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NEWS RELEASE

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Paul J. McNulty, United States Attorney for the Eastern District of Virginia, announced that Ronald R. Bailey, 53, of Carmichael, California, was convicted on October 19, 2004, of filing false individual income tax returns and income tax evasion. Bailey was the managing partner of Brooke Nursing Center located in Stafford, Virginia.

The defendant faces a maximum penalty of three years in prison, and a fine of \$250,000 for each of the false tax return counts and five years in prison and \$250,000 for each count of income tax evasion. Judge Gerald Bruce Lee scheduled sentencing for December 17, 2003.

Bailey was convicted after a two-day bench trial of failing to report disbursements that he received from Brooke Nursing Center and a predecessor business, Brookwood Nursing Home. Bailey, who had failed to file returns since 1984, contended that \$726,000 in payments he received from Brooke Nursing Center were loans. Brooke Nursing Center had also failed to file Quarterly Employers Tax Returns for the period 1996 through 2002, and failed to pay the Internal Revenue Service \$819,536 in withheld income and social security taxes, and its share of the medicare taxes. During the trial, the United States contended that Bailey had diverted the withheld employee taxes to his own use.

The case was investigated by agents of the Internal Revenue Service's Criminal Investigation Division and prosecuted for the United States by Assistant United States Attorney Dana Boente and Jenny L. Grus, a trial attorney in the Tax Division of the United States Department of Justice.

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