



# Department of Justice

United States Attorney David E. Nahmias  
Northern District of Georgia

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CONTACT: Patrick Crosby

(404)581-6016

FAX (404)581-6160

## **BEAULIEU PLEADS GUILTY TO TAX FRAUD**

### ***C-E-O of Beaulieu To Step Down From His Corporate Position***

ROME, GA - BEAULIEU GROUP, LLC, of Dalton, Georgia, pleaded guilty today to a binding plea in federal district court to one count of filing a false tax return.

Acting United States Attorney F. Gentry Shelnett said of the case, "The vast majority of American companies are businesses of integrity. But when a company conducts itself in the manner Beaulieu Group LLC has, it faces severe consequences. Today after a long and complex investigation, Beaulieu pleaded guilty to filing a false tax return, and, as part of a global settlement agreed to pay over \$32 million as a result of its wrongdoing."

Internal Revenue Service-Criminal Investigation Special Agent In Charge Rebecca A. Sparkman said, "Our system of taxation in this country depends on the integrity of large corporations and its officers to pay their fair share. Beaulieu Group, LLC, has sacrificed their integrity with the American taxpayer in exchange for a felony tax conviction. Let today's guilty plea be an example that IRS Criminal Investigation will hold our corporate citizens accountable to the same standards that all honest taxpayers follow."

FBI Special Agent in Charge Gregory Jones said, "This case involved a complex, multi-state and international fraud investigation. In the United States alone, it involved several states including searches in three different states. Internationally, it involved several countries, in particularly Belgium, Germany, France, Ireland and England. Evidence seized or obtained through international treaties included thousands of documents from these and other countries. The cooperation from these countries in this criminal investigation led to the successful conclusion of this case. We would like to particularly thank the Belgian Federal Police and prosecutors office for their cooperation in this matter."

According to Acting United States Attorney Shelnett and the information presented in court: In 1986, BEAULIEU entered into a purchase agreement with a European equipment manufacturer ("Barmag AG") for the purchase of four 12 position spinning machines for the production of carpet yarn at the BEAULIEU's Bridgeport, Alabama plant.

In 1988, BEAULIEU financed the purchase of the machinery through an operating lease. The lease included an option to purchase the equipment at fair market value, at any time after the second anniversary of the commencement date of the lease. On March 10, 1993, BEAULIEU exercised its right to purchase the equipment for a total amount of \$12,000,000. After exercising the buyout provision, BEAULIEU capitalized the four Barmag machines and depreciated the cost of the machines during the years 1995 through 2000. On its Partnership Form 1065, for the 1995 through 2000 tax years, BEAULIEU knowingly overstated its depreciation deduction for the Barmag equipment, in the total amount of \$5,919,093.

BEAULIEU also purchased 29 Volkmann twisters during the years 1992 through 1995. BEAULIEU paid significantly more for each Volkmann twister than if it had purchased the machines directly from the manufacturer. These machines were capitalized by BEAULIEU and were depreciated during the years 1992 through 2000. On its Partnership Form 1065, for the 1992 through 2000 tax years, BEAULIEU knowingly overstated its depreciation deduction in the total amount of \$1,049,836.

As part of the Plea Agreement Carl Bouckaert and Mieke Hanssens (formerly known as Mieke Bouckaert) agreed to step down as corporate officers of BEAULIEU and agreed not to be involved in the day-to-day operations of the company. BEAULIEU agreed to be placed on probation for the maximum period allowed by law, a period of 5 years.

The terms of the plea agreement provide that BEAULIEU will pay back taxes to the Internal Revenue Service in the amount of \$22,671,754. BEAULIEU will pay a penalty to the Internal Revenue Service of \$7,712,610 and it will pay a criminal fine of \$2.2 million to the United States Treasury and the cost of prosecution of \$800,000.

BEAULIEU was charged in a Criminal Information in June 2007 on one count of filing a false tax return. BEAULIEU GROUP LLC pleaded guilty to one count, and could receive a maximum sentence of 5 years in probation and a fine of up to twice the gross gain or twice the gross loss to the government of the illegal conduct.

Sentencing is scheduled for July 11, 2007, at 3:30 p.m., before United States District Judge Vining.

This case is being investigated by the Internal Revenue Service, Special Agents of the Federal Bureau of Investigation, and Immigration and Customs Enforcement (ICE).

Assistant United States Attorneys Randy S. Chartash and Charysse L. Alexander are prosecuting the case.

For further information please contact F. Gentry Shelnett, Acting United States Attorney, or Charysse L. Alexander, Executive Assistant United States Attorney, through

Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is [www.usdoj.gov/usao/gan](http://www.usdoj.gov/usao/gan).