

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

- - - - -X

UNITED STATES OF AMERICA :
: **SEALED**
: **INDICTMENT**

- v -

MORRIS E. ZUKERMAN, :
: S1 16 Cr. 194 (AT)
:
Defendant. :
:

- - - - -X

The Grand Jury charges:

I. BACKGROUND: PERTINENT INDIVIDUALS, ENTITIES, AND
TRANSACTIONS

A. MORRIS E. ZUKERMAN and the Zukerman Family Trust

1. At all times relevant to this Indictment MORRIS E. ZUKERMAN, the defendant (hereinafter "ZUKERMAN" or "the defendant"), was a resident of New York, New York, where he owns and maintains a duplex cooperative apartment on Manhattan's Upper East Side. The defendant also owns and maintains a vacation residence located on a small island off the coast of Maine, near Mount Desert Island.

2. The Zukerman Family Trust is a trust that MORRIS E. ZUKERMAN, the defendant, caused to be formed in or about 1992 for the benefit of three family members (hereinafter "Family Member-1," "Family Member-2," and "Family Member-3," each of whom is a one-third beneficiary. Pursuant to its terms, the Zukerman Family Trust is a "complex trust," which, under the

Internal Revenue Code and associated regulations, is required to file a U.S. Income Tax Return for Estates and Trusts, Form 1041, for each year in which the trust has either (i) taxable income or (ii) gross income of \$600 or more, irrespective of whether it has taxable income. At all times relevant to this Indictment, ZUKERMAN controlled the affairs of the Zukerman Family Trust and served as its trustee.

3. Between at least 2007 and the date of this Indictment, MORRIS E. ZUKERMAN, the defendant, together with his wife, has maintained and controlled custodial bank accounts on behalf of Family Member-1, Family Member-2, and Family Member-3, each of whom is over thirty-two (32) years of age.

4. Between at least 2008 and the date of this Indictment, MORRIS E. ZUKERMAN, the defendant, and his wife have employed at least two domestic employees at their residences. Household Employee-1 is a full-time housekeeper who has been employed by ZUKERMAN for almost three decades and who performs duties such as cooking, cleaning, laundry, and other household errands at the ZUKERMAN's Manhattan residence and, for approximately a month every summer, at ZUKERMAN's residence in Maine. Household Employee-1 is paid partially in cash and partially by check. Household Employee-2, who also reports to

the defendant's Manhattan residence on a daily basis and to the Maine residence for a month every summer, performs household duties such as dog walking, laundry, and hanging of various paintings owned and controlled by the defendant. Household Employee-2 is paid exclusively in cash.

B. MORRIS E. ZUKERMAN's Corporate Entities

5. Beginning in at least 1988 and continuing until the date of this Indictment, MORRIS E. ZUKERMAN, the defendant, has owned, operated, and/or controlled a group of corporate entities engaged in various business activities, including the purchase and sale of assets and businesses in the energy sector. Prior to operating his own corporate entities, ZUKERMAN, who has a Master of Business Administration degree, served as a managing director at a leading investment banking firm in New York.

6. The parent company among the business entities controlled by MORRIS E. ZUKERMAN, the defendant, is M.E. Zukerman & Company, Inc. ("MEZCO"), a Delaware-registered Subchapter C corporation of which ZUKERMAN has served as president and chief executive officer since its formation in or about 1988. Although it has utilized a Delaware address for incorporation and registry purposes, MEZCO has at all times maintained its corporate headquarters in midtown Manhattan.

7. MEZCO has various subsidiary companies, including M.E. Zukerman Energy Investors, Inc. ("MEZ Energy"), M.E. Zukerman Investments, Ltd. ("MEZIL"), M.E. Zukerman Specialty Oil Acquisition Corp. ("MEZ Acquisition"), and M.E. Zukerman Specialty Oil Corp. ("MEZSOC"), all of which are Delaware-registered Subchapter C corporations that operated and conducted business out of MEZCO's offices in Manhattan. Between at least 2001 and 2006, MEZCO and the aforementioned subsidiaries filed a single U.S. Corporate Income Tax Return, Form 1120 ("Form 1120"), as part of a consolidated group.

8. As described in more detail below, beginning in or about mid-2008, MORRIS E. ZUKERMAN, the defendant, caused MEZSOC to be removed from the MEZCO consolidated group for tax reporting purposes and to fail to file with the Internal Revenue Service ("IRS") a Form 1120 for each and every year from 2007 to the present, during which time MEZSOC received over \$117 million in income and owed to the IRS over \$31 million in income taxes - none of which was paid.

9. Bodley Investment Company ("Bodley") was a Delaware-registered Subchapter C corporation controlled by MORRIS E. ZUKERMAN, the defendant, as its president and sole corporate officer, but was not part of the MEZCO consolidated

group. Largely dormant between 2006 and 2012, Bodley's affairs were conducted by ZUKERMAN out of MEZCO's New York offices.

10. Arkriver Pty. Ltd. ("Arkriver") is an Australia registered corporate entity that is owned indirectly by the Zukerman Family Trust and controlled by MORRIS E. ZUKERMAN, the defendant. Although Arkriver has no employees, no offices, and was largely dormant between 1995 and 2013, ZUKERMAN controlled and maintained an Arkriver bank account in New York, New York, which ZUKERMAN caused to be opened in or about 2007.

11. San Ysidro Corporation is a Delaware registered Subchapter C corporation that is owned by the Zukerman Family Trust and controlled by MORRIS E. ZUKERMAN, the defendant. San Ysidro Corporation is involved principally in various agricultural activities in central California, including the ownership and operation of vineyards. Although San Ysidro Corporation's operations are conducted largely out of California, ZUKERMAN controlled and maintained separate San Ysidro Corporation bank accounts from MEZCO's offices in New York, New York.

12. United California Citrus East, Inc. and United California Citrus West, Inc. (collectively "United California Citrus"), Delaware registered Subchapter C corporations, and San

Ysidro Vineyards, LLC, a Delaware limited liability company, are subsidiaries of San Ysidro Corporation and are involved in, respectively, the growth and sale of citrus products and grapes. Like San Ysidro Corporation, the affairs of United California Citrus and San Ysidro Vineyards are controlled by MORRIS E. ZUKERMAN, the defendant. For the tax years 2011 through 2013, San Ysidro Corporation filed a consolidated U.S. Corporation Income Tax Return, Form 1120, together with affiliates San Ysidro Vineyards and United California Citrus, among other companies.

13. In or about May 2005, San Ysidro Vineyards entered into a loan agreement (Loan # 176947) with an insurance company (the "Insurance Company") pursuant to which San Ysidro Vineyards borrowed approximately \$5,100,000 to fund its California agricultural operations. Pursuant to the terms of the loan agreement, which was signed by MORRIS E. ZUKERMAN, the defendant, as San Ysidro Vineyards' president, San Ysidro Vineyards was obligated to make periodic payments of interest and principal. In or about January 1998, United California Citrus entered into a loan agreement (Loan # 172019) with the Insurance Company pursuant to which it borrowed approximately \$6,250,000 to fund its California operations. Pursuant to the

terms of the loan agreement, United California Citrus was obligated to make periodic payments of interest and principal. Collectively, the loans will be referred to herein as "the agricultural loans."

C. ZUKERMAN's Accountants and Tax Preparers

14. MORRIS E. ZUKERMAN, the defendant, did not employ an in-house accountant at MEZCO. Instead, he divided his accounting and tax preparation work by using various external firms or individuals for different tax reporting tasks: a New Jersey-based accounting firm ("Accounting Firm-1") handled preparation of Forms 1120 for MEZCO and its subsidiaries; a Long Island-based accounting firm ("Accounting Firm-2") handled preparation of U.S. Individual Income Tax Returns, Forms 1040 ("Forms 1040"), and gift tax returns for ZUKERMAN and his wife; and a Long Island-based accountant ("Tax Preparer-1"), whom ZUKERMAN paid in cash, handled preparation of Forms 1120 for certain of ZUKERMAN's largely dormant entities, including Bodley. ZUKERMAN also tasked an in-house MEZCO employee, who had little or no formal accounting and tax preparation training ("the Bookkeeper"), with certain accounting and tax-related functions, such as making accounting entries for the C corporations in the MEZCO consolidated group, and handling

various accounting, tax-filing, and other responsibilities for certain corporate entities, including the San Ysidro Corporation, of which ZUKERMAN gave the Bookkeeper the title of Controller. ZUKERMAN also directed the Bookkeeper to prepare Forms 1040 for Family Member-1, Family Member-2, and Family Member-3 from 2007 until in or about 2012, when ZUKERMAN caused those duties to be transferred to Accounting Firm-2.

D. The Purchase and Subsequent Sale of The Oil Company

15. In or about February 2001, MORRIS E. ZUKERMAN, the defendant, caused MEZSOC to purchase, for approximately \$70 million, a 50% interest in a Texas company (the "Oil Company") that manufactured and marketed a wide variety of specialty petroleum products. The Oil Company was the sole asset of MEZSOC, which in turn was the sole asset of MEZ Acquisition, an entity ZUKERMAN caused to be created as part of the purchase of the Oil Company.

16. Pursuant to a letter of understanding dated July 27, 2007, MEZSOC and the owner of the remaining 50% share of the Oil Company (the "Co-owner") agreed to sell their respective 50% interests to a third party for approximately \$275 million, subject the execution of a binding sales contract ("the external sale"). Following the execution of that contract, a closing

occurred on or about January 1, 2008, resulting in the consummation of the external sale by MEZSOC and the Co-owner of their respective 50% shares of the Oil Company. On or about January 3, 2008, MEZSOC's bank account in New York received a wire transfer of approximately \$110,000,000, representing MEZSOC's net proceeds of the sale of its 50% interest in the Oil Company. According to calculations maintained by Accounting Firm-1, MEZSOC's adjusted tax basis in its 50% interest in the Oil Company at the time of the external sale was approximately \$48 million.

II. OVERVIEW OF THE DEFENDANT'S CRIMINAL CONDUCT

17. As detailed below, between at least 2007 and continuing until 2014, MORRIS E. ZUKERMAN, the defendant, committed numerous tax crimes and related criminal offenses, resulting in the evasion of over \$45 million of federal and state income and sales and use taxes. ZUKERMAN's tax and other crimes included the following:

- (a) ZUKERMAN schemed to evade over \$31 million in corporate income taxes due and owing to the IRS by MEZSOC, which failed to report to the IRS and pay income taxes on the 2008 sale of MEZSOC's interest in the Oil Company, and failed to report and pay taxes on over \$9 million dollars of operating income received during 2007.
- (b) Following the sale of the Oil Company, ZUKERMAN

transferred the proceeds of the sale from MEZSOC to the Zukerman Family Trust and various corporations he controlled, including MEZIL. Between 2008 and 2013, ZUKERMAN directed that over \$50 million of the funds transferred to MEZIL be used to purchase, from various galleries and auction houses, paintings by European artists from the 15th through the 19th centuries (hereinafter the "Old Master paintings"), which paintings ZUKERMAN used to decorate his Upper East Side apartment and the apartments of Family Member-1 and Family Member-2.

- (c) In connection with the purchase of the Old Master paintings, ZUKERMAN schemed to defraud New York State of over \$4.5 million of sales and use taxes by directing that the paintings, which were frequently purchased from galleries located blocks from ZUKERMAN's Manhattan residence, be shipped by the galleries to ZUKERMAN's corporate addresses located in Delaware and New Jersey, and transported immediately thereafter (sometimes within minutes), by ZUKERMAN and others, back to ZUKERMAN's residence in New York - all without the payment to New York State of sales or use taxes. ZUKERMAN further schemed to defraud New York State of sales and use taxes by using his corporate address in New Jersey to be listed on an invoice for a \$645,000 pair of diamond earrings he purchased in Europe from a London and New York-based jeweler who turned over possession of the earrings to a member of ZUKERMAN's family in Manhattan but charged no sales tax, based on the out-of-state address provided by ZUKERMAN.
- (d) ZUKERMAN diverted corporate assets from MEZCO and other entities he controlled by directing that hundreds of thousands of dollars of fee income be paid between 2007 and 2013 to Family Member-1, Family Member-2, and Family Member-3, for which they performed little or no work; and by directing that corporate funds be used to pay compensation to, and health care insurance for,

Household Employee-1, whom MORRIS E. ZUKERMAN caused to be falsely identified as a MEZCO employee to ZUKERMAN's corporate health care provider when, in truth and fact, she worked exclusively out of ZUKERMAN's homes as a domestic employee.

- (e) ZUKERMAN signed joint Forms 1040 for himself and his wife for the tax years 2007 through 2013 that fraudulently claimed millions of dollars of false deductions and expenses related to one or more of ZUKERMAN's corporations; omitted significant amounts of income; and falsely under-reported hundreds of thousands of dollars of cash and other wages, including wages diverted from one or more of ZUKERMAN's companies, paid to the defendant's domestic employees. Among the false deductions claimed by ZUKERMAN on his Forms 1040 were those based on the fraudulent claim that ZUKERMAN had contributed a total of \$1 million in 2009 and 2011 to a conservation charity whereas, in truth and fact, ZUKERMAN made no charitable gift and instead used the \$1 million to purchase for himself and his family over 240 acres on an island off the coast of Maine.
- (f) ZUKERMAN caused the preparation of Forms 1040 for Family Member-1, Family Member-2, and Family Member-3 for the tax years 2007-2012 that fraudulently claimed hundreds of thousands of dollars of false deductions and expenses.
- (g) ZUKERMAN failed to file trust tax returns, Forms 1041, for the Zukerman Family Trust for the tax years 2007-2010 and 2012.
- (h) ZUKERMAN caused various false statements and misleading information to be transmitted to IRS auditors who conducted audits of ZUKERMAN and Bodley.

**A. Evasion of Taxes on Income from,
and the Sale of, the Oil Company**

18. In mid-2008, months after the January 1, 2008 sale by MEZSOC of its interest in the Oil Company, a certified public accountant from Accounting Firm-1 ("the CPA") began working on the MEZCO 2007 consolidated tax return, an initial draft of which reported significant taxable income, attributable principally to operating income received by MEZSOC during 2007 from the Oil Company. When the CPA informed MORRIS E. ZUKERMAN, the defendant, of the likely tax liability for the consolidated group, ZUKERMAN asked the CPA to identify the entity or entities in the group responsible for generating the taxable income. After the CPA identified that the tax liability was attributable largely to MEZSOC's operating income from the Oil Company, ZUKERMAN told the CPA that his tax calculations were mistaken because MEZSOC (the owner of 50% of the Oil Company at the time) had been sold to the Zukerman Family Trust in early 2007 ("the internal sale"). The net tax reporting effect of this purported internal sale would be that, separate and apart from the Form 1120 filed by MEZCO, MEZSOC would be obligated to file its own Form 1120 tax return starting in the tax year 2007, which the CPA was not responsible for preparing.

19. When the CPA, who had not previously been informed of the alleged internal sale of MEZSOC to the Zukerman Family Trust, asked MORRIS E. ZUKERMAN, the defendant, for the particulars of this transaction, ZUKERMAN first falsely told the CPA that the sales price had been \$48 million, which figure was based on an internal MEZCO document suggesting that MEZSOC's tax basis in the Oil Company was approximately \$48 million in 2007. In support of the \$48 million sales figure, ZUKERMAN sent to the CPA via fax, on or about September 12, 2008, a promissory note (the "\$48 Million Note") pursuant to which the Zukerman Family Trust purportedly promised to pay \$48 million to MEZ Acquisition, MEZSOC's corporate parent, for MEZSOC. Although that note bore a January 1, 2007 date and ZUKERMAN's signature, it was, in truth and fact, created at ZUKERMAN's direction on the MEZCO computer system in or about early September 2008. Also created at the same time at ZUKERMAN's direction was a false and fraudulent resolution of the board of directors of MEZ Acquisition, bearing ZUKERMAN's signature and the date January 1, 2007, which resolved that all the shares of MEZSOC held by MEZ Acquisition be sold to the Zukerman Family Trust for \$48 million and that the "consideration" for the purchase would be the \$48 Million Note.

20. Upon being informed by MORRIS E. ZUKERMAN, the defendant, of the \$48 million sales price, the CPA told ZUKERMAN that use of that sales price figure would still result in significant taxable income because, according to the CPA's records, MEZSOC's adjusted tax basis was approximately \$24 million, resulting in an approximate net taxable gain of \$24 million. After hearing of the significant tax liability based on the alleged \$48 million sales price, ZUKERMAN revised the sales price information, telling the CPA that the sales price agreed to be paid by the Zukerman Family Trust for MEZSOC had actually been \$25 million and not \$48 million, resulting in an approximate net gain to MEZ Acquisition of less than \$1 million. ZUKERMAN further informed the CPA that, as evidence of the \$25 million sales price, the Zukerman Family Trust had provided a \$25 million promissory note (the "\$25 Million Note") to MEZ Acquisition.

21. As a result of the revised information provided to the CPA by MORRIS E. ZUKERMAN, the defendant, the CPA asked ZUKERMAN in November and December 2008 for the documents relating to the sale of MEZSOC to the Zukerman Family Trust. The CPA made this request because he would have to report the \$25 million internal sale of MEZSOC to the Zukerman Family Trust on

the 2007 MEZCO consolidated tax return, and he wanted documentary support for the oral information ZUKERMAN had provided. ZUKERMAN ultimately caused the \$25 Million Note to be faxed to the CPA in or about July 2010. Like the \$48 Million Note and the Board Resolution, the \$25 Million Note bore a January 1, 2007 date and the signature of MORRIS E. ZUKERMAN, but it was not created until in or about September 2008 - over twenty months after the purported execution date and over eight months after MEZSOC had sold the Oil Company.

22. Based on the representation by MORRIS E. ZUKERMAN, the defendant, that MEZSOC had been sold by MEZ Acquisition to the Zukerman Family Trust for \$25 million, the 2007 MEZCO consolidated tax return, Form 1120, falsely and fraudulently reported the January 1, 2007 sale of MEZSOC by MEZ Acquisition for a sales price of \$25 million and an adjusted basis of \$24,501,577, resulting in a capital gain of \$498,423. ZUKERMAN signed the 2007 Form 1120 for MEZCO and caused it to be filed with the IRS in late September 2008.

23. As a result of the sale of MEZSOC to The Zukerman Family Trust, MEZSOC was taken out of the consolidated tax reporting for the MEZCO group and was thus obligated to file its own Form 1120 beginning with the 2007 tax year. MORRIS E.

ZUKERMAN, however, caused MEZSOC to fail to file a Form 1120 with, and pay income taxes to, the IRS for the 2007 tax year. ZUKERMAN also caused MEZSOC to fail to file a Form 1120 with, and pay income taxes to, the IRS, for the 2008 tax year - the year in which MEZSOC received \$130 million in gross sales proceeds as a result of its sale of the Oil Company. In addition, ZUKERMAN failed to file a trust tax return, Form 1041, with the IRS for the Zukerman Family Trust for the tax years 2007 and 2008, when it was the owner of MEZSOC.

24. For the tax years 2007 and 2008, MEZSOC had income in the approximate amounts and types set forth below, resulting in tax liabilities in the approximate amounts set forth below, which MORRIS E. ZUKERMAN, the defendant, caused MEZSOC to fail to report and pay to the IRS:

TAX YEAR	APPROXIMATE AMOUNT OF TAXABLE INCOME	NATURE OF TAXABLE INCOME	APROXIMATE TAX DUE AND OWING
2007	\$9,700,000	Partnership income received as a result of ownership of the Oil Company	\$3,395,000
2008	\$80,000,000	Income from the sale of the Oil Company	\$28,000,000

25. Between 2008 and 2013, MORRIS E. ZUKERMAN, the defendant, caused the \$110 million in net proceeds obtained by

MEZSOC from the sale of the Oil Company to be transferred, without consideration, from the bank account of MEZSOC to the accounts of various entities he controlled, including the Zukerman Family Trust, MEZIL, and MEZ Energy. ZUKERMAN thereafter caused those proceeds to be used for various corporate and personal purposes, including the purchase, through MEZIL, of over \$50 million of Old Master paintings that ZUKERMAN used to decorate his Manhattan apartment and the apartments of Family Member-1 and Family Member-2. To date, none of the funds have been returned to MEZSOC, and no interest payments have been made to MEZSOC by any of the ZUKERMAN transferee entities, including the Zukerman Family Trust and MEZIL.

B. The False Reporting of the Purchase and Sale of an Interest in the Oil Company on the Bodley Tax Return

26. Despite the fact that MEZSOC had sold its complete interest in the Oil Company to a third party on January 1, 2008 for over \$130 million in gross sales proceeds, MORRIS E. ZUKERMAN, the defendant, provided false information to Tax Preparer-1 to the effect that Bodley had purchased a 10% interest in the Oil Company from MEZSOC in 2008, and that Bodley had subsequently sold that 10% interest to the third party during 2008. As a result, Tax Preparer-1 prepared a Form 1120

for the 2008 tax year for Bodley that falsely reported to the IRS that Bodley had income from the "sale" of its interest in the Oil Company. In fact, no such purchase or sale had occurred. As set forth below, ZUKERMAN orchestrated this false tax reporting for three reasons: (i) to attempt to make use of unrelated capital losses Bodley had recognized during the 2008 year, which would eliminate completely any potential tax liability stemming from the false reporting of a corresponding capital gain on the Bodley "10% interest"; (ii) to provide bogus support for the below-market \$25 million price he attached to the sale of MEZSOC to the Zukerman Family Trust; and (iii) to make it appear that a portion of the Oil Company sale was being reported to the IRS.

27. To effectuate the false tax reporting by Bodley, MORRIS E. ZUKERMAN, the defendant, provided certain written and other information to Tax Preparer-1 in or about July 2009, causing Bodley to claim on its 2008 Form 1120 that it had acquired a 10% interest in the Oil Company from MEZSOC on January 2, 2008 in exchange for a \$2.5 million note (one-tenth of the alleged \$25 million sale price of MEZSOC to the Trust), and sold that interest on December 31, 2008, for \$11,100,500, resulting in a capital gain of approximately \$8.6 million. As

intended by ZUKERMAN, however, the reporting of the sale of the Bodley interest in the Oil Company resulted in no tax liability to Bodley because of the unrelated capital losses Bodley had recognized in 2008. ZUKERMAN signed the false Bodley 2008 Form 1120 and caused it to be filed with the IRS in or about September 2009.

**C. The IRS's Audit of Bodley and the False Statements
Made by ZUKERMAN to the IRS in the Tax Protest Letter**

28. Bodley's 2008 Form 1120 was selected for random audit by the IRS, which resulted in the IRS contacting MORRIS E. ZUKERMAN, the defendant, in or about early 2012. At the outset of the audit, ZUKERMAN enlisted the CPA to represent Bodley before the IRS. As part of that representation, the CPA requested that ZUKERMAN provide documents and information relating to Bodley's tax reporting, including its purported purchase and sale of the 10% interest in the Oil Company during 2008.

29. MORRIS E. ZUKERMAN, the defendant, failed to comply with the CPA's request for documents pertaining to Bodley's tax reporting concerning its purported interest in the Oil Company. As a result, the CPA could not produce those documents to the IRS, which led the IRS to conclude its audit of

Bodley by disallowing, among other things, the claim on the 2008 Bodley Form 1120 that it had purchased a 10% interest in the Oil Company on January 2, 2008 for \$2,500,000. In connection with this determination, the IRS noted, in an explanation of its decision dated May 24, 2012, that the CPA had acknowledged to the IRS that the CPA did not believe that Bodley had even owned an interest in the Oil Company.

30. In order to challenge the IRS's audit determinations, MORRIS E. ZUKERMAN, the defendant, retained a law firm based in Washington, D.C. (the "Law Firm"), whose attorneys decided to prepare and submit to the IRS Appeals Office a tax protest letter, which is a letter designed to influence the IRS Appeals Officer assigned to review the factual and legal conclusions reached by the IRS agent who conducted the Bodley audit.

31. In order to gather the facts to be included in the protest letter, two attorneys from the Law Firm conducted an interview of MORRIS E. ZUKERMAN, the defendant, on June 1, 2012. During that interview, which occurred over the telephone, ZUKERMAN made the following false representations to the attorneys from the Law Firm concerning Bodley's tax reporting relating to the Oil Company: (i) Bodley and a London-based

Zukerman entity ("M.E. Zukerman Investments plc") were the owners of the Oil Company at the time of the Oil Company sale to the third party in 2008; (ii) Bodley and M.E. Zukerman Investments plc had previously acquired their interests in the Oil Company by purchasing them from a MEZCO "affiliate"; (iii) Bodley had exchanged a \$2.5 million note in order to acquire a 10% interest in the Oil Company; and (iv) Bodley's exchange of a \$2.5 million note for its 10% stake in the Oil Company was based on a \$25 million valuation placed by an investment banking firm on the full equity stake held by ZUKERMAN in the Oil Company.

32. On June 8, 2012, an attorney from the Law Firm sent an e-mail and a memorandum to MORRIS E. ZUKERMAN, the defendant, requesting that ZUKERMAN provide, for preparation of the tax protest letter, documents to support the oral representations made by ZUKERMAN concerning Bodley's acquisition and sale of its interest in the Oil Company. Among other things, the attorney requested that ZUKERMAN provide, "[d]ocumentation of Bodley's acquisition of partnership interest, and note of \$2.5 million," as well as "[d]ocumentation of sale in 2008 and payment of \$2.5 million note," so that the Law Firm could utilize the documents in the preparation of the tax protest letter. In a June 13, 2012 e-mail response to the

Law Firm's requests, ZUKERMAN told the Law Firm that he "will locate . . . and fax" the documents relating to the acquisition, and "definitely . . . provide" the documents relating to the sale and payment of the note, which ZUKERMAN claimed were in storage.

33. By June 22, 2012, the date on which the tax protest letter was scheduled to be sent to the IRS, MORRIS E. ZUKERMAN, the defendant, had failed to provide the attorneys from the Law Firm with the documentation they requested with respect to Bodley's interest in the Oil Company. Consequently, the final version of the tax protest letter, sent by the Law Firm to the IRS on or about June 22, 2012 and signed by ZUKERMAN under penalty of perjury, contained the false factual representations described in paragraph 31, above. Those factual assertions, known by ZUKERMAN to be false, were intended by ZUKERMAN and the Law Firm to lead the IRS Appeals officer handling his tax protest to reverse the determinations made in the Bodley audit.

34. Between June 2012 and 2014, when the IRS's consideration of the tax protest was halted, the Law Firm made at least four additional written requests of ZUKERMAN for documents supporting ZUKERMAN's claim that Bodley has acquired

and sold, during 2008, an interest in the Oil Company. ZUKERMAN failed to comply with each of the Law Firm's requests.

D. The False and Fraudulent Individual Income Tax Returns

35. For the tax years 2007 through and including 2013, MORRIS E. ZUKERMAN, the defendant, caused various tax return preparers - including Accounting Firm-2 and the Bookkeeper - to prepare U.S. Individual Income Tax Returns, Forms 1040, for himself and his wife, and for Family Member-1, Family Member-2, and Family Member-3, that claimed, in the aggregate, millions of dollars of false and fraudulent deductions and expenses. Those deductions and expenses, some of which are described in detail below, included Schedule A charitable contributions; Schedule C legal, professional, and advisory fee expenses; and Schedule A investment interest expenses.

36. In addition to signing and causing the preparation of Forms 1040 containing fraudulent deductions and expenses, MORRIS E. ZUKERMAN, the defendant, signed and caused to be filed with the IRS tax returns for himself and his wife for the 2008-2013 tax years that omitted significant amounts of income. The omitted income included funds diverted from companies ZUKERMAN controlled in order to pay compensation to

Household Employee-1 and Household Employee-2, and to pay for health care insurance for Household Employee-1 and Family Member-3.

(1) The False Charitable Contribution Deductions for the 2009 & 2011 Tax Years and the False Audit Response by MORRIS E. ZUKERMAN

37. In or about 2008 and 2009, MORRIS E. ZUKERMAN, the defendant, engaged in a series of discussions with a Maine-based land conservation entity ("the Conservation Entity") that was seeking to orchestrate the purchase, for conservation purposes, of approximately 240 acres of property located on Black Island, a small island located off the coast of Mount Desert Island in Maine, close to ZUKERMAN's home on a nearby island. Although ZUKERMAN discussed with representatives of the Conservation Entity various methods by which ZUKERMAN might participate in the land purchase, including through a potential charitable gift to the Conservation Entity, ZUKERMAN ultimately decided to purchase the land as the outright owner, for the benefit of ZUKERMAN and his family. ZUKERMAN's decision was confirmed in an e-mail sent to ZUKERMAN on September 21, 2009, in which a senior official of the Conservation Entity outlined the agreed-to "transaction structure," which involved "straight land purchases [by ZUKERMAN] without charitable donations or

deductions."

38. On September 22, 2009, MORRIS E. ZUKERMAN, the defendant, advised certain family members via e-mail of the structure of the agreement reached with the Conservation Entity, observing that "[t]here will be little tax advantage to the family under this structure." ZUKERMAN also observed, however, that pursuant to the agreement, the family "will own in fee the approx[imately] 250 acres" on the north and east sides of Black Island.

39. Consistent with the September 2009 discussions with the representative of the Conservation Entity, on or about December 15, 2009, MORRIS E. ZUKERMAN, the defendant, signed a written contract agreeing to pay \$1,000,000 to a newly-formed entity, Conservation Land Development ("CLD"), set up by the Conservation Entity for the purpose of the land transfer, in exchange for which ZUKERMAN was to become owner of the 240 acres on Black Island. The contract specifically provided that ZUKERMAN was to make a \$100,000 down payment upon execution of the contract, with the \$900,000 balance to be paid at closing.

40. Pursuant to the terms of the contract, on or about December 18, 2009, ZUKERMAN caused \$100,000 to be wire-transferred from a New York bank account maintained in his own

name to the Maine-based bank account of the attorneys for CLD, as the down payment. Following receipt of the down payment, a senior official of the Conservation Entity sent an e-mail ("the Acknowledgment E-mail") to ZUKERMAN on December 23, 2009 acknowledging the receipt of the funds and stating that the down payment would allow the Conservation Entity to complete an initial step of the transaction that would ultimately result in the closing of the land purchase by ZUKERMAN. The official also thanked ZUKERMAN for "working with [the Conservation Entity] to finalize the purchase and sale contract for the acreage on Black Island."

41. On or about February 16, 2010, in connection with the closing of the land purchase, MORRIS E. ZUKERMAN, the defendant, caused \$900,000 to be wired from the New York bank account of MEZIL to the bank account of the Conservation Entity. As a result of the closing, on or about February 18, 2010, ZUKERMAN became owner of the 240 acres on Black Island, through a single-member limited liability company he caused to be set up for the land purchase, named Redentore LLC, of which ZUKERMAN was the sole member.

42. On or about October 12, 2010, in connection with the preparation of his 2009 Form 1040, MORRIS E. ZUKERMAN, the

defendant, faxed to Accounting Firm-2 a handwritten schedule of charitable contributions, on which ZUKERMAN falsely claimed that he had made charitable contributions to the Conservation Entity during the 2009 tax year in the total amount of \$105,152. In truth and fact, ZUKERMAN had made no charitable contributions or gifts to the Conservation Entity for the 2009 tax year.

43. As a result of the information provided by MORRIS E. ZUKERMAN, the defendant, Accounting Firm-2 prepared a Form 1040 for MORRIS E. ZUKERMAN and his wife for the 2009 tax year that falsely and fraudulently claimed the \$105,152 as part of ZUKERMAN's 2009 charitable contributions, of which \$100,000 was, in truth and fact, attributable to the Black Island land purchase for ZUKERMAN's personal benefit and had no charitable component. ZUKERMAN signed the Form 1040 under penalty of perjury and caused it to be filed with the IRS on or about October 15, 2010.

44. On or about October 12, 2011, MORRIS E. ZUKERMAN, the defendant, informed an accountant from Accounting Firm-2 that the \$900,000 that ZUKERMAN had sent to the Conservation Entity - which, unbeknownst to the accountant, was sent in order to complete ZUKERMAN's personal purchase of the land on Black Island - should be claimed as a charitable contribution to the

Conservation Entity on ZUKERMAN's Form 1040 for the 2011 tax year. Also unbeknownst to the accountant at Accounting Firm-2 was that ZUKERMAN had sent an e-mail on April 19, 2011, instructing the Bookkeeper at MEZCO to record the \$900,000 sent to the Conservation Entity as a charitable contribution of MEZIL for the 2010 tax year.

45. As a result of the information provided to Accounting Firm-2 by MORRIS E. ZUKERMAN, the defendant, in 2011, and confirmed by ZUKERMAN via e-mail on October 9, 2012, Accounting Firm-2 prepared a Form 1040 for MORRIS E. ZUKERMAN and his wife for the 2011 tax year that falsely and fraudulently claimed the \$900,000 land payment as part of ZUKERMAN's 2011 charitable contributions. ZUKERMAN signed the Form 1040 under penalty of perjury and caused it to be filed with the IRS on or about October 15, 2012.

46. In or about December 2011, the IRS commenced a random audit of the 2009 Form 1040 of MORRIS E. ZUKERMAN, the defendant, including an examination of the Schedule A charitable contributions and Schedule C expenses claimed thereon by ZUKERMAN. In response to the audit, on or about December 12, 2011, ZUKERMAN enlisted Accounting Firm-2 to represent him in his dealings with the Manhattan-based IRS auditor. As a result,

after obtaining an extension of time to respond to the IRS audit, Accounting Firm-2 requested that ZUKERMAN provide documentary support for the charitable contributions and Schedule C business expenses claimed on his 2009 tax return. In response, ZUKERMAN falsely claimed to Accounting Firm-2 that the \$100,000 sent by him in December 2009 as the down payment for his personal purchase of the Black Island real estate was part of a charitable contribution to the Conservation Entity. In support of that claim, ZUKERMAN provided Accounting Firm-2 with a copy of the Acknowledgment E-mail, which ZUKERMAN falsely portrayed as an acknowledgment of a charitable gift to the Conservation Entity, when, in truth and fact, it was an acknowledgement only of ZUKERMAN's transmission of the \$100,000 down payment.

47. In addition, MORRIS E. ZUKERMAN, the defendant, falsely claimed that three legal fee payments made by him to attorneys during 2009 were Schedule C business expenses. In truth and fact, the legal fee payments, totaling \$17,688, were for legal work performed by Family Member-1's lawyer in connection with Family Member-1's personal purchase of a cooperative apartment in Manhattan (\$9,775) and ZUKERMAN's purchase, for himself, of the Black Island real estate (\$7,913).

48. On or about February 12, 2012, Accounting Firm-2 sent to the IRS various documents that MORRIS E. ZUKERMAN, the defendant, had provided as purported support for the charitable contributions and Schedule C expenses claimed on ZUKERMAN's 2009 tax return. Included among the documents were the Acknowledgment E-mail and the checks issued to the attorneys for the real estate purchases. As a result of the submission of the documents, the IRS was misled into concluding that all of the claimed charitable contributions and Schedule C expenses were valid.

(2) Creation of False Deductions Relating to Arkriver

49. In order to create fraudulent deductions for his Forms 1040 and those of Family Member-1, Family Member-2, and Family Member-3, MORRIS E. ZUKERMAN, the defendant, used the New York-based bank account of Arkriver, the dormant company he controlled, to make it appear that "financial advisory fee" checks and "interest payment" checks ZUKERMAN caused to be issued in the name of Arkriver, and deposited into Arkriver's bank accounts, were for legitimate advisory services performed by Arkriver and loan payments due and owing to Arkriver. In truth and fact, Arkriver, which had no employees and filed no tax returns for the period 1995-2014, did not provide any

genuine advisory services or loans to ZUKERMAN and his family members during the period 2007-2012. Moreover, the funds that ZUKERMAN caused to be deposited in Arkriver's bank account in New York, via checks payable to Arkriver and drawn on the accounts of ZUKERMAN and his family members, were frequently routed, or round-tripped, back to bank accounts of ZUKERMAN and his family members, at the direction of ZUKERMAN.

50. Between 2007 and 2013, MORRIS E. ZUKERMAN, the defendant, caused Arkriver's New York bank account to receive a total of \$3,778,598 in funds, which originated from checks drawn on, or transfers made from, New York bank accounts of ZUKERMAN (\$3,021,225), Family Member-1 (\$207,011), Family Member-2 (\$283,351), and Family Member-3 (\$267,011). During that same time period, ZUKERMAN caused a total of \$3,793,371 to be transferred back to accounts of ZUKERMAN (\$3,359,338), Family Member-1 (\$146,611), Family Member-2 (\$146,211), and Family Member-3 (\$146,211).

51. One example of the falsification, by MORRIS E. ZUKERMAN, the defendant, of purported Arkriver advisory fee and investment interest expenses through "round-tripping" occurred in 2010-11, when ZUKERMAN orchestrated the following sequence of events: (i) in late 2010 or early 2011, ZUKERMAN caused the

preparation and signing of two checks drawn on each of the custodial bank accounts of Family Member-1, Family Member-2, and Family Member-3 - one in the amount of \$60,400 with "Financial Advisory Fee 2010" noted in the memo portion, and the other in the amount of \$25,811.11, with a memo entry noting it represented "interest" due on a note; (ii) ZUKERMAN caused all six of those checks, which bore a December 31, 2010 date, to be deposited in Arkriver's New York bank account on February 10, 2011; (iii) on February 22, 2011, ZUKERMAN, through a letter of authorization sent to Arkriver's New York bank, caused \$86,211.02 (the aggregate of the two checks for each of the family members, less nine cents) to be routed from the Arkriver account back to the personal bank accounts of each of the family members. Thereafter, despite the fact that each of the family members received back into their respective bank accounts the \$86,211 purportedly paid to Arkriver, ZUKERMAN provided information to the Bookkeeper that caused \$86,211 to be falsely claimed on each of the family member's Forms 1040 for 2010, as purported Schedule C (\$60,400) and Schedule A (\$25,811) expenses and deductions relating to Arkriver. ZUKERMAN thereafter caused Family Member-1, Family Member-2, and Family Member-3 to sign and file with the IRS false and fraudulent Forms 1040 for 2010.

52. Similarly, in late 2012 and early 2013, MORRIS E. ZUKERMAN, the defendant, caused the following sequence of events to occur: (i) on or about December 31, 2012, ZUKERMAN caused the preparation and signing of checks in the amount of \$60,400 drawn on each of the custodial bank accounts of Family Member-1, Family Member-2, and Family Member-3, all of which were made payable to Arkriver and contained "Advisory Fee 2012" in the memo portion; (ii) ZUKERMAN caused all three checks, which bore a December 31, 2012 date, to be deposited in Arkriver's New York bank account on January 3, 2013, together with a check in the amount of \$250,000, drawn on ZUKERMAN's personal account and payable to Arkriver; (iii) on January 4, 2013, ZUKERMAN caused \$431,200 (the total of the three \$60,400 checks drawn on the family member's accounts, plus the \$250,000 check drawn on his own account) to be routed from the Arkriver bank account back to a personal account of ZUKERMAN; and (iv) in or about March 2013, ZUKERMAN caused Accounting Firm-2 to prepare Forms 1040 for Family Member-1, Family Member-2, and Family Member-3 for 2012 that falsely claimed \$60,400 of Schedule C expenses relating to Arkriver. ZUKERMAN thereafter caused Family Member-1, Family Member-2, and Family Member-3 - who had no knowledge of the Arkriver checks, let alone anyone

from Arkriver providing services to their respective Schedule C businesses - to sign and file with the IRS the false and fraudulent Forms 1040 for 2012.

53. In addition to the foregoing, in connection with the preparation of his Forms 1040 for the 2010-2012 tax years, MORRIS E. ZUKERMAN, the defendant, falsely represented to Accounting Firm-2 that he had paid mortgage interest to Arkriver in the amounts set forth below during the tax years set forth below. That false information led Accounting Firm-2 to prepare, and ZUKERMAN to sign and file with the IRS, Forms 1040 that falsely claimed bogus mortgage interest deductions, as follows: \$55,000 (2010); \$55,000 (2011); and \$64,400 (2012).

**(3) The Creation of False Personal Deductions
Relating to the Agricultural Loans**

54. As noted in paragraph 12 above, San Ysidro Vineyards and United California Citrus were parties to agricultural loans with the Insurance Company requiring the payment by San Ysidro Vineyards and United California Citrus of principal and interest during various tax years, including 2011 and 2012. As a result of the accrual of its interest obligations during 2011 and 2012, San Ysidro Corporation claimed on its consolidated Form 1120 for 2011 and 2012 the full amount

of interest due on the agricultural loans with the Insurance Company.

55. For the 2011 and 2012 tax years, MORRIS E. ZUKERMAN, the defendant, schemed to create false and fraudulent investment interest deductions for himself and Family Member-1, Family Member-2, and Family Member-3, based on payments made by ZUKERMAN and those family members to the Insurance Company to satisfy certain interest obligations on the agricultural loans during 2011 and 2012. The deductions were false and fraudulent for at least three reasons: (i) neither ZUKERMAN nor his family members were parties to or guarantors of the agricultural loans, and thus were prohibited from deducting, on their Forms 1040, the interest payments they made on the loans; (ii) San Ysidro Corporation, as parent to San Ysidro Vineyards and United California Citrus, claimed on its consolidated Form 1120 the full amount of interest accrued on the agricultural loans for 2011 and 2012, thus rendering the deductions claimed by ZUKERMAN and his family members improper "double" deductions; and (iii) because ZUKERMAN and his family members were reimbursed by San Ysidro Corporation for the interest payments they made on the agricultural loans, neither ZUKERMAN nor his family members were out of pocket for any of the payments they made.

56. To generate the fraudulent deductions for Family Member-1, Family Member-2, and Family Member-3 for the 2011 tax year, MORRIS E. ZUKERMAN, the defendant, orchestrated the following series of events: (i) between late December 2011 and mid-April 2012, ZUKERMAN caused the issuance of checks in the amount of \$24,020.63 drawn on the custodial bank accounts of Family Member-1, Family Member-2, and Family Member-3 and payable to the Insurance company, with each of the checks referencing "Interest on Loan" and "Loan #172019" in the memo section; (ii) ZUKERMAN caused each of the \$24,020 checks to be sent to the Insurance Company, which deposited the checks on or about May 1, 2012; (iii) on or about May 4, 2012, ZUKERMAN caused \$24,020 to be routed from San Ysidro Corporation's New York bank account back to each of the family member's custodial bank accounts, thereby reimbursing each for making the \$24,020 payments; (iv) between February and October 2012, ZUKERMAN caused the Bookkeeper and Accounting Firm-2 to prepare Forms 1040 for Family Member-1, Family Member-2, and Family Member-3 that falsely claimed the \$24,020 payments to the Insurance Company as Schedule A investment interest expenses for each family member; and (v) ZUKERMAN caused Family Member-1, Family Member-2, and Family Member-3 to sign the false 2011 Forms 1040,

which were thereafter filed with the IRS.

57. To generate the fraudulent deductions for MORRIS E. ZUKERMAN, the defendant, and Family Member-1, Family Member-2, and Family Member-3 for the 2012 tax year, ZUKERMAN orchestrated the following series of events: (i) on or about July 1, 2012, ZUKERMAN issued from his personal bank account a check in the amount of \$222,768 payable to the Insurance Company and containing "Loan 176947" in the memo section; (ii) ZUKERMAN caused the \$222,768 check to be sent to the Insurance Company, which deposited the check on or about July 9, 2012; (iii) on or about July 30, 2012, ZUKERMAN caused \$234,768 to be routed from San Ysidro Corporation's New York bank account back to ZUKERMAN's personal account, thereby reimbursing him for making the \$224,768 payment; (iv) on or about November 1, 2012, ZUKERMAN caused the issuance of checks in the amount of \$24,020.63 drawn on each of his family member's custodial bank accounts and payable to the Insurance company, with each of the checks referencing "Loan #172019" in the memo section; (v) ZUKERMAN caused each of the \$24,020 checks to be sent to the Insurance Company, which deposited the checks on or about November 1, 2012; (vi) on or about November 6, 2012, ZUKERMAN caused \$24,020 to be routed from San Ysidro Corporation's New

York bank account back to each of the family member's custodial bank accounts, thereby reimbursing each for making the \$24,020 payments; (vii) in or about March 2013, ZUKERMAN caused Accounting Firm-2 to prepare Forms 1040 for Family Member-1, Family Member-2, and Family Member-3 falsely reporting the \$24,020 payments to the Insurance Company as Schedule A investment interest expenses for each family member; (viii) ZUKERMAN caused Family Member-1, Family Member-2, and Family Member-3 to sign the false 2012 Forms 1040, which were thereafter filed with the IRS; (ix) pursuant to an email sent by ZUKERMAN on or about October 7, 2013, ZUKERMAN caused Accounting Firm-2 to prepare a Form 1040 for himself and his wife that falsely claimed the \$222,768 payment to the Insurance Company as a Schedule A investment interest expense for ZUKERMAN and his wife; and (x) ZUKERMAN signed the false 2012 Form 1040 and caused it to be filed with the IRS on or about October 15, 2013.

COUNT ONE

(Corruptly Endeavoring to Obstruct and Impede the
Due Administration of the Internal Revenue Laws)

The Grand Jury further charges:

58. The allegations set forth in paragraphs 1-57 are realleged and incorporated as though fully set forth in this paragraph.

59. From in or about 2007 through in or about 2015, in the Southern District of New York and elsewhere, MORRIS E. ZUKERMAN, the defendant, did corruptly obstruct and impede, and endeavor to obstruct and impede, the due administration of the internal revenue laws, to wit: (a) by causing the evasion of corporate income taxes due and owing by MEZSOC to the IRS for the 2007 and 2008 tax years, as detailed in this Indictment; (b) by evading the personal income tax obligations due and owing to the IRS by ZUKERMAN and his wife, Family Member-1, Family Member-2, and Family Member-3 for the tax years 2008-2012, as detailed in this Indictment; (c) by signing, and causing to be filed with the IRS, U.S. Individual Income Tax Returns, Forms 1040, for himself and his wife for the tax years 2008-2012, which returns falsely and fraudulently omitted material amounts of income and claimed false deductions and expenses, as detailed in this Indictment; (d) by causing the preparation, and the filing with the IRS, of U.S. Individual Income Tax Returns, Forms 1040, for Family Member-1, Family Member-2, and Family Member-3 for the tax years 2008-2012, which returns claimed false and fraudulent deductions, as detailed in this Indictment; (e) by signing, and causing to be filed with the IRS, a U.S. Corporation Income Tax Return, Form 1120, for Bodley for the tax

year 2008, which return falsely and fraudulently claimed that Bodley had acquired and sold, during the 2008 tax year, an interest in the Oil Company; (f) by submitting to the IRS in June 2012 a tax protest letter containing various false statements, as detailed above; (g) by submitting false and misleading documents, and making false and misleading statements, to the IRS in connection with the audit of his 2009 Form 1040; and (h) taking various steps to conceal income received from, and ownership of, various corporations he owned and controlled.

(Title 26, United States Code, Section 7212(a).)

COUNT TWO
(Tax Evasion)

The Grand Jury further charges:

60. The allegations set forth in paragraphs 1-57 are realleged and incorporated as though fully set forth in this paragraph.

61. From on or about January 1, 2007 through in or about 2014, in the Southern District of New York and elsewhere, MORRIS E. ZUKERMAN, the defendant, did willfully attempt to evade and defeat a substantial part of the income tax due and owing to the IRS by MEZSOC, MORRIS E. ZUKERMAN and his wife, and

by Family Member-1, Family Member-2, and Family Member-3 for the calendar years 2007 through 2013 by various means, including, among others: (a) failing to make an income tax return for MEZSOC for the calendar years 2007 and 2008 on or about the date required by law to any proper officer of the IRS, stating specifically the items of MEZSOC's income and any deductions and credits to which it was entitled; (b) providing various false information to ZUKERMAN's corporate tax return preparers, in or about September 2008 and July 2010, concerning the ownership and sale of MEZSOC; (c) signing and filing with the IRS, in or about September 2009, a Form 1120 for Bodley that falsely reported Bodley's acquisition and sale of a portion of the Oil Company; (d) signing and filing with the IRS, on or about June 22, 2012, a protest letter containing false statements about the ownership and sale of the Oil Company; (e) causing millions of dollars of MEZSOC's assets to be transferred between 2007 and 2012 to various entities owned and controlled by ZUKERMAN; (f) diverting funds from corporate entities he controlled in order to pay personal expenses and obligations, including the salary and health care insurance for ZUKERMAN's domestic employee; (g) preparing and causing to be prepared, signing and causing to be signed, and filing and causing to be filed, false and fraudulent

U.S. Individual Income Tax Returns, Forms 1040, for himself and his wife for the calendar years 2007 through 2013, which returns claimed false deductions and expenses, and omitted significant amounts of income, thereby substantially understating ZUKERMAN's total income, adjusted gross income, taxable income, and tax due and owing each year; and (h) causing the preparation, signing, and filing of false and fraudulent U.S. Individual Income Tax Returns, Forms 1040, for Family Member-1, Family Member-2, and Family Member-3 for the calendar years 2007 through 2012, which returns claimed fabricated and/or falsely overstated expenses deductions, thereby substantially understating the total income, adjusted gross income, taxable income, and tax due and owing each year for Family Member-1, Family Member-2, and Family Member-3.

(Title 26, United States Code, Section 7201.)

COUNT THREE

(Wire Fraud - New York State Sales and Use Taxes)

The Grand Jury further charges:

62. The allegations contained in paragraphs 1-17 are realleged and incorporated as though fully set forth in this paragraph.

A. New York State Sales and Use Taxes

63. New York State imposes a sales tax on the sale of tangible personal property where the tangible personal property is sold by a New York vendor and provided to the purchaser at the point of sale in New York or delivered to the purchaser in New York. In such cases, the vendor is required to collect and later remit the sales tax to the New York State Department of Taxation & Finance ("NYSDT&F") together with the vendor's periodic sales tax return. When tangible personal property is purchased from a New York vendor but shipped by the vendor to the purchaser at an out-of-state location, no sales tax need be collected by the vendor, as the purchase and delivery of the property is deemed to occur out-of-state.

64. New York also imposes a "use tax" on businesses that conduct business in New York and individual New York residents who purchase tangible personal property outside of New York or have a purchase from a New York vendor sent to an out-of-state location, but later bring the property into New York and use it in New York. The "use tax" in such a case is required to be paid (at the New York sales tax rate) by the purchaser who brings the tangible personal property back into, and uses the property within, New York, with credit under

certain circumstances given for taxes remitted to another state's taxing authority. Use taxes are generally required to be reported and remitted to the NYSDT&F with an individual resident's New York State personal income tax return or, in the case of a business, with a New York State tax form ST-130 and/or ST-135.

65. New York also imposes on New York residents and businesses conducting business in New York a "use tax" on sales of tangible personal property by vendors located outside the United States, where those foreign vendors do not collect and remit New York sales taxes in connection with the purchases. The "use tax" in such a case is required to be paid (at the New York sales tax rate) by the purchaser who receives the tangible personal property via delivery in New York, or brings the tangible personal property into New York, and thereafter uses the property within New York.

B. The Scheme to Defraud

66. Beginning in or about May 2008 and continuing through in or about 2014, in the Southern District of New York and elsewhere, MORRIS E. ZUKERMAN, the defendant, engaged in a scheme to defraud the State of New York and to obtain, by means of false and fraudulent pretenses, representations, and

promises, money and property of the State of New York consisting of New York sales and use taxes required by law to be paid by MORRIS E. ZUKERMAN and MEZIL in connection with tangible property purchased outside of New York and subsequently used and stored inside New York.

67. As a part of the scheme and artifice to defraud, MORRIS E. ZUKERMAN, the defendant, caused certain Old Master paintings to be purchased by ZUKERMAN and MEZIL from certain galleries and auction houses located in New York. As part of the purchases, ZUKERMAN caused the New York galleries and auction houses to ship those paintings to MEZIL at addresses in New Jersey and Delaware, despite the fact that MEZIL had no physical presence in those states, thereby causing the galleries and auction houses to collect no New York sales taxes in connection with the purchases. Soon after the paintings arrived in Delaware and New Jersey, ZUKERMAN transported or caused the transportation of the paintings back to Manhattan, for hanging on the walls of his apartment or in the residence of Family Member-1 on the Upper East Side of Manhattan.

68. In connection with the purchase of certain paintings from the New York galleries, MORRIS E. ZUKERMAN, the defendant, was permitted by the galleries to borrow or "test

drive" the paintings on the walls of ZUKERMAN's apartment, in order to allow ZUKERMAN to determine whether the paintings under consideration went well with the other paintings hanging in his apartment. Upon making the decision to purchase certain of the "test driven" paintings, ZUKERMAN notified the New York gallery owners of his decision and then, rather than paying for the paintings at that time, caused the galleries to pick up the paintings from his apartment and thereafter ship them by common carrier to ZUKERMAN corporate addresses in Delaware or New Jersey. Within hours or minutes after the paintings arrived at the Delaware or New Jersey addresses, ZUKERMAN either personally transported the paintings back to his apartment in New York or caused a relative, a shipping company, or a ZUKERMAN corporate employee to transport the paintings back to New York.

69. As a further part of the scheme and artifice to defraud, MORRIS E. ZUKERMAN, the defendant, caused certain paintings to be purchased by ZUKERMAN and MEZIL from certain galleries and auction houses located in Europe. As part of those international purchases, ZUKERMAN caused the galleries and auction houses to ship those paintings to MEZIL at addresses in New Jersey and Delaware. Soon after the paintings arrived in Delaware and New Jersey, ZUKERMAN transported or caused the

transportation of the paintings back to New York, for hanging on the walls of his apartment or in the residence of Family Member-1, or subsequent transportation to the residence of Family Member-2 outside New York.

70. In connection with certain of the purchases of paintings from galleries in Europe, MORRIS E. ZUKERMAN, the defendant, caused the galleries or shippers to address the sales invoice to MEZIL using New Jersey or Delaware addresses, despite the fact that the paintings had been delivered to ZUKERMAN's apartment in Manhattan.

71. Despite being aware of the obligation to pay use taxes upon bringing back into New York, and using therein, the above-described paintings on which no New York sales tax had been collected in connection with the purchases, MORRIS E. ZUKERMAN, the defendant, caused MEZIL to evade its use tax obligations by failing to report the use tax obligations to NYSDT&F and failing to pay to New York the appropriate use tax thereon.

72. As part of the above-described scheme to defraud, MORRIS E. ZUKERMAN, the defendant, caused the purchase of paintings in the numbers and years listed below, paying the

approximate total amounts listed below and evading use taxes in the approximate amounts listed below:

YEAR	NUMBER OF PAINTINGS	TOTAL SALES PRICE PAID	TOTAL USE TAXES EVADED	DELIVERY ADDRESSES PER INVOICE	ULTIMATE DESTINATIONS
2008	6	\$6,532,325	\$547,082	New York; Delaware	MORRIS E. ZUKERMAN Apt.
2009	16	\$10,666,375	\$898,725	New Jersey; Delaware	MORRIS E. ZUKERMAN Apt. Family Member-1 Apt.
2010	10	\$7,138,027	\$633,499	New Jersey	MORRIS E. ZUKERMAN Apt. Family Member-1 Apt.
2011	14	\$8,633,472	\$766,220	New Jersey; Delaware	MORRIS E. ZUKERMAN Apt. Family Member-1 Apt.
2012	10	\$2,804,621	\$248,910	New Jersey	MORRIS E. ZUKERMAN Apt. Family Member-1 Apt.
2013	17	\$16,583,316	\$1,471,680	New Jersey	MORRIS E. ZUKERMAN Apt. Family Member-1 Apt. Family Member-2 Apt.
TOTAL	73	\$52,357,528	\$4,566,119		

73. It was further a part of the scheme to defraud that MORRIS E. ZUKERMAN, the defendant, orchestrated the evasion of New York State sales and use tax in connection with the purchase, for \$645,000, from a diamond merchant with offices in London and New York, of a pair of white gold, pear-shaped earrings with 24 diamonds weighing a combined 8 carats (the "earrings"). ZUKERMAN executed this part of the evasion scheme by causing the following sequence of events to occur: (i) on or

about March 15, 2012, ZUKERMAN met a New York-based employee of the diamond merchant (the "New York employee") at an art fair in Maastricht, Netherlands, and informed the employee that he decided to purchase the earrings, from the merchant's London location; (ii) on March 23, 2012, the New York employee e-mailed ZUKERMAN from Europe, congratulating ZUKERMAN on his choice of the earrings; informing ZUKERMAN that he intended personally to carry the earrings back to New York; and asking ZUKERMAN to provide an address "since [the merchant] most likely will deliver to Maine or Out of State"; (iii) on March 23, 2012, ZUKERMAN informed the New York employee via e-mail that the address to be used was that of MEZIL, "c/o" another ZUKERMAN entity in Parsippany, New Jersey; (iv) on March 30, 2012, the New York employee informed ZUKERMAN via e-mail that the earrings had arrived at the merchant's New York location, had been adjusted, and were "ready to be tried on"; (v) on March 31, 2012, ZUKERMAN informed the New York employee that a family member would "come by early next week to try on the earrings"; (vi) on or about April 21, 2012, ZUKERMAN caused a family member to pick up the earrings from the New York location of the diamond merchant, signing a receipt that indicated a price of \$645,000 but did not reflect any sales tax; (vii) on or about

April 23, 2012, ZUKERMAN provided the New York diamond merchant with a personal credit card number to bill \$145,000 of the purchase price for the earrings; (viii) on or about May 4, 2012, ZUKERMAN caused \$500,000 to be wire transferred from his New York bank account to the bank account of the New York diamond merchant, as payment of the balance due for the earrings; (ix) on or about June 22, 2012, as a result of the information provided by ZUKERMAN, the London office of the diamond merchant issued an invoice in connection with the sale of the earrings noting the sale to MORRIS ZUKERMAN but listing, as ZUKERMAN's address, the Parsippany, New Jersey address of one of ZUKERMAN's companies. No part of the approximately \$57,000 of sales or use taxes due and owing to New York State was paid by ZUKERMAN or MEZIL in connection with the purchase of the earrings.

Statutory Allegations

74. From in or about May 2008 through in or about 2014, in the Southern District of New York and elsewhere, MORRIS E. ZUKERMAN, the defendant, having knowingly devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, to wit, a scheme to defraud the State of New York of sales and use taxes due and

owing in connection with the purchase, and subsequent use in New York, of various tangible personal property, for the purpose of executing such scheme and artifice and attempting to do so, transmitted by means of wire communications in interstate and foreign commerce, various writings, signs, signals, pictures and sounds, to wit, on multiple occasions, the defendant sent, and caused to be sent, various faxes and email communications in connection with the purchase of Old Master paintings, earrings, and other tangible personal property.

(Title 18, United States Code, Sections 1343 and 2.)



FOREPERSON

Preet Bharara
PREET BHARARA
United States Attorney

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA

v.

MORRIS E. ZUKERMAN,

Defendant.

INDICTMENT

Sl 16 Cr. 194

(26 U.S.C. §§ 7212(a) and 7201; 18
U.S.C. §§ 1343 and 2.)

PREET BHARARA

United States Attorney.

A TR

Foreperson.
