

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION

UNITED STATES OF AMERICA            )    No.  
  )  
  )    Violation: Title 26, United States  
  )    Code, Section 7201  
v.    )  
  )  
ROBERT D. FALOR                         )    **UNDER SEAL**  
  )

**COUNT ONE**  
**(Income Tax Evasion)**

The SPECIAL FEBRUARY 2011-1 GRAND JURY charges:

1. At times material to this indictment:

a. Defendant ROBERT D. FALOR was the chief operator and manager of The Falor Companies, Inc. (“TFC”), which, through various related business entities controlled by defendant FALOR and others, acquired and managed hotel properties in Chicago, Miami Beach, and elsewhere, and attempted to convert certain of those hotels to condominium-hotel (“condo-hotel”) properties. As condo-hotel properties, individual guest rooms would be sold to investors as separately titled condominium units and rented by a TFC-related hotel management company to guests when the owner was not in residence, with the owner receiving a percentage of the rental fee;

b. Defendant FALOR held ownership interests in multiple entities including limited liability corporations (the “LLCs”) that defendant and others established to own and to manage the affairs of various TFC condo-hotel properties;

c. The Tides Hotel, located at 1220 Ocean Drive in Miami Beach, Florida,

was one of TFC's condo-hotel properties;

d. Defendant FALOR controlled Tides Manager, LLC, which participated in the management of the Tides Hotel; and

e. Defendant FALOR controlled a nominee bank account held in the name BRFLMF, LLC that defendant caused to be opened in or about July 2004 ("BRFLMF Account 1").

### **Sources of Unreported Income**

#### ***Sales of LLC interests***

2. During the calendar year 2004, defendant ROBERT FALOR engaged in numerous transactions to sell certain of his interests and those of his wife in certain of the LLCs for a total taxable capital gain of approximately \$1,294,424.

#### ***Distribution from Tides Manager, LLC***

3. During the calendar year 2004, Tides Manager, LLC, made a distribution to defendant ROBERT FALOR that resulted in a taxable capital gain of approximately \$472,955 that defendant caused to be wired to a bank account held in his wife's name.

#### ***Income from LLCs***

4. During the calendar year 2004, defendant ROBERT FALOR received taxable income from certain LLCs of which defendant caused to be deposited into BRFLMF Account 1 at least approximately \$201,485.

## **Income Tax Owed**

5. Defendant ROBERT FALOR was required by law to include the additional capital gains and income on an income tax return and to pay income tax due and owing thereon.

6. During the calendar year 2004, defendant ROBERT FALOR had taxable income of approximately \$1,332,391.

7. Upon his taxable income, defendant ROBERT FALOR owed to the United States of America income tax of approximately \$189,246.

8. On or about October 3, 2007, defendant ROBERT FALOR knowingly filed with the Internal Revenue Service, a false joint United States Individual Income Tax Return, Form 1040, that falsely stated defendant and his wife had no capital gains in 2004 and under-reported defendant's income from various related LLCs.

9. Defendant ROBERT FALOR falsely stated the total income tax due and owing on the 2004 income tax return was \$2,102, when defendant actually owed a total of approximately \$189,246.

10. During calendar year 2004, continuing to no earlier than October 3, 2007, in the Northern District of Illinois, Eastern Division, and elsewhere,

**ROBERT D. FALOR,**

defendant herein, well knowing all of the foregoing facts, willfully attempted to evade and defeat the income tax due and owing by him to the United States of America for the 2004 calendar year by committing one or more of the following affirmative acts of evasion:

- a. causing BRFLMF Account 1 to be opened in or about July 2004;
- b. causing at least approximately \$201,485 to be deposited by wire transfer into BRFLMF Account 1 on or about September 23, 2004;
- c. filing, and causing to be filed, with the Internal Revenue Service, a false and fictitious joint United States Individual Income Tax Return, Form 1040, for the 2004 calendar year, which failed to report on line 13 capital gain income from sales of certain LLC interests and a distribution from Tides Manager, LLC, and failed to report on line 17 of said tax return approximately \$201,485 of income from certain LLCs; and
- d. failing to pay income tax of approximately \$189,246 due and owing to the Internal Revenue Service;

In violation of Title 26, United States Code, Section 7201.

**COUNT TWO**  
**(Income Tax Evasion)**

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges that:

1. At times material to this indictment:
  - a. The allegations of paragraph 1 of Count One of this indictment are incorporated by reference as if fully set forth herein;
  - b. The Blake Hotel, located at 500 South Dearborn Street in Chicago, was one of TFC's condo-hotel properties;
  - c. Defendant FALOR controlled a bank account held in the name Printers Row LLC, which was the operating account for the Blake Hotel (the "Blake Hotel Account");
  - d. Defendant FALOR controlled a nominee bank account held in the name BRFLMF, LLC that defendant caused to be opened in or about April 2006 ("BRFLMF Account 2"); and
  - e. Defendant FALOR controlled a nominee bank account held in the name FMC Enterprises, LLC that defendant caused to be opened in or about October 2006 ("FMC Account 1").

**Sources of Unreported Income**

***Blake Hotel***

2. During the calendar year 2006, defendant ROBERT FALOR received taxable income of approximately \$1,257,992 from the Blake Hotel Account, which defendant caused

to be deposited through a series of transactions into BRFLMF Accounts 1 and 2, and FMC Account 1.

***TFC “loans”***

3. From in or about 2003 through 2006, defendant ROBERT FALOR directed employees of TFC to pay his personal expenses from TFC bank accounts and to record the payments as loans from TFC to defendant.

4. During the calendar year 2006, TFC ceased business operations, at which time defendant ROBERT FALOR owed TFC approximately \$1,650,903 in loans, which became taxable income to defendant in calendar year 2006 because defendant had failed to repay those loans.

**Income Tax Owed**

5. Defendant ROBERT FALOR was required by law to report the above-described income on an income tax return and to pay income tax due and owing thereon.

6. During the calendar year 2006, defendant ROBERT FALOR had taxable income of approximately \$1,825,326.

7. Upon his taxable income for calendar year 2006, defendant ROBERT FALOR owed to the United States of America income tax of approximately \$494,261.

8. By reason of his income, defendant ROBERT FALOR was required by law, following the close of calendar year 2006 and on or before the extended due date of October 15, 2007, to file a United States Individual Income Tax Return, Form 1040, with the Internal Revenue Service, and to pay the income tax owed.

9. Defendant ROBERT FALOR failed to file a United States Individual Income Tax Return, Form 1040, and failed to pay income tax owed for the calendar year 2006.

10. Knowing all of the foregoing facts, beginning on or about January 1, 2006, and continuing to no earlier than October 15, 2007, in the Northern District of Illinois, Eastern Division, and elsewhere,

ROBERT D. FALOR,

defendant herein, willfully did attempt to evade and defeat a substantial amount of income tax due and owing by him to the United States of America for the calendar year 2006 by committing one or more of the following affirmative acts of evasion:

- a. causing BRFLMF Account 2 to be opened in or about April 2006;
- b. causing FMC Account 1 to be opened in or about October 2006;
- c. causing more than one hundred banking transactions to be completed during the calendar year 2006 that deposited at least approximately \$1,191,672 into BRFLMF Accounts 1 and 2, and FMC Account 1;
- d. causing at least approximately \$5,000 to be deposited by wire transfer into BRFLMF Account 1 on or about October 17, 2006;
- e. causing at least approximately \$50,000 to be deposited by wire transfer into BRFLMF Account 2 on or about September 18, 2006;
- f. causing at least approximately \$20,000 to be deposited by wire transfer into FMC Account 1 on or about October 30, 2006; and
- g. failing to pay income tax of approximately \$494,261 due and owing to

the Internal Revenue Service;

In violation of Title 26, United States Code, Section 7201.

**COUNT THREE**  
**(Income Tax Evasion)**

The SPECIAL FEBRUARY 2011-1 GRAND JURY further charges that:

1. At times material to this indictment:
  - a. The allegations of paragraph 1 of Count Two of this indictment are incorporated by reference as if fully set forth herein;
  - b. Defendant FALOR controlled a nominee bank account held in the name FMC Enterprises, LLC that defendant caused to be opened in or about September 2007 (“FMC Account 2”); and
  - c. Defendant FALOR controlled a nominee bank account held in the name Blue Stone Holdings, Inc., that defendant caused to be opened in or about September 2007 (the “Blue Stone Account”).

**Sources of Unreported Income**

***Blake Hotel***

2. During the calendar year 2007, defendant ROBERT FALOR received taxable income of approximately \$2,316,943 from the Blake Hotel Account, which defendant caused to be deposited through a series of transactions into BRFLMF Accounts 1 and 2; FMC Accounts 1 and 2; and the Blue Stone Account.

***Dissolution of LLCs***

3. During the calendar year 2007, certain of the LLCs ceased operations and dissolved, resulting in capital gains to defendant ROBERT FALOR in the amount of

approximately \$2,904,579.

### **Income Tax Owed**

4. Defendant ROBERT FALOR was required by law to report the above-described income and capital gains on an income tax return and to pay income tax due and owing thereon.

5. During the calendar year 2007, defendant ROBERT FALOR, had taxable income of approximately \$4,837,308.

6. Upon his taxable income, defendant ROBERT FALOR owed to the United States of America income tax of approximately \$1,091,216.

7. By reason of his income, defendant ROBERT FALOR was required by law, following the close of calendar year 2007 and on or before the extended due date of October 15, 2008, to file a United States Individual Income Tax Return, Form 1040, with the Internal Revenue Service, and to pay the income tax owed.

8. Defendant ROBERT FALOR failed to file a United States Individual Income Tax Return, Form 1040, and failed to pay income tax owed for the calendar year 2007.

9. Knowing all of the foregoing facts, beginning on or about January 1, 2007, and continuing to no earlier than October 15, 2008, in the Northern District of Illinois, Eastern Division, and elsewhere,

**ROBERT D. FALOR,**

defendant herein, willfully did attempt to evade and defeat a substantial amount of income tax due and owing by him to the United States of America for the calendar year 2007 by

committing one or more of the following affirmative acts of evasion:

- a. causing FMC Account 2 to be opened in or about September 2007;
- b. causing the Blue Stone Account to be opened in or about September 2007;
- c. causing more than two hundred banking transactions to be completed during the calendar year 2007 that deposited at least approximately \$2,316,943 into BRFLMF Accounts 1 and 2; FMC Accounts 1 and 2; and the Blue Stone Account;
- d. causing at least approximately \$8,187 to be deposited by wire transfer into BRFLMF Account 1 on or about April 11, 2007;
- e. causing at least approximately \$29,000 to be deposited by wire transfer into BRFLMF Account 2 on or about June 18, 2007;
- f. causing at least approximately \$30,000 to be deposited by wire transfer into FMC Account 1 on or about June 25, 2007;
- g. causing at least approximately \$20,000 to be deposited by wire transfer into FMC Account 2 on or about November 5, 2007;
- h. causing at least approximately \$20,000 to be deposited by wire transfer into the Blue Stone Account on or about November 14, 2007;

i. failing to pay income tax of approximately \$1,091,216 due and owing to the Internal Revenue Service;

In violation of Title 26, United States Code, Section 7201.

A TRUE BILL:

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FOREPERSON

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UNITED STATES ATTORNEY