BANK  
NORFOLK, VIRGINIA

68-34/514



CHECK NO.

15632

DATE  
12/19/94

AMOUNT  
\*\*\*\*712.75

PAY TO THE ORDER OF  
**Teri Eddleman**  
2313 Beach Haven Drive #302  
Virginia Beach VA 23451

*Mr*

GENERAL ACCOUNT

*[Signature]*  
AUTHORIZED SIGNATURE

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*Teri Eddleman*

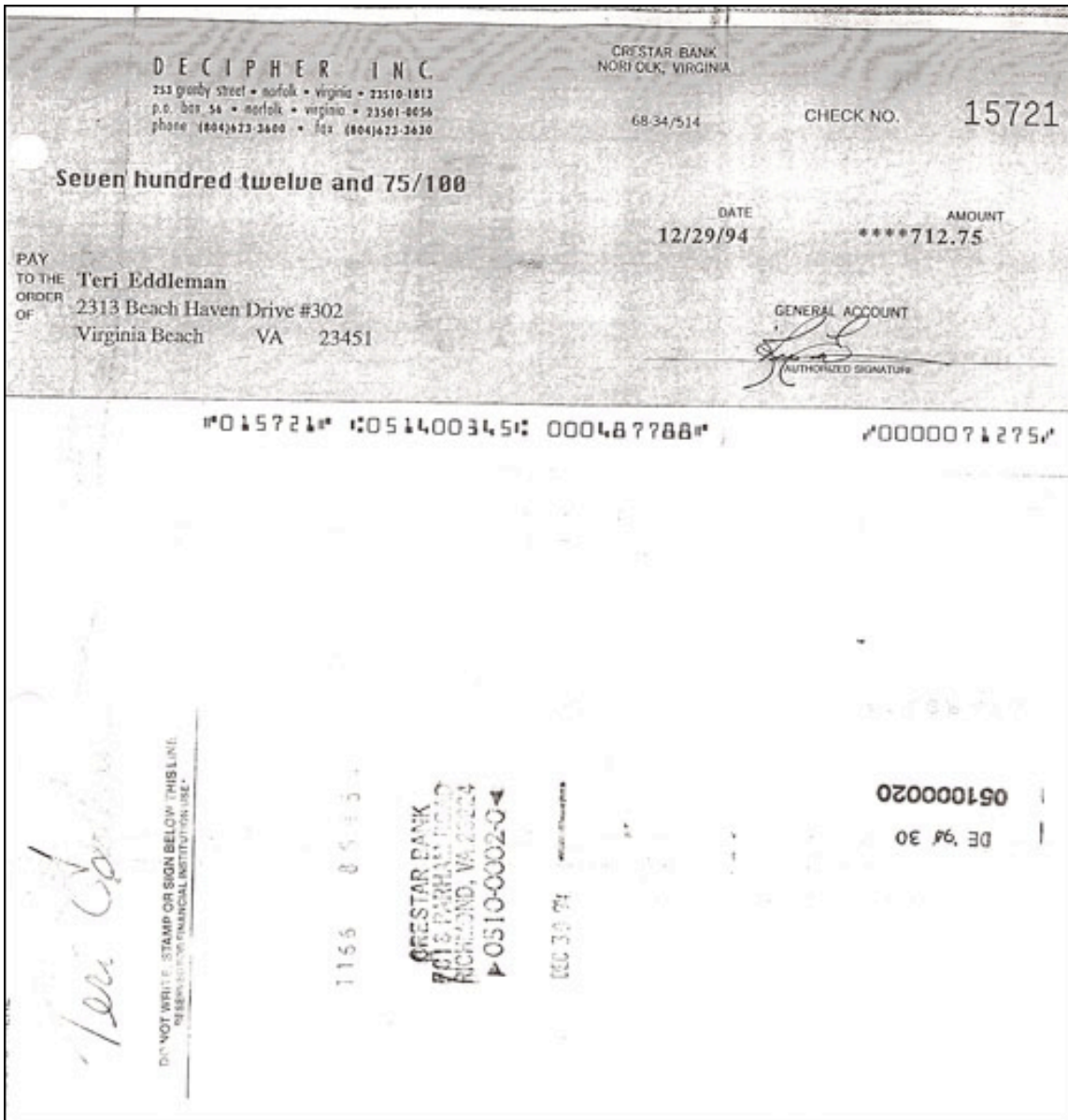
DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE  
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CRESTAR BANK  
7818 PARHAM ROAD  
RICHMOND, VA 23224  
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**This is not the act of a man who respects his family.**

As mentioned previously, in the computer system, Rick would code the embezzlements as if they were payments to vendors. The physical checks were instead actually written to Rick or Teri. The only way to discover this cover-up was to cross-reference a physical check processed by the bank, as we did above (and have now done for every company check written to Rick or Teri from 1992 until 2001) with the internal computer records Rick had manipulated and controlled. Since Rick did the bank reconciliations, the accounting staff would rarely see the physical checks from the bank, but even if they did the individual checks would have appeared to be payroll checks.

This is an elaborate scheme. One of the amazing things about this behavior is the enormous amount of planning and thousands of lies necessary to conceal it. These are calculated and intentional felonies in a daily pattern of behavior. It's not a single crime, but



rather a lifestyle of stealing in a multitude of separate criminal actions on a continuous basis. This occurred day after day after day.

In 1995, Rick stole over \$76,000 using methods similar to the above. All this is in addition to the credit card theft mentioned earlier. 1995 was the year Teri stopped working for Decipher, however, Rick continued to steal via checks: \$39,44.63 in 1996, \$90,751.94 in 1997, \$25,610.56 in 1998, \$27,603.92 in 1999, and on and on. His catalog of felonies is off the scale.

The above checks are shown because they are in Teri's name, but not to be outdone with these smaller amounts, Rick used a similar method to steal enormous sums of money between 1993 and 2001 in single checks of \$8,000 and \$7,232.56 and \$5,000.00 and \$6,876.23 and \$14,500.00 and \$6,412.06 and \$10,500.00 and \$3,816.30 and \$11,000.00 and \$19,842.30 at a time. He repeated this scenario over and over and over, for nine years. While the computer records show these checks were written to various vendors, an exhaustive examination of the physical checks themselves revealed that they were written to Rick, signed by Rick, and cashed by Rick.

**Rick also partnered with his sister Kathy to steal even more.**

Rick's sister, Kathy Eddleman, also worked for the company and stole tens of thousands of dollars in a conspiracy with Rick. From 1998 to early 2001, Kathy embezzled money with her company credit card, in a mirror image of Rick's theft, using *exactly* the same method. And, as Kathy's supervisor, Rick was responsible for reviewing and approving her credit card purchases, so it would have been impossible for him to miss. Examples of Kathy's theft include:

Barnes & Noble	\$85.71
Planet Music	\$100.00
Marina Shores LTD	\$400.00
Marina Shores LTD	\$360.80
Experience Plus	\$6,135.00
Coastal Grill-Va. Beach	\$114.14
Best Western Radford	\$165.32
Macado's Radford	\$168.07
Vance Hotel Seattle	\$382.96
Rams Head Tavern-MD	\$56.75
Loews Hotel	\$67.77
Country Inn-MD	\$204.17
Scott Parr, DDS (dentist)	\$2,900.00,
R Scott Parr DDS (dentist)	\$1,691.99
Enterprise Rent-A-Car	\$584.07
Farm Fresh-Va Beach	\$22.99
One Fish Two Fish	\$105.51
Max & Erma's	\$239.41
Marina Shores Adminis	\$1541.78

YPAC- Canine Country Club	\$325.00
American Boat Listing	\$190.00
Sands Parking Systems	\$480.00
Max & Erma's	\$45.07
Shell- Va Beach	\$33.34
Kabler School for Dogs	\$600.00
Beach Video Productions	\$104.40
Marina Shores Admins	\$594.59
YPAC Canine Country Club	\$200.00
Marina Shores Admins	\$485.70
Marina Shores Admins	\$485.70

Rick and Kathy paid for "Doggie Day Care" by stealing money from Decipher. When our controller was out of town, and Rick was spending millions of dollars behind-the-scenes, Rick wrote a check to Kathy for \$2,500 to make payments on her car. In fact, Kathy had asked me for a company loan that same year, and I had indicated that Decipher was short of cash at the time and could not make loans. Instead, not aware that they were stealing, I personally loaned Kathy \$9,500 to help her purchase a boat so she could live her dream on the water.

*A few years ago, Rick and Kathy were working for the same used car dealership. Decipher had to sue Kathy, just like the current case against Rick, to get a judgment. We naturally won the case. Interestingly, after the case, our legal firm had conversations with the management of the dealership who spoke openly about asking Kathy about Decipher's garnishment against her. In a mirror image of Rick's lies, Kathy said she "had 'borrowed' money from Decipher and had offered to pay it back (she never offered to pay it back and it was never borrowed... it was embezzled), but that instead of taking her payment, I had sued her." The management admitted that Kathy's story didn't quite sound right so they tried to verify it by asking Rick. He told them the exact same lie. The pair of them not only conspired to defraud Decipher and others, but they corroborated each other's stories.*

Another example...

*After Rick's crimes came to light, two of our warehouse managers visited me one day to tell me a story of horrible things Rick had said about Cindy and me over the years. As a reminder, Cindy is Decipher's president and I'm the company CEO. The conversation with these employees lasted over an hour, with one recurring theme: Rick repeatedly expressed hatred for us. In the same way he built a psychological wall with his accounting staff, these employees said he had tried to do the same thing at the warehouse.*

*In our family, there is a story of a time when Rick and I were teenagers. We used to go camping on the islands off North Carolina. On one such trip,*

*Rick and I were out in the water swimming when I got a cramp in one of my legs. As I was pulling myself to shore, I got a cramp in the other leg, and Rick was helping me in. We always told the story to the kids about the time Rick saved my life. It was a little family legend of Rick being a hero. The warehouse managers above recounted in detail how Rick told them the story one day at the warehouse, and when he was finished he said, "I wish I never saved him."*

Another example...

*We now know that Rick purchased equipment and supplies in Decipher's name, and never used them in the company. This kind of theft is harder to trace, especially when the person involved is in a position to hide the assets. As such, I am not including a dime of it here nor in the court case. Nonetheless, we have learned that Rick gave Decipher-purchased equipment to various people as gifts and he used equipment at home that was never authorized by the management team to be purchased in the first place. When he left the company, we discovered over \$30,000 in state-of-the-art computer equipment in his home, all paid for by Decipher.*

A really big example...

*In the first three to five years that Rick was working for Decipher, one of his missions was to build an accounting system that could provide real-time information to management. This was nearly 15 years ago, and we were clearly ahead of our time in our industry.*

*Rick had already moved through a few accounting packages (in hindsight, to cover-up his crimes). One project was using a database called 4th Dimension, a Macintosh-based system with great possibilities for us. Rick hired a software engineer by the name of Lincoln Stoller, and we purchased some of Lincoln's unique accounting code. Rick worked on the project with Lincoln for two years.*

*One day Rick came to me and said, "4th Dimension is not working. It's taking too long to develop and we need something much bigger, like PeopleSoft or Oracle." I was very disappointed but I nonetheless trusted Rick and I gave him the task of researching software options. He returned, saying we could get "everything we dreamed of with PeopleSoft" for \$750,000. That sounded like a lot of money for a company our size and I was hesitant. Rick persisted, and a short time later came back and said, "I've negotiated a really good deal and we have to do this. We can get a complete implementation of Oracle and Oracle financials for \$500,000." I approved the budget.*

*After Rick's crimes were discovered, I contacted Lincoln. I really didn't know him very well because he always worked with Rick. The first thing he said was, "Warren, I was very disappointed that Decipher dropped our software. We were totally finished. You could have monitored every transaction from your desktop." I said, "Rick told me your software wouldn't work." Lincoln said, "Rick told us that higher powers than he wanted a system that had 'big corporation' bells and whistles."*

*It was all a lie by Rick. Lincoln's software was complete. I've seen versions of it since and it not only would have worked, it would have given us an advantage in our industry years before our competitors were even close. However, it also would have enabled me to "see" Rick's criminal activity. So Rick moved the company to a half-million-dollar software package simply so he could continue stealing and hiding his theft.*

*Lincoln said, "You know, in hindsight, I could see this. Rick never provided any support for the transition. He kept tight control over the data and never enabled anyone else to learn the new system. It was odd that Decipher did not make the move to Oracle until we actually finished and delivered our system."*

*"At the end of my time at Decipher Rick redirected me away from the task of installing the new system and had me programming Excel-like spread sheets for the old system that we were trying to replace. I let him know that I was not available for work of that nature. It was too bad because (with) me as the lead programmer and him with his engineering degree..." I stopped him. "What engineering degree?" Lincoln said, "The engineering degree Rick told me he had." I said, "Rick doesn't have an engineering degree. He flunked out of Old Dominion University."*

For many years, Rick complained to my parents and others about the level of work he was doing at Decipher. In reality, he was spending an enormous amount of energy executing and covering-up his crimes; but we didn't know that at the time.

Rick began the Oracle implementation in mid-1998, a process he indicated would take 3-5 months. In 1999, it was still going on. What I did as a result must have shocked Rick to his core. I offered to lighten his workload by bringing in someone to take over accounting. Rick said he would "start looking for someone," but from that moment on he knew the writing was on the wall. He was going to lose control of accounting.

*A few years later, I interviewed an executive at one of the Oracle consultants that Rick had hired. He told me that they had recommended a path to Rick that would have installed everything, fully-functional, in 120 days. They had successfully done this at hundreds of other sites, most much larger than Decipher, and most more complex than Decipher. Rick rejected the plan. Instead, he assigned the consultants to tasks like custom*

*programming, inventory, and online stores that kept them out of the financial information flow. The consultant said, "At the time, I thought it was crazy, but Rick was the boss."*

Rick's pathology was so deep, and his house-of-cards so complex, that he couldn't stop, so running Decipher out of business was his only option of escape. He embarked on a clandestine scheme that would bankrupt the company and obscure his nine-year crime spree. History repeats itself. We have been told by respected sources that Rick had done this before and gotten away with it at his own company, Eastman Construction.

Rick delayed hiring anyone. While the reasons seemed natural at the time, a year later, he was still "looking for someone." By early 2000, the Oracle implementation was a mess. Of course, we didn't know this was all part of Rick's plan: Oracle had to be a mess for his crimes to remain hidden.

*In April 2000, still totally in the dark about what Rick was really doing, I said to him in an email, "I'd like to bring in someone at a CFO level to take the controller, accounting and financial controls responsibility. Also, I think it would relieve a lot of pressure by reducing the number of people you have to manage."*

*Rick responded, "I don't wish to lose either position or stature within the company and would like time to think through & voice elements of this path I perceive important to those I currently supervise and similarly those aspects equally important to me. ... In spite of my heart felt dedication and need to contribute to the company's success at the highest level I live instead with feelings of quiet despair that the odds are no longer in my favor. So I appreciate your consideration, notice and concern! (I told Rick "I do not believe they are no longer in your favor. I think you have options to excel.") Rick continued, "I want the recognition that my work has moved the ball uniquely in ways others could not; that my association has made a difference."*

*It was all an act. By this time Rick was not only deep into fresh methods of theft on top of the ones he had been using for years, but he was also deep into spending us out of business. In what must have been jolting to Rick, I called our outside accounting firm and offered the CFO job to the senior partner, a man I had known and respected for a dozen years. He didn't want to leave the firm, but he recommended one of his partners. I interviewed and ultimately hired a man named Walt Eley.*

Before I mention things Rick did to try to run us out of business, it's worth noting that Walt *actually* was the person who discovered the "tip of the iceberg" of Rick's embezzlement.

I brought Walt in very quickly (although it was November before he got the title of CFO). Still, Rick needed time. First he had to try to cover his criminal activities. Second, since the loss of accounting control was inevitable, Rick (trusted employee that he was) took on the role of managing the "transition." Rick said he needed to continue to maintain the old systems and do the unique programming to transition Oracle to a complete implementation. So Walt started part-time which gave Walt an opportunity to close out his client accounts for his former employer. Plus, there were five accounting tools in use at the time: Oracle had been installed for inventory, remnants of 4th Dimension were still in operations, Quicken and Multiledger were used for various tasks, and Excel was used for reporting to management. Rick alone knew all these systems. Training Walt on accounting packages we were eliminating would have been silly. (In hindsight it would have been quite fortunate, but it seemed unnecessary at the time.) At first, Walt focused on accounting tasks like cleaning up daily problems and our Accounts Receivable. Within a very short time, Walt was in every management meeting and we offered him the CFO job.

During this time, Rick reported financial information to the management team (which now included Walt) in spreadsheet form as he always had for nine years. In one such report, Rick indicated a particular consulting expense was \$100,000, which would have been reasonable, given the overall \$500,000 budget. Walt questioned that in a management meeting, because he had just seen a bill from a consultant for about \$125,000 or so. Rick said, "That's not right. I'll take care of it. The president of Intelligroup owes us a credit for work they did wrong." Rick followed with an email...

*"... As of Friday, last week, I negotiated with Intelligroup (the consultant Company) to disengage these consultants as of that date, Friday, September 29th. Effective as of that date, we will no longer have these ongoing consulting expenses. Further, I have arranged with Intelligroup to continue with these consultants "at no charge" for a period not to exceed two (2) additional weeks to allow us to complete the implementation and customization of Oracle's iStore; the internet commerce module we own. Also we will maintain both the DBA (database administrator) and the applications functional support person to insure that these on-line transactions properly interface and behave with our Oracle financial applications as we move to real-time credit card transaction processing."*

*"While you will continue to see them residing in the "garden level" over the next two weeks while we work through the iStore implementation, I wanted you to be apprised of the understanding that **we will NOT be charged for their services...**"*

Rick was lying. By the end of November, Intelligroup still had consultants in the basement and the management team asked Rick about it. He responded in writing:

*"I fully accept responsibility for (1) underestimating the complexity of the iStore implementation with respect to the HTML integration into Oracle and (2) overestimating how quickly it could be done. Given the complexity*

*of the implementation, it is clear that my estimate of two weeks was unrealistic and admit reliance upon equally optimistic projections from Intelligroup. In the future, I will endeavor to be more critical in making these projections and include allowances for the problems and challenges that invariably arise with systems this complex. At the very least, I will keep you better apprised of unforeseen challenges and resource demands on a much more regular basis."*

*"On a related note, **we are not being charged for Intelligroup's services** on this iStore implementation, however, I am mindful this can't last forever."*

Rick was lying. While using words like "responsibility" and "I will endeavor to be more critical," he was secretly and intentionally destroying the company. By the time Walt and I initiated personal contact with the consultant on the billing, we owed Intelligroup more than a quarter of a million dollars just for the time Rick had indicated was free. Their total bill for consulting services: \$1.5 million. When I went back in time and reviewed the financial spreadsheet data Rick prepared for management in 2000, he never showed \$1.4 million in payments he made covertly to these consultants, as if they never occurred.

A trick Rick used to hide expenditures from management was to "capitalize" payments in the computer system or simply to not record them and then reconcile the bank accounts. The first is a method of changing the company's underlying capitalization instead of showing an expense on an Income Statement where it belongs and where it can be seen by management. Rick used this method to hide millions from management while he attempted to bankrupt the company.

But that's not all. Another consultant was also paid over \$1.2 million. Without the knowledge or consent of management, Rick had signed open-ended contracts with eight consultants (i.e. at \$200 per hour) while failing to pay \$1.2 million to our printers who were manufacturing cards (which increased the company debt at the same time Rick was draining the company of much-needed cash). While Rick's staff knew about *some* of these expenses, Rick led them to believe they were authorized. In reality, no one on the management team ever saw or approved these contracts. Only two consultants were part of the \$500,000 budget, and that was known, but there were six *additional* consultants that no one on the management team even knew existed.

Rick's own accounting staff didn't know about some of them. The total Rick spent covertly on the software implementation with a budget of \$500,000: more than \$4.7 million. But, that's not all. Two months ago, in the process of preparing for trial, I was personally going through two years of checks by hand when I discovered a *ninth* consultant who was paid at least \$130,000 – completely unknown and hidden from management. There could actually be more when I go back to earlier periods.

It's also possible there are numerous kickbacks we have not yet discovered. I say that because we've discovered one already. From January 1, 1999, to February 28, 2001, Rick paid \$50,434.28 in kickbacks to an employee of one of the consultants. This year I learned

from that particular consultant's employer that they have a strict policy against any employee being paid directly. We are currently investigating this, and it now appears Rick took some of these funds and deposited them to a personal credit union account in his own name.

As if all these things were not enough, in addition to the duplicate payroll check scheme mentioned above, Rick was overpaying himself in payroll at the time. For example, in 2000, Rick paid himself \$10,546.20 more than his salary (not counting bonuses). Rick was supposed to make the same \$135,000 in salary as another VP on the management team. However, the other VP's W-2 was accurate at \$135,910.06, while Rick's was \$146,456.26. Rick's pay should have been exactly the same as the other VP's to the penny. Our outside accountant said Rick provided the payroll data and never reported that his salary was supposed to be \$135,000.

Decipher had an informal structure, but no one would spend \$100,000 without talking about it in a management meeting or via me giving approval in conversations with the appropriate manager. Rick knew this and brought up small items in management meetings all the time for approval. In reality, he only did this to deceive; to make others believe he was conscientious and responsible. We now know this was a charade. For example, Rick once asked for approval in a management meeting for a \$7,000 computer monitor. Everyone on the management team said no, we didn't need it. We later found it in Rick's home... purchased with Decipher money. At the same time, Rick was totally silent about millions of dollars he was hiding, spending and stealing. Manipulation and betrayal of the highest order.

*But that's not all. In this massive scheme to run the company out of cash, Rick covertly drew down millions of dollars in debt from our bank lines of credit that he did not report to management. Decipher used to have \$3 million in credit lines that we never used. The company philosophy was that we were totally debt-free. This philosophy was drilled into everyone, and it was something about which we were quite proud.*

*Most of our licenses required us to write advance checks in the \$1 million range. At the time, we could afford that and more on our own. The only reason lines of credit even existed was because we had negotiations going on with Hollywood studios all the time. We had big licenses like Star Trek, Star Wars, and Lord of the Rings, and many smaller licenses. I knew it was quite possible that some day we would have a big licensing opportunity or a multi-million-dollar acquisition opportunity where we would need to quickly tap into millions of dollars in cash. The lines of credit existed so that if such an opportunity arose, we were ready. For example, one of the licenses we attempted to get (Harry Potter) cost over \$6 million and a re-negotiation for the Star Wars license at one point exceeded that. Because Decipher was debt-free and quite profitable, we had no problem securing these lines of credit and not using them.*



*As our financial officer, Rick drew down these funds in secret. I discovered this by chance for the first time in June 2000 through a strange twist in fate. Decipher's 401(k) deposits had been "missed" by accounting (something that had never happened before 2000) and this matter was brought to my attention by an employee who was not on the accounting staff. I thought this was quite embarrassing and I drafted a suggested response for Rick which included making all payments immediately, paying employees for any losses in stock value over this time in their 401(k) account and assuring them the company was healthy and debt-free.*

*Of course, I didn't know it at the time, but Rick couldn't send my draft because his accounting staff would have seen the words "debt-free" and they would have known Rick was lying. Rick was trapped.*

*Rick changed the draft and said to me, "I could not in all honesty suggest we were totally debt free, as we have needed to use the operating line to fill in the gaps... while we work through collecting some of our receivables. Also, we made the decision to pay the taxes from the line in preference to the penalties and interest Bob (Decipher's accountant) suggested we might face, about \$500,000."*

*[It's worth noting here that if Rick had been properly reporting his theft, the taxes would not have been due because there would have been losses instead of income.]*

*June 17, 2000, I responded, "You should have told me this! How long has this loan been outstanding? Being debt free is one of the cornerstones of the company and I'm not happy that you would take such a step without informing me! ... Rick, I can't operate like this any longer. This constant pattern of failing to communicate and provide financial information is totally unacceptable. ... Until I am comfortable that we actually have accounting controls and Oracle is working, you and Becky are not authorized to make financial decisions of any kind without my approval. That includes who gets paid and when."*

But, the story gets worse, and takes yet another turn.

My June 17th email above was sent to Rick (with a copy to Cindy). However, Rick never told Becky a thing about it. She had no idea that he (and she, for that matter) had lost authority to make financial decisions. Four days later, Rick directed her to write a check for nearly a quarter of a million dollars in software. Not only was this unauthorized, but when I saw this check many years later as investigations of Rick's crimes continued, I realized Rick had financed software without telling the management team (see my debt-free discussion above). In reality, this was the third such hidden payment: \$750,000 in software alone on a \$500,000 budget. It was all part of the plan to bankrupt the company.

Yet, it still gets worse.

By late June 2000, I had put a freeze on all computer and network purchases. By mid-July 2000, I specifically directed Rick to make no loans of any kind without me knowing. On July 25th, Rick covertly purchased an additional \$179,356.99 in software. This time he didn't pay for it with a check, rather he financed it with new loans and never reported it as an expense. This also meant that when I discovered these purchases after we learned of Rick's embezzlement, we couldn't get the money back. The software company had been paid in total by the finance company; the finance company wasn't in the software business. We had no recourse because the unauthorized loans had been taken out by Rick, our own trusted vice-president of finance.

In November, I heard by chance through the grapevine that Rick was considering purchasing \$20,000 in software. I emailed Rick and said, "I have previously indicated that I wanted to be involved in all spending decisions. ... don't make any such purchases." He said, "No problem," that it was just software he had been investigating for more than six months.

What he didn't say was that he had already covertly spent \$1.2 million *after* my June 17th email. This included nearly half a million dollars on software between July and November, plus an additional \$700,000 on consultants. This \$1.2 million did not even include his embezzlements during this same period. In late 2006, I discovered a quarter of a million dollars of this software, hidden, unopened and never used, still in the shrink-wrap. All just part of Rick's efforts to bankrupt the company. No one imagined Rick was intentionally doing anything like this. Why would he?

### **We were about to find out.**

As Walt got deeper and deeper into the daily accounting systems, he discovered the "suspense account" which at the time had a balance of about \$80,000. Luckily, he took this information to our in-house lawyer, Anthony, instead of Becky (who did not attend management meetings and would have thought Rick had authority). Anthony said, "You have to take this to Warren." Walt responded, "It's probably okay. Rick is his brother-in-law," to which Anthony replied, "No... you *have* to take this to Warren." They both brought it to me, and I was shocked and disillusioned. I told them Rick was *not* authorized to spend company money on personal items, and we needed to investigate the matter further. A few days later, Walt discovered another \$40,000 in unauthorized payments bringing the total to \$120,000. Rick was confronted. He said he borrowed it (which was very strange because at the time the company was running out of cash).

"Rick, is this all?" he was asked. "Yes. That's everything," he responded. You now know it wasn't everything. It was barely a percentage point of everything.

More? Yes, there is even more.

We discovered hundreds of thousands of dollars in equipment Rick purchased and hid unopened at the warehouse. We also learned about another scheme that was an even bigger betrayal. Decipher had a few small thefts from employees over the years. It happens in every company. It was usually a few hundred dollars here or there, sometimes a thousand dollars. However, Rick was always furious at these employees. He took great pains to focus on the betrayal and champion pursuing them. These tiny matters gave Rick the opportunity to pretend to be a defender of the company instead of the criminal he was. It was all a smoke-screen of false integrity.

*One of Rick's jobs as our financial vice-president was to manage the company insurance policies. This included the bonding of employees, especially in the accounting department, where large sums of money were handled.*

*In December 1996 in an email to Rick, I said to him, "... cover anyone in the company with access to funds. Bonding is just the prudent thing to do when we have millions floating around."*

*Rick responded, "I'm a step ahead of you on this one... we currently have employee dishonesty insurance coverage... I'll make sure we're all adequately protected."*

*He was lying.*

*Two years later, in December 1998, the issue came up again when a friend related a story to me about someone stealing funds from a charity she ran. I emailed Rick, mentioned the story, and said, "We should include bonding in our insurance as a matter of course for all accounting staff and anyone else with access to bank accounts, customer checks, computer access at the accounting level, managers with access to funds, etc. I don't think we would have anyone steal from Decipher [obviously I didn't know I was writing to the man who had already been stealing for five years], but... Let's have every appropriate employee bonded, or get Decipher coverage that protects the company against this from anyone."*

*Another two years later, in January 2000, an insurance issue occurred with an employee on a different matter and in that email I stated to Rick, "I've asked about this before and been told we had 'total' coverage." Rick responded, "You have asked that we make certain we have employee theft insurance (bonding) and this has been in force for some time."*

*Rick lied. He never bonded accounting employees.*

*We discovered this lack of insurance at the worst possible time, when we wrote off \$8.9+ million in losses because of Rick's crimes. The only insurance coverage we had on point was one tiny clause in the standard*

*language of our general insurance policy. Even that had a time limit of a few years. Rick had intentionally NOT covered the company so we could never recover his theft and by 2001 could not recover from bankruptcy. In other words, Rick planned to take us down regardless.*

*Rick not only intentionally disregarded multiple directions, he lied about them. The irony is, he alone knew what "adequately protected" meant, since he was the dishonest employee from which the company needed insurance protection. If "adequate" coverage had been in place as Rick said, we could have recovered \$8.9+ million.*

If Decipher had gone out of business, it is very unlikely that Rick's crimes would have been discovered. The computer records didn't match the physical checks, but with the company bankrupt, who would be looking? Even when we discovered Rick was embezzling, it took us ages to learn it was millions of dollars rather than the small amount he claimed he "borrowed." Rick covered up everything. If he had been employed by Decipher just a few months longer, the company would have been bankrupted.

With so much money moving around, why couldn't it be seen? For one thing, many millions of dollars were outside funds not from the company operations. This took the form of Rick making illicit loans and creating a hidden debt load with borrowing and purchases never seen in normal business operations. For another, Rick had dozens of schemes happening simultaneously. This diluted the effect of any one method. While a few million dollars a year sounds like a lot at the end, and frankly it was enormous, it was only about 8% of the cash moving through the organization at any given time. Rick had the authority, control and our complete trust. He manipulated numbers to cover up nine years of skimming. Finally, when someone deceives over 100 people daily and the secret manipulator is a person you trust, one rarely has the clairvoyance to see they are intentionally working against the interest of every other employee. Especially when he's *acting* every day behind a mask of sincerity telling people how hard he is working and how much he cares about the company.

After Rick left, I personally took over the banking relationship. I had a history with our bank for fifteen years. They had been through our ups and downs over the years and they had enormous respect for my integrity. So I had a meeting with all the key bank executives. I explained the situation and pitched the bank to stick with Decipher. Despite the fact that the company now had a negative net worth, they stayed with us. It was something they would not have done for 99.9% of companies. They renewed our loans (with the help of my parents providing new levels of security), but of course we now had millions in bank debt on top of Rick's undisclosed expenses. We also owed millions to our real vendors which Rick had not paid. The bank stayed with me for five more years. Last year, my parents and I mortgaged our homes and Cindy contributed cash to pay-off the balance of this one loan. The bank got every dime owed to them on the lines of credit, including interest for all this time.

It's worth noting that none of the amounts I'm discussing in this letter include errors or decisions made by the respected members of the management team based on falsified financial and asset reports Rick supplied to our bank and management. As an example, we have identified \$3+ million in inventory losses that I'm **not** counting, but we now know they were a direct result of Rick's erroneous reports. I mention this because I've heard through the grapevine that Rick uses examples like this to shift financial blame to another manager. "See, I didn't do the things Decipher accused me of doing. That was clearly Ross' responsibility." While this type of lie naturally brings Teri to Rick's defense, as it would for any loving person being manipulated, what Rick doesn't tell her is that he intentionally gave everyone on the management team fabricated financial data for nine years. It is impossible to imagine that we wouldn't make serious mistakes using Rick's misleading reports. Nonetheless, I'm willing to leave \$3+ million out of the case simply to remove this form of manipulation from Rick's arsenal of lies to Teri.

Of course, our biggest mistake was trusting Rick. That one act has nearly destroyed my company. For Decipher, this betrayal primarily represents money and survival. However, for his wife, children, and my parents, it represents an emotional treachery on the deepest levels. Besides grappling with his massive crimes at Decipher, they must face the reality that Rick has lied for a lifetime to *them*, or they will continue to live a lie. Who among honest people wouldn't have a broken heart over that?

I should also point out, if it's not obvious already, that Rick was *very* well paid. He was a trusted vice-president. There were times when Cindy and I gave \$2 million in bonuses to employees. Some people at lower income levels got more in bonuses than their salaries. Rick got bonuses as well. He got big bonuses, sometimes as much as \$75,000 in a lump sum. The fact that every financial report he ever gave to management was bogus certainly means he was grossly overpaid.

Six years after the discovery of the "tip of the iceberg," Rick still refuses to come clean. For example, he has over \$21,000 in Decipher 401(k) accounts and yet he has *never* offered to use that to pay Decipher back. How does he explain this to his children when he told them that he "borrowed money and intended to pay it back?" Everything we know about Rick's behavior has come from working thousands of hours to investigate an utterly dishonest man. Rick has volunteered absolutely nothing. He has not shown the slightest sign of remorse, changed his behavior, nor offered to pay a dime of reimbursement since 2001. He has never offered to pay \$10 a week back, never explained where the money went, never apologized (although he manipulated his family into thinking he was sorry for the \$120,000), never evolved a conscience beyond the con, never taken the first step in a twelve step program, never volunteered a written or verbal list of his crimes (leaving us to spend enormous resources in money and emotional capital to uncover the truth). Decipher recently sent 1099's to Rick, the IRS, and the State of Virginia for over \$1 million in income tax evasion we discovered in the last few months through our own initiative. Rick never pointed us in the right direction or confessed these crimes (as a repentant man would have done six years ago). With this discovery and hundreds of others, it's irrefutably clear Rick continues to conceal and manipulate the truth to this day. His family and my parents

will now be the biggest emotional victims. Rick abuses everyone with exploitation, lies, and duplicity.

While I wish I could have protected my sister and my nieces from this information, no one but Rick is responsible for his betrayal. I can't imagine how he could do this to his family. I can't imagine how he could do this to my parents, who treated him like their own son. I can't imagine how he could do this to the Decipher employees – many of whom lost their jobs because of his crimes.

People accept deplorable behavior from a manipulator that they would never accept from other people in their life. It's wrong. My nieces are victims. My sister is a victim. Rick and Kathy have deliberately betrayed them. Not once, but for a lifetime. Defending such behavior is indefensible. It's called deflection: the conscious and intentional process a manipulator uses in order to get people to defend his/her behavior and blame others. It's a common experience of people who bond with their betrayer. And it's wrong. Decipher's biggest mistake was caring about and trusting Rick Eddleman. For the good of my family, exposing his lies and lack of character is my duty.

Unconditional love does *not* mean the unconditional acceptance of unacceptable behavior.

I can choose not to have Rick and Kathy in my life. For my nieces and my sister the situation is more emotionally crushing than I can fathom. For example, the Trust embezzlement and forgery were intentional felonies of Rick stealing from his own children. Emotion aside, his children would be millionaires now were it not for him. Yet my sister and her children have such wonderful hearts that they *want to* believe Rick was somehow wronged. Now, it is simply naive to do so. Rick exploits their love. I will never understand how he could so grossly betray them. It's immoral. It was heartbreaking for me to see my brave niece saying, "That's not my signature. That's not my signature." when looking at Rick's forgeries for the first time. As painful as it is for his family to hear, Rick is a criminal... not just of one crime... but of thousands and thousands of crimes. If we apply the same standard of behavior to Rick that we apply to anyone else in our lives (and we should do nothing less), it's easy to see that if he had a conscience or a sliver of moral character, he would *never* have put his family in this position... and for this long. Now their private devastation is about to become public humiliation because Rick refused a settlement offer that would have simply required him to repent and admit what he had done (and continues to do).

Rick Eddleman and Kathy Eddleman are criminals by choice. It was their choice alone. There is no excuse for it. There is no justification for it. I do not accept their behavior, and neither should any rational person who cares about justice or who loves Teri, Rickell, Brielle and their families. I trust in the goodness of the extended family reading this letter to support the people who will need it most now that these facts are becoming public: Teri, Rickell, Brielle, and my parents. As I said in the beginning of this letter what I offer is candor and sincerity. I love my sister. I love my nieces. And I dearly love my parents. Rick has intentionally driven a wedge between family members that has shattered the solid foundation my parents spent more than fifty-five years building.

Rick single-handedly is responsible for untold acts of betrayal: thousands of calculated acts of theft, thousands of cover-ups, deceptions, and roadblocks to the truth. By intentionally hiding information and lying to his family, he created a false view with his wife and children that he's a victim rather than the person who overtly and intentionally wronged others. This behavior is amazingly demonstrated in the movie of a true story, *"Shattered Glass."* I had never before witnessed a phenomenon like this in my life. Yet, this is what Rick does every day. The betrayal is mind-boggling.

Rick destroyed nearly twenty years of my work and the work of many talented people at Decipher. As CEO, I am not without responsibility. As a result, I worked for five years without a salary to try to turn the company around. I also contributed all of my personal assets to the effort. I almost lost my company, and it is still reeling from the fraud. Had I not hired and trusted Rick, many people would not have lost their jobs. Cindy has worked for five years at low pay and long hours with gargantuan integrity and dedication. We are not alone. We have experienced the joy of an enormous outpouring of support. The sacrifices made by our staff, closest friends, and vendors has been amazing. My parents have mortgaged their home, contributed millions from the sale of assets, and without a doubt have been the saviors of the company. They are the definition of love.

There are many more crimes by Rick that will be exposed in the company's civil suit. And more emotional damage is coming from his actions. Rick has both criminal and civil liability. Since there is no federal statute for embezzlement, the bulk of Rick's crimes from a criminal perspective do not fall under federal agencies like the F.B.I. (Although Rick's income tax evasion, which has just come to light, is a Federal offense.) Instead, embezzlement, forgery, computer fraud, etc. are prosecuted by the Commonwealth Attorney. I could go on and on presenting more of Rick's crimes to you. I removed nearly ten pages of information from one draft of this letter, so understand that there is much more we have uncovered. Instead, I am now turning over Decipher's files to the Norfolk Commonwealth Attorney. There is no statute of limitations on felonies in Virginia.

It's impossible to believe that Rick's behavior started when he joined Decipher. Such deceit doesn't magically begin 30 days after a new job. This is a lifetime of wearing a mask. What Rick can do now is voluntarily admit his felonies and face the consequences. When we only knew 1% of Rick's crimes and we cared for him deeply, we allowed him to resign instead of being fired. Rick was lying to us throughout the entire process. To understand a pathological liar and his level of disconnection from the world, one has to understand his level of manipulation. You have to hear Rick's words for yourself.

So, I'll close with his letter of resignation.

Warren

## MEMORANDUM

To: Warren Holland, Cindy Thornburg

From: Rick Eddleman


Date: Thursday, March 29, 2001

After almost ten years of learning much and working hard to further the goals of Decipher, I find that I am now ready and in need of moving down another path. It is with a mixture of fond reflection and regret that I tender my resignation to you effective March 31, 2001 consistent with our mutual expectation.

Certain periods of our work lives are rich with experiences and opportunities, which is how the majority of the past ten years have been. More recently, however, I have come to recognize that my work life had, over time, become overwhelmingly stressful to the point that this decision has become necessary. All that I have gained and been allowed to put into practice has offered me the ability to grow personally and professionally for which I am sincerely appreciative.

I offer my heartfelt thanks to you both and to all those in the company who have consistently encouraged my professional development and provided support for my initiatives over the years. I have both gained and given a great deal while working here, and I hope I have been able to return at least part of what I have gained in loyalty and value.

Respectfully Yours,



Rick Eddleman