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JURY CONVICTS PALM SPRINGS MAN IN SCHEME TO DEFRAUD THE IRS

The Defendant Created A False Release Of A Tax Lien To Obstruct Collection Of Payroll Taxes

OAKLAND – United States Attorney Joseph P. Russoniello and Special Agent in Charge, IRS Criminal Investigation, Scott O'Briant announced that Kenneth Gerald Bordewick, of Palm Springs, California was convicted of mail fraud and corruptly obstructing or impeding the due administration of the tax laws by a federal jury yesterday. The jury, after deliberating one day, found that Mr. Bordewick created a fraudulent release of a tax lien as part of a scheme to obstruct the Internal Revenue Service's efforts to collect unpaid employment taxes from the sale of a condominium.

Evidence at trial showed that Mr. Bordewick's mother, Frances Norene Bordewick, operated a beauty salon, Norene and Company, in Antioch, CA. In 1993 and again in 1997, a Notice of Federal Tax Lien was filed against Frances Norene Bordewick/Norene & Co for outstanding employment taxes owed on her beauty salon.

In November 2000, Mr. Bordewick assisted his mother with the sale of her condominium in Antioch. After receiving a preliminary title report, the title company requested a demand of payment from the IRS relating to federal tax liens. A notice of taxes due was submitted by the IRS Collection Division. In December 2000, the escrow company prepared a preliminary closing statement showing an estimated payment to the IRS in the amount of \$87,251.30. In late January 2001, Mr. Bordewick told the escrow officer that his mother owed money on a mechanic's lien.

On January 24, 2001, Mr. Bordewick recorded a fraudulent Certificate of Release of Federal Tax Lien at the Contra Costa County Recorder's Office. Ten minutes later, a fraudulent Mechanic's Lien against Frances Norene Bordewick's property, in favor of Robert Morrison, Mr. Bordewick's partner, was recorded in the amount of \$50,000. That same day Mr. Bordewick submitted the fraudulent Certificate of Release of Federal Tax Lien and Mechanic's Lien to the escrow officer causing her to not pay the IRS lien, but instead to pay Mr. Bordewick's partner, pursuant to the Mechanic's Lien. The escrow officer pursuant to Mr. Bordewick's instructions mailed the proceeds of the sale, approximately \$44,000, in nine checks made out to Robert Morrison at his residence with the defendant in Palm Springs.

In March 2001, an IRS Revenue Officer inquired about the status of the escrow and was advised by the escrow officer that payment had not been remitted to the IRS for the payroll taxes rather payment was made on a Mechanic's Lien.

The guilty verdict followed a week long jury trial before United States District Court Judge D. Lowell Jensen.

The sentencing of Mr. Bordewick is scheduled for May 23, 2008 before Judge Jensen in Oakland. The maximum statutory penalty for each count of mail fraud in violation of 18 U.S.C. § 1341 is 20 years and a fine of \$250,000 and for each count of corruptly endeavoring to obstruct or impede the due administration of the tax laws in violation of 26. U.S.C. § 7212(a) is 3 years and a fine of \$250,000. However, any sentence following conviction would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

David L. Denier is the Assistant U.S. Attorney who is prosecuting the case with the assistance of Kathy Tat. The prosecution is the result of a one year investigation by the Internal Revenue Service, Criminal Investigation.

Further Information:

Case #: 06-0022 DLJ

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 Joshua Eaton at (415) 436-6958 or by email at Josh.Eaton@usdoj.gov.

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