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| APR 04 2006 | |
| CLERK U.S. DISTRICT COURT DISTRICT OF ARIZONA BY _____ REDACTED FOR DEPOSITION | |

UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA

United States of America,
Plaintiff,

v.

Carlin Grant Bartschi,
Defendant.

NO **CR06-0349PHX** ROS
(AKA)

INDICTMENT
(Redacted)
VIO:
26 U.S.C. § 7201
(Evasion of Assessment)
Counts 1-8
(Evasion of Payment)
Counts 9-10

18 U.S.C. § 514
(Submission of Fictitious
Obligations)
Counts 11-14

18 U.S.C. § 1341
(Mail Fraud)
Counts 15-18

18 U.S.C. § 1344
(Bank Fraud)
Counts 19-22

THE GRAND JURY CHARGES:

INTRODUCTION

At all times material to this Indictment:

1. Defendant CARLIN GRANT BARTSCHI (hereafter BARTSCHI), was a licensed medical doctor in the State of Arizona providing services as an emergency room physician. Defendant BARTSCHI was married and resided with his spouse in Gilbert, Arizona during the time frame set forth in this Indictment.

2. Emergency Medicine Consulting, also known as Emergency Medical Consulting, (hereafter EMC), an Arizona Professional Limited Liability Company, was owned and operated by recently deceased member Dr. Charles J. Frentheway (hereafter Dr. Frentheway) and another medical doctor. EMC's sole business operation was a contract to provide

1 around-the-clock physician coverage in the emergency room at Cobre Valley Community
2 Hospital (hereafter Cobre) located in Globe, Arizona.

3 3. From on or about January 1, 1995, through the present, defendant BARTSCHI
4 contracted with EMC to work as an emergency room physician at Cobre. Defendant
5 BARTSCHI was considered by EMC to be an independent contractor and was responsible
6 for his own taxes. Compensation was paid to defendant BARTSCHI based upon an hourly
7 rate that ranged from approximately \$70.00 to \$90.00.

8 4. On or about August 15, 1995, defendant BARTSCHI purportedly formed the
9 Diez Plus Trust and obtained or caused to be obtained from the Internal Revenue Service a
10 taxpayer identification number (hereafter TIN) for the sham trust entity. From on or about
11 August 15, 1995, to on or about June 30, 1999, defendant BARTSCHI directed EMC to pay
12 his compensation for working at Cobre to the Diez Plus Trust. EMC issued checks to the
13 trust and defendant BARTSCHI deposited a majority of the monies into a checking account
14 established for the trust. Checks were written out of the trust checking account for the
15 personal living and family expenses of defendant BARTSCHI.

16 5. On or about January of each year, from 1996 through 2000, EMC filed with the
17 IRS a Form 1099 reporting the prior year payments for defendant BARTSCHI's services
18 under the name and TIN of the Diez Plus Trust. The Diez Plus Trust has not filed tax
19 returns with the Internal Revenue Service, nor has the Diez Plus Trust filed Form 1099s,
20 K-1s, or W-2s reporting to the IRS compensation paid or disbursed to defendant BARTSCHI,
21 as required by law.

22 6. On or about October 25, 1995, Primary Medical Services (hereafter PMS), a
23 Wyoming corporation, was formed by Dr. Frentheway. On or about July 1, 1999, defendant
24 BARTSCHI purportedly became a shareholder in PMS. Beginning on or about July 1, 1999,
25 through at least on or about December 31, 2005, EMC issued payments to PMS for the
26 services of defendant BARTSCHI. PMS, like the Diez Plus Trust, was nothing more than
27 a shell entity from which defendant BARTSCHI disguised or hid the source and destination
28 of his income and earnings.

1 7. The payments from EMC for defendant BARTSCHI's services were deposited
2 into PMS's checking account. From on or about July 1, 1999 through on or about May 3,
3 2002, Dr. Frentheway routinely wrote checks each month for cash out of PMS's bank
4 account and gave the currency to defendant BARTSCHI. From on or about June 6, 2002
5 and thereafter, Dr. Frentheway wrote checks payable to defendant BARTSCHI, which
6 defendant BARTSCHI, in some instances, deposited into a checking account under the name
7 and TIN of defendant BARTSCHI's daughter at Desert Schools Federal Credit Union. The
8 currency and check disbursements given to defendant BARTSCHI were used for personal
9 and family expenditures.

10 8. On or about January of each year, from 2000 through 2005, EMC filed with the
11 IRS a Form 1099 reporting the prior year payments for defendant BARTSCHI's services
12 under the name and TIN of PMS. PMS did not timely file income tax returns with the IRS,
13 nor did PMS file any Form 1099s, K-1s or W-2s reporting to the IRS compensation paid or
14 disbursed to defendant BARTSCHI, as required by law.

15 9. EMC paid or disbursed the following approximate sums to either the Diez Plus
16 Trust or PMS for defendant BARTSCHI's services at Cobre:

17

| Year | Paid to "Diez Plus Trust" | Paid to "PMS" | Yearly Totals |
|-----------------|---------------------------|---------------|----------------|
| 1995 | \$37,077.00 | | \$37,077.00 |
| 1996 | \$99,906.50 | | \$99,906.50 |
| 1997 | \$152,653.50 | | \$152,653.50 |
| 1998 | \$157,290.00 | | \$157,290.00 |
| 1999 | \$90,308.75 | \$86,660.00 | \$176,968.75 |
| 2000 | | \$143,977.50 | \$143,977.50 |
| 2001 | | \$162,720.00 | \$162,720.00 |
| 2002 | | \$189,530.00 | \$189,530.00 |
| 2003 | | \$169,540.00 | \$169,540.00 |
| 2004 | | \$167,515.00 | \$167,515.00 |
| Total All Years | \$537,235.75 | \$919,942.50 | \$1,457,178.25 |

28

1 10. In addition to working at Cobre, defendant BARTSCHI worked approximately
2 20 to 40 hours per month in the emergency room at Phoenix Indian Medical Center (hereafter
3 PIMC) located in Phoenix, Arizona. The following approximate sums were paid to defendant
4 BARTSCHI by PIMC:

| Tax Year | Total Paid by PIMC |
|------------------------|-------------------------------|
| 1998 | \$17,188.00 |
| 1999 | \$27,702.50 |
| 2000 | \$15,817.50 |
| 2001 | \$24,890.00 |
| 2002 | \$40,802.50 |
| 2003 | \$43,083.00 |
| 2004 | \$30,970.00 |
| Total All Years | \$200,453.50 |

14 11. On or about November 7, 2000, John Prince, a personal friend of defendant
15 BARTSCHI, opened a senior economy checking account in Phoenix, Arizona at Bank of
16 America. On or about November 7, 2000, defendant BARTSCHI directed PIMC to direct
17 deposit his compensation into the John Prince account established at Bank of America. The
18 PIMC compensation constituted nearly all of the funds deposited into the John Prince
19 checking account. Defendant BARTSCHI withdrew the funds from the John Prince checking
20 account by using an ATM card and checks that defendant BARTSCHI prepared and signed
21 using the name and signature of John Prince.

22 12. On or about March 12, 2002, defendant BARTSCHI's daughter, Rebecca
23 Goodwin, opened a personal checking and savings account at Desert Schools Federal Credit
24 Union. Starting on or about June 2, 2002, defendant BARTSCHI started depositing some of
25 his checks from PMS into this account.

26 13. From at least as early as July 1, 1999, defendant BARTSCHI also paid personal
27 and family expenditures using currency, money orders, or checks drawn on the John Prince
28 or Rebecca Goodwin checking accounts.

1 14. On or about April 17, 1994, defendant BARTSCHI and his spouse filed a joint
2 U.S. Individual Income Tax Return (Form 1040) for the year 1993, reflecting taxable income
3 of \$111,390.00 and a tax liability of \$36,433.00. Defendant BARTSCHI and his spouse
4 paid only \$1,304.00 of the tax liability with the filed return. From on or about July 16, 1997
5 through on or about February 26, 1999, defendant BARTSCHI made or caused to be made
6 payments towards the 1993 account balance. The accrued unpaid balance for the 1993 tax
7 year, consisting of the tax liability, statutory penalties and interest, less the payments made
8 by defendant BARTSCHI, resulted in an approximate balance owing of \$21,416.14 as of July
9 1, 1999 (the approximate date the evasion of tax liability began).

10 15. On or about November 15, 1996, defendant BARTSCHI and his spouse filed
11 a joint U.S. Individual Income Tax Return (Form 1040) for the year 1995, reflecting taxable
12 income of \$121,086.00 and a tax liability of \$42,175.00. Defendant BARTSCHI and his
13 spouse have not paid any of the tax liability for the 1995 tax year. The accrued unpaid
14 balance for the 1995 tax year, consisting of the tax liability, statutory penalties, and interest
15 was approximately \$69,948.43 as of July 1, 1999 (the approximate date the evasion of tax
16 liability began).

17 16. On or about October 15, 1997, defendant BARTSCHI and his spouse filed a joint
18 U.S. Individual Income Tax Return (Form 1040) for the year 1996, reflecting taxable income
19 of \$42,992.00 and a tax liability of \$17,309.00. Defendant BARTSCHI and his spouse have
20 not paid any of the tax liability for the 1996 tax year. The accrued unpaid balance for the
21 1996 tax year, consisting of the tax liability, statutory penalties and interest was
22 approximately \$25,898.13 as of July 1, 1999 (the approximate date the evasion of tax
23 liability began).

24 17. On or about October 20, 1998, defendant BARTSCHI and his spouse filed a
25 joint U.S. Individual Income Tax Return (Form 1040) for the year 1997, reflecting taxable
26 income of \$33,395.00 and a tax liability of \$15,910.00 (1st 1997 return). Defendant
27 BARTSCHI and his spouse made or caused to be made several payments towards this 1997
28 tax liability. The accrued unpaid balance for the 1997 tax year, consisting of the tax liability,
less the payments made, plus statutory penalties and interest was approximately \$5,262.80

1 as of July 1, 1999 (the approximate date the evasion of tax liability began). On July 7, 2004,
2 a second 1997 U.S. Individual Income Tax Return was filed by defendant Bartschi (2nd 1997
3 Return). The Internal Revenue Service assessed additional tax, penalty and interest liability
4 based upon the information contained in the 2nd 1997 Return. That additional assessment
5 greatly augmented what defendant BARTSCHI subsequently owed for that tax year in taxes,
6 penalties, and interest, as reflected in the schedule below.

7 18. As of July 1, 1999, and April 1, 2006, the following approximate sums of tax,
8 statutory penalty and accrued interest were due and owing for tax years 1993, 1995, 1996 and
9 1997:

| TAX YEAR | BALANCE DUE | BALANCE DUE |
|----------|--------------------|---------------------|
| | As of July 1, 1999 | As of April 1, 2006 |
| 1993 | \$21,416.14 | \$30,685.76 |
| 1995 | \$69,948.43 | \$116,572.99 |
| 1996 | \$25,898.13 | \$38,622.33 |
| 1997 | \$5,262.80 | \$87,968.26 |
| TOTAL | \$122,525.50 | \$273,849.34 |

17 19. For the tax years 1998, 1999, 2000, 2001, 2002, and 2003, defendant
18 BARTSCHI and his spouse did not file a U.S. Individual Income Tax Return (Form 1040)
19 by the due dates as required by law.

20 20. On or about December 5, 2003, Special Agents with the Internal Revenue
21 Service notified defendant BARTSCHI that he was under criminal investigation for tax
22 violations.

23 21. On or about July 7, 2004, defendant BARTSCHI then filed with the Internal
24 Revenue Service what purported to be his 1997, 1998, 1999, 2000, 2001, 2002 and 2003 U.S.
25 Individual Income Tax Returns (Form 1040), reflecting income of \$172,453.00, \$173,760.00,
26 \$204,672.00, \$157,320.00, \$192,265.00, \$228,333.00, and \$216,463.00 respectively. These
27 tax returns were unsigned, claimed a filing status of married filing separately, and were
28 prepared in an incomplete manner. Defendant BARTSCHI attached to these returns written
instructions for the IRS to calculate his tax liability based upon income represented on the

1 returns and any additional information available to the IRS. For the years 2000 through 2003
2 the IRS calculated and assessed the tax liability based upon the income reflected on the
3 returns submitted by defendant BARTSCHI.

4 22. In addition, defendant BARTSCHI filed along with the 1997, 1998, 1999, 2000,
5 2001, 2002 and 2003, U.S. Individual Income Tax Returns (Form 1040), a "Registered Bond
6 For Discharge of Debt" with instructions for the IRS to insert in the "bond" the total amount
7 of tax, interest and penalty calculated by the IRS as full satisfaction of his tax liability. The
8 "bond" provided by defendant BARTSCHI to the IRS was a worthless, fictitious obligation
9 fabricated by defendant BARTSCHI or others on his behalf. Defendant BARTSCHI has not
10 made any federal tax payments for the years 1998 through 2003.

11 23. On or about September 15, 2004, defendant BARTSCHI mailed to the IRS
12 Fresno Service Center and to John Snow, Secretary of The Treasury, two "Bills of
13 Exchange" and "Prepaid Exchange Items" in payment of defendant BARTSCHI's 1997 tax
14 liability of \$64,422.25 and his 2003 tax liability of \$72,833.92. The "Bills of Exchange"
15 provided by defendant BARTSCHI to the IRS were worthless, fictitious obligations
16 fabricated by defendant BARTSCHI or others on his behalf.

17 24. On or about December 12, 2005, defendant BARTSCHI mailed to the IRS
18 Fresno Service Center and to John Snow, Secretary of The Treasury, a "Bill of Exchange"
19 and "Prepaid Exchange Item" in payment of defendant BARTSCHI's 1993 tax liability of
20 \$30,004.98. This "Bills of Exchange" provided by defendant BARTSCHI to the IRS was
21 a worthless, fictitious obligation fabricated by defendant BARTSCHI or others on his behalf.

22
23 **COUNT ONE**

24 **(Attempt to Evade and Defeat Assessment of Tax)**

25 **26 U.S.C. § 7201**

26 25. The factual allegations in paragraphs 1-24 of the Indictment are incorporated
27 by reference and re-alleged as though fully set forth herein.

28 26. During the calendar year 1999, defendant CARLIN GRANT BARTSCHI
knowingly had and received taxable income of approximately \$73,748.00, which was

1 computed on the community property split basis, less applicable exemptions and deductions.
2 Income and self-employment tax of approximately \$32,980.00 was due and owing on this
3 taxable income. From at least on or about January 1, 1999, through at least on or about July
4 7, 2004, in the District of Arizona and elsewhere, defendant BARTSCHI willfully attempted
5 to evade and defeat the proper assessment and determination of the tax due and owing by him
6 to the United States of America for calendar year 1999. He did so by failing to make an
7 income tax return on or before April 17, 2000, as required by law, to any proper officer of
8 the Internal Revenue Service, by failing to pay to the Internal Revenue Service the tax due
9 and owing, and by concealing and attempting to conceal from all proper officers of the
10 United States of America his true and correct income by:

- 11 A. Causing income earned in 1999 as an emergency room physician to be paid
12 into a nominee sham entity called Diez Plus Trust;
- 13 B. Causing EMC to file Form 1099 to the Internal Revenue Service reporting
14 earned income for the year 1999, under the name and TIN of Diez Plus
15 Trust;
- 16 C. Causing income earned in 1999 as an emergency room physician to be paid
17 into a "shell" corporate entity called PMS;
- 18 D. Causing EMC to file Form 1099 to the Internal Revenue Service reporting
19 earned income for the year 1999, under the name and TIN of the
20 "shell" corporate entity called PMS;
- 21 E. Causing PMS to collect his EMC compensation in 1999, and thereafter
22 having it disbursed to him in currency;
- 23 F. Using currency and money orders to pay personal expenses to avoid
24 detection;
- 25 G. Submitting a false written statement, under the penalty of perjury, to the
26 Internal Revenue Service, Ogden Service Center, on or about May 29, 2002,
27 that denied he earned income in 1998 and 1999 from PIMC;
- 28 H. Making false statements, on or about December 5, 2003, to Special Agents

1 of the Internal Revenue Service, regarding the existence and use of a sham
2 trust (Diez Plus Trust), and a shell corporate entity (PMS), to receive and
3 disburse compensation from EMC.

4 In violation of Title 26, United States Code, Section 7201 and Title 18, United States
5 Code, Section 2.

6 **COUNT TWO**

7 **(Attempt to Evade and Defeat Assessment of Tax)**

8 **26 U.S.C. § 7201**

9 27. The factual allegations in paragraphs 1-26 of the Indictment are incorporated
10 by reference and re-alleged as though fully set forth herein.

11 28. During the calendar year 1999, defendant CARLIN GRANT BARTSCHI knew
12 that his spouse had and received taxable income of approximately \$99,916.00, which was
13 computed on the community property split basis less applicable exemptions and deductions.
14 Income tax of approximately \$27,650.00 was due and owing on this taxable income. From
15 at least on or about January 1, 1999, through at least on or about July 7, 2004, in the District
16 of Arizona and elsewhere, defendant BARTSCHI willfully attempted to evade and defeat
17 the proper assessment and determination of the tax due and owing by his spouse to the United
18 States of America for calendar year 1999. He did so by concealing and attempting to
19 conceal from all proper officers of the United States of America her true and correct income
20 by:

- 21 A. Causing income earned in 1999 as an emergency room physician to be paid
22 into a nominee sham entity called Diez Plus Trust;
- 23 B. Causing EMC to file Form 1099 to the Internal Revenue Service reporting
24 earned income for the year 1999, under the name and TIN of Diez Plus
25 Trust;
- 26 C. Causing income earned in 1999 as an emergency room physician to be paid
27 into a "shell" corporate entity called PMS;
- 28 D. Causing EMC to file Form 1099 to the Internal Revenue Service reporting
earned income for the year 1999, under the name and TIN of the
"shell" corporate entity called PMS;

- 1 E. Causing PMS to collect his EMC compensation in 1999, and thereafter
2 having it disbursed to him in currency;
- 3 F. Using currency and money orders to pay personal expenses to avoid
4 detection;
- 5 G. Submitting a false written statement, under the penalty of perjury, to the
6 Internal Revenue Service, Ogden Service Center, on or about May 29, 2002,
7 that denied he earned income in 1998 and 1999 from PIMC;
- 8 H. Making false statements, on or about December 5, 2003, to Special Agents
9 of the Internal Revenue Service, regarding the existence and use of a sham
10 trust (Diez Plus Trust), and a shell corporate entity (PMS), to receive and
11 disburse compensation from EMC.

12 In violation of Title 26, United States Code, Section 7201 and Title 18, United States
13 Code, Section 2.

14 **COUNT THREE**

15 **(Attempt to Evade and Defeat Assessment of Tax)**

16 **26 U.S.C. § 7201**

17 29. The factual allegations in paragraphs 1-28 of the Indictment are incorporated
18 by reference and re-alleged as though fully set forth herein.

19 30. During the calendar year 2000, defendant CARLIN GRANT BARTSCHI
20 knowingly had and received taxable income of approximately \$53,606.00, which was
21 computed on the community property split basis, less applicable exemptions and deductions.
22 Income and self-employment tax of approximately \$25,862.00 was due and owing on this
23 taxable income. From at least on or about January 1, 2000, through at least on or about July
24 7, 2004, in the District of Arizona and elsewhere, defendant BARTSCHI willfully attempted
25 to evade and defeat the proper assessment and determination of the tax due and owing by him
26 to the United States of America for calendar year 2000. He did so by failing to make an
27 income tax return on or before April 16, 2001, as required by law, to any proper officer of
28 the Internal Revenue Service, by failing to pay to the Internal Revenue Service the tax due
and owing, and by concealing and attempting to conceal from all proper officers of the

1
2 United States of America his true and correct income by:

- 3 A. Causing income earned in 2000 as an emergency room physician to be paid
4 into a "shell" corporate entity called PMS;
5 B. Causing EMC to file Form 1099 to the Internal Revenue Service reporting
6 earned income for the year 2000, under the name and TIN of the
7 "shell" corporate entity called PMS;
8 C. Causing PMS to collect his EMC compensation in 2000, and thereafter
9 having it disbursed to him in currency;
10 D. Causing a checking account to be opened under the name and social security
11 number of John Prince;
12 E. Directing PIMC to deposit earned income into the John Prince checking
13 account;
14 F. Using currency, money orders and the John Prince checking account to pay
15 personal expenses to avoid detection of earned income;
16 G. Making false statements, on or about December 5, 2003, to Special Agents
17 of the Internal Revenue Service, regarding the existence and use of a sham
18 trust, (Diez Plus Trust), and a shell corporate entity, (PMS), to receive and
19 disburse compensation from EMC.

20 In violation of Title 26, United States Code, Section 7201 and Title 18, United States
21 Code, Section 2.

22 **COUNT FOUR**

23 **(Attempt to Evade and Defeat Assessment of Tax)**

24 **26 U.S.C. § 7201**

25 31. The factual allegations in paragraphs 1-30 of the Indictment are incorporated
26 by reference and re-alleged as though fully set forth herein.

27 32. During the calendar year 2000, defendant CARLIN GRANT BARTSCHI knew
28 that his spouse had and received taxable income of approximately \$77,097.00, which was
computed on the community property split basis, less applicable exemptions and deductions.
Income tax of approximately \$19,454.00 was due and owing on this taxable income. From

1
2 at least on or about January 1, 2000, through at least on or about July 7, 2004, in the District
3 of Arizona and elsewhere, defendant BARTSCHI willfully attempted to evade and defeat the
4 proper assessment and determination of the tax due and owing by his spouse to the United
5 States of America for calendar year 2000. He did so by concealing and attempting to conceal
6 from all proper officers of the United States of America her true and correct income by:

- 7 A. Causing income earned in 2000 as an emergency room physician to be paid
8 into a "shell" corporate entity called PMS;
9 B. Causing EMC to file Form 1099 to the Internal Revenue Service reporting
10 earned income for the year 2000, under the name and TIN of the
11 "shell" corporate entity called PMS;
12 C. Causing PMS to collect his EMC compensation in 2000, and thereafter
13 having it disbursed to him in currency;
14 D. Causing a checking account to be opened under the name and social security
15 number of John Prince;
16 E. Directing PIMC to deposit earned income into the John Prince checking
17 account;
18 F. Using currency, money orders and the John Prince checking account to pay
19 personal expenses to avoid detection of earned income;
20 G. Making false statements, on or about December 5, 2003, to Special Agents
21 of the Internal Revenue Service, regarding the existence and use of a sham
22 trust, (Diez Plus Trust), and a shell corporate entity, (PMS), to receive and
23 disburse compensation from EMC.

24 In violation of Title 26, United States Code, Section 7201 and Title 18, United States
25 Code, Section 2.

26 **COUNT FIVE**

27 **(Attempt to Evade and Defeat Assessment of Tax)**

28 **26 U.S.C. § 7201**

33. The factual allegations in paragraphs 1-32 of the Indictment are incorporated
by reference and re-alleged as though fully set forth herein.

1 34. During the calendar year 2001, defendant CARLIN GRANT BARTSCHI
2 knowingly had and received taxable income of approximately \$65,474.00, which was
3 computed on the community property split basis, less applicable exemptions and deductions.
4 Income and self-employment tax of approximately \$30,200.00 was due and owing on this
5 taxable income. From at least on or about January 1, 2001, through at least on or about July
6 7, 2004, in the District of Arizona and elsewhere, defendant BARTSCHI willfully attempted
7 to evade and defeat the proper assessment and determination of the tax due and owing by him
8 to the United States of America for calendar year 2001. He did so by failing to make an
9 income tax return on or before April 15, 2002, as required by law, to any proper officer of
10 the Internal Revenue Service, by failing to pay to the Internal Revenue Service the tax due
11 and owing, and by concealing and attempting to conceal from all proper officers of the
12 United States of America his true and correct income by:

- 13 A. Causing income earned in 2001 as an emergency room physician to be paid
14 into a bank account established in the name of a nominee, John Prince;
- 15 B. Causing income earned in 2001 as an emergency room physician to be paid
16 into a "shell" corporate entity called PMS;
- 17 C. Causing EMC to file Form 1099 to the Internal Revenue Service reporting
18 earned income for the year 2001, under the name and TIN of the "shell"
19 corporate entity called PMS;
- 20 D. Causing PMS to collect his EMC compensation in 2001, and thereafter
21 having it disbursed to him in currency;
- 22 E. Using currency and money orders to pay personal expenses to avoid
23 detection of earned income;
- 24 F. Making false statements, on or about December 5, 2003, to Special Agents
25 of the Internal Revenue Service, regarding the existence and use of a sham
26 trust, (Diez Plus Trust), and a shell corporate entity, (PMS), to receive and
27 disburse compensation from EMC.

28 In violation of Title 26, United States Code, Section 7201 and Title 18, United States
Code, Section 2.

COUNT SIX
(Attempt to Evade and Defeat Assessment of Tax)
26 U.S.C. § 7201

35. The factual allegations in paragraphs 1-34 of the Indictment are incorporated by reference and re-alleged as though fully set forth herein.

36. During the calendar year 2001, defendant CARLIN GRANT BARTSCHI knew that his spouse had and received taxable income of approximately \$90,905.00, which was computed on the community property split basis, less applicable exemptions and deductions. Income tax of approximately \$23,352.00 was due and owing on this taxable income. From at least on or about January 1, 2001 through at least on or about July 7, 2004, in the District of Arizona and elsewhere, defendant BARTSCHI willfully attempted to evade and defeat the proper assessment and determination of the tax due and owing by his spouse to the United States of America for calendar year 2001. He did so by concealing and attempting to conceal from all proper officers of the United States of America her true and correct income by:

- A. Causing income earned in 2001 as an emergency room physician to be paid into a bank account established in the name of a nominee, John Prince;
- B. Causing income earned in 2001 as an emergency room physician to be paid into a "shell" corporate entity called PMS;
- C. Causing EMC to file Form 1099 to the Internal Revenue Service reporting earned income for the year 2001, under the name and TIN of the "shell" corporate entity called PMS;
- D. Causing PMS to collect his EMC compensation in 2001, and thereafter having it disbursed to him in currency;
- E. Using currency and money orders to pay personal expenses to avoid detection of earned income;
- F. Making false statements, on or about December 5, 2003, to Special Agents of the Internal Revenue Service, regarding the existence and use of a sham

1 trust, (Diez Plus Trust), and a shell corporate entity, (PMS), to receive and
2 disburse compensation from EMC.

3 In violation of Title 26, United States Code, Section 7201 and Title 18, United States
4 Code, Section 2.

5 **COUNT SEVEN**

6 **(Attempt to Evade and Defeat Assessment of Tax)**

7 **26 U.S.C. § 7201**

8 37. The factual allegations in paragraphs 1-36 of the Indictment are incorporated
9 by reference and re-alleged as though fully set forth herein.

10 38 During the calendar year 2002, defendant CARLIN GRANT BARTSCHI
11 knowingly had and received taxable income of approximately \$84,586.00, which was
12 computed on the community property split basis, less applicable exemptions and deductions.
13 Income and self-employment tax of approximately \$37,274.00 was due and owing on this
14 taxable income. From at least on or about January 1, 2002 through at least on or about
15 July 7, 2004, in the District of Arizona and elsewhere, defendant BARTSCHI willfully
16 attempted to evade and defeat the proper assessment and determination of the tax due and
17 owing by him to the United States of America for calendar year 2002. He did so by failing
18 to make an income tax return on or before April 15, 2003, as required by law, to any proper
19 officer of the Internal Revenue Service, by failing to pay to the Internal Revenue Service the
20 tax due and owing, and by concealing and attempting to conceal from all proper officers of
21 the United States of America his true and correct income by:

- 22 A. Causing income earned in 2002 as an emergency room physician to be paid
23 into a bank account established in the name of a nominee, John Prince;
- 24 B. Causing income earned in 2002 as an emergency room physician to be paid
25 into a "shell" corporate entity called PMS;
- 26 C. Causing EMC to file Form 1099 to the Internal Revenue Service reporting
27 earned income for the year 2002, under the name and TIN of the
28 "shell" corporate entity called PMS;
- D. Causing PMS to collect his EMC compensation in 2002, and thereafter
having it disbursed to him in currency;

- 1 E. Taking EMC proceeds earned in 2002 and depositing them into the checking
2 account of Rebecca Goodwin at Desert Schools Federal Credit Union;
3 F. Using currency, money orders, and the John Prince and Rebecca Godwin
4 checking accounts to pay personal expenses to avoid detection;
5 G. Making false statements, on or about December 5, 2003, to Special Agents
6 of the Internal Revenue Service, regarding the existence and use of a sham
7 trust (Diez Plus Trust), and a shell corporate entity (PMS), to receive and
8 disburse compensation from EMC.

9 In violation of Title 26, United States Code, Section 7201 and Title 18, United
10 States Code, Section 2.

11 **COUNT EIGHT**

12 **(Attempt to Evade and Defeat Assessment of Tax)**

13 **26 U.S.C. § 7201**

14 39. The factual allegations in paragraphs 1-38 of the Indictment are incorporated
15 by reference and re-alleged as though fully set forth herein.

16 40. During the calendar year 2002, defendant CARLINGRANT BARTSCHI knew
17 that his spouse had and received taxable income of approximately \$112,766.00, which was
18 computed on the community property split basis, less applicable exemptions and deductions.
19 Income tax of approximately \$30,375.00 was due and owing on this taxable income. From
20 at least on or about January 1, 2002 through at least on or about July 7, 2004, in the District
21 of Arizona and elsewhere, defendant BARTSCHI willfully attempted to evade and defeat the
22 proper assessment and determination of the tax due and owing by his spouse to the United
23 States of America for calendar year 2002. He did so by concealing and attempting to
24 conceal from all proper officers of the United States of America her true and correct income
25 by:

- 26 A. Causing income earned in 2002 as an emergency room physician to be paid
27 into a bank account established in the name of a nominee, John Prince;
28 B. Causing income earned in 2002 as an emergency room physician to be paid
into a "shell" corporate entity called PMS;

- 1 C. Causing EMC to file Form 1099 to the Internal Revenue Service reporting
2 earned income for the year 2002, under the name and TIN of the
3 "shell" corporate entity called PMS;
4 D. Causing PMS to collect his EMC compensation in 2002, and thereafter
5 having it disbursed to him in currency;
6 E. Taking EMC proceeds earned in 2002 and depositing them into the checking
7 account of Rebecca Goodwin at Desert Schools Federal Credit Union;
8 F. Using currency, money orders, and the John Prince and Rebecca Godwin
9 checking accounts to pay personal expenses to avoid detection;
10 G. Making false statements, on or about December 5, 2003, to Special Agents
11 of the Internal Revenue Service, regarding the existence and use of a sham
12 trust (Diez Plus Trust), and a shell corporate entity (PMS), to receive and
13 disburse compensation from EMC.

14 In violation of Title 26, United States Code, Section 7201 and Title 18, United
15 States Code, Section 2.

16
17 **COUNT NINE**
18 **(Evasion of Payment of Tax)**
19 **26 U.S.C. § 7201**

20 41. The factual allegations in paragraphs 1-40 of the Indictment are incorporated
21 by reference and re-alleged as though fully set forth herein.

22 42. Beginning at least by on or about July 1, 1999, and continuing thereafter up to
23 and including at least December 12, 2005, in the District of Arizona and elsewhere,
24 defendant CARLIN GRANT BARTSCHI did willfully attempt to evade and defeat the
25 payment of income tax, interest and penalties due and owing by him to the United States of
26 America as follows: for the calendar year 1993, in the amount of at least \$21,416.14; for the
27 calendar year 1995, in the amount of at least \$69,948.43; for the calendar year 1996, in the
28 amount of at least \$25,898.13; and for the calendar year 1997, in the amount of at least
\$5,262.80 Defendant concealed and attempted to conceal, from the Internal Revenue Service,
U.S. Department of Treasury, the true nature, source and location of his income and assets.

1 The evasion of payment was done in the following manner:

- 2 A. Beginning on or about July 1, 1999, and continuing thereafter until at least
3 December 31, 2004, defendant assigned earned income from EMC to a
4 "shell" corporate entity called Primary Medical Services (PMS).
- 5 B. On or about November 7, 2000, and continuing thereafter until at least June
6 18, 2003, defendant established and maintained a checking account at Bank
7 of America under the name and social security number of his nominee, John
8 Prince.
- 9 C. On or about November 11, 2000, defendant directed that income earned
10 from PIMC be direct deposited into the Bank of America account
11 established in the name of John Prince.
- 12 D. On or about May 29, 2002, defendant falsely represented, in a written sworn
13 statement sent to the Internal Revenue Service, Ogden Service Center, that
14 in 1998 and 1999, he was neither employed by nor received any income
15 from PIMC in 1998 and 1999.
- 16 E. On or about December 5, 2003, defendant made a false statement to Special
17 Agents of the Internal Revenue Service regarding his knowledge,
18 awareness and actions in using the sham trust (Diez Plus Trust), and the
19 shell corporate entity (PMS), to receive, disburse and use his compensation
20 from EMC.
- 21 F. On or about September 15, 2004, defendant mailed to the Internal Revenue
22 Service a fictitious and worthless "Bill of Exchange" Bond in payment of
23 his 1997 income tax liability.
- 24 G. Beginning at least by on or about July 1, 1999, and continuing thereafter
25 until at least May 3, 2002, defendant directed income sources to pay him in
26 cash, and used said cash for personal expenditures.
- 27 H. On or about December 12, 2005, defendant mailed to the Internal Revenue
28 Service a fictitious and worthless "Bill of Exchange" Bond in attempted
payment of his income tax liability for 1993.

1 In violation of Title 26, United States Code, Section 7201 and Title 18, United States
2 Code, Section 2.

3 **COUNT TEN**
4 **(Evasion of Payment of Tax)**
5 **26 U.S.C. § 7201**

6 43. The factual allegations in paragraphs 1-42 of the Indictment are incorporated
7 by reference and re-alleged as though fully set forth herein.

8 44. Beginning at least by on or about July 7, 2004, and continuing up to and
9 including April 1, 2006, in the District of Arizona and elsewhere, defendant CARLIN
10 GRANT BARTSCHI did willfully attempt to evade and defeat the payment of income tax,
11 interest and penalties due and owing by him to the United States of America, as follows: for
12 the calendar year 2000, in the amount of at least \$44,068.00; for the calendar year 2001, in
13 the amount of at least \$59,411.27; for the calendar year 2002, in the amount of at least
14 \$72,001.08; and for the calendar year 2003, in the amount of at least \$61,702.80. Defendant
15 concealed and attempted to conceal, from the Internal Revenue Service, U.S. Department of
16 Treasury, the true nature, source and location of his income and assets. The evasion of
17 payment was done in the following manner:

- 18 A. Beginning on or about July 7, 2004, and continuing thereafter until at least
19 December 31, 2004, defendant assigned earned income from EMC to a
20 "shell" corporate entity called Primary Medical Services (PMS).
21 B. Defendant deposited or caused to be deposited earned income into a
22 checking account at Desert Schools Federal Credit Union under the name
23 and TIN of another and used said account to pay personal expenses.
24 C. On or about July 7, 2004, defendant mailed to the Internal Revenue Service
25 a fictitious and worthless "Bill of Exchange" Bond in attempted payment of
26 his 1997 through 2003 income tax liability.
27 D. On or about September 4, 2004, defendant mailed to the Internal Revenue
28 Service a document titled "Appointment of Fiduciary," wherein defendant
attempted to appoint an investigative IRS employee as a designated agent
to purportedly address and handle defendant's tax matters for the tax years

1994 through 2003;

E. On or about September 15, 2004, defendant mailed to the Internal Revenue Service a fictitious and worthless "Bill of Exchange" Bond in payment of the income tax liability for 2003.

In violation of Title 26, United States Code, Section 7201 and Title 18, United States Code, Section 2.

COUNTS ELEVEN THROUGH FOURTEEN

(Submission of Fictitious Obligations)

18 U.S.C. § 514

45. The factual allegations in paragraphs 1-44 of the Indictment are incorporated by reference and re-alleged as though fully set forth herein.

46. From on or about the dates listed below, in the District of Arizona and elsewhere, with the intent to defraud, defendant CARLIN GRANT BARTSCHI printed, processed, drew, produced, made, and attempted and caused the same, and passed, uttered, presented, offered, brokered, issued, sold, and attempted and caused the same, a false and fictitious instrument, document, and other item appearing, representing, purporting and contriving through scheme or artifice, to be an actual security or other financial instrument issued under the authority of the United States, a foreign government, a State, a political subdivision of the United States, and an organization, as set forth in the chart below, each such instance being a separate Count of this Indictment:

| Count | Date Received | Attempted Approximate Value | Fictitious Obligation (Purported Authority) | Received By (Purpose of Obligation) |
|-------|---------------|-----------------------------|---|---|
| 11 | 7-7-2004 | \$237,183.15 | "Registered Bond For Discharge of Debt" (U.S. Dept of Treasury) | I.R.S.-Ogdon, Utah (Fictitious obligation to be applied towards 1998, 1999, 2000, 2001, 2002, 2003 tax liability) |
| 12 | 9-15-2004 | \$64,422.25 | "Bill of Exchange-Pre-Authorized Use of Credit" (U.S. Dept of Treasury) | I.R.S.-Fresno, California (Fictitious obligation to be applied towards 1997 tax liability) |

| | | | | |
|----|------------|-------------|--|--|
| 13 | 9-15-2004 | \$72,833.92 | "Bill of Exchange- Pre-Authorized Use of Credit" (U.S. Dept of Treasury) | I.R.S.-Fresno, California (Fictitious obligation to be applied towards 2003 tax liability) |
| 14 | 12-12-2005 | \$30,004.98 | "Bill of Exchange- Pre-Authorized Use of Credit" (U.S. Dept of Treasury) | I.R.S.-Fresno, California (Fictitious obligation to be applied towards 1993 tax liability) |

In violation of Title 18, United States Code, Sections 514 and 2.

COUNTS FIFTEEN THROUGH EIGHTEEN

(Mail Fraud)

18 U.S.C. § 1341

47. The factual allegations in paragraphs 1-46 of the Indictment are incorporated by reference and re-alleged as though fully set forth herein.

48. From on or about the dates listed below, in the District of Arizona and elsewhere, defendant CARLIN GRANT BARTSCHI did knowingly and willfully devise and intend to devise a scheme, and artifice to defraud and to obtain money by means of materially false and fraudulent pretenses, representations and promises, and to exchange, give away, distribute, supply, furnish and procure for unlawful use, any counterfeit or spurious obligation, security, or other article, and anything represented to be and intimated and held out to be such counterfeit or spurious article.

49. On or about the dates listed below, in the District of Arizona and elsewhere, for the purpose of executing and attempting to execute said scheme and artifice to defraud, and to obtain money and property by means of materially false and fraudulent pretenses, representations and promises, and to exchange, give away, distribute, supply, furnish and procure for unlawful use, any counterfeit or spurious obligation, security, or other article, and anything represented to be and intimated and held out to be such counterfeit or spurious article, defendant CARLIN GRANT BARTSCHI placed and caused to be placed in a post office and authorized depository for mail matter, to be sent and delivered by the United States Postal Service, and deposited and caused to be deposited for delivery by a private or

commercial interstate carrier, from or to the District of Arizona, as set forth in the chart below, each such instance being a separate Count of this Indictment:

| Count | Date Sent (On or About) | Sent From (Carrier) [Sent to] | Items Sent (False Representations) |
|-------|-------------------------------|--|--|
| 15 | 7-7-2004 | Phoenix, AZ. (U.S. Mail) [I.R.S.-Ogdon, Utah] | "Registered Bond For Discharge of Debt" in an amount equal to approximately \$237,183.15 (Purported negotiable instrument in payment of tax liability) |
| 16 | 9-15-2004 | Phoenix, AZ (U. S. Mail) [I.R.S.-Fresno, California] | "Bill of Exchange-Pre-Authorized Use of Credit" in the amount of \$64,422.25 (Purported negotiable instrument in payment of tax liability) |
| 17 | 9-15-2004 | Phoenix, AZ (U. S. Mail) [I.R.S.-Fresno, California] | "Bill of Exchange-Pre-Authorized Use of Credit" in the amount of \$72,833.92 (Purported negotiable instrument in payment of tax liability) |
| 18 | 12-12-2005 | Phoenix, AZ (U. S. Mail) [I.R.S.-Fresno, California] | "Bill of Exchange-Pre-Authorized Use of Credit" in the amount of \$30,004.98 (Purported negotiable instrument in payment of tax liability) |

In violation of Title 18, United States Code, Sections 1341 and 2.

COUNTS NINETEEN THROUGH TWENTY-TWO

Bank Fraud

(18 U.S.C. § 1344)

48. The factual allegations in paragraphs 1 - 47 the Indictment are incorporated by reference and re-alleged as though fully set forth herein.

49. On or about the dates listed below, in the District of Arizona and elsewhere, defendant CARLIN GRANT BARTSCHI did knowingly and willfully devise and intend to devise a scheme and artifice to defraud, and to obtain money, funds, credits, assets or other property, by means of materially false and fraudulent pretenses, representations and promises.

50. On or about the dates listed below, in the District of Arizona and elsewhere, for the purpose of executing and attempting to execute said scheme and artifice to defraud and to obtain money by means of materially false and fraudulent pretenses, representations and

promises, defendant CARLIN GRANT BARTSCHI knowingly and willfully executed a scheme to defraud or obtain money, funds, credits, assets or other property, owned by or under the custody and control of federally insured financial institutions, from or through the District of Arizona and elsewhere, as set forth below, each such instance being a separate Count of this Indictment:

| Ct | Date of Transaction | Financial Institution (Transaction Type) [Approximate Amount] | False Representations |
|----|---------------------|---|---|
| 19 | 7-7-2004 | IRS Depository / Ogdon, UT (Deposit of "Registered Bond") [\$237,183.15] | Instructions to IRS to deposit "Registered Bond For Discharge of Debt" through banking system. Bond was fictitious and worthless. |
| 20 | 9-15-2004 | IRS Depository / Fresno, CA (Deposit of "Bill of Exchange-Pre-Authorized Use of Credit") [\$64,422.25] | Instructions to IRS to deposit "Bill of Exchange-Pre-Authorized Use of Credit" through banking system. Security was fictitious and worthless. |
| 21 | 9-15-2004 | IRS Depository / Fresno, CA (Deposit of "Bill of Exchange-Pre-Authorized Use of Credit") [\$72,833.92] | Instructions to IRS to deposit "Bill of Exchange-Pre-Authorized Use of Credit" through banking system. Security was fictitious and worthless. |
| 22 | 12-12-2005 | IRS Depository / Fresno, CA (Deposit of "Bill of Exchange-Pre-Authorized Use of Credit") [\$30,004.98] | Instructions to IRS to deposit "Bill of Exchange-Pre-Authorized Use of Credit" through banking system. Security was fictitious and worthless. |

In violation of Title 18, United States Code, Sections 1344 and 2.

A TRUE BILL

/S/

FOREPERSON OF THE GRAND JURY
Date: April 4, 2006

PAUL K. CHARLTON
United States Attorney
District of Arizona

/S/

Peter Sexton
Assistant United States Attorney