

IN THE UNITED STATES DISTRICT COURT FOR THE  
CENTRAL DISTRICT OF ILLINOIS  
AT PEORIA

UNITED STATES OF AMERICA,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Criminal No. 06 - 10019
	)	
ROBERT LAWRENCE,	)	
	)	
Defendant.	)	

DECLARATION OF IRS SPECIAL AGENT KATHY JO MCBRIDE

I, Kathy Jo McBride, hereby state under penalties of perjury, the following:

1. I am a Special Agent with the United States Department of Treasury, Internal Revenue Service (IRS). I have been employed by the IRS for 15 ½ years. I have been a Special Agent for 13 years and 9 months. Prior to becoming a Special Agent in September 1992, I was a Revenue Agent for 1 year and 9 months.

2. As a Special Agent with the IRS, I was assigned to a criminal investigation regarding the defendant, Robert Lawrence.

3. As part of the IRS's investigation of Mr. Lawrence, I interviewed witnesses and collected records, among other things. In the course of that investigation, I determined that Mr. Lawrence's primary source of income for the years 1999, 2000 and 2001 was his employment at Mitsubishi Motors. I also

determined that Mr. Lawrence had owned two rental properties, one of which he sold in 1999 and the other of which he sold in 2001.

4. As part of the IRS's investigation of Mr. Lawrence, I calculated Mr. Lawrence's tax liability for the years 1999, 2000, and 2001. In computing Mr. Lawrence's taxable income for 1999 and 2001, I included the amounts that I calculated as the gains he received on the sales of the rental properties in those two years. In determining Mr. Lawrence's gain on the sale of each property, I used as the sales price a figure I obtained from county records that reported that sale of the property. From that figure I subtracted the amount the defendant listed in his 1998 tax return under "Basis for depreciation." The figure I used for that basis was the same for each property. I found that figure, listed twice, on Line 15h of the Form 4562 ("Depreciation and Amortization") attached to Mr. Lawrence's Form 1040 for 1998. The figure is listed twice under Column C which is labeled "Basis for depreciation." I now realize that the figure that Mr. Lawrence placed twice in that column does not reflect the total amount he claimed to be the basis in each property. Rather, it reflects the cost of improvement Mr. Lawrence claimed he made to each property in 1998.

5. Using the figure I found on Mr. Lawrence's Form 4562 for 1998 as his basis in each property, I calculated that his sale of each property generated a significant capital gain. For each of the two relevant years, I added the calculated gains to other income figures, subtracted certain other amounts, and arrived at amounts for Mr. Lawrence's taxable income. I then prepared a Special Agent's Report ("SAR"), which reported the amounts of taxable income for Mr. Lawrence

for 1999, 2000, and 2001 as \$51,679, \$52,780 and \$71,340 respectively. Based on those amounts, I also calculated Mr. Lawrence's tax liabilities in the amount of \$10,275, \$11,927 and \$9,453 for those years.

6. In March 2006, prior to the indictment, Revenue Agent Rose Shawgo prepared a Revenue Agent's Report to verify that the figures that I had computed were correct. RA Shawgo determined that Lawrence had taxable income for 1999, 2000 and 2001 in the amounts of \$51,679; \$52,780 and \$71,340 respectively. RA Shawgo computed Lawrence's tax due and owing for 1999, 2000 and 2001 in the amounts of \$10,275; \$11,927; and \$9,453 respectively, for a total of \$31,655. The \$300 difference in 2001 from the tax previously calculated was due to a tax credit of \$300 that would have been given to Lawrence by the civil side of the IRS.

7. Robert Lawrence was indicted in March 2006. The Indictment set forth Lawrence's taxable income and unpaid tax liabilities relative to years 1999, 2000 and 2001.

8. The taxable income computations and tax due and owing computation for these three years were considered accurate until the afternoon of May 11, 2006 when RA Shawgo and I were reviewing the evidence in preparation for trial. At that time, we for the first time found errors in the computations for the years 1999 and 2001.

9. On the afternoon of May 11, 2006, RA Shawgo and I were going through the evidence when it was discovered that there were some claimed improvement expenses made in prior years that were not considered in the computation of gain or loss on the sale of two rental properties in 1999 and 2001.

10. SA Shawgo and I discovered that the figures the defendant listed in his 1998 tax return as "Basis for depreciation" were not the defendant's actual basis in the properties but were instead the amounts the defendant claimed he had spent in 1998 for improvements to each property. We further discovered on the afternoon of May 11 that the defendant had reported on his 1996 tax return that he had spent in 1996 the same amount of money he supposedly spent in 1998 also to improve one of the two properties. If the defendant's claims about the cost of improvements were accurate, then, contrary to our prior calculation of his gains, the defendant sold one of the two properties for a loss and he sold the other property for a substantially lower gain than had been previously calculated.

11. For purposes of recalculating the defendant's taxable income for the two years in question, we accepted as true the amounts the defendant had previously claimed to have spent to improve the two properties.

12. Adjusting for those claimed improvements led to a recalculation of the defendant's taxable income in the amount of \$40,350 for 1999 and \$41,340 for 2001. This resulted in a tax due and owing by the defendant of \$7,111 for 1999 and \$702 for 2001. The calculations for 2000 were correct. This adjustment


reduced the total tax due and owing computation for all three years from \$31,655 to \$19,740.

13. When Rose Shawgo and I discovered the miscalculations on the afternoon of May 11, 2006, we notified Assistant United States Attorneys Gerard A. Brost and Tate Chambers who were preparing this case for trial.

Further, the affiant sayeth not.

I hereby declare under penalty of perjury that the information set forth above is true and accurate to the best of my knowledge, information and belief.

Date:

  
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Kathy Jo McBride  
Special Agent, Internal Revenue Service