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DALLAS, TEXAS  
MAY 1, 2007

### **PARTNERS IN DALLAS LAW FIRM PLEAD GUILTY TO TAX EVASION**

DALLAS — Dallas area lawyer Gregory Bryan McDonald pled guilty today in federal court before U.S. Magistrate Judge Paul D. Stickney to one count of tax evasion, announced U.S. Attorney Richard B. Roper of the Northern District of Texas. His former partner, David Cole, of Roanoke, Texas, pled guilty to the same offense last week. Both are to be sentenced on August 15, 2007.

According to court documents filed in the cases, in 2001 and 2002, Cole and McDonald were partners in the law firm McDonald and Cole, L.L.P. That law firm collected settlements on behalf of its clients, most of whom sought representation from the law firm regarding personal injury claims. The law firm entered into written agreements with its clients in which the client and the law firm were to receive stated percentages of any settlement of the clients' claims.

Also according to the documents that were filed in the case, in 2001 and 2002, Cole, McDonald, and a law firm employee, Yamil Chevez, operated a scheme to cheat clients out of portions of their settlement to which the clients were legally entitled. Certain funds that were due to the clients were not paid to them. Instead, Chevez would take law firm checks for these withheld funds to a bank, or to a commercial check cashing facility, where employees were led to believe that Chevez had authority, under a power of attorney arrangement, to cash checks on behalf of clients. After cashing the checks, Chevez would then bring the money back to the law firm office where it would be split between Chevez, McDonald and Cole. Cole and McDonald both admitted knowing that this money should have gone to the clients and also admitted receiving some of the embezzled monies.

According to statements made in court documents, Cole and McDonald both admitted that they and Chevez wrongfully took a combined total of \$61,457 in 2001, and \$77,516.33 in 2002, from the law firm's clients in this manner. They further admitted

1 that the law firm did not include any portion of these misappropriated monies as income on its partnership information tax returns, which were signed by McDonald, and did not include any portion of the income in the K-1s that were given to the law firm partners, McDonald and Cole. The two partners further admitted that their personal tax returns, for tax years ending 2001 and 2002, failed to report any portion of the illegally-obtained income they received in those tax years and that by failing to report this income, they were able to under-report the taxes owed for those years.

Papers filed as part of the plea agreement state that the total tax loss caused by McDonald, Cole and Chevez

(none of whom reported or paid taxes on their share of the embezzled income) was \$57,981.21 (\$25,811.94 for 2001 and \$32,169.27 for 2002).

The plea agreement between the government and McDonald limits his confinement to a maximum of 18 months in prison. The plea agreement between the government and Cole provides that he will receive a sentence of probation of not more than two years. Both agreements are subject to acceptance by the Court after consideration of a presentencing report that must be prepared in the cases. Other than the custody portion of the sentences, the Court remains free as to both defendants to impose fines, supervised release, restitution and a mandatory special assessment as it deems appropriate under the United States Sentencing Guidelines.

Both defendants also agreed to file amended personal income tax returns for 2001 and 2002 and, on or before sentencing, to pay the Internal Revenue Service any additional taxes, penalties and interest that the IRS may assess.

U.S. Attorney Roper praised the investigative efforts of the Internal Revenue Service - Criminal Investigation. The case is being prosecuted by Assistant U.S. Attorney Phillip C. Umphres.

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