

# ***NEWS RELEASE***

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## ***OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA***

*San Diego, California*

*United States Attorney*

*Laura E. Duffy*

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*For Immediate Release*

## **La Jolla Resident Sentenced for Bankruptcy Fraud**

**NEWS RELEASE SUMMARY** – November 25, 2013

United States Attorney Laura E. Duffy announced today that United States District Court Judge M. James Lorenz sentenced La Jolla resident Mark Hagen to serve six months in prison for bankruptcy fraud.

Hagen pleaded guilty to fraudulently concealing assets in bankruptcy proceedings, in violation of Title 18, United States Code, Section 152(1), on September 12, 2013. According to Mr. Hagen's plea agreement, Hagen admitted to knowingly and fraudulently defrauding the Bankruptcy Court and his creditors by hiding and lying about more than \$45,000 in federal tax refunds. Specifically, in April 2008, Hagen filed a voluntary Chapter 11 petition that was then converted to a Chapter 7 petition in the United States Bankruptcy Court for the Southern District of California. Despite instructions to turn over his tax refunds and questions about their whereabouts, Hagen repeatedly concealed more than \$45,000 of

tax refunds that he had received from the United States – stating falsely that he had not received any tax refunds during bankruptcy proceedings in May 2009, July 2009, October 2009, and July 2010. In truth, the United States had issued the tax refunds to Hagen in February 2009, and Hagen had endorsed and arranged for the tax refunds to be deposited into a bank account that he controlled in February 2010.

United States Attorney Duffy observed that bankruptcy protection is a privilege afforded to honest individuals who have suffered financial setbacks and not a means to allow the unscrupulous to get out of paying their debts. The United States Attorney's Office will not turn a blind eye simply because the fraudulently concealed assets are not valued in the millions of dollars. United States Attorney Duffy stated, "Individuals should be put on notice that the bankruptcy process cannot be used to lie to, cheat, and steal from legitimate creditors."

FBI Special Agent in Charge, Daphne Hearn, commented, "The bankruptcy process is based on the honor system and when used appropriately allows many debtors to get a fresh start. However, when this trust is abused by debtors intentionally making false statements to the bankruptcy court, the FBI will work with the U.S. Attorney's Office and Bankruptcy Trustee to hold them accountable to ensure the public's continued trust in the bankruptcy process."

The U.S. Trustee Program is the component of the Justice Department that protects the integrity of the bankruptcy system by overseeing case administration and litigating to enforce the bankruptcy laws. Acting U.S. Trustee Tiffany L. Carroll stated: "Concealing assets in a bankruptcy proceeding is a crime that threatens the integrity of the bankruptcy process and public confidence in that process. We are grateful to the U.S. Attorney's Office and the Federal Bureau of Investigation for their commitment to combating bankruptcy fraud and abuse."

**CASE NUMBER: 13-CR-3345-L**

**DEFENDANT**

Mark Hagen

**SUMMARY OF CHARGES**

Charge: Concealment of Assets in Bankruptcy,  
in violation of Title 18, United States Code, Section 152(1)

Max. penalties: 5 years in prison,  
3 years of supervised release,  
a \$250,000 fine, and  
a \$100 special assessment.

**INVESTIGATING AGENCY**

Federal Bureau of Investigation