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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

February 2000 Grand Jury

UNITED STATES OF AMERICA,
Plaintiff,

v.

KOSTANENOS N. HRONOPOULOS (1),
KIRSTEN KULLBERG HRONOPOULOS (2),
STEPHEN H. SMITH (3),
PATRICIA MORENO SMITH (4),
PAUL F. SCHEIBE (5),
LAWRENCE W. TAGGART (6),
GILBERT N. HOLLOWAY, III (7),
RICHARD G. BOYER (8).
Defendants.

Criminal Case No. _____

INDICTMENT

Title 18, U.S.C., Sec. 371 - Conspiracy;
Title 18, U.S.C., Sec 1341 - Mail Fraud;
Title 18, U.S.C., Sec. 1343 - Wire Fraud;
Title 18, U.S.C., Sec 1512 - Tampering with a
Witness; Title 18, U.S.C., Sec. 1956(h) - Money
Laundering Conspiracy; Title 18, U.S.C.,
Sec. 371 - Income Tax Conspiracy; Title 26
U.S.C., Sec. 7201 - Income Tax Evasion;
Title 18, U.S.C., Sec. 2 - Aiding and Abetting;
Title 18, U.S.C., Sec. 982 and Title 21,
U.S.C., Sec. 853 - Criminal Forfeiture

The grand jury charges:

ALLEGATIONS COMMON TO ALL COUNTS

1. At all times material to this Indictment, defendant KOSTANENOS N. HRONOPOULOS was the controlling owner and operator of: Basic Research Corporation (hereinafter "BRC"), a California corporation; Advanced Technologies International, Ltd. (hereinafter "ATI"), a Bahamian corporation; and Aegean Management Services, a California corporation.

2. At all times material to this Indictment, BRC and ATI were in the business of soliciting investments from members of the public ostensibly for the development and promotion of the allegedly innovative technologies attributed to defendant STEPHEN H. SMITH ("the Smith Technologies").

1 3. Beginning in 1997, Aegean Management Services purportedly provided business support
2 services to BRC and/or ATI.

3 4. At all times material to this Indictment, defendant PAUL F. SCHEIBE was the controlling
4 owner and operator of Inplant Pallet Corporation, a California corporation, and of Britton Capital
5 Corporation, a California corporation, and was a solicitor of investments from members of the public
6 for the ostensible purpose of developing the Smith Technologies.

7 5. Defendants LAWRENCE W. TAGGART, GILBERT N. HOLLOWAY, III, and RICHARD
8 G. BOYER were, at various times material to this Indictment, directors, officers, employees, and/or
9 agents of BRC and ATI who solicited investments from members of the public for the ostensible
10 purpose of developing the Smith Technologies.

11 6. At all times material to this Indictment, the Internal Revenue Service (“IRS”) was the agency
12 of the United States Department of the Treasury responsible for administering and enforcing the tax
13 laws of the United States.

14 Count 1

15 CONSPIRACY

16 1. Beginning on a date unknown to the grand jury, and continuing to and including October 17,
17 2000, in the Southern District of California, and elsewhere, defendants KOSTANENOS N.
18 HRONOPOULOS, STEPHEN H. SMITH, PAUL F. SCHEIBE, LAWRENCE W. TAGGART,
19 GILBERT N. HOLLOWAY, III, and RICHARD G. BOYER, did knowingly conspire and agree with
20 each other, and with others known and unknown to the grand jury, to commit offenses against the
21 United States, that is violations of Title 18, United States Code, Section 1341 (Mail Fraud), and
22 violations of Title 18, United States Code, Section 1343 (Wire Fraud).

23 2. It was part of the conspiracy that defendants KOSTANENOS N. HRONOPOULOS,
24 STEPHEN H. SMITH, PAUL F. SCHEIBE, LAWRENCE W. TAGGART, GILBERT N.
25 HOLLOWAY, III, and RICHARD G. BOYER devised a scheme to defraud in which it was reasonably
26 foreseeable that mail and wire communications would be used to further the scheme, and to carry out
27 the scheme, they:

28 //

1 (a) induced persons to invest money by materially false, fraudulent, and misleading
2 representations that investor funds would be used for business purposes in the development and
3 promotion of the Smith Technologies;

4 (b) secretly transferred the ownership of the Smith Technologies from BRC to ATI and other
5 entities;

6 (c) transferred the ownership of the Smith Technologies from BRC to ATI and other entities
7 without documented financial consideration;

8 (d) obtained investor money through BRC promissory notes signed and guaranteed by
9 defendants KOSTANENOS N. HRONOPOULOS, PAUL F. SCHEIBE, and GILBERT N.
10 HOLLOWAY, III;

11 (e) obtained investor money through ATI Revenue Sharing and Equity Participation
12 Agreements;

13 (f) intentionally concealed from investors the fact that defendant KOSTANENOS N.
14 HRONOPOULOS was the controlling owner and operator of BRC, ATI, and Aegean Management
15 Services;

16 (g) intentionally concealed from investors the fact that defendant KOSTANENOS N.
17 HRONOPOULOS had been permanently enjoined from selling unregistered securities and from
18 committing fraud in the sale of securities by a United States District Court Order filed on May 4, 1979,
19 in a case brought by the United States Securities and Exchange Commission;

20 (h) intentionally concealed from investors the fact that defendant KOSTANENOS N.
21 HRONOPOULOS had been convicted on October 26, 1984, of the federal felony offense of
22 conspiracy to commit mail fraud and to commit securities fraud, and of the federal felony offense of
23 tax evasion;

24 (i) intentionally concealed from investors the fact that defendant PAUL F. SCHEIBE had
25 been convicted on May 8, 1984, of the federal felony offense of selling unregistered securities;

26 (j) intentionally concealed from investors the fact that the defendants KOSTANENOS N.
27 HRONOPOULOS and PAUL F. SCHEIBE controlled the disbursement of investor funds raised for
28 the development of the Smith Technologies;

1 (k) intentionally concealed from investors the fact that more than \$2 million of investor
2 funds raised for the development of the Smith Technologies through notes signed by defendants
3 KOSTANENOS N. HRONOPOULOS, PAUL F. SCHEIBE, and/or GILBERT N. HOLLOWAY, III
4 could not be accounted for;

5 (l) obtained approximately \$12 million from investors on the basis of the foregoing false
6 representations and concealments, and others;

7 (m) created sham loan transactions between and among BRC, ATI, Aegean Management
8 Services, and defendants KOSTANENOS N. HRONOPOULOS, STEPHEN H. SMITH, PAUL F.
9 SCHEIBE, and LAWRENCE W. TAGGART, and falsified loan documentation to conceal the
10 conversion of investor funds to the defendants' personal use;

11 (n) converted millions of dollars of investor money to the defendants' personal use and
12 benefit; and

13 (o) concealed from the IRS the conversion of investor money to the defendants' personal
14 use and benefit.

15 OVERT ACTS

16 In furtherance of the conspiracy and to effect its objects, the following overt acts, among others,
17 were committed in the Southern District of California, and elsewhere.

- 18 1. On or about August 28, 1992, defendant PAUL F. SCHEIBE solicited an investment of
19 \$50,000 from Benson Roe.
- 20 2. On or about July 22, 1994, defendant LAWRENCE W. TAGGART caused articles of
21 incorporation to be filed for BRC in the state of California.
- 22 3. On or about July 27, 1994, defendant STEPHEN H. SMITH signed an assignment of his
23 ideas/inventions to BRC in exchange for 20% of BRC's common stock.
- 24 4. On or about July 27, 1994, defendant LAWRENCE W. TAGGART signed the Smith
25 assignment as "President" of BRC.
- 26 5. On or about August 31, 1994, defendant KOSTANENOS N. HRONOPOULOS caused a
27 certificate of incorporation for ATI to be filed in the Commonwealth of the Bahamas.

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- 1 6. On or about December 20, 1994, defendant LAWRENCE W. TAGGART opened a business
2 checking account for BRC at Bank of America, and identified himself on the bank's forms
3 as "President and Secretary" of BRC.
- 4 7. On or about October 25, 1995, defendant PAUL F. SCHEIBE sent a letter to Benson and
5 Jane Roe, on Inplant Pallet Corporation stationery, discussing their investment in BRC.
- 6 8. On or about December 14, 1995, defendant PAUL F. SCHEIBE sent a letter to Benson and
7 Jane Roe, on Britton Capital Corporation stationery, acknowledging their additional
8 investment in BRC.
- 9 9. On or about April 1, 1996, defendant KOSTANENOS N. HRONOPOULOS made defendant
10 GILBERT N. HOLLOWAY, III president of BRC and moved defendant LAWRENCE W.
11 TAGGART to vice-president of the company.
- 12 10. On or about July 26, 1996, defendants KOSTANENOS N. HRONOPOULOS, PAUL F.
13 SCHEIBE (as guarantors), and GILBERT N. HOLLOWAY, III (as President, BRC) signed
14 a BRC promissory note reflecting an investment of \$30,000 by Randy Kohls.
- 15 11. On or about December 5, 1996, defendant GILBERT N. HOLLOWAY, III signed and
16 delivered BRC promotional material for Franne Ficara and Steve Wall.
- 17 12. On or about June 26, 1997, defendant GILBERT N. HOLLOWAY, III initiated the BRC
18 "Lender Enhancement Program."
- 19 13. On or about September 26, 1997, defendant LAWRENCE W. TAGGART deposited ATI
20 investor funds (from Renwick Capital) into his attorney-client trust account at Wells Fargo
21 Bank.
- 22 14. On or about October 5, 1997, defendant LAWRENCE W. TAGGART caused articles of
23 incorporation to be filed for Aegean Management Services in the state of California.
- 24 15. On or about December 5, 1997, defendant RICHARD G. BOYER solicited from Ronald and
25 Annette Larson an investment of \$1.2 million in the Smith Technologies through ATI.
- 26 16. On or about January 15, 1998, defendant GILBERT N. HOLLOWAY, III sent a "Project
27 Update" letter to BRC investors stating that the "communications technology" had been
28 assigned by BRC to ATI.

- 1 17. On or about March 24, 1998, defendants KOSTANENOS N. HRONOPOULOS, PAUL F.
2 SCHEIBE, and LAWRENCE W. TAGGART signed an agreement “releasing” SCHEIBE
3 from any financial liability for investor funds raised for the development of the Smith
4 Technologies.
- 5 18. On or about March 31, 1998, defendants KOSTANENOS N. HRONOPOULOS (as
6 guarantor) and GILBERT N. HOLLOWAY, III (as President, BRC) signed a BRC
7 promissory note reflecting an investment of \$27,500 by G. William Abrell.
- 8 19. On or about July 23, 1998, defendant PAUL F. SCHEIBE delivered \$17,500 in cash to
9 defendant KOSTANENOS N. HRONOPOULOS, who directed an employee to deposit the
10 cash into a personal bank account of HRONOPOULOS.
- 11 20. On or about July 23, 1998, defendant LAWRENCE W. TAGGART wrote a check on his
12 attorney-client trust account payable to defendant STEPHEN H. SMITH in the amount of
13 \$150,000.00.
- 14 21. On or about October 17, 2000, defendant RICHARD G. BOYER caused the preparation and
15 filing of false federal income tax returns for Aegean Management Services for the years
16 1997, 1998, and 1999.

17 All in violation of Title 18, United States Code, Section 371.

18 Counts 2-14

19 MAIL FRAUD

20 1. Beginning on a date unknown to the grand jury, and continuing to and including October 17,
21 2000, in the Southern District of California and elsewhere, defendants KOSTANENOS N.
22 HRONOPOULOS, STEPHEN H. SMITH, PAUL F. SCHEIBE, LAWRENCE W. TAGGART,
23 GILBERT N. HOLLOWAY, III, and RICHARD G. BOYER did knowingly devise a scheme and
24 artifice to defraud and to obtain money and property by means of materially false and fraudulent
25 pretenses, representations, and promises.

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1 2. It was part of this scheme to defraud and to obtain money and property by materially false and
2 fraudulent pretenses, representations, and promises that defendants KOSTANENOS N.
3 HRONOPOULOS, STEPHEN H. SMITH, PAUL F. SCHEIBE, LAWRENCE W. TAGGART,
4 GILBERT N. HOLLOWAY, III, and RICHARD G. BOYER:

5 (a) induced persons to invest money by materially false, fraudulent, and misleading
6 representations that investor funds would be used for business purposes in the development and
7 promotion of the Smith Technologies;

8 (b) secretly transferred the ownership of the Smith Technologies from BRC to ATI and other
9 entities;

10 (c) transferred the ownership of the Smith Technologies from BRC to ATI and other entities
11 without documented financial consideration;

12 (d) obtained investor money through BRC promissory notes signed and guaranteed by
13 defendants KOSTANENOS N. HRONOPOULOS, PAUL F. SCHEIBE, and GILBERT N.
14 HOLLOWAY, III;

15 (e) obtained investor money through ATI Revenue Sharing and Equity Participation
16 Agreements;

17 (f) intentionally concealed from investors the fact that defendant KOSTANENOS N.
18 HRONOPOULOS was the controlling owner and operator of BRC, ATI, and Aegean Management
19 Services;

20 (g) intentionally concealed from investors the fact that defendant KOSTANENOS N.
21 HRONOPOULOS had been permanently enjoined from selling unregistered securities and from
22 committing fraud in the sale of securities by a United States District Court Order filed on May 4, 1979,
23 in a case brought by the United States Securities and Exchange Commission;

24 (h) intentionally concealed from investors the fact that defendant KOSTANENOS N.
25 HRONOPOULOS had been convicted on October 26, 1984, of the federal felony offense of
26 conspiracy to commit mail fraud and to commit securities fraud, and of the federal felony offense of
27 tax evasion;

28 //

1 (i) intentionally concealed from investors the fact that defendant PAUL F. SCHEIBE had
2 been convicted on May 8, 1984, of the federal felony offense of selling unregistered securities;

3 (j) intentionally concealed from investors the fact that defendants KOSTANENOS N.
4 HRONOPOULOS and PAUL F. SCHEIBE controlled the disbursement of investor funds raised for
5 the development of the Smith Technologies;

6 (k) intentionally concealed from investors the fact that more than \$2 million of investor
7 funds raised for the development of the Smith Technologies through notes signed by defendants
8 KOSTANENOS N. HRONOPOULOS, PAUL F. SCHEIBE, and/or GILBERT N. HOLLOWAY, III
9 could not be accounted for;

10 (l) obtained approximately \$12 million from investors on the basis of the foregoing false
11 representations and concealments, and others;

12 (m) created sham loan transactions between and among BRC, ATI, Aegean Management
13 Services, and defendants KOSTANENOS N. HRONOPOULOS, STEPHEN H. SMITH, PAUL F.
14 SCHEIBE, and LAWRENCE W. TAGGART, and falsified loan documentation to conceal the
15 conversion of investor funds to the defendants' personal use;

16 (n) converted millions of dollars of investor money to the defendants' personal use and
17 benefit; and

18 (o) concealed from the IRS the conversion of investor money to the defendants' personal
19 use and benefit.

20 3. On or about the dates set forth below, in the Southern District of California, and elsewhere,
21 defendants KOSTANENOS N. HRONOPOULOS, STEPHEN H. SMITH, PAUL F. SCHEIBE,
22 LAWRENCE W. TAGGART, GILBERT N. HOLLOWAY, III, and RICHARD G. BOYER, for the
23 purpose of executing and attempting to execute the aforementioned scheme to defraud and to obtain
24 money and property by false and fraudulent pretenses, representations, and promises, did cause to be
25 placed in a United States post office or other authorized depository for mail matter, items to be
26 delivered by the United States Postal Service according to the directions thereon, as set forth below:

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	<u>COUNT</u>	<u>DATE</u>	<u>SENDER</u>	<u>ADDRESSEE</u>	<u>ITEM</u>
1					
2	2	07/26/96	Randy A. Kohls	BRC	Letter re promissory note
3					
4	3	12/12/96	Gilbert N. Holloway/BRC	Dr. and Mrs. Ben Roe, et al.	Memo re new agreements and notes
5	4	01/22/97	Gilbert N. Holloway/BRC	Robert E. Lewis	Letter re promissory note
6	5	06/16/97	Jon A. Hohmeister	BRC	Check in the amount of \$25,000
7					
8	6	06/18/97	James Taylor	BRC	Check in the amount of \$25,000
9	7	06/20/97	Gilbert N. Holloway/BRC	David B. Roe	Letter re Lender Enhancement Program
10					
11	8	09/02/97	Gilbert N. Holloway/BRC	Boyce C. and Janet Hurlbut	Letter re Lender Enhancement Program
12					
13	9	09/19/97	Jon A. Hohmeister	BRC	Letter re Lender Enhancement Program
14					
15	10	01/05/98	Jon A. Hohmeister	BRC	Letter re promissory note
16	11	01/15/98	Gilbert N. Holloway/BRC	“Our Valued Lender Support Group Members” (Dan Murphy)	Project Update Letter
17					
18	12	01/28/98	Robert E. Lewis	BRC	Letter re promissory note
19					
20	13	03/04/98	Lee C. and Diane Y. Holliday	BRC	Letter re promissory note
21	14	03/09/98	John A. and Linda D. Hohmeister	BRC	Letter re promissory note
22					

23 All in violation of Title 18, United States Code, Sections 1341 and 2.

24 Counts 15-25

25 WIRE FRAUD

26 1. Paragraphs 1 and 2 of Counts 2-14 are realleged and incorporated here.

27 2. On or about the dates set forth below, in the Southern District of California, and elsewhere,
 28 defendants KOSTANENOS N. HRONOPOULOS, STEPHEN H. SMITH, PAUL F. SCHEIBE,

1 LAWRENCE W. TAGGART, GILBERT N. HOLLOWAY, III, and RICHARD G. BOYER, for the
 2 purpose of executing and attempting to execute the aforementioned scheme to defraud and to obtain
 3 money and property by false and fraudulent pretenses, representations, and promises, did transmit and
 4 cause to be transmitted, in interstate and foreign commerce, by means of wire, radio, and television
 5 communication, the writings, signs, signals, pictures, and sounds set forth below:

<u>COUNT</u>	<u>DATE</u>	<u>SENDER</u>	<u>RECEIVER</u>	<u>COMMUNICATION</u>
15	09/18/96	Randy A. Kohls (Chase, NY, NY)	Wells Fargo Bank, Acct. D0682021464 - Paul Scheibe, PSBA R&D Account	Wire transfer in the amount of \$30,000
16	08/11/97	Richard Mgrdechian (NY, NY)	Nick Hronopoulos/BRC, fax# 619-643-9150	Basic Research Corporation Preliminary Information Request
17	08/14/97	Gilbert Holloway/BRC fax# 619-643-9150	James R. McCullough, fax# 212-644-5081	Bank wiring instructions
18	09/04/97	Rich (Boyer)/BRC fax# 619-643-9150	James McCullough, fax# 212-644-5081	Amended draft, Exclusive Technology Transfer and Commercializing Agreement
19	11/12/97	Eli Mansour/BRC, fax #619-643-9152	Renwick, fax# 212-644-5081	Assignments re ATI Communication Technology
20	11/19/97	Lawrence W. Taggart, fax# 619-643-9152	Richard Mrgdechian, fax# 212-644-5081	Memo re Investment Banking Status
21	12/05/97	Annette G. Larson (Chase Manhattan Bank, NY, NY)	Lawrence W. Taggart Trust Acct. 0764781845 Wells Fargo Bank - S.D., CA	Wire transfer in the amount of \$300,000
22	03/25/98	Ronald and Annette Larson (Smith Barney, Chase Manhattan Bank, NY, NY)	Lawrence W. Taggart Trust Acct. 0764781845 Wells Fargo Bank - S.D., CA	Wire transfer in the amount of \$900,000

<u>COUNT</u>	<u>DATE</u>	<u>SENDER</u>	<u>RECEIVER</u>	<u>COMMUNICATION</u>
23	04/02/98	Richard Mgrdechian fax# 212-644-5081	Lawrence W. Taggart/BRC fax# 619-643-9152	Information request re Novitera
24	05/18/98	Dr. John Littlejohn (Royal Bank of Scotland LTD, London)	Lawrence W. Taggart Trust Acct. 0764781845 Wells Fargo Bank - S.D., CA	Wire transfer in the amount of \$500,000
25	05/29/98	Dr. John Littlejohn (Royal Bank of Scotland LTD, (London)	Lawrence W. Taggart Trust Acct. 0764781845 Wells Fargo Bank - S.D., CA	Wire transfer in the amount of \$450,000

All in violation of Title 18, United States Code, Sections 1343 and 2.

Counts 26

WITNESS TAMPERING

On or about November 29, 1999, in the Southern District of California, defendant KOSTANENOS N. HRONOPOULOS did knowingly intimidate, threaten, attempt to intimidate, and attempt to threaten Yuval Shenkal by making threats of physical and economic harm to Yuval Shenkal, with the intent to influence the testimony of Yuval Shenkal in proceedings before the United States Bankruptcy Court for the Southern District of California and in proceedings before a federal grand jury in the Southern District of California.

All in violation of Title 18, United States Code, Sections 1512 and 2.

Counts 27

WITNESS TAMPERING

On or about February 9, 2000, in the Southern District of California, defendant KOSTANENOS N. HRONOPOULOS did knowingly intimidate, threaten, attempt to intimidate, and attempt to threaten Salvador Amarillas by making threats of physical and economic harm to the family of Salvador Amarillas, with the intent to influence the testimony of Salvador Amarillas in proceedings

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1 before the United States Bankruptcy Court for the Southern District of California and in proceedings
2 before a federal grand jury in the Southern District of California.

3 All in violation of Title 18, United States Code, Sections 1512 and 2.

4 Counts 28

5 MONEY LAUNDERING CONSPIRACY

6 1. Beginning on a date unknown to the grand jury, and continuing to and including October 17,
7 2000, in the Southern District of California, and elsewhere, defendants KOSTANENOS N.
8 HRONOPOULOS, STEPHEN H. SMITH, PAUL F. SCHEIBE, LAWRENCE W. TAGGART, and
9 RICHARD G. BOYER did knowingly conspire and agree with each other, and with others known and
10 unknown to the grand jury, to violate Title 18, United States Code, Sections 1956 and 1957, that is:
11 to knowingly conduct and attempt to conduct financial transactions affecting interstate and foreign
12 commerce which involved the proceeds of a specified unlawful activity, to wit violations of Title 18,
13 United States Code, Sections 1341 (Mail Fraud) and 1343 (Wire Fraud), with the intent to promote
14 the carrying on of a specified unlawful activity, knowing while conducting and attempting to conduct
15 such financial transactions that the property involved in the transactions represented the proceeds of
16 some form of unlawful activity; to knowingly conduct and attempt to conduct such financial
17 transactions with the intent to engage in conduct constituting a violation of Section 7201 of the
18 Internal Revenue Code (Income Tax Evasion); and to knowingly engage and attempt to engage in
19 monetary transactions, affecting interstate and foreign commerce, in criminally derived property of
20 a value greater than \$10,000.00 which was derived from a specified unlawful activity, to wit,
21 violations of Title 18, United States Code, Sections 1341 (Mail Fraud) and 1343 (Wire Fraud).

22 2. It was part of the conspiracy that defendants KOSTANENOS N. HRONOPOULOS,
23 STEPHEN H. SMITH, PAUL F. SCHEIBE, LAWRENCE W. TAGGART, and RICHARD G.
24 BOYER:

25 (a) transferred BRC and ATI investor funds between and among BRC, ATI, Aegean
26 Management Services, Inplant Pallet Corp. and Britton Capital Corp., and defendants KOSTANENOS
27 N. HRONOPOULOS, STEPHEN H. SMITH, PAUL F. SCHEIBE, and LAWRENCE W. TAGGART
28 for the defendants' personal benefit;

1 (b) created sham loan transactions between and among BRC, ATI, Aegean Management
2 Services, and defendants KOSTANENOS N. HRONOPOULOS, STEPHEN H. SMITH, PAUL F.
3 SCHEIBE, and LAWRENCE W. TAGGART, and falsified loan documentation to conceal the
4 conversion of investor funds to the defendants' personal use;

5 (c) paid personal expenses of the defendants with BRC and ATI investor funds;

6 (d) wrote checks payable to cash, drawn on BRC and ATI investor funds, to deliver cash to
7 the defendants for their personal use; and

8 (e) wrote checks payable to cash, drawn on BRC and ATI investor funds, to obtain cashier's
9 checks negotiated for the benefit of the defendants.

10 **OVERT ACTS**

11 In furtherance of the conspiracy and to effect its objects, the following overt acts, among others,
12 were committed in the Southern District of California, and elsewhere.

- 13 1. On or about September 29, 1997, defendant LAWRENCE W. TAGGART wrote a check on
14 his attorney-client trust account, payable to cash, which was converted into a cashier's check
15 (number 0721020233) in the amount of \$51,116.00 and was applied to the down payment
16 on the residence of Sherry L. and defendant LAWRENCE W. TAGGART at 19 Lake Helix
17 Drive, La Mesa, California.
- 18 2. On or about December 26, 1997, defendant LAWRENCE W. TAGGART wrote a check on
19 his attorney-client trust account, payable to Beaudry RV, in the amount of \$40,000.00, which
20 was applied to the down payment on a motor home provided to defendant STEPHEN H.
21 SMITH.
- 22 3. On or about January 15, 1998, defendant LAWRENCE W. TAGGART wrote a check on the
23 Aegean Management Services account, payable to Saturn of Kearny Mesa, in the amount of
24 \$15,591.57, which was applied to the purchase of a new Saturn automobile at the direction
25 of defendant KOSTANENOS N. HRONOPOULOS.

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- 1 4. On or about January 15, 1998, defendant LAWRENCE W. TAGGART wrote a check on his
2 attorney-client trust account, payable to cash, which was converted into a cashier's check
3 (number 0721020993) in the amount of \$82,127.49 and was applied as the final payment on
4 a motor home provided to defendant STEPHEN H. SMITH.
- 5 5. On or about January 21, 1998, defendant LAWRENCE W. TAGGART wrote a check on his
6 attorney-client trust account, payable to cash, which was converted into a cashier's check
7 (number 0721021041) in the amount of \$18,036.28, payable to Kearny Mesa Ford, which
8 was applied to the purchase of a new Ford Mustang automobile at the direction of defendant
9 KOSTANENOS N. HRONOPOULOS.
- 10 6. On or about April 17, 1998, defendant LAWRENCE W. TAGGART wrote a check on his
11 attorney-client trust account, payable to cash, which was converted into a cashier's check
12 (number 0721250195) in the amount of \$200,000.00 payable to First American Title Ins.
13 Co., and was applied to the down payment on the residence of Kirsten K. and defendant
14 KOSTANENOS N. HRONOPOULOS at 7462 Vista Rancho Court, Rancho Santa Fe,
15 California.
- 16 7. On or about May 20, 1998, defendant LAWRENCE W. TAGGART wrote a check on his
17 attorney-client trust account, payable to cash, which was converted into a cashier's check
18 (number 0721021778) in the amount of \$12,000.00, payable to Bob Baker Cadillac, which
19 was applied to the purchase of a new Cadillac Seville automobile at the direction of the
20 defendant KOSTANENOS N. HRONOPOULOS.
- 21 8. On or about July 23, 1998, defendant PAUL F. SCHEIBE delivered \$17,500 in cash to
22 defendant KOSTANENOS N. HRONOPOULOS, who directed an employee to deposit the
23 cash into a personal bank account of KOSTANENOS N. HRONOPOULOS.
- 24 9. On or about July 23, 1998, defendant LAWRENCE W. TAGGART wrote a check on his
25 attorney-client trust account, payable to defendant STEPHEN H. SMITH, in the amount of
26 \$150,000.00, which together with a check written by STEPHEN H. SMITH to cash, was
27 converted into a cashier's check (number 0721250312) in the amount of \$160,000.00 payable

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1 to Pickford Realty, Inc., and applied to the down payment on the residence of Patricia M. and
2 STEPHEN H. SMITH at 177 Phoebe Street, Encinitas, California.

3 10. On or about October 17, 2000, defendant RICHARD G. BOYER caused the preparation and
4 filing of false, federal corporate income tax returns for Aegean Management Services for the
5 years 1997, 1998, and 1999.

6 All in violation of Title 18 United States Code, Section 1956(h).

7 Counts 29

8 INCOME TAX CONSPIRACY

9 Beginning on a date unknown to the grand jury, and continuing to and including October 17,
10 2000, in the Southern District of California, and elsewhere, defendants KOSTANENOS N.
11 HRONOPOULOS, KIRSTEN KULLBERG HRONOPOULOS, STEPHEN H. SMITH, PATRICIA
12 MORENO SMITH, PAUL F. SCHEIBE, LAWRENCE W. TAGGART, and RICHARD G. BOYER
13 knowingly conspired to defraud the United States for the purpose of impeding, impairing, obstructing,
14 and defeating the lawful functions of the Internal Revenue Service in the ascertainment, computation,
15 assessment, and collection of income taxes, by deceitful and dishonest means.

16 It was part of the conspiracy that defendants KOSTANENOS N. HRONOPOULOS, KIRSTEN
17 KULLBERG HRONOPOULOS, STEPHEN H. SMITH, PATRICIA MORENO SMITH, PAUL F.
18 SCHEIBE, LAWRENCE W. TAGGART, and RICHARD G. BOYER:

19 (a) transferred BRC and ATI investor funds between and among BRC, ATI, Aegean
20 Management Services, Inplant Pallet Corp. and Britton Capital Corp., and defendants KOSTANENOS
21 N. HRONOPOULOS, KIRSTEN KULLBERG HRONOPOULOS, STEPHEN H. SMITH, PATRICIA
22 MORENO SMITH, and LAWRENCE W. TAGGART for the defendants' personal benefit;

23 (b) created sham loan transactions between and among BRC, ATI, Aegean Management
24 Services, and defendants KOSTANENOS N. HRONOPOULOS, STEPHEN H. SMITH, PAUL F.
25 SCHEIBE, and LAWRENCE W. TAGGART, and falsified loan documentation to conceal the
26 conversion of investor funds to the defendants' personal use;

27 (c) paid personal expenses of the defendants with BRC and ATI investor funds;

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1 (d) wrote checks payable to cash, drawn on BRC and ATI investor funds, to deliver cash to
2 the defendants for their personal use;

3 (e) wrote checks payable to cash, drawn on BRC and ATI investor funds, to obtain cashier's
4 checks negotiated for the benefit of the defendants;

5 (f) wrote checks payable to Kirsten Kullberg, to be negotiated by defendant KIRSTEN
6 KULLBERG HRONOPOULOS;

7 (g) wrote checks payable to De La Patty, to be negotiated by defendant PATRICIA
8 MORENO SMITH;

9 (h) prepared and filed materially false, individual federal income tax returns which
10 intentionally omitted income received by defendants; and

11 (i) prepared and filed materially false, federal corporate income tax returns for business
12 entities through which the defendants received income.

13 **OVERT ACTS**

14 In furtherance of the conspiracy and to effect its objects, the following overt acts, among others,
15 were committed in the Southern District of California, and elsewhere.

- 16 1. On or about March 3, 1996 defendant KIRSTEN KULLBERG HRONOPOULOS opened
17 a Bank of America checking account in the name of Kirsten Kullberg, a name other than her
18 then married name.
- 19 2. On or about August 1, 1996 defendant PAUL F. SCHEIBE wrote a check payable to
20 K. Hronopoulos, in the amount of \$35,000.00, which was deposited by defendant KIRSTEN
21 KULLBERG HRONOPOULOS in the Bank of America account in the name of Kirsten
22 Kullberg.
- 23 3. On or about October 15, 1996, defendant PAUL F. SCHEIBE wrote a check payable to
24 K. Kullberg, in the amount of \$7,000.00, which was deposited by defendant KIRSTEN
25 KULLBERG HRONOPOULOS in the Bank of America account in the name of Kirsten
26 Kullberg.

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- 1 4. On or about April 15, 1997, defendant PATRICIA MORENO SMITH filed a false federal
2 income tax return which omitted her portion of the income of her husband, defendant
3 STEPHEN H. SMITH.
- 4 5. On or about October 14, 1997, defendant LAWRENCE W. TAGGART caused articles of
5 incorporation to be filed for Aegean Management Services in the state of California.
- 6 6. On or about December 10, 1997, defendant PATRICIA MORENO SMITH opened a Union
7 Bank of California account in the name of "De La Patty."
- 8 7. On or about December 24, 1997, defendant KOSTANENOS N. HRONOPOULOS directed
9 defendant LAWRENCE W. TAGGART to write a check (number 358) in the amount of
10 \$15,000.00, drawn on TAGGART'S attorney-client trust account, payable to Tiina Bathurst.
- 11 8. On or about December 26, 1997, defendant LAWRENCE W. TAGGART wrote a check
12 (number 362) on his attorney-client trust account, payable to Beaudry RV, in the amount of
13 \$40,000.00, which was applied to the down payment on a motor home provided to defendant
14 STEPHEN H. SMITH.
- 15 9. On or about January 15, 1998, defendant LAWRENCE W. TAGGART wrote a check
16 (number 405) on his attorney-client trust account, payable to cash, which was converted into
17 a cashier's check (number 0721020993) in the amount of \$82,127.49 and was applied as the
18 final payment on a motor home provided to defendant STEPHEN H. SMITH.
- 19 10. On or about January 20, 1998, defendant LAWRENCE W. TAGGART wrote a check
20 (number 417) on his attorney-client trust account, payable to cash, which was converted into
21 a cashier's check (number 0721021030) payable to defendant KOSTANENOS N.
22 HRONOPOULOS, in the amount of \$20,000.00.
- 23 11. On or about April 15, 1998, defendants STEPHEN H. SMITH and PATRICIA MORENO
24 SMITH filed a false, federal individual income tax return which omitted the income of
25 STEPHEN H. SMITH.
- 26 12. On or about April 17, 1998, defendant LAWRENCE W. TAGGART wrote a check (number
27 121) on his attorney-client trust account, payable to cash, which was converted into a
28 cashier's check (number 0721250195) in the amount of \$200,000.00 and was applied to the

1 down payment on the residence of defendants KIRSTEN KULLBERG HRONOPOULOS
2 and KOSTANENOS N. HRONOPOULOS at 7462 Vista Rancho Court, Rancho Santa Fe,
3 California.

4 13. On or about April 29, 1998, defendant LAWRENCE W. TAGGART wrote a check (number
5 138) on his attorney-client trust account, payable to defendant KOSTANENOS N.
6 HRONOPOULOS, in the amount of \$18,125.00.

7 14. On or about July 23, 1998, defendant PAUL F. SCHEIBE delivered \$17,500 in cash to
8 defendant KOSTANENOS N. HRONOPOULOS, who directed an employee to deposit the
9 cash into a personal bank account of KOSTANENOS N. HRONOPOULOS.

10 15. On or about July 23, 1998, defendant LAWRENCE W. TAGGART wrote a check (number
11 264) on his attorney-client trust account, payable to defendant STEPHEN H. SMITH, in the
12 amount of \$150,000.00, which together with a check written by STEPHEN H. SMITH to
13 cash, was converted into a cashier's check (number 0721250312) in the amount of
14 \$160,000.00 and applied to the down payment on the residence of defendants PATRICIA
15 MORENO SMITH and STEPHEN H. SMITH at 177 Phoebe Street, Encinitas, California.

16 16. On or about October 17, 2000, defendant RICHARD G. BOYER caused the preparation and
17 filing of false, federal corporate income tax returns for Aegean Management Services for the
18 years 1997, 1998, and 1999.

19 All in violation of Title 18, United States Code, Section 371.

20 Count 30

21 INCOME TAX EVASION

22 ___ During the calendar year 1995, defendants KOSTANENOS N. HRONOPOULOS and KIRSTEN
23 KULLBERG HRONOPOULOS, residents of San Diego County, California, had and received taxable
24 income in the sum of approximately \$187,000.00; that upon said taxable income there was owing to
25 the United States of America an income tax of approximately \$52,000.00; that well-knowing and
26 believing the foregoing facts, defendants, on or about April 15, 1996, in the Southern District of
27 California, did willfully attempt to evade and defeat the said income tax due and owing by them to the
28 United States of America for said calendar year by failing to make an income tax return on or before

1 April 15, 1996, as required by law, to any proper officer of the Internal Revenue Service, and by
2 failing to pay to the Internal Revenue Service said income tax, and by committing the following
3 affirmative acts of evasion, among others:

4 1. On or about January 27, 1995, defendant KIRSTEN KULLBERG HRONOPOULOS deposited
5 a BRC check (number 87) for \$25,000.00, which was falsely recorded as an “employee advance” to
6 defendant KOSTANENOS N. HRONOPOULOS, into her personal bank account at Bank of America;

7 2. On or about November 15, 1995, Paul F. Scheibe issued a check (number 11187) for
8 \$24,000.00 from Best Western Eagle Lodge payable to “K. Hronopoulos,” which defendant KIRSTEN
9 KULLBERG HRONOPOULOS deposited into her personal bank account at Wells Fargo Bank;

10 3. On or about December 15, 1995, Paul F. Scheibe issued a check (number 8555) for \$29,000.00
11 from Britton Capital Corporation payable to “K. Hronopoulos,” which defendant KIRSTEN
12 KULLBERG HRONOPOULOS deposited into her personal bank account at Wells Fargo Bank.;

13 4. On or about December 31, 1998, Richard G. Boyer caused BRC to write-off as uncollectible
14 all “employee advances/loans” made to defendant KOSTANENOS N. HRONOPOULOS in 1995.
15 All in violation of Title 26, United States Code, Section 7201, and Title 18, United States Code,
16 Section 2.

17 Count 31

18 INCOME TAX EVASION

19 ___ During the calendar year 1996, defendants KOSTANENOS N. HRONOPOULOS and KIRSTEN
20 KULLBERG HRONOPOULOS, residents of San Diego County, California, had and received taxable
21 income in the sum of approximately \$210,000.00; that upon said taxable income there was owing to
22 the United States of America an income tax of approximately \$60,000.00; that well-knowing and
23 believing the foregoing facts, defendants, on or about April 15, 1997, in the Southern District of
24 California, did willfully attempt to evade and defeat the said income tax due and owing by them to the
25 United States of America for said calendar year by failing to make an income tax return on or before
26 April 15, 1997, as required by law, to any proper officer of the Internal Revenue Service, and by
27 failing to pay to the Internal Revenue Service said income tax, and by committing the following
28 affirmative acts of evasion, among others:

1 1. On or about March 6, 1996, defendant KIRSTEN KULLBERG HRONOPOULOS opened a
2 Bank of America checking account in the name Kirsten Kullberg;

3 2. On or about August 1, 1996, Paul F. Scheibe issued a check (number 3099) for \$35,000.00
4 from P.S.B.A, payable to "K. Hronopoulos," which defendant KIRSTEN KULLBERG
5 HRONOPOULOS deposited into her personal bank account at the Bank of America;

6 3. On or about September 23, 1996, Paul F. Scheibe issued a check (number 3157) for
7 \$22,250.00 from P.S.B.A., payable to "K. Hronopoulos," which defendant KIRSTEN KULLBERG
8 HRONOPOULOS deposited into her personal bank account at the Bank of America;

9 4. On or about October 15, 1996, Paul F. Scheibe issued a check (number 11717) for \$7,000.00
10 from Best Western Eagle Lodge, payable to "Kirsten Kullberg," which defendant KIRSTEN
11 KULLBERG HRONOPOULOS deposited into her personal bank account at the Bank of America.
12 All in violation of Title 26, United States Code, Section 7201, and Title 18, United Sates Code,
13 Section 2.

14 Count 32

15 INCOME TAX EVASION

16 ____ During the calendar year 1997, defendants KOSTANENOS N. HRONOPOULOS and KIRSTEN
17 KULLBERG HRONOPOULOS, residents of San Diego County, California, had and received taxable
18 income in the sum of approximately \$325,000.00; that upon said taxable income there was owing to
19 the United States of America an income tax of approximately \$100,000.00; that well-knowing and
20 believing the foregoing facts, defendants, on or about April 15, 1998, in the Southern District of
21 California, did willfully attempt to evade and defeat the said income tax due and owing by them to the
22 United States of America for said calendar year by failing to make an income tax return on or before
23 April 15, 1998, as required by law, to any proper officer of the Internal Revenue Service, and by
24 failing to pay to the Internal Revenue Service said income tax, and by committing the following
25 affirmative acts of evasion, among others:

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1 1. On or about June 13, 1997, defendant KIRSTEN KULLBERG HRONOPOULOS deposited
2 a BRC check (number 2089) for \$14,000.00, which was falsely recorded as an “employee advance”
3 to defendant KOSTANENOS N. HRONOPOULOS, into her personal bank account at the Bank of
4 America;

5 2. On or about October 15, 1997, Lawrence W. Taggart caused articles of incorporation to be
6 filed for Aegean Management Services in the state of California;

7 3. On or about December 24, 1997, defendant KOSTANENOS N. HRONOPOULOS directed
8 Lawrence W. Taggart to write a check (number 358) for \$15,000.00, drawn on Taggart’s attorney-
9 client trust account, payable to Tiina Bathurst;

10 4. On or about December 31, 1998, Richard G. Boyer caused BRC to write-off as uncollectible
11 all “employee advances/loans” made to defendant KOSTANENOS N. HRONOPOULOS in 1997;

12 5. On or about October 17, 2000, Richard G. Boyer caused the preparation and filing of a false,
13 federal corporate income tax return for Aegean Management Services for tax year 1997.

14 All in violation of Title 26, United States Code, Section 7201, and Title 18, United States Code,
15 Section 2.

16 Count 33

17 INCOME TAX EVASION

18 _____ During the calendar year 1998, defendants KOSTANENOS N. HRONOPOULOS and KIRSTEN
19 KULLBERG HRONOPOULOS, residents of San Diego County, California, had and received taxable
20 income in the sum of approximately \$740,000.00; that upon said taxable income there was owing to
21 the United States of America an income tax of approximately \$265,000.00; that well-knowing and
22 believing the foregoing facts, defendants, on or about April 15, 1999, in the Southern District of
23 California, did willfully attempt to evade and defeat the said income tax due and owing by them to the
24 United States of America for said calendar year by failing to make an income tax return on or before
25 April 15, 1999, as required by law, to any proper officer of the Internal Revenue Service, and by
26 failing to pay to the Internal Revenue Service said income tax, and by committing the following
27 affirmative acts of evasion, among others:

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1 1. On or about January 20, 1998, Lawrence W. Taggart issued a check (number 417) for
2 \$20,000.00, drawn on Taggart's attorney-client trust account, payable to "cash" and which was
3 converted to cashier's check # 0721021030, which was made payable to "K.N. Hronopoulos;"

4 2. On or about April 17, 1998, Lawrence W. Taggart signed a check drawn on his attorney-client
5 trust account, payable to "cash," which was converted into a cashier's check in the amount of
6 \$200,000.00 and was applied to the down payment on the residence of defendants KIRSTEN
7 KULLBERG HRONOPOULOS and KOSTANENOS N. HRONOPOULOS in Rancho Santa Fe,
8 California;

9 3. On or about April 29, 1998, Lawrence W. Taggart signed a check for \$18,125.00, drawn on
10 Taggart's attorney-client trust account, payable to defendant KOSTANENOS N. HRONOPOULOS;

11 4. On or about July 23, 1998, Paul F. Scheibe delivered \$17,500.00 in cash to defendant
12 KOSTANENOS N. HRONOPOULOS, who directed an employee to deposit the cash into a personal
13 bank account of KOSTANENOS N. HRONOPOULOS; and

14 5. On or about October 17, 2000, Richard G. Boyer caused the preparation and filing of a false,
15 federal corporate income tax return for Aegean Management Services for tax year 1998.
16 All in violation of Title 26, United States Code, Section 7201, and Title 18, United States Code,
17 Section 2.

18 Count 34

19 INCOME TAX EVASION

20 ____During the calendar year 1995, defendants STEPHEN H. SMITH and PATRICIA MORENO
21 SMITH, residents of San Diego County, California, had and received taxable income in the sum of
22 approximately \$45,000.00; that upon said taxable income there was owing to the United States of
23 America an income tax of approximately \$7,500.00; that well-knowing and believing the foregoing
24 facts, defendants, on or about April 15, 1996, in the Southern District of California, did willfully
25 attempt to evade and defeat the said income tax due and owing by them to the United States of
26 America for said calendar year by failing to make an income tax return on or before April 15, 1996,
27 as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the

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1 Internal Revenue Service said income tax, and by committing the following affirmative acts of
2 evasion, among others:

3 1. On or about, August 26, 1995, Paul F. Scheibe issued a check (number 1998) from Inplant
4 Pallet Corporation for \$5,000.00 payable to Stephen Smith, which defendant STEPHEN H. SMITH
5 negotiated for currency;

6 2. On December 29, 1995, Paul F. Scheibe issued a check (number 5034) from Britton Capital
7 Corporation for \$35,000.00 payable to Stephen Smith, which defendant PATRICIA MORENO
8 SMITH deposited into the De La Patty bank account under her control at the Union Bank of
9 California;

10 3. On or about December 31, 1998, Richard G. Boyer caused BRC to write-off as uncollectible
11 all "employee advances/loans" made to defendant STEPHEN H. SMITH in 1995.

12 All in violation of Title 26, United States Code, Section 7201, and Title 18, United States Code,
13 Section 2.

14 Count 35

15 INCOME TAX EVASION

16 ___ On or about April 15, 1997, in the Southern District of California, defendants STEPHEN H.
17 SMITH and PATRICIA MORENO SMITH did willfully attempt to evade and defeat a large part of
18 the income tax due and owing by them to the United States of America for the calendar year 1996, by
19 preparing and causing to be prepared, a false and fraudulent U.S. Individual Income Tax Return,
20 Form 1040PC for PATRICIA MORENO SMITH, which was filed with the Internal Revenue Service,
21 where they stated that her taxable income for said calendar year was the sum of \$12,892.00, and that
22 the amount of the tax due and owing thereon was the sum of \$1,931.00, whereas as they then well
23 knew and believed, their taxable income for the said calendar year was approximately \$183,000.00,
24 and that upon said additional taxable income an income tax of approximately \$48,000.00 was due and
25 owing to the United States of America , and by committing the following additional affirmative acts
26 of evasion, among others:

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1 1. On or about April 15, 1998, defendants STEPHEN H. SMITH and PATRICIA MORENO
2 SMITH jointly filed a false Form 1040A with the Internal Revenue Service, only reporting the income
3 the defendants ascribed to defendant PATRICIA MORENO SMITH;

4 2. On or about October 15, 1997, Lawrence W. Taggart caused articles of incorporation to be
5 filed for Aegean Management Services in the state of California;

6 3. On or about October 17, 2000, Richard G. Boyer caused the preparation and filing of false,
7 federal corporate income tax return for Aegean Management Services for tax year 1997;

8 4. On or about December 10, 1997, defendant PATRICIA MORENO SMITH opened Union
9 Bank of California checking account in the name of "De La Patty";

10 5. On or about December 26, 1997, Lawrence W. Taggart issued a check (number 362) from his
11 attorney-client trust account in the amount of \$40,000.00 and payable to Beaudry RV for the personal
12 benefit of defendants STEPHEN H. SMITH and PATRICIA MORENO SMITH.

13 All in violation of Title 26, United States Code, Section 7201, and Title 18, United States Code,
14 Section 2.

15 Count 37

16 INCOME TAX EVASION

17 ___ During the calendar year 1998, defendants STEPHEN H. SMITH and PATRICIA MORENO
18 SMITH, residents of San Diego County, California, had and received taxable income in the sum of
19 approximately \$385,000.00; that upon said taxable income there was owing to the United States of
20 America an income tax of approximately \$125,000.00; that well-knowing and believing the foregoing
21 facts, defendants, on or about April 15, 1999, in the Southern District of California, did willfully
22 attempt to evade and defeat the said income tax due and owing by them to the United States of
23 America for said calendar year by failing to make an income tax return on or before April 15, 1999,
24 as required by law, to any proper officer of the Internal Revenue Service, and by failing to pay to the
25 Internal Revenue Service said income tax, and by committing the following affirmative acts of
26 evasion, among others:

27 1. On or about January 15, 1998, Lawrence W. Taggart issued a check (number 405) from his
28 attorney-client trust account in the amount of \$82,127.49 and payable to cash, which was converted

1 to a cashier's check (number 0721020993) and made payable to Beaudry RV for the personal benefit
2 of defendants STEPHEN H. SMITH and PATRICIA MORENO SMITH;

3 2. On or about July 23, 1998, Lawrence W. Taggart issued a check (number 264) from his
4 attorney-client trust account in the amount of \$150,000.00 and made payable to Stephen Smith, which
5 defendant STEPHEN H. SMITH deposited into his Wells Fargo Bank checking account;

6 3. On or about December 31, 1998, Richard G. Boyer caused BRC to write-off as uncollectible
7 all "employee advances/loans" made to defendant STEPHEN H. SMITH in 1998;

8 4. On or about October 17, 2000, Richard G. Boyer caused the preparation and filing of a false,
9 federal corporate income tax return for Aegean Management Services for tax year 1998.

10 All in violation of Title 26, United States Code, Section 7201, and Title 18, United States Code,
11 Section 2.

12 Count 38

13 CRIMINAL FORFEITURE

14 Paragraphs 1-6 of the Allegations Common to all Counts and Count 28 are realleged and
15 incorporated here for the purpose of charging criminal forfeiture pursuant to the provisions of Title 18,
16 United States Code, Section 982(a)(1).

17 As a result of the commission of the felony offense alleged in Count 28 of this Indictment, to wit,
18 conducting financial transactions involving the proceeds of specified unlawful activity with the intent
19 to promote the carrying on of specified unlawful activity, with the intent to engage in conduct
20 constituting a violation of Section 7201 of the Internal Revenue Code, and engaging in monetary
21 transactions in criminally derived property that is of a value greater than \$10,000.00, defendants
22 KOSTANENOS N. HRONOPOULOS, STEPHEN H. SMITH, PAUL F. SCHEIBE, LAWRENCE
23 W. TAGGART, and RICHARD G. BOYER shall forfeit to the United States any and all interests each
24 has in all property involved in such felony offenses, or any property which is traceable to such
25 offenses, including but not limited to the property described below:

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Real Property

19 Lake Helix Drive, La Mesa California, further described as Parcel 1: Lot 19 of Helix Lakes, in the City of La Mesa, San Diego County, California, according to Map No. 8269 filed in the Office of the County Recorder of San Diego County on February 27, 1976.

Vehicles

1998 Fleetwood Discovery; Chassis VIN-4UZ6XFBC3WC920272; Coach VIN-770TW4471890.

Cash Proceeds

Approximately \$7,116,298.00 in United States currency and all interest in proceeds traceable thereto, located in places and/or bank accounts presently unknown to the grand jury.

In the event that any property, real or personal, involved in the offenses described in this Indictment, or any property traceable to such property, as a result of any act or omission of the defendants:

- (1) cannot be located upon the exercise of due diligence;
- (2) has been transferred or sold to, or deposited with, third parties;
- (3) has been placed beyond the jurisdiction of the courts;
- (4) has been substantially diminished in value; or
- (5) has been co-mingled with other property which cannot be divided without

difficulty;

any other property of the defendants, up to the value of \$7,116,298.00 is deemed to be forfeited to the United States pursuant to Title 18, United States Code, Section 982, and Title 21, United States Code, Section 853.

DATED: July 13, 2001.

A TRUE BILL:

Foreperson

PATRICK K. O'TOOLE
United States Attorney

STEPHEN P. CLARK
Assistant U.S. Attorney