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TIME: \_\_\_\_\_

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NOV 27 2004

CLERK, U.S. DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA  
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8 IN THE UNITED STATES DISTRICT COURT FOR THE  
9 EASTERN DISTRICT OF CALIFORNIA  
10

11 UNITED STATES OF AMERICA,  
12 Plaintiff,  
13  
14 v.  
15 JOSEPH BANISTER, and  
WALTER A. THOMPSON,  
16 Defendants.  
17  
18

CR. No. **GRS-04-0435 WBS**  
VIOLATIONS: 18 U.S.C. § 371-  
Conspiracy; 18 U.S.C. § 287-  
False Claims Against United  
States (Two Counts); 26 U.S.C.  
§ 7206(1) - Filing False Tax  
Returns; 26 U.S.C. § 7206(2) -  
Aiding and Assisting the Filing  
Of False Tax Returns (Three  
Counts); 26 U.S.C. § 7202-  
Willful Failure to Withhold  
and Pay Taxes (10 Counts)

19 **I N D I C T M E N T**

20 **COUNT ONE:** [18 U.S.C. § 371 - Conspiracy to Defraud  
the United States]  
21

22 The Grand Jury charges:

23 JOSEPH BANISTER and  
24 WALTER A. THOMPSON,

25 defendants herein, as follows:

26 I. PARTIES, PERSONS AND ENTITIES

27 At all relevant times,  
28 ///

1           1. Defendant WALTER A. THOMPSON has been a resident of  
2 Shasta County, California, and has operated a sole proprietorship  
3 business known as Cencal Sales, which has conducted business in  
4 the State and Eastern District of California and elsewhere.

5           2. Defendant JOSEPH BANISTER has been a resident of Santa  
6 Clara County, California, and has been engaged in business as a  
7 certified public accountant ("CPA"), conducting business in the  
8 Northern and Eastern District of California and elsewhere.

9 Defendant JOSEPH BANISTER was employed as a Special Agent in the  
10 Criminal Investigation Division of the Internal Revenue Service  
11 between November, 1993 and February, 1999.

12           3. Cencal Sales ("CENCAL") was a sole proprietorship  
13 business owned and operated by defendant WALTER A. THOMPSON.  
14 CENCAL was engaged in the manufacturing and sales of aviation  
15 flight bags. At all times material to this case, CENCAL had a  
16 number of employees who worked for CENCAL in return for wages  
17 paid on an hourly basis. Most of the employees who worked for  
18 CENCAL were seamstresses, production managers, or office workers.

19                           II. INCOME SUBJECT TO TAXATION

20           4. Gross income subject to taxation is defined in the  
21 Internal Revenue Code, Title 26, United States Code, to include  
22 all income from whatever source derived, including, but not  
23 limited to, several listed items, including, but not limited to:  
24 compensation for services, including fees, commissions, fringe  
25 benefits, and similar items; gross income derived from business;  
26 gains derived from dealings in property; interest; rents;  
27 royalties; dividends; annuities; distributive shares of partner-

1 ship gross income; and income from an interest in an estate or  
2 trust.

3 5. Income is taxed to the party who earns it. The entity  
4 which earns income, either an individual, partnership or other  
5 entity, cannot avoid taxation by entering into a contractual  
6 arrangement whereby the income is diverted to some other person  
7 or entity. The income tax consequences under the Internal  
8 Revenue Code depend upon the substance of the transaction, not  
9 the form.

10 III. EMPLOYMENT TAXES

11 6. Employers, including the owners of sole proprietorships,  
12 are required to file U.S. Employers' Quarterly Tax Returns, Form  
13 941, reporting the names and social security numbers of the  
14 employees who received salary and wages during the tax period,  
15 and the amount of wages and salary which each employee received.  
16 Employers are required to deduct, collect, account for and pay  
17 over to the United States Treasury the proper amount of income,  
18 Federal Insurance Contributions Act (FICA) (Social Security) and  
19 Medicare taxes.

20 7. Employers are required to calculate the correct amount  
21 of income tax to withhold from the employees' pay based upon the  
22 amount of money earned, the exemptions claimed and the tax rate  
23 which is applicable. In addition, employers must withhold FICA  
24 tax in the amount of 6.2% of wages and salary, and Medicare tax  
25 in the amount of 1.45% of wages and salary.

26 8. In addition, there are FICA taxes of 6.2% of wages and  
27 salary and Medicare taxes of 1.45% of wages and salary imposed  
28 upon the employer. Accordingly, each fiscal quarter, an employer

1 is required to file a U.S. Employers' Quarterly Tax Return, Form  
2 941, reporting to the U.S. Treasury the total amount of wages and  
3 salary paid, and paying to the Treasury the total amount of  
4 income taxes withheld from the employees' pay, plus both the  
5 employees' portion of FICA taxes and the employer's portion of  
6 FICA taxes, in the total amount of 12.4% of wages and salary, as  
7 well as employees' and employer's shares of Medicare taxes in the  
8 total amount of 2.90% of wages and salary.

9 IV. THE CONSPIRACY

10 9. Between on or about January 1, 2000, and continuing  
11 thereafter until on or about January 15, 2003, in the State and  
12 Eastern District of California, and elsewhere, defendants JOSEPH  
13 BANISTER and WALTER A. THOMPSON did unlawfully, willfully and  
14 knowingly conspire, combine, confederate and agree with each  
15 other, and with divers other persons, both known and unknown to  
16 the grand jury, to defraud the United States by impeding,  
17 impairing, obstructing and defeating the lawful Government  
18 functions of the Internal Revenue Service of the U.S. Department  
19 of the Treasury, in the ascertainment, computation, assessment  
20 and collection of the revenue, to wit: income, social security  
21 and Medicare taxes. There were two objectives to the conspiracy  
22 to defraud the United States:

23 a. To impede, impair, obstruct and defeat the Internal  
24 Revenue Service in the ascertainment, computation, assessment and  
25 collection of the income, social security and Medicare taxes  
26 which were due and owing from the employees of CENCAL for the  
27 period July 1, 2000, through December 31, 2002; and

28 b. To impede, impair, obstruct and defeat the Internal

1 Revenue Service in the ascertainment, computation, assessment and  
2 collection of the income, social security and Medicare taxes  
3 which were due and owing from the owner and operator of CENCAL,  
4 to wit, defendant WALTER A. THOMPSON for the tax years ending  
5 December 31, 1996, 1997 and 1998.

6 V. THE SCHEME TO DEFRAUD

7 10. The nature of the scheme to defraud the United States  
8 was to remove the employees of CENCAL from the taxpayer rolls by  
9 no longer withholding any income tax, FICA tax or Medicare taxes  
10 from their wages and salaries; by not filing Employers' Quarterly  
11 Tax Returns, Form 941, reporting the payment of wages and salary  
12 to the employees; and by not providing the employees or the  
13 Internal Revenue Service with annual wage and/or other income  
14 statements, Forms W-2 or 1099. As a result of the actions of the  
15 defendants, dozens of taxpayers who were required to file tax  
16 returns and report their income either failed to file returns, or  
17 filed returns but failed to report a substantial amount of their  
18 income.

19 In addition, defendant JOSEPH BANISTER prepared and  
20 defendant WALTER A. THOMPSON signed and filed with the Internal  
21 Revenue Service false and fraudulent Amended Individual Income  
22 Tax Returns, Forms 1040X, for WALTER A. THOMPSON and his spouse  
23 for the tax years ending December 31, 1996, 1997 and 1998, on  
24 which returns defendants BANISTER and THOMPSON reduced to 0  
25 dollars the information on the original returns on which  
26 defendant THOMPSON had reported substantial gross income, taxable  
27 income and income taxes.

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1 VI. MANNER AND MEANS BY WHICH THE  
2 CONSPIRACY WAS CARRIED OUT

3 The manner and means by which the conspiracy was sought to  
4 be accomplished included, among others, the following:

5 11. Defendant WALTER A. THOMPSON operated CENCAL, a sole  
6 proprietorship located in the vicinity of Redding, California.  
7 CENCAL manufactured and sold aviation flight bags. There were  
8 approximately 25 employees of CENCAL, most of whom were seam-  
9 stresses who manufactured the bags. In addition, there were a  
10 number of production managers who oversaw the work of the  
11 seamstresses, and a small number of office workers. All of the  
12 employees were hourly wage employees.

13 12. Prior to July 1, 2000, all of the employees of CENCAL  
14 had their personal income taxes withheld from their pay, along  
15 with their share of the FICA and Medicare taxes. At the end of  
16 each calendar year, each employee of CENCAL received a Form W-2  
17 reporting the total amount of income which he/she earned, and how  
18 much federal and state income tax, FICA tax and Medicare tax had  
19 been withheld from his/her pay. A copy of the W-2's were  
20 provided to the Internal Revenue Service by CENCAL.

21 13. On or about July 21, 2000, defendant WALTER A. THOMPSON  
22 called an "all hands" meeting for all the employees of CENCAL.  
23 At that meeting, defendant THOMPSON advised the employees of  
24 CENCAL that it was his opinion that the money which he paid to  
25 them as compensation for their labor on behalf of CENCAL was not  
26 "income" within the meaning of the internal revenue laws and that  
27 no federal income taxes were due and owing as a result of his  
28 payment of the compensation to them. Defendant THOMPSON advised

1 the employees that effective immediately as of that meeting, no  
2 federal income taxes or FICA and Medicare taxes would be withheld  
3 from their pay.

4 14. On or before July 21, 2000, defendant WALTER THOMPSON  
5 instructed his bookkeeping, accounting and other office personnel  
6 to stop withholding federal income taxes, FICA taxes and Medicare  
7 taxes from the compensation paid to the employees of CENCAL.  
8 Defendant THOMPSON also told the bookkeeping, accounting and  
9 other office personnel to stop filing U.S. Employers' Quarterly  
10 Tax Returns, Form 941, with the Internal Revenue Service. At the  
11 same time, defendant THOMPSON told his bookkeeping, accounting  
12 and other office personnel not to provide any annual wage  
13 statements, Forms W-2, to the employees of CENCAL to account for  
14 the compensation paid to those employees, nor to provide Forms W-  
15 2 to the Internal Revenue Service.

16 15. On or about October 11, 2000, defendant THOMPSON had a  
17 second "all hands" meeting for the employees of CENCAL. At the  
18 October 11th meeting, defendant THOMPSON repeated that he would  
19 not with-hold federal taxes from the compensation paid to the  
20 employees nor file the Employers' Quarterly Tax Returns.  
21 Defendant THOMPSON advised the employees that the compensation  
22 which they received was not "income" within the meaning of the  
23 internal revenue laws, and that they did not have to pay taxes on  
24 it. Defendant THOMPSON outlined in detail his reasons for not  
25 withholding federal taxes from the employees.

26 16. Defendant JOSEPH BANISTER attended the October 11, 2000  
27 "all hands" meeting and participated in the discussion.  
28 Defendant THOMPSON introduced defendant BANISTER as a certified



1 public accountant that defendant THOMPSON had known since 1999,  
2 and that defendant BANISTER was a former Special Agent with the  
3 Internal Revenue Service.

4 Defendant BANISTER advised the employees that he was a  
5 certified public accountant and former Special Agent with the  
6 Criminal Investigation Division of the Internal Revenue Service.  
7 Defendant BANISTER was present during defendant THOMPSON'S  
8 extended explanation of defendant THOMPSON'S position on the tax  
9 issues to the employees. At the end of defendant THOMPSON'S  
10 presentation, defendant BANISTER outlined for the employees the  
11 nature of the research he had done on the tax issues, and advised  
12 the CENCAL employees about the circumstances leading up to the  
13 end of his employment with the Internal Revenue Service.  
14 Defendant BANISTER told the employees that he could not find any  
15 authority in his research which established that people such as  
16 the employees had to pay federal income taxes on the wages which  
17 they made at CENCAL. Defendant BANISTER advised the employees  
18 that defendant THOMPSON was an honorable man who would not lie to  
19 them.

20 17. Beginning in July of 2000, and continuing through at  
21 least December 31, 2002, no income taxes, FICA taxes or Medicare  
22 taxes were withheld from the compensation paid to employees of  
23 CENCAL, nor were these taxes collected, accounted for and paid  
24 over to the United States Treasury.

25 18. Beginning in July of 2000, and continuing through at  
26 least January 15, 2003, no U.S. Employers' Quarterly Tax Returns,  
27 Form 941, were filed with the Internal Revenue Service accounting  
28 for compensation paid to the employees of CENCAL during the

1 period between July 1, 2000, and December 31, 2002.

2 Thompson's Individual Taxes

3 19. On or about January 31, 2000, defendant JOSEPH BANISTER  
4 prepared an Amended U.S. Individual Income Tax Return, Form  
5 1040X, for defendant WALTER A. THOMPSON and Thompson's wife for  
6 the tax year ending December 31, 1998. The amended tax return  
7 eliminated all of the adjusted gross income, itemized deductions,  
8 exemptions, and taxes which defendant THOMPSON had reported to  
9 the Internal Revenue Service when defendant THOMPSON originally  
10 had filed the 1998 tax return.

11 20. Defendant THOMPSON originally had reported that in  
12 1998, he and his wife had adjusted gross income of \$66,192,  
13 itemized deductions of \$14,141, taxable income of \$41,251, and  
14 total taxes due and owing of \$15,582. The amended return for  
15 1998 prepared by defendant BANISTER reduced all those amounts to  
16 \$0. At the time, defendant THOMPSON owed a huge tax bill to the  
17 Internal Revenue Service for the 1998 tax year. The amended  
18 return would have eliminated the tax liability in its entirety.

19 21. On or about February 7, 2000, defendant WALTER A.  
20 THOMPSON signed and filed with the Internal Revenue Service the  
21 Amended U.S. Individual Income Tax Return, Form 1040X, for  
22 himself and his wife for the tax year ending December 31, 1998,  
23 which defendant JOSEPH BANISTER had prepared.

24 22. On or about February 29, 2000, defendant JOSEPH  
25 BANISTER prepared an Amended U.S. Individual Income Tax Return,  
26 Form 1040X, for defendant WALTER A. THOMPSON and Thompson's wife  
27 for the tax year ending December 31, 1996. The amended tax  
28 return eliminated all of the adjusted gross income, itemized

1 deductions, exemptions, and taxes which defendant THOMPSON had  
2 reported to the Internal Revenue Service when defendant THOMPSON  
3 originally had filed the 1996 tax return.

4 23. Defendant THOMPSON originally had reported that in  
5 1996, he and his wife had adjusted gross income of \$102,076,  
6 itemized deductions of \$15,119, taxable income of \$76,757, and  
7 total taxes due and owing of \$26,943. The amended return for  
8 1996 prepared by defendant BANISTER reduced all those amounts to  
9 \$0, and sought a tax refund of \$28,161.

10 24. On or about March 16, 2000, defendant WALTER A. THOMPSON  
11 signed and filed with the Internal Revenue Service an Amended  
12 U.S. Individual Income Tax Return, Form 1040X, for himself and  
13 his wife for the tax year ending December 31, 1996, which  
14 defendant JOSEPH BANISTER had prepared.

15 25. On or about February 29, 2000, defendant JOSEPH BANISTER  
16 prepared an Amended U.S. Individual Income Tax Return, Form  
17 1040X, for defendant WALTER A. THOMPSON and Thompson's wife for  
18 the tax year ending December 31, 1997. The amended tax return  
19 eliminated all of the adjusted gross income, itemized deductions,  
20 exemptions, and taxes which defendant THOMPSON had reported to  
21 the Internal Revenue Service when defendant THOMPSON originally  
22 had filed the 1997 tax return.

23 26. Defendant THOMPSON originally had reported that in  
24 1997, he and his wife had adjusted gross income of \$136,476,  
25 itemized deductions of \$14,581, taxable income of \$111,295, and  
26 total taxes due and owing of \$38,098. The amended return for  
27 1997 prepared by defendant BANISTER reduced all those amounts to  
28 \$0, and sought a tax refund of \$39,711.

1 27. On or about March 16, 2000, defendant WALTER A.  
2 THOMPSON signed and filed with the Internal Revenue Service an  
3 Amended U.S. Individual Income Tax Return, Form 1040X, for  
4 himself and his wife for the tax year ending December 31, 1997,  
5 which defendant JOSEPH BANISTER had prepared.

6 28. As a result of the foregoing, defendants BANISTER and  
7 THOMPSON defrauded the United States in the amount of approx-  
8 imately \$83,454 with regard to the amended individual income tax  
9 returns of defendant THOMPSON for the tax years ending December  
10 31, 1996, 1997 and 1998.

11 29. As a result of the foregoing, defendants BANISTER and  
12 THOMPSON defrauded the United States in the amount of approx-  
13 imately \$176,215 with regard to the income taxes, FICA taxes and  
14 Medicare taxes which should have been deducted, collected,  
15 accounted for and paid over to the United States Treasury through  
16 the Internal Revenue Service from the wages and salaries of the  
17 employees of CENCAL between July 1, 2000 and December 31, 2002.

18 30. The total tax loss from both objectives of the  
19 conspiracy was approximately \$259,669.

20 VII. OVERT ACTS

21 In furtherance of the conspiracy, and to effect the object  
22 thereof, the following overt acts were committed in the Eastern  
23 District of California and elsewhere:

24 31. On or about January 11, 2000, defendant WALTER A.  
25 THOMPSON sent an email to defendant JOSEPH BANISTER advising  
26 defendant BANISTER that defendant THOMPSON had acquired copies of  
27 defendant THOMPSON's 1996, 1997 and 1998 tax returns from his  
28 preparer, and was sending them to defendant BANISTER via UPS.

1 32. On or about January 11, 2000, defendant JOSEPH BANISTER  
2 sent an email to defendant WALTER A. THOMPSON advising defendant  
3 THOMPSON that defendant BANISTER had just about finished  
4 preparing defendant THOMPSON's amended individual income tax  
5 return, Form 1040X, for the 1998 tax year.

6 33. On or about January 31, 2000, in the State and Eastern  
7 District of California, defendant JOSEPH BANISTER prepared an  
8 amended U.S. Individual Income Tax Return, Form 1040X, of  
9 taxpayers WALTER and Denise THOMPSON for the period ending  
10 December 31, 1998.

11 34. On or about February 29, 2000, in the State and Eastern  
12 District of California, defendant JOSEPH BANISTER prepared an  
13 amended U.S. Individual Income Tax Return, Form 1040X, of  
14 taxpayers WALTER and Denise THOMPSON for the period ending  
15 December 31, 1997.

16 35. On or about February 29, 2000, in the State and Eastern  
17 District of California, defendant JOSEPH BANISTER prepared an  
18 amended U.S. Individual Income Tax Return, Form 1040X, of  
19 taxpayers WALTER and Denise THOMPSON for the period ending  
20 December 31, 1996.

21 36. On or about February 7, 2000, in the State and Eastern  
22 District of California, defendant WALTER A. THOMPSON made and  
23 subscribed an Amended U.S. Individual Income Tax Return, Form  
24 1040X, for the calendar year ending December 31, 1998.

25 37. On or about February 7, 2000, in the State and Eastern  
26 District of California, defendant WALTER A. THOMPSON filed an  
27 Amended U.S. Individual Income Tax Return, Form 1040X, for the  
28 calendar year ending December 31, 1998, with the Internal Revenue

1 Service.

2 38. On or about March 16, 2000, in the State and Eastern  
3 District of California, defendant WALTER A. THOMPSON made and  
4 subscribed an Amended U.S. Individual Income Tax Return, Form  
5 1040X, for the calendar year ending December 31, 1996.

6 39. On or about March 16, 2000, in the State and Eastern  
7 District of California, defendant WALTER A. THOMPSON filed an  
8 Amended U.S. Individual Income Tax Return, Form 1040X, for the  
9 calendar year ending December 31, 1996, with the Internal Revenue  
10 Service.

11 40. On or about March 21, 2000, in the State and Eastern  
12 District of California, defendant WALTER A. THOMPSON made and  
13 subscribed an Amended U.S. Individual Income Tax Return, Form  
14 1040X, for the calendar year ending December 31, 1997.

15 41. On or about March 21, 2000, in the State and Eastern  
16 District of California, defendant WALTER A. THOMPSON filed an  
17 Amended U.S. Individual Income Tax Return, Form 1040X, for the  
18 calendar year ending December 31, 1997, with the Internal Revenue  
19 Service.

20 42. On or about April 30, 2000, in the State and Eastern  
21 District of California, defendant JOSEPH BANISTER sent a letter  
22 to the Chief, Collection Branch, Internal Revenue Service Center  
23 at Fresno, California, regarding the disallowance of defendant  
24 WALTER A. THOMPSON's Amended U.S. Individual Income Tax Return  
25 for the calendar year ending December 31, 1998.

26 43. On or about May 25, 2000, in the State and Eastern  
27 District of California, defendant JOSEPH BANISTER sent a letter  
28 to the Director of Customer Service, Internal Revenue Service

1 Center at Fresno, California, regarding the disallowance of  
2 defendant WALTER A. THOMPSON's Amended U.S. Individual Income Tax  
3 Return for the calendar year ending December 31, 1996.

4 44. On or about May 25, 2000, in the State and Eastern  
5 District of California, defendant JOSEPH BANISTER sent a letter  
6 to the Director of Customer Service, Internal Revenue Service  
7 Center at Fresno, California, regarding the disallowance of  
8 defendant WALTER A. THOMPSON's Amended U.S. Individual Income Tax  
9 Return for the calendar year ending December 31, 1998.

10 45. On or about July 21, 2000, defendant WALTER A. THOMPSON  
11 conducted an "all hands" meeting for all the employees of CENCAL.

12 46. On or about July 21, 2000, defendant WALTER A. THOMPSON  
13 instructed the employees of CENCAL that he would no longer with-  
14 hold federal income and employment taxes from their pay.

15 47. On or about July 1, 2000, defendant WALTER A. THOMPSON  
16 instructed the bookkeeping, accounting and other office employees  
17 of CENCAL to not withhold federal income taxes, FICA taxes and  
18 Medicare taxes from the pay of the employees of CENCAL.

19 48. On or about July 1, 2000, defendant WALTER A. THOMPSON  
20 instructed the bookkeeping, accounting and other office employees  
21 of CENCAL to not provide year ending wage and income statements,  
22 Forms W-2, to the employees of CENCAL to account for the wages  
23 and salary paid to the employees by CENCAL.

24 49. On or about July 1, 2000, defendant WALTER A. THOMPSON  
25 instructed the bookkeeping, accounting and other office employees  
26 of CENCAL to not provide year ending wage and income statements,  
27 Forms W-2, to the Internal Revenue Service to account for the  
28 wages and salary paid to the employees by CENCAL.

1 50. On or about August 22, 2000, defendant JOSEPH BANISTER  
2 sent an email to defendant WALTER A. THOMPSON regarding the  
3 disallowance of defendant THOMPSON's claim for refund filed with  
4 regard to the 1997 tax year.

5 51. On or about August 22, 2000, defendant WALTER A.  
6 THOMPSON sent an email to defendant JOSEPH BANISTER giving  
7 defendant BANISTER instructions regarding what to say to the  
8 Internal Revenue Service regarding defendant THOMPSON's claim for  
9 refund for the 1997 tax year.

10 52. On or about August 27, 2000, defendant JOSEPH BANISTER  
11 sent a letter to the Chief, Automated Collection Branch of the  
12 Internal Revenue Service Center at Fresno, California, regarding  
13 a due process hearing for defendant WALTER A. THOMPSON.

14 53. On or about September 7, 2000, defendant WALTER A.  
15 THOMPSON sent an email to defendant JOSEPH BANISTER asking  
16 defendant BANISTER to review a memo which defendant THOMPSON was  
17 planning to distribute to his employees explaining why he was not  
18 going to withhold federal taxes from the employees' compensation.

19 54. On or about October 11, 2000, defendant WALTER A.  
20 THOMPSON had an "all hands" meeting of the employees of CENCAL,  
21 at which he repeated that he was not going to withhold federal  
22 taxes from their compensation.

23 55. On or about October 11, 2000, defendant WALTER A.  
24 THOMPSON explained in detail to the employees of CENCAL exactly  
25 why he was not going to withhold federal taxes from their  
26 compensation.

27 56. On or about October 11, 2000, defendant JOSEPH BANISTER  
28 attended an "all hands" meeting of the employees of CENCAL in



1 Redding, California, at which time defendant BANISTER advised the  
2 employees that he was a certified public accountant and former  
3 Special Agent with the Criminal Investigation Division of the  
4 Internal Revenue Service.

5 57. On or about October 11, 2000, defendant JOSEPH BANISTER  
6 was an active participant in the discussion about why defendant  
7 WALTER A. THOMPSON, dba Cencal Sales Anister was not going to  
8 withhold federal taxes from the compensation paid to the  
9 employees.

10 58. On or about October 11, 2000, defendant JOSEPH BANISTER  
11 outlined for the employees the nature of the research he had done  
12 on the tax issues, and that he could not find any authority in  
13 his research which established that people such as the employees  
14 had to pay federal income taxes on the wages which they made at  
15 CENCAL.

16 59. On or about October 11, 2000, defendant JOSEPH BANISTER  
17 advised the employees of CENCAL that defendant THOMPSON was an  
18 honorable man who would not lie to them.

19 60. On or about October 15, 2000, defendant WALTER A.  
20 THOMPSON sent an email to defendant JOSEPH BANISTER thanking  
21 defendant BANISTER for his participation in the October 11th  
22 meeting.

23 All in violation of Title 18, United States Code, Section  
24 371.

25 COUNT TWO: [18 U.S.C. § 287 - Filing False Claim with United  
26 States]

27 The Grand Jury further charges: T H A T

28 WALTER A. THOMPSON,

1 defendant herein, on or about March 16, 2000, in the County of  
2 Shasta, State and Eastern District of California, did make and  
3 present to the United States Treasury a claim against the United  
4 States for payment, which he knew to be false, fictitious and  
5 fraudulent, by preparing and causing to be prepared an Amended  
6 U.S. Individual Income Tax Return, Form 1040X, for the calendar  
7 year ending December 31, 1996, which was presented to the United  
8 States Treasury Department, through the Internal Revenue Service,  
9 wherein he claimed a refund in taxes in the amount of \$28,161,  
10 knowing such claim to be false, fictitious and fraudulent, all in  
11 violation of Title 18, United States Code, Section 287.

12 COUNT THREE: [18 U.S.C. § 287 - Filing False Claim with United  
13 States]

14 The Grand Jury further charges: T H A T

15 WALTER A. THOMPSON,

16 defendant herein, on or about March 21, 2000, in the County of  
17 Shasta, State and Eastern District of California, did make and  
18 present to the United States Treasury a claim against the United  
19 States for payment, which he knew to be false, fictitious and  
20 fraudulent, by preparing and causing to be prepared a U.S.  
21 Individual Income Tax Return, Form 1040X, for the calendar year  
22 ending December 31, 1997, which was presented to the United  
23 States Treasury Department, through the Internal Revenue Service,  
24 wherein he claimed a refund in taxes in the amount of \$39,711,  
25 knowing such claim to be false, fictitious and fraudulent, all in  
26 violation of Title 18, United States Code, Section 287.

27 //

28 ///

1 COUNT FOUR: [26 U.S.C. § 7206(1) - Willfully Filing False Tax  
Returns]

2  
3 The Grand Jury further charges: T H A T

4 WALTER A. THOMPSON,

5 defendant herein, on or about February 7, 2000, in the County of  
6 Shasta, Eastern District of California, did willfully make and  
7 subscribe an Amended U.S. Individual Income Tax Return, Form  
8 1040X, for the calendar year ending December 31, 1998, which was  
9 verified by a written statement that it was made under penalties  
10 of perjury and was filed with the Internal Revenue Service, which  
11 said amended individual income tax return he did not believe to  
12 be true and correct as to every material matter in that said  
13 return reported \$0 in adjusted gross income on line 1, \$0 taxable  
14 income on line 5, and \$0 tax due on lines 6 and 10, whereas, as  
15 he then and there well knew and believed, he received adjusted  
16 gross income of approximately \$66,192, and had taxable income of  
17 approximately \$41,251, and taxes due and owing of approximately  
18 \$15,582,

19 All in violation of Title 26, United States Code, Section  
20 7206(1).

21 COUNT FIVE: [26 U.S.C. § 7206(2) - Willfully Aiding and  
Assisting the Filing of False Tax Returns]

22  
23 The Grand Jury further charges: T H A T

24 JOSEPH BANISTER,

25 defendant herein, on or about February 29, 2000, in the State and  
26 Eastern District of California, did willfully aid and assist in,  
27 and procure, counsel and advise the preparation and presentation  
28 to the Internal Revenue Service of an Amended U.S. Individual

1 Income Tax Return, Form 1040X, of taxpayers WALTER and Denise  
2 THOMPSON for the period ending December 31, 1996, which was false  
3 and fraudulent as to a material matter in that it represented  
4 that adjusted gross income received by taxpayers WALTER and  
5 Denise THOMPSON was \$0, and that taxable income and taxes due and  
6 owing both were \$0, whereas as the defendant then and there well  
7 knew and believed, the total amount of adjusted gross income,  
8 taxable income and tax due and owing were substantially in excess  
9 thereof,

10 All in violation of Title 26, United States Code, Section  
11 7206(2).

12 COUNT SIX: [26 U.S.C. § 7206(2) - Willfully Aiding and  
13 Assisting the Filing of False Tax Returns]

14 The Grand Jury further charges: T H A T  
15 JOSEPH BANISTER,  
16 defendant herein, on or about February 29, 2000, in the State and  
17 Eastern District of California, did willfully aid and assist in,  
18 and procure, counsel and advise the preparation and presentation  
19 to the Internal Revenue Service of an Amended U.S. Individual  
20 Income Tax Return, Form 1040X, of taxpayers WALTER and Denise  
21 THOMPSON for the period ending December 31, 1997, which was false  
22 and fraudulent as to a material matter in that it represented  
23 that adjusted gross income received by taxpayers WALTER and  
24 Denise THOMPSON was \$0, and that taxable income and taxes due and  
25 owing both were \$0, whereas as the defendant then and there well  
26 knew and believed, the total amount of adjusted gross income,  
27 taxable income and tax due and owing were substantially in excess  
28 thereof,

1 All in violation of Title 26, United States Code, Section  
2 7206(2).

3 COUNT SEVEN: [26 U.S.C. § 7206(2) - Willfully Aiding and  
4 Assisting the Filing of False Tax Returns]

5 The Grand Jury further charges: T H A T

6 JOSEPH BANISTER,

7 defendant herein, on or about January 31, 2000, in the State and  
8 Eastern District of California, did willfully aid and assist in,  
9 and procure, counsel and advise the preparation and presentation  
10 to the Internal Revenue Service of an Amended U.S. Individual  
11 Income Tax Return, Form 1040X, of taxpayers WALTER and Denise  
12 THOMPSON for the period ending December 31, 1998, which was false  
13 and fraudulent as to a material matter in that it represented  
14 that adjusted gross income received by taxpayers WALTER and  
15 Denise THOMPSON was \$0, and that taxable income and taxes due and  
16 owing both were \$0, whereas as the defendant then and there well  
17 knew and believed, the total amount of adjusted gross income,  
18 taxable income and tax due and owing were substantially in excess  
19 thereof.

20 All in violation of Title 26, United States Code, Section  
21 7206(2).

22 COUNT EIGHT: [26 U.S.C. § 7202 - Willful Failure to Withhold and  
23 Pay Taxes]

24 The Grand Jury further charges: T H A T

25 WALTER A. THOMPSON,

26 defendant herein, on or about October 15, 2000, in the County of  
27 Shasta, State and Eastern District of California, who conducted a  
28 business as a sole proprietorship under the name and style of

1 Cencal Sales, with its principal place of business in Redding,  
2 California, did willfully fail to truthfully deduct, collect,  
3 account for, and pay over to the Internal Revenue Service those  
4 federal income taxes and Federal Insurance Contributions Act  
5 (FICA) and Medicare taxes due and owing to the United States of  
6 America for the fiscal quarter ending September 30, 2000, in the  
7 amount of approximately \$14,965.90,

8 All in violation of Title 26, United States Code, Section  
9 7202.

10 COUNT NINE: [26 U.S.C. § 7202 - Willful Failure to Withhold and  
11 Pay Taxes]

12 The Grand Jury further charges: T H A T

13 WALTER A. THOMPSON,

14 defendant herein, on or about January 15, 2001, in the County of  
15 Shasta, State and Eastern District of California, who conducted a  
16 business as a sole proprietorship under the name and style of  
17 Cencal Sales, with its principal place of business in Redding,  
18 California, did willfully fail to truthfully deduct, collect,  
19 account for, and pay over to the Internal Revenue Service those  
20 federal income taxes and Federal Insurance Contributions Act  
21 (FICA) and Medicare taxes due and owing to the United States of  
22 America for the fiscal quarter ending December 31, 2000, in the  
23 amount of approximately \$20,930.77,

24 All in violation of Title 26, United States Code, Section  
25 7202.

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1 COUNT TEN: [26 U.S.C. § 7202 - Willful Failure to Withhold and  
2 Pay Taxes]

3 The Grand Jury further charges: T H A T

4 WALTER A. THOMPSON,

5 defendant herein, on or about April 15, 2001, in the County of  
6 Shasta, State and Eastern District of California, who conducted a  
7 business as a sole proprietorship under the name and style of  
8 Cencal Sales, with its principal place of business in Redding,  
9 California, did willfully fail to truthfully deduct, collect,  
10 account for, and pay over to the Internal Revenue Service those  
11 federal income taxes and Federal Insurance Contributions Act  
12 (FICA) and Medicare taxes due and owing to the United States of  
13 America for the fiscal quarter ending March 31, 2001, in the  
14 amount of approximately \$20,378.04,

15 All in violation of Title 26, United States Code, Section  
16 7202.

17 COUNT ELEVEN: [26 U.S.C. § 7202 - Willful Failure to Withhold  
18 and Pay Taxes]

19 The Grand Jury further charges: T H A T

20 WALTER A. THOMPSON,

21 defendant herein, on or about July 15, 2001, in the County of  
22 Shasta, State and Eastern District of California, who conducted a  
23 business as a sole proprietorship under the name and style of  
24 Cencal Sales, with its principal place of business in Redding,  
25 California, did willfully fail to truthfully deduct, collect,  
26 account for, and pay over to the Internal Revenue Service those  
27 federal income taxes and Federal Insurance Contributions Act  
28 (FICA) and Medicare taxes due and owing to the United States of

1 America for the fiscal quarter ending June 30, 2001, in the  
2 amount of approximately \$16,724.61,

3 All in violation of Title 26, United States Code, Section  
4 7202.

5 COUNT TWELVE: [26 U.S.C. § 7202 - Willful Failure to Withhold  
6 and Pay Taxes]

7 The Grand Jury further charges: T H A T

8 WALTER A. THOMPSON,

9 defendant herein, on or about October 15, 2001, in the County of  
10 Shasta, State and Eastern District of California, who conducted a  
11 business as a sole proprietorship under the name and style of  
12 Cencal Sales, with its principal place of business in Redding,  
13 California, did willfully fail to truthfully deduct, collect,  
14 account for and pay over to the Internal Revenue Service those  
15 federal income taxes and Federal Insurance Contributions Act  
16 (FICA) and Medicare taxes due and owing to the United States of  
17 America for the fiscal quarter ending September 30, 2001, in the  
18 amount of approximately \$17,898.96,

19 All in violation of Title 26, United States Code, Section  
20 7202.

21 COUNT THIRTEEN: [26 U.S.C. § 7202 - Willful Failure to Withhold  
22 and Pay Taxes]

23 The Grand Jury further charges: T H A T

24 WALTER A. THOMPSON,

25 defendant herein, on or about January 15, 2002, in the County of  
26 Shasta, State and Eastern District of California, who conducted a  
27 business as a sole proprietorship under the name and style of  
28 Cencal Sales, with its principal place of business in Redding,



1 California, did willfully fail to truthfully deduct, collect,  
2 account for and pay over to the Internal Revenue Service those  
3 federal income taxes and Federal Insurance Contributions Act  
4 (FICA) and Medicare taxes due and owing to the United States of  
5 America for the fiscal quarter ending December 31, 2001, in the  
6 amount of approximately \$12,857.95,

7 All in violation of Title 26, United States Code, Section  
8 7202.

9 COUNT FOURTEEN: [26 U.S.C. § 7202 - Willful Failure to Withhold  
and Pay Taxes]

10

11 The Grand Jury further charges: T H A T

12 WALTER A. THOMPSON,

13 defendant herein, on or about April 15, 2002, in the County of  
14 Shasta, State and Eastern District of California, who conducted a  
15 business as a sole proprietorship under the name and style of  
16 Cencal Sales, with its principal place of business in Redding,  
17 California, did willfully fail to truthfully deduct, collect,  
18 account for and pay over to the Internal Revenue Service those  
19 federal income taxes and Federal Insurance Contributions Act  
20 (FICA) and Medicare taxes due and owing to the United States of  
21 America for the fiscal quarter ending March 31, 2002, in the  
22 amount of approximately \$16,788.30,

23 All in violation of Title 26, United States Code, Section  
24 7202.

25 COUNT FIFTEEN: [26 U.S.C. § 7202 - Willful Failure to Withhold  
and Pay Taxes]

26

27 The Grand Jury further charges: T H A T

28 WALTER A. THOMPSON,

1 defendant herein, on or about July 15, 2002, in the County of  
2 Shasta, State and Eastern District of California, who conducted a  
3 business as a sole proprietorship under the name and style of  
4 Cencal Sales, with its principal place of business in Redding,  
5 California, did willfully fail to truthfully deduct, collect,  
6 account for and pay over to the Internal Revenue Service those  
7 federal income taxes and Federal Insurance Contributions Act  
8 (FICA) and Medicare taxes due and owing to the United States of  
9 America for the fiscal quarter ending June 30, 2002, in the  
10 amount of approximately \$16,902.17,

11 All in violation of Title 26, United States Code, Section  
12 7202.

13 COUNT SIXTEEN: [26 U.S.C. § 7202 - Willful Failure to Withhold  
14 and Pay Taxes]

15 The Grand Jury further charges: T H A T

16 WALTER A. THOMPSON,

17 defendant herein, on or about October 15, 2002, in the County of  
18 Shasta, State and Eastern District of California, who conducted a  
19 business as a sole proprietorship under the name and style of  
20 Cencal Sales, with its principal place of business in Redding,  
21 California, did willfully fail to truthfully deduct, collect,  
22 account for and pay over to the Internal Revenue Service those  
23 federal income taxes and Federal Insurance Contributions Act  
24 (FICA) and Medicare taxes due and owing to the United States of  
25 America for the fiscal quarter ending September 30, 2002, in the  
26 amount of approximately \$16,890.52,

27 All in violation of Title 26, United States Code, Section  
28 7202.

1 COUNT SEVENTEEN: [26 U.S.C. § 7202 - Willful Failure to Withhold  
2 and Pay Taxes]

3 The Grand Jury further charges: T H A T

4 WALTER A. THOMPSON,

5 defendant herein, on or about January 15, 2003, in the County of  
6 Shasta, State and Eastern District of California, who conducted a  
7 business as a sole proprietorship under the name and style of  
8 Cencal Sales, with its principal place of business in Redding,  
9 California, did willfully fail to truthfully deduct, collect,  
10 account for and pay over to the Internal Revenue Service those  
11 federal income taxes and Federal Insurance Contributions Act  
12 (FICA) and Medicare taxes due and owing to the United States of  
13 America for the fiscal quarter ending December 31, 2002, in the  
14 amount of approximately \$21,883.06,

15 All in violation of Title 26, United States Code, Section  
16 7202.

17 SENTENCING ALLEGATIONS

- 18 1. The tax loss for which defendant JOSEPH BANISTER is  
19 responsible in Count Five is approximately \$26,943.  
20 2. The tax loss for which defendant JOSEPH BANISTER is  
21 responsible in Count Six is approximately \$38,098.  
22 3. The tax loss for which defendant JOSEPH BANISTER is  
23 responsible in Count Seven is approximately \$15,582.

24 A TRUE BILL.

25  
26 \_\_\_\_\_  
FOREPERSON

27   
28 \_\_\_\_\_  
McGREGOR W. SCOTT  
United States Attorney