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SEVEN INDICTED IN MULTIPLE CONSPIRACIES TO DEFRAUD IRS

SACRAMENTO--United States Attorney John K. Vincent and IRS Criminal Investigation Special Agent in Charge Victor Song announced today that on January 23, 2003, a federal grand jury returned two separate indictments charging RAVAA BERNARD MEADORS, 36; KATHLEEN REECE, 33; ANTONIO PEDALE SHANNON, 22; LECISHA LYNETTE SPIVEY, 25; and GREGORY MITCHELL, JR., 27; all of Stockton, California, with conspiring to file false tax returns. In a third indictment, returned on January 29, 2003, a federal grand jury charged MORSON SMITH, 54, and DIANA DYER, 47, both of North Highlands, California, with one count of conspiring to file false tax returns and 14 counts of making false claims against the IRS.

STOCKTON CONSPIRACY

MEADORS, REECE, SHANNON, SPIVEY, and MITCHELL are each individually charged with participating in a conspiracy to file false tax returns in their own names, and, all but Meadors, with aiding and assisting other individuals in the filing of false tax claims, during the period of January through April of 2001. Specifically, the defendants are charged with being part of a scheme to file returns which fraudulently claimed Earned Income Credit Tax refunds, a subsidy for low-income families. As part of the scheme, tax returns were electronically filed with the Internal Revenue Service which included Forms W-2. These forms contained false and fraudulent information about the claimant's employer and the amount of income earned.

SPIVEY and MITCHELL were arrested the morning of February 5, 2003 by IRS Special Agents. Arrest warrants are outstanding at this time for SHANNON, REECE and MEADORS.

Two individuals named as co-conspirators in the indictments, Henry Maurice Hunter and Anthony Sillemon, have already pled guilty, and they have been sentenced for their roles in the scheme. Hunter pled guilty to filing false claims against the United States on April 3, 2002, and was sentenced by Chief U.S. District Court Judge William B. Shubb to three years in prison on May 29, 2002. As part of his guilty plea, Hunter admitted that during the period of January through April of 2001, he obtained false Forms W-2 on behalf of himself and others, which were submitted to the Internal Revenue Service in order to obtain fraudulent tax refunds. In total, Hunter was responsible for the submission of fraudulent returns to the IRS seeking in excess of \$270,000 in refunds.

In addition, on April 22, 2002, Anthony Sillemon pled guilty to filing false claims against the United States before U.S. District Court Judge Frank C. Damrell, Jr, and was sentenced on July 8, 2002. As part of his guilty plea, Sillemon admitted that during the period of January through April of 2000, and January through April of 2001, he prepared false Forms W-2 on behalf of himself and others, which were submitted to the Internal Revenue Service in order to obtain fraudulent tax refunds in the form of the Earned Income Credit.

NORTH HIGHLANDS CONSPIRACY

MORSON SMITH and DIANA DYER are charged with devising and participating in a scheme to prepare, and aid and abet in the preparation of fraudulent individual tax returns in the names of individuals, including defendant DYER, which falsely claimed that the individuals were self-employed and had earned income. SMITH and DYER, doing business as American Self Help, are charged with filing returns between the period of April 15, 1999 and August 14, 2001, that falsely indicated that the women were "daycare providers" and that the men were generally "painters." The indictment specifically charges SMITH and DYER with fourteen counts of filing false claims. The defendants allegedly filed 113 individual tax returns, and thereby defrauded and attempted to defraud the United States out of \$265,724.

The fourteen counts of filing false tax returns with which SMITH and DYER are charged, also involve fraudulently claimed Earned Income Credit Tax refunds, the same subsidy for low-income families involved in the Stockton conspiracies.

Arrest warrants are outstanding at this time for MORSON SMITH and DIANA DYER.

According to Special Agent in Charge Victor Song, "The public can be confident that IRS is actively looking for schemes like these, and will recommend criminal prosecutions whenever appropriate."

If convicted, each defendant faces a maximum penalty of ten years in federal prison for the conspiracy charges and up to 5 years in prison for each false claim charge, a \$250,000 fine, and a three-year term of supervised release.

The charges contained in the indictment are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

The Stockton investigation is being prosecuted by Assistant United States Attorney James P. Arguelles, and the North Highlands investigation is being prosecuted by Assistant United States Attorney Daniel Linhardt. These matters were investigated by the Internal Revenue Service - Criminal Investigation.

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