

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)
)
) No 13 CR 966
) Judge Samuel Der-Yeghiayan
)
)
VERLEAN HOLLINS)

PLEA AGREEMENT

1. This Plea Agreement between the United States Attorney for the Northern District of Illinois, ZACHARY T. FARDON, and defendant VERLEAN HOLLINS, and her attorney RAYMOND G. WIGELL, is made pursuant to Rule 11 of the Federal Rules of Criminal Procedure. The parties to this Plea Agreement have agreed upon the following:

Charges in this Case

2. The information in this case charges defendant with two counts of willfully aiding and assisting in the preparation and presentation of false and fraudulent tax returns, in violation of Title 26, United States Code, Section 7206(2).

3. Defendant has read the charges against her contained in the information, and those charges have been fully explained to her by her attorney.

4. Defendant fully understands the nature and elements of the crimes with which she had been charged.

Charges to Which Defendant is Pleading Guilty

5. By this Plea Agreement, defendant agrees to enter a voluntary plea of guilty to Counts One and Two of the information, which charge defendant with willfully aiding and assisting in the preparation and presentation of a false and

fraudulent tax return filed on behalf of Taxpayer BAB on or about February 9, 2012 (Count One), and willfully aiding and assisting in the preparation and presentation of a false and fraudulent tax return filed on behalf of Taxpayers MR and SR on or about April 5, 2012 (Count Two), each in violation of Title 26, United States Code, Section 7206(2).

Factual Basis

6. Defendant will plead guilty because she is in fact guilty of the charges contained in the information. In pleading guilty, defendant admits the following facts and that those facts establish her guilt beyond a reasonable doubt and constitute relevant conduct pursuant to Guideline § 1B1.3:

From at least 2010 through 2012, defendant was a tax preparer and the owner of a tax preparation business operating under the name Taxes Etc., Inc., located at 2311 East 71st Street, Chicago, Illinois. Defendant's services included preparing federal income tax returns and filing those returns on behalf of individual taxpayers. In return for her tax return preparation services, defendant's clients paid a fee of between approximately \$25 to \$400 per tax return prepared and filed. The majority of defendant's clients paid approximately \$125 per tax return. While preparing tax returns at Taxes Etc., Inc., defendant held herself out to clients as a person trained in and knowledgeable about the preparation and filing of federal income tax returns.

For calendar years 2009 through 2011, and in her capacity as a tax preparer and in return for a fee, defendant prepared and caused to be filed with the IRS a

total of approximately 3,193 U.S. Individual Income Tax Return Form 1040 and Form 1040A on behalf of numerous tax clients, and in each of these returns, defendant knowingly included false statements and representations. Specifically, for each of these returns, defendant created a false Form 8863 that misrepresented that the taxpayer or a dependent attended an institution of higher education and was entitled to a refundable education credit. The vast majority of these taxpayer clients never indicated to defendant that a family member attended an institution of higher education. A small number of the tax clients indicated to defendant that a family member attended an institution of higher education but none of this small number of clients provided any documents to support the suggestion. Nonetheless, for all of these clients defendant prepared a false Form 8863. Further, defendant claimed the false refundable education credit on all these taxpayers' Form 1040 or Form 1040A and submitted the false returns and false Forms 8863 to the IRS. Defendant knew that the named taxpayer did not incur the claimed education expense at the institution of higher education and thus knew the taxpayer was not entitled to the refundable education credit. By making these false statements, defendant fraudulently reduced each taxpayer's liability and improperly qualified the taxpayers for refunds, and thereby caused false and fraudulent claims for refunds to be made against the United States Treasury in the total amount of approximately \$3,372,545, as follows:

Calendar Year	Tax Returns Defendant Prepared and Submitted to IRS with a False Claim for a Refundable Education Credit	Dollar Amount of False Claims for a Refundable Education Credit Prepared and Submitted by Defendant
2009	847	\$821,540
2010	1,052	\$1,152,344
2011	<u>1,294</u>	<u>\$1,398,661</u>
Total	3,193	\$3,372,545

As charged in Count One, on or about February 9, 2012, at Chicago, in the Northern District of Illinois, Eastern Division, defendant willfully aided and assisted in the preparation and presentation to the Internal Revenue Service of a United States Individual Income Tax Return (Form 1040 with schedules and attachments) for calendar year 2011 on behalf of Taxpayer BAB, which was fraudulent and was false as to a material matter, namely: On the attached Form 1040, line 66, that Taxpayer BAB was entitled to a refundable education credit totaling \$1,000, when defendant knew such statement was false in that the named taxpayer did not incur any education expense at any institution of higher education and thus was not entitled to the refundable education credit, in violation of Title 26, United States Code, Section 7206(2).

As charged in Count Two, on or about April 5, 2012, at Chicago, in the Northern District of Illinois, Eastern Division, defendant willfully aided and

assisted in the preparation and presentation to the Internal Revenue Service of a United States Individual Income Tax Return (Form 1040 with schedules and attachments) for calendar year 2011 on behalf of Taxpayers MR and SR, which was fraudulent and was false as to a material matter, namely: On Form 1040, line 66, that Taxpayers MR and SR were entitled to a refundable education credit totaling \$1,827, when defendant knew such statement was false in that the named taxpayers did not incur any education expense at any institution of higher education and thus were not entitled to the refundable education credit, in violation of Title 26, United States Code, Section 7206(2).

Maximum Statutory Penalties

7. Defendant understands that each of the charges to which she is pleading guilty carry the following statutory penalties:

a. A maximum sentence of three years of imprisonment; a maximum fine of \$250,000 or twice the gross gain or gross loss resulting from the offense, whichever is greater; and a term of supervised release of not more than one year. Defendant further understands that the Court must order costs of prosecution, estimated not to exceed \$500.

b. In accord with Title 18, United States Code, Section 3013, defendant will be assessed \$100 on each of the charges to which she has pled guilty, in addition to any other penalty imposed.

c. Therefore, for the charges to which defendant is pleading guilty, the total maximum sentence is six years of imprisonment; a maximum fine of

\$500,000 or twice the gross gain or gross loss resulting from the offense, whichever is greater; a maximum term of supervised release of not more than two years; mandatory costs of prosecution; and a special assessment totaling \$200.

Sentencing Guidelines Calculations

8. Defendant understands that in imposing sentence the Court will be guided by the United States Sentencing Guidelines. Defendant understands that the Sentencing Guidelines are advisory, not mandatory, but that the Court must consider the Guidelines in determining a reasonable sentence.

9. For purposes of calculating the Sentencing Guidelines, the parties agree on the following points:

a. **Applicable Guidelines.** The Sentencing Guidelines to be considered in this case are those in effect at the time of sentencing. The following statements regarding the calculation of the Sentencing Guidelines are based on the Guidelines Manual currently in effect, namely the November 2013 Guidelines Manual.

b. Offense Level Calculations.

i. Pursuant to Guideline §§ 2T1.4(a)(1) and 2T4.1(J), the base offense level for the counts of conviction and the relevant conduct is level twenty-four because the loss resulting from the offense and relevant conduct is more than \$2.5 million and less than \$7 million.

ii. Pursuant to Guideline § 2T1.4(b)(1)(B), the base offense level should be increased by two levels because defendant was in the business of preparing and assisting in the preparation of tax returns.

iii. Defendant has clearly demonstrated a recognition and affirmative acceptance of personal responsibility for her criminal conduct. If the government does not receive evidence in conflict with this provision at the time of sentencing and if defendant continues to accept responsibility for her actions within the meaning of Guideline § 3E1.1(a), including by furnishing the United States Attorney's Office and the Probation Office with all requested financial information relevant to her ability to satisfy any fine that may be imposed in this case, then a two level reduction in the offense level is appropriate.

iv. In accord with Guideline § 3E1.1(b), defendant has timely notified the government of her intention to enter a plea of guilty, thereby permitting the government to avoid preparing for trial and permitting the Court to allocate its resources efficiently. Therefore, as provided by Guideline § 3E1.1(b), if the Court determines the offense level to be sixteen or greater prior to determining that defendant is entitled to a two level reduction for acceptance of responsibility, the government will move for an additional one level reduction in the offense level.

c. **Criminal History Category.** With regard to determining defendant's criminal history points and criminal history category, based on the facts now known to the government and stipulated below, defendant's criminal history points equal one and defendant's criminal history category is I.

i. On or about June 4, 2003, defendant was convicted of theft in the Circuit Court of Cook County and sentenced to 30 months of probation, which probation was subsequently continued to March 31, 2009. Pursuant to Guideline Section 4A1.1(c), defendant receives one criminal history point for this conviction.

d. **Anticipated Advisory Sentencing Guidelines Range.** Therefore, based on the facts now known to the government, the anticipated offense level is twenty-three, which, when combined with the anticipated criminal history category of I, results in an anticipated advisory Sentencing Guidelines range of 46 to 57 months' imprisonment, in addition to any supervised release and fine the Court may impose.

e. Defendant and her attorney and the government acknowledge that the above Guideline calculations are preliminary in nature, and are non-binding predictions upon which neither party is entitled to rely. Defendant understands that further review of the facts or applicable legal principles may lead the government to conclude that different or additional Guideline provisions apply in this case. Defendant understands that the Probation Office will conduct its own investigation and that the Court ultimately determines the facts and law relevant to sentencing, and that the Court's determinations govern the final Guideline calculation. Accordingly, the validity of this Plea Agreement is not contingent upon the probation officer's or the Court's concurrence with the above calculations, and

defendant shall not have a right to withdraw her plea on the basis of the Court's rejection of these calculations.

f. Both parties expressly acknowledge that this Plea Agreement is not governed by Fed.R.Crim.P. 11(c)(1)(B), and that errors in applying or interpreting any of the Sentencing Guidelines may be corrected by either party prior to sentencing. The parties may correct these errors either by stipulation or by a statement to the Probation Office or the Court, setting forth the disagreement regarding the applicable provisions of the Guidelines. The validity of this Plea Agreement will not be affected by such corrections, and defendant shall not have a right to withdraw her plea, nor the government the right to vacate this Plea Agreement, on the basis of such corrections.

Agreements Relating to Sentencing

10. Each party is free to recommend whatever sentence it deems appropriate.

11. It is understood by the parties that the sentencing judge is neither a party to nor bound by this Plea Agreement and may impose a sentence up to the maximum penalties as set forth above. Defendant further acknowledges that if the Court does not accept the sentencing recommendation of the parties, defendant will have no right to withdraw her guilty plea.

12. Regarding a fine, defendant agrees to pay a fine to the United States Treasury in the amount of \$798,250. The fine shall be due immediately, and paid pursuant to a schedule to be set by the Court at sentencing.

13. Defendant agrees to pay the special assessment of \$200 at the time of sentencing with a cashier's check or money order payable to the Clerk of the U.S. District Court.

14. Defendant understands that the United States may enforce collection of any fine imposed in this case pursuant to Title 18, United States Code, Sections 3572, 3613, and 3664(m), notwithstanding any payment schedule set by the Court.

Acknowledgments and Waivers Regarding Plea of Guilty

Nature of Agreement

15. This Plea Agreement is entirely voluntary and represents the entire agreement between the United States Attorney and defendant regarding defendant's criminal liability in case 13 CR 966.

16. This Plea Agreement concerns criminal liability only. Except as expressly set forth in this Plea Agreement, nothing herein shall constitute a limitation, waiver, or release by the United States or any of its agencies of any administrative or judicial civil claim, demand, or cause of action it may have against defendant or any other person or entity. The obligations of this Plea Agreement are limited to the United States Attorney's Office for the Northern District of Illinois and cannot bind any other federal, state, or local prosecuting, administrative, or regulatory authorities, except as expressly set forth in this Plea Agreement.

17. Defendant understands that nothing in this Plea Agreement shall limit the Internal Revenue Service in its collection of any taxes, interest or penalties from

defendant and her spouse or defendant's partnership or corporations. Defendant further understands that the amount of tax as calculated by the IRS may exceed the amount of tax due as calculated for the criminal tax case.

Waiver of Rights

18. Defendant understands that by pleading guilty she surrenders certain rights, including the following:

a. **Right to be charged by indictment.** Defendant understands that she has a right to have the charges prosecuted by an indictment returned by a concurrence of twelve or more members of a grand jury consisting of not less than sixteen and not more than twenty-three members. By signing this Plea Agreement, defendant knowingly waives her right to be prosecuted by indictment and to assert at trial or on appeal any defects or errors arising from the information, the information process, or the fact that she has been prosecuted by way of information.

b. **Trial rights.** Defendant has the right to persist in a plea of not guilty to the charges against her, and if she does, she would have the right to a public and speedy trial.

i. The trial could be either a jury trial or a trial by the judge sitting without a jury. However, in order that the trial be conducted by the judge sitting without a jury, defendant, the government, and the judge all must agree that the trial be conducted by the judge without a jury.

ii. If the trial is a jury trial, the jury would be composed of twelve citizens from the district, selected at random. Defendant and her attorney would participate in choosing the jury by requesting that the Court remove

prospective jurors for cause where actual bias or other disqualification is shown, or by removing prospective jurors without cause by exercising peremptory challenges.

iii. If the trial is a jury trial, the jury would be instructed that defendant is presumed innocent, that the government has the burden of proving defendant guilty beyond a reasonable doubt, and that the jury could not convict her unless, after hearing all the evidence, it was persuaded of her guilt beyond a reasonable doubt and that it was to consider each count of the information separately. The jury would have to agree unanimously as to each count before it could return a verdict of guilty or not guilty as to that count.

iv. If the trial is held by the judge without a jury, the judge would find the facts and determine, after hearing all the evidence, whether or not the judge was persuaded that the government had established defendant's guilt beyond a reasonable doubt.

v. At a trial, whether by a jury or a judge, the government would be required to present its witnesses and other evidence against defendant. Defendant would be able to confront those government witnesses and her attorney would be able to cross-examine them.

vi. At a trial, defendant could present witnesses and other evidence in her own behalf. If the witnesses for defendant would not appear voluntarily, she could require their attendance through the subpoena power of the Court. A defendant is not required to present any evidence.

vii. At a trial, defendant would have a privilege against self-incrimination so that she could decline to testify, and no inference of guilt could be drawn from her refusal to testify. If defendant desired to do so, she could testify in her own behalf.

c. **Appellate rights.** Defendant further understands she is waiving all appellate issues that might have been available if she had exercised her right to trial, and may only appeal the validity of this plea of guilty and the sentence imposed. Defendant understands that any appeal must be filed within 14 calendar days of the entry of the judgment of conviction.

d. Defendant understands that by pleading guilty she is waiving all the rights set forth in the prior paragraphs, with the exception of the appellate rights specifically preserved above. Defendant's attorney has explained those rights to her, and the consequences of her waiver of those rights.

Presentence Investigation Report/Post-Sentence Supervision

19. Defendant understands that the United States Attorney's Office in its submission to the Probation Office as part of the Pre-Sentence Report and at sentencing shall fully apprise the District Court and the Probation Office of the nature, scope, and extent of defendant's conduct regarding the charge against her, and related matters. The government will make known all matters in aggravation and mitigation relevant to sentencing.

20. Defendant agrees to truthfully and completely execute a Financial Statement (with supporting documentation) prior to sentencing, to be provided to and shared among the Court, the Probation Office, and the United States Attorney's

Office regarding all details of her financial circumstances, including her recent income tax returns as specified by the probation officer. Defendant understands that providing false or incomplete information, or refusing to provide this information, may be used as a basis for denial of a reduction for acceptance of responsibility pursuant to Guideline § 3E1.1 and enhancement of her sentence for obstruction of justice under Guideline § 3C1.1, and may be prosecuted as a violation of Title 18, United States Code, Section 1001 or as a contempt of the Court.

21. For the purpose of monitoring defendant's compliance with her obligations to pay a fine during any term of supervised release or probation to which defendant is sentenced, defendant further consents to the disclosure by the IRS to the Probation Office and the United States Attorney's Office of defendant's individual income tax returns (together with extensions, correspondence, and other tax information) filed subsequent to defendant's sentencing, to and including the final year of any period of supervised release or probation to which defendant is sentenced. Defendant also agrees that a certified copy of this Plea Agreement shall be sufficient evidence of defendant's request to the IRS to disclose the returns and return information, as provided for in Title 26, United States Code, Section 6103(b).

Other Terms

22. Defendant agrees to cooperate with the United States Attorney's Office in collecting any unpaid fine for which defendant is liable, including providing financial statements and supporting records as requested by the United States Attorney's Office.

23. Regarding matters relating to the Internal Revenue Service, defendant agrees as follows (nothing in this paragraph, however, precludes defendant and her spouse or defendant's partnerships or corporations from asserting any legal or factual defense to taxes, interest, and penalties that may be assessed by the IRS):

a. Defendant agrees to cooperate with the Internal Revenue Service in any tax examination or audit of defendant and her spouse and defendant's partnerships or corporations which directly or indirectly relates to or arises out of the course of conduct that defendant has acknowledged in this Plea Agreement, by transmitting to the IRS original records or copies thereof, and any additional books and records that the IRS may request.

b. Defendant will not object to a motion brought by the United States Attorney's Office for the entry of an order authorizing disclosure to the Internal Revenue Service of documents, testimony, and related investigative materials that may constitute grand jury material, preliminary to or in connection with any judicial proceeding, pursuant to Fed. R. Crim. P. 6(e)(3)(E)(i). In addition, defendant will not object to the government's solicitation of consent from third parties who provided records or other materials to the grand jury pursuant to grand jury subpoenas, to turn those materials over to the IRS for use in civil or administrative proceedings or investigations, rather than returning them to the third parties for later summons or subpoena in connection with a civil or administrative proceeding involving, or investigation of, defendant and her spouse or defendant's partnerships or corporations.

Conclusion

24. Defendant understands that this Plea Agreement will be filed with the Court, will become a matter of public record, and may be disclosed to any person.

25. Defendant understands that her compliance with each part of this Plea Agreement extends throughout the period of her sentence, and failure to abide by any term of the Plea Agreement is a violation of the Plea Agreement. Defendant further understands that in the event she violates this Plea Agreement, the government, at its option, may move to vacate the Plea Agreement, rendering it null and void, and thereafter prosecute defendant not subject to any of the limits set forth in this Plea Agreement, or may move to resentence defendant or require defendant's specific performance of this Plea Agreement. Defendant understands and agrees that in the event that the Court permits defendant to withdraw from this Plea Agreement, or defendant breaches any of its terms and the government elects to void the Plea Agreement and prosecute defendant, any prosecutions that are not time-barred by the applicable statute of limitations on the date of the signing of this Plea Agreement may be commenced against defendant in accordance with this paragraph, notwithstanding the expiration of the statute of limitations between the signing of this Plea Agreement and the commencement of such prosecutions.

26. Should the judge refuse to accept defendant's plea of guilty, this Plea Agreement shall become null and void and neither party will be bound to it. Defendant and her attorney acknowledge that no threats, promises, or

representations have been made, nor agreements reached, other than those set forth in this Plea Agreement, to cause defendant to plead guilty.

27. Defendant and her attorney acknowledge that no threats, promises, or representations have been made, nor agreements reached, other than those set forth in this Plea Agreement, to cause defendant to plead guilty.

28. Defendant acknowledges that she has read this Plea Agreement and carefully reviewed each provision with her attorney. Defendant further acknowledges that she understands and voluntarily accepts each and every term and condition of this Plea Agreement.

AGREED THIS DATE: _____

ZACHARY T. FARDON
United States Attorney

VERLEAN HOLLINS
Defendant

KAARINA SALOVAARA
Assistant U.S. Attorney

RAYMOND G. WIGELL
Attorney for Defendant