

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO**

Criminal Case No. 18-cr-28-RM

UNITED STATES OF AMERICA,

Plaintiff,

v.

CRAIG R. WALCOTT,

Defendant.

**INDICTMENT
26 U.S.C. § 7201
26 U.S.C. § 7203**

The Grand Jury charges:

Introductory Allegations

At all times relevant to this indictment,

1. CRAIG R. WALCOTT (hereinafter WALCOTT or defendant) operated a multi-level nutritional supplement marketing business, owned and leased residential real estate, and resided in Monument, Colorado in the District of Colorado.
2. The Internal Revenue Service ("IRS") was an agency of the United States within the Department of the Treasury of the United States and was responsible for enforcing and administering the tax laws of the United States.

3. A U.S. Individual Income Tax Return (Form 1040) was the form filed by a taxpayer and used by the Internal Revenue Service to assess liability for tax and eligibility for refunds.
4. On or about October 25, 2006, WALCOTT, accompanied by his attorney appeared for an interview with IRS special agents during which he admitted to failing to report a substantial amount of the income he made through his multi-level marketing and real estate rental businesses on his 1999 through 2004 U.S. Individual Income Tax Returns (Forms 1040). WALCOTT acknowledged that he had formed several trusts that were used to conceal a substantial amount of the income he earned through his businesses.
5. On or about December 17, 2007, an IRS revenue agent contacted WALCOTT's representative and inquired about the status of amended Forms 1040 for the years 1999 through 2004 that WALCOTT had agreed to file with the IRS.
6. On or about March 13, 2008, WALCOTT's representative provided an IRS revenue agent with copies of WALCOTT's amended 2002, 2003 and 2004 Forms 1040, each of which bore WALCOTT's signature and reported additional tax due. None of the tax due reported on these returns has been paid as of the date of this Indictment.
7. On or about May 5, 2008, an IRS revenue agent contacted WALCOTT's representative and informed him that WALCOTT's income and tax liability for the years 2005 and 2006 were the subject of an IRS examination.
8. On or about November 16, 2009, the IRS sent a revenue agent's report (Form 4549-A) to WALCOTT by certified mail informing WALCOTT that he owed

additional taxes, penalties and interest in the amount of \$293,710.66 for 2005, \$148,886.43 for 2006 and \$97,606 for 2007.

9. On or about December 5, 2009, WALCOTT returned the Form 4549-A to the IRS with the words “refusal for cause” written across the first two pages.
10. On or about April 8, 2010, the IRS sent WALCOTT a Notice of Deficiency informing him that he owed taxes and penalties of \$232,203.25 for 2005, \$128,760 for 2006 and \$97,606 for 2007, and advising WALCOTT of the manner in which he could contest the determination before making payment.
11. On or about June 1, 2010, WALCOTT returned the Notice of Deficiency to the IRS with the statement “refused for cause” written across each page.

COUNT I

(26 U.S.C. § 7201—Evasion of Income Tax)

12. The allegations contained in Paragraphs numbered 1 through 11 of the Introduction are re-alleged and incorporated herein.
13. From at least on or about April 19, 2008, and continuing until at least July 17, 2012, in the District of Colorado, and elsewhere, defendant CRAIG R. WALCOTT did willfully attempt to evade and defeat the payment of income taxes due and owing by him to the United States of America for calendar years 2005, 2006 and 2007, by committing affirmative acts, including, among others:

Encumbering Real Property to Conceal Equity From the IRS

- a. On or about December 14, 2009, filing a Deed of Trust with the El Paso County Clerk and Recorder that falsely claimed that Red Lantern, LLC, an entity established and controlled by WALCOTT, had borrowed \$250,000 from KMAIRS, LLC, an entity created by WALCOTT, and pledged real

property at 2515 Palmer Park Boulevard, Colorado Springs, Colorado, as security for the debt.

- b. On or about December 14, 2009, filing a Deed of Trust with the El Paso County Clerk and Recorder that falsely claimed that ENNA, LLC, an entity established and controlled by WALCOTT, had borrowed \$200,000 from KMAIRS, LLC, an entity created by WALCOTT, and pledged real property at 4280 Evans Drive, Monument, Colorado, as security for the debt.
- c. On or about December 21, 2009, filing a Deed of Trust with the Fremont County Clerk and Recorder that falsely claimed that GAIRC, LLC, an entity established and controlled by WALCOTT, had borrowed \$150,000 from KMAIRS, LLC, an entity created by WALCOTT, and pledged real property at 403 W. New York Avenue, Canon City, Colorado, as security for the debt.
- d. On or about April 29, 2010, filing a Deed of Trust with the El Paso County Clerk and Recorder that falsely claimed that Tenaj Holdings LLC, an entity established by WALCOTT's wife, had borrowed \$450,000 from KMAIRS, LLC, an entity created by WALCOTT, and pledged real property at 3440 Doolittle Road, Monument, Colorado, as security for the debt.

Transferring Real Property to Nominee Entities

- e. On or about December 14, 2009, transferring real property he owned at 1731 Auburn Drive, Colorado Springs, Colorado, by quitclaim deed to an entity that he controlled known as GAIRC, LLC, to make it appear to the IRS that he had no ownership interest in the property.

- f. On or about December 8, 2009, transferring real property he owned at Lot 17, Block 11, Caribou Island, Kenai Peninsula, Alaska, by quitclaim deed to Tenaj Holdings, LLC, an entity established by WALCOTT's wife, to make it appear to the IRS that he had no ownership interest in the property.
- g. On or about April 28, 2008, transferring real property he owned at Lot 16 Block 5, Lot 17 Block 5 and Lot 4 Block 1 Caribou Island, Kenai Peninsula, Alaska, by quitclaim deed to an entity he controlled known as Yelsha, LLC, to make it appear to the IRS that he had no ownership interest in the property.

Filing False Tax Returns

- h. On or about April 19, 2008, filing a 2005 U.S. Individual Income Tax Return (Form 1040) on which he falsely reported that his taxable income was \$2,637 and his total tax was \$638.
- i. On or about May 28, 2008, filing a 2006 U.S. Individual Income Tax Return (Form 1040) on which he falsely reported that his taxable income was \$64,239 and his total tax was \$6,589.
- j. On or about October 20, 2008, filing a 2007 U.S. Individual Income Tax Return (Form 1040) on which he falsely reported that his taxable income was \$0 and his total tax was \$0.
- k. On or about April 30, 2012, filing a 2005 Amended U.S. Individual Income Tax Return (Form 1040) on which he falsely reported that his taxable

income was \$98,435, his total tax was \$15,473 and that he had paid \$12,000 in income tax for that year.

Terminating Contract With Real Estate Management Company

- I. On or about July 18, 2012, terminating his contract with Global Realty Property Management, Inc. (Global Realty) for the management of a rental property at 1731 Auburn Drive, Colorado Springs, Colorado, 815 S. 7th, in order to prevent Global Realty from complying with an IRS levy directing that rents collected on this property be paid over to the IRS.

All in violation of Title 26, United States Code, Section 7201.

COUNT II

(26 U.S.C. § 7203 – Failure to File an Individual Income Tax Return)

14. The Grand Jury repeats and realleges each of the Introductory Allegations contained in paragraphs 1 through 3 above.

15. During the calendar year 2012, the defendant, CRAIG R. WALCOTT, had and received gross income in excess of the required minimum; by reason of such gross income he was required by law, following the close of the calendar year 2012, and on or before April 15, 2013, to make an income tax return to the Internal Revenue Service Center at Fresno, California, or to the person assigned to receive returns at the local office of the Internal Revenue Service in Colorado, or to another Internal Revenue office as permitted by the Commissioner of the Internal Revenue, stating specifically the items of his gross income and any deductions and credits to which he was entitled. Knowing all of the foregoing, he did willfully fail, on or about April 15, 2013, in the District of Colorado and elsewhere, to make an income tax return.

All in violation of Title 26, United States Code, Section 7203.

COUNT III

(26 U.S.C. § 7203 – Failure to File an Individual Income Tax Return)

16. The Grand Jury repeats and realleges each of the Introductory Allegations contained in paragraphs 1 through 3 above.

17. During the calendar year 2013, the defendant, CRAIG R. WALCOTT, had and received gross income in excess of the required minimum; by reason of such gross income he was required by law, following the close of the calendar year 2013, and on or before April 15, 2014, to make an income tax return to the Internal Revenue Service Center at Fresno, California, or to the person assigned to receive returns at the local office of the Internal Revenue Service in Colorado, or to another Internal Revenue office as permitted by the Commissioner of the Internal Revenue, stating specifically the items of his gross income and any deductions and credits to which he was entitled. Knowing all of the foregoing, he did willfully fail, on or about April 15, 2014, in the District of Colorado and elsewhere, to make an income tax return.

All in violation of Title 26, United States Code, Section 7203.

COUNT IV

(26 U.S.C. § 7203 – Failure to File an Individual Income Tax Return)

18. The Grand Jury repeats and realleges each of the Introductory Allegations contained in paragraphs 1 and 2 above.

19. During the calendar year 2014, the defendant, CRAIG R. WALCOTT, had and received gross income in excess of the required minimum; by reason of such gross income he was required by law, following the close of the calendar year 2014, and on or before April 15, 2015, to make an income tax return to the Internal Revenue Service

Center at Fresno, California, or to the person assigned to receive returns at the local office of the Internal Revenue Service in Colorado, or to another Internal Revenue office as permitted by the Commissioner of the Internal Revenue, stating specifically the items of his gross income and any deductions and credits to which he was entitled. Knowing all of the foregoing, he did willfully fail, on or about April 15, 2015, in the District of Colorado and elsewhere, to make an income tax return.

All in violation of Title 26, United States Code, Section 7203.

TRUE BILL:

Ink signature on file in Clerk's Office
FOREPERSON

RICHARD E. ZUCKERMAN
Principal Deputy Assistant Attorney General
Tax Division

By: s/Andrew J. Kameros
ANDREW J. KAMEROS
Assistant Chief
U.S. Dept. of Justice, Tax Division
P.O. Box 972
Tel: (202) 616-8684
Fax: (202) 514-9623
Andrew.J.Kameros@usdoj.gov

LEE LANGSTON
Trial Attorney
U.S. Dept. of Justice, Tax Division
P.O. Box 972
Tel: (202) 353-0036
Fax: (202) 514-9623
Lee.Langston@usdoj.gov