



Department of Justice

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TEN INDICTED IN OFFSHORE TAX SHELTER PROMOTER SCHEME

WASHINGTON, D.C. - Eileen J. O'Connor, Assistant Attorney General, United States Justice Department, Tax Division, and David B. Palmer, Chief, Internal Revenue Service, Criminal Investigation, today announced the indictment of 10 persons associated with a multi-national organization named Anderson's Ark & Associates (AAA), on charges of conspiracy, filing false tax returns, wire fraud and mail fraud.

A federal grand jury in Seattle returned an indictment yesterday charging the 10 defendants with 87 criminal counts, including conspiracy to defraud the Internal Revenue Service. According to the indictment, AAA offices in the United States, Canada and Costa Rica assisted approximately 2,000 members with illegally evading income taxes, filing false income tax returns and concealing taxable income.

The following six individuals were arrested on Tuesday by special agents of the Internal Revenue Service Criminal Investigation unit:

- RICHARD GROSNICKLE, 62, a resident of Hoodspout, Wash.,
- PAMELA MORAN, 41, of Montrose, Colo.,
- JAMES MORAN, 54, of Montrose, Colo.,
- TARA LAGRAND, 50, of Naples, Fla.,
- GARY KUZEL, 54, of Woodbridge, Ill., and
- LYNDEN BRIDGES, 57, of Wheat Ridge, Colo.

The following four individuals were already in federal custody:

- KEITH ANDERSON, 61, a former resident of Hoodspport, Wash.,
- WAYNE ANDERSON, 63, of Fresno, Calif.,
- RICHARD MARKS, 59, of Los Osos, Calif., and
- KAROLYN GROSNICKLE, 60, of Hoodspport, Wash.

The first count of the indictment charges all 10 defendants with conspiracy to defraud the United States government, in violation of Title 18, United States Code, Section 371, in connection with the marketing of allegedly illegal offshore tax shelters.

"The Justice Department's first tax enforcement priority is to put promoters of illegal tax evasion schemes out of business and to hold them accountable for their crimes," said Eileen J. O'Connor, Assistant Attorney General of the Department of Justice Tax Division. "Any taxpayer who is approached by a promoter of a tax evasion scheme should consult an independent accountant, or attorney, and report suspected fraud to the IRS for further investigation."

In a separate count, the indictment charges Keith Anderson, Richard Marks, Wayne Anderson, Karolyn Grosnickle, Richard Grosnickle, Pamela Moran, and James Moran with conspiracy to engage in a wire and mail fraud scheme in connection with selling investments in a joint venture called "Tax Magic," also in violation of Title 18, United States Code, Section 371. The indictment also charges various defendants with 65 counts of aiding and assisting the filing of false income tax returns, in violation of Title 26, United States Code, Section 7206(2).

Defendants Keith Anderson, Wayne Anderson, Richard Marks, Karolyn Grosnickle, Richard Grosnickle, James Moran, and Pamela Moran are also charged with 10 counts of mail fraud, in violation of Title 18, United States Code, Section 1341, and nine counts of wire fraud, in violation of Title 18, United States Code, Section 1343, in connection with the sale of investments in "Tax Magic."

Finally, the indictment seeks the forfeiture of the Morans' home in Montrose, Colo., and their 2000 Jeep vehicle. The indictment alleges that this property was purchased with proceeds from the sales of "Tax Magic" investments.

The indictment alleges that in one scheme called the "Look Back Program," the defendants assisted approximately 260 AAA members in taking \$120 million in false income tax deductions, from 1997 to 2001, resulting in an approximately \$43 million tax loss. In this scheme, AAA members were instructed to take out a "loan" from a Costa Rican lender, La Maquina Blanca, which was purportedly invested with another AAA entity, Mason Advertising, and was fully deducted on income tax returns prepared by AAA accountants.

In a second tax shelter called the "Look Forward Program," AAA members were instructed to enter into a partnership with a AAA entity called Sawtooth Enterprises. AAA accountants then prepared income tax returns for the taxpayers which deducted "payments" to these partnerships, purportedly for management and/or consulting services. Further, the purported payments, for which AAA members received an income tax deduction, would then be available to them through the use of their AAA-issued, VISA debit cards. The government alleges that

from 1997 to 2001 the defendants transferred approximately \$30 million from accounts in the United States to Costa Rica.

Defendants Keith Anderson, Wayne Anderson, Richard Marks, Richard Grosnickle, Karolyn Grosnickel, James Moran, and Pamela Moran are also charged with engaging in a scheme to defraud AAA members in connection with fees these members paid to invest in the "Tax Magic" venture. The indictment alleges that from 1997 to 2001, AAA members were charged thousands of dollars to invest in "Tax Magic," a program that would assist taxpayers in financial planning through the marketing of a book, tape series, and 1-900 information line. In addition to flat fees of \$2,000 and \$16,500, investors were required to pay to AAA between five to seven percent of the gross amount of an investment loan from La Maquina Blanca. According to the indictment, investors were told these loans would be invested with Mason Advertising which would market and sell "Tax Magic." The indictment alleges that La Maquina Blanca and Mason Advertising were really AAA-owned shell companies and that the "fees" paid by AAA members were simply retained by the defendants. In addition, the indictment alleges that the proceeds from the "loans" were not used for their stated purpose, but instead were recycled to a La Maquina bank account to fund additional "loans."

"These most recent indictments and arrests are a result of the IRS' continuing efforts to pursue investigations of promoters and their clients who would try to move money offshore to evade taxes," said David Palmer, Chief of Internal Revenue Service Criminal Investigation. "Those attempting to illegally evade U.S. income tax through the use of 'so-called' tax haven countries will find they are not beyond the arm of the IRS. Promoters and clients of international evasion schemes can continue to expect scrutiny and enforcement by the IRS and the Department of Justice."

The tax fraud case is being prosecuted by DOJ Tax Division attorneys Corey J. Smith and Krista Tongring. Additional information about tax fraud schemes to watch out for can be found on the IRS Criminal Investigation website <http://www.ustreas.gov/irs/ci/>.

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