



McGREGOR W. SCOTT

*United States Attorney
Eastern District of California*

NEWS RELEASE

*Sacramento
501 I Street, Suite 10-100
Sacramento, CA 95814
Tel 916/554-2700
TTY 916/554-2877*

*Fresno
2500 Tulare Street, Suite 4401
Fresno, CA 93721
Tel 559/497-4000
TTY 559/497-4500*

FOR IMMEDIATE RELEASE

January 14, 2008

Contact: Lauren Horwood
916/554-2706

<http://www.usdoj.gov/usao/cae>

FRESNO COUNTY WOMAN INVOLVED IN PRIME BANK SCHEME
CHARGED WITH FILING FALSE TAX RETURNS
Defendant failed to report commissions from fraudulent investment scheme to the IRS

FRESNO--United States Attorney McGregor W. Scott and Special Agent-in-Charge of the Internal Revenue Service - Criminal Investigation Scott O'Briant, announced that MARY J. CLAGG, 60, of Fresno, was indicted on federal income tax charges stemming from a prime bank scheme. MARY J. CLAGG was arraigned on the indictment on January 11, 2008, by Magistrate Judge Dennis Beck, and pled not guilty.

This case was a product of an extensive investigation by the Internal Revenue Service - Criminal Investigation Division.

According to Assistant United States Attorney Mark J. McKeon, who is prosecuting the case, from approximately January 1999 through December 2002, CLAGG received commissions based on investors recruited by three of her salespersons or "facilitators" for Resource Development International (RDI), a prime bank scheme that raised nearly \$98 million from more than 1300 investors. RDI was a fraudulent investment scheme developed by James Edwards and David Edwards, father and son, who were charged with securities fraud and registration violations by the Securities and Exchange Commission in 2002. The RDI program offered and sold unregistered prime bank securities, mainly

targeting persons seeking to invest retirement funds with the promise of the funds to be used in Europe to trade financial instruments with “top 25” or “top 50” banks, sponsored by the Federal Reserve and global organizations.

All the essential representations made to investors about the RDI program were false. In fact, the program described to investors did not exist. Investors’ funds were misappropriated and dispensed for personal and unauthorized business uses. Tens of millions of dollars were diverted from the RDI bank account to an offshore account in the Bank of Nevis, West Indies.

Over a period of not less than three years, over \$802,000 was deposited into CLAGG’s Bank of Nevis account. From approximately November 1999 through June 2003, CLAGG repatriated thousands of dollars from her Bank of Nevis account (and other foreign bank accounts) into the United States through family and friends. CLAGG failed to declare and include more than \$634,000 of income derived from paid commissions received to her Bank of Nevis account (and other foreign accounts) as gross receipts for the tax years 2000, 2001, and 2002.

According to Assistant United States Attorney Mark J. McKeon, the maximum statutory penalty for each count of filing a false return in violation of 26 U.S.C. § 7206(1) is three years imprisonment and a fine of \$250,000. However, the actual sentence will be determined at the discretion of the court after consideration of the Federal Sentencing Guidelines, which take into account a number of variables, and any applicable statutory sentencing factors.

The charges are only allegations and the defendant is presumed innocent until and unless proven guilty beyond a reasonable doubt.

###