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**REDDING BUSINESS OWNER CONVICTED OF
THIRTEEN CRIMINAL TAX CHARGES**

SACRAMENTO--United States Attorney McGregor W. Scott and IRS Criminal Investigation Special Agent in Charge Roger L. Wirth announced today that WALTER A. THOMPSON, 58, of Redding, California, was convicted this morning of thirteen criminal tax charges with a tax loss of approximately \$256,000. Sentencing is scheduled for April 13, 2005 before the Honorable William B. Shubb, United State District Judge.

This case is the product of an extensive investigation by Special Agents of the Criminal Investigation Division, Internal Revenue Service.

The jury convicted THOMPSON of two counts of filing false claims for refunds on his individual tax returns for 1996 and 1997, filing a false amended individual income tax return for 1998 and 10 counts of willfully failing to deduct, withhold, collect and pay over income and social security taxes from his employees at Cen Cal Sales, in violation of Title 18, United States Code, Section 287 and Title 26, United States Code, Sections 7206(1) and 7202. The maximum sentence which can be imposed upon THOMPSON as a result of the jury's verdict is imprisonment for 63 years and a fine of \$3,250,000.

According to Assistant United States Attorneys Robert M. Twiss and Carolyn K. Delaney, who are prosecuting the case, the indictment alleges that THOMPSON owned and operated Cencal Sales ("CENCAL"), an aviation flight bag manufacturing business located in Shasta Lake, California. CENCAL employed a number of hourly wage workers who were predominantly seamstresses, production managers or office workers.

In July of 2000, THOMPSON removed all of the employees of CENCAL from the taxpayer rolls by no longer withholding employment taxes from wages and salaries, by not filing Employer's Quarterly Tax Returns, Form 941, and by not providing the employees or the IRS with annual wage or other income statements, Forms W-2 or 1099, as required by law.

In addition, the jury found that THOMPSON filed false Amended Individual Income Tax

Returns, Forms 1040X , for 1996, 1997 and 1998. THOMPSON had filed returns for these three years, reporting over \$300,000 in total income for the three years and substantial taxes. The amended returns purported to reduce the amount of income and tax in each year to \$0, and sought refunds of approximately \$65,000 for 1996 and 1997, and to eliminate a tax liability in the amount of \$15,500 for 1998.

"Mr. Thompson's conviction should give pause to those espousing unfounded claims as to how one can flout the federal law," said United States Attorney McGregor W. Scott

According to IRS SAC Roger Wirth, "Frivolous arguments have been tried many times in the past, and the U.S. courts have continuously rejected them. The jury has decided that Mr. Thompson's arguments against the tax laws are not valid and he is going to pay the appropriate price. "

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