



**U.S. Department of Justice**

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## **NEWS RELEASE**

***FOR IMMEDIATE RELEASE***

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### **FORMER ANDERSON'S ARK AND ASSOCIATES' CLIENT GUILTY OF TAX FRAUD**

DENVER – Bill Leone, United States Attorney for the District of Colorado and Terry L. Stuart, Special Agent in Charge of the IRS-Criminal Investigation, Denver Field Office; today announced that following a week long trial before U.S. District Court Judge Phillip Figa, a federal jury in Denver, Colorado convicted **KRIS SMITH**, age 52, of Grand Junction, Colorado, on charges of filing two false federal income tax returns for 1999 and 2000, failing to file a partnership federal income tax return for 2003, and filing a false refund claim with the Internal Revenue Service. **SMITH** is scheduled to be sentenced on October 30, 2006 at 8:30 a.m.

According to the evidence presented during the trial, **KRIS SMITH** became a member of Anderson's Ark and Associates (AAA) in 1999 and utilized a fraudulent tax scheme referred to as a Complex Business Organization (CBO) to eliminate current year taxes in 1999 and recover past year taxes in 1997 and 1998 in the form of a refund of over \$70,000. The scheme involved the formation of a sham partnership in which **SMITH** was a 95% owner, and the creation of a large net operating loss from which she received her 95% distributive share. The net operating loss was large enough to eliminate current year taxes and carry back two prior years to recover taxes paid in those years. In reality, the partnership was a sham, having no business purpose and lacking in any economic substance.

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## **KRIS SMITH GUILTY VERDICT**

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**SMITH** became an information officer within AAA in 2000, which qualified her to actively promote and market the fraudulent tax programs at meetings and seminars hosted by the organization. In addition, the proof further established that **SMITH** formed an entity named NECO Associates, LLC in 2003, and, as the managing member of the limited liability company, failed to file a federal partnership tax return for NECO in 2003.

The case was tried before U.S. District Court Judge Phillip S. Figa in Denver. **SMITH** faces up to 10 years in federal prison, and/or a \$100,000 fine for each of the four counts of the indictment.

“This verdict is part of a larger scheme about criminal activity driven by greed. It is also one of many criminal prosecutions from around the country involving members and officers of this organization that used foreign bank accounts, trusts and other schemes to hide their income from the IRS,” said Terry L. Stuart, Special Agent in Charge of the IRS-Criminal Investigation, Denver Field Office.

Special Agents with the IRS Criminal Investigation Division conducted the investigation. Larry Wszalek and Greg Bockin, Trial Attorneys, U.S. Department of Justice, Tax Division prosecuted the case.

Additional information about tax fraud schemes may be found on the IRS Criminal Investigation website at [www.irs.gov](http://www.irs.gov) and typing in the keyword “fraud”.

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