

**IN THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

**UNITED STATES OF AMERICA** : **CRIMINAL NO. 10-cr-00293-PBT**  
v. : **DATE FILED: \_\_\_\_\_**  
**JONATHON FELIX** : **VIOLATIONS:**  
: **26 U.S.C. § 7206(1) (willfully filing**  
: **materially false federal income tax**  
: **returns - 4 counts)**

**SUPERSEDING INDICTMENT**

**COUNTS ONE THROUGH FOUR**

**THE GRAND JURY CHARGES THAT:**

At all times relevant to this superseding indictment, unless otherwise specified:

1. Defendant JONATHON FELIX owned and operated United Professional Plans, Inc. (“UPPI”), a corporation organized in 1973 under the laws of the Commonwealth of Pennsylvania. Defendant JONATHON FELIX also served as UPPI’s President.

2. UPPI was a third-party administrator of dental plans for labor union health and welfare funds. In this role, UPPI processed dental claims and resolved disputes between labor union members and dental providers, receiving a management fee from the health and welfare funds for its services.

3. P.F., a person known to the grand jury, was defendant JONATHON FELIX’s father. P.F., a dentist, formed UPPI in 1973 and operated the company for many years. In the mid-1980s, he brought defendant JONATHON FELIX into the business, gradually giving him more responsibility and increasing his ownership interest in UPPI. By the time that P.F. died

in or about November 2000, P.F. owned approximately 50% of UPPI and defendant JONATHON FELIX owned the remainder.

4. M.F., a person known to the grand jury, was defendant JONATHON FELIX's mother. When P.F. died, she received his ownership interest in UPPI.

5. The Internal Revenue Code (the "Code") and associated regulations permitted a corporation to elect to be treated as a "pass through" entity for federal tax purposes, which eliminates the requirement that the corporation pay corporate income taxes on any income earned. Instead of requiring the corporation to pay corporate income taxes, the Code and associated regulations allowed the corporate income to "pass through" or flow to the owners of the corporation. A corporation that elected to be treated as a pass-through entity was known as an "S corporation" and was required to file a U.S. Income Tax Return for an S Corporation, also known as Form 1120S. Because of the S corporation's pass-through nature, no taxes were owed by an S corporation.

6. The Code and associated regulations required the owner of an S corporation to report the corporation's ordinary income as personal income on a U.S. Individual Income Tax Return, Form 1040, in proportion to the owner's respective ownership share.

7. At some point prior to 1999, UPPI elected to be treated as an S corporation. As a result, each fiscal year it was required to file a U.S. Income Tax Return for an S Corporation, Form 1120S. In addition, its owners, first P.F. and defendant JONATHON FELIX and later defendant JONATHON FELIX and M.F., were required to report their proportionate share of income from UPPI on their own U.S. Individual Income Tax Return, Form 1040.

8. In light of these circumstances, defendant JONATHON FELIX could report his annual income from UPPI on various lines on his U.S. Individual Income Tax Return, Form 1040, such as on line 7 as wages from UPPI, on line 17 as flow-through income from UPPI's Form 1120S, or on line 21 as other income. Defendant JONATHON FELIX was required to accurately report the sum of all of this income on line 22 of his Form 1040, which corresponded to defendant JONATHON FELIX's total income for each year.

9. For tax years 1999 through 2002, defendant JONATHON FELIX reported most of his income on line 7 (wages) and line 21 (other income). On these Forms 1040, defendant JONATHON Felix referred to his other income (line 21) as management fees.

10. On or about the dates listed in the chart below, in the Eastern District of Pennsylvania, defendant

**JONATHON FELIX**

willfully made and subscribed joint U.S. Individual Income Tax Returns, Forms 1040, for the calendar years set forth below, which were verified by a written declaration that the returns were made under the penalties of perjury, which the defendant did not believe to be true and correct as to every material matter. The income tax returns, which were filed with the Internal Revenue Service, reported that defendant JONATHON FELIX had earned total income (line 22) and management fees (line 21), in the amounts set forth below, whereas, as the defendant then and there knew and believed, the total income and management fees that he had realized in the each of the respective years set forth below was greater than the amount that he reported:

<b>COUNT</b>	<b>DATE OF OFFENSE</b>	<b>TAX YEAR</b>	<b>FALSELY CLAIMED ITEMS</b>	<b>AMOUNTS CLAIMED</b>
1	May 17, 2004	1999	<ul style="list-style-type: none"> <li>• Management fee (line 21)</li> <li>• Total income (line 22)</li> </ul>	\$125,000 \$280,017
2	May 17, 2004	2000	<ul style="list-style-type: none"> <li>• Management fee (line 21)</li> <li>• Total income (line 22)</li> </ul>	\$150,000 \$207,163
3	May 17, 2004	2001	<ul style="list-style-type: none"> <li>• Management fee (line 21)</li> <li>• Total income (line 22)</li> </ul>	\$165,000 \$235,637
4	July 20, 2004	2002	<ul style="list-style-type: none"> <li>• Management fee (line 21)</li> <li>• Total income (line 22)</li> </ul>	\$180,000 \$256,500

In violation of Title 26, United States Code, Section 7206(1).

**A TRUE BILL:**

\_\_\_\_\_  
**GRAND JURY FOREPERSON**

\_\_\_\_\_  
**ZANE MEMEGER**  
**UNITED STATES ATTORNEY**