

Alberto Medina Lopez

PO Box 6596 Woodbridge VA 22195-6596
alberto_medina@yahoo.com
T 571-230-9465

November 20, 2020

PERJURY & TAX EVASION PROSECUTION REQUEST

Kimberly Stephens, Esq.
Comptroller of Maryland
301 West Preston Street, Room 410
Baltimore, MD 21201
Phone: 410-767-1577
Fax: 410-333-7499

kstephens@marylandtaxes.gov

Dear Counsel:

Thanks for reaching me out regarding your office notification procedures.

As I announced to you yesterday via email, this is to ask the urgent prosecution of a criminal organization located at Maryland State embezzling and preying on multimillion real estate assets from innocent victims owners; concealing also multibillion massive non-reported income taxation accounting from the state Comptroller, in detriment of your revenues.

Since the year 2002 they have been concealing fully taxable earnings in excess of EIGHT BILLION U.S. dollars (**\$8,000,000,000,000**), received via fully submitted IRS 1099 MISC information returns, based on victims reported damages loses. **This year they perjured to your office concealing all.**

The modus operandi of said criminal syndicate, which masterminds are the couple identified below, including corrupted hidden associates working or related to the U.S. Department of Defense, is based on posting advertisements worldwide of highly promising lucrative capital raising investments, scamming investors with false pretenses.

Once they take control of the investor's wealth, they destroy all income accounting records, keeping the victims under their perpetual control, using the victim's assets.

More than a decade ago, they convinced me to transfer in their favor the half of my \$500 million inherited real estate in exchange for \$225 million future payment.

It had passed in excess of 15 years without receiving the payment; keeping the ownership illegally using misrepresentations. Now they pretend to keep all using the Puerto Rico's judicial system by virtue of concealing all material of facts, committing perjury.

Open all links below.

<http://ebIm.us/2007Appraisal.pdf>

The identification of the aforesaid main fraudsters is as follow:

Anthony Edwin Hurley

2100 Horace Ward Rd
 PO Box 493
 Owings MD 20736
 SSN 214-48-7682
 Tels 301-785-4661 / 301-785-2438
 Email 1worldcorporation@gmail.com
 Maryland Driver's License
 Class C #H-640-067-188-780
 Birth Date 10/10/1951
 Sex M HT: 5-11 WT:190
 Rest B Type R Issue Date: 10/5/2004

Mary Elizabeth Hicklin

State of Maryland Real Estate Salesperson Licensee Number 644028
 1401 Sheford Rd
 Baltimore MD 21239
 SSN 213-60-6669
 Tel 301-785-5768 / 410-560-5858 Fax 410-296-4052
 Maryland Driver's License
 Class C #H-245-587-210-430
 Birth Date 06/08/1954
 Sex F HT: 5-03 WT:157
 Rest B Type R Issue Date: 05/13/2005

Years later, after the transference, I discovered Mr. Hurley served jail time in MD by tentative of murder, and both offered unregistered securities nationwide (click links below).

<https://protonicsmail.com/owc-litigation.html>

<http://www.ca4.uscourts.gov/opinions/Unpublished/966284.U.pdf>

<https://law.justia.com/cases/federal/appellate-courts/F3/60/822/565736/>

These con artists must be prosecuted and convicted immediately before a Grand Jury to avoid continuing harming additional innocent parties.

You may call me anytime; however, the best time to reach me is after work at 5PM EST.

Thanks in advance for your cooperation,

Yours Truly,



Alberto Medina Lopez
 Petitioner

Federal & State Notified Bodies:

Internal Revenue Service

PO Box 3801

Ogden, UT 84409-1801

Fraud Section / Criminal Division

U.S. Department of Justice

950 Constitution Ave NW

Washington, DC 20530-0001

Federal Bureau of Investigation

2600 Lord Baltimore Dr

Baltimore, MD 21244-2606

Consumer Protection Division Office

Maryland Attorney General

9200 Basil Ct Ste 301

Largo, MD 20774-5336

Consumer Protection Division Office

Maryland Attorney General

200 Saint Paul St Ste 1700

Baltimore, MD 21202-2029

Baltimore Compliance Division

Comptroller of Maryland

State Office Bldg

301 W Preston St

Baltimore, MD 21201-2305

Tax Fraud Office

Comptroller of Maryland

PO Box 8888

Annapolis, MD 21401-8888

Alberto Medina Lopez

PO Box 6596 Woodbridge VA 22195-6596
alberto_medina@yahoo.com
T 571-230-9465

FRAUD ALERT & PROSECUTION REQUEST

Dear Prosecutors:

A couple of Maryland residents are participating in a gigantic fraudulent scheme stealing multimillionaire real estate assets.

More than a decade ago, they convinced me to transfer in their favor the half of my \$500 million inherited real estate in exchange for \$225 million future payment.

It had passed in excess of 15 years without receiving the payment; keeping the ownership illegally using misrepresentations.

Open all links below.

<http://ebIm.us/2007Appraisal.pdf>

The identification of said fraudsters is as follow:

Anthony Edwin Hurley

2100 Horace Ward Rd
PO Box 493
Owings MD 20736
SSN 214-48-7682
Tels 301-785-4661 / 301-785-2438
Email 1worldcorporation@gmail.com
Maryland Driver's License
Class C #H-640-067-188-780
Birth Date 10/10/1951
Sex M HT: 5-11 WT:190
Rest B Type R Issue Date: 10/5/2004

Mary Elizabeth Hicklin

State of Maryland Real Estate Salesperson Licensee Number 644028
1401 Sheford Rd
Baltimore MD 21239
SSN 213-60-6669
Tel 301-785-5768 / 410-560-5858 Fax 410-296-4052
Maryland Driver's License
Class C #H-245-587-210-430
Birth Date 06/08/1954
Sex F HT: 5-03 WT:157
Rest B Type R Issue Date: 05/13/2005

Years later, after the transference, I discovered Mr. Hurley served jail time by tentative of murder, and both offered unregistered securities (click links below).

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<http://www.ca4.uscourts.gov/opinions/Unpublished/966284.U.pdf>

<https://law.justia.com/cases/federal/appellate-courts/F3/60/822/565736/>

These con artists should be prosecuted and convicted immediately before a Federal Grand Jury to avoid continuing harming additional innocent parties.

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Yours Truly,



Alberto Medina Lopez
Petitioner

Internal Revenue Service
PO Box 3801
Ogden, UT 84409-1801

Fraud Section / Criminal Division
U.S. Department of Justice
950 Constitution Ave NW
Washington, DC 20530-0001

Federal Bureau of Investigation
2600 Lord Baltimore Dr
Baltimore, MD 21244-2606

Consumer Protection Division Office
Maryland Attorney General
9200 Basil Ct Ste 301
Largo, MD 20774-5336

Consumer Protection Division Office
Maryland Attorney General
200 Saint Paul St Ste 1700
Baltimore, MD 21202-2029

Baltimore Compliance Division
Comptroller of Maryland
State Office Bldg
301 W Preston St
Baltimore, MD 21201-2305

Tax Fraud Office
Comptroller of Maryland
PO Box 8888
Annapolis, MD 21401-8888

CaseSearch

Circuit Court of Maryland

Case Information

Court System: Circuit Court For Baltimore County - Civil
Location: Baltimore County Circuit Court
Case Number: C-03-JG-20-003852
Title: COMPTROLLER OF MARYLAND-ANNAPOLIS vs. ANTHONY HURLEY
Case Type: Judgment - State Tax Lien
Filing Date: 02/27/2020
Case Status: Closed

Other Reference Numbers

Lien Instrument Number: 9179746

Involved Parties Information**Plaintiff**

Name: COMPTROLLER OF MARYLAND-ANNAPOLIS
Address: COMPLIANCE DIVISION
City: ANNAPOLIS **State:** MD **Zip Code:** 21411

Defendant

Name: HURLEY, ANTHONY
Address: 1401 SHEFFORD RD
City: BALTIMORE **State:** MD **Zip Code:** 21239

Judgment Information**Monetary****Original Judgment**

Judgment Event Type: Recorded Lien
Judgment Against: HURLEY, ANTHONY
Judgment in Favor of: COMPTROLLER OF MARYLAND-ANNAPOLIS
Judgment Ordered Date: 02/27/2020
Judgment Entry Date: 02/27/2020
PostJudgment Interest:
Principal Amount: \$231,803,774.58 **PreJudgment Interest:**
Other Fee: **Service Fee:**
Appearance Fee: **Witness Fee:**
Filing Fee: **Attorney Fee:**
Amount of Judgment: \$231,803,774.58 **Total Indexed Judgment:** \$231,803,774.58
Comment:

Judgment Status **Status Date**

Withdrawn	09/23/2020
Satisfied	09/23/2020
Entered	02/27/2020

Document Information

File Date: **02/27/2020**
Filed By:
Document Name: **Recorded Lien**
Comment:

File Date: **09/23/2020**
Filed By:
Document Name: **Judgment Status Update**
Comment: **WITHDRAWN**

This is an electronic case record. Full case information cannot be made available either because of legal restrictions on access to case records found in Maryland Rules, or because of the practical difficulties inherent in reducing a case record into an electronic format.

CaseSearch

Circuit Court of Maryland

Case Information

Court System: Circuit Court For Baltimore County - Civil
Location: Baltimore County Circuit Court
Case Number: 03-L-18-012525
Title: State Of Maryland vs. Anthony Hurley
Case Type: Judgment - State Tax Lien
Filing Date: 10/02/2018
Case Status: Closed

Other Reference Numbers

Lien Instrument Number: 9179746

Involved Parties Information**Plaintiff**

Name: State Of Maryland

Defendant

Name: Hurley, Anthony
Address: 1401 SHEFFORD RD
City: BALTIMORE **State:** MD **Zip Code:** 21239

Judgment Information**Monetary****Original Judgment**

Judgment Event Type: Converted Judgment Event Type

Judgment Against: Hurley, Anthony

Judgment in Favor of: State Of Maryland

Judgment Ordered Date: 10/02/2018

Judgment Entry Date: 10/02/2018

PostJudgment Interest:

Principal Amount: \$21,117,356.48

Other Fee: \$0.00

Appearance Fee: \$0.00

Filing Fee: \$0.00

Amount of Judgment: \$21,117,356.48

Comment:

PreJudgment Interest: \$0.00

Service Fee: \$0.00

Witness Fee: \$0.00

Attorney Fee: \$0.00

Total Indexed Judgment: \$21,117,356.48

Judgment Status	Status Date
Entered	10/02/2018
Withdrawn	09/23/2020

Document Information

File Date: **10/02/2018**

Filed By:

Document Name: **Miscellaneous Lien Batch Details**

Comment: **BatchNum: 16634 BatchRecordNo: 17 Book: 0 FilingDate: Oct 2 2018 12:00AM PageNO: 0 Suffix: L Year: 18 CommitDate: Oct 3 2018 12:00AM TotalCount: 20**

File Date: **09/23/2020**

Filed By:

Document Name: **Judgment Status Update**

Comment: **WITHDRAWN**

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FILER'S name, street address, city, state, ZIP code, and telephone no. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 (571) 288-7383		1 Date of closing 12/31/2011	OMB No. 1545-0997 2011 Form 1099-S	Proceeds From Real Estate Transactions 38-2099803 Department of the Treasury -- IRS
FILER'S federal identification number 583-29-1032		2 Gross proceeds \$ 125000000.00		
TRANSFEROR'S identification number 214-48-7682		3 Address or legal description Squatting, Embezzlement, Unfair Enrichment, Unpaid Conveyance & Fraudulent Retention of 50% 826 Acres Loiza PR		
TRANSFEROR'S name, address, and ZIP code ANTHONY E. HURLEY 2100 HORACE WARD RD OWINGS CAL MD 20736				
Account or escrow number (see instructions) Juan Perez Parcel B1		4 Transferor received or will receive property or services as part of the consideration (if checked). <input checked="" type="checkbox"/>		
		5 Buyer's part of real estate tax \$		

**Copy B
For Transferor**

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

FILER'S name, street address, city, state, ZIP code, and telephone no. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 (571) 288-7383		1 Date of closing 12/31/2011	OMB No. 1545-0997 2011 Form 1099-S	Proceeds From Real Estate Transactions 38-2099803 Department of the Treasury -- IRS
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**Copy B
Duplicate****Instructions for Transferor**

For sales or exchanges of certain real estate, the person responsible for closing a real estate transaction must report the real estate proceeds to the Internal Revenue Service and must furnish this statement to you. To determine if you have to report the sale or exchange of your main home on your tax return, see the instructions for Schedule D (Form 1040). If the real estate was not your main home, report the transaction on Form 4797, Form 6252, and/or Schedule D (Form 1040). If box 4 is checked and you received or will receive like-kind property, you must file Form 8824.

Federal mortgage subsidy. You may have to recapture (pay back) all or part of a federal mortgage subsidy if **all** the following apply.

- You received a loan provided from the proceeds of a qualified mortgage bond or you received a mortgage credit certificate.
- Your original mortgage loan was provided after 1990.
- You sold or disposed of your home at a gain during the first 9 years after you received the federal mortgage subsidy.
- Your income for the year you sold or disposed of your home was over a specified amount.

This will increase your tax. See Form 8828 and Pub. 523.

Account number. May show an account or other unique number the filer assigned to distinguish your account.

Box 1. Shows the date of closing.

Box 2. Shows the gross proceeds from a real estate transaction, generally the sales price. Gross proceeds include cash and notes payable to you, notes assumed by the transferee (buyer), and any notes paid off at settlement. Box 2 does not include the value of other property or services you received or will receive. See Box 4.

Box 3. Shows the address or legal description of the property transferred.

Box 4. If marked, shows that you received or will receive services or property (other than cash or notes) as part of the consideration for the property transferred. The value of any services or property (other than cash or notes) is not included in box 2.

Box 5. Shows certain real estate tax on a residence charged to the buyer at settlement. If you have already paid the real estate tax for the period that includes the sale date, subtract the amount in box 5 from the amount already paid to determine your deductible real estate tax. But if you have already deducted the real estate tax in a prior year, generally report this amount as income on the "Other income" line of Form 1040. For more information, see Pub. 523, Pub. 525, and Pub. 530.

FILER'S name, street address, city, state, ZIP code, and telephone no. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 (571) 288-7383		1 Date of closing 12/31/2011	OMB No. 1545-0997 2011 Form 1099-S	Proceeds From Real Estate Transactions 38-2099803 Department of the Treasury -- IRS
FILER'S federal identification number 583-29-1032		2 Gross proceeds \$ 125000000.00		
TRANSFEROR'S identification number 213-60-6669		3 Address or legal description Squatting, Embezzlement, Unfair Enrichment, Unpaid Conveyance & Fraudulent Retention of 50% 826 Acres Loiza PR		
TRANSFEROR'S name, address, and ZIP code MARY E. HICKLIN 1401 SHEFORD RD BALTIMORE MD 21239				
Account or escrow number (see instructions) Juan Perez Parcel B2		4 Transferor received or will receive property or services as part of the consideration (if checked). <input checked="" type="checkbox"/>		
		5 Buyer's part of real estate tax \$		

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☐ CORRECTED (if checked)

PAYERS name,street address,city,state,zip code,and telephone no. Alberto Medina PO Box 6596 Woodbridge Virginia 22195 5712887383		1 Rents \$ 0.00 2 Royalties \$ 0.00 3 Other Income \$ 125000000.00	OMB No. 1545-0115 2011 Form 1099-MISC	Miscellaneous Income Copy B For Recipient This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
PAYER'S federal identification number 583291032	RECIPIENT'S identification number 213606669	4 Federal income tax withheld \$ 0.00 5 Fishing boat proceeds \$ 0.00 6 Med & Healthcare payments \$ 0.00	7 Nonemployee compensation \$ 0.00 8 Substitute payments in lieu of dividends or interests \$ 0.00 9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/> \$ 0.00 10 Corp insurance proceeds \$ 0.00	
RECIPIENT'S name Mary Hicklin Street address(including apt.no.) 1401 Sheford Rd City, State and Zipcode Baltimore MD 21239		11 <input type="checkbox"/>	12 <input type="checkbox"/>	
Account number (see instructions) Juan Perez Parcel B2		13 Excess golden parachute payments \$ 0.00	14 Gross proceeds paid to an attorney \$ 0.00	
15a Section 409A deferrals \$ 0.00	15a Section 409A income \$ 0.00	16 State tax withheld \$ 0.00	17 State/Payers state no. 24 \$ 0.00	18 State income. \$ 0.00
Form 1099-MISC (keep for your records) Department of the Treasury - Internal Revenue Service				

☐ VOID ☐ CORRECTED

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Form 1099-MISC Department of the Treasury - Internal Revenue Service				

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PAYER'S federal identification number 583291032	RECIPIENT'S identification number 213606669	4 Federal income tax withheld \$ 0.00 5 Fishing boat proceeds \$ 0.00 6 Med & Healthcare payments \$ 0.00	7 Nonemployee compensation \$ 0.00 8 Substitute payments in lieu of dividends or interests \$ 0.00 9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/> \$ 0.00 10 Corp insurance proceeds \$ 0.00	
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Form 1099-MISC Department of the Treasury - Internal Revenue Service				

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PAYER'S federal identification number 583291032		RECIPIENT'S identification number 214487682		Form 1099-MISC	
RECIPIENT'S name Anthony Hurley Street address(including apt.no.) 2100 Horace Ward Rd City, State and Zipcode Owings Cal MD 20736		Account number (see instructions) Juan Perez Parcel B1		Department of the Treasury - Internal Revenue Service	

Form **1099-MISC** (keep for your records)

☐ VOID ☐ CORRECTED

PAYERS name,street address,city,state,zip code,and telephone no. Alberto Medina PO Box 6596 Woodbridge Virginia 22195 5712887383		1 Rents \$ 0.00 2 Royalties \$ 0.00 3 Other Income \$ 125000000.00 4 Federal income tax withheld \$ 0.00 5 Fishing boat proceeds \$ 0.00 6 Med & Healthcare payments \$ 0.00 7 Nonemployee compensation \$ 0.00 8 Substitute payments in lieu of dividends or interests \$ 0.00 9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/> \$ 0.00 10 Corp insurance proceeds \$ 0.00 11 12 13 Excess golden parachute payments \$ 0.00 14 Gross proceeds paid to an attorney \$ 0.00 15a Section 409A deferrals \$ 0.00 15a Section 409A income \$ 0.00 16 State tax withheld \$ 0.00 17 State/Payers state no. 24 18 State income. \$ 0.00	OMB No. 1545-0115 2011 Form 1099-MISC	Miscellaneous Income Copy 1 for State Tax Department	
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Form **1099-MISC**

☐ VOID ☐ CORRECTED

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Form **1099-MISC**

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FILER'S federal identification number 583-29-1032		2 Gross proceeds \$ 123360000.00		
TRANSFEROR'S identification number 214-48-7682		3 Address or legal description FY2013 \$600,000/acre Annual Rate Unpaid Land Use 206.5 Acres Loiza PR \$371,720,000 Balance		
TRANSFEROR'S name, address, and ZIP code ANTHONY E HURLEY PO BOX 493 OWINGS MD 20736-0493				
Account or escrow number (see instructions) Juan Perez Parcel B1		4 Transferor received or will receive property or services as part of the consideration (if checked). <input checked="" type="checkbox"/>		
		5 Buyer's part of real estate tax \$		

**Copy B
For Transferor**

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

FILER'S name, street address, city, state, ZIP code, and telephone no. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 (571) 288-7383		1 Date of closing 06/30/2013	OMB No. 1545-0997 2012 Form 1099-S	Proceeds From Real Estate Transactions 38-2099803 Department of the Treasury -- IRS
FILER'S federal identification number 583-29-1032		2 Gross proceeds \$ 123360000.00		
TRANSFEROR'S identification number 214-48-7682		3 Address or legal description FY2013 \$600,000/acre Annual Rate Unpaid Land Use 206.5 Acres Loiza PR \$371,720,000 Balance		
TRANSFEROR'S name, address, and ZIP code ANTHONY E HURLEY PO BOX 493 OWINGS MD 20736-0493				
Account or escrow number (see instructions) Juan Perez Parcel B1		4 Transferor received or will receive property or services as part of the consideration (if checked). <input checked="" type="checkbox"/>		
		5 Buyer's part of real estate tax \$		

**Copy B
Duplicate****Instructions for Transferor**

For sales or exchanges of certain real estate, the person responsible for closing a real estate transaction must report the real estate proceeds to the Internal Revenue Service and must furnish this statement to you. To determine if you have to report the sale or exchange of your main home on your tax return, see the instructions for Schedule D (Form 1040). If the real estate was not your main home, report the transaction on Form 4797, Form 6252, and/or the Schedule D for the appropriate income tax form. If box 4 is checked and you received or will receive like-kind property, you must file Form 8824.

Federal mortgage subsidy. You may have to recapture (pay back) all or part of a federal mortgage subsidy if **all** the following apply.

- You received a loan provided from the proceeds of a qualified mortgage bond or you received a mortgage credit certificate.
- Your original mortgage loan was provided after 1990.
- You sold or disposed of your home at a gain during the first 9 years after you received the federal mortgage subsidy.
- Your income for the year you sold or disposed of your home was over a specified amount.

This will increase your tax. See Form 8828 and Pub. 523.

Transferor's identification number. For your protection, this form may show only the last four digits of your SSN, ITIN, or ATIN. However, the issuer has reported your complete identification number to the IRS, and, where applicable, to state and/or local governments.

Account number. May show an account or other unique number the filer assigned to distinguish your account.

Box 1. Shows the date of closing.

Box 2. Shows the gross proceeds from a real estate transaction, generally the sales price. Gross proceeds include cash and notes payable to you, notes assumed by the transferee (buyer), and any notes paid off at settlement. Box 2 does not include the value of other property or services you received or will receive. See Box 4.

Box 3. Shows the address or legal description of the property transferred.

Box 4. If marked, shows that you received or will receive services or property (other than cash or notes) as part of the consideration for the property transferred. The value of any services or property (other than cash or notes) is not included in box 2.

Box 5. Shows certain real estate tax on a residence charged to the buyer at settlement. If you have already paid the real estate tax for the period that includes the sale date, subtract the amount in box 5 from the amount already paid to determine your deductible real estate tax. But if you have already deducted the real estate tax in a prior year, generally report this amount as income on the "Other income" line of the appropriate income tax form. For more information, see Pub. 523, Pub. 525, and Pub. 530.

FILER'S name, street address, city, state, ZIP code, and telephone no. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 (571) 288-7383		1 Date of closing 06/30/2013	OMB No. 1545-0997 2012 Form 1099-S	Proceeds From Real Estate Transactions 38-2099803 Department of the Treasury -- IRS
FILER'S federal identification number 583-29-1032		2 Gross proceeds \$ 123360000.00		
TRANSFEROR'S identification number 213-60-6669		3 Address or legal description FY2013 \$600,000/acre Annual Rate Unpaid Land Use 206.5 Acres Loiza PR \$371,720,000 Balance		
TRANSFEROR'S name, address, and ZIP code MARY E HICKLIN 1401 SHEFORD RD BALTIMORE MD 21239				
Account or escrow number (see instructions) Juan Perez Parcel B2		4 Transferor received or will receive property or services as part of the consideration (if checked). <input checked="" type="checkbox"/>		
		5 Buyer's part of real estate tax \$		

**Copy B
For Transferor**

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this item is required to be reported and the IRS determines that it has not been reported.

FILER'S name, street address, city, state, ZIP code, and telephone no. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 (571) 288-7383		1 Date of closing 06/30/2013	OMB No. 1545-0997 2012 Form 1099-S	Proceeds From Real Estate Transactions 38-2099803 Department of the Treasury -- IRS
FILER'S federal identification number 583-29-1032		2 Gross proceeds \$ 123360000.00		
TRANSFEROR'S identification number 213-60-6669		3 Address or legal description FY2013 \$600,000/acre Annual Rate Unpaid Land Use 206.5 Acres Loiza PR \$371,720,000 Balance		
TRANSFEROR'S name, address, and ZIP code MARY E HICKLIN 1401 SHEFORD RD BALTIMORE MD 21239				
Account or escrow number (see instructions) Juan Perez Parcel B2		4 Transferor received or will receive property or services as part of the consideration (if checked). <input checked="" type="checkbox"/>		
		5 Buyer's part of real estate tax \$		

**Copy B
Duplicate****Instructions for Transferor**

For sales or exchanges of certain real estate, the person responsible for closing a real estate transaction must report the real estate proceeds to the Internal Revenue Service and must furnish this statement to you. To determine if you have to report the sale or exchange of your main home on your tax return, see the instructions for Schedule D (Form 1040). If the real estate was not your main home, report the transaction on Form 4797, Form 6252, and/or the Schedule D for the appropriate income tax form. If box 4 is checked and you received or will receive like-kind property, you must file Form 8824.

Federal mortgage subsidy. You may have to recapture (pay back) all or part of a federal mortgage subsidy if **all** the following apply.

- You received a loan provided from the proceeds of a qualified mortgage bond or you received a mortgage credit certificate.
- Your original mortgage loan was provided after 1990.
- You sold or disposed of your home at a gain during the first 9 years after you received the federal mortgage subsidy.
- Your income for the year you sold or disposed of your home was over a specified amount.

This will increase your tax. See Form 8828 and Pub. 523.

Transferor's identification number. For your protection, this form may show only the last four digits of your SSN, ITIN, or ATIN. However, the issuer has reported your complete identification number to the IRS, and, where applicable, to state and/or local governments.

Account number. May show an account or other unique number the filer assigned to distinguish your account.

Box 1. Shows the date of closing.

Box 2. Shows the gross proceeds from a real estate transaction, generally the sales price. Gross proceeds include cash and notes payable to you, notes assumed by the transferee (buyer), and any notes paid off at settlement. Box 2 does not include the value of other property or services you received or will receive. See Box 4.

Box 3. Shows the address or legal description of the property transferred.

Box 4. If marked, shows that you received or will receive services or property (other than cash or notes) as part of the consideration for the property transferred. The value of any services or property (other than cash or notes) is not included in box 2.

Box 5. Shows certain real estate tax on a residence charged to the buyer at settlement. If you have already paid the real estate tax for the period that includes the sale date, subtract the amount in box 5 from the amount already paid to determine your deductible real estate tax. But if you have already deducted the real estate tax in a prior year, generally report this amount as income on the "Other income" line of the appropriate income tax form. For more information, see Pub. 523, Pub. 525, and Pub. 530.

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FILER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone number. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383		1 Date of closing 12/31/2013	OMB No. 1545-0997 2013 Form 1099-S	Proceeds From Real Estate Transactions Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2013 General Instructions for Certain Information Returns.
		2 Gross proceeds \$495080000.00		
FILER'S federal identification number 583-29-1032	TRANSFEROR'S identification number 213-60-6669	3 Address or legal description (including city, state, and ZIP code) \$123,360,000.00 Annual Unpaid Using \$495,080,000.00 Accrued Unpaid Balance		
TRANSFEROR'S name MARY E HICKLIN				
Street address (including apt. no.) 1401 SHEFORD RD				
City or town, province or state, country, and ZIP or foreign postal code BALTIMORE, MD 21239		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
Account or escrow number (see instructions) LOIZA PR LANDS		5 Buyer's part of real estate tax \$		
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FILER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone number.		1 Date of closing	OMB No. 1545-0997 2013 Form 1099-S	Proceeds From Real Estate Transactions Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2013 General Instructions for Certain Information Returns.
		2 Gross proceeds		
FILER'S federal identification number	TRANSFEROR'S identification number	3 Address or legal description (including city, state, and ZIP code)		
TRANSFEROR'S name				
Street address (including apt. no.)				
City or town, province or state, country, and ZIP or foreign postal code		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
Account or escrow number (see instructions)		5 Buyer's part of real estate tax \$		
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FILER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone number.		1 Date of closing	OMB No. 1545-0997 2013 Form 1099-S	Proceeds From Real Estate Transactions Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2013 General Instructions for Certain Information Returns.
		2 Gross proceeds		
FILER'S federal identification number	TRANSFEROR'S identification number	3 Address or legal description (including city, state, and ZIP code)		
TRANSFEROR'S name				
Street address (including apt. no.)				
City or town, province or state, country, and ZIP or foreign postal code		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
Account or escrow number (see instructions)		5 Buyer's part of real estate tax \$		
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FILER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone number. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383		1 Date of closing 12/31/2013	OMB No. 1545-0997 2013 Form 1099-S	Proceeds From Real Estate Transactions
		2 Gross proceeds \$ 261994820.00		
FILER'S federal identification number 583-29-1032	TRANSFEROR'S identification number 66-0561882	3 Address or legal description (including city, state, and ZIP code) WWW.EBLM.US ACCRUED RIGHT OF ACCESSION		
TRANSFEROR'S name FIRST BANCORP		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2013 General Instructions for Certain Information Returns.		
Street address (including apt. no.) 1519 PONCE DE LEON AVE SANTURCE				
City or town, province or state, country, and ZIP or foreign postal code SAN JUAN, PR 00908				
Account or escrow number (see instructions) PUERTO RICO LANDS				
		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
		5 Buyer's part of real estate tax \$		

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FILER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone number. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383		1 Date of closing 12/31/2013	OMB No. 1545-0997 2013 Form 1099-S	Proceeds From Real Estate Transactions
		2 Gross proceeds \$ 5073962.00		
FILER'S federal identification number 583-29-1032	TRANSFEROR'S identification number 94-3024325	3 Address or legal description (including city, state, and ZIP code) WWW.EBLM.US ACCRUED RIGHT OF ACCESSION		
TRANSFEROR'S name PETSMART, INC.		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2013 General Instructions for Certain Information Returns.		
Street address (including apt. no.) 19601 NORTH 27TH AVENUE				
City or town, province or state, country, and ZIP or foreign postal code PHOENIX, AZ 85027				
Account or escrow number (see instructions) PUERTO RICO LANDS				
		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
		5 Buyer's part of real estate tax \$		

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FILER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone number. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383		1 Date of closing 12/31/2013	OMB No. 1545-0997 2013 Form 1099-S	Proceeds From Real Estate Transactions
		2 Gross proceeds \$ 495080000.00		
FILER'S federal identification number 583-29-1032	TRANSFEROR'S identification number 214-48-7682	3 Address or legal description (including city, state, and ZIP code) \$123,360,000.00 Annual Unpaid Using \$495,080,000.00 Accrued Unpaid Balance		
TRANSFEROR'S name ANTHONY E HURLEY		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2013 General Instructions for Certain Information Returns.		
Street address (including apt. no.) PO BOX 493				
City or town, province or state, country, and ZIP or foreign postal code OWINGS, MD 20736-0493				
Account or escrow number (see instructions) LOIZA PR LANDS				
		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
		5 Buyer's part of real estate tax \$		

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FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383		1 Date of closing 12/31/2014	OMB No. 1545-0997 2014 Form 1099-S	Proceeds From Real Estate Transactions
		2 Gross proceeds \$ 25000000.00		
FILER'S federal identification number 583-29-1032	TRANSFEROR'S identification number 214-48-7682	3 Address or legal description (including city, state, and ZIP code) Weekly Unpaid Using Added To Accrued Unpaid Balance		
TRANSFEROR'S name ANTHONY E HURLEY				
Street address (including apt. no.) 1629 K STREET, NW SUITE 300		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code WASHINGTON, DC 20006				
Account or escrow number (see instructions) 9/22/2014		5 Buyer's part of real estate tax \$		

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FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383		1 Date of closing 12/31/2014	OMB No. 1545-0997 2014 Form 1099-S	Proceeds From Real Estate Transactions
		2 Gross proceeds \$ 25000000.00		
FILER'S federal identification number 583-29-1032	TRANSFEROR'S identification number 213-60-6669	3 Address or legal description (including city, state, and ZIP code) Weekly Unpaid Using Added To Accrued Unpaid Balance		
TRANSFEROR'S name MARY E HICKLIN				
Street address (including apt. no.) 1401 SHEFORD RD		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code BALTIMORE, MD 21239				
Account or escrow number (see instructions) 9/22/2014		5 Buyer's part of real estate tax \$		

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FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Date of closing	OMB No. 1545-0997 2014 Form 1099-S	Proceeds From Real Estate Transactions
		2 Gross proceeds \$		
FILER'S federal identification number	TRANSFEROR'S identification number	3 Address or legal description (including city, state, and ZIP code)		
TRANSFEROR'S name				
Street address (including apt. no.)		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code				
Account or escrow number (see instructions)		5 Buyer's part of real estate tax \$		

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Form **1099-S**

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383		1 Rents \$	OMB No. 1545-0115 2014 Form 1099-MISC		Miscellaneous Income
		2 Royalties \$			
		3 Other income \$ 100000000.00	4 Federal income tax withheld \$		
		5 Fishing boat proceeds \$	6 Medical and health care payments \$		
PAYER'S federal identification number 583-29-1032	RECIPIENT'S identification number 213-60-6669			Copy A For Internal Revenue Service Center	
RECIPIENT'S name MARY E HICKLIN		7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$		File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2014 General Instructions for Certain Information Returns.
Street address (including apt. no.) 1401 SHEFORD RD		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$		
City or town, state or province, country, and ZIP or foreign postal code BALTIMORE, MD 21239		11	12		
Account number (see instructions) 9/22/2014		2nd TIN not. <input type="checkbox"/>	13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$	
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$	

Form **1099-MISC**

Cat. No. 14425J

www.irs.gov/form1099misc

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383		1 Rents \$	OMB No. 1545-0115 2014 Form 1099-MISC		Miscellaneous Income
		2 Royalties \$			
		3 Other income \$ 100000000.00	4 Federal income tax withheld \$		
		5 Fishing boat proceeds \$	6 Medical and health care payments \$		
PAYER'S federal identification number 583-29-1032	RECIPIENT'S identification number 214-48-7682			Copy A For Internal Revenue Service Center	
RECIPIENT'S name ANTHONY E HURLEY		7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest \$		File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2014 General Instructions for Certain Information Returns.
Street address (including apt. no.) 1629 K STREET, NW SUITE 300		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$		
City or town, state or province, country, and ZIP or foreign postal code WASHINGTON, DC 20006		11	12		
Account number (see instructions) 9/22/2014		2nd TIN not. <input type="checkbox"/>	13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$	
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$	

Form **1099-MISC**

Cat. No. 14425J

www.irs.gov/form1099misc

Department of the Treasury - Internal Revenue Service

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FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383		1 Date of closing 12/31/2015	OMB No. 1545-0997 2015 Form 1099-S	Proceeds From Real Estate Transactions
		2 Gross proceeds \$ 25000000.00		
FILER'S federal identification number 583-29-1032	TRANSFEROR'S identification number 214-48-7682	3 Address or legal description (including city, state, and ZIP code) Weekly Unpaid Using Added To Accrued Unpaid Balance		
TRANSFEROR'S name ANTHONY E HURLEY				
Street address (including apt. no.) 300 E. LOMBARD ST., SUITE 840		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code BALTIMORE, MD 21202				
Account or escrow number (see instructions) 11/12/2015		5 Buyer's part of real estate tax \$		

Form **1099-S** Cat. No. 64292E www.irs.gov/form1099s Department of the Treasury - Internal Revenue Service

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FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383		1 Date of closing 12/31/2015	OMB No. 1545-0997 2015 Form 1099-S	Proceeds From Real Estate Transactions
		2 Gross proceeds \$ 25000000.00		
FILER'S federal identification number 583-29-1032	TRANSFEROR'S identification number 213-60-6669	3 Address or legal description (including city, state, and ZIP code) Weekly Unpaid Using Added To Accrued Unpaid Balance		
TRANSFEROR'S name MARY E HICKLIN				
Street address (including apt. no.) 1401 SHEFORD RD		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code BALTIMORE, MD 21239				
Account or escrow number (see instructions) 11/12/2015		5 Buyer's part of real estate tax \$		

Form **1099-S** Cat. No. 64292E www.irs.gov/form1099s Department of the Treasury - Internal Revenue Service

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FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Date of closing	OMB No. 1545-0997 2015 Form 1099-S	Proceeds From Real Estate Transactions
		2 Gross proceeds \$		
FILER'S federal identification number	TRANSFEROR'S identification number	3 Address or legal description (including city, state, and ZIP code)		
TRANSFEROR'S name				
Street address (including apt. no.)		4 Check here if the transferor received or will receive property or services as part of the consideration <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code				
Account or escrow number (see instructions)		5 Buyer's part of real estate tax \$		

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PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383				1 Rents \$	OMB No. 1545-0115 2015 Form 1099-MISC	Miscellaneous Income	
				2 Royalties \$			
				3 Other income \$ 100000000.00			
PAYER'S federal identification number 583-29-1032		RECIPIENT'S identification number 213-60-6669		4 Federal income tax withheld \$	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2015 General Instructions for Certain Information Returns.		
RECIPIENT'S name MARY E HICKLIN				5 Fishing boat proceeds \$			6 Medical and health care payments \$
Street address (including apt. no.) 1401 SHEFORD RD				7 Nonemployee compensation \$			8 Substitute payments in lieu of dividends or interest \$
City or town, state or province, country, and ZIP or foreign postal code BALTIMORE, MD 21239				9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/> \$			10 Crop insurance proceeds \$
Account number (see instructions) 11/12/2015				11 <input type="checkbox"/>			12 <input type="checkbox"/>
15a Section 409A deferrals \$		15b Section 409A income \$		13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$		
15a Section 409A deferrals \$		15b Section 409A income \$		16 State tax withheld \$	17 State/Payer's state no. \$	18 State income \$	

Form **1099-MISC**

Cat. No. 14425J

www.irs.gov/form1099misc

Department of the Treasury - Internal Revenue Service

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☐ VOID☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. ALBERTO MEDINA LOPEZ PO BOX 6596 WOODBIDGE VA 22195 571-288-7383				1 Rents \$	OMB No. 1545-0115 2015 Form 1099-MISC	Miscellaneous Income	
				2 Royalties \$			
				3 Other income \$ 100000000.00			
PAYER'S federal identification number 583-29-1032		RECIPIENT'S identification number 214-48-7682		4 Federal income tax withheld \$	Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2015 General Instructions for Certain Information Returns.		
RECIPIENT'S name ANTHONY E HURLEY				5 Fishing boat proceeds \$			6 Medical and health care payments \$
Street address (including apt. no.) 300 E. LOMBARD ST., SUITE 840				7 Nonemployee compensation \$			8 Substitute payments in lieu of dividends or interest \$
City or town, state or province, country, and ZIP or foreign postal code BALTIMORE, MD 21202				9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/> \$			10 Crop insurance proceeds \$
Account number (see instructions) 11/12/2015				11 <input type="checkbox"/>			12 <input type="checkbox"/>
15a Section 409A deferrals \$		15b Section 409A income \$		13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$		
15a Section 409A deferrals \$		15b Section 409A income \$		16 State tax withheld \$	17 State/Payer's state no. \$	18 State income \$	

Form **1099-MISC**

Cat. No. 14425J

www.irs.gov/form1099misc

Department of the Treasury - Internal Revenue Service



Appraisal Report
of
Four Hundred Thirteen Acres
Vacant Oceanfront Land
Between Kilometer Marker 10.3 and 11.3
State Road 187 – Municipality of Loiza
Commonwealth of Puerto Rico, USA

Planned for
One World Resort and Casino
A Five-Star Destination Resort Community

Prepared for
One World Corporation

Prepared by



9106 Champions Way
PGA Village Resort
Port St. Lucie, FL 34986
(772) 467-1360 Phone (772) 465-4512 Fax
www.globalvaluation.com





Worldwide Appraisal Services

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July 2, 2007

Mary E. Hicklin-Hurley
President and CEO
One World Corporation.
1776 "I" Street, NW, Suite 900
Washington, DC 20006

RE: Four Hundred Thirteen Acres
Vacant Oceanfront Land
Between Kilometer Marker 10.3 and 11.3
State Road 187 – Municipality of Loiza
Commonwealth of Puerto Rico, USA

Ms. Hicklin-Hurley:

In accordance with our Appraisal Services Contract, we have completed an appraisal of the above referenced property. The property was inspected and all necessary investigations and analysis were made by Global Valuation, Inc.

The subject property is briefly described as a 413-acre vacant parcel of oceanfront land located between Kilometer marker 10.3 and 11.3, State Road 187, Municipality of Loiza, Commonwealth of Puerto Rico USA. The property has antique zoning rights that dates back to 1883 and supersedes all current zoning. This has a tremendous positive affect on the market value and marketability of the subject property because the owners are allowed to develop a wide variety of commercial projects including a Resort Hotel and Casino. The property features over one-half mile of Atlantic Ocean frontage and wide white sandy beach. All public utilities (except sewer) are at the property and it has an excellent location just 10 miles east of Metropolitan San Juan. The property is easily accessible via State Road 187 which runs through the property.

Planned is the One World Resort and Casino, a World-Class Five Star destination resort community with hotel, residences, casino, beach club, spa and an 18 – hole championship golf course and club. The overall density is 500 units or only 1.2 units per acre.

The scope of this assignment is to estimate the market value of the fee simple interest in the subject property "AS IS" and the prospective aggregate of retail values (ARV) "AS COMPLETED".

This is a Real Property Appraisal prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation. The Appraisal Report is prepared under the "Self-Contained Appraisal Report" option. The Appraisal Foundation is authorized by the United States Congress as the source of appraisal standards and appraiser qualifications. The report complies with all of the standards established in Title XI of the "Financial Institutions Reform Recovery Enforcement Act of 1989 (FIRREA).

Based upon all of the market data information, investigations, inspections, consultations and analysis, it is our opinion that the subject property has a market value of:

"AS IS"	July 2, 2007	\$186,000,000
"ARV AS COMPLETED"	July 2, 2012	\$750,000,000

We certify that we have no interest past or present in the subject property and that our conclusions of value are based on internationally accepted techniques, methods and procedures. Moreover, our fee is not contingent upon a specified value conclusion. The value conclusions are subject to the Assumptions and Limiting Conditions, presented in part two of this appraisal report.

Respectfully submitted,



Thomas G. Spears
President & CEO
Global Valuation, Inc.

A large, light gray compass rose graphic is centered on the page, serving as a background for the text.

**Part One
Introduction**

**Executive Summary
Certificate of Value
Global Valuation Introduction**



I EXECUTIVE SUMMARY

Subject Property

The subject property is briefly described as a 413-acre vacant parcel of oceanfront land located between Kilometer marker 10.3 and 11.3, State Road 187, Municipality of Loiza, Commonwealth of Puerto Rico USA. The property has antique zoning rights that dates back to 1883 and supersedes all current zoning. This has a tremendous positive affect on the market value and marketability of the subject property because the owners are allowed to develop a wide variety of commercial projects including a Resort Hotel and Casino. The property features over one-half mile of Atlantic Ocean frontage and wide white sandy beach. All public utilities (except sewer) are at the property and it has an excellent location just 10 miles east of Metropolitan San Juan. The property is easily accessible via State Road 187 which runs through the property.

Planned is the One World Resort and Casino, a World-Class Five Star destination resort community with hotel, residences, casino, beach club, spa and an 18 – hole championship golf course and club. The overall density is 500 units or only 1.2 units per acre.

Scope of Work

The scope of this assignment is to estimate the market value of the fee simple interest in the subject property “AS IS” and the prospective aggregate of retail values (ARV) “AS COMPLETED”.

Type of Appraisal

This is a Real Property Appraisal prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation. The Appraisal Report is prepared under the “Self-Contained Appraisal Report” option. The Appraisal Foundation is authorized by the United States Congress as the source of appraisal standards and appraiser qualifications. The report complies with all of the standards established in Title XI of the “Financial Institutions Reform Recovery Enforcement Act of 1989 (FIRREA).

Highest and Best Use

Destination Resort Community

Date of Appraisal and Report

“AS IS”	July 2, 2007
“ARV AS COMPLETED”	July 2, 2012

Interest Appraised

Fee Simple Interest

Market Value Estimate

Based upon all of the market data information, investigations, inspections, consultations and analysis, it is our opinion that the subject property has a market value as of June 26, 2007 of:

“AS IS”	July 2, 2007	\$186,000,000
“ARV AS COMPLETED”	July 2, 2012	\$750,000,000



II CERTIFICATE OF VALUE

This is a Real Property Appraisal prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation. The Appraisal Report is prepared under the “Self-Contained Appraisal Report” option. The Appraisal Foundation is authorized by the United States Congress as the source of appraisal standards and appraiser qualifications. The report complies with all of the standards established in Title XI of the “Financial Institutions Reform Recovery Enforcement Act of 1989 (FIRREA).

The reported analysis, opinions, and conclusions were developed and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the American Society of Appraisers and the Appraisal Institute. The use of this report is subject to the requirements of the American Society of Appraisers and the Appraisal Institute relating to review by their duly authorized representatives.

The appraiser (s) signing this report certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analysis, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the causes of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Global Valuation, Inc. has made a personal inspection of the subject.
- No one provided significant professional assistance to the appraiser (s) signing this report.
- The subject property is briefly described as a 413-acre vacant parcel of oceanfront land located between Kilometer marker 10.3 and 11.3, State Road 187, Municipality of Loiza, Commonwealth of Puerto Rico USA. The property has antique zoning rights that dates back to 1883 and supersedes all current zoning. This has a tremendous positive affect on the market value and marketability of the subject property because the owners are allowed to develop a wide variety of commercial projects including a Resort Hotel and Casino. The property features over one-half mile of Atlantic Ocean frontage and wide white sandy beach. All public utilities (except sewer) are at the property and it has an excellent location just 10 miles east of Metropolitan San Juan. The property is easily accessible via State Road 187 which runs through the property.

Planned is the One World Resort and Casino, a World-Class Five Star destination resort community with hotel, residences, casino, beach club, spa and an 18 – hole championship golf course and club. The overall density is 500 units or only 1.2 units per acre.

- The scope of this assignment is to estimate the market value of the fee simple interest in the subject property “AS IS” and the prospective aggregate of retail values (ARV) “AS COMPLETED”.
- Our conclusions of value are based on internationally accepted techniques and methods.



- Based upon all of the market data information, investigations, inspections, consultations and analysis, it is our opinion that the subject property has a market value of:

"AS IS"	July 2, 2007	\$186,000,000
"ARV AS COMPLETED"	July 2, 2012	\$750,000,000

Thomas G. Spears, ASA
State Certified General Appraiser # RZ1243

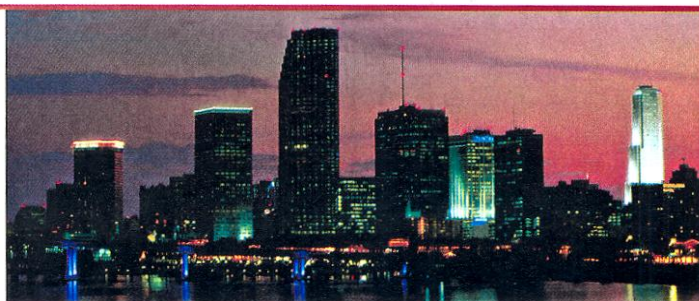
Michael G. Horton, MAI
State Certified General Appraiser #RZ1755

Roberto L. Rivero
State Registered Trainee Real Estate Appraiser # RI16137

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That is why our clients keep counting on us for all their appraisal needs. Our commitment to our clients has propelled us to a global leadership position in the appraisal industry.

Our appraisal reports always meet or exceed the requirements of the Uniform Standards of Professional Appraisal Practice as established by the Appraisal Standards Board of the Appraisal Foundation. The Appraisal Foundation is authorized by the United States Congress as the source of appraisal standards and appraiser qualifications.

Global Valuation appraisers always provide credible, accurate and timely appraisal reports and they are State Certified members of either the American Society of Appraisers (ASA) or The Appraisal Institute (MAI). These international organizations are members of the Appraisal Standards Board and represent two of the eight sponsors of The Appraisal Foundation.



Global Valuation provides all types of appraisals including real property (real estate), personal property (FF&E) and intangible property (business valuations). We have the capabilities to deliver a "Western Style" state of the art narrative appraisal report anywhere in the world.



Worldwide Appraisal

Real Property (Real Estate) Appraisal Reports

- * Special purpose properties
- * Commercial properties
- * Industrial properties
- * Residential properties
- * Agricultural Properties

Appraisal review reports

- * Technical review reports
- * Administrative review reports

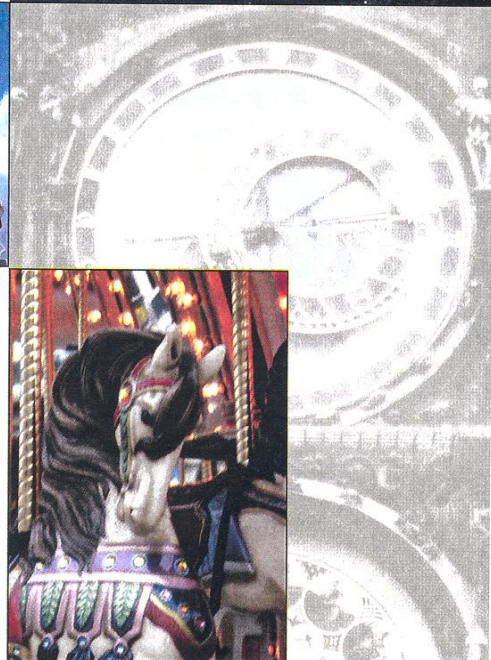
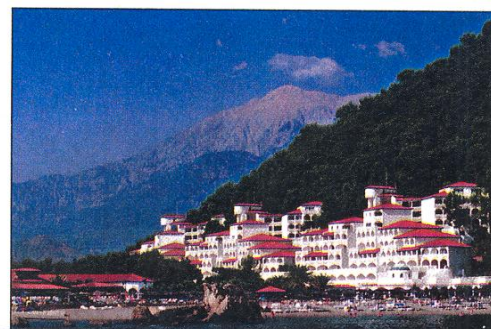
Mass Appraisal Reports

- * Portfolio appraisals

Personal Property (FF&E)

Furniture, fixtures and equipment appraisal reports are available for all types of property including, but not limited to:

- * Alpine ski resorts
- * Hospitals
- * Theme parks
- * Amusement parks
- * Water parks
- * Family entertainment centers
- * Hotels
- * Manufacturing plants
- * Casinos and gambling centers





Services

Consulting reports

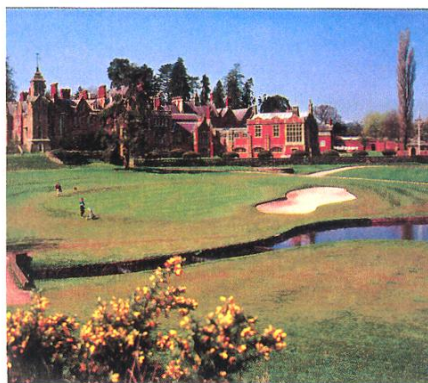
- * Feasibility studies
- * Market studies
- * Marketability studies
- * Cost-benefit studies
- * Pricing and rent projection studies
- * Counseling
- * Expert witness testimony
- * Due diligence



Intangible Property (Business Valuations)

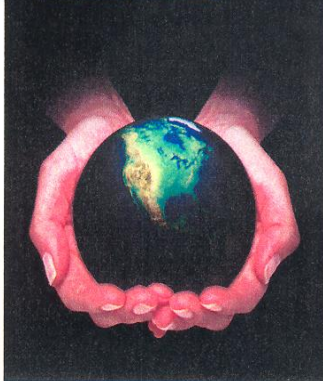
Business valuation depicts the rights and activity inherent in the ownership of an operating entity (individual, public or private) pursuing an economic activity.

- * Business valuations
- * Fairness / Solvency opinions



Complex special purpose properties are our specialty, including but not limited to theme parks, amusement parks, water parks, family entertainment centers, golf courses, resorts, etc.

Global Valuation also specializes in Going-Concern Valuations, which refer to the total property value including real property, personal property and intangible property.



In order to provide state-of-the-art appraisal reports, Global Valuation draws on the talents of the companies, professionals and their extensive knowledge of global markets. With today's global technologies, Global Valuation can accurately analyze any market, anywhere in the world.

Customer needs always come first. They will always be met and will usually exceed expectations.

We have the team, talent and resources to deliver your appraisal on time, and within budget.

Let Global Valuation analyze the market for your next project.

We deliver.





Part Two
Premises of the Appraisal

Type of Appraisal and Report Format
Assumptions and Limiting Conditions
Purpose, Use and Intended Users of the Appraisal
Definitions of Market Value and Terms
Date of Appraisal and Date of Report
Property Rights Appraised
Scope of Work
Sales History of the Subject Property



I TYPE OF APPRAISAL AND REPORT FORMAT

This is a Real Property Appraisal prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation. The Appraisal Report is prepared under the “Self-Contained Appraisal Report” option. The Appraisal Foundation is authorized by the United States Congress as the source of appraisal standards and appraiser qualifications. The report complies with all of the standards established in Title XI of the “Financial Institutions Reform Recovery Enforcement Act of 1989 (FIRREA).

II ASSUMPTIONS AND LIMITING CONDITIONS

The value conclusions and the certification within this report are made expressly subject to the following assumptions and limiting conditions.

THIS APPRAISAL REPORT HAS BEEN MADE WITH THE FOLLOWING ASSUMPTIONS:

No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.

The property is appraised free and clear of any and all liens or encumbrances unless otherwise stated.

Responsible ownership and competent property management are assumed.

The illustrative material in this report is included only to help the reader visualize the property.

It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.

It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless non-conformity has been identified, described and considered in the appraisal report.

It is assumed that all required licenses; certificates of occupancy, consents, and other legislative or administrative authority from any government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

This valuation is predicated upon the One World Resort and Casino being developed in accordance with the descriptions in this report.

THIS APPRAISAL REPORT HAS BEEN MADE WITH ALL THE FOLLOWING LIMITING CONDITIONS:

Possession of this report, or a copy thereof, does not carry with it the right of publication.

The appraiser (s), by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless financial arrangements have been previously made.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser (s), or Global Valuation, Inc. shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser (s) and Global Valuation, Inc.



The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.

Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.

The forecasts, projections or operating estimates contain herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.

This appraisal was prepared by Global Valuation, Inc. and consists of trade secrets and commercial and financial information which are privileged and confidential and exempted from disclosure under 5 U.S.C. 552 (b) (4).

This report remains the property of Global Valuation, Inc. and contains proprietary information; the use of this report is expressly prohibited unless all contractual obligations for payment thereof have been completed.

The reader of this report is encouraged to verify the contents and status by direct contact with

Thomas G. Spears
President & CEO
Global Valuation, Inc.
9106 Champions Way
PGA Village Resort
Port St. Lucie, Florida 34986
Telephone: 772-467-1360
Facsimile: 772-465-4512
Website: www.globalvaluation.com
E-mail: tgs@globalvaluation.com

III PURPOSE, USE AND INTENDED USERS OF THE APPRAISAL

The purpose of an appraisal is the stated reason and scope of an appraisal assignment, which, is established by the client. The scope of this assignment is to estimate the market value of the fee simple interest in the subject property "AS IS" and the prospective aggregate of retail values (ARV) "AS COMPLETED".

The use or function of an appraisal is the manner in which a client employs the information contained in the appraisal report. The function of this appraisal is for an initial public offering (IPO).

The intended user is One World Corporation.



IV DEFINITION OF MARKET VALUE AND TERMS

MARKET VALUE as defined by the Appraisal Standards Board of the Appraisal Foundation, Uniform Standards of Professional Appraisal Practice (USPAP), is the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and each acting in what they consider their own best interest;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

“AS IS” VALUE as defined by the dictionary of Real Estate Appraisal, third edition Appraisal Institute is the value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal. Relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning.

PROSPECTIVE MARKET VALUE refers to a forecast of the value expected at a specified future date. A prospective value estimate is most frequently sought in connection with real estate projects that are proposed, under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written.

AGGREGATE OF RETAIL VALUE refers to the sum of the appraised values of the individual units in a subdivision, as if all of the units were completed and available for retail sale, as of the date of the appraisal. The sum of the retail sales includes an allowance for lot premiums, if applicable, but excludes all allowances for carrying costs.

MARKET VALUE TERMS are the current purchasing power of the United States Dollar.

V DATE OF APPRAISAL AND REPORT

The effective date of this appraisal and report is

“AS IS”	July 2, 2007
“ARV AS COMPLETED”	July 2, 2012

VI PROPERTY RIGHTS APPRAISED

The valuation of real property includes both the physical real estate and the rights that one or more individuals or legal entities may hold or contemplate holding in the ownership or use of the land and improvements, special attention must be given to limitations or ownership rights, which include easements, encroachments liens, leases, and the disposition of air or subsurface rights. In this case, the property rights appraised are fee simple interest or estate; defined as absolute ownership of real estate that is unencumbered by any other interest or estate and is subject only to the limitations imposed by government agencies.



VII SCOPE OF WORK

The scope of this assignment is to estimate the market value of the fee simple interest in the subject property “AS IS” and the prospective aggregate of retail values (ARV) “AS COMPLETED”.

The scope of the appraisal refers to the extent of the process in which data are collected, confirmed, and reported. Three types of data are gathered for Appraisals: general data, specific data and competitive supply and demand data.

GENERAL DATA consist of information about trends in the social, economic, governmental, and environmental forces that affect property value. Global Valuation, Inc. has gathered all the required general data necessary to estimate the value of the subject property.

SPECIFIC DATA relate to the property being appraised and to the comparable properties. This data includes legal, physical, locational, cost and income and expense information about properties and the details of comparable sales. Financial arrangements that could affect selling prices are also considered. We have collected verified and analyzed all the required specific data necessary to estimate the value of the subject property including specific data for the subject property and all comparable properties utilized in this analysis.

COMPETITIVE SUPPLY AND DEMAND DATA relate to the competitive position of the property in its future market. Supply data include inventories of existing and proposed competitive properties, vacancy rates, and absorption rates. Demand data may consist of population, income employment, and survey data pertaining to potential property users. Global Valuation, Inc. has gathered and verified all the required competitive supply and demand data necessary to estimate the value of the subject property.

One internationally accepted method of data analysis have been developed for this valuation. The Subdivision Development Approach.

THE SUBDIVISION DEVELOPMENT APPROACH is a method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished units; the resultant net sales proceeds are then discounted to present value at a market derived rate over the development and absorption period to indicate the value of the raw land.

VIII SALES HISTORY OF THE SUBJECT PROPERTY

According to the public records, Parcel ID 21-042-000-010-01-000 identifies a 825-acre parcel of land of which the subject property is the eastern most 413-acres. Note, the transactions identified in the public records are for the whole 825-acre parcel of land.

In 2002 , Mega Productions, Inc owned by Anthony Hurley, leveraged a partner/ownership interest in the property with Alberto Medina Lopez who had inherited the land. In 2004, the contractual ownership of Mega Productions was converted to deeded ownership whereby the property was deeded to Anthony Hurley, Mary Hicklin-Hurley, (50% ownership), and Alberto Medina Lopez (50% ownership), all principals and all joint owners in common. In August 2005, the aforementioned three principals transferred the property into two offshore holding companies (International Investments Holding, LTD and Diversified Investments Holding, LTD), both companies being 50 / 50 joint owners in common. These companies are owned and controlled exclusively by the aforementioned three principals.

In June 2007, Diversified Investments Holding, LTD transferred the interest in the subject property to One World Corporation.





Part Three
Presentation of Data

Identification of the Subject Property
Area Profile



I IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is briefly described as a 413-acre vacant parcel of oceanfront land located between Kilometer marker 10.3 and 11.3, State Road 187, Municipality of Loiza, Commonwealth of Puerto Rico USA. The property has antique zoning rights that dates back to 1883 and supersedes all current zoning. This has a tremendous positive affect on the market value and marketability of the subject property because the owners are allowed to develop a wide variety of commercial projects including a Resort Hotel and Casino. The property features over one-half mile of Atlantic Ocean frontage and wide white sandy beach. All public utilities (except sewer) are at the property and it has an excellent location just 10 miles east of Metropolitan San Juan. The property is easily accessible via State Road 187 which runs through the property.

Planned is the One World Resort and Casino, a World-Class Five Star destination resort community with hotel, residences, casino, beach club, spa and an 18 – hole championship golf course and club. The overall density is 500 units or only 1.2 units per acre.

Legal Description

As recorded in the Commonwealth of Puerto Rico.

Parcel of land named Juan Perez at Torrecillas Baja Ward, Municipality of Loiza, Puerto Rico, which compose an area of approximately **FOUR HUNDRED THIRTEEN ACRES**. Bounding at the **North**, by the sea; at the **South**, with Mr. Teodoro Chevremont Hacienda; at the **East**, with Public Land; and **West**, with the western most portion of “Juan Perez Farm.”

Ownership

The property is owned by:
One World Corporation.
Mary E. Hicklin-Hurley, President and CEO

Zoning

The subject property is located in the Pinoñes Special Zoning Planning Area. The special land use plan and zoning classifications for this area have been in effect since June 1995.

According to the zoning maps, the subject property has the following zoning classifications:

- B-2 Mangrove Forest Zone
- CR-1 Conservation of Resources 1 Zone
- CR-A Conservation of Archaeological Zone
- DTS Tourism Selective

According to the Pinoñes Special Planning Area zoning map, the majority of the property is zoned B-2, followed by CR-1 and CR-A. The northeastern most corner of the subject property is zoned DTS, a tourism classification.

It is important to note that the subject property has been private property since 1883; as such the property has antique zoning rights that supersede all current zoning. The antique zoning allows a wide variety of commercial projects including a Destination Resort Hotel and Casino; residences, golf course, spa and beach club.

A copy of the Antique Zoning Rights doctrine is presented in Part 5 as Exhibit-B. A legal opinion and precedence prepared by attorney Wilfredo R. Picorelli Osorio follows.

Wilfredo R. Picorelli Osorio
ATTORNEY AT LAW

June 15, 2007.

Memorandum

Re: Diversified Investments (Holdings) LTD
Antique Uses Right Document

Antique Right Legal Opinion

After reviewing the compilation of the Spanish laws (applicable to Puerto Rico) during the period when Puerto Rico was a possession or province of the Spanish Government (up to 1898) in relation to ownership of lands and use of the lands near the coast line, including the mangrove forest, it is my opinion that those laws are applicable to the Juan Perez Farm at Loíza, Puerto Rico, of which Diversified Investments (Holdings) LTD have a title of a 50% ownership.

The Supreme Court of Puerto Rico in the leading case (pertaining to this matter) of Rupert Armstrong vs. ELA 97 DPR 588 (1969) stated and concluded that those laws (which are annexed) area applicable to the San Patricio Farm (at Guaynabo, Puerto Rico which is the land where today we have a huge commercial complex known as San Patricio Plaza) because, it was acquired by a particular or private person before the Spanish Government enacted the laws regulating the public lands.

It was concluded that those lands, promulgated before the said Spanish laws were enacted, were in private hands (a private person or entity holds title) and were not transferred to the USA Government by virtue of the Paris Treaty (which in 1898 concluded the American-Spanish war) and not then, to the Puerto Rico Government. Then it can be argued that to those lands, the laws relating to the use of coast line are not applicable, due to the fact that they were not public lands when same laws (Spanish or PR) were enacted.

These are very antique rights applicable to the Juan Perez Farm because the Registered Title of this land dates back to the year 1883 as per the entries in the books of the Property Registry.

Cordially,

Wilfredo R. Picorelli Osorio, Esq.



Site Size and Shape

The property is irregular in shape and contains approximately 413-acres.

Utilities

Electricity, municipal drinking water and telephone services are available to the subject property; public sewer service connections less than two (2) miles from the property.

Easements and Restrictions

State Road 187 runs through in an east – west direction, no other easements are indicated on the survey.

Flood Plain Information

The subject property is located in Zone-1 and Zone-2 as defined on the March 4, 1988 Flood Area Map for the Pinones Special Planning Area.

Street Frontage/Accessibility

The property features 3,281 front feet along State Road 187 which runs east – west through the property.

Topography

The property features 3,281 front feet of wide white sandy beaches along the Atlantic Ocean, sand dunes appear to range from 5-30 feet. The property also features marshland, a mangrove swamp area and several named creeks or canals meandering from east to west on the property, most notably Canal de Tierra, Canal del Medio and the Canal Caracoles.

Site Improvements

The subject property features a pedestrian walkway and bicycle path. The pathway parallels the beach and runs the whole length of the property along the sand dunes. The pathway is paved asphalt and throughout the path are covered gazebos with benches.

Several invader (squatters) residences and rustic kiosks are located on the subject property. None of the current improvements indicated above were considered in this appraisal.

It is important to note that State Road 187, a two lane asphalt paved thorofare, runs though the property from east to west.

Real Estate Taxes and Assessments

According to the Centro de Recaudacion de Ingresos Municipales (CRIM) tax assessors department in San Juan, Puerto Rico, the subject property has not been assessed for several years and is in the process of being assessed. The subject property is identified as ID: 21-042-000-010-01-000.



Conclusion

The subject property is located on the north shore of Puerto Rico located between Kilometer marker 10.3 and 11.3 on State Road 187 in the Municipality of Loiza, Puerto Rico USA. It is located 10 miles east of Metropolitan San Juan and the San Juan International Airport.

The property features an excellent oceanfront location with outstanding beaches and coves along the 3,281 front feet of coastline on the Atlantic Ocean. The beachfront has natural sand dunes with elevations up to approximately 30 feet which provide dramatic views of the beaches and the Atlantic Ocean.

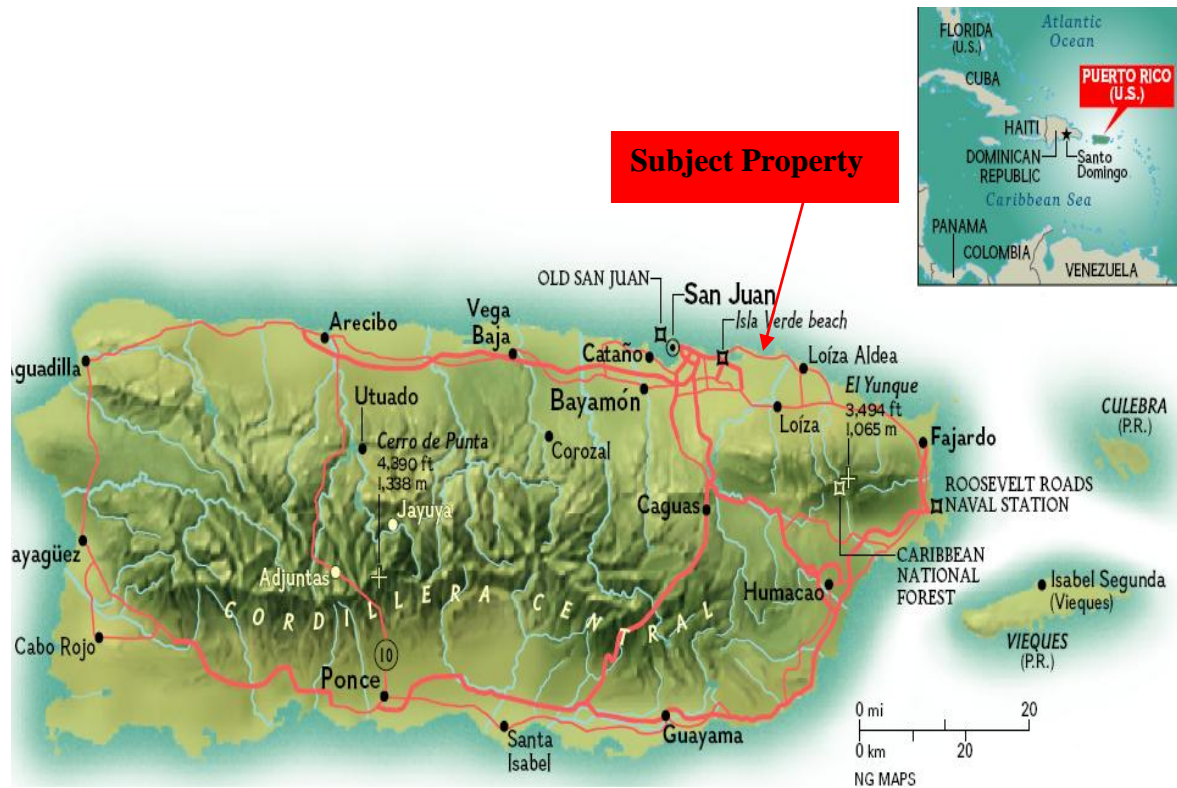
The subject property has antique zoning rights that supersede all current zoning. The property is planned for a five-star hotel, residences, casino, beach club, spa and an 18 – hole championship golf course and club. All the components for a very successful destination resort community.

Location maps; Survey; Land-Use plans and documentation and photographs of the subject property begin on the following pages.

Sand Deposit

IT IS IMPORTANT TO NOTE THAT THERE IS A SUBSTANTIAL SAND DEPOSIT ON THE SUBJECT PROPERTY. THIS HAS A TREMENDOUS POSITIVE IMPACT ON THE VALUE OF THE LAND, HOWEVER, NO CONSIDERATION IS GIVEN TO THE SAND DEPOSIT IN THIS VALUATION AS IT WILL REQUIRE A SEPARATE APPRAISAL AND IS NOT WITHIN THE SCOPE OF THIS ASSIGNMENT.

Subject Property Located in Puerto Rico, USA



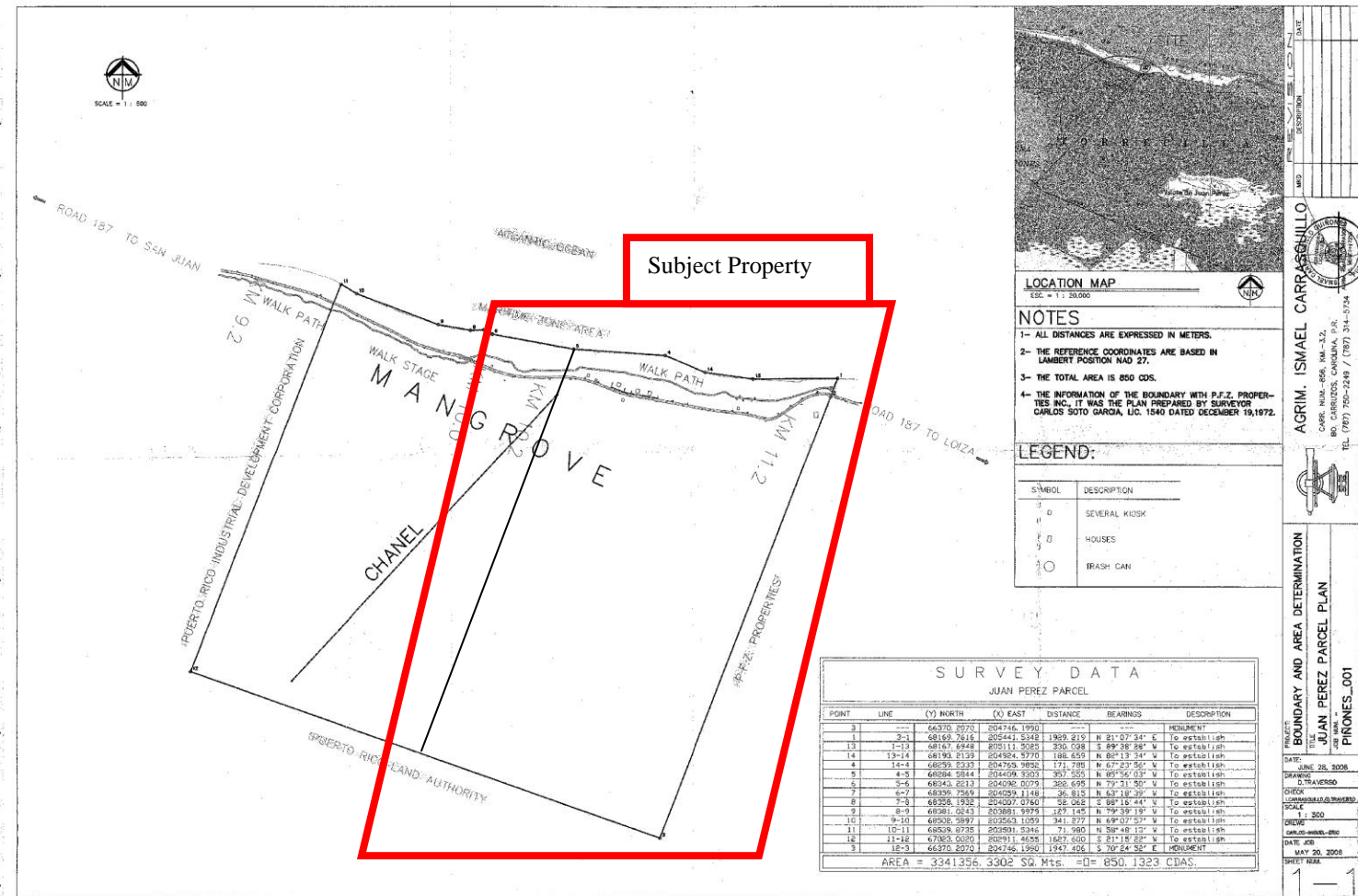
Satellite Photograph of Subject Property



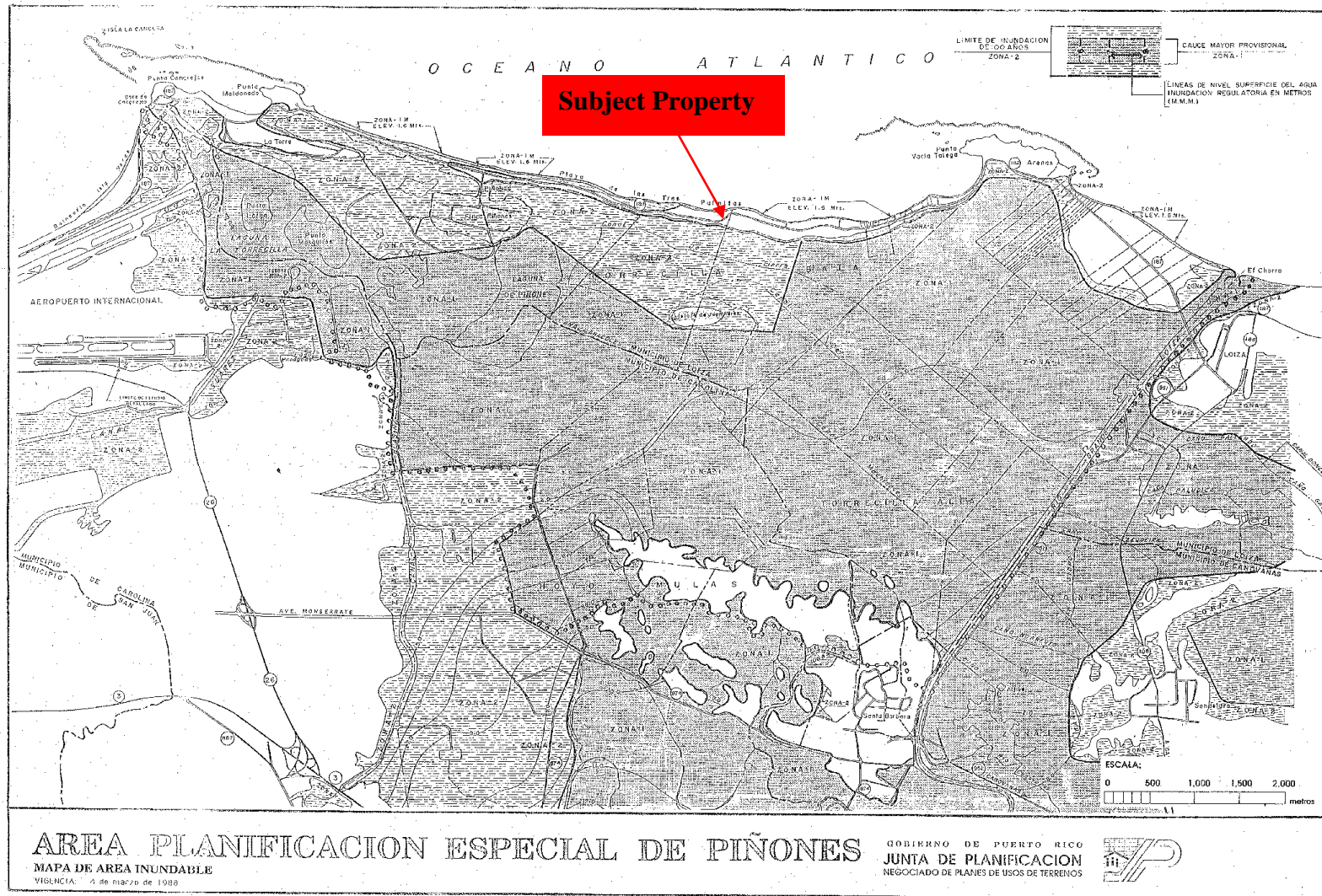
Municipality of Loiza



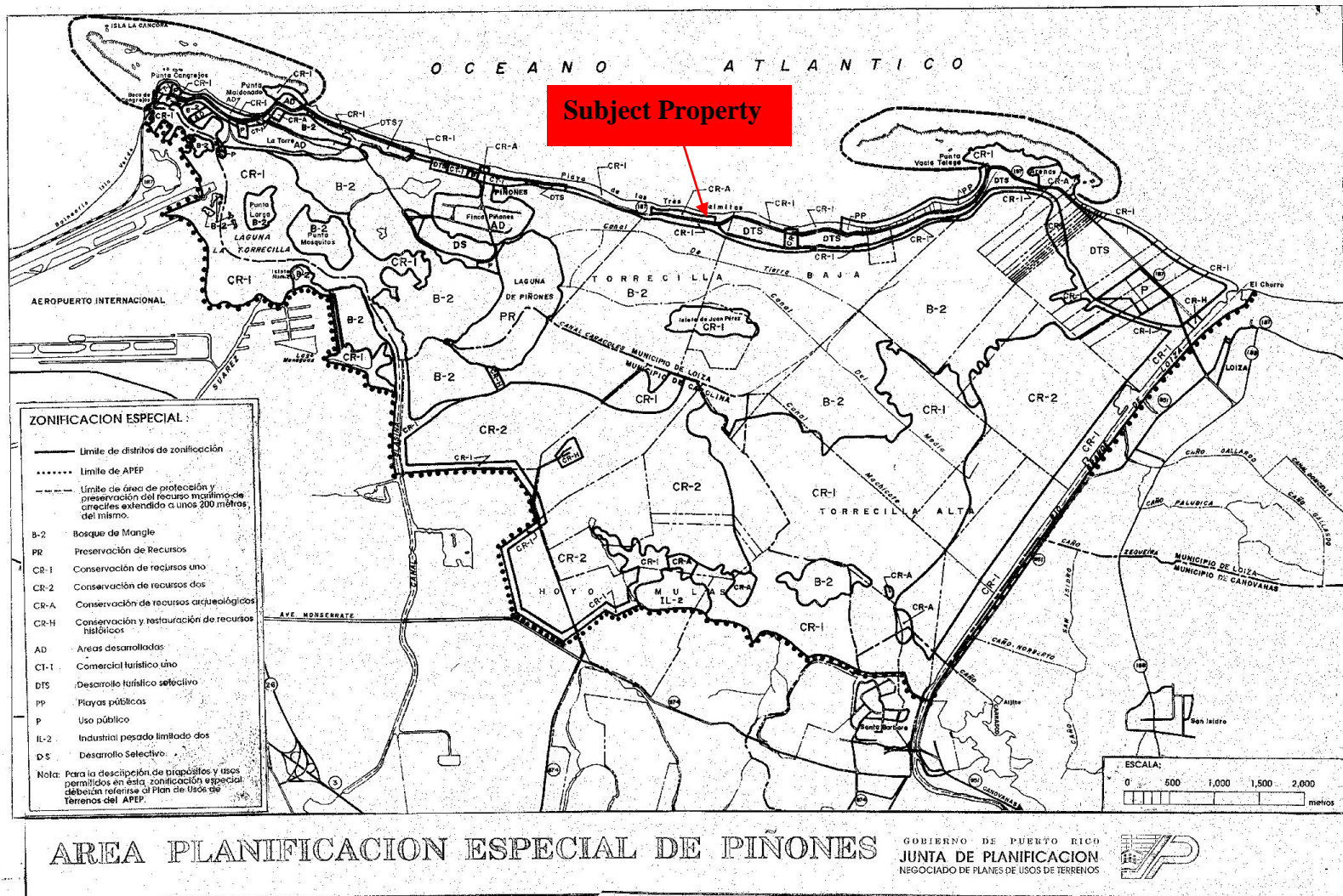
Survey of Subject Property



Flood Zone Map of Loiza



Zoning Map of Loiza



Subject Property Beachfront Views



Beach Sand Dunes and Natural Vegetation



Subject Property on Both Sides of State Road 187 – (Looking East)



Looking West



Subject Property Vegetation South of State Road 187



Bicycle Path and Gazebo



-----PURCHASE AND SALE OF A FIFTY PERCENT-----
-----CONDOMINIUM IN A REAL ESTATE-----

---In the City of *Baltimore* , *Maryland* , United
States of America, on the *23rd* day of *September* ,
2005.-----

-----NOW APPEAR-----

---AS PARTY OF THE FIRST PART: ANTHONY EDWIN
HURLEY (no second surname) (Social Security Number 214-48-
7682) and his wife MARY HICKLIN-HURLEY (Social Security
Number 213-60-6669), both of legal age, married, property owners
and residents of Baltimore, Maryland, United States of America,
hereinafter, "The Sellers".-----

---AS PARTY OF THE SECOND PART: DIVERSIFIED
INVESTMENTS (Holdings) L.T.D, a company registered at Saint
Vincent and The Grenadines, represented here by MR.
MICHAEL GENE DANIEL (Social Security Number 063-52-
4412), of legal age, married, Executive and resident of St. Vincent
and The Grenadines, who is authorized for such representation as
per a Resolution dated

signed and sealed by Michael Gene Daniels as sole representative
of the Company, a certified copy of which is annexed herewith,
hereinafter, "The Buyer".-----

-----STATE-----

---FIRST: The "Sellers" are the owners in fee simple absolute title
("pleno dominio") of a fifty percent (50%) condominium in the
real property described in Spanish as follows:-----


Mgd

---RUSTICA: Estancia denominada "Juan Pérez", sita en el Barrio Montenegro de la jurisdicción de Loíza, compuesta de Ochocientos Cincuenta Cuerdas (850 c) de terreno. Colindante al Norte, con el mar; por el Sur, con la Hacienda de Don Teodoro Chevremont; por el Este, con terrenos de Hacienda Pública; y por el Oeste, con la Hacienda denominada Piñones."-----

---Consta inscrita al folio sesenta y cinco (65) del tomo dos (2) de Loíza, Registro de la Propiedad de Carolina, Sección Tercera, finca número cincuenta y siete (57), inscripción octava y última.-----

-----TITLE-----

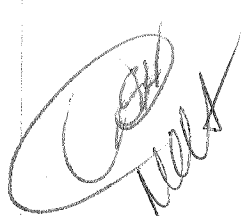
---SECOND: The "Sellers" acquired his title in the described property by virtue of a purchase from Alberto Medina López dated July twenty eighth (28th), two thousand and four (2004).-----

---The property is charged with a mortgage in guarantee of the principal sum of One Thousand Dollars (\$1,000.00) over a two story house in favor of "Convento de Nuestro Padre Juan Francisco" and with another mortgage in guarantee of the principal sum of One Thousand Dollars (\$1,000.00) in favor of the "Venerable Orden Tercera de San Francisco" with interest at five percent (5%). On both of these mortgages has expired the statue of limitation for foreclosure purposes and a petition to cancel them is being presented to the Property Register.-----

-----PURCHASE AND SALE-----

---THIRD: Having previously agreed thereon, the "Sellers" hereby sells, transfers and conveys a condominium of their fifty percent (50%) or one half of the property unto the "Buyer", with all its appurtenant rights, privileges and improvements, under the following terms and conditions:-----

---One: The purchase price for the condominium is the amount

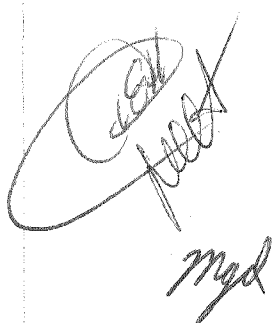

Mgd

of TWO HUNDRED NINETY FIVE THOUSAND DOLLARS (\$295,000.00), which amount "Sellers" acknowledges having received before this date to his entire satisfaction and for which amount "Sellers" issues "Buyer" a most formal receipt.-----

---Two: Property taxes and assessments on the Property corresponding to any period up to and including the date of execution of this document shall be for the account of "Sellers", those corresponding to any period thereafter shall be for the account of "Buyer" and "Sellers" as per their corresponding condominiums.-----

---FOURTH: The parties has been advised that from the date of the preparation of the title search done by Luis Reyes Vázquez & Associates, there may have been presented, and may be presented up to the time that this document is filed in the Registry of the Property, documents that may affect or alter the title and/or encumbrances of the property. The parties, aware of these possibilities and risks, agree to execute this instrument on this date, and the "Sellers" agree to indemnify the "Buyer" in the event of any such occurrence that may affect the title hereby transferred to the "Buyer" or the recording of said title with any liens and/or encumbrances other than the ones hereby related which liens (mortgages) the "Buyer" accept to pay (if necessary) or confront.--


---FIFTH: The appearing parties are aware that the Property is located in a flood zone, and in a restricted and protected area of marshland and mangrove and then any owner and occupant of

Handwritten signature and initials in the bottom left corner. The signature appears to be "Luis Reyes Vázquez" and the initials below it are "Mgd".

said Property, whether present or future, is bound by law to observe and comply with all requirements and provisions of the regulations applicable to zones susceptible to flooding and development or constructions in those zone, under advice that the failure to comply with said regulations may result in legal action pursuant to the provisions of Section Three (3) of Act Eleven (11) of March eighth (8th), nineteen hundred eighty eight (1988), Title Twenty Three (23) of the Laws of Puerto Rico Annotated, Section Two Hundred Twenty Five parenthesis 'g'. [225 (g)] or other applicable laws and rules. The appearing parties acknowledge having been duly advised of this requisite and they bind themselves to the strict compliance in the event said provisions are applicable.-----

---SIXTH: In compliance with the laws of Puerto Rico the "Buyer" recognized that they has been duly advised that they are only acquiring an undivided portion of all the estate and not a certain and segregated part, that no agreement of division of a real property in lots or portions will be legal without the approval of the regulating agencies in Puerto Rico, and that it can be a felony if done without such approval.-----

---SEVENTH: The parties has been advised that it is their duty to visit the CENTER FOR THE COLLECTION OF MUNICIPAL INCOME (CENTRO DE RECAUDACIONES DE INGRESOS MUNICIPALES) or CRIM (for its acronym in Spanish) and file the petition that is required so that the Property acquired, by this deed be registered


Miguel

there for tax purposes so that they can benefits of any exemption applicable.

-----ACCEPTANCE AND EXECUTION-----

---The appearing parties accept this document as drafted and confirm that the same has been drawn in accordance with their instructions and wishes and that the same includes their agreements.

---At *Upper Marlboro, Maryland*, United States of America, this *23rd* day of *September*, 2005.


ANTHONY EDWIN HURLEY


MARY HICKLIN-HURLEY

Michael D. Daniel 9/23/05
DIVERSIFIED INVESTMENTS (HOLDINGS) LTD
Represented by: MICHAEL GENE DANIEL

Sign and sworn to before me, a Notary Public, this *23rd* day of *September*, 2005.


NOTARY PUBLIC

ANN MICHELE JENKINS
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires June 16, 2008

Mi commission expire on _____

CERTIFICATE OF
CORPORATE RESOLUTION

DIVERSIFIED INVESTMENTS (HOLDINGS) LTD

I, Michael Gene Daniel (Social Security Number 063-52-4412),
of legal age, 51 and resident of St. Vincent and the Grenadines,
as sole responsible official of DIVERSIFIED INVESTMENTS (Holdings)
LTD, a company registered at Saint Vincent and the Grenadines.

CERTIFY: On the 23rd day of September, 2005, in an
extraordinary meeting of the Company, it was approve the following:

RESOLUTION

"To authorize Mr. Michael Gene Daniels to represent the Company in the
purchase for the price and conditions he decides in favor of the Company the real state
described in Spanish as follows:

---"RUSTICA: Estancia denominada "Juan Pérez", sita en el Barrio
Montenegro de la jurisdicción de Loíza, compuesta de Ochocientos
Cincuenta Cuerdas (850.00 c) de terreno. Colindante al Norte, con el mar;
por el Sur, con la Hacienda de Don Teodoro Chevremont; por el Este, con
terrenos de Hacienda Pública; y por el Oeste, con la Hacienda denominada
Piñones."

---Consta inscrita al folio sesenta y cinco (65) del tomo dos (2) de Loíza,
Registro de la Propiedad de Carolina, Sección Tercera, finca número
cincuenta y siete (57), inscripción octava y última.

This authorization includes the signing of all the documents necessary for
purchase according to any applicable law, to pay the price and expenses of such
transaction.

In witness whereof, I issue the present under my signature and seal of the
Company.

At UPPER MARLBORO, MARYLAND, United States of America, this 23 day of SEPTEMBER, 2005.

DIVERSIFIED INVESTMENTS
(HOLDINGS) LTD

(seal)

Michael G. Daniel 9/23/05
By:

Sworn and subscribed before me a Notary Public, this 23rd day of
September, 2005.

(seal)


Ann Michele Jenkins
NOTARY PUBLIC

ANN MICHELE JENKINS
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires June 16, 2008

ANN MICHELE JENKINS
NOTARY PUBLIC STATE OF MARYLAND
My Commission Expires June 16, 2008

STATE OF MARYLAND, Prince George's County, Sct.


I, Rosalyn E. Pugh, Clerk of the Circuit Court for Prince George's County, Maryland, a court of record, do hereby certify that Ann Michele Jenkins was a commissioned/appointed and qualified Notary, Prince George's County, MD commencing on the 30th day of June, 2004.

 In testimony Whereof, I have hereunto set my hand and affixed the seal of the Court day of September 23, 2005.

Rosalyn E. Pugh
Clerk of the Circuit Court for
Prince George's County, Maryland

STATE OF MARYLAND, Prince George's County, Sct.

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Rosalyn E. Pugh
Clerk of the Circuit Court for
Prince George's County, Maryland

Internal Revenue Service Criminal Investigation

Fiscal Year 2013
National Operations

Annual Business Report



IRS-CI Fiscal Year 2013 Annual Business Report

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IRS-CI Fiscal Year 2013 Annual Business Report

Chief's Message – Richard Weber

As I reflect back on Fiscal Year 2013, it is clear that it was one of the most challenging years in recent memory for the Service. Despite those challenges, CI thrived. Our special agents and analysts continue to prove that tenacity and hard work in investigating financial crimes are the keys to successful prosecutions. It has been my experience that our agents have the undisputed and well-deserved reputation as the finest financial investigators in the world. Our professional staff remains steadfast in accomplishing the tasks at hand. I continue to be humbled with leading an organization with employees who have the skills and determination to stay mission focused and overcome difficulties and keep CI moving in a positive direction.



Chief Weber listens to presentations during Elmer Irey Day awards ceremony.

During Fiscal Year 2013, we were faced with the continued challenge of declining resources. Our staffing of special agents and professional staff were at the lowest in years, and budget constraints curtailed our official travel and training. However, we still remained a strong organization – working complex and sensitive investigations where we have the advantage of strong financial expertise. This annual report includes case summaries that represent the diversity and complexity of those investigations. Our cases involved individuals and corporations from all segments of society. They led us into corporate board rooms, offices of public officials, tax preparation businesses, ID Theft gangs and narcotics trafficking organizations. Some of the biggest stories of the year included Kwame Kilpatrick, Liberty Reserve, HSBC, Rashia Wilson, Tim Turner, and the Los Zetas drug cartel. Kwame Kilpatrick, the former mayor of Detroit, was convicted in Fiscal Year 2013 and subsequently received the longest sentence ever in a public corruption and tax case. Liberty Reserve, one of the largest digital currency and international money laundering cases in U.S. history, was indicted and operations shutdown by our agents and law enforcement partners. HSBC entered into a deferred prosecution agreement and agreed to forfeit \$1.256 billion. Rashia Wilson claimed herself to be the “Queen of ID Theft” only to be arrested, tried and sentenced to 234 months in prison. Tim Turner, the self-proclaimed “President” of the sovereign citizen movements, was sentenced to 216 months in prison. Top members of the Los Zetas drug cartel were sentenced to lengthy prison terms. These are just a few of the myriad of multifaceted investigations CI worked this past year. In total, we initiated over 5,300 cases, recommended over 4,300 for prosecution, and supported prosecutors as they indicted almost 3,800 individuals and convicted over 93% of the cases closed this year. The conviction rate is especially important because it reflects the quality of our casework, our teamwork with federal law enforcement and the U.S. Attorneys’ Offices, and represents an increase over 2011 and 2012.

CI also plays a vital role in the Service’s effort to combat identity theft – one of our top priorities. CI works closely with other IRS business units to ensure there is an effective, coordinated Service-wide approach to battling this serious crime problem. Through our investigations we are able to provide the IRS with trends and filing patterns which they can in turn use to develop filters in identifying bad returns and stopping them prior to the refund being released. Working with our civil tax partners, we prevented over 1.3 million fraudulent returns from being released. Those fraudulent returns claimed over \$7.1 billion in false refunds. As a whole we have done a tremendous job as it relates to identity theft, from investigations to outreach to assisting civil tax counterparts.

As we enter Fiscal Year 2014, we will continue these efforts and will look at new ways to work with our civil partners, federal, state, local, and international law enforcement and prosecutors. I am extraordinarily optimistic about the future of CI. Nothing great is ever achieved without dedication and enthusiasm, and our employees have plenty of both. We will remain the energetic, dynamic and adaptive organization that is simply the best at following the money. I am grateful for the service and dedication of all CI employees.

IRS-CI Fiscal Year 2013 Annual Business Report

Vision for IRS Criminal Investigation:

Through strategic investments in people, increased communication, enhanced technology, and collaboration with domestic and global law enforcement partners, CI will continue to be the worldwide leader in tax and financial investigations.

Investigative Priorities:

Criminal Investigation's highest priority is to enforce our country's tax laws and support tax administration. The Fiscal Year 2013 investigative priorities were:

- Identity Theft Fraud
- Return Preparer Fraud & Questionable Refund Fraud
- International Tax Fraud
- Fraud Referral Program
- Political/Public Corruption
- Organized Crime Drug Enforcement Task Force (OCDETF)
- Bank Secrecy Act and Suspicious Activity Report (SAR) Review Teams
- Asset Forfeiture
- Voluntary Disclosure Program
- Counterterrorism and Sovereign Citizens

Accomplishments:

Overall Fiscal Year 2013 (FY 2013) Investigation Statistics:

- Subject criminal investigation initiations in FY 2013 were 5,314 investigations.
- Investigation completions in FY 2013 were 5,557, a 12.5% increase over FY 2012.
- Prosecution recommendations for FY 2013 were 4,364, reflecting an increase of 17.9% over FY 2012.
- Convictions totaled 3,311 in FY 2013. This represents an increase of 25.7% in comparison to FY 2012.
- Conviction rate is the percentage of convictions compared to the total number of convictions, acquittals, and dismissals. The conviction rate for FY 2013 is 93.1%, 0.1% more than the FY 2012 rate (93.0%).

	FY 2013	FY 2012	FY 2011
Investigations Initiated	5314	5125	4720
Prosecution Recommendations	4364	3701	3410
Informations/Indictments	3865	3390	2998
Convictions	3311	2634	2350
Sentenced*	2812	2466	2206
Percent to Prison	80.1%	81.5%	81.7%

*Sentence includes confinement to federal prison, halfway house, home detention, or some combination thereof.

A fiscal year runs from October 1 through September 30.

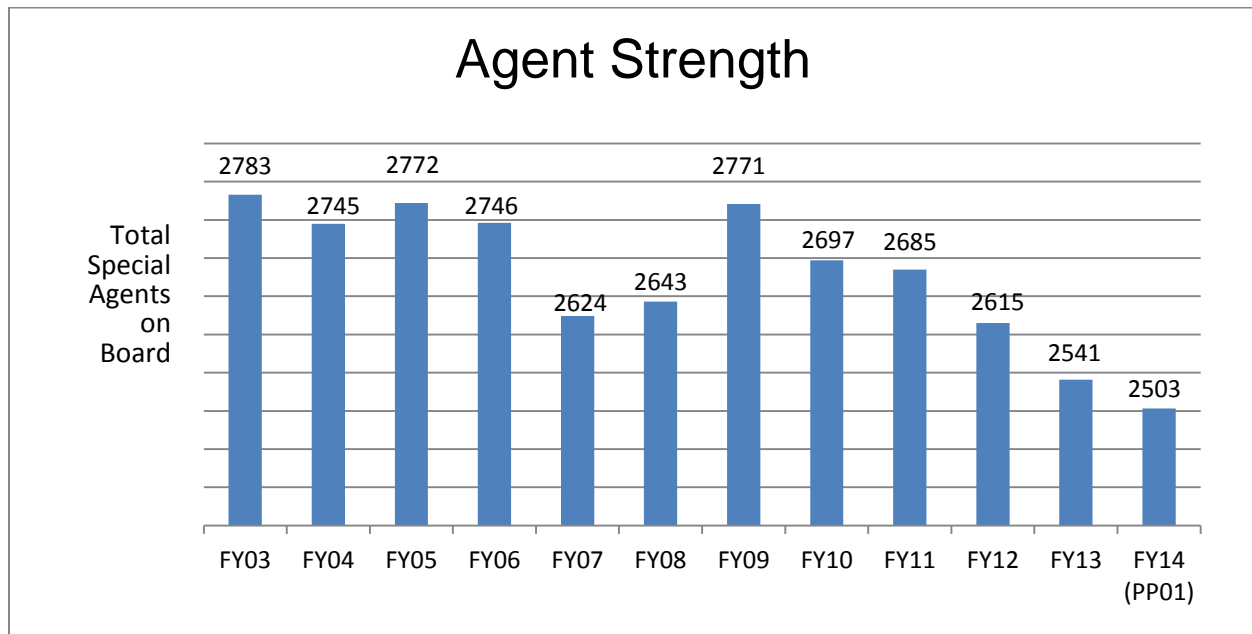
Data Source: Criminal Investigation Management Information System

How to Interpret Criminal Investigation Data: Actions on a specific investigation may cross fiscal years, the data shown in investigations initiated may not always represent the same universe of investigations shown in other actions within the same fiscal year.

IRS-CI Fiscal Year 2013 Annual Business Report

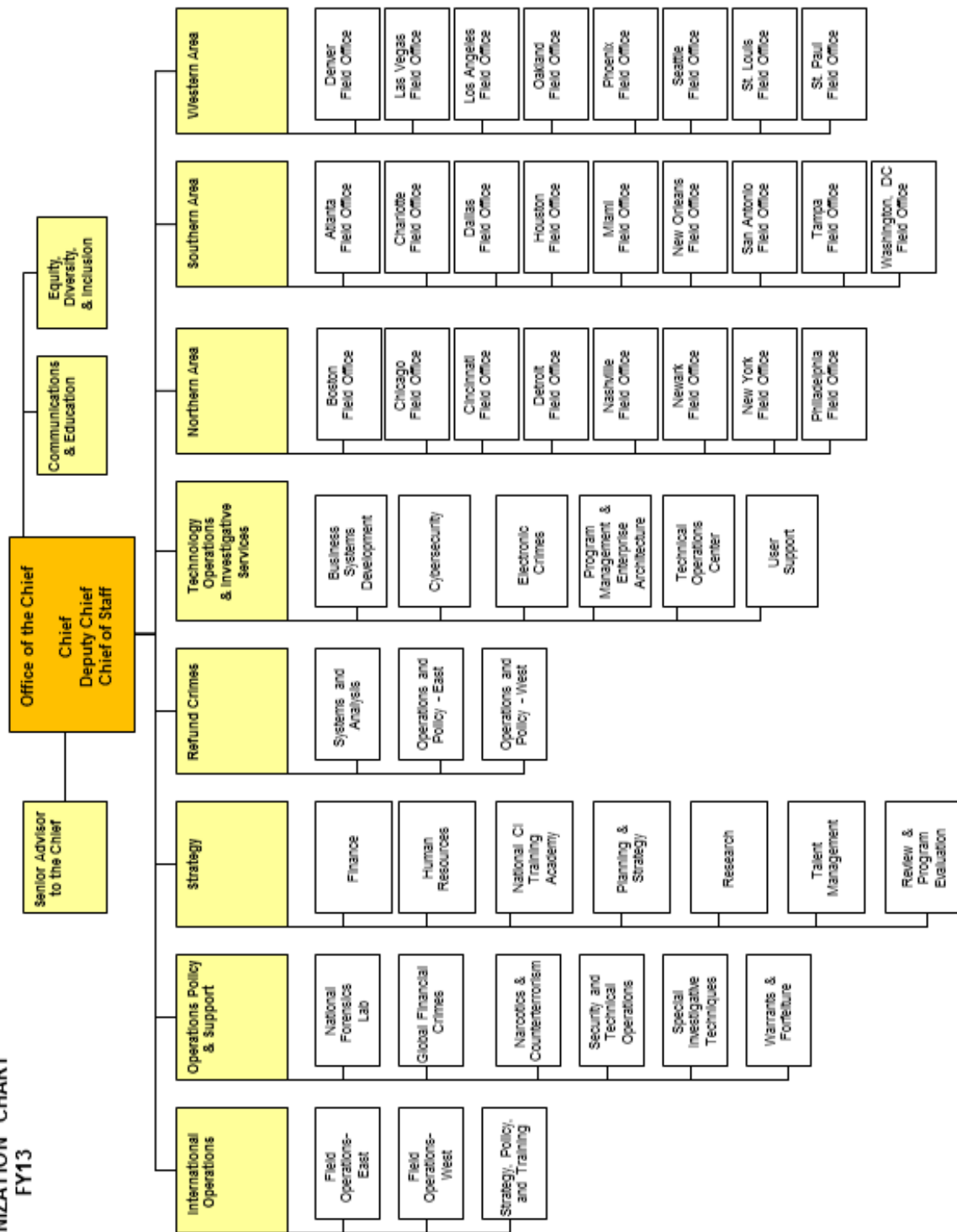
Staffing

- As of September 30, 2013, IRS-CI had 2,541 Special Agents on board, a 5.4% decrease compared to the number of special agents at the conclusion of FY 2012.
- Professional staff assigned at the conclusion of FY 2013 was 1,083, a 3.6% decrease from professional staff at the end of FY 2012.

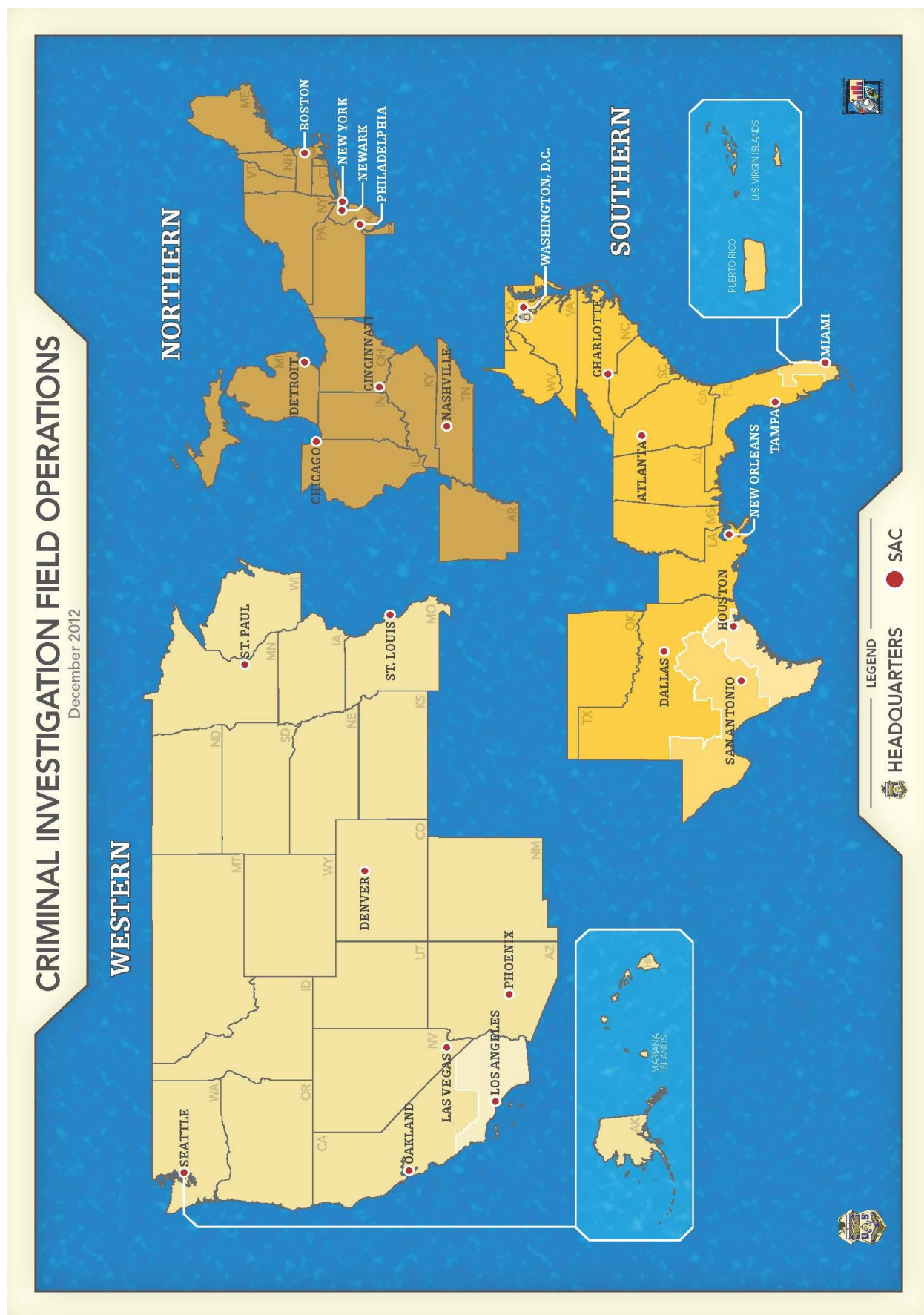


IRS-CI Fiscal Year 2013 Annual Business Report

IRS-CRIMINAL INVESTIGATION ORGANIZATION CHART FY13



IRS-CI Fiscal Year 2013 Annual Business Report



IRS-CI Fiscal Year 2013 Annual Business Report

LEGAL SOURCE TAX CRIMES

Criminal Investigation's (CI) primary resource commitment is to develop and investigate Legal Source Tax Crimes. Typically, Legal Source Tax Crimes are committed by people in legally permissible occupations and industries, and their actions violate tax laws or threaten the tax system. Prosecution of these cases support the overall IRS compliance goals and enhance voluntary compliance with the tax laws. Some of these investigations are worked with our federal, state and local law enforcement partners, as well as with foreign tax and law enforcement agencies.

Fraud Referral Program:

Criminal Investigation places a high degree of emphasis on the fraud referral program. One source of investigations comes from civil IRS divisions in the form of a fraud referral. CI works closely with the civil divisions of Small Business/Self-Employed (SB/SE), Wage and Investment (W&I), Large Business & International (LBI) and Tax Exempt and Government Entities (TEGE). It is through these fraud referrals that CI gets some of our core mission tax investigations. CI is committed to timely evaluation of each fraud referral.

General Tax Fraud:

The General Tax Fraud investigations are the backbone of Criminal Investigation's enforcement program and has a direct influence on the taxpaying public's compliance with the Internal Revenue Code. Compliance with the tax laws in the United States depends heavily on taxpayer self-assessment of the amount of tax, voluntary filing of tax returns and remittance of any tax owed. This is frequently termed "voluntary compliance." There are individuals from all facets of the economy, whether corporate executive, small business owner, self-employed or wage earner, who through willful non-compliance do not pay their fair share of taxes. Criminal Investigation special agents use their financial investigative skills to uncover and quantify many different schemes, including deliberately under-reporting or omitting income ("skimming"); keeping two sets of books, or

making false entries in books and records; claiming personal expenses as business expenses; claiming false deductions or credits against taxes; or hiding or transferring assets to avoid payment.

Examples of general tax fraud investigations¹ adjudicated in FY 2013 include:

Accountant Sentenced for Tax Fraud: On August 27, 2013, in Chicago, Ill., Robert Rome was sentenced to 63 months in prison and ordered to pay \$1,786,053 in restitution to the IRS. According to court documents, Rome was the managing partner of the former Rome Associates LLP accounting firm in Chicago. One of his largest clients was a family who owned a group of plumbing wholesale supply companies. He provided accounting and tax services to the family members and their businesses. Rome had sole authority to sign checks, transfer funds and sign tax returns for the trusts he managed. He used his unlimited access to embezzle more than \$4.3 million in trust funds between 2003 and 2007 by writing checks payable to himself or his firm. In addition to the trust funds, he stole money from a family investment partnership account and an account of the estate of a deceased family member. Rome spent the money he stole to pay personal expenses.

Two Connecticut Women Sentenced for Overseeing Pyramid Scheme: On August 13, 2013, in Hartford, Conn., Donna Bello and Jill Platt were sentenced to 72 months and 54 months in prison, respectively. In addition, Bello and Platt were ordered to pay \$32,000 in restitution to several victims of their scheme. On February 20, 2013, Bello and Platt were convicted of conspiracy to commit wire fraud and conspiracy to defraud the IRS, multiple counts of wire fraud and filing false tax returns. According to court documents, from approximately 2008 to 2011, Bello and Platt, oversaw and profited from a pyramid scheme known as "Gifting Tables." The defendants recruited individuals to join the scheme,

¹ Investigation summaries are written from public court documents

IRS-CI Fiscal Year 2013 Annual Business Report

prepared and distributed materials to recruits that contained false representations, and affirmatively misrepresented to recruits and participants that Gifting Tables was not a pyramid scheme. Bello and Platt also conspired to defraud the IRS by telling recruits and participants that monies given and received during the scheme were tax-free “gifts” under the IRS Code and that lawyers and accountants had approved Gifting Tables as legal ventures that generated tax-free proceeds. In addition, Bello and Platt filed false tax returns that failed to report income generated from the scheme.

Former Pilot Sentenced in Tax Fraud

Scheme: On May 8, 2013, in Atlanta, Ga., Charlie Shivers, III, a former pilot, was sentenced to 84 months in prison and ordered to pay \$5,630,681 in restitution to the United States Treasury. Shivers pleaded guilty on August 9, 2012 to two counts of filing false claims against the United States. According to court documents, from 2009 through 2012, Shivers filed, or caused to be filed, over 100 fraudulent corporate tax returns, claiming \$35 million in refunds for fuel taxes falsely claimed to have been paid on fuel purchased for off-road company vehicles. The false claims were made in the names of corporations and shell companies, none of which used off-road vehicles or paid the fuel tax claimed for refund.

Idaho Home Builder Sentenced for Tax

Evasion: On March 28, 2013, in Boise, Idaho, Justin D. Schoenauer, aka Corey J. Schoenauer was sentenced to 27 months in prison and ordered to pay \$429,436 in restitution. Schoenauer pleaded guilty on October 30, 2012 to income tax evasion. According to court documents, Schoenauer was a general contractor who operated a sole proprietorship called Patagonia Construction, a business engaged primarily in building homes. Schoenauer admitted that during tax years 2005 through 2008, he concealed Patagonia’s business receipts. Schoenauer directed some customers to make checks payable to him personally, rather than to Patagonia, then ensured that those checks were not deposited into Patagonia’s main bank account.

President of Torco Racing Fuels Sentenced for Making False Claims:

On November 21, 2012, in Grand Rapids, Mich., Evan Ward Knoll, the founder, owner and former president of Torco Racing Fuels, Knoll Gas Motor Sports and General Sales and Service, was sentenced to 168 months in prison and ordered to pay \$82,933,652 in restitution to the IRS. Knoll pleaded guilty in July 2012 to eight charges of making false claims against the United States and to one count of bank fraud. According to court documents, Knoll exploited a refund program applicable to the federal “excise tax” of 18.3 cents per gallon on all automotive gasoline sold in the United States. The excise tax primarily funds highway construction, but where the gasoline is used for an “off road” purpose, such as drag-racing, the “off road” user who paid the tax can apply for a federal tax refund. Knoll filed false IRS forms over many years in which he falsely claimed to have purchased massive quantities of racing fuel, all of which resulted in refund payments of over \$80,000,000.

Refund Fraud Program:

Refund fraud poses a significant threat to the tax system. When criminals attempt to misuse the Federal tax system in order to obtain money from the government under false pretenses, it not only results in the loss of funds needed for vital government programs, but it also can impact the taxpayers confidence in the tax system and willingness to voluntarily meet their tax filing obligations. The Refund Fraud Program is broken down into two distinct categories: the Return Preparer Program and the Questionable Refund Program, which includes identity theft investigations.

Identity Theft:

Identity theft-related crimes continue to be a priority area of investigation for CI. During Fiscal Year 2013, CI remained committed to investigating egregious identity theft schemes through administrative and grand jury investigations and through field office and multi-regional task forces including state/local and federal law enforcement agencies. Currently CI participates in over 70 task forces/working groups throughout the country which investigate both financial crimes as well as identity theft crimes. CI’s level of commitment

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towards the fight against identity theft continues to be evident through a designated management official to serve as the National ID Theft Coordinator to oversee national efforts concerning policy, procedures, etc. In addition to a National Coordinator there are ID Theft Coordinators within each of the 25 field offices.

Identity Theft Clearinghouse (ITC): The ITC continues to develop and refer identity theft refund fraud schemes to CI field offices for investigation. The ITC receives all refund fraud-related identity theft leads from CI field offices. The ITC's primary responsibility is to develop and refer identity theft schemes to the field offices, facilitate discussions between field offices with multi-jurisdictional issues, and provide support to on-going criminal investigations involving identity theft.

Victim Waiver Pilot Program: In March 2013, IRS announced to the public that the Law Enforcement Assistance Program, formerly known as the "Identity Theft Pilot Disclosure Program," was expanding nationwide. This program was developed jointly by CI and its civil counterparts as a result of a significant increase in requests from state and local law enforcement agencies for tax return documents associated with identity theft related refund fraud. The program allows for the disclosure of tax returns and return information associated with accounts of known and suspected victims of identity theft with the express written consent of those victims.

Identity Theft Summit: In January 2013, CI hosted an Identity Theft Summit with law enforcement members from 14 federal agencies. The meeting discussed ways to strengthen collaborative efforts amongst agencies in the fight against Identity Theft. The summit included presentations focused on revenue protection and civil activities, CI operations and policies, special investigative techniques, international issues, and various legal considerations. The conference was the culmination of ongoing, coordinated efforts between numerous agencies and allowed for valuable dialogue concerning identity theft.

Data Processing Center (DPC): CI's DPC centralizes identity theft victims' lists and information forwarded to CI by other Federal,

State, and local agencies. The information is shared with W&I and allows their employees to analyze and make necessary adjustments to accounts of taxpayers that are likely victims of identity theft. The DPC processed over 71.7% more identity records in FY 2013 than it did in FY 2012.

Examples of identity theft investigations adjudicated in FY 2013 include:

Alabama State Employee and Co-conspirators Sentenced in Identity Theft Scheme: On September 23, 2013, in Montgomery Ala., Lea'Tice Phillips was sentenced to 94 months in prison and ordered to pay \$567,631 in restitution. Phillips pleaded guilty on May 30, 2013 to wire fraud and aggravated identity theft. According to the court documents, Phillips worked for an Alabama state agency and had access to state databases that contained forms of identification of individuals. Between October 2009 and April 2012, Phillips conspired with Antoinette Djonret and others to file false tax returns using stolen identities. On multiple occasions, Phillips accessed a state database to obtain identification which she then sent to Djonret. Djonret and her co-conspirators used an elaborate network of individuals to launder the tax refunds. They recruited individuals to purchase prepaid debit cards on their behalf. Fraudulently obtained tax refunds were directed to the prepaid debit cards that Djonret and her co-conspirators used to obtain the proceeds. In total, Djonret filed over 1,000 false tax returns that claimed over \$1.7 million in fraudulent tax refunds. Antoinette Djonret was sentenced to 144 months in prison for her role in the conspiracy. On September 3, 2013, Angelique Djonret was sentenced to 24 months in prison for her involvement in the identity theft tax fraud scheme.

Ohio Woman Sentenced in Identity Theft and Tax Refund Scam: On September 16, 2013, in Cincinnati, Ohio, Bridgette Jones was sentenced to 61 months in prison and ordered to pay \$477,490 in restitution to the IRS. In April 2013, Jones pleaded guilty to one count of conspiracy to submit false claims for federal income tax refunds with the IRS and to one count of aggravated identity theft. According to court

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documents, between January 2011 and September 2012, Jones conspired with others to obtain false claims for income tax refunds from the IRS by electronically filing false 2010 and 2011 federal income tax returns claiming at least \$654,550 in refunds that they knew they were not entitled. Jones' primary role in the scheme was to prepare and submit false returns to the IRS using stolen identities. Co-conspirator Ellis Maurice Scott unlawfully obtained the individual names, dates of birth, and social security numbers used to prepare and file the false income tax returns. Jones and Scott kept lists of these individual's identities to be used in filing false income tax returns for multiple income tax years. In April 2013, Ellis Scott pleaded guilty and currently awaits sentencing.

Woman Sentenced for Running Stolen Identity Tax Fraud Scheme: On July 30, 2013, in St. Louis, Mo., Tania Henderson was sentenced to 144 months in prison and ordered to pay \$835,883 in restitution to the IRS. Henderson pleaded guilty on April 29, 2013 to theft of government funds and aggravated identity theft. According to her plea agreement and other court documents, Henderson stole the identities of more than 400 individuals, many of whom were deceased, and filed fraudulent tax returns using their names and social security account numbers. Between August and November 2012, Henderson filed 236 fraudulent tax returns. Using a network of family and friends, she would collect refund checks or prepaid debit cards for the refund amounts.

Conspirator Sentenced in Bank Fraud and Identity Theft Schemes: On July 24, 2013, in Baltimore, Md., Derrick Elrod, of Philadelphia, Pa., was sentenced to 36 months in prison. According to court documents, Elrod worked for a nonprofit social services organization headquartered in Philadelphia. He was an advisor at a residential program that supports individuals with mental health needs. Elrod used his position to steal the personal identifying information of past or present residents of the program. Christopher Devine used the stolen personal information to file at least 13 false tax returns for the 2010 tax year. Christopher Devine was sentenced in March 2013 to 121

months in prison. In addition, the following co-conspirators were sentenced for their roles in the scheme. Quanishia Williamson-Ross was sentenced to 42 months in prison. Quashonna Williamson and Lenée E. Williamson were sentenced to 36 months in prison. John Waters was sentenced to 27 months in prison.

Self-Proclaimed "First Lady" of Tax Fraud Sentenced: On July 16, 2013, in Tampa, Fla., Rashia Wilson was sentenced to 234 months in prison on wire fraud and aggravated identity theft charges stemming from her scheme to defraud the IRS, and to a consecutive 18 months in prison for being a felon in possession of a firearm. Wilson was also ordered to forfeit \$2,240,096. According to court documents, from at least April 2009, through their arrests in September 2012, Wilson and her co-conspirator, Maurice J. Larry, filed false and fraudulent federal income tax returns in other persons' names, without those persons' permission or knowledge. Wilson and Larry filed these false and fraudulent federal income tax returns from multiple locations, including Wilson's residence and hotels in the Tampa area. Larry was sentenced in September 2013 to 174 months in prison.

Louisiana Woman Sentenced for Identity Theft and Tax Refund Fraud: On July 18, 2013, in Baton Rouge, La., Angela Myers was sentenced to 132 months in for wire fraud, making false claims, subscribing to false tax returns and aggravated identity theft. Myers was also ordered to pay \$202,685 in restitution to the IRS. She has already forfeited \$39,030. Based on the evidence presented during a four-day trial in March 2013, Myers operated Angie's Tax Service. Myers electronically filed false claims for tax refunds using the names and Social Security numbers of identity theft victims. Many of the victims were nursing home patients. Myers filed the identity theft tax returns using a unique preparer identification number assigned to her daughter. In addition, Myers lied on her own 2007 and 2008 federal income tax returns. She failed to report hundreds of thousands of dollars of tax preparation fees that she earned at Angie's Tax.

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The following table provides IRS-CI's Identity Theft statistics over the past three fiscal years:

	FY 2013	FY 2012	FY 2011
Investigations Initiated	1492	898	276
Prosecution Recommendations	1257	544	218
Indictments/Informations	1050	494	165
Sentenced	438	223	80
Incarceration Rate	80.6%	89.2%	100.0%
Average Months to Serve	38	48	44

Return Preparer Program:

The Return Preparer Program investigations generally involve the orchestrated preparation and filing of false income tax returns, in either paper or electronic form, by dishonest preparers who may claim: inflated personal or business expenses, false deductions, excessive exemptions, and/or unallowable tax credits. The preparers' clients may or may not have knowledge of the falsity of the returns.

Examples of return preparer program investigations adjudicated in FY 2013 include:

Kansas Tax Preparer Sentenced for Filing False Tax Returns: On September 16, 2013, in Wichita, Kan., Lata L. Tomlinson was sentenced to 36 months in prison. In April 2013, Tomlinson was convicted by a trial jury of 19 counts of preparing false income tax returns for a total of 17 people during tax years 2007, 2008 and 2009. According to trial evidence, in the tax returns Tomlinson prepared, she falsely stated deductions for depreciation, home improvements, business repairs, contract labor, legal fees, home repairs, medical expenses, advertising, insurance, car and truck expenses, hay and grain expenses, cell phones and care of dependents.

North Carolina Woman Sentenced for Preparing False Tax Returns: On September 12, 2013, in Greensboro, N.C., Leslie Louise Brewster was sentenced to 70 months in prison and ordered to pay \$92,910 in restitution to the IRS. On February 20, 2013, Brewster pleaded guilty to preparation of false tax returns, aiding and assisting the preparation of a false tax return, wire fraud, and aggravated identity theft. According to court documents, Brewster was the

manager of a tax return preparation franchise. Brewster falsified federal income tax returns for hundreds of clients in order to obtain larger tax refunds for the clients than they were actually entitled to receive. The returns Brewster prepared for clients reported, among other items, false dependents, fictitious businesses and bogus education credits. Brewster also purchased personal identifying information, including names and Social Security numbers, from members of the community. Brewster used this personal identifying information to claim false dependents on tax returns she prepared for clients, and provided some of the identities she purchased to other return preparers for their use in a similar fashion. Two defendants in related cases were also sentenced to prison for tax crimes arising out of this scheme. Saichelle McNeill was sentenced to 27 months in prison on August 20, 2013. Tiffany Rogers was sentenced to 48 months in prison on August 14, 2013.

Tennessee Man Sentenced for Tax Fraud: On September 6, 2013, in Memphis, Tenn., Terry Green was sentenced to 33 months in prison for tax fraud. In June 2013, Herman Shaw was sentenced to 26 months in prison. Both men were also ordered to pay \$404,078 in restitution. According to court documents, from 2005 to 2009, Green and Shaw ran several tax preparation businesses in Memphis. Through the businesses, they routinely filed false federal income tax returns for their clients which falsely reflected losses and expenses arising from fictitious home-based businesses, such as cutting hair and landscaping. These false losses and expenses resulted in increased refund amount for the clients.

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Texans Sentenced for Falsifying Income Tax Returns:

On July 12, 2013, in Tyler, Texas, Tonderai K. Chari was sentenced to 30 months in prison and ordered to pay \$777,952 in restitution jointly with Elton Gutura and Douglas Zinyama. According to the indictment, from November 2006 to January 2007, Gutura, Zinyama and Chari, all employed by Tax Expedite, falsified approximately 318 tax returns in order to obtain tax refunds or increased tax refunds for clients. The tax returns used false

information about the Telephone Excise Tax Refund, the number of dependents claimed, wages and/or withholding amounts. After receiving the refunds from the IRS based on the fraudulent income tax returns, Gutura, Zinyama and Chari paid a portion of the refunds to clients and kept the rest as proceeds from their fraudulent actions. Gutura was sentenced to 51 months in prison in October 2010 and Zinyama was sentenced to 30 months in prison in September 2012.

The following table provides IRS-CI's Return Preparer Program statistics over the past three fiscal years:

	FY 2013	FY 2012	FY 2011
Investigations Initiated	309	443	371
Prosecution Recommendations	281	276	233
Indictments/Informations	233	202	176
Convictions	207	178	163
Sentenced	186	172	163
Incarceration Rate	78.0%	84.3%	87.1%
Average Months to Serve	27	29	25

Questionable Refund Program:

The primary focus of this program is to identify fraudulent claims for tax refunds. Generally, these schemes involve individuals filing false multiple tax returns supported by false information or using the identifiers of other individuals knowingly or unknowingly.

Examples of questionable refund program investigations adjudicated in FY 2013 include:

Texans Sentenced in Tax Refund Conspiracy Case:

On August 21, 2013, in Dallas, Texas, Shaunthina Daniel Rushing was sentenced to 56 months in prison and ordered to pay \$365,626 in restitution jointly with her co-defendant, Tommy Dean Turner. Turner was sentenced in June 2013 to 36 months in prison. According to court documents, Rushing and Turner conspired with others to file approximately 50 fraudulent tax returns that resulted in more than \$400,000 in false claims. The returns included Forms 5405, representing that the taxpayers were entitled to claim a First-Time Homebuyer Tax Credit.

Pennsylvania Man Sentenced for Tax Refund Scheme:

On July 26, 2013, in Philadelphia, Pa., Larry Ishmael was sentenced to 144 months in

prison and ordered to pay \$1,751,809 in restitution to the IRS. Ishmael was convicted on March 13, 2013, of committing a series of tax refund schemes that defrauded the United States. A federal jury found him and his co-conspirators guilty of multiple counts of both conspiracy and filing false claims/tax returns to the IRS. According to court documents, Ishmael and his co-conspirators solicited claimants whose personal information was used to file false tax returns claiming the Telephone Excise Tax Refund (TETR) in 2007 and the First Time Homebuyer Credit in 2009. Several other co-conspirators were sentenced in this scheme. On June 18, 2013, Calvin Johnson, Jr. was sentenced to 216 months in prison and ordered to pay \$1.24 million in restitution. On June 11, 2013, Patricia Fountain, a former IRS employee, was sentenced to 228 month in prison and ordered to pay \$1.7 million in restitution. In addition, Fountain filed false claims claiming the American Opportunity Tax Credit between 2010 and 2012. For each of the schemes, Fountain charged claimants a cash fee. With respect to her TETR scheme, which Fountain engineered using inside information from the IRS, Fountain warned that she would "red flag" those claimants who received a refund without paying her \$400

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fee. She then filed amended returns for certain claimants whom she believed had not paid her fee, causing the IRS to request repayment from them. On April 12, 2013, Howard Chilsom was sentenced to 16 months in prison and ordered to pay \$67,952 in restitution to the IRS. On April 5, 2013, Calvin Johnson, Sr. was sentenced to 12 months and one day in prison and ordered to pay \$375,811 in restitution to the IRS.

Founder and Promoter of Tax Fraud Scheme

Sentenced: On May 17, 2013, in Santa Ana, Calif., Osman Norales, the owner and founder of “De La Fuente Ramirez and Associates” (DLFRA), was sentenced to 87 months in prison and ordered to pay \$512,471 in restitution to the IRS. On February 22, 2013, Norales was convicted of orchestrating a tax fraud scheme that illegally sought millions of dollars in fraudulent tax refunds. The evidence presented during trial established that Norales recruited customers and filed false Forms 1099 OID (Original Issue Discount) and tax returns to the IRS. The false tax returns claimed refunds in the amounts of \$815,000 and \$760,000. Norales charged clients up-front fees of approximately \$2,500 and a portion of the false refund received by the client. On May 31, 2013, Arturo Villarreal-Alba was sentenced to 96 months in prison. Villarreal-Alba, acting as a promoter, participated in a fraudulent OID scheme through two companies “Old Quest Foundation, Inc.” and DLFRA. On March 17, 2010, Villarreal-Alba caused the filing of a fraudulent tax return using fictitious federal income tax withholding, which claimed a false tax refund of \$452,572. He also caused a 2009 OID-based tax return claiming a \$535,898 refund in 2010.

Man Sentenced for Inmate Tax Fraud

Scheme: On April 18, 2013, in Panama City, Fla., Michael William Joseph, III, formerly an inmate in the Florida Department of Corrections, was sentenced to 63 months in prison. Joseph was also ordered to pay \$37,196 in restitution to the IRS and forfeit \$29,514 in United States currency as proceeds of his crimes. According to court documents, Joseph pleaded guilty to 41 counts including: conspiracy to defraud the government with respect to claims, conspiracy to commit mail fraud, filing false claims against the government and theft from the government. Joseph conspired with others to file 81 false claims for tax refunds against the government in the names of 41 inmates incarcerated in Florida Department of Corrections from February 7, 2008, through July 10, 2012. Most of the false refunds were directed to a bank account under the control of Joseph or were sent in checks to the residence of Joseph’s mother.

Colorado Man Sentenced for Fraud and Tax Conspiracy

Sentenced: On November 20, 2012, in Denver, Colo., Curtis L. Morris was sentenced to 120 months in prison and ordered to pay \$1,916,831 in restitution to the IRS. Morris was found guilty on April 30, 2012, after a three-week jury trial, of three counts of mail fraud, seventeen counts of filing false claims against the United States, and one count of conspiracy to defraud the United States. According to the testimony at trial, Morris, Richard Kellogg Armstrong and others conspired to file false federal income tax returns claiming large tax refunds based upon fictitious federal income tax withholdings taken from bogus Forms 1099-OID for themselves and others. Armstrong was sentenced on August 10, 2012, to 108 months in prison.

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The following table provides IRS-CI's Questionable Refund Program statistics over the past three fiscal years:

	FY 2013	FY 2012	FY 2011
Investigations Initiated	1513	921	578
Prosecution Recommendations	1267	574	404
Indictments/Informations	1056	507	288
Sentenced	485	262	180
Incarceration Rate	76.7%	85.5%	78.3%
Average Months to Serve	35	35	24

Abusive Tax Schemes:

Within the abusive tax schemes program, CI focuses on the investigation of promoters and clients who willfully participate in domestic and/or offshore tax schemes for the purpose of violating the tax laws. Participants in these abusive schemes usually create structures such as trusts, foreign corporations and partnerships for the purpose of making it appear that a trustee, nominee, non-resident alien or other foreign entity is the owner of the assets and income, when in fact the true ownership and control remains with a United States taxpayer.

Examples of abusive tax scheme investigations adjudicated in FY 2013 include:

South Dakota Surgeon Sentenced for Tax Evasion: On May 7, 2013, in Sioux Fall, S.D., Edward J.S. Picardi, a surgeon, was sentenced to 60 months in prison. On October 5, 2012 following a multi-week trial, Picardi was convicted by a federal jury of passing his earnings through a web of entities organized under the laws of Ireland, Hungary, Cyprus, Isle of Man, Jersey, and Guernsey. The money was ultimately deposited into various foreign accounts that Picardi controlled through a New Zealand trust, in the name of a corporation set up for him in Nevis, a Caribbean island. Through these offshore transactions, Picardi attempted to hide his income and evade over \$1 million in taxes.

Former Bank Broker Sentenced for Promoting Illegal Tax: On March 22, 2013, in New York, N.Y., David Parse was sentenced to 42 months in prison and ordered to pay

\$115,700,000 in restitution and to forfeit \$1 million. According to court documents, Parse was a broker and investment representative at a bank between 1997 and 2003. During that period, he worked with attorneys at a law firm and accountants at an accounting firm, as well as other bank brokers, on the design, marketing and implementation of high-fee tax strategies for individual clients. Those strategies, or "tax shelters," were designed to allow high-net-worth clients to eliminate, reduce, or defer taxes on significant income or gains. Among the fraudulent tax shelters designed, marketed, and implemented by Parse and his co-conspirators were "Short Sales," "Short Options Strategy" (SOS), and "Swaps." The Short Sale tax shelter was marketed and sold from 1994 through 1999 to at least 290 wealthy individuals and generated at least \$2.6 billion in false and fraudulent tax losses. The SOS tax shelter was marketed and sold from 1998 through 2000 to at least 550 wealthy individuals, and generated at least \$3.9 billion in false and fraudulent tax losses. The Swaps tax shelter was marketed and sold in 2001 and 2002 to at least 55 wealthy individuals, and generated more than \$420 million in false and fraudulent tax losses. In addition, Parse steered his own bank clients to the fraudulent shelters, and was given a free tax shelter opinion letter by the attorneys, which he used to evade hundreds of thousands of dollars of his own income taxes. Parse was paid over \$3 million in commissions by the bank attributable to the fraudulent tax shelters. Parse also took part in the illegal back-dating of certain tax shelter transactions. The attorneys worked with Parse to create documents and effectuate securities transactions at the bank after the close of the tax year and back-dated them using

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“as of” dates, which treated the documents as if they had been signed prior to the close of the tax year, in violation of tax accounting rules.

Owner of Law Offices Sentenced for Tax

Fraud: On December 3, 2012, in Los Angeles, Calif., Robert M.L. Baker III, owner of Robert M.L. Baker III Law Offices of Santa Monica, Calif., was sentenced to 36 months in prison and ordered to pay \$2,056,879 in restitution. On January 25, 2012, Baker pleaded guilty to willfully subscribing and filing false tax returns. According to court documents, Baker utilized shell entities and trusts to hide over \$900,000 in client fees and assets from the IRS. Baker also submitted a false offer in compromise form by mail and filed false tax returns with the IRS in attempts to evade over \$1 million in tax.

Non-filer Investigations:

Taxpayers who fail to file income tax returns and effectively stop paying income tax, pose a serious threat to tax administration and the American economy. Their actions undermine public confidence in the Service's ability to administer the tax laws fairly and effectively. Criminal Investigation devotes investigative resources to individuals who simply refuse to comply with the law.

Examples of non-filer investigations adjudicated in FY 2013 include:

Economist Sentenced for Failure to File Tax

Returns: On July 16, 2013, in Manhattan, N.Y., David Gilmartin, an economist, was sentenced to 48 months in prison and ordered to pay \$1.67 million in restitution and \$2,500 in the costs of prosecution. Gilmartin was convicted in January 2013 of tax evasion and mail fraud. According to court documents, Gilmartin failed to file income tax returns and pay income taxes on over \$1.7 million in consulting income from 1989 through 2010. He justified his failure to pay taxes by claiming that he could not identify a provision in the tax code that made him liable for the payment of income taxes. Gilmartin evaded his taxes by providing a false social security number to one employer. In addition, he provided false withholding forms to employers that claimed that he was exempt from taxes. In order to prevent the IRS from assessing and collecting his taxes,

from 1995 through 2002, Gilmartin paid nearly \$500,000 from his paychecks directly to his banks for credit card purchases and payments on a line of credit. Gilmartin cashed over \$338,000 in paychecks rather than deposit them into a bank account.

Nevada Physician Sentenced on Tax

Charges: On May 10, 2013, in Las Vegas, Nev., Robert David Forsyth was sentenced to 27 months in prison and ordered to pay \$306,171. Forsyth pleaded guilty on April 22, 2013 to income tax evasion and failing to file income tax returns. According to court documents, from 1999 through 2008, Forsyth worked as a physician and earned income from a variety of sources, including his medical practice, expert witness fees, and, beginning in 2002, Social Security benefits. Forsyth, however, failed to file individual income tax returns from 1999 through 2008. In fact, according to the indictment, Forsyth has not filed an income tax return since the 1994 tax year. Forsyth, a Canadian citizen and U.S. permanent resident alien, closed all of his personal bank accounts and used a third party business to cash his paychecks. He made extensive use of cash to pay personal expenses in an effort to avoid detection.

Washington Businessman Sentenced for

Failing to Report Income: On May 2, 2013, in Spokane, Wash., J. Scott Vrieling was sentenced to 24 months in prison and ordered to pay \$939,258 to the IRS. Vrieling was also ordered by the court to file all delinquent income tax returns and pay all tax due and owing, plus penalties and interest. In addition, Vrieling was ordered to pay a \$100,000 fine and \$14,269 in prosecution costs. Vrieling was convicted on four counts of failing to file federal income tax returns for the years 2004 through 2007. According to court records, Vrieling, the owner of Vrieling Financial, was an independent insurance agent licensed to sell employee benefits, health insurance and other insurance products. Evidence at trial established that Vrieling received over \$2.6 million in gross income during the years 2004 through 2007. However, Vrieling failed to file federal tax returns reporting this income.

Alaskan Couple Sentenced for Tax Crimes:

On February 4, 2013, in Anchorage, Alaska, James Leroy Jensen was sentenced to 36

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months in prison. Robin L. Jensen was sentenced to 24 months in prison. The couple was also ordered to pay \$311,605 in restitution and to file 2006 through 2009 tax returns. According to their plea agreements, James Jensen is a commercial fisherman and Robin Jensen ran a cabin rental business. After the IRS audited their 1994 through 1997 tax returns, the Jensens owed over \$100,000 in additional taxes. At this time, they began to challenge the jurisdiction of the IRS and the authority of the federal government to tax them. In 2001, the IRS recorded a Notice of Federal Tax Lien of \$201,029 against the Jensens for tax years 1994 through 1997. The Jensens appealed the IRS collection process and went to tax court in 2003. The judge denied the appeal and fined James Jensen an additional \$10,000. Instead of complying with the tax laws, the Jensens created several entities including a trust in Nevada and two "corporation soles" in Utah. These nominee entities were used to take title of assets that belonged to the Jensens, and thereby, open bank accounts to conceal income, including over a million dollars accredited to James Jensen's fishing income between 2004 and 2007. In addition, James Jensen tried to thwart IRS collection efforts by mailing a false document called a "Bill of Exchange" to the Secretary of the U.S. Treasury. This document was purported to be a payment of \$339,888 that would eliminate his tax debt for 1994 through 1997. The Jensens also filed false tax returns from 1998 through 2003, claiming they had no taxable income because their earnings were not taxable under the discredited "claim of right" theory. Finally, the Jensens failed to file tax returns from 2004 through 2007, based on claims that the corporation sole entities they created in Utah, were exempt from filing tax returns or paying taxes for religious reasons.

Employment Tax Fraud:

Employment tax evasion schemes can take a variety of forms. Some of the more prevalent methods of evasion include "pyramiding," employee leasing, paying employees in cash, filing false payroll tax returns or failing to file payroll tax returns. Employment taxes include federal income tax withholding, social security taxes, and federal unemployment taxes. Some business owners withhold taxes from their

employees' paychecks, but intentionally fail to remit those taxes to the IRS.

Examples of employment tax fraud investigations adjudicated in FY 2013 include:

Former Owner of Employee Leasing Company Sentenced for Failing to Pay Payroll Taxes:

On July 18, 2013, Salt Lake City, Utah, Richard R. Whatley, a former owner of Alliance Staffing Management Inc. (ASM), was sentenced to 51 months in prison and ordered to pay \$541,513 in restitution to the IRS. Whatley pleaded guilty in January 2013 to willfully failing to account for and pay over employment taxes, relating to three different employee leasing companies that he allegedly operated and controlled between the years 2001 and 2006. The tax loss associated with Whatley's criminal conduct during these years totaled more than \$2.3 million. As charged in the superseding indictment, in the fourth tax quarter of 2003, Whatley caused the collection of employment taxes from ASM's employees' wages and then willfully failed to pay over \$541,513 for the employees' portion of employment taxes to the IRS.

Owner of Japanese Restaurant Sentenced for Tax Crimes:

On January 30, 2013, in San Francisco, Calif., Michael Chen, the owner of Fune Ya Japanese Restaurant, was sentenced to 33 months in prison and ordered to pay \$459,105 in restitution. Chen was convicted by a jury on March 27, 2012, on filing false tax returns, failure to file tax returns, and mail fraud. Evidence at trial showed that Chen maintained detailed records of Fune Ya's daily receipts in twenty-six boxes marked "Seasoned Octopus." The boxes were stored in a crawl space beneath the restaurant floor. The cash sales shown on Fune Ya's receipts were not reported to the IRS. The evidence also showed that Chen maintained an encrypted Excel spreadsheet documenting \$1,910,803 in sales, while he reported \$65,738 in sales to the IRS. Chen also paid Fune Ya employees cash wages totaling \$548,919 for the 2004 through 2006 tax years. Employees received cash wages in white envelopes each payday. Chen failed to include these cash wages on the quarterly payroll tax returns (Forms 941) filed with the IRS.

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Owner of Washington Roofing Company

Sentenced for Employment Tax Evasion: On November 29, 2012, in Seattle, Wash., Bruce H. Sprague, owner of Bruce's Roofing, was sentenced to 24 months in prison and ordered to pay \$1,179,761 to the IRS. In July 2012, Sprague pleaded guilty to paying a portion of his employees' wages in cash from 2005 through 2008 and to not collecting employment taxes including Social Security, Medicare and income tax withholding from the cash wages. According to his plea agreement, Sprague informed his

employees in early 2005 that they would receive a portion of their wages in cash. The cash payroll was about fifty percent of each employee's pay. No payroll taxes were collected on the cash portion of the employees' pay. By paying in cash and not reporting the wages, Sprague avoided approximately \$1,179,761 in employment taxes for 2006 through 2008. Even as he was failing to collect and pay over the employment taxes, Sprague was taking more than \$3.9 million in wages and profits from the business for 2005 through 2008.

ILLEGAL SOURCE FINANCIAL CRIMES

The Illegal Source Financial Crimes Program encompasses all tax and tax-related, money laundering and currency violations. These investigations are focused on individuals deriving income from illegal sources, such as dollars obtained through embezzlement, bribery, and illegal gambling operations. The individuals can be legitimate business owners but obtain their income through illegal means. These investigations are also focused on methods through which individuals seek to "launder" their income by making it appear that the income is from a legitimate source. Frequent money laundering techniques include the manipulation of currency reporting requirements, layering of transactions and international movement of funds. In these types of investigations, CI works hand-in-hand with our federal, state, and local law enforcement partners, as well as with foreign tax and law enforcement agencies.

Financial Institution Fraud:

This program addresses criminal violations involving fraud against banks, savings and loan associations, credit unions, check cashers, and stockbrokers. Criminal Investigation is a major contributor in the effort to combat financial institution fraud, and the United States Attorneys' recognize CI's financial investigative expertise in this complex area. The ability to bring income tax and money laundering charges augments prosecutors' effectiveness in combating fraud committed against financial

institutions, whether the violators work within or outside of the institution.

Examples of financial institution fraud investigations adjudicated in FY 2013 include:

Six Individuals Sentenced for their Roles in Large Bank Fraud Scheme: On July 18, 2013, in St. Paul, Minn., Joel Delano Powell III was sentenced to 42 months in prison and Trey Jeremiah Powell was sentenced to 57 months in prison. Both pleaded guilty to one count of conspiracy to commit bank fraud and one count of aggravated identity theft. In July 2013, Joel Delano Powell, Jr. was sentenced to 300 months in prison. Powell, Jr. was convicted following a jury trial of one count of conspiracy to commit bank fraud, seven counts of aiding and abetting bank fraud, and five counts of aggravated identity theft. On July 17, 2013, Elston Edwards Sharps was sentenced to 32 months in prison; Kevin Terrell Martin was sentenced to 124 months in prison; and Steven Lavell Maxwell was sentenced to 140 months in prison. All three pleaded guilty to one count of conspiracy to commit bank fraud and one count of aggravated identity theft. These individuals, along with over 100 others, were involved in a conspiracy from 2006 through December 2011 to defraud banks, bank customers, and businesses. The co-conspirators used victim information to create counterfeit checks and false identification documents to conduct fraudulent transactions at retail establishments where expensive merchandise was purchased and returned for cash. At banks, the conspirators posed as customers and withdrew

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money from victims' bank accounts. The members of the conspiracy conducted these fraudulent transactions throughout Minnesota and in at least 13 other states. Victim information was obtained by members of the conspiracy through multiple sources, including from individuals who stole victim information from their places of employment, from individuals employed at area banks, from those who stole the information from the mail, during vehicle break-ins, and business burglaries, among other sources.

Defendant Sentenced for Role in Mortgage Fraud Scheme: On July 2, 2013, in San Antonio, Texas, Robert Brooks was sentenced to 135 months in prison and ordered to pay approximately \$8.5 million in restitution for his role in a mortgage fraud operation involving a series of "property flip" schemes. Brooks was convicted by jury on January 29, 2013, of one count of conspiring to commit bank, wire and mail fraud, eight counts of mail fraud and two counts of aiding the filing of false income tax returns. Evidence presented during trial revealed that from May 17, 2005, until February 21, 2008, twenty individuals, under the direction of Robert Brooks, participated in a mortgage fraud scheme where Brooks purchased properties at fair market value then resold at an artificially inflated price to straw purchasers. Brooks recruited his co-defendants, which included appraisers, loan processors, title company employees, and straw purchasers. He provided them with kickbacks from loan proceeds for their participation in the scheme. Brooks used the proceeds from the purported sales to various nominees to pay for his initial purchase of real estate, to pay closing costs for both his purchase and sale to the nominee, to pay the nominee's down-payment, to pay the nominee for the nominee's participation, and to pay the mortgage for the first 12 months, after which each mortgage went into default. Brooks' mortgage loan scheme involved over 40 properties and defrauded financial institutions of over \$20 million. In addition, Brooks submitted false 2007 income tax returns for himself and his wife, and for a partnership, which contained a false business expense.

Ohio Men Sentenced in Bank Fraud Case: On July 10, 2013, in Cleveland, Ohio, Aziz Ukshini was sentenced to 42 months in prison and

ordered to pay \$3,303,817 in restitution jointly with Anthony Raguz to the National Credit Union Administration. According to court documents, from September 2003 through March 2010, Ukshini, aided and abetted by Raguz, the former Chief Operating Officer of St. Paul Croatian Federal Credit Union, fraudulently obtained numerous loans totaling approximately \$2.8 million from the credit union. Ukshini obtained these loans by making false representations and promises. He received the loans after having already defaulted on previous loans issued to him by the credit union. Ukshini gave Raguz about \$90,000 for approving and facilitating the approval of his fraudulent loans. Raguz was sentenced in November 2012 to 168 months in prison and ordered to pay more than \$72.5 million. In addition, in March 2013, Marko Nikoli was sentenced to 27 months in prison and ordered to pay \$1 million in restitution. In February 2013, A. Eddy Zai was sentenced to 87 months in prison and ordered to pay more than \$23 million in restitution.

Public Corruption:

Criminal Investigation continues to pursue investigations involving individuals who violate the public's trust. The individuals include both elected and appointed officials from all levels of government, including local, county, state, federal and foreign officials. Public corruption investigations encompass a wide variety of criminal offenses including bribery, extortion, embezzlement, illegal kickbacks, tax fraud and money laundering.

Examples of public corruption investigations adjudicated in FY 2013 include:

Former Texas Judge Sentenced on Racketeering Charges: On August 21, 2013, in Brownsville, Texas, Abel Corral Limas, former 404th State District Judge, was sentenced to 72 months in prison and ordered to pay \$6,777,270 in restitution and to forfeit \$257,300. Limas pleaded guilty on March 31, 2011 to racketeering charges. According to court documents, Limas used his office as a criminal enterprise to enrich himself and others through extortion. Limas accepted money and other consideration from attorneys in civil cases pending in his court in return for favorable pre-

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trial rulings in certain cases, including a case involving a helicopter crash in February 2008. Limas served as judge for eight years, retiring in December 2008, and thereafter, he was associated with the law firm of Rosenthal & Watson, as “of counsel.” Limas participated in a series of meetings with attorneys at the Rosenthal & Watson law firm in the summer of 2008 during which they planned and negotiated the terms of Limas’ employment as an “of counsel” attorney with the firm. During those meetings, Limas was promised an advance of at least \$100,000 as well as a percentage of attorneys’ fees earned in the helicopter crash case in return for favorable rulings on the case. Limas received a check for \$50,000 in December 2008 and another check for \$50,000 in January 2009. In October 2009, the helicopter case settled for approximately \$14 million and Limas received approximately \$85,000 from the law firm.

Former Congressman and Wife Sentenced:

On August 14, 2013, in Washington, D.C., former Congressman Jesse L. Jackson, Jr. was sentenced to 30 months in prison for conspiring to defraud his re-election campaigns. Jackson’s wife, Sandra Stevens Jackson, a former Chicago alderman, was sentenced to 12 months in prison for filing false tax returns as part of the scheme. According to court documents, Jackson used about \$750,000 in campaign funds to pay for personal items and expenses. He then filed misleading reports to conceal seven years of the illegal activities. Sandra Jackson pleaded guilty in February 2013 to filing false tax returns for calendar years 2006 through 2011. According to the government’s evidence, she knowingly and willfully failed to report nearly \$570,000 in taxable income for those tax years. Jesse Jackson was elected to Congress in 1995 and served until November 2012 as the representative for the 2nd Congressional District of Illinois. Sandra Stevens Jackson was an alderman in Chicago from May 2007 until January 2013. Additionally, she had various roles in her husband’s re-election campaigns, starting in January 2005, working at different points as treasurer, consultant, and campaign manager. Jackson and his wife carried out the fraud scheme from in or about August 2005 until in or about April 2012.

Former Pennsylvania State Senator

Sentenced on Tax Charges: On November 30, 2012, in Scranton, Pa., Robert Mellow, former Pennsylvania State Senator, was sentenced to 16 months in prison and ordered to pay \$79,806 in restitution. Mellow previously paid over \$31,000 in restitution for federal tax charges. Mellow pleaded guilty in May 2012 to conspiracy to commit mail fraud and to defraud the United States. According to court documents, Mellow, in his capacity as a state Senator and the Democratic Leader during 2006 through 2010, conspired with others to misuse the staff and resources of the Pennsylvania Senate for political fund-raising and campaign purposes. As part of the scheme, Mellow caused and knowingly permitted the submission to the Chief Clerk of the Senate of false job classification and re-classification forms and memos for Senate staff who performed political fund-raising and campaign work while being compensated by the Senate. Mellow also conspired with others to file a false individual federal income tax return for the year 2008. The unreported income consisted of money paid to Mellow in connection with the sale of property where Mellow’s district office was located.

Corporate Fraud:

The Corporate Fraud program concentrates on violations of the Internal Revenue Code (IRC) and related statutes committed by publicly traded or private corporations, and/or by their senior executives. Some of the specific criminal acts within a corporate fraud investigation include falsifying and fabricating or destroying company records for the purpose of falsifying tax returns, financial statements or reports to regulatory agencies or investors. It also includes conduct by executives to enrich themselves by attempting to derive unauthorized compensation through unapproved payments or bonuses, payment of personal expenses with corporate funds or bogus loans. Many corporate fraud investigations are joint efforts involving other federal agencies.

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Examples of corporate fraud investigations adjudicated in FY 2013 include:

Founder and Former Chief Executive Officer of Body Armor Company Sentenced on Federal Charges:

On August 15, 2013, in Central Islip, N.Y., David H. Brooks, the former Chief Executive Officer of DHB Industries, Inc., was sentenced to 204 months in prison and ordered to pay a \$8.7 million fine and to forfeit approximately \$65 million. DHB Industries, Inc. is a supplier of body armor to the United States military and law enforcement agencies. According to trial evidence, Brooks and others conspired to loot DHB for personal gain. Brooks concealed his control of a related company in order to funnel more than ten million dollars from DHB to support a thoroughbred horse-racing business and to finance a lavish lifestyle. To cover up his theft, Brooks created, and directed others to create, fictitious documents and misclassified these personal expenses as business expenses on DHB's books and records. Brooks also falsely inflated inventory at a DHB subsidiary to artificially boost reported profits, and then lied to auditors in an effort to cover up the schemes. Brooks also engaged in accounting fraud schemes designed to increase the net income and profits that DHB reported in its press releases and filings with the Securities and Exchange Commission (SEC) by falsely inflating the value of DHB's existing inventory, adding non-existent inventory to the company's books and records, and fraudulently reclassifying expenses. Although Brooks was initially released on bail conditions requiring that he account for and repatriate all foreign assets, he was re-arrested and bail was revoked in January 2010 after the government discovered that Brooks had concealed millions of dollars in accounts in the tax haven principality of San Marino as well as in London, England.

Former Illinois Business Owners Sentenced for Filing False Tax Returns: On August 6, 2013, in Chicago, Ill., Michael H. Martorano and William S. Sefton were sentenced to 42 months and 48 months in prison, respectively. Both defendants were also fined \$12,500 and ordered to pay the mandatory court costs. In addition, Martorano paid approximately \$1.494 million in restitution and Sefton paid approximately \$1.441 million in restitution, and together they paid

approximately \$7.308 million in corporate taxes owed by their business. Each defendant pleaded guilty in March 2013 to three counts of filing false income tax returns. According to court documents, Martorano was president and Sefton was vice president/secretary of the former Consumer Benefit Service, Inc., or Cbsi, a Naperville business that provided membership and consumer discount programs to businesses and associations worldwide. Martorano and Sefton admitted that on a number of occasions between December 2005 and December 2009, they caused Cbsi to transfer more than \$21.656 million into bank accounts in the name of a consulting firm they controlled. Both defendants used some of this money to pay personal expenses and moved other amounts in approximately equal portions into other accounts they controlled individually. As a result, they each obtained approximately \$10.828 million. Neither defendant disclosed the receipt of any of this money to their individual tax return preparer.

World Health Alternatives CEO Sentenced for \$41 Million Fraud Scheme:

On December 4, 2012, in Pittsburgh, Pa., Richard E. McDonald was sentenced to 130 months in prison. According to information presented to the court, in 2003, McDonald became the President, Principal Financial Officer, Principal Accounting Officer and Chairman of the Board of Directors of World Health Alternatives, Inc. (WHA). In June 2004, McDonald also became the Chief Executive Officer of WHA. Between February 2003 through August 15, 2005, McDonald defrauded WHA and its investors. He transferred funds from WHA to his personal bank account and other accounts under his control. McDonald also manipulated the financial records and statements of WHA by understating the amount of unpaid payroll taxes of WHA and its subsidiaries, and by overstating the amount of loans purportedly made by him to WHA. In addition, McDonald stole money from WHA by directing purchasers of newly issued shares to transfer the funds for the shares to accounts under McDonald's control. McDonald stole approximately \$6 million, and then spent the money on himself. In his capacity as CEO of WHA, McDonald falsely represented to the SEC, WHA shareholders, and prospective purchasers of WHA stock, the actual number of outstanding WHA shares by understating, in WHA's financial statements, the actual number of outstanding

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WHA shares. The fraudulent understatements of the number of outstanding WHA shares falsely overstated WHA's earnings per share, and thereby inflated the apparent market value of WHA stock. As a result of McDonald's fraudulent conduct, WHA shareholders lost \$41 million. McDonald also failed to report the funds he had fraudulently obtained from WHA and its shareholders on his personal tax returns. Finally, McDonald failed to pay over to the IRS the payroll taxes which WHA had withheld from its employees.

Gaming:

Criminal Investigation focuses on the enforcement of tax, money laundering, and related financial crimes to combat illegal activity within the gaming industry, as well as to uncover and shutdown illegal gaming operations. The use of the Internet has greatly increased the reach of domestic and international gaming operations. Illegal gambling operations can be found in a number of different forms, including bookmaking, numbers, online gaming, and some charitable gaming operations. CI's gaming program consists of a two-faceted, proactive approach to industry compliance. First is the investigation of entities suspected of violating tax, money laundering, or related laws. Second are liaison activities with federal, state, and tribal gaming boards, licensing commissions, industry regulators, gaming operators, gaming industry suppliers, and other law enforcement. A critical component of both facets is CI's coordination with the civil functions of the IRS in addressing trends and concerns in the gaming industry.

Examples of gaming investigations adjudicated in FY 2013 include:

Men Sentenced for Illegal Gambling

Operation: On August 21, 2013, in Oklahoma City, Okla., Richard Allen Hancock was sentenced to 16 months in prison for his involvement in an illegal gambling business. Hancock pleaded guilty to charges of prohibition of illegal gambling business and money laundering. On August 15, 2013, Gary John Gibb was sentenced to 16 months in prison and ordered to forfeit \$500,000. Gibb pleaded guilty in March 2013 to prohibition of illegal gambling business. According to the indictment, Hancock,

Gibb and others, participated in an illegal gambling business that operated "High Stakes" poker games from a residence in Oklahoma City. They took bets and wagers on sporting events on behalf of betting clients and used an illegal Internet gambling website in interstate and foreign commerce. In addition, Hancock and others conspired to launder over \$8.1 million in money derived from the gambling operation.

Hawaii Resident Sentenced for Operating Illegal Gambling Business:

On August 8, 2013, in Honolulu, Hawaii, Eric Ford was sentenced to 20 months in prison. Ford pleaded guilty on February 21, 2013 to one count of conducting, directing, managing, owning, and supervising an illegal gambling business and three counts of structuring transactions to evade reporting requirements. Ford also forfeited \$129,566 in cash and a vehicle. According to court documents, from at least November 2009 to November 2012, Ford operated an illegal gambling business out of Aloha Springs Water Company. Ford took numerous sports bets over the phone and online, collected gambling debts, and paid out gambling winnings. Ford also knew financial institutions are required by law to record cash purchases of money orders and other monetary instruments totaling \$3,000 or more. To avoid this record keeping requirement, Ford structured the purchase of money orders totaling more than \$3,000 by purchasing smaller amounts at multiple financial institutions. Ford structured more than \$120,000 between May 2009 and June 2012.

Pennsylvania La Cosa Nostra Capo

Sentenced for Racketeering Conspiracy: On July 17, 2013, in Philadelphia, Pa., Anthony Staino Jr. was sentenced to 97 months in prison and ordered to pay a \$7,500 fine. On April 18, 2013, Staino pleaded guilty to participating in a racketeering conspiracy as a capo in the Philadelphia La Cosa Nostra (LCN) Family and committing loan sharking and illegal gambling. According to court documents, Staino ran an illegal electronic gambling device business for the mob, providing video poker machines and other gambling devices for bars, restaurants, convenience stores, coffee shops and other locations in Philadelphia and its suburbs, and then collected the illegal gambling proceeds.

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Connecticut Men Sentenced for Participating in Illegal Gambling Ring: On June 5, 2013, in Hartford, Conn., John Liquori was sentenced to 18 months in prison and ordered to forfeit \$60,000. Liquori pleaded guilty on March 13, 2013 to one count of racketeering conspiracy. On June 3, 2013, Thomas Uva IV was sentenced to 21 months in prison and ordered to forfeit \$100,000. On March 13, 2013, Uva pleaded guilty to one count of conspiring to violate the federal Racketeer Influenced and Corrupt Organizations Act (RICO) and one count of money laundering. On November 16, 2012, Michael Pepe was sentenced to 12 months and one day in prison and ordered to forfeit \$100,000. On August 6, 2012, Pepe pleaded guilty to two counts of operating an illegal gambling business. According to court documents, Liquori, Uva and Pepe were involved in a large-scale sports bookmaking operation in which gamblers placed bets with offshore Internet sports-gambling websites based in Costa Rica. In addition, the defendants operated a card gambling club in Stamford, Conn. Analysis of the sports-betting web site utilized by the defendants determined that the total gross revenues of the Stamford-based gambling operation were nearly \$1.7 million from October 2010 to June 2011.

Insurance Fraud & Healthcare Fraud:

The Insurance Fraud Program addresses criminal tax and money laundering violations relative to insurance claims and fraud perpetrated against insurance companies. Insurance fraud covers a wide variety of schemes, including phony insurance companies, offshore/unlicensed Internet companies and staged auto accidents. The Healthcare Fraud Program involves the investigation of individuals who bill healthcare insurance companies for medical expenses never incurred or for unnecessary medical procedures and medical equipment.

Examples of insurance fraud and healthcare fraud investigations adjudicated in FY 2013 include:

Florida Chiropractor Sentenced for Fraudulent Insurance Scheme: On August 14, 2013, in Fort Myers, Fla., Dr. Stephen M. Lovell

was sentenced to 60 months in prison and ordered to pay a \$1.695 million money judgment. Lovell was convicted on February 28, 2013 on charges of conspiracy to commit health care fraud. According to trial evidence, Lovell was a licensed chiropractor and the purported co-owner of Xtreme Care Rehabilitation Center Inc. Lovell and his co-conspirators recruited people to be involved in staged accidents. These people would then go to Xtreme Care in exchange for payment. Xtreme Care then billed insurance companies by submitting false claims for alleged medically necessary treatments that these patients received. Treatment was either never provided to these patients or was not medically necessary. Upon payment by the insurance company, the funds were transferred to corporations created by the conspirators to launder the proceeds.

Mental Health Counselor Sentenced for Defrauding Medicaid: On August 8, 2013, in Charlotte, N.C., Linda Smoot Radeker was sentenced to 72 months in prison and ordered to pay \$6,156,674 in restitution to Medicaid. In September 2012, Radeker pleaded guilty to one count of health care fraud conspiracy and two counts of money laundering. According to court documents, from 2008 to 2011 Radeker obtained at least \$6.1 million in fraudulent reimbursement payments from false claims submitted to Medicaid. Radeker, a licensed professional counselor enrolled with North Carolina Medicaid, falsely claimed in billings submitted to Medicaid that she was the attending clinician for services provided to Medicaid recipients, when no such services were provided. In addition, Radeker “rented out” her Medicaid provider number to a network of co-conspirators and, in return, kept a percentage of the fraudulent Medicaid reimbursements, sometimes as much as 50 percent. On the fraudulent claims, the co-conspirators primarily used the Medicaid numbers of children whose parents thought they were being enrolled in after school programs. These after school programs were, in fact, owned and operated by Radeker’s co-conspirators.

Texas Ambulance Company Owner and Operator Sentenced in Fraud Scheme: On June 18, 2013, in Houston, Texas, Julian Kimble was sentenced to 72 months in prison and ordered to pay \$3,676,587 in restitution to the

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Medicare Program. Kimble pleaded guilty on November 29, 2011 to money laundering and tax evasion. According to court documents, from March 2008 through December 2010, Kimble owned and operated four ambulance companies. Through these companies, Kimble routinely billed Medicare for basic life support ambulance transports that were not provided, not needed or not ordered by the treating physicians. None of these companies operated by Kimble owned licensed ambulance vehicles necessary to provide such transports. Kimble used third-parties and straw owners to register the ambulance companies with the Texas Department of Health. He and others often transported multiple beneficiaries at the same time in vans or sedans and fraudulently billed Medicare for allegedly providing individual transports in ambulances under the attention of qualified emergency medical personnel. Under Kimble's direction, Medicare beneficiaries received payments in exchange for agreeing to be transported to different facilities around the Houston area. From 2008 through December 2010, Kimble's companies fraudulently billed Medicare for approximately \$8.7 million and received payment for approximately \$3.6 million. To conceal proceeds from the health care fraud, Kimble withdrew funds from the business accounts of the ambulance companies, kept part of the funds and used the remainder to pay kickbacks to patients. From August to December 2010, conspirators received checks from Kimble totaling more than \$1 million, none of which was reported as taxable income. In addition, Kimble overstated the business expenses for Pearl Ambulance Service on his tax returns for 2003 through 2007. Kimble also failed to file corporate tax returns for Pearl during this time until his assets were about to be seized. When he did file, the delinquent returns were discovered to be materially false.

Michigan Arson Ringleader Sentenced on Federal Charges: On May 8, 2013, in Detroit, Mich., Ali Darwich was sentenced to 137 years in prison for arson and other charges related to wire fraud, mail fraud, and money laundering. According to trial evidence, beginning in 2005, Darwich, along with eight co-defendants, ran an arson-for-profit ring in the greater Detroit metropolitan area. Specifically, Darwich, along with his co-conspirators, would purchase insurance for various dwellings, businesses and

vehicles. After purchasing the insurance, Darwich and others would intentionally burn, vandalize, or flood the various properties or vehicles and then file false insurance claims seeking reimbursement for such things as structural repair, contents replacement, loss of profits and alternative living costs. Seven insurance companies were defrauded for over \$5 million.

Bankruptcy Fraud:

According to the United States Bankruptcy Court, there were 1.1 million bankruptcy filings in Fiscal Year 2013. Bankruptcy fraud results in serious consequences that undermine public confidence in the system and taint the reputation of honest citizens seeking protection under the bankruptcy statutes. Since the IRS is often a creditor in bankruptcy proceedings, it is paramount that tax revenues be protected.

Examples of bankruptcy fraud investigations adjudicated in FY 2013 include:

Texas Man Sentenced for Bankruptcy Fraud and Tax Crimes: On July 17, 2013, in Fort Worth, Texas, Larry Lake was sentenced to 168 months in prison and ordered to pay \$550,000 in fines and approximately \$25 million in taxes, interest and penalties. Lake was convicted at trial in February 2013 of concealment of assets (bankruptcy fraud) and tax evasion. According to evidence presented at Lake's trial, the day before he filed for bankruptcy in November 2004, he knowingly and fraudulently transferred and concealed more than \$3 million held in an on-line trading account and a bank account. He transferred the funds through a series of bank deposits, wire transfers and cashier's checks, as well as used a shell company to help hide assets. From August 2006 through November 2009, Lake and his spouse agreed to structure more than 1,100 currency deposits, into at least 13 different bank accounts. These accounts were spread among several financial institutions, and the total amount structured during this period was in excess of \$9.3 million. Lake and his spouse created at least two shell companies, which he used to open some of the 13 bank accounts used in the structuring scheme. In addition, Lake under-reported income on his and his spouse's

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joint tax returns for the tax years 2006 through 2008.

Maryland Man Sentenced for Bankruptcy Fraud and Filing False Tax Returns:

On June 27, 2013, in Baltimore, Md., Ricardo O. Curry II was sentenced to 87 months in prison and ordered to pay \$1,114,988 in restitution to creditors in his bankruptcy case and \$118,182 to the IRS. Curry was convicted on March 20, 2013 of filing of false tax returns, bankruptcy fraud, falsifying bankruptcy records and false testimony under oath at a bankruptcy proceeding.

According to court documents, Curry worked for a North Carolina real estate corporation that oversaw the sale of property in North Carolina, including a development which contained more than 2000 lots. Curry recruited investors to purchase lots in the development and he received referral fees based on these sales.

From 2005 through 2007, Curry earned referral fees totaling \$415,201. Curry failed to report these referral fees on his 2005, 2006, and 2007 tax returns. On March 12, 2009, Curry filed for Chapter 13 bankruptcy in the United States Bankruptcy Court for the District of Maryland. Curry failed to disclose the referral fees and an ownership interest in a home worth approximately \$325,000 on either the Statement of Financial Affairs he filed with the bankruptcy court, an amended statement or in testimony before creditors. Ultimately, Curry never

provided documents to the trustee overseeing his bankruptcy case regarding either the referral fee income or the home, and as a result, Curry's attempt to discharge his debts through bankruptcy was denied.

New Jersey Dentist Sentenced for Tax Evasion and Bankruptcy Fraud:

On June 12, 2013, in Camden, N.J., Stephen A. Beukas was sentenced to 21 months in prison, fined \$50,000 and ordered to pay \$69,883 in restitution to the bankruptcy trustee. Beukas pleaded guilty in June 2012 to income tax evasion and bankruptcy fraud. According to court documents and statements made in court, from early 2005 through 2008, Beukas was a practicing dentist and the sole owner of several dental practices located in New Jersey. For the years 2005 through 2008, Beukas failed to provide the IRS with accurate information on the \$2.6 million income he received as owner of the three practices. On September 12, 2009, Beukas filed a tax return in which he falsely stated that his total income for the calendar year 2006 was \$632,945, and that the tax owed was \$187,905. Beukas failed to file timely tax returns in 2005, 2007, and 2008. His failure to disclose correct information to the IRS resulted in a tax loss of \$800,309. In 2008, when Beukas filed for Chapter 11 bankruptcy, he also failed to disclose almost \$1.3 million in income he received as the sole owner of one of the dental practices.

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INTERNATIONAL OPERATIONS

The immense growth in the utilization of global financial markets presents new challenges to tax administration worldwide. IRS-CI's Office of International Operations (IO) promotes a comprehensive international strategy in responding to global financial crimes and provides support in combating offshore tax evasion. Since the means to evade taxes and commit fraud is not limited by sovereign borders, international collaboration is vital to CI's efforts to combat offshore tax evasion and fraud committed by individuals.

Criminal Investigation has special agent attachés strategically stationed in 10 foreign countries. Attachés continue to build strong alliances with our foreign government and law enforcement partners. These strong alliances provide IRS-CI with the ability to develop international case leads and to support domestic investigations with an international nexus. Criminal Investigation attachés are especially focused on promoters from international banking institutions which facilitate United States taxpayers in evading their United States tax requirements. Current oversea offices include: Beijing, China; Bogota, Colombia; Bridgetown, Barbados; Frankfurt, Germany; Hong Kong, China; London, England; Mexico City, Mexico; Ottawa, Canada; Panama City, Panama; Sydney, Australia; and The Hague, the Netherlands. The growth of the IRS-CI footprint internationally has increased the opportunities for case development. The International Lead Development Center (ILDC) is specifically tasked with conducting research on potential international criminal investigations. In addition, CI has personnel assigned to Interpol and the International Organized Crime Intelligence and Operations Center (IOC-2) to combat the threats posed by international criminal organizations, assist in joint investigations and the apprehension of international fugitives.

Opportunities for training and foreign delegation visits have also increased. During Fiscal Year 2013, the International Training Team delivered and/or assisted in providing financial investigative courses to further support United States Government initiatives in educating our

law enforcement partners around the world in the fight against tax evasion and other financial crimes. These courses included Financial Investigative Techniques, Money Laundering, Terrorist Financing, Special Investigative Techniques and Public Corruption. CI also hosted delegations from foreign countries seeking information on CI structure, operations, procedures, policies and training.

Simultaneous Criminal Investigation Program (SCIP) Agreements empower IRS-CI to better address offshore non-compliance activities, conduct simultaneous investigations, and share financial information on criminal tax suspects, their associated parties and promoters engaging in economic activities based in both the foreign country and United States. IRS-CI currently has SCIP agreements with Mexico, Italy, France, Canada, South Korea, and Japan.

Examples of international investigations adjudicated in FY 2013 include:

Man Sentenced for Fraud Against Children's Charity: On September 5, 2013, in Grand Rapids, Mich., Nehemiah Muzamhindo, a citizen of Zimbabwe, was sentenced to 72 months in prison and ordered to pay over \$629,000 in restitution and over \$79,000 in back taxes. Muzamhindo was convicted on charges of money laundering and filing a false tax return. According to court documents, while Muzamhindo was being investigated for his role in a scheme to obtain fraudulent United States passports, agents discovered evidence that Muzamhindo had received large wire transfers from bank accounts held by a children's foundation in the Republic of South Africa. The children's foundation has its headquarters in Michigan and is one of the world's largest children's charities. The investigation revealed that Muzamhindo was part of a scheme to submit bogus invoices for payment to the charity. The charity paid members of the scheme a total of nearly \$800,000 between 2006 and 2008 before learning that it was being swindled. Muzamhindo did not report to the IRS any of the money he received from the charity during those years.

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Illinois Businessman Sentenced for Tax

Evasion: On July 16, 2013, in Chicago, Ill., Peter Troost, of Skokie, Ill, was sentenced to 12 months and one day in prison and ordered to pay a \$32,500 fine. Troost already paid \$1,039,343 in back taxes to the IRS, as well as a civil penalty of approximately \$3.75 million. Troost pleaded guilty in March 2013 to tax evasion. According to his plea agreement, from at least 1999 until 2009, Troost transferred hundreds of thousands of dollars from the United States to his individual offshore UBS account for the sole purpose of evading domestic income taxes. He maintained at least one offshore UBS account between 1981 and 2009, while maintaining at least one additional joint account. He managed both accounts with the assistance of a UBS personal banker based on the Island of Jersey. In addition to failing to report interest income, Troost admitted that he intentionally failed to report all of his income from his monument business and his rental properties. In addition, Troost stated on his returns for each of those years that he did not have an interest in a financial account in a foreign country, when, in fact, he knew he maintained the offshore account.

Businessman Sentenced for Hiding Income

in Undeclared Bank Accounts: On July 9, 2013, in Newark, N.J., Sameer Gupta was sentenced to 19 months in prison and ordered to pay a \$20,000 fine. As part of his plea agreement, Gupta has paid to the United States Treasury a one-time Report of Foreign Bank and Financial Accounts (FBAR) penalty of \$259,045 and has cooperated with the IRS in the investigation of his outstanding taxes due and owed for 2006 through 2009. Gupta pleaded guilty on February 26, 2013, to one count of tax evasion in connection with his diverting funds from the wholesale merchandise business, J.S. Marketers Inc., to undisclosed foreign accounts at HSBC in India, among other places. According to court documents, from 2006 through 2009, Gupta diverted \$822,916 of the business' receipts into 17 different personal bank accounts held in the names of various individuals, including himself and family members. He directed more than \$250,000 of those diverted funds into six different accounts held offshore at a branch of HSBC. From 2007 through 2009, Gupta caused 22 corporate checks to be made payable to himself and family

members in amounts identical to invoices from the business' suppliers. Gupta endorsed those checks, which totaled \$375,138, and deposited them into bank accounts that he controlled. Gupta filed individual income tax returns for the years 2006 through 2009 that did not report his income from the diverted funds. As a result, Gupta evaded taxes on \$1,198,054 in income for 2006 through 2009. He also failed to file FBARs for 2006 through 2008.

Mexican Pecan Company Owner Sentenced for Scheme to Defraud the U.S. Export-Import Bank:

On November 7, 2012, in El Paso, Texas, Leopoldo Valencia-Urrea, the owner of a pecan brokerage company in Ciudad Juarez, Chihuahua, Mexico, was sentenced to 48 months in prison and ordered to pay \$58,000 in restitution and \$399,075 in forfeiture. Valencia pleaded guilty on October 13, 2011, to one count of conspiracy to commit wire fraud, one count of wire fraud and one count of money laundering conspiracy in connection with the scheme to defraud the Export-Import Bank of the United States (Ex-Im Bank) of approximately \$400,000. According to court documents, Valencia, a U.S. citizen, admitted that in 2006, he applied for an Ex-Im Bank insured loan for \$406,258 through a bank in Miami. Valencia and others submitted a fraudulent loan application, financial statements, invoices, letters and bills of lading to falsely represent to the Miami bank and the Ex-Im Bank the purchase and export of U.S. goods to Valencia in Mexico. After the exporter who conspired with Valencia received \$399,075 from the Miami bank, Valencia and others diverted the loan proceeds directly to Valencia and others in Mexico. As a result of the fraud, Valencia's loan defaulted, causing the Ex-Im Bank to pay a claim to the lending bank on a \$371,962 loss.

Ohio Attorney Sentenced on Tax Fraud

Charges: On November 2, 2012, in Columbus, Ohio, Aristotle R. Matsa, aka Rick Matsa, was sentenced to 85 months in prison and ordered to pay a \$265,000 criminal fine, \$388,000 in restitution to the IRS and \$24,069 in restitution to a client. Matsa was convicted by a jury in April 2012 on one count of a corrupt endeavor to obstruct and impede the IRS; 15 counts of aiding and assisting in the preparation of false and fraudulent tax returns, that related to five different trusts; one count of willfully failing to file

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a FBAR; one count of conspiracy to obstruct justice, commit perjury and make false statements; two counts of witness tampering; one count of submitting a false statement; and one count of obstruction of justice. Matsa's mother and co-defendant, Loula Z. Matsa, was sentenced to three years of probation and ordered to pay a \$150,000 criminal fine for her role in the conspiracy with her son to obstruct justice, commit perjury and make false statements. According to court documents and trial evidence, Matsa created and operated several nominee entities in order to disguise and conceal his income and assets from the IRS. The false trust return charges relate to filings for at least five separate trust entities during the tax years 2003 to 2005. In fact, the evidence at trial showed that he had been filing similarly false returns for the trusts dating back to 1990. Each of the trusts reported receiving significant

amounts of interest income each year, yet no income tax was ever reported as due because the trust tax returns fraudulently claimed deductions for distributions purportedly paid annually to a foreign beneficiary. The evidence at trial established, however, that Rick Matsa used funds from these trusts to purchase a 150-acre farm in Hocking County as well as a home in Worthington, Ohio. In addition, the trusts' purported foreign beneficiary was located in the Netherlands and testified that she was not the beneficiary of the trusts. The evidence at trial also showed that during calendar year 2003 Rick Matsa violated the foreign bank account reporting requirements, by failing to disclose his ownership and control over a foreign bank account held in The Netherlands. This account had in excess of \$300,000 from at least August 2003 to November 2003.

The following table provides IRS-CI's International Operations statistics over the past three fiscal years:

	FY 2013	FY 2012	FY 2011
Investigations Initiated	284	211	244
Prosecutions Recommendations	214	196	195
Indictments/Informations	184	153	149
Convictions	149	110	133
Incarceration Rate	70.4%	87.9%	70.6%
Average Months to Serve	51	71	61

MONEY LAUNDERING AND BANK SECRECY ACT (BSA)

In partnership with other law enforcement agencies and the Department of Justice, Criminal Investigation seeks to protect the United States financial system through the investigation and prosecution of individuals and organizations that are attempting to launder their criminally derived proceeds. Criminal Investigation also seeks to deprive individuals and organizations of their illegally obtained cash and assets through effective use of the federal forfeiture statutes. In most money laundering cases, the money involved is earned from an illegal enterprise and the goal is to give that money the appearance of coming from a legitimate source. Money laundering is one means by which criminals evade paying taxes

on illegal income by concealing the source and the amount of profit.

Virtual Currency: During Fiscal Year 2013, Criminal Investigation began pursuing investigations in the new program area of virtual currency. These currencies resemble money and can come with their own dedicated retail payment systems. Virtual currency is considered any medium of exchange that operates like a fiat currency. As with any money, virtual currency can be used in a wide variety of crimes involving money laundering and other financial crimes. In 2013, IRS-CI was at the forefront of some of the most prominent investigations that involved virtual currency. In May 2013, IRS-CI's Global Illicit Finance Team led the investigation that resulted in the indictment of Liberty Reserve.

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Users exchanged fiat currency for “Liberty Reserve Dollars” (a virtual currency) and transacted with other Liberty Reserve Dollar users. To better combat the criminal use of virtual currency it is vital to share information with and learn how other law enforcement and regulatory agencies are dealing with virtual currency. IRS-CI meets quarterly with other law enforcement agencies as a participant of the Virtual Currency and Emerging Threats (VCET) group to discuss trending topics in the virtual currency industry. As virtual currency becomes a more accepted form of payment there are reports of salaried wage earners receiving portions of their wage payments in virtual currencies such as Bitcoin.

Bank Secrecy Act

The Bank Secrecy Act (BSA) mandates the reporting of certain currency transactions conducted with a financial institution, the disclosure of foreign bank accounts, and the reporting of the transportation of currency across United States borders. Through the analysis of BSA data, CI has experienced success in identifying significant and complex money laundering schemes and other financial crimes. Criminal Investigation is the largest consumer of BSA data.

The Criminal Investigation BSA Program has grown substantially since its inception in the early 2000s when we helped establish the initial 41 Suspicious Activity Report Review Teams (SAR-RT). The mission then, as it is today, was to scrutinize BSA data to identify and target significant illicit financial criminal activity. The current BSA program is comprised of participation in 94 SAR-RTs (one in each judicial district and led by the responsible U.S. Attorney Office), and sponsorship and management of over 50 Financial Crimes Task Forces (FCTF) throughout the country. The FCTF is a collaboration between CI and state or local law enforcement agencies for the purpose of identifying and investigating in a specific geographic area illicit financial crimes, including BSA violations, money laundering, narcotics trafficking, terrorist financing and even tax evasion. Over 150 state or local agencies have joined FCTFs across the country and have detailed over 350 law enforcement officers to become Task Force Officers. The Task Force

Officers are granted the authority to investigate money laundering and BSA violations under the direction of IRS-CI.

In addition, during Fiscal Year 2013, CI hosted three bank forums to help strengthen relationships with officials within the financial industry. The bank forums provide an opportunity for CI and the Anti-Money Laundering officials to discuss emerging trends of criminal activity.

Examples of money laundering investigations adjudicated in FY 2013 include:

Texas Man Sentenced for Role in ‘Black Market Peso Exchange’ Scheme: On September 11, 2013, in Houston, Texas, Willie Whitehurst was sentenced to 151 months in prison for his role as one of the leaders of a criminal conspiracy that laundered more than \$20 million through shell business bank accounts. In January and February 2013, Whitehurst and co-conspirators Enrique Morales, Fulton Smith and Anthony Foster pleaded guilty to conspiracy to commit money laundering and conspiracy to operate an unlicensed money transmitting business. Another co-conspirator, Sarah Combs, also pleaded guilty to conspiracy to operate an unlicensed money transmitting business. According to court documents, from October 2009 to September 2011, the defendants placed United States currency gained through the sale of drugs into bank accounts held in the names of the organization’s shell companies. The money was then transferred to different accounts in the United States and in Mexico. In exchange, pesos were transferred back to accounts owned by the organization’s clients. Morales was previously sentenced to 188 months in prison, and Foster received a sentence of 121 months in prison. Smith was sentenced to 30 months in prison, while Combs was sentenced to 24 months in prison.

Las Vegas Attorney Sentenced for Structuring Bank Deposits and Tax Crimes: On August 22, 2013, in Las Vegas, Nev., Paul Wommer, an attorney, was sentenced to 41 months in prison and ordered to pay a \$7,500 fine and to forfeit any proceeds of his crimes. Wommer was found guilty in April 2013 following a bench trial for making structured bank deposits

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to hide money from the IRS, evading income taxes and filing a false tax return. According to the court records and evidence introduced at trial, between June 30 and July 15, 2010, Wommer made or assisted in 15 structured deposits totaling \$138,700 for the purpose of evading bank reporting requirements. These deposits were made as part of a pattern of illegal activity involving more than \$100,000 during a 12-month time period. During that same time period, Wommer willfully attempted to evade federal income taxes in the amount of \$13,020 by concealing and attempting to conceal his assets, by making false statements to the IRS, and by placing funds and property in the names of nominees. The judge found that Wommer's testimony at trial was not credible and increased his prison sentence for obstruction of justice.

North Carolina Businesswoman Sentenced for Participation in a Drug Conspiracy and Money Laundering: On July 22, 2013, in New Bern, N.C., Cynthia Marquez was sentenced to 120 months in prison. Marquez pleaded guilty on October 24, 2011 to conspiracy to distribute and possess with the intent to distribute 5 kilograms of cocaine and money laundering. According to court documents, Marquez distributed approximately 67 kilograms of cocaine from 2010 through January 18, 2012. Marquez laundered drug proceeds through her businesses including Joyeria Perez Jewelry Incorporated and her real estate business. Marquez previously agreed to forfeit over \$146,000 in United States currency and 18 pieces of real property.

Arizona Man Sentenced on Drug and Money Laundering Charges: On July 8, 2013, in Phoenix, Ariz., Nadunt Chibeast was sentenced to 120 months in prison. Chibeast was convicted in April 2013 of conspiracy to possess with intent to distribute more than 1,000 kilograms of marijuana and less than 500 grams of cocaine, and conspiracy to commit money laundering. According to evidence presented at trial, Chibeast assisted a drug trafficking organization by driving a suspected drug load, assisting with

marijuana packaging and conspiring to launder money. Chibeast allowed the organization to direct its drug buyers to deposit money into his bank accounts in their home states and then he would transfer the money to the drug trafficking organization member's bank accounts or withdraw cash to physically provide it to other members.

President and Vice-President of Car Dealership Sentenced for Laundering Money for the Gulf Cartel: On May 8, 2013, in Orlando, Fla., Joel Torres was sentenced to 40 months in prison. Torres was found guilty on December 3, 2012, for money laundering and failing to file IRS Forms 8300, a form required for cash purchases over \$10,000. According to court documents, Torres, the President of JM2 Auto Sales, Inc., laundered narcotics proceeds for the Gulf Cartel, a drug trafficking organization based in Mexico. Torres received cash, and then sent vehicles back to members of the Cartel in Texas. He also sold vehicles to local Cartel members. On February 4, 2013, Eladio Marroquin-Medina, vice-president of JM2 Auto Sales, was sentenced to 72 months in prison for conspiracy to possess with the intent to distribute 1,000 kilograms or more of marijuana and conspiracy to engage in money laundering.

New York Man Sentenced for Money Laundering: On April 18, 2013, in Rochester, N.Y., Michael Kardonick was sentenced to 120 months in prison and ordered to pay \$2,164,059 in restitution for conspiracy to commit money laundering. According to court documents, between January 2004 and July 2008, Kardonick defrauded investors who had invested approximately \$2.5 million in international currency trading investments through the company Atwood & James S.A. During the course of the scheme, Kardonick used the mail and wire communications to facilitate the execution of the fraud, using the illegally obtained investor proceeds to promote the scheme, in violation of the federal money laundering provisions.

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The following tables provides IRS-CI's money laundering and Bank Secrecy Act (BSA) statistics over the past three fiscal years:

Money Laundering Investigations	FY 2013	FY 2012	FY 2011
Investigations Initiated	1596	1663	1726
Prosecution Recommendations	1377	1411	1383
Indictments/Informations	1191	1325	1228
Sentenced	829	803	678
Incarceration Rate	85.4%	84.7%	86.1%
Average Months to Serve	68	64	70

Bank Secrecy Act (BSA) Investigations	FY 2013	FY 2012	FY 2011
Investigations Initiated	922	923	795
Prosecution Recommendations	771	683	518
Indictments/Informations	693	575	462
Sentenced	453	342	344
Incarceration Rate	70.6%	76.6%	75.3%
Average Months to Serve	36	40	33

BSA statistics include investigations from Suspicious Activity Report (SAR) Review Teams, violations of BSA filing requirements, and all Title 31 and Title 18-1960 violations.

NARCOTICS AND COUNTERTERRORISM

Criminal Investigation's mission in narcotics law enforcement is to disrupt and dismantle significant narcotics trafficking and money laundering organizations through the investigation and prosecution of their members and associates, and the seizure and forfeiture of their profits. Criminal Investigation special agents utilize their unique financial investigative expertise to follow the money trail, tracing the profits from the illegal activity back to the criminal organization. Within this program, CI investigates violations of the Internal Revenue Code, Bank Secrecy Act and Federal Money Laundering statutes. CI continues to be a partner with other law enforcement agencies in fighting narcotics and money laundering organization worldwide.

The Fiscal Year 2013 goal for Direct Investigative Time (DIT) in narcotics investigations ranged between 11-13% of the total DIT. CI reached that goal with a final rate of 11.8% of DIT charged to narcotics

investigations. In addition, the Fiscal Year 2013 goal of 90% of all narcotics investigation dedicated to the Organized Crime Drug Enforcement Task Force (OCDETF) program was reached with a final 91.5%.

The CI Narcotics Program supports the National Drug Control Strategy and the National Money Laundering Strategy through the assignment of CI personnel to the White House Office of National Drug Control Policy as well as the assignment of personnel to multi-agency task forces, including Organized Crime Drug Enforcement Task Force (OCDETF), OCDETF Fusion Center (OFC), High Intensity Drug Trafficking Area (HIDTA), High Intensity Financial Crimes Area (HIFCA), Drug Enforcement Administration Special Operations Division, (SOD), and the El Paso Intelligence Center (EPIC).

Criminal Investigation also plays a significant role in protecting our nation from terrorist

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threats. CI special agents are assigned to the various FBI-led Joint Terrorism Task Forces (JTTF) throughout the country. These agents use their financial investigative expertise to unravel terrorism financing schemes. CI has played a prominent role in many investigations of individuals and organizations believed to be involved in or supporting international terrorist activities. Furthermore, CI's Counterterrorism Lead Development Center proactively develops terrorism related cases for the CI field offices to further investigate. The Counterterrorism Center also provides investigative support to CI special agents working terrorism cases. Criminal Investigation took measures to enhance the counterterrorism program, translating into improved service to the CI field offices, re-establishing working relationships with outside agencies and partnering with the IRS civil counterparts for case support and development.

Examples of narcotics investigations adjudicated in FY 2013 include:

Los Zetas Cartel Members Sentenced for Drug Trafficking and Money Laundering: On September 6, 2013, in Austin, Texas, Eusevio Maldonado Huitron was sentenced to 97 months in prison for his role in a complex conspiracy to launder millions of dollars in illicit Los Zetas drug trafficking proceeds. On May 9, 2013, a jury convicted Huitron of one count of conspiracy to commit money laundering. On September 5, 2013, Jose Trevino Morales, Francisco Colorado Cessa and Fernando Solis Garcia were sentenced for their roles in laundering millions of dollars. Morales and Cessa were each sentenced to 240 months in prison. Garcia was sentenced to 160 months in prison. Morales and Cessa were convicted by a federal jury on May 9, 2013 of one count of conspiracy to commit money laundering. Evidence presented during trial revealed that Los Zetas are a powerful drug cartel based in Mexico and generate multi-million dollar revenues from drug trafficking. Since 2008, Miguel and Oscar Trevino Morales would direct portions of the bulk cash generated from the sale of illegal narcotics to Jose Trevino and his wife, Zulema Trevino, for purchasing, training, breeding and racing American quarter horses in the United States. Testimony also revealed a shell game by the defendants involving straw purchasers and transactions worth millions of dollars in New

Mexico, Oklahoma, California and Texas to disguise the source of drug money and make the proceeds from the sale of quarter horses or their race winnings appear legitimate. Furthermore, the defendants implemented a scheme to structure cash deposits in amounts under \$10,000 in order to circumvent mandatory bank reporting requirements. Over 400 quarter horses were seized by federal authorities and later auctioned for approximately \$9 million. The Government also seeks the forfeiture of real property, farm and ranch equipment and funds contained in multiple bank accounts allegedly used in the defendants' scheme. The Government is also seeking a monetary judgment in the amount of \$60 million representing property involved in, and derived from, the conspiracy.

Doctor Sentenced for Running a Pill Mill: On September 25, 2013, in Philadelphia, Pa., Norman M. Werther was sentenced to 300 months in prison. In June 2013, Werther was found guilty of 184 counts of illegally distributing oxycodone, 116 counts of money laundering, six counts of conspiracy to distribute controlled substances, one count of maintaining a drug-involved premises and distribution of a controlled substance resulting in death. According to court documents, Werther was part of a multi-million dollar drug conspiracy involving illegal prescriptions, phony patients and multiple drug trafficking organizations. At the time, Werther was a physician, running a physical therapy and rehabilitation practice. He conspired with six separate groups of drug dealers who recruited large numbers of pseudo-patients. The drug conspiracy operated between February 2009 and August 2011 and resulted in the illegal distribution of more than 700,000 pills containing oxycodone. At least one of the drug trafficking organizations working with Werther trafficked pills valued at more than \$5 million that Werther illegally prescribed.

Last of the Arellano-Felix Brothers Sentenced: On August 19, 2013, in San Diego, Calif., Eduardo Arellano-Felix, who acted as the chief financial officer of the notorious Mexican drug cartel that bears his family name, was sentenced to 180 months in prison and ordered to forfeit \$50 million. Arellano-Felix is the last of four brothers to be sentenced for leading what was once among the world's most violent and

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powerful multi-national drug trafficking organizations. He pleaded guilty in May 2013 to money laundering and conspiracy charges. According to court documents, the Arellano-Felix Organization (AFO) moved hundreds of tons of cocaine and marijuana from Mexico and Colombia into the United States and made hundreds of millions of dollars in the process. Arellano-Felix laundered hundreds of millions of dollars in drug trafficking proceeds and used some of the income to pay AFO members to commit crimes; to buy firearms, ammunition and vehicles; to travel on AFO-related business; to pay bribes; and to purchase drugs.

Kentucky Man Sentenced for Drug and Money Laundering Offenses: On May 2, 2013, in Lexington, Ky., Marquis Deron Heard was sentenced to 360 months in prison for distribution of cocaine, possession of a weapon by a convicted felon and 29 counts of money laundering. According to trial evidence, between 2008 and 2011, Heard was involved in trafficking large quantities of cocaine from a Mexican source into Lexington for distribution. Heard had distributed at least 45 kilograms of cocaine. In addition, Heard reinvested the proceeds of the drug transactions into the purchase of multiple vehicles and residences in both Lexington and Louisville, Ky.

Leader of Street Gang Sentenced on Federal Charges: On January 14, 2013, in Los Angeles, Calif., Santiago Rios was sentenced to 235 months in prison. Rios was the lead defendant in a federal racketeering indictment that targeted the Azusa 13 criminal enterprise. In June 2011, a federal grand jury returned a 24-count indictment that charged 51 defendants with a host of crimes, including conspiracy to violate the Racketeer Influenced and Corrupt Organizations (RICO) Act. Rios, who was the leader of the gang in 2008 and 2009, pleaded guilty in May 2012 to conspiracy charges. In addition, the indictment alleged a long-running conspiracy to distribute narcotics, specifically heroin, methamphetamine and cocaine. As part of its narcotics operation, the gang extorted payments from street-level drug dealers in exchange for authorization to conduct business in Azusa 13 territory. Rios admitted that the Azusa 13 gang controlled the drug trafficking activity that occurred within the City of Azusa. Members of the Azusa 13 gang would permit

narcotics traffickers to distribute narcotics in exchange for a percentage of any narcotics proceeds that were generated in the gang's territory. These payments of drug proceeds – known as “rent” or “tax” – were funneled to members of the Mexican Mafia who exerted control over the gang.

Examples of counterterrorism investigations adjudicated in FY 2013 include:

HSBC Enters into Deferred Prosecution

Agreement: On December 11, 2012, HSBC Holdings PLC (HSBC Group) and HSBC Bank USA N.A. (HSBC Bank USA) agreed to forfeit \$1.256 billion and enter into a deferred prosecution agreement with the Justice Department for HSBC's violations of the Bank Secrecy Act (BSA), the International Emergency Economic Powers Act (IEEPA) and the Trading with the Enemy Act (TWEA). HSBC Bank USA violated the BSA by failing to maintain an effective anti-money laundering program and to conduct appropriate due diligence on its foreign correspondent account holders. The HSBC Group violated IEEPA and TWEA by illegally conducting transactions on behalf of customers in Cuba, Iran, Libya, Sudan and Burma – all countries that were subject to sanctions enforced by the Office of Foreign Assets Control (OFAC) at the time of the transactions. In addition to forfeiting \$1.256 billion, HSBC agreed to pay \$665 million in civil penalties.

Man Sentenced for False Claim Conspiracy and Lying in Federal Investigation

On April 18, 2013, in Orlando, Fla., Jonathan Paul Jimenez was sentenced to 120 months in prison and ordered to pay \$5,587 in restitution to the IRS. Jimenez pleaded guilty on August 28, 2012 to making a false statement to a federal agency in a matter involving international terrorism and conspiring to defraud the IRS. According to court documents, in November 2010, Jimenez relocated from New York to Central Florida, where he began training with Marcus Dwayne Robertson in the skills necessary to participate in violent jihad overseas. In order to have funds available for him when he was overseas, Jimenez and others conspired to submit a false 2010 tax return for Jimenez, in which Jimenez falsely claimed three children as his dependents and falsely represented that he lived with each of the three

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children for all of the year 2010. As a result of those false representations, Jimenez obtained a refund from the IRS in the amount of \$5,587.

Frivolous Arguments Working Group

In Fiscal Year 2013, Criminal Investigation created a working group to develop recommendations on tracking investigations and sharing information about potential safety concerns against the law enforcement community, IRS employees and other government officials. Some members of the sovereign citizen movement espouse frivolous arguments opposing the tax laws, as well as other laws.

Examples of frivolous argument investigations adjudicated in FY 2013 include:

Self-Proclaimed Leader of Sovereign Citizen Group Sentenced for Promoting Tax Fraud Scheme:

On July 31, 2013, in Montgomery, Ala., James Timothy Turner was sentenced to 216 months in prison and ordered to pay \$26,021 in restitution to the IRS. In March 2013, following a five-day jury trial, Turner was convicted of conspiracy to defraud the United States, attempting to pay taxes with fictitious financial instruments, attempting to obstruct and impede the IRS, failing to file a 2009 federal income tax return and falsely testifying under oath in a bankruptcy proceeding. Based on the evidence introduced at trial and in court filings, Turner, the self-proclaimed “president” of the sovereign citizen group Republic for the United States of America (RuSA), traveled the country in 2008 and 2009 conducting seminars teaching attendees how to defraud the IRS by preparing and submitting fictitious bonds to the United States government in payment of federal taxes, mortgages, and other debt. Turner was convicted of sending a \$300 million fictitious bond in his own name and of aiding and abetting others in sending fifteen other fictitious bonds to the Treasury Department to pay taxes and other debts. Turner taught people how to file retaliatory liens against government officials who interfered with the processing of fictitious bonds. Turner filed a purported \$17.6 billion maritime lien in Montgomery County, Ala., Probate Court against another individual. This investigation began after Turner and three other self-

proclaimed “Guardian Elders” sent demands to all 50 governors in the United States in March 2010 ordering each governor to resign within three days to be replaced by a “sovereign” leader or be “removed.”

‘Sovereign Citizen’ Sentenced for Tax Fraud Scheme:

On June 14, 2013, in Tacoma, Wash., Raymond Leo Jarlik Bell was sentenced to 97 months in prison and ordered to pay \$705,276 in restitution. Jarlik Bell was convicted in March 2013 of five counts of filing false, fictitious and fraudulent claims, fifteen counts of assisting in filing false tax returns, three counts of mail fraud, and one count of criminal contempt. Jarlik Bell and his wife, Ute Christine Jarlik Bell, are members of the ‘Sovereign Citizen’ movement. Members of the Sovereign Citizen movement profess a belief that both state and federal government entities are illegitimate. According to court records, Jarlik Bell’s investigation centered on the filing of false tax returns using a scheme known as OID (Original Issue Discount) fraud. Jarlik Bell advised and assisted others in using the scheme. In 2006, Jarlik Bell obtained a tax refund in excess of \$30,000 using the scheme. In 2005, the courts ordered Jarlik Bell to stop promoting fraudulent tax schemes. Less than three years later, he was back promoting another massive tax fraud scheme.

Nevada Man Sentenced for Conspiracy and Money Laundering Crimes:

On March 20, 2013, in Las Vegas, Nev., Shawn Rice was sentenced to 98 months in prison and ordered to forfeit \$1.29 million in assets and pay \$95,782 in restitution. Rice, a member of an anti-government movement known as the “Sovereign Movement,” was convicted by a jury in July 2012 of one count of conspiracy to commit money laundering, thirteen counts of money laundering and four counts of failure to appear. According to court records, from about March 2008 to March 2009, Rice and co-defendant Samuel Davis laundered approximately \$1.3 million of monies that they thought were from the theft and forgery of stolen official bank checks. Rice and Davis laundered the monies through a nominee trust account controlled by Davis and through an account of a purported religious organization controlled by Rice. Davis and Rice took approximately \$74,000 and \$22,000, respectively, in fees for their money laundering services. Davis pleaded guilty and was

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sentenced in October 2011 to 57 months in prison. Davis and Rice are heavily involved in the "Sovereign Movement," whose members believe they do not have to pay taxes and believe the federal government deceived Americans into obtaining social security cards, driver's licenses, car registrations, etc., and that if these contracts are revoked; persons are "sovereign citizens." Members of the sovereign movement widely use fictitious financial instruments such as fraudulent money orders,

personal checks, and sight drafts, and participate in "redemption" schemes where the fictitious financial instruments are used to pay creditors. Davis is a national leader of the movement, traveling nationwide to teach different theories and ideologies of the movement. Rice allegedly claims that he is a lawyer and rabbi, and uses his law school education and businesses to promote his sovereign ideas and to gain credibility in the community.

WARRANTS AND FORFEITURE

Criminal Investigation uses asset forfeiture statutes to disrupt and dismantle criminal enterprises by seizing and forfeiting their assets or property used or acquired through illegal activities. Criminal Investigation also maintains

an active fugitive program and coordinates information with other law enforcement agencies in order to identify and apprehend fugitives from justice where the fugitive has been charged with violations of the Internal Revenue laws and related offenses.

The chart below summarizes the seizures and forfeitures during Fiscal Year 2013. This chart shows the number of investigations involved and the number of assets seized and forfeited.

Seizures		
Count of Investigations	Count of Assets	Total Asset Appraisal Value
652	2514	\$465,150,567

Forfeitures		
Count of Investigations	Count of Assets	Total Forfeited Value
501	1568	\$517,026,852

Examples of investigations involving forfeitures during FY 2013 include:

- **Ernst & Young** - On March 1, 2013, Ernst & Young (E&Y) entered into a Non-Prosecution Agreement (NPA) admitting wrongful conduct related to four tax shelters in an effort to defer, reduce, or eliminate tax liabilities of more than \$2 billion. As a result of the conduct, E&Y agreed to pay \$123 million to the United States.
- **Abbott Labs** - Abbott Labs pleaded guilty to a criminal misdemeanor for misbranding Depakote in violation of the Food, Drug and Cosmetic Act (FDCA). Under the plea agreement, Abbott Labs agreed to forfeit assets totaling \$198.5 million.
- **William Scott** - Owner and controller of WorldWide Telesports (WWTS), a business enterprise involved in the business of gambling, betting and wagering based in St. John's Antigua, pleaded guilty to international money

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laundering and conspiracy. As part of Scott's plea agreement, Scott agreed to the entry of a Consent Order of Forfeiture for \$6,976,934 plus interest.

- **Stanley Tollman** - Tollman failed to report approximately \$35 million dollars in income he earned from his corporation and funneled the money to offshore bank accounts in the Channel Islands. Tollman pleaded guilty to and agreed to pay restitution to the IRS in the amount of \$60,381,691 and to \$44.7 million in forfeiture. The total assets forfeited during FY 2013 equal \$36,037,118.
- **Frank LaForgia** – LaForgia pleaded guilty to money laundering relating to the purchase of home heating oil on the "Black Market." LaForgia agreed to forfeit \$25 million as property involved in the money laundering conspiracy.

During FY 2013, Criminal Investigation apprehended eighty-eight (88) fugitives from justice.

- **Scott E. Cavell**, a fugitive, was arrested November 12, 2012. Prior to his arrest, Cavell resided in Ireland. Cavell entered a not guilty plea, November 13, 2012. The indictment charges that Cavell allegedly was involved in a mortgage fraud scheme.
- **Rafael Marmol**, a fugitive, was arrested March 7, 2013. The criminal complaint alleges his involvement in money laundering conspiracy.

Also in FY 2013, a jury found former fugitive, **James Joseph "Whitey" Bulger, Jr.**, guilty of racketeering conspiracy and numerous racketeering acts of money laundering, murder, extortion, narcotics distribution, and possession of firearms including machine guns. Bulger, who led the violent Winter Hill Gang, a largely mob, that ran loan sharking, gambling and drug rackets in the Boston area, was apprehended near Los Angeles after spending 16 years on the run during an epic manhunt. Bulger was subsequently sentenced to two consecutive life terms plus five years and ordered to pay \$19.5 million in restitution.

NATIONAL FORENSICS LABORATORY

The National Forensic Laboratory (NFL) is a federal forensic science laboratory whose operations fall under the authority of IRS Criminal Investigation. The NFL provides the results of forensic testing and technical services to special agents in the field for use in the investigation of potential criminal violations of the Internal Revenue Code and related financial crimes. The NFL is made up of seven units, including Electronics, Latent Prints, Questioned Documents, Ink and Paper Chemistry, Polygraph, Imaging, and Evidence Control. The laboratory forensically examines evidence and offers opinions based on the evidence presented. The laboratory will assist in the presentation of its findings in any judicial proceeding by providing expert testimony.

In addition to assisting the special agents around the country with processing forensic evidence to support their investigations, the NFL is involved in research and the use of new models to secure forensic evidence. One such science is the reconstruction methodology of documents. As an example, the NFL received many identity theft cases, some of which included bags of shredded and torn paper bearing names and Social Security numbers. These cases were submitted to the laboratory to have the documents reconstructed. One case involved a bag of crosscut shredded documents, which involved colored self-adhesive notes. The examiner assembled the pieces much the same way a jigsaw puzzle is reconstructed. Once a small cluster of shred was assembled, the pattern into which the note was shredded could be predicted and other documents assembled.

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TECHNOLOGY OPERATIONS AND INVESTIGATIVE SERVICES

In Fiscal Year 2013, Technology Operations & Investigative Services (TOIS) continued to gain CI performance efficiencies through the use of new and improved technology, development of software applications, and by providing upgraded IT infrastructures. TOIS employees also insured that CI's legacy information technology systems and new applications were secure from intrusion, attack and data loss. Significant accomplishments during Fiscal Year 2013 included completing an enterprise wide Win-7 operating system upgrade and increasing mobile field communications through the issuance of smart phones to the vast majority of special agents. The phone upgrade is expected to be completed in Fiscal Year 2014, at which point all of CI's special agents will be issued smart mobile communication devices as part of their standard equipment model.

TOIS business system development section initiated several new projects to improve CI's data analytics and evidence processing capabilities during Fiscal Year 2013. TOIS is currently comparing a number of different "big data" analytic systems that will dramatically improve CI's case development capabilities beginning with an identity theft case project during the 2014 filing season. A new digital evidence management program (ATLAS) was started in Fiscal Year 2013 and is expected to significantly improve special agent productivity through automated evidence organization and report writing applications. Once fully implemented, ATLAS will also provide identity de-confliction of subjects, witnesses and third

parties documented during each agent's investigative activities with all other CI case files. The value of ATLAS' identity de-confliction capabilities was proven in Fiscal Year 2013 when a limited roll out of the program was used to determine relationships between identity theft subject, victim and witness records to build larger and more significant cases. This project supplemented TOIS traditional Data Center efforts, which processed over 470,000 identity theft related documents during Fiscal Year 2013.

Computers are increasingly used to facilitate and commit sophisticated financial crimes. CI has trained special agents in the recovery and preservation of hardware and software evidence. In Fiscal Year 2013, the amount of seized electronically stored information/data for investigations doubled from the prior year to almost 1,700 terabytes. The majority of CI Special Agent-Computer Investigative Specialists are certified in the use of top level forensic software, thus raising proficiency and providing an important certification for judicial proceedings. Special agents are also trained in the use of mobile forensics hardware and software.

In Fiscal Year 2013, CI established a Cyber Crime Unit (CCU) pilot that will allow CI to proactively identify and pursue tax, money laundering, identity theft and other financial crimes in the virtual world. The CCU will also be available to provide expertise to all field offices in strategic and tactical planning of cyber investigations to increase prosecution potential.

Electronic Crimes Enforcement Statistics	FY13 Totals
Total Operations/Search Warrants	582
Total Sites	1018
Total CISs Deployed	1106
Total Systems Encountered	4979
Total Volume of Data (Terabytes) Seized	1699.068



Internal Revenue Service
Criminal Investigation

2015 ANNUAL REPORT



IRS-CI Fiscal Year 2015 Annual Business Report

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Chief's Message – Richard Weber



As we arrive at the end of another fiscal year, we have the opportunity to pause for a moment to look back at the challenges we have faced and the incredible successes we have accomplished together. We began the year facing deep cuts in our budget. Having hired only 45 agents in the last three years, attrition was catching up to us and our staffing levels hit their lowest levels since the 1970's. We finally came to realize that fewer agents and staff really do mean fewer cases. But the story of this year is not told in discussing what we could not do. Instead, it is a story about how much we adapted and accomplished in spite of those challenges. This annual report is an unbelievable reflection of our great cases.

I am proud that we have stayed mission-focused. While our highest priority is to enforce the nation's tax laws, we cannot underestimate the deterrent effect we are having on would-be criminals and the impact we are having on tax administration. A majority of Americans who follow the law would tell you that they want consequences for those who do not. The work we do levels that playing field to ensure that everyone is treated fairly. This annual report includes case summaries that represent the diversity and complexity of those investigations such as tax-related identity theft, money laundering, public corruption, cybercrime and terrorist financing. Despite the budget challenges, our cases touched almost every part of the world. They had a significant impact on tax administration and were some of the most successful in the history of CI.

The unsealing of indictments in May in the FIFA investigation was a game changer. At the time, the investigation involved coordination with police agencies and governments in 33 countries and was one of the most complicated international white-collar cases in recent memory. And while the case involves corruption and money laundering, it started out as a tax evasion case and snowballed into something much more thanks to the analysis of our agents. Ross Ulbricht, the creator and owner of the "Silk Road" website, was sentenced to life in prison and ordered to forfeit more than \$183 million. Were it not for the work of one of our agents, Ulbricht may still be free today. A Michigan man, Dr. Farid Fata was sentenced to 540 months in one of the most horrendous cases I've witnessed. The defendant purposefully misdiagnosed people with cancer in order to get rich -- greed being a common link in all financial investigations. A former construction boss in Las Vegas named Leon Benzer was sentenced to 188 months for tax evasion. The Swiss Bank program continued to provide solid leads and information that we are using to develop other cases around the world. Bank Leumi admitted to assisting U.S. taxpayers in hiding assets in offshore bank accounts, disclosed more than 1,500 U.S. account holders and agreed to pay a total of \$270 million. This was the first time an Israeli bank has admitted to such criminal conduct.

Identity theft is becoming a more sophisticated crime. Earlier this fiscal year, we arrested 17 individuals, 14 of whom were college students at Miami Dade College, for their involvement in a stolen identity tax refund fraud scheme that utilized students' accounts and implicated 644 victims. And while cases like this are significant and important, IRS-CI is now beginning to focus our efforts on even more complex identity theft investigations involving organized criminal networks with cyber and global connections that victimize American citizens and businesses. The use of the Dark Net has created additional challenges. A new generation of organized criminals is able to steal the personal information of millions of victims from a computer halfway around the world. And virtual currency further disguises the flow of illegal funds. Through all of these challenges, we have continued to produce quality cases and have sent close to 2,000 people to jail in the last three years for identity theft related crimes.

I'm proud of IRS-CI and the reputation that this agency has as the best financial investigators in the world. We have a long and storied history that is only becoming longer as each of you adds another chapter with each success. Regardless of our budget situation, I am proud that we have not lost sight of our relevancy or mission and that the quality of our cases remains high. We need to continue to build on that success looking ahead to Fiscal Year 2016 and beyond. I would like to thank all of CI for their hard work and congratulate them on another amazing year in CI. I'm honored to be the chief and proud of all we have accomplished.

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Vision for IRS Criminal Investigation:

Through strategic investments in people, increased communication, enhanced technology, and collaboration with domestic and global law enforcement partners, IRS Criminal Investigation (CI) will continue to be the worldwide leader in tax and financial investigations.

Investigative Priorities:

CI's highest priority is to enforce our country's tax laws and support tax administration. The Fiscal Year 2015 investigative priorities were:

- Identity Theft Fraud
- Abusive Return Preparer Fraud & Questionable Refund Fraud
- International Tax Fraud
- Fraud Referral Program
- Political/Public Corruption
- Organized Crime Drug Enforcement Task Force (OCDETF)
- Bank Secrecy Act and Suspicious Activity Report (SAR) Review Teams
- Asset Forfeiture
- Voluntary Disclosure Program
- Counterterrorism and Sovereign Citizens

FY 2015 Business Results:

	FY 2015	FY 2014	FY 2013
Investigations Initiated	3853	4297	5314
Prosecution Recommendations	3289	3478	4364
Informations/Indictments	3208	3272	3865
Convictions	2879	3110	3311
Sentenced*	3092	3268	2812
Percent to Prison	80.8%	79.6%	80.1%

- Conviction rate is the percentage of convictions compared to the total number of convictions, acquittals, and dismissals. The conviction rate for FY 2015 is 93.2%, .02% less than the FY 2014 rate (93.4%).

*Sentence includes confinement to federal prison, halfway house, home detention, or some combination thereof.

A fiscal year runs from October 1 through September 30.

Data Source: Criminal Investigation Management Information System

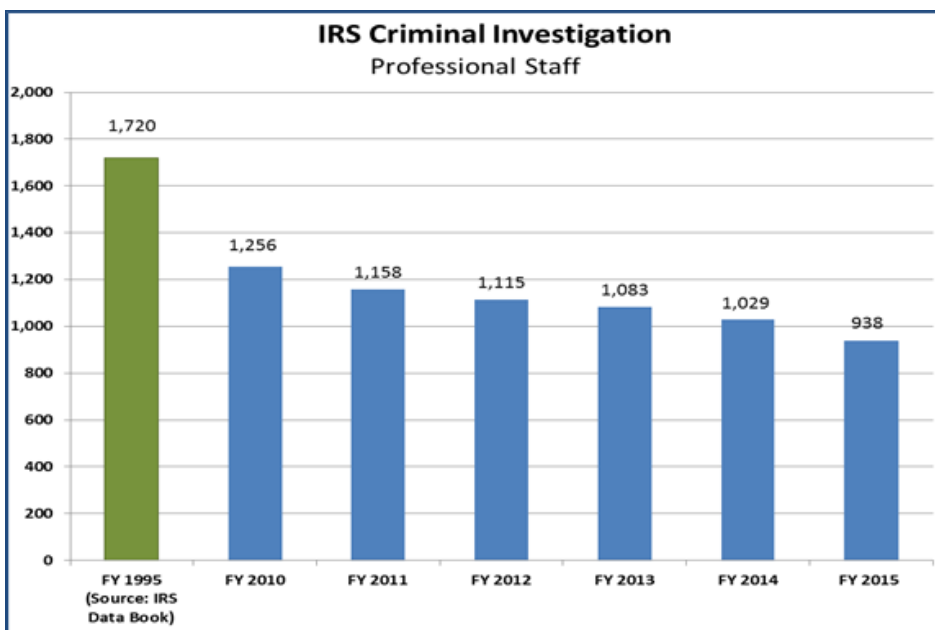
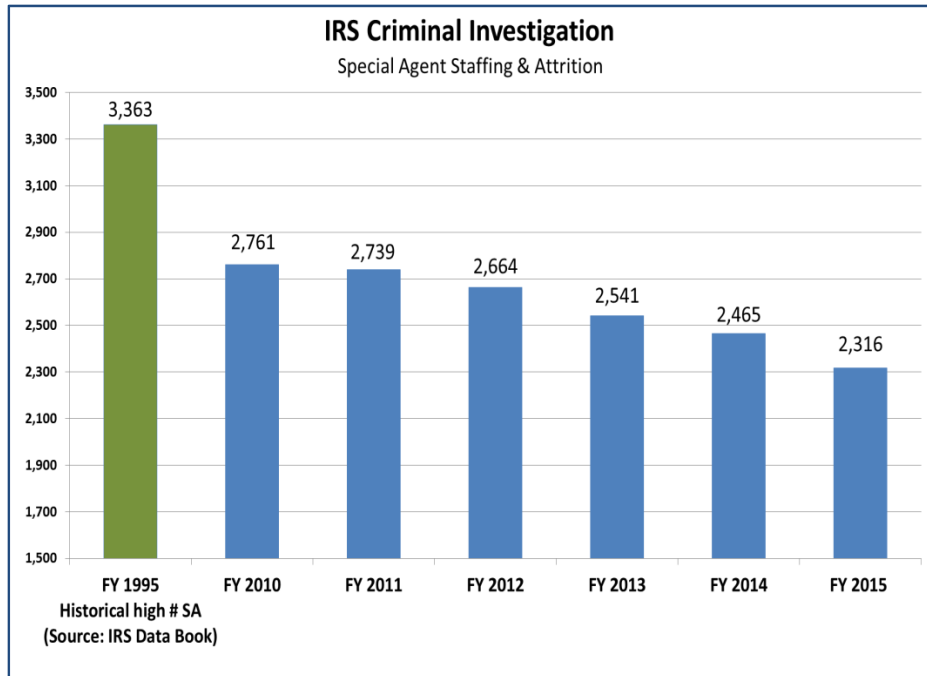
How to Interpret Criminal Investigation Data: Actions on a specific investigation may cross fiscal years; the data shown in investigations initiated may not always represent the same universe of investigations shown in other actions within the same fiscal year.

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Staffing

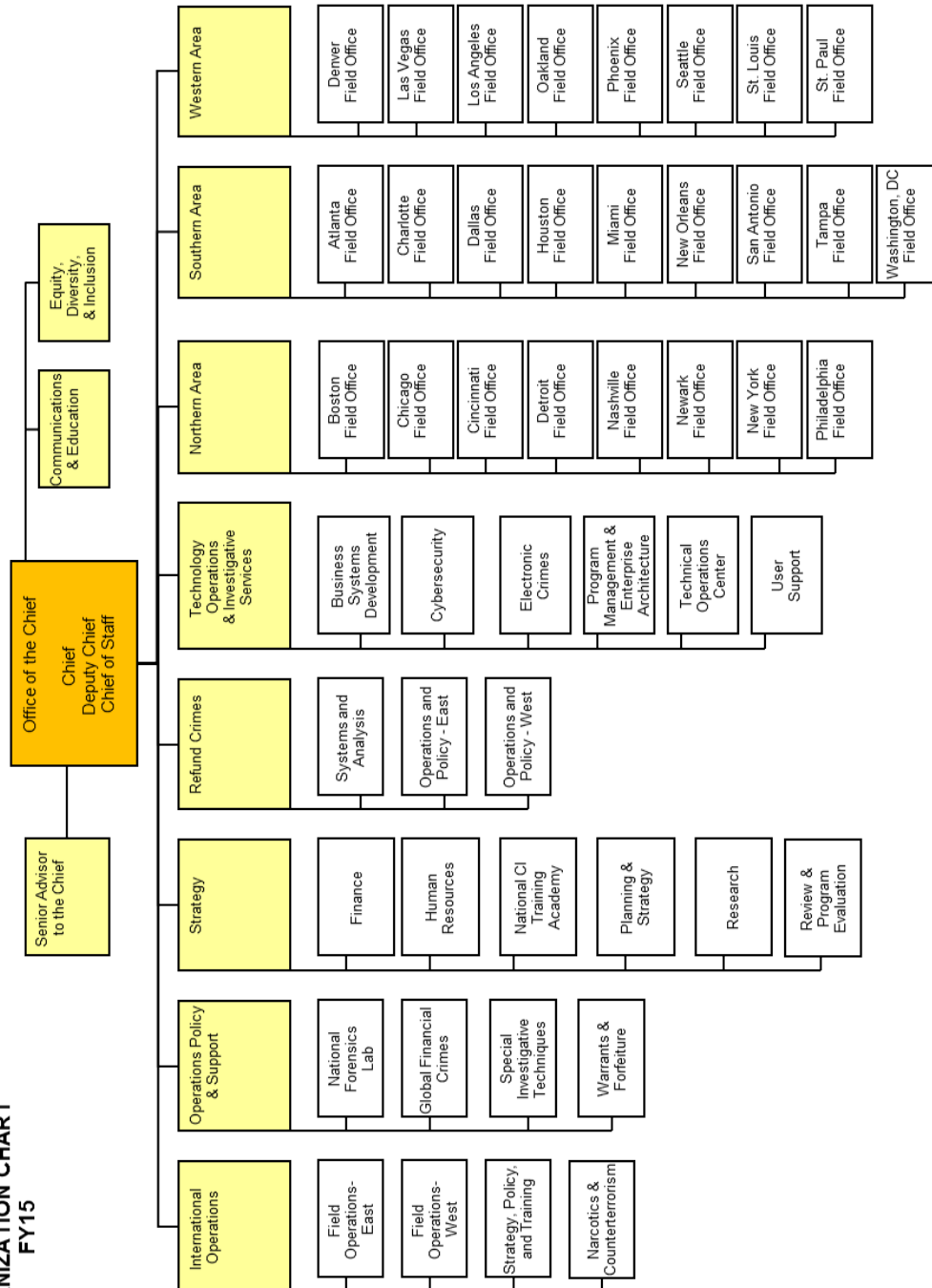
- As of September 30, 2015, IRS CI had 2,316 Special Agents on board, a 6.0% decrease compared to the number of special agents at the conclusion of FY 2014.
- Professional staff personnel on board were 938, reflecting a decrease of 8.8% compared to FY 2014.

(Total CI Staffing in FY 2015 was 3,254, a 6.9% decrease compared to FY 2014).



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IRS-CRIMINAL INVESTIGATION ORGANIZATION CHART FY15





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LEGAL SOURCE TAX CRIMES

CI's primary resource commitment is to develop and investigate legal source tax crimes. Typically, legal source tax crimes are committed by people in legally permissible occupations and industries, and their actions violate tax laws or threaten the tax system. Prosecution of these cases supports the overall IRS compliance goals and enhances voluntary compliance with the tax laws. Some of these investigations are worked with our federal, state and local law enforcement partners, as well as with foreign tax and law enforcement agencies.

Fraud Referral Program

CI places a high degree of emphasis on the fraud referral program. One source of investigations comes from civil IRS divisions in the form of a fraud referral. CI works closely with the civil divisions of Small Business/Self-Employed (SB/SE), Wage and Investment (W&I), Large Business & International (LBI) and Tax Exempt and Government Entities (TEGE). It is through these fraud referrals that CI gets some of our core mission tax investigations. CI is committed to timely evaluation of each fraud referral.

General Tax Fraud

General tax fraud investigations are the backbone of CI's enforcement program and have a direct influence on the taxpaying public's compliance with the Internal Revenue Code. Compliance with the tax laws in the United States depends heavily on taxpayer self-assessment of the amount of tax, voluntary filing of tax returns and remittance of any tax owed. This is frequently termed "voluntary compliance." There are individuals from all facets of the economy, whether corporate executive, small business owner, self-employed or wage earner, who through willful non-compliance do not pay their fair share of taxes. CI special agents use their financial investigative skills to uncover and quantify many different schemes, including deliberately under-reporting or omitting income ("skimming"); keeping two sets of books, or making false entries in books and records; claiming personal expenses as business expenses; claiming false deductions or credits against taxes; or hiding or transferring assets to avoid payment.

Examples of general tax fraud investigations adjudicated in FY 2015 include:

Restaurant Chain Accountant Sentenced For Tax Fraud Scheme

On Aug. 6, 2015, in Philadelphia, Pennsylvania, William J. Frio, of Springfield Township, was sentenced to 60 months in prison, four years of supervised release and ordered to pay \$1.7 million in restitution. Frio pleaded guilty on Jan. 26, 2015, to conspiracy to commit tax evasion, filing false tax returns, loan fraud and aggravated structuring of financial transactions. Frio was an accountant and income tax preparer who provided services to the Nifty Fifty's organization dating back to 1986. Frio and five others, including the restaurant chain's owners and managers, participated in a long-running scheme to avoid paying millions of dollars in personal and employment taxes. The scheme defrauded the IRS by failing to properly account for more than \$15 million in gross receipts. Frio and the owners and principals of Nifty Fifty's conspired in a scheme to use skimmed cash to pay themselves and people and businesses who supplied goods and services to the Nifty Fifty's restaurants. In 2008, Frio submitted a false loan application and other documents to a bank, for a \$417,000 mortgage for his personal residence. Between January 2009 and November 2009, Frio knowingly structured transactions with the bank, totaling more than \$2.6 million, as part of a pattern of illegal activity involving transactions of more than \$100,000 in a 12-month period. Frio used his position as the Nifty Fifty's accountant to embezzle millions of dollars that belonged to the organization.

Former Construction Boss Sentenced for Role In \$58 Million HOA Scheme, Tax Evasion

On Aug. 6, 2015 in Las Vegas, Nevada, Leon Benzer, a former construction boss from Las Vegas, was sentenced to 188 months in prison and ordered to pay restitution of \$13,294,100. Benzer pleaded guilty on Jan. 23, 2015, to conspiracy to commit mail and wire fraud, wire fraud, mail fraud and tax evasion for his role in a scheme to fraudulently gain control of condominium homeowners' associations (HOAs) in the Las Vegas area in order to secure construction and other contracts for himself and others. Benzer admitted that, from about August

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2003 through February 2009, he and an attorney developed a scheme to control the boards of directors of HOAs in the Las Vegas area. As part of the scheme, Benzer and his co-conspirators recruited straw buyers to purchase condominiums and secure positions on HOAs' boards of directors. Benzer paid the board members to take actions favorable to his interests, including hiring his co-conspirator's law firm to handle construction-related litigation and awarding remedial construction contracts to Benzer's company, Silver Lining Construction. Forty-two individuals have been convicted of crimes in connection with the scheme. In addition, beginning around Sept. 25, 2007, Benzer owed the IRS at least \$459,204 for his individual income taxes for tax years 2001 through 2005. However, Benzer willfully attempted to evade the payment of these taxes by preparing and causing to be prepared false financial forms with the IRS in order to conceal income and assets. Also, about Sept. 25, 2007, Benzer owed at least \$705,982 for employment taxes for tax periods Sept. 30, 2003, Dec. 31, 2003 and March 31, 2004 and for unemployment taxes for tax year 2003. Instead of paying these taxes, Benzer willfully attempted to evade payment by opening a bank account in his name to conceal money and assets and preparing and filing false financial forms with the IRS.

Married Lawyer and Doctor Sentenced for Obstructing IRS Audit

On July 31, 2015, in Manhattan, New York, Jeffrey S. Stein and Marla Stein, who are husband and wife, were sentenced to 18 months and 12 months and one day in prison, respectively and ordered to pay restitution of \$344,989 to the IRS for obstructing the IRS. Jeffrey S. Stein, a vascular surgeon, and Marla Stein, a New York personal injury lawyer, reported the profits from their medical and law practices, respectively, on separate Schedules C (Profit or Loss From Business) attached to the joint U.S. Individual Income Tax Returns, Forms 1040, that they filed for the tax years 2009-2012. The Steins provided false and fictitious information to their accountant in order to fraudulently reduce the amount of taxes they would have to pay to the IRS. In February 2013, the IRS notified the Steins that their tax returns for the 2010 and 2011 tax years had been selected for audit. In response to requests by an IRS auditor for documents, the Steins created and provided various fabricated and fictitious

documents and information as part of a corrupt effort to convince the IRS auditor that the expenses claimed on their respective Schedules C were legitimate. Additionally, for the tax years 2007-2013, the Steins failed to inform their accountant that they employed and paid approximately \$15,000 annually in cash wages to a household employee. As a result, the Steins failed to pay to the IRS various employment taxes due and owing to the IRS, and also aided the employee in avoiding detection by the IRS of the employee's failure to report her cash wages to the IRS for the tax years 2007-2013.

Happy's Pizza Founder and Co-Conspirators Sentenced for Multi-Million Dollar Tax Fraud Scheme

On July 10, 2015, in Detroit, Michigan, Happy Asker, of West Bloomfield, was sentenced to 50 months in prison, three years of supervised release and ordered to pay \$2.5 million in restitution to the IRS. Asker was convicted of filing false income tax returns for the years 2006 through 2008, aiding and assisting in the filing of false income and payroll tax returns for the years 2006 through 2009, and corruptly endeavoring to obstruct and impede the administration of the Internal Revenue Code. Asker was the president and founder of Happy's Pizza, a chain of restaurants in Michigan, Ohio and Illinois. From 2004 through 2011, Asker, along with certain franchise owners and employees, executed a systematic and pervasive tax fraud scheme to defraud the IRS. Gross sales and payroll amounts were substantially underreported on numerous corporate income tax returns and payroll tax returns filed for nearly all 60 Happy's Pizza franchise locations. From 2008 to 2010, Asker and his co-conspirators diverted for personal use more than \$6.1 million in cash gross receipts from approximately 35 different Happy's Pizza stores. In total, Asker and certain employees and franchise owners failed to report approximately \$3.84 million of gross income and approximately \$2.39 million in payroll taxes from the various Happy's Pizza franchises to the IRS. Maher Bashi, Happy's Pizza corporate chief operating officer; Tom Yaldo, an owner of numerous franchises; Arkan Summa, an owner of numerous franchises; and Tagrid Bashi, a nominee franchise owner; have been sentenced for their roles in the scheme to terms ranging from three years of supervised release to 24 months of prison and ordered to pay total restitution of \$1,134,222.

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Refund Fraud Program

Refund fraud poses a significant threat to the tax system. Criminal attempts to obtain money from the government under false pretenses via the filing of a fraudulent tax return not only results in the loss of funds needed for vital government programs but can also impact taxpayers confidence in the tax system and their willingness to voluntarily meet tax filing obligations. The Refund Fraud Program is broken down into two distinct categories: the *Questionable Refund Program*, which also includes identity theft investigations and the *Abusive Return Preparer Program*.

The primary focus of the Questionable Refund Program is to identify fraudulent claims for tax refunds. Generally, these schemes involve individuals filing multiple false tax returns supported by false information or using the identifiers of other individuals knowingly or unknowingly.

The Abusive Return Preparer Program investigations generally involve the orchestrated preparation and filing of false income tax returns, in either paper or electronic form, by dishonest preparers who may claim inflated personal or business expenses, false deductions, excessive exemptions, and/or unallowable tax credits. The preparers' clients may or may not have knowledge of the falsity of the returns.

Identity Theft

Identity theft-related crimes continue to be a priority area of investigation for CI. During FY 2015, CI remained committed to investigating egregious identity theft schemes through administrative and grand jury investigations utilizing various field office and multiregional task forces including state/local and federal law enforcement agencies. Currently, CI participates in more than 70 task forces/working groups throughout the country that investigate both financial crimes as well as identity theft crimes.

CI's level of commitment towards the fight against identity theft continues to be evident. There is a designated management official who serves as the National Identity Theft Coordinator. This position is responsible for overseeing CI's national identity theft efforts including formulating policy and procedures. In addition to a national coordinator, there are identity theft coordinators within each of

CI's 25 field offices. CI is a key partner on the Commissioner's Security Summit, which includes the IRS, State Divisions of Taxation, and private sector entities who joined in a collaborative effort to share critical information and ideas to combat tax-related identity theft.

Data Compromises: Data compromises, more commonly referred to as data breaches, have impacted all sectors of society. During FY 2015, CI experienced an increase in tax-related identity theft, which was generally linked to compromised personal identifying information acquired via a variety of situations involving compromised detailed financial data. Twenty-two field offices initiated investigations linked to computer intrusions, account takeovers, and data compromises affecting tax administration. CI continued outreach efforts within the IRS, the law enforcement community, and the private sector to acquire information regarding compromised data that could impact tax administration. This information helped CI to proactively identify or prevent successful false claims for refunds utilizing the stolen data. Additionally, CI continues to participate in a cross-functional working group within the IRS to develop new analytical filters, as well as enhanced victim assistance.

Identity Theft Clearinghouse (ITC): The ITC continues to develop and refer identity theft refund fraud schemes to CI field offices for investigation. The ITC serves as a centralized focal point to address incoming identity theft leads from throughout the country. The ITC's primary responsibilities are analyzing identity theft leads and facilitating discussions between field offices with multi-jurisdictional issues.

Law Enforcement Assistance Program (LEAP): In March 2013, IRS announced that the Law Enforcement Assistance Program, formerly known as the "Identity Theft Pilot Disclosure Program," was expanding nationwide. This program was developed jointly by CI and other IRS counterparts as a result of a significant increase in requests from state and local law enforcement agencies for tax return documents associated with identity theft-related refund fraud. The program allows for the disclosure of tax returns and return information associated with accounts of known and suspected victims of identity theft with the express written consent of those victims. To date, more than 1,100 state and local law enforcement agencies from 48 states have participated in this program. In FY 2015 over 6,700

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requests for assistance were received representing a 119% increase over FY 2014.

Outreach: CI's outreach strategy included hosting or attending educational events focusing on enhanced IT security efforts, tax-related ID theft investigative techniques and other refund-related frauds. Target audience groups included law enforcement partners, private sector entities involved in tax preparation, payroll service industries and IRS personnel. Local and national events included presentations at the International Association of Financial Criminal Investigators, National Association of Attorneys General, American Payroll Association training seminars and tax practitioner events throughout the country. Additional efforts included creating educational materials regarding LEAP and information on the impact of identity theft/data compromises on tax administration. These included fraud alerts, bulletins, and training materials to regional law enforcement information sharing systems, the International Association for Chiefs of Police and the National Sheriff's Association.

Proactive Prevention: CI continues to receive information from private and public sector sources involving compromised personal identifying information. This information is shared with W&I and allows the IRS to analyze and make necessary adjustments to accounts of taxpayers that are likely victims of identity theft. Additionally, CI collaborates with cross functional partners in the development and implementation of analytical filters designed to identify fraudulent claims at filing and prevent further victimization of impacted individuals.

Examples of identity theft investigations adjudicated in FY 2015 include:

Nine Defendants Sentenced in \$24 Million Stolen Identity Tax Refund Fraud Ring

On Sept. 25, 2015, in Montgomery, Alabama, Keisha Lanier, of Newnan, Georgia, was sentenced to 180 months in prison, three years of supervised release and ordered to forfeit \$5,811,406 for her role as the ringleader of a stolen identity tax refund fraud conspiracy. Between January 2011 and December 2013, Lanier and co-conspirator, Tracy Mitchell, led a large-scale identity theft ring that filed more than 9,000 false individual federal income tax returns that claimed more than \$24 million in fraudulent claims for tax refunds. The IRS paid out close to

\$10 million in refunds on these fraudulent claims. The defendants obtained the stolen identities from various sources, including from the U.S. Army, several Alabama state agencies, a Georgia call center and employee records from a Georgia company. Mitchell worked at the hospital located at Fort Benning, Georgia, where she had access to the identification data of military personnel. She stole the personal information of the personnel and used it to file false tax returns. In order to file the false tax returns, the defendants obtained several IRS Electronic Filing Numbers in the names of sham tax businesses. The defendants then applied for bank products, to include blank check stock. The defendants directed the IRS to pay the anticipated tax refunds to prepaid debit cards, by U.S. Treasury checks and to financial institutions, which in turn issued the tax refunds via prepaid debit cards or checks. When the refunds were sent through the financial institutions, the defendants simply printed out the refund checks from the check stock that had been sent to their homes. After the financial institutions stopped the defendants from printing out the tax refund checks, the defendants recruited U.S. Postal Service employees. The corrupt postal employees gave the defendants specific addresses along their postal routes for mailing the U.S. Treasury checks. Once the checks came to the address, the postal employees took the checks and turned them over to the defendants for a fee. The scheme also involved a complex money laundering operation. Almost \$10 million in fraudulent tax refund checks were cashed at several businesses located in Alabama, Georgia and Kentucky. On Aug. 7, 2015, in Montgomery, Alabama, eight residents of Alabama and Georgia were sentenced for their roles in a \$24 million stolen identity refund fraud (SIRF) conspiracy. Sentenced were:

- Tracy Mitchell, 159 months in prison and ordered to pay a forfeiture judgment in the amount of \$329,242, which was seized in cash from her residence;
- Talarious Paige, 60 months in prison;
- Mequetta Snell-Quick, 24 months and one day in prison;
- Latasha Mitchell, 36 months in prison;
- Dameisha Mitchell, 65 months in prison;
- Sharonda Johnson, 24 months in prison;
- Patrice Taylor, 12 months and one day in prison; and
- Cynthia Johnson, two years of probation.

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Florida Man Sentenced for Stolen ID Theft Scheme, Obstruction of Justice

On Aug. 11, 2015, in Richmond, Virginia, Eddie Blanchard, of Miami, Florida, was sentenced to 204 months in prison, three years of supervised release and ordered to pay \$568,625 in restitution for his role in a stolen identity tax refund fraud scheme. Blanchard participated in the Miami-based scheme with three confederates, Ramoth Jean, Junior Jean Merilia, and Jimmy Lord Calixte. The men travelled repeatedly to Richmond in 2012 and used stolen personal identifying information (PII) to file hundreds of fraudulent tax returns, utilizing online tax preparation programs. The men claimed significant refunds on the fraudulent returns and requested the refunds be placed on pre-paid debit cards, which were later mailed to Richmond addresses selected by the conspirators. The scheme began to unravel when a Henrico County, Virginia, police officer encountered Jean removing a box containing stolen PII from a storage unit rented by the co-conspirators. Following Jean's subsequent arrest on June 20, 2013, Blanchard convinced him to mislead federal investigators about the identity of his actual co-conspirators, going so far as to facilitate the creation of a fictional accomplice. Jean ultimately refused to testify before a federal grand jury about this matter. Jean was sentenced on Jan. 9, 2014 to 114 months in prison and subsequently sentenced to an additional eight months on a separate contempt charge for his refusal to testify before the grand jury. Merilia was sentenced on June 19, 2015 to 133 months in prison for his role in the fraud scheme and the subsequent obstruction of justice. Calixte is currently a fugitive.

Four Georgia Residents Sentenced For Filing Over 1,100 Fraudulent Tax Returns

On July 27, 2015, in Albany, Georgia, four defendants were sentenced for their roles in a tax refund fraud conspiracy. Patrice Taylor, of Ashburn, was sentenced to 84 months in prison and ordered to pay \$1,107,802 in restitution to the IRS. Her husband, Antonio Taylor was sentenced to 147 months in prison and ordered to pay \$1,107,802 in restitution to the IRS. Jarrett Jones, of Ty-Ty, Georgia, was sentenced to 20 months in prison and ordered to pay \$94,959 in restitution. Victoria Davis, of Cordele, Georgia, was sentenced to 12 months in prison and ordered to pay \$6,256 in restitution.

Between January 2011 and February 2013, Patrice Taylor conspired with her husband and Jones to file over 1,100 fraudulent tax returns. At least 1,089 of the returns were filed electronically from two IP addresses registered to Patrice Taylor, both located at their home. From January 2012 to October 2012, a cell phone subscribed to Patrice Taylor was used to call the IRS's Automated Electronic Filing PIN Request 114 times. In addition, Patrice Taylor was employed at Tift Regional Hospital and used the personal identifying information of five patients to file fraudulent federal income tax returns. Also, the identities of 531 sixteen-year-olds were used to file fraudulent federal income tax returns. Finally, in January 2012, Patrice Taylor filed a federal income tax return, which included a dependent she was not authorized by law to claim, and requested a refund in the amount of \$6,776.

Ringleader and Conspirators Sentenced in Large-Scale Stolen Identity Refund Fraud Scheme

On July 21, 2015, in Newark, New Jersey, Julio C. Concepcion, of Passaic, was sentenced to 84 months in prison, three years of supervised release and ordered to pay \$5,643,695 in restitution. Concepcion previously pleaded guilty to conspiracy to theft of government funds. Concepcion also pleaded guilty to conspiracy to commit wire fraud in connection with his involvement in a separate mortgage fraud scheme. From about October 2009 through May 2013, Concepcion and others participated in a conspiracy to obtain the personal identifying information of other individuals, including residents of Puerto Rico. Conspirators filed false and fraudulent income tax returns using the stolen information, which generated income tax refund checks. Concepcion got the fraudulent refund checks and recruited others to open bank accounts and deposit the checks, sometimes providing them with false identification in order to do so. Other conspirators were sentenced as follows: Concepcion's two sons, Angel Concepcion-Vasquez and Julio Concepcion-Vasquez were each sentenced to 16 months in prison; Jose Zapata and Romy Quezada were sentenced to three years and two years of probation, respectively; and Reyes Flores-Perez was sentenced to 26 months in prison. From January 2008 through March 2010, Concepcion conspired with others to commit wire fraud, specifically mortgage fraud. Concepcion and others caused people to purchase homes and

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receive mortgages either by using false identification documents or without the intent to live in the homes or pay off the mortgages.

Tampa Tax Fraudster and Wife Sentenced in Identity Theft Tax Fraud Scheme

On June 30, 2015, in Tampa, Florida, Eneshia Carlyle was sentenced to 138 months in prison and three years of supervised release for wire fraud and aggravated identity theft. In addition, Carlyle received a forfeiture money judgment in the amount of \$1,820,759 and ordered to pay restitution in the same amount. Carlyle pleaded guilty on Nov. 26, 2014. On June 19, 2015, her husband, James Lee Cobb III, was sentenced to 324 months in prison, five years of supervised release and ordered to forfeit \$1,820,759 in a money judgment and to pay restitution in the same amount. Cobb pleaded guilty on Dec. 1, 2014 to conspiracy to commit mail and wire fraud, wire fraud, aggravated identity theft, and for being a felon in possession of a firearm as an armed career criminal. Cobb and Carlyle conspired with others to use stolen names, dates of birth, and Social Security numbers to file false tax returns and open pre-paid debit cards. He also obtained "burner" phones using stolen identities. From 2011 through November 2013, Cobb and his co-conspirators filed false tax returns claiming approximately \$3 million in refunds. During the execution of a search warrant at their residence, law enforcement officers recovered lists and medical records containing the personal identifying information of more than 7,000 victims. Many of the victims had their identities stolen from healthcare facilities, including from the James A. Haley VA hospital; the Florida Hospital (formerly known as University Community Hospital); ambulance services in Virginia, Georgia, and Texas; a local

medical billing company; and court records. In addition, a number of deceased victims' names were obtained from genealogy websites. At the time of this offense, Cobb was on supervised release from a prior federal conviction.

Fifteen Georgia Residents Sentenced In Stolen Identity and Tax Fraud Scheme

On June 23, 2015, in Statesboro, Georgia, Stacy Williams, of Statesboro, was sentenced to 94 months in prison, three years of supervised and ordered to pay restitution in the amount of \$84,940. Williams was convicted by jury trial on Sept. 23, 2014 of conspiracy, wire fraud, wrongful disclosure of individually identifiable health information and aggravated identity theft. Williams was the last of 15 federal defendants charged in April 2014 for their roles in a large-scale identity theft and tax fraud scheme. In addition to Williams, the other participants convicted and sentenced as part of this prosecution include:

- Angellica Roberts, Claxton, Georgia, 126 months in prison;
- Katrina Beasley, Claxton, 104 months;
- Terry Gordon, Swainsboro, 81 months;
- Santana Lundy, Statesboro, 69 months;
- Aishia Mills, Statesboro, 27 months;
- Latasha Charles, Statesboro, 57 months;
- Chrystal Harlie, Statesboro, 54 months;
- Martisha Hill, Augusta, Georgia, 42 months;
- Monica Whitfield, Statesboro, 42 months;
- Melissa Whitfield, Statesboro, 40 months;
- Candace Hills, Claxton, 36 months;
- Marquita Watson, Claxton, 18 months;
- Deondray Richardson, Keysville, Georgia, five years of probation; and
- Mary McDilda, Claxton, five years of probation.

The following table provides IRS CI's Identity Theft statistics over the past three fiscal years:

	FY 2015	FY 2014	FY 2013
Investigations Initiated	776	1063	1492
Prosecution Recommendations	774	970	1257
Indictments/Informations	732	896	1050
Sentenced	790	748	438
Incarceration Rate	84.6%	87.7%	80.6%
Average Months to Serve	38	43	38

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Abusive Return Preparer Program

The Abusive Return Preparer Program investigations generally involve the orchestrated preparation and filing of false income tax returns, in either paper or electronic form, by dishonest preparers who may claim: inflated personal or business expenses, false deductions, excessive exemptions, and/or unallowable tax credits. The preparers' clients may or may not have knowledge of the falsity of the returns.

Examples of abusive return preparer program investigations adjudicated in FY 2015 include:

Husband and Wife Tax Preparers Sentenced for Tax and Wire Fraud

On Feb. 20, 2015, in Fort Worth, Texas, Jacqueline Morrison and Gladstone Morrison were each sentenced to 187 months in prison and ordered to pay nearly \$18 million in restitution. The married couple operated Jacqueline Morrison & Associates (JMA) in Arlington and Fort Worth, Texas. A federal jury convicted Jacqueline and Gladstone Morrison each on one count of conspiracy to aid and assist in the preparation and presentation of false and fraudulent tax returns in October 2014. In addition, they were both convicted of aiding and assisting in the preparation, the presentation of false and fraudulent tax returns and wire fraud. The Morrisons were responsible for filing numerous tax returns that were false and fraudulent to increase client refunds. The Morrisons and JMA tax return preparers, who the Morrisons trained, used the false substantial losses reported to offset wage income, resulting in clients recovering all or most of their tax withholding. As part of the conspiracy, the Morrisons developed a series of forms for the client to sign at the time the return was prepared. These forms were intended to protect the Morrisons by placing all the responsibility for any false information on the client. The Morrisons also attempted to profit by using JMA's fraud to build a large client list, which they then leveraged into a franchise agreement with Express Tax Services. However, after they entered the franchise agreement, the IRS terminated the Morrisons' Electronic Filing Identification Numbers (EFINs) because of their fraudulent activities. To conceal that fact, and perpetuate the continuation of the franchise agreement, the Morrisons provided Express Tax Services EFINs that belonged to a business associate. The

franchise agreement included wiring a payment of \$750,000 from Express Tax to the Morrisons. In addition, the Morrisons entered into a separate agreement to sell JMA. Gladstone Morrison misled the buyer about the true nature of JMA's relationship with Express Tax by telling the buyer that the arrangement was nothing more than a "co-branding" or "co-marketing" agreement. By entering into parallel agreements with separate entities — Express Tax and an individual buyer, the Morrisons received payments from both entities for the same asset. When the Morrison's agreements with both Express Tax and the buyer fell apart, they again tried to profit by selling JMA to RealTex Ventures LLC for \$425,000.

Texas Return Preparers Sentenced for Tax Fraud

On May 13, 2015, in Fort Worth, Texas, Ramona C. Johnson and her daughter-in-law, Nekia N. Everson, both tax return preparers, were sentenced to 170 months and 95 months in prison, respectively. Both women were convicted at trial in November 2014. Johnson and Everson were each convicted on conspiracy to aid and assist in the preparation and presentation of a false tax return. Johnson was also convicted of aiding and assisting in the preparation of a false tax return and filing false tax returns. Johnson managed/ operated a tax preparation business in Fort Worth that was known, among other names, as Tax Office One. Johnson's daughter-in-law, Everson, was a return preparer for the business. Johnson and Everson, and those working with them, prepared and filed false and fraudulent tax returns that included various false and fraudulent schedules, deductions, exemptions, and credits with the goal of reducing the amount of taxes owed by the taxpayers and obtaining larger refunds for the taxpayers than they were entitled to receive. As a result of the larger refunds, Johnson and Everson could charge higher fees for preparing returns, build client loyalty, and increase business through client referrals. For calendar years 2009 and 2010, Johnson filed tax returns where she reported total income of \$2,850 and \$16,906, respectively, when she well knew that the income amount was understated in that it did not include income she received for her work preparing tax returns. Between January 2008 and October 2011 Johnson's tax preparation business collected more than \$1.9 million in tax preparation fees from clients.

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Louisiana Tax Return Preparer, 12 Co-Defendants Sentenced For \$10 Million Tax Fraud, Money Laundering Conspiracies

On Nov. 19, 2014, in New Orleans, Jacqueline J. Arias, a tax return preparer from Spruce Pine, Alabama, was sentenced to 97 months in prison, three years of supervised release and ordered to pay restitution of \$10,589,326 for her role in filing false tax returns and money laundering. Arias was also ordered to forfeit nearly \$400,000 in cash that was seized as part of the case. On July 8, 2014, Arias pleaded guilty to conspiracy to defraud the United States, mail fraud and money laundering. Arias admitted to her role in a years-long scheme to defraud the United States by filing false income tax returns that fraudulently claimed large tax refunds. Arias, her husband, and 19 other individuals, all of whom were foreign nationals, as well as her tax preparation business were charged as part of the case. Four defendants are fugitives overseas, and one defendant, recently arrested in Panama, is currently set for trial in December. The defendants below, who all previously pleaded guilty, received the following sentences:

- Cesar Alejandro Soriano, 42 months;
- Oscar Armando Perdomo, 42 months;
- Yoni Perdomo, 38 months;
- Arnulfo Santos-Medrado, 38 months;
- Elsidies Edgardo Alvarado-Canales, 36 months;
- Eliecer Obed Rodriguez, 34 months;
- Octavio Josue Perdomo, 34 months;
- Elber Mendoza-Lopez, 34 months;
- Aurelio Montiel-Martinez, 24 months;
- Miller Perdomo-Aceituno, 24 months;
- Santos Martin Hernandez, 24 months; and
- Susana Carillo Mendoza, 19 months

Arias and her co-conspirators filed false returns listing Individual Taxpayer Identification Numbers (ITINs). An ITIN is a tax processing number issued by the Internal Revenue Service (IRS) to individuals who do not have, and are not eligible to obtain, a Social Security Number. Arias was a Certified Acceptance Agent, meaning that she was entrusted by the IRS with the responsibility of reviewing the documentation of an ITIN applicant's identity and alien status for authenticity, completeness and accuracy before submitting their application to the IRS. However, Arias filed false applications for ITINs, false income tax returns, and collected preparation fees from the fraudulently-obtained tax refunds. Arias was also charged with filing false tax returns for her corporation, JB Tax Professional Services, and for herself individually.

Former Arkansas Tax Preparer Sentenced for Preparing Fraudulent Tax Returns

On June 18, 2015, in Little Rock, Arkansas, Christopher T. Craig was sentenced to 46 months in prison, one year of supervised release and ordered to pay \$1,092,177 in restitution to the IRS. On Aug. 25, 2014, Craig pleaded guilty to aiding and assisting in the preparation of fraudulent income tax returns. Craig, in his capacity as a paid return preparer, prepared false employment tax returns on behalf of other taxpayers for tax years 2010 and 2011.

Unknown to the taxpayers, Craig filed the returns in a way that reduced the amount of taxes owed to the IRS by the taxpayers. Craig collected tax payments from the taxpayers for the correct amount of taxes and diverted the difference to between the correct amount owed and the amount paid to the IRS. As a result of Craig's fraudulent conduct, which affected more than 50 victims, the total loss to the government was \$1,092,177.

Rhode Island Tax Preparer Sentenced for Stealing and Selling Identities of Minors

On March 13, 2015, in Providence, Rhode Island, Evelyn Nunez was sentenced to 30 months in prison, two years of supervised release and ordered to pay more than \$1.4 million in restitution, jointly with her co-conspirators, to the IRS and the State of Rhode Island. Nunez pleaded guilty on Dec. 12, 2014, to conspiracy to defraud the government and aggravated identity theft. Co-conspirator, Tashia Bodden was sentenced to 36 months in prison and two years of supervised release and a third defendant, Wendy Molina, received three years of probation, with the first six months as home confinement. The trio's scheme was to steal the personal identifying information of minors named as dependents on legitimate tax returns prepared by the company, NBP Multiservices (NBP), a tax preparation business in Cranston and then sold the information to other tax filers for use on their tax returns in order to increase tax refunds. The Scheme Development Center, a division of the IRS, conducted an analysis of tax returns prepared by individuals working at NBP and identified questionable use of children claimed as dependents. Between January 2008 and February 2012, taxpayers purchased false dependents for approximately \$600 - \$700 per dependent. On numerous tax returns the defendants falsely claimed dozens of children as foster children, nieces and nephews of some of

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their clients. In reality, they had no relation to the taxpayer. The investigation revealed that the scheme defrauded the IRS of more than \$1.34 million and defrauded the State of Rhode Island of more than \$65,500.

Missouri Woman Sentenced for Orchestrating Tax Scheme to Obtain “Free Money”

On June 12, 2015, in East St. Louis, Illinois, Tanya Nichols, of St. Louis, Missouri, was sentenced to 57 months in prison, three years of supervised release and ordered to pay \$603,898 in restitution. Nichols pleaded guilty on March 5, 2015, to conspiracy to obstruct or impair the IRS in the lawful assessment and collection of income taxes and distribution of tax refunds, mail fraud and theft of government property. Nichols prepared fraudulent income tax returns for individual tax filers in order to generate "refundable tax credits," such as the earned income tax credit and the child tax credit. The false tax returns generated a larger tax refund than the filer was entitled to receive. Nichols shared the proceeds generated from the fraudulent returns with the tax filers, while collecting a fee in excess of that typically charged by legitimate tax preparers. Nichols also paid finders' fees to those who recruited tax filers to participate in the scheme. Nichols and her co-conspirators solicited low-income individuals residing in St. Louis and East St. Louis to participate in this refund scheme by promising

IRS tax refunds, sometimes marketed as "free money." Nichols' half-brother Justin Durley, of Hazelwood, Missouri, was charged with theft of government property and was separately sentenced to three months in prison for stealing more than \$3,000.

California Tax Return Preparer Sentenced for Tax Fraud

On July 31, 2015, in Oakland, Runnveer Singh, of Hayward, was sentenced to 24 months in prison, one year of supervised release and ordered to pay \$124,528 in restitution to the IRS. Singh pleaded guilty to aiding and assisting in the preparation of false tax returns. For tax years 2009 through 2011, Singh prepared false tax returns claiming both false and ineligible deductions and credits for clients. By including these items on his clients' tax returns, he caused the IRS to issue inflated tax refunds of at least \$130,435. On Nov. 14, 2012, during a search warrant at Singh's residence, he told IRS Special Agents that he knowingly prepared false tax returns in order to obtain returning customers. Following the execution of the search warrant and his statement to IRS-CI Special Agents, Singh instructed one of his clients to submit both false and ineligible information to an IRS Revenue Agent during the audit of his 2010 income tax return, in order to justify the false and ineligible business expenses Singh reported on the client's 2010 tax return.

The following table provides IRS CI's Abusive Return Preparer Program statistics over the past three fiscal years:

	FY 2015	FY 2014	FY 2013
Investigations Initiated	266	305	309
Prosecution Recommendations	238	261	281
Indictments/Informations	224	230	233
Sentenced	204	183	186
Incarceration Rate	80.4%	86.3%	78.0%
Average Months to Serve	27	28	27

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Questionable Refund Program

The primary focus of the Questionable Refund Program is to identify fraudulent claims for tax refunds. Generally, these schemes involve individuals filing multiple false tax returns supported by false information or using the identifiers of other individuals knowingly or unknowingly.

Examples of questionable refund program investigations adjudicated in FY 2015 include:

Alabama Woman Sentenced for Leading \$4 Million Dollar Stolen Identity Refund Fraud Ring

On June 25, 2015, in Montgomery, Alabama, Tamaica Hoskins, of Phenix City, was sentenced to 145 months in prison, three years of supervised release and ordered to forfeit \$1,082,842 in proceeds from the Stolen Identity Refund Scheme she led. Between September 2011 and June 2014, Hoskins, co-conspirators Roberta Pyatt, Lashelia Alexander and others, used stolen identities to file more than 1,000 false federal income tax returns that fraudulently claimed more than \$4 million in tax refunds. Hoskins obtained stolen identities from various sources. In order to file the false tax returns, Hoskins and Pyatt obtained two Electronic Filing Identification Numbers using sham tax businesses. On behalf of those sham tax businesses, they also applied to various financial institutions for bank products, such as blank check stock. The conspirators directed the IRS to mail U.S. Treasury checks to addresses under their control and to send the tax refunds to prepaid debit cards and financial institutions where the conspirators maintained and controlled bank accounts using the sham tax businesses. When the tax refunds were deposited into the financial institutions, the conspirators printed the refund checks using the blank check stock and cashed the refunds. In January 2014, Alexander, who worked for a Walmart check cashing center in Columbus, Georgia, was approached by several co-conspirators about cashing fraudulent tax refund checks issued in the names of third parties and in return, Alexander would receive a portion of the refunds. Alexander cashed more than \$100,000 in fraudulently obtained third-party refund checks containing forged endorsements. Alexander was sentenced to six

months in prison and five years of probation and ordered to pay restitution of \$110,804 to the IRS. Pyatt received three years of probation and was ordered to pay \$88,155 in restitution to the IRS, joint and several with Hoskins and Alexander.

Texas Men Sentenced for Role in Stolen Identity Refund Fraud Scheme

On Aug. 24, 2015, in Dallas, Reminco Zhangazha was sentenced to 93 months in prison and ordered to pay \$2,648,334, joint and several in restitution. Zhangazha's co-defendant, Tonderai Sakupwanya, was sentenced earlier in 2015 to 87 months in prison and ordered to pay more than \$2.6 million in restitution. In addition, the defendants will forfeit \$10,613 cash seized from Zhangazha's vehicle; \$93,513 cash from an apartment; and \$4,500 from a residence. Zhangazha and Sakupwanya engaged in a scheme to defraud the IRS by obtaining stolen tax refunds that were generated by e-filing false and fraudulent income tax returns. The defendants rented private mailboxes in the names of aliases by using forged United Kingdom passports. They then established bank accounts using the alias names and mailing addresses. The IRS was directed to electronically deposit refunds into bank accounts the defendants established, as well as to be issued by a treasury check and mailed to an address under the control of the defendants. The income tax returns also directed refunds to accounts established at a third-party financial services company that would enable them to issue a check containing the tax refund. These third party checks and the treasury checks were deposited into bank accounts the defendants established. After the checks were deposited, or the tax refunds were electronically deposited, the defendants would withdraw the funds for their own use and benefit.

New York and Arizona Women Sentenced in Identity Theft Tax Fraud Case

On Aug. 5, 2015, in Utica, New York, Elaine Monique Zavalla-Charres, of Winslow, Arizona was sentenced to 72 months in prison, three years of supervised release and ordered to pay \$411,309 in restitution to the IRS. From 2011 through 2013, co-defendant Lacey Hollinger, of Massena, New York, contacted Massena area residents via Facebook and other electronic media to tell them they were eligible for a tax

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refund, even though they were unemployed and had no income, as part of a U.S. government “stimulus program.” No such program existed. Several dozen people responded and gave Hollinger their personal identifying information. Hollinger forwarded this information to Charres, who used it to create false and fraudulent tax returns that, with others obtained from Arizona residents, generated over \$400,000 in tax refunds. Charres, Hollinger, and others involved in the fraudulent scheme stole these funds after they were electronically deposited in bank accounts in Arizona. The Massena area residents never saw the fraudulent tax returns. Some received pre-paid debit cards that Charres directed to them but many got nothing, as Charres and Hollinger kept most of the refund money. Hollinger was sentenced on May 22, 2015 to 36 months in prison, three years of supervised release and ordered to pay restitution.

Georgia Pastor Sentenced for Role in Tax Fraud Scheme

On July 9, 2015, in Savannah, Georgia, Xavier Franklin Lewis, former pastor of the Holy Ghost raise and Deliverance Ministries, was sentenced to 119 months in prison, five years of supervised release and ordered to pay \$163,602 in restitution. A jury found Lewis guilty in 2014 for submitting false claims to the IRS, theft of public money, aggravated identity theft, operation of unlicensed money transmitting business and bank fraud. Lewis used a number of separate bank accounts he controlled, including three accounts opened in the name of his church, to negotiate over 90 government-funded tax refund checks. Lewis obtained the checks after they were either generated as the result of submitting a fraudulent income tax return with the IRS or were generated at the legitimate request of a taxpayer, but stolen from the mail before it reached the taxpayer. In total, Lewis fraudulently negotiated nearly \$250,000 worth of government-funded checks.

Final Defendants Sentenced for Stolen Identity Refund Fraud Scheme

On July 27, 2015, in Houston, Texas, Jason Maclaskey, of Spring, and Omar Butt, of Brooklyn, New York, were sentenced to 120

months and 40 months, respectively for their roles in a scheme to steal identities and file fraudulent federal tax returns. A third defendant, Heather Dale, of Grant, Alabama, was previously sentenced to 24 months in prison.

The court also ordered them to pay \$314,868 in restitution. The defendants unlawfully obtained the names, dates of birth and Social Security numbers from 371 taxpayers and used this information to file false tax returns in 2009. The defendants also used this information to set up fraudulent bank accounts and directed the tax refunds to be sent to debit cards in the taxpayers' names. The defendants then withdrew this money using the debit cards at ATMs and by making purchases at various retail stores. Through this conspiracy, the defendants claimed a total of more than \$1.4 million in false tax refunds, succeeded in withdrawing more than \$300,000 before the scheme was uncovered.

Former Accountant Sentenced for Tax Fraud Scheme

On Aug. 7, 2015, in Oakland, California, Robert Thomas Doyle, was sentenced to 51 months in prison, three years of supervised release, and pay \$142,031 in restitution. Doyle pleaded guilty on Feb. 23, 2015, to wire fraud and aggravated identity theft. During 2011, 2012, and 2013, Doyle implemented an identity theft and tax fraud scheme in which he caused the filing of a number of tax returns claiming fraudulent refunds. As part of his scheme, Doyle, a former certified public accountant, created false businesses and claimed false income and expenses for his clients in order to maximize the Earned Income Tax Credit. The fraudulent income and expenses led to a larger-than-allowed claimed refund. Doyle did not ask his clients about any income earned or current or past employment history. Doyle also used the names and social security numbers of former clients to prepare and file false tax returns without these victims' knowledge or consent. On many of the tax returns, Doyle directed the refunds to be mailed to addresses where he could retrieve them or have the refunds electronically deposited into bank accounts that he controlled.

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The following table provides IRS-CI's Questionable Refund Program statistics over the past three fiscal years:

	FY 2015	FY 2014	FY 2013
Investigations Initiated	775	1028	1513
Prosecution Recommendations	780	969	1267
Indictments/Informations	767	928	1056
Sentenced	839	792	485
Incarceration Rate	83.6%	85.5%	76.7%
Average Months to Serve	34	37	35

Abusive Tax Schemes

Within the Abusive Tax Schemes program, CI focuses on the investigation of promoters and clients who willfully participate in domestic and/or offshore tax schemes for the purpose of violating the tax laws. Participants in these abusive schemes usually create structures such as trusts, foreign corporations and partnerships for the purpose of making it appear that a trustee, nominee, non-resident alien or other foreign entity is the owner of the assets and income, when in fact the true ownership and control remains with a United States taxpayer.

Examples of abusive tax scheme investigations adjudicated in FY 2015 include:

Nevada Men Sentenced in Massive Tax Fraud Scheme

In Las Vegas, Nevada, Daniel William Porter, of Chino, California, was sentenced to 55 months in prison and three years of supervised release. Porter was the designer of Tax Break 2000, which sold through the National Audit Defense Network (NADN), and resulted in fraud losses of more than \$36 million and an intended tax loss of more than \$60 million. On March 11, 2015, three others were sentenced for their role in this tax fraud scheme. Alan Rodrigues, NADN's former general manager and executive vice president, was sentenced to 72 months in prison. Weston Coolidge, a businessman who served as NADN's president, was sentenced to 70 months in prison. Joseph Prokop, who served as the National Marketing Director for Oryan Management and Financial Services, a company affiliated with NADN, was sentenced to 18 months in prison. All three men were also

ordered to pay more than \$35 million in restitution to the victims. The evidence at trial established that through NADN, the defendants promoted and sold a product called Tax Break 2000 to customers throughout the United States. They falsely and fraudulently told customers that buying the product would allow them to claim legitimate income tax credits and deductions under the Americans with Disabilities Act (ADA). Although the price of the product that was claimed on the tax returns was \$10,475, the customers only paid between \$2,000 and \$2,695 out-of-pocket. The remainder of the cost was covered by a promissory note that customers were not expected to repay. The defendants knew that the websites provided to customers made little, if any, money from sales commissions and that they did not entitle the purchaser to either a tax credit or any deductions. The defendants taught and directed the tax return preparers working for NADN to prepare thousands of tax returns for customers that claimed the fraudulent tax credit and deductions. From 2001 through approximately May 2004, NADN sold the Tax Break 2000 product more than 18,000 times to thousands of customers. As a result of the defendants' fraud, thousands of NADN customers were audited by the IRS.

Minnesota Business Executive Sentenced on Charges of Conspiracy, Tax Evasion and Failure to File Tax Returns

On May 27, 2015, in Minneapolis, Minnesota, Michael Andrew Schlegel was sentenced to 60 months in prison and three years of supervised release. Schlegel was convicted on March 13, 2014, following a seven-day trial, of conspiracy to defraud the United States, tax evasion, and

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failure to file tax returns. According to the court documents, from 2002 to 2009, Schlegel controlled NatureRich, Inc., a multi-level marketing company that sold natural and health-related products. At various times between 2002 and 2009, Schlegel and co-defendant Bradley Mark Collin received wages and commission payments from NatureRich that totaled more than \$400,000. Schlegel caused NatureRich to pay his commissions to a nominee trust called the "Andrew James Living Trust," from which he then paid his family's expenses. During that time, Schlegel also operated a painting business, receiving more than \$400,000 in income from painting contracts. In 2004, the defendants, through the use of nominee entities, began engaging the "warehouse" banking services of Olympic Business Systems and Century Business Concepts. The defendants also filed misleading federal corporate tax returns in the name of NatureRich in an effort to conceal the true extent of their personal interest in, and the income derived, from NatureRich. In all, the defendants attempted to conceal at least \$3 million in gross income from the IRS, thereby avoiding income taxes on that amount and also avoiding having those funds seized for payment of their previous tax debts. From 2002 through 2010, Schlegel and Collin conspired with others to defraud the United States by obstructing the IRS in its lawful collection and assessment of individual income taxes. Schlegel failed to make any payments toward the back taxes, interest and penalties levied against him in 2000, which totaled more than \$600,000. Schlegel also failed to file federal individual tax returns for tax years 2002-2009. On Nov. 4, 2014, Bradley Mark Collin was sentenced to 24 months in prison and three years of supervised release.

Four Pennsylvania Family Members Sentenced for Tax Fraud

On July 23, 2015, in Allentown, Pennsylvania, four Lancaster County family members were sentenced to prison for their participation in a long-term, complex and concerted effort to avoid taxation. In October 2010, Chester A. Bitterman Jr. and his sons, Craig L. Bitterman, C. Grant Bitterman and Curtis L. Bitterman, were convicted of conspiracy to defraud the United States. Craig Bitterman was additionally convicted of obstruction of justice. Prior to sentencing, the defendants paid \$437,000 in restitution to the IRS. The four were sentenced as follows: Craig L. Bitterman was sentenced to

36 months in prison; C. Grant Bitterman was sentenced to 21 months in prison; Curtis L. Bitterman was sentenced to 21 months in prison; and Chester A. Bitterman Jr. was sentenced to three years' probation. According to court documents, from 1996 to 2005, the Bittermans owned and operated the Bitterman Scale Company. To conceal their income and assets from the IRS, the Bittermans used aliases, offshore bank accounts and a complex series of sham paper transactions to disguise income. The defendants transferred their personal and business assets to sham trusts purchased from the Commonwealth Trust Company, an organization that marketed trust products to clients for the purpose of avoiding federal income tax payment. The trusts were used to make it appear as though the defendants had little or no assets or income. In reality, the defendants retained complete access and control over their funds.

Non-filer Investigations

Taxpayers who fail to file income tax returns and effectively stop paying income tax, pose a serious threat to tax administration and the American economy. Their actions undermine public confidence in the Service's ability to administer the tax laws fairly and effectively. Criminal Investigation devotes investigative resources to individuals who simply refuse to comply with the law.

Examples of non-filer investigations adjudicated in FY 2015 include:

Pennsylvania Lawyer Sentenced For Tax Evasion and Fraud Scheme

On Sept. 10, 2015, in Philadelphia, Randolph Scott, of Doylestown, was sentenced to 48 months in prison, three years of supervised release and ordered to pay restitution of \$2,317,917. Scott pleaded guilty on March 25, 2015, to mail fraud, tax evasion and attempting to interfere with administration of Internal Revenue laws and failure to file income tax returns. Scott was an attorney and maintained a law office, Randolph Scott Associates, in Warrington. His practice included estate and probate matters. Between December 2005 and October 2011, while representing an estate, Scott diverted approximately \$2,317,917 of estate funds to his law office accounts. Because

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the estate was valued at more than \$6 million at the time of the decedent's death in 2005, federal law required that a federal estate tax return be filed which would have resulted in approximately \$520,351 being paid to the IRS. Scott deliberately failed to file the required form in order to maintain sufficient money in the estate to pay its beneficiaries and to avoid detection of the theft. After the estate's executor died in 2009, Scott failed to disclose the executor's death so that Scott could continue to receive money intended for the estate at his law firm. Scott would then forge the deceased executor's signature and deposit funds intended for the estate into accounts under his control. Scott had the successor executor sign a document renouncing the position of successor executor so that Scott could continue to forge the signature of the deceased executor and divert money belonging to the estate.

North Carolina Businessman Sentenced for Income Tax Evasion

On Sept. 21, 2015 in Winston-Salem, Thomas Tilley, a millionaire businessman, was sentenced to 32 months in prison, one year of supervised release and ordered to pay \$7,676,757 in restitution to the IRS. Tilley pleaded guilty on Nov. 21, 2014, to corruptly endeavoring to impede and obstruct the administration of the Internal Revenue Code. Starting in 1993 and continuing through at least 2010, Tilley sent the IRS fraudulent financial instruments in an attempt to fraudulently discharge his tax debt; used nominee and sham trusts to purchase and sell real estate to conceal his assets; and placed false liens on properties to impede the IRS' collection of his tax debt. Tilley also failed to file federal and state income tax returns for tax years 1994 through 2013, despite earning substantial income. Specifically, in 2009, Tilley claimed a net worth as high as \$30 million and annual income of \$822,000 on a financial statement. Tilley obstructed justice by providing misleading information to probation and the court after pleading guilty and revoked his acceptance of responsibility credit based on this conduct.

Former Nebraska Man Sentenced for Failing to File Tax Returns

On Aug. 25, 2015, in Omaha, Chet Lee West, of Nebo, North Carolina, was sentenced to 51 months in prison, three years of supervised release and ordered to pay \$439,515 in restitution. West was convicted on Feb. 25, 2015

after a jury found him guilty of tax evasion relating to tax years 2007, 2008 and 2009. From 2007 through 2009, West earned taxable income of approximately \$272,224 while living and working in Omaha, Nebraska. Upon that income West had a tax due and owing of approximately \$52,824. West willfully evaded his personal income taxes by failing to file federal individual income tax returns for tax years 2007 through 2009. After being informed by the IRS that he was required to file federal income tax returns, West continued to submit information to his employer in an attempt to avoid the withholding of any employment taxes from his pay, including numerous letters and purported affidavits stating his position that he was not subject to taxation on his income. Between 2007 through 2009, West deposited personal income into bank accounts opened in the names of companies he created in an effort to hide and conceal his income from the IRS. West had not filed federal individual income tax returns since at least the 2000 taxable year.

Employment Tax Fraud

Employment tax evasion schemes can take a variety of forms. Some of the more prevalent methods of evasion include "pyramiding," employee leasing, paying employees in cash, filing false payroll tax returns or failing to file payroll tax returns. Employment taxes include federal income tax withholding, social security taxes, and federal unemployment taxes. Some business owners withhold taxes from their employees' paychecks, but intentionally fail to remit those taxes to the IRS.

Examples of employment tax fraud investigations adjudicated in FY 2015 include:

Former CEO Sentenced for \$25 Million Fraud Scheme

On June 8, 2015, in Nashville, Tennessee, L. Brian Whitfield, formerly of Franklin, was sentenced to 240 months in prison and three years of supervised release. Whitfield was also ordered to pay a \$1.8 million money judgment and more than \$25.9 million in restitution. On Nov. 7, 2014, a jury found Whitfield guilty of conspiracy, wire fraud, theft from an employee benefit program, filing a false tax return, and money laundering. Whitfield controlled the finances and funds of the Sommet Group LLC, a payroll processing company that operated in

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Franklin, Tennessee. From 2008 until 2010, Whitfield diverted millions of dollars of client funds that had been earmarked to fund client employee retirement accounts, to pay health claims, and to pay taxes. Whitfield diverted millions of dollars to prop up affiliated companies that he controlled, spent millions of dollars to acquire the naming rights of Nashville's professional hockey arena and paid for personal expenses. Whitfield also vastly underreported wages and taxes on Sommet's quarterly employer tax return that he personally prepared and filed. Across six quarters from 2008 through 2010, Whitfield's actions resulted in an underpayment of more than \$20 million in taxes.

Owner of Employee Leasing Company Sentenced for Immigration and Tax Fraud Scheme

On July 23, 2015, in Philadelphia, Pennsylvania, Kim Meas, of Cambodia, was sentenced to 30 months in prison and ordered to pay \$1.7 million in restitution to the IRS and \$23 million in forfeiture. On Nov. 24, 2014, Meas pleaded guilty to conspiracy to commit an offense against the United States, transporting illegal aliens and failure to collect and pay federal income and employment taxes. Meas was the managing director of LS Services Corporation, an employee leasing company. Meas negotiated labor leasing contracts with various companies that leased temporary workers from LS. Meas established approximately 14 shell companies to create the illusion that the workers who LS leased to other companies were employees of the shell corporations. As such, the shell corporations, and not LS, would be responsible for collecting and paying employment and income taxes for the employees. Meas attempted to make it impossible for the IRS to determine the identity of the employer of the illegal aliens, as well as the amount of employment and income taxes that the employer of the illegal aliens was required to pay. The companies that leased employees from LS did not withhold federal income taxes on the wages paid to the employees, nor did these companies collect and pay to the IRS, employment taxes on the income earned by the workers.

Tennessee Man Sentenced for Federal Tax Offenses

On July 9, 2015, in Knoxville, Zebbie Joe Usher, III, was sentenced to 70 months in prison, three

years of supervised release and ordered to pay \$29,174,931 in restitution to the IRS. On June 2, 2014, Usher pleaded guilty to tax evasion and conspiracy to commit tax evasion. Usher was previously the chief executive officer of Service Provider Group and was involved in the management of a number of companies, known as professional employer organizations (PEOs). These companies were engaged in the employee leasing and payroll processing business. The PEOs collected federal payroll taxes from employees and were required to turn over those funds to the IRS in a timely manner. However, Usher and others used the funds for other company and personal expenses. In an attempt to avoid discovery of their nonpayment of payroll taxes, Usher and his co-conspirators submitted false documents to the IRS.

Florida Man Sentenced for Payroll Tax Fraud

On July 10, 2015, in Miami, Sonny Austin Ramdeo, of Sunrise, was sentenced to 240 months in prison, three years of supervised release and ordered to pay \$21,442,173 in restitution. Ramdeo previously pleaded guilty to wire fraud and money laundering. From as early as 2005, Ramdeo was employed as the payroll supervisor at Promise Healthcare, Inc. and Success Healthcare Group, both of which owned and operated hospital facilities throughout the United States. As payroll supervisor for these two companies, Ramdeo was responsible for overseeing the payment of bi-weekly wages and related payroll taxes for approximately 4,000 employees. To execute this scheme, Ramdeo incorporated PayServ Tax Inc., and thereafter represented to officers and employees of Promise Healthcare and Success Healthcare that his company would handle the transfer of local, state and federal payroll taxes to the proper agencies. Instead of forwarding all of the monies due to the taxing authorities for employee payroll taxes, Ramdeo stole and embezzled the funds resulting in a \$21 million dollar underpayment. By stealing the payroll tax money, Ramdeo caused hospitals to lay off employees, adversely affected the maintenance and operations of 17 acute care hospitals, jeopardized services provided to patients, challenged investors' security, and reduced the amount of money the taxing authorities actually collected. Ramdeo used the proceeds from this fraudulent scheme in order to finance a now defunct charter airline company.

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Former Minnesota Real Estate Developer Sentenced for Tax Evasion, Mail and Wire Fraud

On Sept. 9, 2015, in Minneapolis, Bartolomea Joseph Montanari, formerly of Bayport, was sentenced to 78 months in prison, ordered to pay mandatory restitution of \$100,000 and, pay more than \$1.5 million as a special assessment for the taxes, interest, and penalties owed. On Nov. 25, 2014, a federal jury found Montanari guilty of tax evasion, mail fraud and wire fraud. From 2009 until January 2012, Montanari willfully evaded

the payment of employment and excise taxes owed by him and the three businesses he controlled. One of the ways Montanari avoided paying taxes was by transferring over \$1.1 million into a bank account in the name of Bella Luca Properties LLC, a shell company used by Montanari to pay personal expenses. Montanari

evaded payment of more than \$700,000 in taxes. In December 2009, when the IRS attempted to collect taxes and Trust Fund Recovery Penalties (TFRPs), Montanari filed a fraudulent financial statement making numerous misrepresentations to the IRS to avoid paying the taxes he owed.

Montanari also falsely claimed to be living in Bayport, Minnesota, when, in truth, he had already moved into a \$1.4 million house he was purchasing in Knoxville, Tennessee. In addition, Montanari lied about the sale price of a Caterpillar bulldozer that he needed to purchase for one of his companies. Montanari submitted a falsified invoice to the dozer financing company, which issued a check for the dozer for \$100,000 more than the true purchase price. Montanari kept the extra \$100,000 and used it as a down payment for his house in Tennessee.

ILLEGAL SOURCE FINANCIAL CRIMES

The Illegal Source Financial Crimes Program encompasses all tax and tax-related, money laundering and currency violations. These investigations are focused on individuals deriving income from illegal sources, such as dollars obtained through embezzlement, bribery, and illegal gambling operations. The individuals can be legitimate business owners but obtain their income through illegal means. These investigations are also focused on methods through which individuals seek to “launder” their income by making it appear that the income is from a legitimate source. Frequent money laundering techniques include the manipulation of currency reporting requirements, layering of transactions and international movement of funds. In these types of investigations, CI works hand-in-hand with our federal, state, and local law enforcement partners, as well as with foreign tax and law enforcement agencies.

Financial Institution Fraud

This program addresses criminal violations involving fraud against banks, savings and loan associations, credit unions, check cashers, and stockbrokers. Criminal Investigation is a major contributor in the effort to combat financial institution fraud, and the United States Attorneys’ recognize CI’s financial investigative expertise in

this complex area. The ability to bring income tax and money laundering charges augments prosecutors’ effectiveness in combating fraud committed against financial institutions, whether the violators work within or outside of the institution.

Examples of financial institution fraud investigations adjudicated in FY 2015 include:

North Carolina Land Developer and Co-Defendants Sentenced in \$23 million Bank Loan Scheme

On June 25, 2015, in Asheville, Keith Vinson, of Arden, was sentenced to 216 months in prison, three years of supervised release and to pay \$18,384,584 in restitution. A federal jury convicted Vinson in October 2013 of conspiracy, bank fraud, wire fraud, and money laundering conspiracy. Vinson was sentenced for his role in a scheme involving the development of Seven Falls, a golf course and luxury residential community in Henderson County, North Carolina. On June 2, 2015, five additional individuals were sentenced for their roles in the scheme. Avery Ted “Buck” Cashion III, of Lake Luke, was sentenced to 36 months in prison, three years of supervised release and ordered to pay \$14,266,256 in restitution. Raymond M. “Ray” Chapman, of Brevard, was sentenced to 36

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months in prison, three years of supervised release and ordered to pay \$14,266,256 in restitution. Thomas E. "Ted" Durham Jr., former president of the failed Pisgah Community Bank, of Fletcher, was sentenced to 30 months in prison, three years of supervised release and ordered to pay \$6,237,453 in restitution. Aaron Ollis, a former licensed real estate appraiser, of Arden, was sentenced to two years of probation, including 12 months and one day home detention, and ordered to pay \$10,199,106 in restitution. In addition, George M. Gabler, a former Certified Public Accountant from Fletcher, was sentenced to two years of probation and fined \$5,000. Trial evidence and statements made in court, beginning in 2008, the defendants conspired and obtained money from several banks through a series of straw borrower transactions, in order to funnel monies to Vinson and his failing development of Seven Falls. To advance this scheme Vinson, Chapman, Cashion and others recruited local bank officials including George Gordon "Buddy" Greenwood and Ted Durham, who at the time were presidents of banks. When bank officials realized that they had reached their legal lending limits with respect to some of the straw borrowers, additional straw borrowers were recruited to the scheme to make additional loans. Seven Falls and another luxury residential golf development by Vinson failed, resulting in millions in property losses. In addition, two banks failed and were taken over by the FDIC. Previously, Buddy Greenwood was sentenced to 42 months in prison.

Former Bank Executive Sentenced for Role in Conspiracy and Fraud Involving Investment Contracts

On May 18, 2015, in Asheville, North Carolina, Phillip D. Murphy, a former Bank of America executive, was sentenced to 26 months for his role in a conspiracy related to bidding for contracts for the investment of municipal bond proceeds and other municipal finance contracts. On Feb. 10, 2014, Murphy pleaded guilty to participating in multiple fraud conspiracies and schemes with various financial institutions and brokers from as early as 1998 until 2006. Murphy conspired with employees of Rubin/Chambers Dunhill Insurance Services Inc., also known as CDR Financial Products, a broker of municipal contracts and others. Murphy also pleaded guilty to conspiring with others to make false entries in

the reports and statements originating from his desk, which were sent to bank management. Murphy conspired with CDR and others to increase the number and profitability of investment agreements and other municipal finance contracts awarded to Bank of America. Along with bid rigging, Murphy and his co-conspirators submitted numerous intentionally false certifications that were relied upon by both municipalities and the IRS. These false certifications misrepresented that the bidding process had been conducted in a competitive manner that was in conformance with U.S. Treasury regulations. These false certifications caused municipalities to award contracts to Bank of America and other providers based on false and misleading information. The false certifications also impeded and obstructed the ability of the IRS to collect revenue owed to the U.S. Treasury.

Florida Businessman Sentenced for \$44 Million Bank Fraud Conspiracy

On April 13, 2015, in Orlando, Florida, Pedro "Pete" Benevides was sentenced to 108 months in prison and ordered to forfeit \$44,059,565, including bank accounts containing about \$40 million in cash and two exotic sports cars. In addition, Benevides was also ordered to pay full restitution to the financial institutions that were the victims of his offense. From about 2005 through September 2008, Benevides obtained 20 commercial and residential loans and lines of credit from several federally insured financial institutions. Benevides obtained the fraudulent loans by providing the financial institutions with documents that, among other things, contained false information concerning his income and assets or the business that he used to obtain the loans and lines of credit. Once he received the loans, Benevides used the fraudulently obtained funds for his own purposes, including paying the interest and principal on other, earlier loans that he had obtained in order to continue the fraudulent scheme, paying business expenses, paying the other co-conspirators involved in the scheme, and funding living expenses for himself and his family.

Former Federal Credit Union Employee Sentenced for Bank Fraud and Filing False Tax Returns

On March 25, 2015, in Valdosta, Georgia, Kelly Yawn was sentenced to 41 months in prison and

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ordered to pay \$628,539 in restitution to the fraud victims and \$139,865 to the IRS. On Jan. 6, 2015, Yawn pleaded guilty to bank fraud and filing false tax returns. Between February 2008 and November 2011, while employed by a federal credit union Yawn accessed the credit union's computer system to prevent electronic transactions (ACH) and written share drafts from posting to her account. Using that scheme, Yawn was able to misdirect for her own benefit more than 900 share drafts and more than 1,200 ACH transactions, totaling more than \$499,000 that were paid from credit union funds. Yawn took additional actions to cover up the transactions so that they would not be discovered by the credit union or outside auditors by posting fraudulent deposits to credit union accounts. Yawn also filed federal income tax returns for 2008 through 2011 and failed to include the money she received from the scheme on her federal tax returns as income in those years.

Ohio Man Sentenced for Defrauding Credit Union

On Feb. 23, 2015, in Cleveland, Ohio, John Struna, of Concord Township, was sentenced to 43 months in prison and ordered to pay more than \$2.3 million in restitution. Struna was also ordered to forfeit a restaurant he owned, a condominium and a 2014 Mazda. Struna previously pleaded guilty to conspiracy to commit bank fraud, bank fraud, making false statements and money laundering. Struna defrauded the Taupa Lithuanian Credit Union, based in Cleveland, out of \$2.3 million. Credit union CEO Alex Spirikaitis, former teller Michael Ruksenas and Vytas Apanavicius were previously found guilty for their roles in conspiracies related to defrauding the credit union. Struna maintained both personal and corporate accounts at Taupa dating back to 1995. He began a conspiracy with Spirikaitis in 2002 and continued through 2013, during which time Spirikaitis caused Taupa to make approximately 46 fraudulent transfers into Struna's accounts. In 2011, Struna requested and received \$112,105 from Spirikaitis for the purchase of a condominium located in Fort Myers, Florida. At no time did Struna submit any credit applications or loan documents. The fraudulent transfers totaled approximately \$2.3 million. From 2002 through 2013, Struna repaid only approximately \$15,000 of the \$2.3 million Spirikaitis transferred into his accounts.

Co-Conspirators Sentenced for Bank Fraud

On Feb. 5, 2015, in New Bern, North Carolina, Joseph Grecco, of DuBois, Pennsylvania, was sentenced to 30 months in prison and three years of supervised release. Grecco pleaded guilty on March 12, 2014 to conspiracy to commit bank fraud. On Jan. 8, 2015, Ronald Doerrer, of Kure Beach, North Carolina, was sentenced to 18 months in prison and three years of supervised release. On Aug. 8, 2014, Edward A. Yates, of Wilmington, North Carolina, was sentenced to 12 months and one day in prison and three years of supervised release. A fourth co-defendant, and leader of the conspiracy, Ronald Hayden Kotler, remains at large. Kotler and Doerrer operated a company, Commercial Loan Solutions (CLS) from 2006 to 2009. CLS offered its services as a broker to provide bank financing for individuals and companies, in exchange for hefty fees, ranging from 15% to 25% of the loan amount. As part of the conspiracy, Kotler and Doerrer helped clients falsify loan applications by submitting false tax returns and vastly inflating the individuals' business income and assets. The scheme involved obtaining money, funds, credits, and other things of value from financial institutions by providing them with materially false information and making fraudulent representations and promises. The financial institutions suffered losses in excess of \$4.5 million as a result of the scheme.

Public Corruption

CI continues to pursue investigations involving individuals who violate the public's trust. The individuals include both elected and appointed officials from all levels of government, including local, county, state, federal and foreign officials. Public corruption investigations encompass a wide variety of criminal offenses including bribery, extortion, embezzlement, illegal kickbacks, tax fraud and money laundering.

Examples of public corruption investigations adjudicated in FY 2015 include:

Former Chief of Staff to Connecticut House GOP Minority Leader Sentenced for Kickback Arrangement

On Aug. 27, 2015, in Hartford, Connecticut, George Gallo, of East Hampton, was sentenced

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to 12 months and one day in prison, three years of supervised release and ordered to pay restitution of \$117,266. On April 27, 2015, Gallo pleaded guilty to one count of mail fraud. Gallo was an employee of the state of Connecticut as the chief of staff to the minority leader of the Connecticut House of Representatives. As part of his responsibilities, Gallo was responsible for the campaign program of the House Republican Campaign Committee ("HRCC"). Gallo made an arrangement with a political campaign direct mail vendor that he would steer business to them through the HRCC program. In exchange, the company would make payments to Gallo equal to 10 percent of the revenue that the company received from candidates participating in the program. Meanwhile, Gallo made false representations to the minority leader of the Connecticut House of Representatives and others that he did not receive any compensation from any HRCC sponsored vendor. From 2008 through 2012, the political campaign direct mail vendor mailed checks made payable to the Vinco Group, a Cromwell based limited liability company in which Gallo was the sole member, totaling approximately \$117,266.

Former Baltimore City Official Sentenced for Bribery Scheme

On June 23, 2015, in Baltimore, Maryland, Barry Stephen Robinson, of Accokeek, was sentenced to 12 months and a day in prison, three years of supervised release and ordered to pay forfeiture of \$20,000. Robinson was chief of the Division of Transit and Marine Services of the Baltimore City Department of Transportation. In this position, Robinson supervised Baltimore City's "Circulator" and "Water Taxi" programs and had authority to approve contracts with advertisers and vendors and to purchase and pay for goods and services. In January 2014, Robinson offered to cancel \$60,000 of debt in return for \$20,000 in cash. From January 23 to March 11, 2014, Robinson received four cash payments of \$5,000 each. In return, Robinson provided a signed letter on Baltimore City letterhead falsely stating that the \$60,000 debt had been paid. In 2011, Robinson arranged for Baltimore City to purchase 13 bus shelters from a Canadian company for \$249,290. On April 9, 2014, Robinson illegally sold and accepted \$70,000, in return for the city's bus shelters. Seeking to disguise the source of the bribery proceeds, Robinson deposited the cash bribe payments he received into two bank accounts in the name of another person. He

used a portion of the proceeds for home improvements and other items. The intended loss to the City of Baltimore from Robinson's schemes was approximately \$310,000.

Former Illinois Public Health Chief of Staff Sentenced

On June 23, 2015, in Springfield, Quinshaunta R. Golden, of Homewood, was sentenced to 96 months in prison, three years of supervised release and ordered to pay \$1,000,000 in restitution to the Illinois Department of Public Health (IDPH), jointly with Roxanne Jackson. On April 10, 2014, Golden pleaded guilty to taking bribes and kickbacks. Golden served as Chief of Staff at IDPH from 2003 to early 2008. From 2006 to 2008, Golden used her agency position to direct approximately \$11 million in grant funds to three not-for-profit organizations and a for-profit corporation controlled by Leon Dingle Jr. As part of the scheme, Golden directed that Roxanne Jackson, a former IDPH administrator, be hired as a paid consultant for Dingle and the three not-for-profit entities. As a result, approximately \$772,500 in grant funds disbursed to the three not-for-profit entities was paid to Jackson from July 2007 to April 2008. Golden required that Jackson pay her one-half of whatever she received, less any funds to be withheld for payment of taxes, which were never paid. Golden also directed that Jackson work as a paid consultant for VIP Security. Golden caused approximately \$2 million in contract funds to be paid by IDPH to VIP Security and again required Jackson to give her kickback payments. On June 12, 2015, Roxanne Jackson was sentenced to 25 months in prison and ordered to pay \$1,000,000 jointly with Golden for her part in the bribery and kickback scheme and filing false income tax returns. Dingle, and his wife Karin, both of Chicago, were convicted of conspiracy to defraud, mail fraud and money laundering will be sentenced at a later date.

Former Executive Director of the Virgin Islands Legislature Sentenced for Bribery and Extortion

On May 14, 2015, in St. Thomas, U.S. Virgin Islands, former executive director of the Virgin Islands Legislature, Louis "Lolo" Willis was sentenced to 60 months in prison. On Nov. 19, 2014, a jury in the Virgin Islands convicted Willis of federal programs bribery and extortion under color of official right. Willis was the executive director of the Legislature between 2009 and

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2012. His responsibilities included oversight of the major renovation of the Legislature building and awarding and entering into government contracts in connection with the project. Willis was also responsible for authorizing payments to the contractors for their work. Willis accepted bribes, including \$13,000 in cash and checks, from contractors in exchange for using his official position to secure more than \$350,000 in work for the contractors and to ensure they received payment upon completion.

Four Sentenced for Role in Rocky Boy's Corruption Probe

On March 11, 2015, in Great Falls, Montana, Mark Craig Leischner and Tammy Kay Leischner, of Laurel, were sentenced to 24 months in prison and three years' supervised release. Mark Leischner was also ordered to pay \$281,313 in restitution, and Tammy Leischner was ordered to pay \$375,092 in restitution. Mark Leischner pleaded guilty to embezzlement of over \$200,000 in funds from the Chippewa Cree Tribe Rodeo Association, federal student financial aid fraud, and obstruction of justice. Tammy Leischner pleaded guilty to aiding the embezzlement of \$311,000 in federal funds, bankruptcy fraud, federal student financial aid fraud, and blackmail. Tammy Leischner's brother, Dr. James Howard Eastlick, was also sentenced to 72 months in prison, three years supervised release and ordered to pay \$424,800 in restitution. Eastlick, the former psychologist for the Rocky Boy Health Clinic pleaded guilty to charges of bribery relating to a federally funded program, bribery of a councilman and income tax evasion. On March 10, 2015, Bruce Sunchild, was sentenced to 34 months in prison, three years supervised release, and ordered to pay \$370,088 in restitution. Sunchild pleaded guilty to bribery, embezzlement and tax evasion. All four sentences were a result of the Rocky Boy's Corruption Probe.

Former Virginia Governor and First Lady Sentenced for Public Corruption

On Jan. 6, 2015, in Richmond, Robert F. McDonnell, former Virginia governor, was sentenced to 24 months in prison and two years of supervised release. On Feb. 20, 2015, in Richmond, the former First Lady of Virginia, Maureen G. McDonnell, was sentenced to 12 months and one day in prison. The McDonnells were convicted on Sept. 4, 2014, following a jury

trial of conspiracy to commit honest-services wire fraud and conspiracy to obtain property under color of official right. From April 2011 through March 2013, the McDonnells participated in a scheme to use the former governor's official position to enrich themselves and their family members by soliciting and obtaining payments, loans, gifts and other things of value from Star Scientific and Jonnie R. Williams Sr., then CEO of Star Scientific. The McDonnells obtained these items in exchange for the former governor performing official actions to legitimize, promote and obtain research studies for Star's products, including the dietary supplement Anatabloc. The McDonnells obtained from Williams more than \$170,000 in direct payments as gifts and loans, thousands of dollars in golf outings, and numerous items. As part of the scheme, Robert McDonnell arranged meetings for Williams with Virginia government officials, hosted and attended events at the Governor's Mansion designed to encourage Virginia university researchers to initiate studies of Star's products and to promote Star's products to doctors, contacted other Virginia government officials to encourage Virginia state research universities to initiate studies of Star's products, and promoted Star's products and facilitated its relationships with Virginia government officials. The McDonnells attempted to conceal the things of value received from Williams and Star by routing gifts and loans through family members and corporate entities controlled by the former governor to avoid annual disclosure requirements.

Corporate Fraud

The Corporate Fraud program concentrates on violations of the Internal Revenue Code (IRC) and related statutes committed by publicly traded or private corporations, and/or by their senior executives. Some of the specific criminal acts within a corporate fraud investigation include falsifying and fabricating or destroying company records for the purpose of falsifying tax returns, financial statements or reports to regulatory agencies or investors. It also includes conduct by executives to enrich themselves by attempting to derive unauthorized compensation through unapproved payments or bonuses, payment of personal expenses with corporate funds or bogus loans. Many corporate fraud investigations are joint efforts involving other federal agencies.

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Examples of corporate fraud investigations adjudicated in FY 2015 include:

Former CEO Sentenced for \$25 Million Fraud Scheme

On June 8, 2015, in Nashville, Tennessee, L. Brian Whitfield, formerly of Franklin, was sentenced to 240 months in prison and three years of supervised release. Whitfield was also ordered to pay a \$1.8 million money judgment and more than \$25.9 million in restitution. On Nov. 7, 2014, a jury found Whitfield guilty of conspiracy, wire fraud, theft from an employee benefit program, filing a false tax return and money laundering. Whitfield controlled the finances and funds of the Sommet Group LLC, a payroll processing company that operated in Tennessee. From 2008 until 2010, Whitfield diverted millions of dollars of client funds that had been earmarked to fund client employee retirement accounts to pay health claims and to pay taxes. Instead of using these client funds as Sommet had promised, Whitfield diverted millions of dollars to prop up affiliated companies that he controlled, spent millions of dollars to acquire the naming rights of Nashville's professional hockey arena and to pay personal expenses. Whitfield also vastly underreported wages and taxes on Sommet's quarterly employer tax return that he personally prepared and filed. Across six quarters from 2008 – 2010, Whitfield's actions resulted in an underpayment of more than \$20 million in taxes. In July 2013 D. Edwin Todd, a part owner of Sommet, pleaded guilty to conspiracy in this case, and Marsha Whitfield, Sommet's vice president of payroll, pleaded guilty to conspiracy and wire fraud. On June 25, 2015, Marsha Whitfield was sentenced to five years of probation with the first six months spent in a half-way house and ordered to pay \$3,736,653 in restitution. Todd awaits sentencing.

Washington Man Sentenced for Evading Taxes on Money Stolen from Investors

On June 10, 2015, in Spokane, Washington, Michael Peter Spitzauer, of Kennewick, Washington, was sentenced 48 months in prison, one year of supervised release and ordered to pay \$10,365,000 in restitution to the victims of his fraud scheme, and \$2,585,177 in restitution to the IRS. Spitzauer previously pleaded guilty to filing a false tax return and failing to file a tax return. Spitzauer served as the CEO and

President of Green Power, Inc., a biodiesel fuel business, which Spitzauer asserted possessed the technology to turn waste into biofuel. Spitzauer defrauded various investors by representing that he would maintain their investment deposits in accounts controlled by an attorney, and not be utilized without the parties' written agreement. In fact, Spitzauer controlled the bank accounts, and spent the investors' deposits in unauthorized ways, such as on luxury goods and repaying prior investors who sought return of their funds. Spitzauer also defrauded additional investors by falsely representing that their funds would be used to pay state agency fees or insurance bonds. From 2007 to 2013, Spitzauer stole more than \$10.3 million from the various victims, who reside across the globe, including in China, Spain, the Netherlands, Ireland, Australia, Slovenia, Canada, Texas, and Maryland. Spitzauer filed false tax returns for tax years 2007 and 2009, when he reported that he received no income and failed to disclose the funds he fraudulently obtained from his investors, which totaled approximately \$4.5 million in taxable income for 2007 and 2009. For tax year 2008, Spitzauer failed to file a tax return, despite receiving approximately \$3.2 million in taxable income, which represented funds he stole from the defrauded investors. As a result, Spitzauer evaded the assessment of approximately \$2.5 million in taxes.

Associates of Bernard L. Madoff Investment Securities Sentenced for Roles in the Fraud

On Dec. 15, 2014, in Manhattan, New York, Joann Crupi, who managed hundreds of millions of dollars in fictitious investments for Bernard L. Madoff Investment Securities LLC, was sentenced to 72 months in prison, four years of supervised release and ordered to forfeit \$33.9 billion. Several other employees of Bernard L. Madoff's fraudulent investment advisory business were recently sentenced, including Daniel Bonventre, the former Director of Operations, who was sentenced on Dec. 8, 2014, to 120 months in prison, two years of supervised release and ordered to forfeit more than \$155.5 billion. Annette Bongiorno, the manager of the fraudulent investment advisory business, was sentenced on Dec. 9, 2014, to 72 months in prison, two years of supervised release and ordered to forfeit more than \$155 billion. Bonventre was previously convicted of securities fraud, bank fraud, tax fraud, falsifying

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the books and records of Madoff Securities, making false filings with the United States Securities and Exchange Commission, and conspiracy. Bongiorno and Crupi were convicted of securities fraud, falsifying the books and records of Madoff Securities, conspiracy and tax fraud. Crupi was also convicted of bank fraud. Bongiorno, an employee of the business for 40 years, managed hundreds of investment advisory accounts, supervised employees and was for many years the head of the fraudulent investment business. While managing several investment accounts, Bongiorno and Crupi backdated the purchase dates of purported trades so that they could control the amount of gains reflected in the investment advisory accounts, including, at least on one occasion, a back-dated trade of more than 12 years. Bonventre, while responsible for maintaining and supervising the production of the principal internal accounting documents, directed that false entries be made that concealed the scope of fraudulent investment advisory operations and understated liabilities by billions of dollars. Finally, Bonventre, Bongiorno and Crupi also filed false income tax returns on their own behalf, in which they failed to report income they received from Madoff Securities.

California Investment Manager Sentenced for \$33 Million Ponzi Scheme

On Dec. 17, 2014, in Salt Lake City, Utah, Robert L. Holloway, of San Diego, was sentenced to 225 months in prison and ordered to pay \$15.2 million in restitution for orchestrating a \$33 million Ponzi scheme resulting in \$15.2 million in losses to investors. Holloway was found guilty on Aug. 5, 2014, of wire fraud and making a false income tax return. Holloway served as the chief executive officer and managing partner of US Ventures LC between May 2005 and April 2007. From October 2005 until at least April 2007, Holloway recruited investors by making false representations, including that US Ventures used proprietary trading software that was consistently profitable, that US Ventures generated returns of 0.8% per trading day and that US Ventures would retain a 30% share of investors' profits as a management fee. Holloway also generated and distributed reports to investors showing false daily returns on their investments. Between October 2005 and April 2007, contrary to the returns shown on the false reports, US Ventures lost more than \$10 million in trading, and the "profit" figures on the

investor reports were fabricated. US Ventures raised more than \$33 million from investors for its purported trading activities. Holloway and US Ventures made "profit distributions" to investors from funds solicited from new investors, and Holloway misappropriated investors' funds for a variety of personal expenses. During 2006 alone, Holloway diverted more than \$1.2 million in investor funds to a "business" account that he used as a personal account and falsely claimed a gross income of only \$27,500 on his personal tax return.

Gaming

CI focuses on the enforcement of tax, money laundering and related financial crimes to combat illegal activity within the gaming industry, as well as to uncover and shutdown illegal gaming operations. The use of the Internet has greatly increased the reach of domestic and international gaming operations. Illegal gambling operations can be found in a number of different forms, including bookmaking, numbers, online gaming and some charitable gaming operations. CI's gaming program consists of a two-faceted, proactive approach to industry compliance. First is the investigation of entities suspected of violating tax, money laundering, or related laws. Second are liaison activities with federal, state, and tribal gaming boards, licensing commissions, industry regulators, gaming operators, gaming industry suppliers, and other law enforcement. A critical component of both facets is CI's coordination with the civil functions of the IRS in addressing trends and concerns in the gaming industry.

Examples of gaming investigations adjudicated in FY 2015 include:

Brothers Sentenced on Gambling Charges

On April 15, 2015, in Rochester, New York, Joseph Ruff was sentenced to 41 months prison and three years of supervised release. Joseph Ruff was also ordered to forfeit \$1,230,489 in addition to other funds and a lakefront residence. On March 25, 2015, in Rochester, Mark Ruff, of Connecticut, was sentenced to 108 months in prison, three years of supervised release and ordered to forfeit \$230,000. Both men were previously convicted of conducting an illegal gambling business and conspiracy to commit

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money laundering. Mark Ruff conducted an illegal gambling business with his brother, Joseph, and Paul Borrelli, both of Rochester. The gambling operation involved sports betting through multiple offshore internet gambling websites. Mark Ruff also conspired with his brother and others to launder \$230,000 in illegal gambling proceeds. Mark Ruff transferred the gambling proceeds from Rochester to an associate in Connecticut to conceal their source by depositing proceeds into a credit line and making subsequent cash withdrawals and writing checks from the credit line for himself and his brother. Those checks included \$40,000 to a local country club for Joseph Ruff that the federal government seized Aug. 11, 2014. On Sept. 8, 2015, Borrelli was sentenced to eight months home confinement, three years of supervised release and pay a judgement of \$1.2 million.

Leader of Sports Betting Ring Sentenced on Racketeering and Related Charges

On Feb. 17, 2015, in Philadelphia, Pennsylvania, Joseph Vito Mastronardo Jr., of Meadowbrook, was sentenced to 20 months in prison, three years of supervised release and ordered to forfeit approximately \$3.7 million. Mastronardo pleaded guilty on Jan. 31, 2014, to conspiring to participate in a racketeering enterprise (RICO), conducting an illegal gambling business, conducting four conspiracies to launder money, interstate travel in aid of racketeering, transmitting wagering information and aggravated structuring of cash deposits. Mastronardo Jr. was the leader of the Mastronardo Bookmaking Organization, a multi-million dollar sports betting operation with bettors throughout the United States. At its peak, the Mastronardo Bookmaking Organization had more than 1,000 bettors and was generating millions of dollars a year. Between Jan. 1, 2005 and Jan. 1, 2011, the organization used Internet websites and telephone numbers that allowed bettors to place sports bets on football, baseball, basketball, golf, horse racing and other sporting events. Residents of Costa Rica staffed the Internet websites and answered the telephones. In 2006 and 2010, law enforcement seized more than \$2.1 million that Mastronardo hid in and around his home, including in specially-built secret compartments and in PVC pipes that were buried in his backyard. The Mastronardo Bookmaking Organization laundered the gambling proceeds by using a check cashing agency, two private bank accounts and numerous international bank accounts. On

occasion, Mastronardo Jr. also provided instructions so that a losing bettor could pay a gambling debt through a charitable donation.

Colorado Man Sentenced for Running an Illegal Gambling Business

On Jan. 5, 2015, in Denver, Colorado, Kerwin Dale Sande was sentenced to 15 months in prison and three years of supervised release. In addition, Sande agreed to the forfeiture of \$2 million in cash and assets for conspiring to own and operate an illegal gambling business and money laundering. Starting in the summer of 2006 and continuing through October 2013, Sande operated a gambling business out of his home. His business focused primarily on sports bookmaking, which included wagers on a variety of sporting events to include major league baseball games and golf, as well as professional and collegiate football, basketball and hockey. Sande recruited, entertained and interacted with bettors at exclusive golf and country clubs. He assigned a given bettor a credit limit within which the bettor was authorized to place bets and accepted bets through various means including on the telephone, through at least five or more "bet-takers", and over the internet using an off-shore internet betting website which he controlled. The website was housed and maintained through computer servers registered in Costa Rica. Sande collected gambler's debts in a variety of ways including taking cash payments directly from bettors at golf clubs, private parties or other public locations. He also accepted checks from bettors that would commonly be made out to his company, KDS Enterprises., Inc., as well as collecting wire transfers. Sande paid bettors their winnings in cash, but occasionally he would write checks and he would sometimes send cash payments directly to bettors using federal express where he would conceal the cash in the sealed pages of a magazine. Sande drove and owned several high-end sports and luxury cars, a number of which contained built-in, hidden lock boxes which he utilized to transport and transfer large sums of bulk currency for his unlawful gambling operation.

Three Sentenced in Illegal Gambling Operation in Guam

On Oct. 8, 2014, in Hagatna, Guam, three individuals were sentenced in a criminal conspiracy to conduct an illegal gambling business at the former MGM Spa in Tamuning. Jimmy Hsieh was sentenced to 24 months in

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prison and ordered to pay a \$423,640 money judgment. In addition, Hsieh agreed to forfeit \$178,113 from personal accounts and that three of his condos are subject to possible forfeiture proceedings. Hsieh pleaded guilty to gambling conspiracy and money laundering. William Perez, the manager and supervisor of the MGM poker operation in 2010, was sentenced to six months in prison, six months home confinement and three years of supervised release for conspiring to operate the illegal gambling business. Pauline Perez was sentenced to one year of probation and community service. According to court documents, from at least January 2006 until December 2010, the defendants conspired to offer card games of chance, including baccarat and poker, at the MGM Spa building. The defendants took a percentage of the winnings from each game. They knowingly conducted financial transactions involving the proceeds from the illegal gambling operation.

Insurance Fraud & Healthcare Fraud

The Insurance Fraud Program addresses criminal tax and money laundering violations relative to insurance claims and fraud perpetrated against insurance companies. Insurance fraud covers a wide variety of schemes, including phony insurance companies, offshore/unlicensed Internet companies and staged auto accidents.

The Healthcare Fraud Program involves the investigation of individuals who bill healthcare insurance companies for medical expenses never incurred or for unnecessary medical procedures and medical equipment.

Examples of insurance fraud and healthcare fraud investigations adjudicated in FY 2015 include:

New York Pharmacist Sentenced for Multimillion-Dollar Medicare/Medicaid Fraud Scheme

On March 26, 2015, in Manhattan, New York, Purna Chandra Aramalla, of Port Washington, was sentenced to 36 months in prison, ordered to forfeit \$7,503,605, pay restitution to his victims in the same amount, file amended tax returns for the years 2010 through 2012 and pay back taxes

and applicable penalties. Aramalla was sentenced for conducting a scheme to defraud Medicaid, Medicare, and the New York State-funded AIDS Drug Assistance Program (“ADAP”) through the purchase and sale of illegally diverted prescription drugs, including HIV medication. Aramalla was also sentenced for tax evasion. Aramalla, a pharmacist, owned and operated A Fair Deal Pharmacy Inc. in Queens, New York, and Quality Drug Inc. in the Bronx, New York. Using these pharmacies, Aramalla carried out a multimillion-dollar scheme to defraud the New York State Medicaid, Medicare, and ADAP programs through the sale of diverted prescription drugs, that is, drugs not obtained from legitimate sources. Further, Aramalla signed and filed a false U.S. Individual Income Tax Return, Form 1040, for the 2011 calendar year. Aramalla falsely underreported business income by \$2,164,545 which resulted in tax due and owing of \$757,591.

Dallas County Man Sentenced for Role in Staged Accident Fraud Scheme

On Jan. 5, 2015, in Dallas, Texas, Leroy Nelson, of DeSoto, Texas, was sentenced to 108 months in prison and ordered to pay \$4,973,046 in restitution and agreed to forfeit several vehicles, a motor home, a boat and trailer and real estate. Nelson pleaded guilty in March 2014 to mail fraud and engaging in illegal monetary transactions. Beginning in 2005 and continuing through 2012, Nelson engaged in a scheme to defraud automobile insurance companies by fabricating and submitting false and fraudulent claims for damage to technical equipment damaged in fictitious road accidents. As part of the scheme, Nelson promised cash payments to individuals he recruited for them to falsely report to their automobile insurance company that, while driving, they inadvertently damaged a piece of equipment. Nelson would instruct the individual on how to make the telephone call to the insurance company. Nelson then prepared and submitted the claims for property damage in the name of a “DBA” he created. The claim would include a photo of the equipment and a fictitious repair estimate that Nelson prepared. Nelson opened private mailboxes in numerous states to receive the insurance checks. The mailboxes were opened under an assumed business name that Nelson used as the owner of the damaged equipment in the claims. Nelson also used the addresses of two warehouses in

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Dallas and directed that mail received at the private mailboxes be forwarded to one of those two addresses. The cumulative total of the insurance claims prepared and submitted to insurance companies by Nelson from 2005 to 2012 totaled approximately \$5 million.

Three Chiropractors Sentenced in Staged Automobile Accident Scheme

On Oct. 14, 2014, in West Palm Beach, Florida, three chiropractors were sentenced for their participation in a massive staged automobile accident scheme. Kenneth Karow, of West Palm Beach, was sentenced to 132 months in prison; Hermann J. Diehl, of Miami, was sentenced to 108 months in prison; and Hal Mark Kreitman, of Miami Beach, was sentenced to 96 months in prison. All three men were convicted of mail fraud and money laundering. Between October 2006 and December 2012, the defendants and their co-conspirators staged automobile accidents and caused the submission of false insurance claims through chiropractic clinics they controlled.

Former Owner and Operator of New York Health Clinics Sentenced for \$30 Million Medicare Fraud Scheme

On Aug. 25, 2015, in Manhattan, New York, Oscar Huachillo was sentenced to 87 months in prison, three years of supervised release and ordered to pay \$3,454,244 in restitution and \$31,177,987 in forfeiture, including forfeiture of approximately \$14 million of assets that were seized at or around the time of Huachillo's arrest in August 2013. Huachillo previously pleaded guilty to orchestrating a scheme to defraud Medicare out of more than \$31 million and evading more than \$3.4 million in federal income taxes by falsely underreporting his income. Huachillo set up and operated multiple health care clinics in New York City that purported to provide injection and infusion treatments to Medicare-eligible HIV/AIDS patients, but that were, in reality, health care fraud mills that routinely billed Medicare for medications that were never provided or were provided at highly diluted doses, and that were often unnecessary because the person being "treated" did not medically need the treatments. In addition, Huachillo willfully evaded over \$3.4 million in taxes owed to the IRS during the tax years 2009 through 2011 by falsely underreporting his taxable income, including income he had obtained through fraudulent Medicare claims.

Michigan Oncologist Sentenced for Healthcare Fraud, Money Laundering

On July 10, 2015, in Detroit, Michigan, Farid Fata, of Oakland Township, was sentenced to 540 months in prison and ordered to forfeit \$17.6 million. Fata, a Detroit area hematologist-oncologist, pleaded guilty in September 2014 to health care fraud, conspiracy to pay or receive kickbacks and money laundering. Fata was a licensed medical doctor who owned and operated a cancer treatment clinic, Michigan Hematology Oncology P.C. (MHO), which had various locations in Michigan. He also owned a diagnostic testing facility, United Diagnostics PLLC, located in Rochester Hills, Michigan. Fata prescribed and administered unnecessary aggressive chemotherapy, cancer treatments, intravenous iron and other infusion therapies to 553 individual patients in order to increase his billings to Medicare and other insurance companies. Fata then submitted approximately \$34 million in fraudulent claims to Medicare and other insurers for these unnecessary treatments. Furthermore, Fata used the proceeds of the health care fraud at his medical practice, MHO, to promote the carrying on of additional health care fraud at United Diagnostics, where he administered unnecessary and expensive positron emission tomography (PET) scans for which he billed a private insurer.

Doctors, Salesman Sentenced for Accepting Bribes for Test Referrals

In the course of a long-running and elaborate scheme operated by Biodiagnostic Laboratory Services LLC (BLS), of Parsippany, New Jersey, its president and numerous associates, 38 people – 26 of them doctors – have pleaded guilty in connection with the bribery scheme, which its organizers have admitted involved millions of dollars in bribes and resulted in more than \$100 million in payments to BLS from Medicare and various private insurance companies. The defendants sentenced so far include:

- On July 8, 2015, Frank Santangelo, of Boonton, was sentenced to 63 months in prison, three years of supervised release and ordered to forfeit more than \$1.8 million
- On June 23, 2015, Douglas Bienstock, of Wayne, was sentenced to 37 months in prison, one year of supervised release and ordered to pay a \$75,000 fine and forfeit \$79,695.

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- On June 17, 2015, Len Rubinstein, of Holmdel, was sentenced to 37 months in prison, one year of supervised release, ordered to forfeit \$250,000 and pay a \$10,000 fine.
- On June 2, 2015, Richard Goldberg, of Weston, Connecticut, was sentenced to 20 months in prison, three years of supervised release and ordered to pay a \$5,000 fine. Gary Leeds, of Greenwich, Connecticut, was sentenced to 20 months in prison, one year of supervised release and ordered to pay a \$15,000 fine. Goldberg and Leeds must each forfeit \$108,000.
- On May 5, 2015, Eugene DeSimone, of Eatontown, and Franz Goyzueta, of New York, were each sentenced to 37 months in prison and one year of supervised release. Additionally, DeSimone was ordered to forfeit \$260,500 and Goyzueta was ordered to forfeit \$72,000.
- On March 31, 2015, Wayne Lajewski, of Madison, and Glenn Leslie, of Ramsey, were sentenced to 14 months and 24 months in prison, respectively. In addition to the prison term, both were sentenced to one year of supervised release and fined \$10,000.
- On Dec. 16, 2014, Demetrios Gabriel, of Brooklyn, New York, was sentenced to 37 months in prison, one year of supervised release and fined \$75,000.

Former President of Houston Hospital, Son and Co-Conspirator Sentenced in \$158 Million Medicare Fraud Scheme

On June 9, 2015, in Houston, Texas, Earnest Gibson III, former president of a Houston hospital, his son, Earnest Gibson IV, and Regina Askew, a co-conspirator, were sentenced to 540 months, 240 months and 144 months in prison, respectively, for their roles in a \$158 million Medicare fraud scheme. In addition, Gibson III was ordered to pay restitution in the amount of \$46,753,180; Gibson IV was ordered to pay restitution in the amount of \$7,518,480; and Askew was ordered to pay restitution in the amount of \$46,255,893. On Oct. 20, 2014, following a jury trial, Gibson III, Gibson IV and Askew were each convicted of conspiracy to commit health care fraud, conspiracy to pay and receive kickbacks, as well as related counts of paying or receiving illegal kickbacks. Both father and son were also convicted of conspiracy to commit money laundering. Co-defendant Robert

Crane, a patient recruiter, was also convicted of conspiracy to pay and receive kickbacks, and is scheduled to be sentenced in December 2015. Gibson IV is the operator of Devotions Care Solutions, a satellite psychiatric facility of Riverside General Hospital and Askew is the owner of Safe and Sound group home. From 2005 until June 2012, the defendants and others engaged in a scheme to defraud Medicare by submitting to Medicare, through Riverside and its satellite locations, approximately \$158 million in false and fraudulent claims for partial hospitalization program (PHP) services. A PHP is a form of intensive outpatient treatment for severe mental illness. However, Medicare beneficiaries for whom the hospital billed Medicare did not qualify for, or need, PHP services. Moreover, the Medicare beneficiaries rarely saw a psychiatrist and did not receive intensive psychiatric treatment. Gibson III paid kickbacks to patient recruiters and to owners and operators of group care homes, including Askew, in exchange for those individuals delivering ineligible Medicare beneficiaries to the hospital's PHPs. Gibson IV also paid patient recruiters, including Robert Crane and others, to deliver ineligible Medicare beneficiaries to the specific PHP he operated. Another co-conspirator, Mohammad Khan, was sentenced on May 21, 2015, to 480 months in prison for his role in the scheme. William Bullock, Leslie Clark, Robert Ferguson, Waddie McDuffie and Sharonda Holmes, who were involved in paying or receiving kickbacks, also have pleaded guilty to participating in the scheme and await sentencing.

Southern California Medical Supply Company Owner Sentenced for Medicare Fraud Scheme

On May 13, 2015, in Los Angeles, California, Olufunke Ibiyemi Fadojutimi, of Carson, was sentenced to 48 months in prison and ordered to pay \$4,372,466 in restitution, with a co-defendant. Fadojutimi was convicted by a jury on July 31, 2014, of conspiracy to commit health care fraud, health care fraud and money laundering. Fadojutimi, a registered nurse and the former owner of Lutemi Medical Supply, fraudulently billed Medicare for more than \$8 million of durable medical equipment that was not medically necessary. Specifically, between September 2003 and May 2010, Fadojutimi and others paid cash kickbacks to patient recruiters

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in exchange for patient referrals, and additional kickbacks to physicians for fraudulent prescriptions for medically unnecessary durable medical equipment, such as power wheelchairs. Fadojutimi and others then used these prescriptions to support fraudulent claims to Medicare. As a result of this fraud scheme, Fadojutimi and others submitted approximately \$8.3 million in false and fraudulent claims to Medicare, and received almost \$4.3 million on those claims.

Bankruptcy Fraud

According to the United States Bankruptcy Court, there were 860,182 bankruptcy filings in FY 2015. Bankruptcy fraud results in serious consequences that undermine public confidence in the system and taint the reputation of honest citizens seeking protection under the bankruptcy statutes. Since the IRS is often a creditor in bankruptcy proceedings, it is paramount that tax revenues be protected.

Examples of bankruptcy fraud investigations adjudicated in FY 2015 include:

Connecticut Couple Sentenced for Bankruptcy and Tax Fraud Schemes

On Aug. 3, 2015, in Hartford, Connecticut, Jason Sheehan, of New Haven, was sentenced to 37 months in prison and three years of supervised release for engaging in an extensive bankruptcy and tax fraud scheme. Sheehan's wife, Glorvina Constant was sentenced to one year of probation for participating in a related mortgage fraud scheme. Restitution will be determined at a later date. On Oct. 8, 2014, Sheehan pleaded guilty to willful failure to collect, account for and pay tax, embezzlement from a bankruptcy estate and making a false declaration statement under penalty of perjury in a bankruptcy case. On Oct. 7, 2014, Constant pleaded guilty to conspiracy to commit bank fraud. Sheehan was the sole member of a limited liability company known as Infinistaff, LLC, which provided temporary workers to employers. In September 2010, Infinistaff filed a voluntary chapter 11 bankruptcy petition. As part of the bankruptcy case, Sheehan filed operating reports that falsely claimed that another company was being paid to process Infinistaff's payroll checks, and prepare and file its payroll tax returns and tax payments although the arrangement was terminated at that time. Sheehan filed these reports in order to

conceal his embezzlement of more than \$1 million from Infinistaff's bankruptcy estate. In addition, between 2011 and 2013, Infinistaff failed to account for and pay to the IRS more than \$2.5 million in employment taxes the company had withheld from employee paychecks, and also failed to pay approximately \$1.4 million in employer payroll taxes. Constant received Infinistaff payroll checks totaling \$354,000 during the bankruptcy proceedings even though she performed no work for the company. Additionally, in 2013, Constant purchased a home using proceeds from a mortgage loan she obtained from a local bank, as well as approximately \$260,000 embezzled by Sheehan from the Infinistaff bankruptcy estate. On two mortgage loan applications Constant falsely stated that she was employed by Infinistaff and earned a substantial salary.

Former Arkansas Business Developer Sentenced For Fraud

On Oct. 28, 2014, in Fort Smith, Arkansas, Brandon Lynn Barber, of New York, New York, was sentenced to 65 months in prison and three years of supervised release. On July 31, 2013, Barber pleaded guilty to conspiracy to commit bankruptcy fraud, conspiracy to commit bank fraud and money laundering. From approximately 2005 through 2009, Barber was involved in several schemes to defraud banks, creditors and the Federal Bankruptcy Court. Barber provided false financial information and statements to banks for loans to finance the Legacy Condominium building and the Bellafont project in Fayetteville. Barber also concealed assets and income from creditors and the bankruptcy court by transferring funds to other co-defendants or accounts controlled by them and using those funds for his own personal benefit and expenses.

Former Leader and Former Chief Executive Officer of Hindu Temple of Georgia Sentenced for Fraud and Obstruction

On April 13, 2015, in Atlanta, Georgia, Annamalai Annamalai, aka Dr. Commander Selvam, aka Swamiji Sri Selvam Siddhar, former leader of the now defunct Hindu Temple of Georgia and a resident of Baytown, Texas, was sentenced to 327 months in prison. Annamalai was convicted on Aug. 25, 2014 for bank fraud and tax fraud offenses. Co-defendant Kumar Chinnathambi, also of Baytown, was arrested and pleaded guilty to conspiracy to commit

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bankruptcy fraud on July 17, 2014. Chinnathambi was sentenced on May 1, 2015 to 24 months in prison, three years of supervised release and jointly ordered to pay \$318,781 in restitution. Around Oct. 12, 2008, Chinnathambi was listed as the Chief Executive Officer of the Hindu Temple of Georgia, a position previously held by Annamalai. On or about Aug. 30, 2009, another individual was listed as the Chief Financial Officer and Secretary. About Aug. 31, 2009, the Hindu Temple filed for Chapter 11 bankruptcy. Annamalai signed the voluntary petition for bankruptcy on behalf of the Hindu Temple as President and Chief Executive Officer. About a Nov. 9, 2009, five days after a trustee was appointed to oversee the Hindu Temple's property in bankruptcy, Chinnathambi registered new temple with the Georgia Secretary of State, called Shiva Vishnu Temple of Georgia, Inc. (Shiva Vishnu), which listed the other individual as the Chief Executive Officer. About Nov. 12, 2009, Annamalai, Chinnathambi and another individual opened a bank account in the name of Shiva Vishnu. From about Nov. 25, 2009, through about Oct. 25, 2010, Annamalai and Chinnathambi caused credit card receipts and donations that were intended for the Hindu Temple to be diverted and deposited into Shiva Vishnu's bank account, without disclosing the funds to the trustee charged with control of the debtor Hindu Temple's property in bankruptcy, or creditors of the Hindu Temple or the United States Trustee. Annamalai was also convicted on obstruction and false statements in connection with the grand jury investigation and the bankruptcy proceeding. Annamalai transmitted a fraudulent email to an IRS CI

Special Agent, which was falsely made to appear as if the email had been written and authored by a witness of the criminal investigation. Annamalai submitted a false affidavit to the grand jury, and a false affidavit to the Bankruptcy Court in connection with the Hindu Temple's bankruptcy proceeding.

Prominent Businessman for Private Consulting Group Sentenced after Bilking Elderly Victim of \$1.1 Million

On March 31, 2015, in Portland, Oregon, Robert L. Keys was sentenced to 70 months in prison, three years of supervised release, and ordered to pay \$1.1 million in restitution. Keys pleaded guilty on Sept. 9, 2014 to wire fraud, money laundering and bankruptcy fraud. In 2008, as Keys' business ventures were failing, he turned to one of his long-term clients, a widow in her mid-80s, and persuaded her to loan \$1.1 million to co-defendant William Kearney, now deceased. Keys lied to his client about the terms of the loan, such as the existence of treasury bonds as collateral for the loan, and he failed to disclose important facts to her in order to fraudulently obtain money for his benefit and that of Kearney. Keys also received over \$100,000 in kickbacks as part of the scheme. Those kickbacks were wired to him by Kearney the day after Keys persuaded his client to loan Kearney the \$1.1 million. In addition, Keys and his wife filed for bankruptcy in 2010, and Keys fraudulently attempted to discharge \$148 million in debt by lying to the Bankruptcy Court, concealing assets and income, and filing false documents with the court.

INTERNATIONAL OPERATIONS

The immense growth in the utilization of global financial markets presents new challenges to tax administration worldwide. CI's Office of International Operations (IO) promotes a comprehensive international strategy in responding to global financial crimes and provides support in combating offshore tax evasion. Since the means to evade taxes and commit fraud is not limited by sovereign borders, international collaboration is vital to CI's efforts to combat offshore tax evasion and fraud committed by individuals.

CI has special agent attachés strategically

stationed in 10 foreign countries. Attachés continue to build strong alliances with our foreign government and law enforcement partners. These strong alliances provide CI with the ability to develop international case leads and to support domestic investigations with an international nexus. CI attachés are especially focused on promoters from international banking institutions who facilitate United States taxpayers in evading their United States tax requirements. There are several senior analysts assigned to CI headquarters who are responsible for managing program areas designed to generate investigative leads.

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In 2015 IO created the Investigation Development and Support Unit (IDS). The IDS is a newly created section of IO that was formed when the former International Lead Development Center (ILDC), Offshore Voluntary Compliance group and the Counterterrorism Center (CTC) were merged together and placed under one management structure. This new unit is located in the Office of International Strategy and Policy. The new unit continues to offer its resources to the field in a case support capacity while also focusing on developing significant financial investigations independent of the leads being received.

The growth of the CI footprint internationally has increased the opportunities for case development. The IDS is specifically tasked with conducting research on potential international criminal investigations. In addition, CI has personnel assigned to Interpol and the International Organized Crime Intelligence and Operations Center (IOC-2) to combat the threats posed by international criminal organizations, assist in joint investigations and the apprehension of international fugitives.

As part of IO, the Narcotics and Counterterrorism section provides policy guidance and operational coordination support to the field for the investigation of domestic and international narcotics traffickers and related money laundering organizations and investigations of individuals and organizations believed to be involved in, or supporting, terrorist activities.

Examples of international investigations adjudicated in FY 2015 include:

Tax Return Preparers Sentenced for Hiding Offshore Account and Assisting Wealthy Clients to Hide Millions in Secret Accounts

On Aug. 10, 2015, in Los Angeles, California, David Kalai was sentenced to 36 months in prison, three years of supervised release, with a condition of home confinement to last the entire term of release, and ordered to pay a \$286,000 fine. Nadav Kalai, David Kalai's son, was sentenced to 50 months in prison, three years of supervised release and ordered to pay a \$10,000 fine. The Kalais were principals of United Revenue Service Inc. (URS), a tax return preparation business with 12 offices located throughout the United States. On Dec. 19, 2014,

the Kalais were convicted of conspiracy to defraud the IRS and two counts of willfully failing to file a Report of Foreign Bank and Financial Accounts (FBAR). The Kalais advised and assisted their high net-worth clients in concealing millions of dollars of assets and income in secret foreign bank accounts and filing false federal income tax returns. The Kalais also maintained a secret offshore account of their own at Bank Leumi in Luxembourg in the name of a foreign sham corporation and failed to disclose the account to the IRS or the U.S. Treasury. The Kalais purposefully prepared false individual income tax returns for their URS clients that did not disclose the clients' foreign financial accounts nor report the income earned from those accounts. In order to conceal the clients' income, ownership and control of assets from the IRS, the Kalais incorporated offshore companies in Belize and elsewhere and helped clients open secret bank accounts at the Luxembourg locations of two Israeli banks, Bank Leumi and Bank B. Three URS clients who testified at the Kalais' trial have pleaded guilty to tax felonies arising from their participation in the scheme. The Kalais each failed to file an FBAR for calendar years 2008 and 2009 with respect to a foreign account held at Bank Leumi in Luxembourg.

Commerzbank AG Pleads Guilty to Violating U.S Economic Sanctions and Bank Secrecy Act

On March 12, 2015, in Washington, D.C., Commerzbank AG, a global financial institution headquartered in Frankfurt, and its U.S. branch, Commerzbank AG New York Branch, entered into a deferred prosecution agreement for violations of the International Emergency Economic Powers Act (IEEPA) and the Bank Secrecy Act (BSA) and agreed to pay a total of \$1.45 billion. Commerzbank admitted and accepted responsibility for its criminal conduct in violation of IEEPA and the BSA, and Commerz New York admitted its criminal conduct in violation of the BSA. According to court documents, Commerzbank AG processed billions of U.S. dollar transactions through the U.S. financial system on behalf of Sudanese and Iranian entities subject to U.S. economic sanctions from 2002 to 2008. In addition, since 2008, and continuing until at least 2013, Commerz New York violated the BSA and its implementing regulations. Specifically, Commerz New York failed to maintain adequate

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policies, procedures and practices to ensure its compliance with U.S. law, including its obligation to detect and report suspicious activity. As a result of the wilful failure of Commerz New York to comply with U.S. law, a multibillion-dollar securities fraud was operated through Commerzbank and Commerz New York. Olympus, a Japanese-based manufacturer of medical devices and cameras, used Commerzbank and Commerz New York to perpetrate a massive accounting fraud. Commerz New York, through its branch and affiliates in Singapore, loaned money to off-balance-sheet entities created by or for Olympus to perpetrate the accounting fraud. Commerz New York transacted more than \$1.6 billion in furtherance of the fraud.

New York Man Sentenced for Role in Multimillion-Dollar International Cybercrime Scheme

On April 14, 2015, in Trenton, New Jersey, Oleg Pidtergerya, of Brooklyn, New York, was sentenced to 92 months in prison, three years of supervised release and ordered to pay restitution of \$1,758,127 and a forfeiture judgment of \$250,000. Pidtergerya, a member of an international cybercrime, identity theft and credit card fraud conspiracy, previously pleaded guilty to wire fraud conspiracy and conspiracy to commit access device fraud and identity theft. Oleksiy Sharapka, of Kiev, Ukraine, allegedly directed the conspiracy with the help of Leonid Yanovitsky, also of Kiev. Pidtergerya managed a cash-out crew in New York for Sharapka and Yanovitsky. The conspirators used information hacked from customer accounts held at more than a dozen banks, brokerage firms, payroll processing companies and government agencies in an attempt to steal at least \$15 million from American customers. Conspiring hackers first gained unauthorized access to the bank accounts of customers then Sharapka and Yanovitsky diverted money from the hacked accounts to bank accounts and pre-paid debit cards they controlled. They employed crews of individuals known as “cashers” to withdraw the stolen funds from the fraudulent accounts by, among other ways, making ATM withdrawals and fraudulent purchases in New York, Massachusetts, Georgia and elsewhere. Pidtergerya was aware the fraudulent accounts and cards were created without the consent of the individuals in whose names they were opened. Pidtergerya coordinated ATM and bank

withdrawals of the stolen funds. He then sent the proceeds of the fraud to Sharapka and Yanovitsky in Ukraine.

Former SSA Employee and Eight Others Sentenced In Fraudulent Income Tax Refund Scheme

On March 11, 2015, in Atlanta, Georgia, Marcus Behling, of Powder Springs, Georgia, was sentenced to 39 months in prison and ordered to pay \$698,249 in restitution for his role in the scheme. From approximately January 2011 until March 2012, Shawn Brown led a criminal organization that used stolen personal identification information from more than 1,000 victims, along with fake wage and withholding information, to prepare and electronically file fraudulent returns claiming more than \$5 million dollars in tax refunds. Brown and co-conspirator Maurice Pollock recruited Ronald Bennett, an employee of the United States Social Security Administration (SSA) in Jacksonville, Florida, to improperly access an SSA computer database to steal identities. Brown also recruited Christopher Edwards, an employee of an asset recovery company, to steal identities from a computer database he accessed through his employer. The stolen identities obtained by Bennett and Edwards were used to file fraudulent income tax returns. Brown also recruited Sergey Krayev, a naturalized U.S. citizen from Moldova, to employ individuals in Russia to file fraudulent income tax returns. More than 70 fraudulent returns were filed from Russia and refunds associated with those returns were electronically deposited into bank accounts Brown controlled. On March 6, 2015, Shawn Brown was sentenced to 160 months in prison and ordered to pay \$1,230,021 in restitution. Also sentenced on March 6 were:

- Maurice Pollock to 70 months in prison and ordered to pay \$888,697 in restitution;
- Jonathan Stubbs to 73 months in prison and ordered to pay \$659,599 in restitution;
- Nyron Nelson to 37 months in prison and ordered to pay \$98,671 in restitution;
- Kelly Lonas to 29 months in prison and ordered to pay \$98,671 in restitution;
- Ronald Bennett to 27 months in prison and ordered to pay \$3,000 in restitution;
- Christopher Edwards to 24 months in prison and ordered to pay \$9,265 in restitution; and
- Sergey Krayev to 12 months' probation and ordered to pay \$31,036 in restitution.

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Massachusetts Man Sentenced for Role in Multimillion-Dollar International Cybercrime Scheme

On Oct. 24, 2014, in Trenton, New Jersey, Robert Dubuc, of Malden, was sentenced to 21 months in prison, three years of supervised release and ordered to pay restitution of \$338,685. Dubuc previously pleaded guilty to wire fraud conspiracy and conspiracy to commit access device fraud and identity theft. Dubuc was a member of an international cybercrime, identity theft and credit card fraud conspiracy that used information hacked from customer accounts held at more than a dozen banks, brokerage firms, payroll processing companies and government agencies to attempt to steal at least \$15 million from American customers. Dubuc controlled a cash-out crew in Massachusetts for the organization. Conspiring hackers first gained unauthorized access to the bank accounts of customers then diverted money to other bank accounts and pre-paid debit cards they controlled. They implemented a sophisticated “cash-out” operation, employing crews of individuals known as “cashers” to withdraw the stolen funds from the fraudulent accounts, among other ways, by making ATM withdrawals and fraudulent purchases. Dubuc was aware the fraudulent accounts and cards were created without the consent of the individuals in whose names they were opened. He coordinated ATM and bank withdrawals of the stolen funds and sent proceeds of the fraud to co-conspirators in the Ukraine.

Two Colombian Citizens Sentenced for International Money Laundering Conspiracy

On July 20, 2015, in Miami, Florida, Leonardo Forero Ramirez and Ubaner Alberto Acevedo Espinosa were sentenced to 37 months and 18 months in prison, respectively, and ordered to serve one year of supervised release. Both defendants previously pleaded guilty to conspiracy to commit money laundering. Both Acevedo and Forero were Colombian citizens residing in Bogota. During 2008 and 2009, Acevedo handled customer accounts at a stock brokerage firm that offered accounts that could be used by customers to receive deposits, wire transfers, and other credit or money, and to disburse the funds through wire transfers and cash or other withdrawals. The stock brokerage firm was authorized to receive funds in U.S. dollars, provided that they were properly

documented and justified as being for legitimate business transactions. Forero was one of Acevedo's customers. During the course of his participation in this scheme, Forero received approximately \$1.2 million from IRS undercover accounts that he passed on to the people designated to receive it. Acevedo was involved in the transfer of approximately \$335,000 from IRS undercover accounts in the United States to the stock brokerage firm in Colombia, and the conversion of the dollars into pesos and the subsequent withdrawal of the monies by Forero. Both Acevedo and Forero knew that the money was derived from criminal activity.

Creator and Operator of the “Silk Road” Website Sentenced

On May 29, 2015, in Manhattan, New York, Ross Ulbricht, aka “Dread Pirate Roberts,” of San Francisco, California, was sentenced to life in prison and ordered to forfeit \$183,961,921. On Feb. 5, 2015, Ulbricht was found guilty of distributing narcotics, distributing narcotics by means of the Internet, conspiring to distribute narcotics, engaging in a continuing criminal enterprise, conspiring to commit computer hacking, conspiring to traffic in false identity documents, and conspiring to commit money laundering. Ulbricht created Silk Road in January 2011, and owned and operated the underground website until it was shut down by law enforcement authorities in October 2013. Silk Road served as a sophisticated and extensive criminal marketplace on the Internet where unlawful goods and services, including illegal drugs of virtually all varieties, were bought and sold regularly by the site's users. While in operation, Silk Road was used by thousands of drug dealers and other unlawful vendors to distribute hundreds of kilograms of illegal drugs and other unlawful goods and services to more than 100,000 buyers, and to launder hundreds of millions of dollars deriving from these unlawful transactions. Ulbricht sought to anonymize transactions on Silk Road by operating Silk Road on a special network of computers on the Internet, distributed around the world, designed to conceal the true IP addresses of the computers on the network and thereby the identities of the networks' users. Ulbricht also designed Silk Road to include a Bitcoin-based payment system that concealed the identities and locations of the users transmitting and receiving funds through the site.

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Former Bechtel Executive Sentenced in Connection with Kickback Scheme

On March 23, 2015, in Greenbelt, Maryland, Asem Elgawhary, of Potomac, Maryland, was sentenced to 42 months in prison and ordered to forfeit \$5.2 million. Elgawhary, the former principal vice president of Bechtel Corporation and general manager of a joint venture operated by Bechtel and an Egyptian utility company, pleaded guilty on Dec. 4, 2014, to mail fraud, conspiracy to commit money laundering, obstruction and interference with the administration of the tax laws. From 1996 to 2011, Elgawhary was assigned by Bechtel as the general manager at Power Generation Engineering and Services Company (PGESCO), a joint venture between Bechtel and Egypt's state-owned and state-controlled electricity company, known as EEHC. PGESCO assisted EEHC in identifying possible subcontractors, soliciting bids and awarding contracts to perform power projects for EEHC. Elgawhary accepted a total of \$5.2 million from three power companies, who paid to secure a competitive and unfair advantage in the bidding process. One of the power companies, Alstom S.A., pleaded guilty on Dec. 22, 2014, to violations of the Foreign Corrupt Practices Act (FCPA) in connection with a scheme to pay bribes to foreign officials, including Elgawhary, in various countries. Elgawhary attempted to conceal the kickback scheme by routing the payments through various off-shore bank accounts under his control. In addition, Elgawhary obstructed and interfered with tax laws by failing to report any of the kickback payments as income for the tax years 2008 through 2011 and providing false information about foreign bank accounts.

Narcotics and Counterterrorism

CI's Narcotics and Counterterrorism Program support the goals of the President's Strategy to Combat Transnational Organized Crime, the U.S. National Drug Control Strategy, the National Money Laundering Strategy, and the U.S. Government's National Counterterrorism Strategy. CI contributes to the strategies by seeking to reduce or eliminate the profits and financial gains of individuals, entities, and Transnational Criminal Organizations (TOC) involved in the financing of terrorism, narcotics trafficking, and money laundering. CI Special Agent's expertise in "following the money" is vital

to fulfilling the goals of U.S. government narcotics and counterterrorism strategies. CI special agents utilize their unique financial investigative expertise to trace the profits from an illegal activity back to an individual or criminal organization.

CI is an integral partner in combatting the trafficking of narcotics and the financing of terrorism by investigating criminal violations of the Internal Revenue Code, Bank Secrecy Act and Federal Money Laundering statutes. Since its inception in 1982, CI has participated in the Organized Crime Drug Enforcement Task Force (OCDETF) program by focusing its narcotics efforts almost exclusively on high-priority OCDETF cases where its contributions have the greatest impact. The FY 2015 goal for CI's Direct Investigative Time (DIT) in narcotics investigations ranged between 11-12.5% of the agency's total DIT. At fiscal year-end, CI achieved its goal with a final rate of 11.4% of DIT charged to narcotics investigations. In addition, the FY 2015 goal of 90% of all narcotics investigation dedicated to the OCDETF program was reached with a final 91.4%.

CI's Narcotics Program also supports the National Drug Control Strategy and the National Money Laundering Strategy through the assignment of CI personnel to the White House Office of National Drug Control Policy as well as the assignment of personnel to multi-agency task forces, including OCDETF, OCDETF Fusion Center (OFC), High Intensity Drug Trafficking Area (HIDTA), High Intensity Financial Crimes Area (HIFCA), Drug Enforcement Administration Special Operations Division, (SOD), and the El Paso Intelligence Center (EPIC).

The goals of the U.S. Government's National Counterterrorism Strategy are guided by several key principles, including but not limited to harnessing every tool at the U.S. Government's disposal, including intelligence, military, and law enforcement. The CI special agent's expertise in tracking financial records is vital to the goal to disrupt, dismantle, and prosecute individuals, entities and TOC groups that finance terrorism. CI contributes to the strategy's goal by having its special agents use their financial investigative expertise to identify and investigate terrorism financing schemes. CI also supports the U.S. Government's National Counterterrorism

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Strategy by assigning personnel to a number of FBI-led Joint Terrorism Task Forces (JTTF). Due to CI's mission and current limited resources, it's unable to participate in all of the JTTFs. However, CI plays a prominent role in many investigations of individuals and organizations believed to be involved in or supporting international terrorist activities. During FY2015, CI partnered with IRS's Tax Exempt and Government Entities (TEGE) to identify then investigate and/or sanction tax exempt, 501(c)(3), entities that are knowingly facilitating the financing of terrorist activity through their entity's financial infrastructure. Furthermore, CI's IDS proactively develops terrorism related investigative leads for investigation by CI special agents. The IDS also provides investigative support to CI special agents that investigate terrorism cases.

Examples of narcotics and counterterrorism investigations adjudicated in FY 2015 include:

Pill Mill Operator and Two Others Sentenced for Conspiracy to Dispense Controlled Substances

On Aug. 27, 2015, in Chattanooga, Tennessee, Barbara Lang, aka "Aunt Bea," of Rossville, Georgia, was sentenced to 280 years in prison. Lang was convicted of conspiring to distribute and dispense Schedule II and IV controlled substances, outside the scope of professional practice and not for a legitimate medical purpose; maintaining a premise for the purpose of distributing controlled substances; and structuring financial transactions to evade reporting requirements. Lang's daughter, Faith Blake, pleaded guilty to conspiring to illegally distribute drugs through pain clinics she operated, obstructing the IRS and failing to appear for a federal court proceeding. Sentencing for Blake is set for later this year. Dr. Jerome Sherard, a medical director, pleaded guilty to conspiring to illegally distribute drugs and was sentenced to 60 months in prison and ordered to forfeit \$192,956. Charles Larmore, a nurse practitioner, pleaded guilty to conspiring to illegally distribute drugs and was sentenced to 156 months in prison, fined \$20,000 and ordered to forfeit \$375,829.

Drug Trafficker Sentenced for Drug Distribution and Money Laundering Conspiracies

On July 23, 2015, in Greenbelt, Maryland,

Anthony Torrell Tatum, of Arlington, Virginia, was sentenced to 324 months in prison for conspiracy to distribute cocaine and heroin, possession of a gun in furtherance of a drug trafficking offense and money laundering conspiracy. Tatum was ordered to pay a \$108 million money judgment, as well as a forfeiture order for personal property seized during the investigation, including \$328,700 in assorted jewelry, over \$1 million in cash or deposited in bank accounts and a luxury vehicle. From at least January 2011 through his arrest on Sept. 6, 2013, Tatum conspired with Ishmael Ford-Bey and others to distribute cocaine and heroin. In May 2013, Tatum rented a storage unit in Maryland using an alias. Between August 2013 and October 2013, search warrants were executed at several locations and uncovered large quantities of cocaine, heroin, drug paraphernalia, weapons, cash, jewelry and heat sealers. Latent fingerprints recovered from the heat sealers were identified as belonging to Tatum and Ford-Bey. At one location, law enforcement discovered a fake driver's license bearing Tatum's picture. Tatum was present at the location and arrested. In an effort to disguise and hide their drug proceeds, Tatum and others created numerous business entities, including 1001 Solutions, Beauty International Supply, Inc. and Going Green Towing, which had little, if any, legitimate business. They set up bank accounts in the names of each business and deposited their drug proceeds into those business accounts. Tatum used the drug proceeds to purchase several vehicles and expensive jewelry.

North Carolina Man Sentenced For Narcotics Distribution and Money Laundering

On July 15, 2015, in Wilmington, James Rodrequias Pressley, of Dunn, was sentenced to life in prison and five years of supervised release. Pressley was convicted by jury trial for conspiracy to distribute and possess with intent to distribute cocaine base (Crack) and five kilograms or more of cocaine and conspiracy to commit money laundering. From at least 1999 to 2012, Pressley was a drug trafficker responsible for possessing and distributing crack cocaine and cocaine. Pressley received these narcotics from several suppliers. Pressley used numerous others to distribute his drugs throughout eastern North Carolina. Between Dec. 12, 2011, and Feb. 1, 2012, investigative agents used a confidential informant to conduct several controlled purchases of crack cocaine from

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Pressley. Several of the controlled buys occurred at Pressley's residence. The IRS determined that Pressley had no verifiable employment history during the time of the offense; however, between June 12, 2009, and Aug. 17, 2010, Pressley purchased several properties in Dunn for a total of \$10,500. Pressley subsequently made additions and/or renovations to the properties valued at \$12,000. Pressley used these properties to sell and store cocaine and crack cocaine, and store proceeds from his drug-trafficking activities. During the drug conspiracy, Pressley ostensibly operated a legitimate music business, Blackbird Entertainment (BE), as well as a landscaping business in Dunn. Pressley used drug proceeds to pay for concerts and production costs in an attempt to promote BE. He also used \$7,860 in drug proceeds to purchase equipment for his landscaping business. In order to conceal the source of illegal proceeds, between Jan. 5, 2009 and Nov. 22, 2011, Pressley made deposits totaling \$29,805 to the bank account of his girlfriend, deposits totaling \$20,060, to his landscaping account, and deposits totaling \$15,000 to his account at Bank of America. Investigators also determined that between Sept. 5, 2009, and Feb. 28, 2011, Pressley used \$26,912 in drug proceeds to purchase at least three vehicles.

Head of a Gulf Cartel Sentenced for Drug Trafficking, Money Laundering

On June 30, 2015, in Beaumont, Texas, Juan Francisco Saenz-Tamez, of Camargo, Tamaulipas, Mexico, was sentenced to 360 months in prison and ordered to pay a money judgment of \$100 million. Saenz-Tamez pleaded guilty on Jan. 13, 2015 to distribution and possession with intent to distribute cocaine, conspiracy to distribute and possession with intent to distribute marijuana, and conspiracy to commit money laundering. A federal investigation into the large-scale trafficking of illegal drugs from Mexico into the Eastern District of Texas revealed that Saenz-Tamez was responsible for the shipment of one-half ton of cocaine and 90 tons of marijuana into the area and then onto locations across the nation. As a result of this scheme, \$100 million was laundered by Saenz-Tamez and his drug trafficking organization.

Former Ringleader of Albuquerque-Based Drug Trafficking Organization Sentenced

On July 28, 2015, in Albuquerque, New Mexico,

Christopher Roybal, the former leader of an Albuquerque-based drug trafficking organization, was sentenced to 168 months in prison, five years of supervised release and required to pay a \$184,080 money judgment. On Feb. 25, 2015, Roybal pleaded guilty to a second superseding indictment, charging him with participating in a cocaine trafficking conspiracy, three money laundering conspiracies, and a substantive money laundering offense. Christopher Roybal admitted that between Aug. 2011 and Dec. 2012, he conspired with others to distribute large quantities of cocaine in Albuquerque and Las Vegas. He also admitted participating in three conspiracies that laundered the proceeds of his drug trafficking organization. One conspiracy involved the transportation of drug proceeds from Albuquerque to California to pay for marijuana that was distributed by Christopher Roybal's organization. The second and third conspiracies involved the laundering of Christopher Roybal's drug proceeds through accounts at a bank and a credit union. Roybal agreed to forfeit his Albuquerque residence and a 1967 Chevrolet Camaro. The charges filed in the case were the result of a 16-month multi-agency investigation into a drug trafficking organization headed by Roybal.

Law School Graduate Sentenced for Conspiring to Launder Drug Money

On April 23, 2015, in Kansas City, Kansas, Mendy Read-Forbes, a law school graduate, was sentenced to 240 months in prison. Read-Forbes, of Platte City, Missouri, pleaded guilty to conspiracy. In March 2012, Read-Forbes began meeting with an agent posing as a drug dealer. Read-Forbes, a law school graduate who was not licensed to practice law, operated Forbes & Newhard Credit Solutions, Inc., a nonprofit corporation registered in Missouri to provide educational and social welfare services. The agent told Read-Forbes he had assets to conceal from the sale of marijuana. She said she could use her legal training and her connections with federal attorneys and law enforcement officers to help him launder the money. She told the agent she would launder his cash by running it through her business. The plan also involved her listing the agent as an employee of her business and putting him on her company's board of directors. As part of the scheme, she created a fictitious company called Maximus Lawn Care LLC. Over the course of the investigation, she laundered more than \$200,000

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in purported drug funds. She also agreed to invest \$40,000 of her money with the agent for the purchase of marijuana.

Austinite Sentenced for Attempting to Travel to Syria to Join ISIL/ISIS

On June 5, 2015, in Austin, Texas, Michael Wolfe (aka "Faruq") was sentenced to 82 months in prison and five years of supervised release for attempting to provide material support and resources to a foreign terrorist organization. In June 2014, Wolfe pleaded guilty to the charge, admitting that from Aug. 2013 to June 17, 2014, he planned to travel to the Middle East to provide his material support to the Islamic State of Iraq and the Levant (ISIL), also known as the Islamic State of Iraq and al-Sham/Syria (ISIS). Wolfe previously acknowledged that he applied for and

acquired a U.S. passport, participated in physical fitness training, practiced military maneuvers and made efforts to conceal his communications about his plans to travel overseas to engage in violent jihad. Wolfe also purchased airline tickets so that he could travel to Europe to meet an FBI undercover employee, whom the defendant then believed would facilitate travel to Syria through Turkey. In furtherance of his attempt to provide material support to ISIL, Wolfe travelled to Houston and was apprehended on June 17, 2014, on the jet-way, as he attempted to board a flight to Toronto, Canada. His ticketed itinerary had him traveling through Iceland and arriving in Copenhagen, Denmark, on June 18, 2014. He then planned to make his way to Syria to join with ISIL and engage in the armed conflict.

The following table provides IRS CI's International Operations statistics over the past three fiscal years:

	FY 2015	FY 2014	FY 2013
Investigations Initiated	186	226	284
Prosecutions Recommendations	168	203	214
Indictments/Informations	166	199	184
Convictions	145	150	149
Incarceration Rate	78.4%	80.0%	70.4%
Average Months to Serve	36	57.9	51

MONEY LAUNDERING AND BANK SECRECY ACT (BSA)

In partnership with other law enforcement agencies and the Department of Justice, CI seeks to protect the United States financial system through the investigation and prosecution of individuals and organizations that are attempting to launder their criminally derived proceeds. CI also seeks to deprive individuals and organizations of their illegally obtained cash and assets through effective use of the federal forfeiture statutes. In money laundering cases, the money involved is earned from an illegal enterprise and the goal is to give that money the appearance of coming from a legitimate source. Money laundering is one means by which criminals evade paying taxes on illegal income by concealing the source and the amount of profit.

The Third Party Money Laundering (3PML) initiative was created in 2014 in conjunction with the Treasury Executive Office for Asset Forfeiture. In FY 2015, 3PML case initiations

continued to increase. Major Case funding continues to be made available to combat the high costs generally associated with these complex financial investigations with asset forfeiture potential.

CI has also been working in conjunction with Department of Treasury to comply with the Financial Action Task Force (FATF) audit of the United States. The objectives of the FATF are to

set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

Virtual Currency

Since 2013, CI has pursued investigations into

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the use of virtual currency for illicit purposes. Virtual currency is any medium of exchange that operates like a fiat currency but does not have legal tender status in any jurisdiction. As with any money, virtual currency can be used in a wide variety of crimes involving tax fraud, money laundering, and other financial crimes. CI has had substantial roles in many virtual currency investigations. One example is the investigation of Carl Mark Force, a corrupt DEA agent who transferred bitcoins into his personal wallet while investigating Silk Road. CI was able to successfully follow the bitcoin transfers through the blockchain.

In FY 2015, IRS-CI continued to focus on financial crimes that involved virtual currency by collaborating with FinCEN and other federal law enforcement agencies to identify the movement of illegal monies utilizing virtual currency. In addition, IRS-CI continued its collaboration efforts with other Business Operating Divisions (BOD) within IRS to include SB/SE and LBI to evaluate the effect of the virtual currency guidance issued by IRS in March 2014 and to investigate those individuals who use virtual currency as a tool to evade taxes.

CI is a member of IRS' Virtual Currency Issue Team that looks into issues related to virtual currency, including how taxpayers can use virtual currency as a tool to evade the payment of taxes. On Sept. 17, 2015, IRS-CI participated in a formal CENTRA virtual currency course with the IRS Virtual Currency Issue team. The Financial Crimes section has also provided virtual currency presentations to several CI field offices to give a basic awareness of virtual currency, how it works and how it has been used for illicit purposes. In FY 2016 IRS-CI will continue to provide training into virtual currency and incorporate advanced training that will include how to analyze the blockchain.

In FY 2016, CI will continue to focus on financial crimes that involve virtual currency by collaborating with FinCEN and other federal law enforcement agencies to identify the movement of illegal monies utilizing virtual currency. In addition, CI will continue its collaboration efforts with other BODs. CI will also seek to work with private companies and organization, such as Coinbase and the Blockchain Alliance to stay current on the threats posed by the use of virtual currency.

Bank Secrecy Act

The Bank Secrecy Act (BSA) mandates the reporting of certain currency transactions conducted with a financial institution, the disclosure of foreign bank accounts, and the reporting of the transportation of currency across United States borders. Through the analysis of BSA data, CI has experienced success in identifying significant and complex money laundering schemes and other financial crimes. CI is the largest consumer of BSA data. The CI BSA Program has grown substantially since its inception in the early 2000s when CI helped establish the initial 41 Suspicious Activity Report Review Teams (SAR-RT). The mission then, as it is today, was to scrutinize BSA data to identify and target significant illicit financial criminal activity. The current BSA program is comprised of participation in 94 SAR-RTs (one in each judicial district and led by the responsible U.S. Attorney Office), and sponsorship and management of 55 Financial Crimes Task Forces (FCTF) throughout the country. The FCTF involves collaboration between CI and state or local law enforcement agencies for the purpose of identifying and investigating specific geographic area illicit financial crimes, including BSA violations, money laundering, narcotics trafficking, terrorist financing and even tax evasion. More than 150 state or local agencies have joined FCTFs across the country and have detailed more than 350 law enforcement officers to become Task Force Officers. The Task Force Officers are granted the authority to investigate money laundering and BSA violations under the direction of CI. All task force investigations are conducted at the federal level and IRS-CI policies regarding authorized investigative techniques, enforcement actions, and seizures are followed by all the participants. CI strengthens the BSA program area by maintaining excellent working relationships with anti-money laundering officials within the financial industry. Additionally, CI also maintains excellent relationships with IRS civil functions responsible for Title 31 Compliance and other external sources. These relationships are developed at the headquarters and field office levels through outreach activities.

In addition, during FY 2015, CI hosted two bank forums to help strengthen relationships with officials within the financial industry. The bank forums provide an opportunity for CI and the Anti-Money Laundering officials to discuss emerging trends of criminal activity.

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In FY 2015, FinCEN approved two Geographic Targeting Orders (GTOs). On Oct. 2, 2014, FinCEN approved a GTO for certain businesses located within the Los Angeles Fashion District. The order imposes additional reporting and recordkeeping obligations on certain trades and businesses located within the Los Angeles Fashion District. The GTO will enhance the IRS' ability to identify and pursue cases against person and businesses engaged in the illicit movement of U.S. currency to Mexico and Columbia using the black market peso exchange, sometimes known as trade based money laundering. In February 2015, the order was extended for another 180 days. On April 21, 2015, FinCEN approved a GTO for the Miami area (including surrounding counties) to enforce additional record keeping requirements on check cashing businesses/MSBs. To help combat identity theft and refund fraud, FinCEN added additional requirements for cashing Treasury checks and Refund Anticipation Loans (RAL). Additional record keeping requirements include but are not limited to requesting the customer provide two forms of identification, a photo ID and a fingerprint on the check.

Examples of money laundering investigations adjudicated in FY 2015 include:

Long-Time Drug Trafficker and Money Launderer Sentenced

On Sept. 14, 2015, in Anchorage, Alaska, Steven Nicholas Taylor was sentenced to 180 months in prison and five years of supervised release. Taylor agreed to forfeit and abandon any interest in his Seattle home. Taylor previously pleaded guilty to conspiracy to distribute controlled substances and conspiracy to commit money laundering. In a separate, but related, case arising in Missouri, Taylor was sentenced on his plea of guilty to drug trafficking conspiracy. Taylor and his accomplices were major sources of cocaine in Alaska going back 20 years. In the late 1990's, Taylor was convicted of drug conspiracy, money laundering, and interstate travel in aid of racketeering, and served 121 months in federal prison. In 2009, shortly after court-ordered supervision was terminated in the Seattle case, Taylor resumed drug trafficking operations with several of same accomplices, and supplied cocaine and other drugs to Alaska and Missouri. In the Alaska case, Taylor directed the activities of Timothy Northcutt, Joseph Irving, Etienne Devoe, Leonard Charles, Joshua Haynes, and others. In

total, Taylor admitted to supplying between 15 and 50 kilograms of cocaine to Alaska, as well as an additional 5 to 15 kilograms to Missouri. Taylor also directed and instructed his co-conspirators on money laundering for the continuation of Taylor's drug conspiracy operation, from which Taylor was the primary beneficiary. Devoe, Northcutt, Leonard, and Charles participated in the money laundering activities, including exchanging text messages with Taylor on how to launder the money, and what bank accounts to use. Taylor's co-defendants in the case received the following sentences: James Brown, Sr., 56 months, Leonard D. Charles, 60 months; Etienne Q. Devoe, 126 months; Shawn Cortez Cloyd, 36 months; Timothy W. Northcutt, 72 months; Joshua J. Haynes, 30 months; Gabrielle P. Haynes, 18 months; Joseph E. Irving, 21 months.

Second Missouri Man Sentenced for \$1.2 Million K2 Distribution

On Sept. 8, 2015, in Springfield, Eric Scott Reynolds, of Lebanon, was sentenced to 72 months in prison. On Oct. 15, 2015, Reynolds pleaded guilty to his role in a mail fraud conspiracy and a money laundering conspiracy that involved the distribution of more than \$1.2 million of synthetic marijuana, commonly referred to as K2, from a head shop in Lebanon, Missouri. Reynolds was employed at Lucky's Novelties and distributed synthetic drugs from the head shop. His brother and co-defendant, Stephen Brian Reynolds, of Camdenton, was the owner of Lucky's Novelties. Stephen Reynolds was sentenced on June 29, 2015, to 72 months in prison and ordered to forfeit \$1,167,990, as well as real estate, funds in bank accounts, approximately \$128,000 that was seized from his residence, a car, motorcycle, and several guns. Both men participated in the conspiracy to commit mail fraud from March 1, 2011, to Dec. 11, 2012. They defrauded the Food and Drug Administration and the public by using mail deliveries in a conspiracy to distribute several products that were labeled as "incense" or "potpourri" and "not for human consumption," when in reality these substances were synthetic marijuana intended for human consumption as a drug. In addition, between Sept. 15, 2011, and July 25, 2012, Stephen and Eric Reynolds deposited \$1,245,761 in proceeds from the distribution of K2 into bank accounts and a safety deposit box.

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California Woman Sentenced for Role in Offshore Sweepstakes Scheme

On Aug. 11, 2015, in Asheville, North Carolina, Patricia Diane Clark, of Sacramento, California, was sentenced to 130 months in prison and ordered to pay \$642,032 in restitution and to forfeit the same amount jointly with her co-defendants. Clark pleaded guilty to conspiracy to commit wire fraud, wire fraud and conspiracy to commit money laundering. From about 2007 through February 2013, Clark and her co-conspirators called U.S. residents from Costa Rican call centers, falsely informing them that they had won a cash "sweepstakes." The victims, many of whom were elderly, were told that in order to receive the prize, they had to send money for a purported "refundable insurance fee." Clark picked up money from the victims and sent it to her co-conspirators in Costa Rica. Clark also managed others who picked up money from the victims in the US and she kept a portion of the victims' payments. Once the victims sent money, Clark's co-conspirators contacted the individuals again and falsely informed them that the prize amount had increased, either because of a clerical error or because another prize winner was disqualified. The victims then had to send more money to pay for "new" fees to receive the larger sweepstakes prize. The attempts to collect additional money from the victims continued until an individual either ran out of money or discovered the fraudulent nature of the scheme. Clark, along with her co-conspirators, was responsible for approximately \$640,000 in losses to more than a hundred U.S. citizens.

Two Colombian Citizens Sentenced for International Money Laundering

On July 20, 2015, in Miami, Florida, Leonardo Forero Ramirez and Ubaner Alberto Acevedo Espinosa were sentenced to 37 months and 18 months in prison, respectively, and ordered to serve one year of supervised release. Both defendants previously pleaded guilty to conspiracy to commit money laundering. Both Acevedo and Forero were Colombian citizens residing in Bogota. During 2008 and 2009, Acevedo handled customer accounts at a stock brokerage firm that offered accounts that could be used by customers to receive deposits, wire

transfers, and other credit or money, and to disburse the funds through wire transfers and cash or other withdrawals. The stock brokerage firm was authorized to receive funds in U.S. dollars, provided that they were properly documented and justified as being for legitimate business transactions. Forero was one of Acevedo's customers. During the course of his participation in this scheme, Forero received approximately \$1.2 million from IRS undercover accounts that he passed on to the people designated to receive it. Acevedo was involved in the transfer of approximately \$335,000 from IRS undercover accounts in the United States to the stock brokerage firm in Colombia, and the conversion of the dollars into pesos and the subsequent withdrawal of the monies by Forero. Both Acevedo and Forero knew that the money was derived from criminal activity.

Pennsylvania Man Sentenced for Violating Drug, Gun and Money Laundering Laws

On July 7, 2015, in Pittsburgh, Omali P. McKay, a citizen of Trinidad who formerly resided in Lower Burrell and Arnold, was sentenced to 180 months in prison, five years of supervised release and ordered to forfeit vehicles, a residence and \$272,000 in cash. McKay was previously convicted of violating narcotics, firearms and money laundering laws. McKay conspired with others from 2006 to Aug. 25, 2012, to distribute cocaine and crack cocaine. McKay admitted possessing, with intent to distribute, cocaine seized from his Lower Burrell residence on Aug. 25, 2012, while simultaneously possessing an assault rifle in furtherance of the drug crime. Finally, McKay admitted to conspiring with others to launder his drug trafficking proceeds. He used those laundered funds to purchase the Lower Burrell residence for \$243,000 in cash in August 2011.

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The following tables provide IRS CI's money laundering and Bank Secrecy Act (BSA) statistics over the past three fiscal years:

Money Laundering Investigations	FY 2015	FY 2014	FY 2013
Investigations Initiated	1436	1312	1596
Prosecution Recommendations	1301	1071	1377
Indictments/Informations	1221	934	1191
Sentenced	691	785	829
Incarceration Rate	84.1%	82.2%	85.4%
Average Months to Serve	65	66	68

Bank Secrecy Act (BSA) Investigations*	FY 2015	FY 2014	FY 2013
Investigations Initiated	613	809	922
Prosecution Recommendations	519	677	771
Indictments/Informations	533	608	693
Sentenced	557	535	453
Incarceration Rate	72.4%	74.8%	70.6%
Average Months to Serve	31	35	36

*BSA statistics include investigations from Suspicious Activity Report (SAR) Review Teams, violations of BSA filing requirements, and all Title 31 and Title 18-1960 violations.

Frivolous Arguments Working Group

In FY 2013, CI created a working group to develop recommendations on tracking investigations and sharing information about potential safety concerns against the law enforcement community, IRS employees and other government officials. Some members of the sovereign citizen movement espouse frivolous arguments opposing the tax laws, as well as other laws.

Examples of frivolous argument investigations adjudicated in FY 2015 include:

Tax Defier Sentenced for Failing to Pay Federal Taxes

On Aug. 4, 2015, Minneapolis, Minnesota, Tami Mae May was sentenced to 24 months in prison for failing to pay federal taxes for more than seven years. May pleaded guilty on June 9, 2014, to obstruction of due administration of Internal Revenue laws. From 1998 through 2004, May failed to file any income tax returns for the excavating business she ran with her husband, despite that fact that the business earned substantial income during that time. When notified by the IRS in April 2005 that the business owed tax debt, penalties and interest,

May embarked on an eight-year campaign of frivolous filings, in an effort to obstruct the administration of Internal Revenue laws. May filed a host of fake documents with the IRS, including a "zero income" tax return, Forms 1099-OID falsely claiming that her husband had made payments to various IRS Revenue Officers, falsely claiming that the Mays or their business had received "original issue discounts" and had "federal tax withheld" by various banks and credit card companies, and forms claiming that the Mays were not United States Citizens, but instead were permanent residents of the "Kingdom of Heaven." May also made nonsensical tax-defier-scheme-related statements to the IRS, including that her social security number was her "corporate fiction's" social security number, that her family's business was a foreign trust of which she was the trustee, and that there is no such thing as money.

Members of Sovereign Citizen Movement Sentenced for Scheme to Defraud the IRS

On June 18, 2015, in Phoenix, Arizona, Gordon Leroy Hall, of Mesa, Arizona, was sentenced to 96 months in prison. Gordon Hall's business partner, Brandon Adams, of Albuquerque, New Mexico, was sentenced to 40 months in prison. Gordon Hall's son, Benton Hall, was sentenced to 27 months in prison. Gordon Hall partnered

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with Adams after they met at various seminars associated with the sovereign citizen movement. They devised a plan to create fictitious money orders to submit to the IRS in an attempt to eliminate Hall's and Hall's clients' tax debts. The scheme operated out of Hall's office and home in Mesa, Arizona, where Hall's children, including Benton Hall, acted as office managers. Adams created all of the fictitious money orders based on information provided by Hall's staff. In all, Hall and Adams created and caused the submission to the IRS of 149 fictitious money orders totaling approximately \$93 million.

Tax Fraud Promoters Sentenced for Conspiring to Defraud Internal Revenue Service

On May 20, 2015, in Salt Lake City, Utah, Gerrit Timmerman III, of Midvale, was sentenced to 48 months in prison and three years of supervised release. Carol Jean Sing, of Henderson, was sentenced to 36 months in prison and three years of supervised release. In February 2015, Timmerman and Sing were convicted at trial by a federal jury of conspiracy to defraud the United

States. Between April 23, 2004 and March 5, 2007, Timmerman and Sing conspired to defraud the United States by marketing "corporations sole" as part of their scheme to evade the assessment and payment of federal income taxes. Timmerman and Sing falsely told their clients that corporations sole were exempt from United States income tax laws, had no obligation to file tax returns and had no obligation to apply for tax exempt status. They further claimed that individuals taxable by assigning it to the corporation sole, could draw a tax-free stipend from their corporation sole, and could render property immune from IRS collection activity by transferring property to the corporation sole. Sing used Trioid International Group Inc. as a resident could render their own income non-agent for corporations sole and other business entities for their clients. Timmerman assisted others in evading their state and federal income tax liabilities and recommended the corporation sole to his clients as another way to impair the IRS. Both defendants referred customers to one another and paid each other referral fees.

WARRANTS AND FORFEITURE

Criminal Investigation uses asset forfeiture statutes to disrupt and dismantle criminal enterprises by seizing and forfeiting their assets or property used or acquired through illegal activities. Criminal Investigation also maintains an active fugitive program and coordinates information with other law

enforcement agencies in order to identify and apprehend fugitives from justice where the fugitive has been charged with violations of the Internal Revenue laws and related offenses. The chart below summarizes the seizures and forfeitures during Fiscal Year 2015.

The charts below show the number of investigations involved and the number of assets seized and forfeited.

Seizures		
Count of Investigations	Count of Assets	Total Asset Appraisal Value
276	866	\$638,275,025

Forfeitures		
Count of Investigations	Count of Assets	Total Forfeited Value
385	1,055	\$4,305,844,067

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Examples of investigations involving forfeitures during FY 2015 include:

Edgar Paltzer (New York FO) - On Nov. 25, 2014, a Stipulation and Order of Settlement was filed forfeiting more than \$12 million, to the United States. Edgar Paltzer was an attorney in Switzerland who also operated as a financial intermediary. In his capacity as a financial intermediary, Paltzer assisted U.S. taxpayer clients in maintaining undeclared accounts in Switzerland. Paltzer pleaded guilty to conspiring with certain U.S. taxpayers and others to defraud the IRS of taxes due and owing and filing false tax returns.

DaVita Inc. (Denver FO) – On Jan. 13, 2015, a Final Judgement was filed forfeiting \$39 million to the United States. DaVita Healthcare Partners, Inc. is one of the leading providers of dialysis services in the United States and agreed to pay \$350 million to resolve claims that it violated the False Claims Act by paying kickbacks to induce the referral of patients to its dialysis clinics. DaVita has also agreed to a Civil Forfeiture in the amount of \$39 million based upon conduct related to two specific joint venture transactions entered into in Denver, Colorado. DaVita is headquartered in Denver, Colorado and has dialysis clinics in 46 states and the District of Columbia.

BNP Paribas S.A. (Washington DCFO) – On May 1, 2015, BNP Paribas was sentenced to a

five-year term of probation and ordered to forfeit more than \$3.9 billion. BNP Paribas is the largest bank in France and one of the five largest banks in the world in terms of total assets. The sentencing is the first time a financial institution has been convicted and sentenced for violations of U.S. economic sanctions and the total financial penalty including the forfeiture and criminal fine is the largest financial penalty ever imposed in a criminal case.

Victor Anthony Nottoli (Oakland FO) – On May 31, 2015, Nottoli forfeited more than \$6.6 million to the United States. Nottoli pleaded guilty to conspiracy to defraud the United States by interfering with the lawful governmental regulatory and enforcement functions of FDA and DEA and one count of causing misbranded smokable synthetic cannabinoids (SSC) to be introduced into interstate commerce.

ING Bank N.V. (Washington DC FO) – On June 19, 2015, ING Bank, N.V., forfeited \$309.5 million to the United States. ING Bank, N.V., entered into a Deferred Prosecution Agreement in the District of Columbia on June 12, 2012. ING Bank, N.V. was charged with conspiring to violate the International Emergency Economic Powers Act (IEEPA) and the Trading with the Enemy Act (TWEA).

NATIONAL FORENSICS LABORATORY

The IRS CI National Forensic Laboratory (NFL) has been discussing accreditation for more than 25 years, closely following changes in forensic laboratory accreditation programs. However, developments within the forensic community, particularly over the course of the last five years, have made the need to earn accreditation unavoidable. For the past two years the NFL has dedicated significant time and resources preparing for the accreditation process.

For example, since the start of FY 2014, a total of eight manuals and 29 forms have been drafted, reviewed, and finalized. Multiple internal audits have been conducted by laboratory personnel to ensure compliance with new laboratory policies and procedures

as well as the accreditation standards. Laboratory team members also audited case files and prepared the laboratory space to accommodate the on-site assessors.

A pre-assessment was held in February 2015, resulting in very few opportunities for improvement being noted. The official assessment was held in May 2015 and the laboratory received compliments from the assessment team on the quality of the work performed by our employees. Accreditation was officially awarded on May 26, 2015—almost three months before the projected timeline date. Although the NFL is a small branch of CI, its work is critical in ensuring the efficient processing of crucial evidence in our investigations.

IRS-CI Fiscal Year 2015 Annual Business Report

TECHNOLOGY OPERATIONS AND INVESTIGATIVE SERVICES

Technology continues to play an important investigative role as the sophisticated nature of financial crimes changes and evolves. CI's Technology Operations & Investigative Services (TOIS) division is responsible for outfitting Special Agents with the most effective technologies to do their job and supporting CI's financial investigations by collecting and analyzing its reams of digital evidence. TOIS' Electronic Crimes Office has special agents trained in the recovery and preservation of hardware and software evidence. In Fiscal Year 2015, the amount of seized electronically stored information/data for investigations totaled over 1,400 terabytes.

The majority of CI Special Agent-Computer Investigative Specialists (CIS) are certified in the use of top-level forensic software, thus raising proficiency and providing an important certification for judicial proceedings. Forensic training for mobile devices continues to be a pressing emphasis for TOIS' Electronic Crimes Office. In FY 2015, Special agent-CISs saw a 30% annual increase in the number mobile devices (non-laptop) that needed to be forensically imaged and analyzed.

The vision of TOIS is to provide innovative solutions that make the CI crime fighter more effective.

Electronic Crimes Statistics for FY 2015

Electronic Crimes Enforcement Statistics	FY15 Totals
Total Operations/Search Warrants	419
Total Sites	650
Total CISs Deployed	638
Total Systems Imaged	4319
Total Volume of Data (terabytes)	1439

TOIS' Four Strategic Themes:

1. Mobile Information Availability: CI Special Agents use their smartphones to access more data about their cases than ever, so that more time is spent in the field than in the office.

2. Office Anywhere Collaboration: ATLAS, CI's investigative support tool, enables Special Agents to collaborate and de-conflict on cases across the country by having one common application to store and organize their investigations. ECE, CI's digital evidence collection and analysis tool, centrally stores digital evidence using the latest in virtual environment technologies.

3. More Efficiently Operating Technology: TOIS engages in activities to reduce its year-over-year operations and maintenance costs as part of being a steward of scarce financial resources

4. Supporting the Advancement of Financial Investigations through Technology: CI's Lead and Case Analytics tool identifies the criminal relationships and schemes behind the illicit activities that thwart our nation's tax system. TOIS's special agent-CIS's will leverage their technical forensic expertise to build CI's cybercrime knowledge and capability.