



United States Department of Justice

United States Attorney Kevin V. Ryan
Northern District of California

11th Floor, Federal Building
450 Golden Gate Avenue, Box 36055
San Francisco, California 94102
(415) 436-7200
FAX: (415) 436-7234

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WWW.USDOJ.GOV/USAO/CAN

CONTACT: Luke Macaulay
(415) 436-6757
Luke.Macaulay@usdoj.gov

DANVILLE TRUST PROMOTER SENTENCED TO 21 MONTHS FOR AIDING IN PREPARATION OF FALSE TAX RETURN

OAKLAND – United States Attorney Kevin V. Ryan and Special Agent in Charge of IRS-Criminal Investigation Roger L. Wirth announced that Robert Douglas Hazen, 62, a resident of Danville, CA was sentenced late yesterday to 21 months in prison and ordered to pay a \$5,000 fine for aiding and assisting in the preparation of a false tax return. This sentence is the result of an investigation by the Internal Revenue Service Criminal Investigation.

Mr. Hazen pleaded guilty on September 14, 2006, to one count of aiding and assisting in the preparation of a false tax return. Mr. Hazen admitted that in June of 1996, he received a letter from the Internal Revenue Service warning him that the government would pursue criminal penalties against promoters of trusts used to evade income taxes and those associated with them. He was also served with a preliminary injunction prohibiting the use of such trusts. Despite such notice and his knowledge that the use of trusts to avoid paying income tax was improper, Mr. Hazen prepared a 1998 income tax return, which falsely claimed trust deductions and falsely reported their income. As a result of such conduct, Mr. Hazen admitted that he was aware that the 1998 individual income tax return did not accurately report the taxable income for those individuals.

Mr. Hazen was indicted along with Earl Thomas Combs, a mortgage broker and financial advisor who met Hazen in 1996. According to the Mr. Combs' plea agreement, Mr. Hazen indicated that he had extensive experience in setting up trusts that greatly reduced tax liability. Mr. Combs began to refer his clients who had been audited to Mr. Hazen. Shortly thereafter, Mr. Combs, along with Mr. Hazen, set up Quest Financial Services in Turlock, California. Through Quest, Mr. Combs and Mr. Hazen promoted a wide variety of financial services, including setting up abusive trusts and fraudulent charitable foundations. Mr. Combs used his experience in mortgage brokering to help his clients set up charitable foundations that did not in fact have charitable purposes. Mr. Combs and Mr. Hazen advised clients that they could take certain deductions based upon the charitable nature of the foundations, knowing full well that the individual foundations had no charitable purpose.

Mr. Hazen admitted that the tax loss to the United States from the preparation of the false returns was \$463,100.

According to IRS Criminal Investigation Special Agent in Charge Roger L. Wirth, "The IRS will not tolerate promoters of abusive tax schemes. Such promoters put themselves and their clients at serious risk of financial loss, civil penalties and criminal prosecution. The public should be wary of anyone who says that they have a way to keep you from having to pay income taxes."

Mr. Hazen and Mr. Combs were indicted by a federal grand jury on March 30, 2005. Mr. Hazen and Mr. Combs were each charged with 15 counts of aiding and assisting in the preparation of false tax returns in violation of 26 U.S.C. Section 7206(2) and one count of conspiracy to defraud the United States in violation of 18 U.S.C. Section 371.

Mr. Combs pleaded guilty on November 21, 2005 to 4 counts of aiding and assisting in the preparation of false tax returns. He is scheduled to be sentenced on February 26, 2007 at 2:30 pm before Judge Claudia Wilkin.

Mr. Hazen was sentenced by U.S. District Court Judge Claudia Wilkin in Oakland, California. Mr. Hazen will begin serving the sentence on May 8, 2007.

Thomas Moore is the Assistant U.S. Attorney who is prosecuting the case with the assistance of Kathy Tat. The prosecution is the result of a two year investigation by the Internal Revenue Service Criminal Investigation.

Further Information:

A copy of this press release may be found on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Luke Macaulay at (415) 436-6757 or by email at Luke.Macaulay@usdoj.gov.

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