



The United States Department of Justice

District of Montana

FOR IMMEDIATE RELEASE

Friday, April 06, 2007

BARRY A. BATES SENTENCED IN U.S. DISTRICT COURT

Bill Mercer, United States Attorney for the District of Montana, announced today that during a federal court session in Missoula, on April 6, 2007, before Chief U.S. District Judge Donald W. Molloy, BARRY A. BATES, a 51-year-old resident of Kalispell, appeared for sentencing. BATES was sentenced to a term of:

- Home arrest: 3 months
- Restitution: \$303,047 (\$303,000 paid today)
- Community Service: 300 hours
- Special Assessment: \$25
- Probation: 5 years

BATES was sentenced in connection with his guilty plea to failure to file income tax returns.

In an Offer of Proof filed by the United States, the government stated it would have proved at trial the following:

BATES was a 25% partner in Professional Recovery Systems, L.L.C. (PRS).

Testimony would have shown that from 1999 through 2003, PRS made significant distributions to its partners, including BATES. PRS also sent K-1 schedules to all partners, including BATES, so they could file their individual federal and state income tax returns.

For the years 1999 through 2003, BATES received income from PRS and other sources in the approximate amounts of \$410,484, \$694,402, \$155,004, \$374,134, and \$236,707 respectively.

For each tax year from 1999 through 2003, BATES received income far exceeding the applicable threshold amount that triggers a duty to file a federal income tax return.

For the tax years 1999, 2000, and 2001, BATES filed Montana state income tax returns. As part of the returns, BATES included his draft federal income tax returns for each respective year.

Despite having prepared federal income tax returns for 1999, 2000, and 2001, BATES never filed a federal income tax return for those years. In addition, BATES filed no federal income tax returns for 2002 and 2003.

In an interview with IRS officials concerning his missing tax returns, BATES admitted that he had a duty to file federal income tax returns and that he failed to do so. BATES explained his failure to file federal income tax returns by stating that he did not have money to pay the tax liability due to some bad investments.

A review of BATES' financial records for the period from 1999 through 2003 showed that, despite his stated inability to pay taxes, BATES purchased a home with an \$80,000 down payment, made