



Department of Justice

**United States Attorney Kenneth L. Wainstein
District of Columbia**

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CONTACT: CHANNING PHILLIPS
PHONE: (202) 514-6933
FAX: (202) 307-3569

**TELECOMMUNICATIONS ENTREPRENEUR WALTER C. ANDERSON
PLEADS GUILTY IN \$200 MILLION INCOME TAX EVASION CASE**

WASHINGTON, D.C. – Telecommunications Entrepreneur Walter C. Anderson has pled guilty to two counts of federal tax evasion and one count of defrauding the District of Columbia for failing to report approximately \$365 million of income on his 1998 and 1999 federal returns in the largest personal income tax evasion case, U.S. Attorney Kenneth L. Wainstein, Assistant Attorney General Eileen J. O'Connor, Tax Division, U.S. Department of Justice, Mark W. Everson, Internal Revenue Service Commissioner, and Sherryl Newman, Deputy Chief Financial Officer for the District of Columbia's Office of Tax and Revenue, jointly announced today.

Anderson, 52, pleaded guilty today in U.S. District Court for the District of Columbia before the Honorable Paul L. Friedman. Anderson will be sentenced on January 16, 2007. Under the terms of the plea agreement, the defendant faces up to a ten-year term of imprisonment and restitution to the United States and the District of Columbia.

According to the government's proffer, Anderson crafted an elaborate evasion scheme involving offshore corporations and bank accounts to avoid paying taxes on \$450 million he earned from business ventures between 1995 and 1999. In October 1992, Anderson formed Gold & Appel Transfer in the British Virgin Islands (BVI). Anderson directed the issuance of ten shares of Gold & Appel stock to another BVI corporation previously formed by Anderson. The remaining shares were held by Anderson in the form of an exclusive option. In so structuring the share distribution, Anderson concealed his ownership of Gold & Appel.

Anderson further obscured his ownership of Gold & Appel in September 1993 when he formed Iceberg Transport in the Republic of Panama. Using the alias Mark Roth, Anderson directed a trust company located in Liverpool, England to form Iceberg

Transport as a bearer share company. As its name implies, these shares were unregistered. The actual possessor of the share certificates is considered the owner. At Anderson's direction, these shares were mailed from Panama to Liverpool to the Netherlands into one of Anderson's private mail boxes and subsequently seized from his Washington D.C. residence in March 2002 during the execution of a search warrant.

Anderson hired trust companies in the BVI and England to create the appearance that he was not in control of these offshore entities. In reality, these trust companies served as Anderson's nominees. Anderson directed all aspects of Gold & Appel and Iceberg Transport, exercising his true ownership of these corporations.

Between October 1992 and July 1996, Anderson transferred his ownership interests in three telecommunications companies—Mid-Atlantic Telecom, Esprit Telecom and Telco Communications Group—to Gold & Appel and Iceberg Transport. After these transactions were made, the value of each of these corporations dramatically increased. Between 1995 and 1999, Anderson used the assets of Gold & Appel and Iceberg Transport, which included the profits realized from these three telecommunication corporations, to invest in other business ventures that generated more than \$450 million in earnings. Anderson conducted most of these transactions through bank accounts located in the Channel Islands, a known tax haven jurisdiction.

Anderson failed to disclose to his tax return preparers that he controlled Gold & Appel, Iceberg Transport and foreign bank accounts. As a result, Anderson's U.S. Individual Income Tax Returns for 1998 and 1999 omitted approximately \$126 million and \$239 million of additional income, respectively. Anderson similarly filed a false D.C. Income Tax Return for the tax year 1999 failing to report this income.

"Among other things, taxes build the bridges and pave the roads that deliver our supplies and transport our goods; they build the schools and pay the teachers that educate our workforce; they build the courts and pay the judges who enforce our contracts; they provide the supplies and pay the salaries of those who wear our military uniforms and defend our liberty and way of life day and night across the globe at great personal risk. Yet some people who have benefited the most from taxes believe they are not obligated to pay them, and that they can avoid doing so by hiding their income and assets in offshore accounts and shell companies. They are wrong on both counts," said Eileen J. O'Connor, Assistant Attorney General for the Justice Department's Tax Division. "Today's guilty plea is proof that federal prosecutors and IRS agents can and will do the hard work necessary to unravel even the most extensive tax evasion schemes."

"The defendant is a successful entrepreneur who made a fateful and criminal decision to devote his considerable business talents to an elaborate tax avoidance scheme," stated U.S. Attorney Wainstein. "In the process, he perpetrated the largest personal tax evasion in history, cheating the Federal and District governments out of more than 200 million dollars. From capital gains taxes on huge business profits to luxury use taxes on his expensive wine collection, he ducked all the tax obligations he could, all while amassing an enormous personal fortune. Today's conviction demonstrates that the District and Federal governments will make every effort to ensure that criminals like Mr. Anderson pay a steep price for cheating their fellow citizens."

"This case sends a strong signal to anyone thinking about going offshore to avoid taxes. We have stepped up our efforts to pursue high-income tax cheating, whether it takes place in the United States or overseas," said IRS Commissioner Mark W. Everson.

"This investigation is an example of the ongoing efforts by the IRS, U.S. Attorney's Office, the Tax Division of the Department of Justice and the District's Office of Tax and Revenue to combat tax evasion," said Deputy Chief Financial Officer Newman.

In announcing the guilty plea, U.S. Attorney Wainstein, Assistant Attorney General O'Connor, IRS Commissioner Everson, and Deputy Chief Financial Officer Newman commended the investigatory work of IRS Special Agents Matthew Kutz and Thomas Birmingham, IRS Revenue Agent Erin Edwards and D.C. Office of Tax and Revenue Lead Investigator Edmond Wybaillie III and Senior Tax Auditor David Baynes. They also praised Assistant U.S. Attorney Susan B. Menzer and Tax Division Trial Attorney Karen E. Kelly who jointly prosecuted the case.

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