

FILED
UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
WESTERN DIVISION
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CLERK U.S. DISTRICT COURT
NORTHERN DISTRICT OF OHIO
TOLEDO

UNITED STATES OF AMERICA

Case No. 3:06CR426

v.

SUPERSEDING INDICTMENT

WINFIELD THOMAS
(Count 1)

18 U.S.C. § 371
Conspiracy to Defraud the United States
(Count 1)

JEANNE HERRINGTON
(Counts 1 and 2)

26 U.S.C. § 7212(a)
Interference with the Administration of the
Internal Revenue Laws
(Count 2)

Defendants

JUDGE DAVID A. KATZ

COUNT ONE (Conspiracy)

The Grand Jury charges that:

PARTIES, ENTITIES, DEFINITIONS

At all times material to this Indictment:

1. Defendant WINFIELD THOMAS was a resident of Carey, Ohio.
2. Defendant JEANNE HERRINGTON was a resident of Parma, Michigan.
3. The Internal Revenue Service ("IRS") is an agency of the United States Department of Treasury responsible for the ascertainment, computation, assessment, and collection of federal income taxes.
4. In order to assess and collect taxes, the IRS must, among other things, accurately determine taxpayers' actual income. In general, taxpayers report their income to the IRS each year by

filing U.S. Individual Income Tax Returns on Forms 1040 ("Form 1040").

5. In general, a trust is a legal entity in which the legal and beneficial ownership of property is separated. A grantor is the person who provides the property to be held in the trust. The trustee, the person who manages the property, is legally required to act for the benefit of the beneficiaries, the ultimate owners of the property.
6. In general, a grantor who retains control and authority over the trust is treated as the owner of that property. In that case, the income generated by the trust is taxable to the grantor and must be reported as income on the grantor's own federal tax return. The responsibility to report and pay taxes on one's income cannot be avoided merely by assigning the income to a trust or other entity.
7. A domestic trust is generally required to file an annual U.S. Income Tax Return for Estates and Trusts on Form 1041 ("Form 1041").
8. The Uniform Commercial Code (the "UCC") is a model set of laws that have been promulgated in an attempt to harmonize the law of sales and other commercial transactions within the United States.

THE CONSPIRACY

9. From in or about 1993, the exact date being unknown to the Grand Jury, and continuing thereafter up to and including the date of this Indictment, in the Northern District of Ohio, Western Division, and elsewhere, defendants WINFIELD THOMAS, JEANNE HERRINGTON, and others known and unknown to the Grand Jury, did willfully and knowingly conspire, combine, confederate and agree, together and with other individuals, to defraud the United States for the purpose of impeding, impairing, obstructing and

defeating the lawful government functions of the IRS in the ascertainment, computation, assessment and collection of the revenue: to wit, income taxes, in violation of Title 18, United States Code, Section 371.

OBJECT OF THE CONSPIRACY

10. It was an object of the conspiracy that defendants WINFIELD THOMAS, JEANNE HERRINGTON, and others known and unknown to the Grand Jury would and did conspire to defraud the United States by impeding, impairing, obstructing and defeating the lawful governmental functions of the IRS in the ascertainment, evaluation, assessment and collection of income taxes by, among other things, promoting and selling abusive trusts, preparing and advocating the preparation of false federal income tax returns, submitting and/or assisting in the submission of false and fraudulent documentation to the IRS in an effort to eliminate tax liabilities and harass IRS employees, and organizing and/or attending meetings to discuss methods of tax evasion and evading the payment of tax liabilities with fictitious financial instruments.

MANNER AND MEANS

It was part of the conspiracy that:

11. Defendant WINFIELD THOMAS, together with GR and FR, marketed and sold trusts to individuals in northern Ohio through group seminars. The trusts promoted at these seminars purported to provide asset protection, but they also served as tax evasion vehicles for individuals who purchased them.
12. Participants purchased trusts from defendant WINFIELD THOMAS and GR. Defendant WINFIELD THOMAS and others known to the Grand Jury instructed various trust

participants to contact CR to have their Forms 1040 and Forms 1041 prepared. Participants were also instructed not to discuss their trusts with certain people outside their immediate group, such as investment advisors, attorneys or IRS personnel.

13. Participants' false tax returns were based, in part, on the instructions that defendant WINFIELD THOMAS provided. Participants were instructed to set up bank accounts in the names of the purported trusts. They were told to use their trust bank accounts to pay the majority of their expenses and to fraudulently assign their income to their respective trusts. Defendant WINFIELD THOMAS told participants they could deduct personal expenses and other payments made from their trust bank accounts, claim fictitious fiduciary fees, and fraudulently depreciate equipment that had already been partially or fully depreciated. These tactics served to illegally reduce or eliminate participants' tax liabilities.
14. Beginning sometime in or around 1997, various participants and others known and unknown to the Grand Jury began to receive letters from the IRS alerting them that they might be involved in an abusive trust scheme. Participants generally contacted either CR or defendant WINFIELD THOMAS to request advice. Initially, they were instructed not to respond to the correspondence. However, the IRS continued sending the abusive trust letters to participants, and also began sending them Notices of Deficiency, which contained computations of their respective outstanding tax liabilities.
15. Defendant WINFIELD THOMAS subsequently began promoting a new scheme to assist participants in evading the payment of their outstanding tax liabilities. This scheme was based on the false claim that there is a secret government account associated with each person, which may be accessed only by the use of that person's "strawman." A person's

name spelled in all capital letters (i.e. JOHN DOE) was said to refer to his or her strawman and was the name associated with that person's secret account. According to this scheme, a person could use the funds in his or her strawman account to satisfy debts such as IRS obligations. This scheme entailed, among other things, the filing of fraudulent UCC financing statements in order to secure a person's strawman and stamping IRS documentation with statements such as "Accepted for Value" in an attempt to frustrate the IRS's collection activities. Various participants followed this scheme and in doing so, obstructed the IRS's attempts to ascertain their correct income and tax liabilities and collect the tax amounts that were due and owing.

16. Defendant WINFIELD THOMAS also assisted participants in preparing frivolous documents to send to the IRS, including bogus financial instruments entitled "Bills of Exchange," which purported to pay their outstanding tax obligations.
17. In or around 2000 and 2001, defendant WINFIELD THOMAS and various participants sought the advice of defendant JEANNE HERRINGTON. They began to attend meetings that defendant JEANNE HERRINGTON conducted in Ohio and Michigan. At these meetings, defendant JEANNE HERRINGTON instructed defendant WINFIELD THOMAS and other participants on another method, i.e. purportedly paying tax obligations with fictitious financial instruments called "drafts." Defendant JEANNE HERRINGTON instructed the group on how to prepare drafts and provided group members with information on how to obtain blank documents. Defendant JEANNE HERRINGTON also instructed participants to open bank accounts, quickly close them, and then utilize the account, routing and/or other numbers of the closed accounts on the drafts.

18. Various participants utilized the scheme that they had learned from defendant JEANNE HERRINGTON. They prepared and mailed fictitious drafts as purported payment of their tax obligations.

OVERT ACTS

In furtherance of the conspiracy and to effect the objects thereof, the following overt acts, among others, were committed:

19. On or about September 17, 1999, defendant WINFIELD THOMAS submitted a letter to the IRS in which he dishonored his tax bill and threatened “further action” if the IRS did not provide him with a refund within thirty days.
20. On or about October 30, 2000, NK submitted to the IRS a fictitious document entitled “Bill of Exchange” which listed an IRS employee as both the debtor and the collateral and requested a “chargeback” of \$7,648,790.
21. On or about November 20, 2000, DF submitted a letter to the IRS in which he threatened an IRS employee with criminal penalties if the latter did not complete the attached questionnaire.
22. On or about December 4, 2000, JB submitted to the IRS a document entitled “Actual and Constructive Notice” with an attached UCC financing statement and fictitious document entitled “Bill of Exchange” listing an IRS employee as both the debtor and the collateral and requesting a “chargeback” of \$1,070,000.
23. In or around December 2000, JB submitted to the IRS a document entitled “Actual and Constructive Notice” with an attached UCC financing statement and fictitious document

entitled "Bill of Exchange" listing an IRS employee as both the debtor and the collateral and requesting a "chargeback" of \$735,000.

24. In or around early 2001, defendant JEANNE HERRINGTON conducted a meeting during which she instructed participants on using fictitious financial instruments to discharge outstanding tax liabilities.
25. In or around early 2001, defendant JEANNE HERRINGTON instructed JF on how to complete fictitious financial instruments to send to the IRS.
26. In or around early 2001, defendant JEANNE HERRINGTON provided blank forms of fictitious financial instruments to JF.
27. In or around early 2001, defendant JEANNE HERRINGTON instructed JF on how to initiate involuntary bankruptcy proceedings against IRS employees.
28. On or about February 24, 2001, SK submitted to the IRS a fraudulent document entitled "Bill of Exchange" in the amount of \$1,240,544.
29. On or about February 24, 2001, NK submitted to the IRS a fraudulent document entitled "Bill of Exchange" in the amount of \$1,240,544.
30. On or about March 1, 2001, defendant WINFIELD THOMAS submitted to the IRS a letter in which he threatened an IRS employee with court action and "judgment" if the latter did not make payment with respect to a fictitious "Bill of Exchange."
31. On or about March 7, 2001, defendant WINFIELD THOMAS submitted to the IRS a letter in which he threatened an IRS employee with court action and "judgment" if the latter did not make payment with respect to a fictitious "Bill of Exchange".
32. On or about March 7, 2001, defendant WINFIELD THOMAS submitted to the IRS a letter

in which he threatened an IRS employee with court action and “judgment” if the latter did not make payment with respect to a fictitious “Bill of Exchange.”

33. On or about March 14, 2001, defendant WINFIELD THOMAS submitted to the IRS a letter in which he threatened an IRS employee with court action and “judgment” if the latter did not make payment with respect to a fictitious “Bill of Exchange.”
34. On or about March 21, 2001, defendant WINFIELD THOMAS submitted to the IRS a letter relating to the “enclosed bill/offer,” to which he attached a copy of a letter from the IRS informing defendant WINFIELD THOMAS that he was under criminal investigation.
35. On or about March 28, 2001, NK submitted to the IRS a fictitious document entitled “Bill of Exchange” which listed an IRS employee as the collateral and requested a “chargeback” of \$4,893,519.
36. On or about May 17, 2001, LB submitted to the IRS a fictitious financial instrument in the amount of \$52,742.15.
37. In or around the summer of 2001, defendants WINFIELD THOMAS and JEANNE HERRINGTON provided blank fictitious financial instruments to LDB.
38. On or about June 18, 2001, LB submitted to the IRS a fictitious financial instrument in the amount of \$17,390.15.
39. On or about June 18, 2001, LB submitted to the IRS a fictitious financial instrument in the amount of \$17,181.81.
40. On or about June 18, 2001, LB submitted to the IRS a fictitious financial instrument in the amount of \$18,170.19.

41. On or about June 22, 2001, EM submitted to the IRS a fictitious financial instrument in the amount of \$42,601.84.
42. On or about July 3, 2001, LB submitted to the IRS a fictitious financial instrument in the amount of \$34,249.71.
43. On or about July 3, 2001, LB submitted to the IRS a false financial instrument in the amount of \$33,735.79.
44. On or about July 23, 2001, LH submitted to the IRS a false financial instrument in the amount of \$15,896.39.
45. On or about July 23, 2001, LH submitted to the IRS a false financial instrument in the amount of \$10,273.76.
46. On or about July 25, 2001, LH submitted to the IRS a false financial instrument in the amount of \$38,519.55.
47. On or about July 25, 2001, LH submitted to the IRS a false financial instrument in the amount of \$36,574.14.
48. On or about August 1, 2001, LB submitted to the IRS a false financial instrument in the amount of \$27,285.71.
49. On or about August 1, 2001, LB submitted to the IRS a false financial instrument in the amount of \$19,518.78.
50. On or about August 1, 2001, LB submitted to the IRS a false financial instrument in the amount of \$17,609.87.
51. On or about August 1, 2001, LB submitted to the IRS a false financial instrument in the amount of \$17,212.50.

52. On or about September 10, 2001, DF submitted to the IRS a false financial instrument in the amount of \$386,865.18.
53. On or about September 17, 2001, DF submitted to the IRS a false financial instrument in the amount of \$66,905.48.
54. On or about September 21, 2001, DF submitted to the IRS a false financial instrument in the amount of \$316,957.11.
55. On or about October 9, 2001, NK submitted to the IRS a false financial instrument in the amount of \$525,472.70.
56. On or about October 9, 2001, SK submitted to the IRS a false financial instrument in the amount of \$442,074.10.
57. On or about October 18, 2001, DF submitted to the IRS a false financial instrument in the amount of \$31,201.35.
58. On or about October 18, 2001, DF submitted to the IRS a false financial instrument in the amount of \$31,201.35.
59. On or about October 18, 2001, DF submitted to the IRS a false financial instrument in the amount of \$13,655.67.
60. On or about October 18, 2001, DF submitted to the IRS a false financial instrument in the amount of \$53,203.60.
61. On or about October 18, 2001, JF submitted to the IRS a false financial instrument in the amount of \$1,711.71.
62. On or about December 4, 2001, LH submitted to the IRS a false financial instrument in the amount of \$8,912.40.

63. On or about December 4, 2001, LH submitted to the IRS a false financial instrument in the amount of \$31,458.00.
64. On or about December 4, 2001, LH submitted to the IRS a false financial instrument in the amount of \$36,436.00.
65. On or about December 4, 2001, LH submitted to the IRS a false financial instrument in the amount of \$8,331.60.
66. On or about February 15, 2002, JT submitted to the IRS a false financial instrument in the amount of \$76,774.49.
67. On or about February 20, 2002, JF submitted to the IRS a false financial instrument in the amount of \$2,319.91.
68. On or about February 20, 2002, JF submitted to the IRS a false financial instrument in the amount of \$35,333.71.
69. On or about February 21, 2002, DF submitted to the IRS a false financial instrument in the amount of \$35,333.71.
70. On or about February 21, 2002, DF submitted to the IRS a false financial instrument in the amount of \$17,449.51.
71. On or about March 19, 2002, DF submitted to the IRS a false financial instrument in the amount of \$17,509.85.
72. On or about March 19, 2002, DF submitted to the IRS a false financial instrument in the amount of \$35,455.88.
73. On or about April 1, 2002, JF submitted to the IRS a false financial instrument in the amount of \$2,339.90.

74. On or about April 15, 2002, JT submitted to the IRS a false financial instrument in the amount of \$8,903.00.
75. On or about June 17, 2002, LH submitted to the IRS a false financial instrument in the amount of \$6,825.14.
76. On or about July 13, 2002, JT submitted to the IRS a false financial instrument in the amount of \$11,895.67.
77. On or about July 13, 2002, JT submitted to the IRS a false financial instrument in the amount of \$29,653.52.
78. On or about September 4, 2002, JT submitted to the IRS a false financial instrument in the amount of \$87,099.37.

All in violation of Title 18, United States Code, Section 371.

COUNT TWO (Interfering with the Internal Revenue Service)

The Grand Jury further charges:

BACKGROUND INFORMATION

1. Paragraphs 1 through 18 of Count 1 are incorporated herein.
2. An IRS Form 1099 ("Form 1099") is used to report various types of income other than wages.
3. Beginning in or about October 2006, and continuing thereafter up until the date of this Indictment, defendant JEANNE HERRINGTON, in the Northern District of Ohio, Western Division, and elsewhere, did corruptly endeavor to obstruct or impede the due administration of the internal revenue laws by preparing and submitting to the IRS fraudulent Forms 1099,

which falsely reported that individuals associated with the federal criminal tax investigation against defendant JEANNE HERRINGTON had engaged in certain reportable transactions.

MANNER AND MEANS

Defendant JEANNE HERRINGTON corruptly endeavored to obstruct and impede the due administration of the internal revenue laws by taking the following actions:

4. On or about October 13, 2006, defendant JEANNE HERRINGTON submitted to the IRS a fraudulent Form 1099, on which she falsely claimed \$1,000,000.00 of proceeds to DOB on account of bartering.
 5. On or about October 13, 2006, defendant JEANNE HERRINGTON submitted to the IRS a fraudulent Form 1099, on which she falsely claimed \$1,000,000.00 of proceeds to DW on account of bartering.
 6. On or about October 16, 2006, defendant JEANNE HERRINGTON submitted to the IRS a fraudulent Form 1099, on which she falsely claimed \$300 in original issue discount to DKH.
- All in violation of Title 26, United States Code, Section 7212(a).

A TRUE BILL.

Original document -- Signatures on file with the Clerk of Courts, pursuant to the E-Government Act of 2002.