

United States District Court

FOR THE
NORTHERN DISTRICT OF CALIFORNIA

VENUE: SAN FRANCISCO

FILED
2014 JUN 24 P 2:50
U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

v.

LARA A. KARAKASEVIC,
a/k/a LARA CASTLE
and
JAMES C. CASTLE,
a/k/a CRIS CASTLE

CR 14 338

DEFENDANT(S).

VC

INDICTMENT

Title 18 U.S.C. § 371 - Conspiracy To Defraud the United States
Title 26 U.S.C. § 7206(1) - Filing False Returns

A true bill.

TR

Foreman

Filed in open court this 24th day of

June 2014.

Jim Jamil

Clerk

Bail, \$ no bail arrest

warrant for both defendants

Nathanael Cousins

Nathanael Cousins
United States Magistrate Judge

DEFENDANT INFORMATION RELATIVE TO A CRIMINAL ACTION - IN U.S. DISTRICT COURT

BY: COMPLAINT INFORMATION INDICTMENT
 SUPERSEDING

OFFENSE CHARGED

Title 18 U.S.C., Section 371 - Conspiracy to Defraud the United States Petty
Title 26 U.S.C., Section 7206(1) - Filing False Returns Minor
 Misdemeanor
 Felony
PENALTY: Title 18 U.S.C, Section 371 - 5 years Imprisonment, \$250,000 fine, 3 years supervised release, \$100 special assessment;
Title 26 U.S.C, Section 7206(1) - 3 years Imprisonment, \$250,000 fine, 1 year supervised release, \$100 special assessment.

Name of District Court, and/or Judge/Magistrate Location

NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

DEFENDANT - U.S.

LARA A. KARAKASEVIC and JAMES C. CASTLE

DISTRICT COURT NUMBER

CR 14 338

DEFENDANT

VC

IS NOT IN CUSTODY

- Has not been arrested, pending outcome this proceeding.
1) If not detained give date any prior summons was served on above charges
2) Is a Fugitive
3) Is on Bail or Release from (show District)

IS IN CUSTODY

- 4) On this charge
5) On another conviction } Federal State
6) Awaiting trial on other charges
If answer to (6) is "Yes", show name of institution

Has detainer been filed? Yes No

If "Yes" give date filed

DATE OF ARREST

Month/Day/Year

Or... if Arresting Agency & Warrant were not

DATE TRANSFERRED TO U.S. CUSTODY

Month/Day/Year

This report amends AO 257 previously submitted

PROCEEDING

Name of Complainant Agency, or Person (& Title, if any)

Internal Revenue Service

person is awaiting trial in another Federal or State Court, give name of court

this person/proceeding is transferred from another district per (circle one) FRCrp 20, 21, or 40. Show District

this is a re prosecution of charges previously dismissed which were dismissed on motion of:

U.S. ATTORNEY DEFENSE

SHOW DOCKET NO.

this prosecution relates to a pending case involving this same defendant

MAGISTRATE CASE NO.

prior proceedings or appearance(s) before U.S. Magistrate regarding this defendant were recorded under

Name and Office of Person

Furnishing Information on this form MELINDA HAAG

U.S. Attorney Other U.S. Agency

Name of Assistant U.S.

Attorney (if assigned) Cynthia Stier

ADDITIONAL INFORMATION OR COMMENTS

PROCESS:

SUMMONS NO PROCESS* WARRANT

Bail Amount: _____

If Summons, complete following:

Arraignment Initial Appearance

* Where defendant previously apprehended on complaint, no new summons or warrant needed, since Magistrate has scheduled arraignment

Defendant Address:

Date/Time: _____ Before Judge: _____

Comments:

1 MELINDA HAAG (CABN 132612)
2 United States Attorney

FILED
2014 JUN 24 P 2:52
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

3
4
5
6
7
8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION

11 UNITED STATES OF AMERICA,
12 Plaintiff,

13 v.

14 LARA A. KARAKASEVIC, a/k/a LARA
15 CASTLE, and
16 JAMES C. CASTLE, a/k/a CHRIS CASTLE,
Defendants.

No. **CR 14 338**

VIOLATIONS: 18 U.S.C. § 371 – Conspiracy To
Defraud the United States; 26 U.S.C. § 7201(1)
– Filing False Tax Return

VC

SAN FRANCISCO VENUE

17
18 INDICTMENT

19 COUNT ONE: (18 U.S.C. § 371 – Conspiracy To Defraud The United States)

20 INTRODUCTION

21 THE CONSPIRACY

22 From on or about July 7, 2008, and continuing until June 8, 2009, in the Northern District of
23 California, the defendants,

24 LARA A. KARAKASEVIC,
25 a/k/a Lara Castle, and
26 JAMES C. CASTLE,
a/k/a Chris Castle,

27 did unlawfully, voluntarily, intentionally and knowingly conspire, combine, confederate, and agree
28 together and with each other and with other individuals both known and unknown to the Grand Jury to

INDICTMENT

1 defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful
2 Government functions of the Internal Revenue Service of the Treasury Department in the ascertainment,
3 computation, assessment, and collection of the revenue: to wit, income taxes.

4 PARTIES, PERSONS, AND ENTITIES

5 1. The Internal Revenue Service ("IRS") is an agency of the United States of America
6 within the Department of the Treasury.

7 2. The Internal Revenue Code (Title 26 of the United States Code) contains the statutes
8 and laws of the United States concerning, among other things, tax liability.

9 (a) "Federal income tax" refers to the tax due the United States under the Internal Revenue Code.

10 (b) IRS Form 1099-OID is the form that an issuer sends to investors reporting annual interest on
11 original issue discount securities. Income shown on a 1099-OID is to be included on an investor's
12 federal income tax return.

13 (c) An Application for Filing Information Returns Electronically [Form 4419] is the form filed
14 with the IRS to obtain a Filing Information Return Electronically [FIRE] number to electronically
15 transmit Forms 1099-OID with the IRS.

16 3. TTF Consulting, LLC ("TTF Consulting") is a business owned and operated by Lara
17 Karakasevic, aka Lara Castle ("KARAKASEVIC"), from her residence located in Petaluma, California,
18 during all times relevant to this indictment. TTF Consulting is an Internet-based business used by
19 KARASASEVIC and her spouse, James C. Castle, to offer the service of electronically transmitting
20 Forms 1099-OID to the IRS for a fee.

21 4. James C. Castle ("CASTLE") was KARAKASEVIC's spouse during all relevant times
22 to this indictment.

23 MANNER AND MEANS OF THE CONSPIRACY

24 The manner and means by which the conspiracy was sought to be accomplished included, among
25 others, the following:

26 5. On or about July 7, 2008, KARAKASEVIC filed a Form 4419 with the IRS to obtain a FIRE
27 number to electronically submit Forms 1099-OID to the IRS. Between July 7 and August 7, 2008, the
28 IRS issued KARAKASEVIC FIRE Number xx423. Between April 2, 2009, and June 4, 2009,

INDICTMENT

1 KARASASEVIC and CASTLE, both individually and d/b/a TTF Consulting, LLC, used deceit, craft,
2 trickery, and dishonest means to prepare six false and fraudulent Forms 1099-OID, which were
3 electronically transmitted to the IRS using FIRE xx423. These Forms 1099-OID falsely reported that
4 certain financial institutions had interest income reportable on a Form 1099-OID for taxpayers L.A. and
5 E.A., E.D., M.A and M.G.A., J.U., and W.E. and that the financial institutions had withheld the interest
6 income. These taxpayers did not have interest income from these financial institutions. Based on these
7 false and fraudulent Forms 1099-OID, five false and fraudulent federal income tax returns were filed by
8 taxpayers L.A.and E.A., E.D., M.A. and M.G.A., J.U., and W.E. seeking false and fraudulent refunds
9 ranging from \$ 83,948 to \$537,884.

10 OVERT ACTS

11 6. By letter dated August 25, 2008, KARAKASEVIC sent the IRS a 2005 Federal Income
12 Tax Return seeking a \$411,538.09 refund based on a Form 1099-OID. By that letter, KARAKASEVIC
13 requested that the IRS notify her if the "filing is frivolous or needs correction." In response to that
14 letter, received by the IRS on September 2, 2008, the IRS sent a letter to KARAKASEVIC dated
15 October 9, 2008, informing her that her position was frivolous and had no basis in the law. Subsequent
16 to receiving the IRS response letter, KARAKASEVIC and CASTLE committed the following overt acts
17 in furtherance of the conspiracy and to effect the objects thereof, in the Northern District of California,
18 and elsewhere:

19 L.A. and E.A.

20 7. On April 2, 2009, KARAKASEVIC electronically transmitted to the IRS a false and
21 fraudulent Form 1099-OID for L.A. and E.A. reporting \$382,000 in interest income and \$382,000 in
22 withholding by Chase Home Finance, LLC. for the tax year 2008. KARAKASAVIC transmitted a copy
23 of the Form 1099-OID to L.A. and E.A. to be filed with their 2008 joint federal income tax return. A
24 false and fraudulent 2008 federal income tax return was filed by L.A. and E.A. seeking a refund of
25 \$275,732 based on the false and fraudulent Form 1099-OID.

26 E.D.

27 8. On April 13, 2009, and April 24, 2009, KARAKASEVIC electronically transmitted to the
28 IRS a false and fraudulent Form 1099-OID for E.D. reporting \$390,000 in interest income and

INDICTMENT

1 withholding by IndyMac Federal Bank for the tax year 2008. KARAKASAVIC transmitted a copy of
2 the Form 1099-OID to E.D. to be filed with her 2008 federal income tax return.

3 9. On April 13, 2009, and April 24, 2009, KARAKASEVIC electronically transmitted to the
4 IRS a false and fraudulent Form 1099-OID for E.D. reporting \$403,800 in interest income and
5 withholding by FHLMN Co/Citimortgage Inc. for the tax year 2008. KARAKASAVIC transmitted a
6 copy of the Form 1099-OID to E.D. to be filed with her 2008 federal income tax return. A false and
7 fraudulent 2008 federal income tax return was filed by E.D. seeking a refund of \$537,884 based on the
8 false and fraudulent Forms 1099-OID.

9 M.A. and M.G.A.

10 10. On April 13, 2009, and April 24, 2008, KARAKASEVIC electronically transmitted to the
11 IRS a false and fraudulent Form 1099-OID for M.A. and M.G.A. reporting \$368,000 in interest income
12 and withholding from Aurora Loan Services for the tax year 2008. KARAKASAVIC transmitted a copy
13 of the Form 1099-OID to M.A. and M.G.A. to be filed with their 2008 joint federal income tax return.
14 A false and fraudulent 2008 joint federal income tax return was filed by M.A. and M.G.A. seeking a
15 refund of \$248,004 based on the false and fraudulent Form 1099-OID.

16 J.U.

17 11. On May 13, 2009, KARAKASEVIC electronically transmitted to the IRS a false and
18 fraudulent Form 1099-OID for J.U. reporting \$109,116 in interest income and withholding from JP
19 Morgan Chase Bank for the tax year 2008. KARAKASAVIC transmitted a copy of the Form 1099-OID
20 to J.U. to be filed with her 2008 joint federal income tax return. A false and fraudulent 2008 federal
21 income tax return was filed by J.U. seeking a refund of \$85,843 based on the false and fraudulent Form
22 1099-OID.

23 W.E.

24 12. On June 4, 2009, KARAKASEVIC electronically transmitted to the IRS a false and
25 fraudulent Form 1099-OID for W.E. reporting \$86,174 in interest income and withholding from Bank of
26 America for the tax year 2008. KARAKASAVIC caused to be transmitted a copy of the Form 1099-
27 OID to W.E. to be filed with his 2008 federal income tax return. A false and fraudulent 2008 federal
28 income tax return was filed by W.E. seeking a refund of \$86,174 based on the false and fraudulent Form

INDICTMENT

1 1099-OID.

2 13. On April 16, 2009, CASTLE sent an e-mail to M.E. stating "we are in receipt of the
3 J.U. 1099 OID information submission. Please provide a telephone number for Chase. Also, how do
4 you wish the billing sent, to you or her? If to her, we will need an email address, All the best, Chris."

5 14. On April 22, 2009, CASTLE sent an email to M.E. stating "J.U.'s 1099 information
6 has been completed with the number you furnished and will be uploaded tomorrow, All the best, Chris"

7 All in violation of Title 18, United States Code, Section 371.

8 COUNT TWO: (26 U.S.C. § 7206(1) – Filing False Return)

9 15. On or about October 28, 2008, in the Northern District of California, the defendant,

10 LARA A. KARAKASEVIC,
11 a/k/a Lara Castle,

12 then a resident of Petaluma, California, did willfully make and subscribe an Amended U.S. Individual
13 Income Tax Return [Form 1040X] for the 2005 tax year, which was verified by a written declaration that
14 it was made under the penalties of perjury and which she did not believe to be true and correct as to
15 every material matter. That 2005 Form 1040X falsely reported taxable interest of \$411,538 on line
16 8a, taxable income of \$406,114 on line 43, and \$411,538 in federal income tax withheld on line 64,
17 claiming an overpayment of \$291,836.00 on line 72.

18 All in violation of Title 26 U.S.C. § 7206(1).

19 Dated:

6/24/14

A True Bill

20 MELINDA HAAG
21 United States Attorney

[Signature]
FOREPERSON

22 *J. Douglas Wilson*
23 J. DOUGLAS WILSON
24 Assistant United States Attorney
Chief, Criminal Division

25 Approved as to Form

26 *Cynthia Stier*
27 CYNTHIA STIER
28 Assistant United States Attorney
Tax Division

INDICTMENT