

# ***NEWS RELEASE***

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

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*For Immediate Release*

### **NEWS RELEASE SUMMARY** - November, 8, 2004

Carol C. Lam, United States Attorney for the Southern District of California, and Eileen J. O'Connor, Assistant Attorney General for the Tax Division of the Department of Justice, announced that Lonnie R. Divine, Yvonne Divine and Deanna McKinnon have pleaded guilty to federal criminal tax offenses. All three defendants entered their pleas today in San Diego before the Honorable Barry Ted Moskowitz, United States District Judge.

Lonnie R. Divine, a former resident of Vista, California, pleaded guilty to count two of a Second Superseding Indictment charging him with tax evasion for tax year 1997. In connection with his plea, Lonnie R. Divine admitted that he owned and operated business using many different company names during 1993 through 1997. Although the business names often changed, the business activity of selling items (primarily magazine subscriptions) through door-to-door sales remained consistent. From 1993 through 1997 the administrative office of the business was located in San Diego.

Lonnie R. Divine's business earned over \$11 million in gross receipts from 1993 through 1997. Lonnie R. Divine evaded his taxes by: (1) converting a substantial portion of the business' gross receipts to cash, often after transferring the money through several bank accounts; (2) transferring gross receipts of the business from business bank accounts to personal bank accounts in order to spend the money for non-business purposes; (3) using the gross receipts of the business to make payments of about \$1.8 million which were applied to Lonnie R. Divine's casino accounts in Las Vegas and Tahoe, Nevada; (4) using cashier's checks, official checks, money orders and currency to acquire assets and invest funds; (5) using nominees to conceal and disguise his ownership in assets; and (6) maintaining a computerized record system of receipts and cost of goods sold, to track income (but not to comply with income tax reporting requirements).

Yvonne Divine, Lonnie R. Divine's wife and a former resident of Vista, California, pleaded guilty to a one-count Information charging her with willful failure to file a tax return for tax year 1997. Yvonne Divine admitted earning income from Lonnie R. Divine's business in 1997.

Deanna M. McKinnon, Lonnie R. Divine's daughter and a former resident of San Diego, California, pleaded guilty to a one-count Information charging her with willful failure to file a tax return for tax year 1996. Deanna M. McKinnon admitted earning income from Lonnie R. Divine's business in 1996.

Denise L. Rubin, IRS Criminal Investigation Division Special Agent-in-Charge for San Diego stated, "Our system depends on everyone paying their fair share of taxes. We cannot expect the honest taxpayer to foot the bill for those who hide income from the government. To maintain public confidence in our tax system, individuals who intentionally conceal income and evade taxes will be prosecuted."

Sentencing is set for all defendants on March 9, 2005, before Judge Moskowitz. All defendants were released subject to supervision by U.S. Pre-trial Services, pending their sentencing hearing.

This case was prosecuted by Tax Division Trial Attorneys Nicholas D. Dickinson and Christopher J. Maietta.

## **DEFENDANTS**

Lonnie R. Divine  
Yvonne Divine  
Deanna McKinnon

## **SUMMARY OF CHARGES**

Lonnie Divine – Title 18, United States Code, Section 7201, Attempt to Evade or Defeat Tax. Maximum sentence of five years in prison and fine not to exceed \$250,000 per count.

Yvonne Divine and Deanna McKinnon – Title 18, United States Code, Section 7203, Willful Failure to File Return. Maximum sentence of one year in prison and fine not to exceed \$100,000 per count.

## **AGENCY**

Internal Revenue Service, Criminal Investigation