



***United States Attorney
District of New Jersey***

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CONTACT: Rebekah Carmichael
Office of Public Affairs
(973) 645-2888

**THREE PLEAD GUILTY TO MULTIMILLION-DOLLAR CONSPIRACY TO
DEFRAUD THE GOVERNMENT THROUGH SHAM TRUSTS
AND PHONY DEBT ELIMINATION PROGRAM**

NEWARK, N.J. – Richard MacFarlane, Paula Mariani, and Patrick Potopowicz each pleaded guilty today to conspiring to defraud the IRS, admitting they marketed two fraudulent products designed to conceal assets from the government and fraudulently discharge debt, United States Attorney Paul J. Fishman announced.

MacFarlane, 62, of Doylestown, Pa.; and Mariani, 50, and Potopowicz, 61, both of Bensalem, Pa., pleaded guilty to conspiring with each other and others named in the Indictment against them to obstruct the IRS in its tax collection efforts. The defendants entered their guilty pleas before United States District Judge William Martini in Newark federal court.

According to documents filed in this case and statements made during the defendants' guilty plea proceedings:

MacFarlane and married couple Mariani and Potopowicz were all employed by Mid-Atlantic Trustees and Administrators (MATA), a business formerly headquartered in Bayville, N.J. MATA was founded by Ronald Ottaviano and Michael Balice, who are also charged in the Indictment.

At no time did MATA conduct legitimate business. Instead, MATA marketed two products to its customers: Pure Trust Organizations (PTOs) and Beneficiaries in Common (BIC).

MacFarlane, Mariani, Potopowicz, and others charged in the Indictment were paid commissions for recruiting customers to purchase PTOs and BIC from MATA. Collectively, MacFarlane, Mariani, and Potopowicz brought in dozens of customers to MATA, generated hundreds of thousands of dollars in illicit profits for the company, and won for themselves tens of thousands of dollars in fraudulent commissions. MacFarlane, Mariani, and Potopowicz paid no taxes on the commissions that were paid to them.

MacFarlane, Mariani, and Potopowicz marketed the PTOs as "trusts," though they were nothing more than business banking accounts opened at Bank of America. When a customer bought a PTO through MATA, an account was opened at Bank of America in the name of Ottaviano or Balice, the purported "trustees." The customers, however, always maintained unfettered access to their assets. Each PTO customer was provided with a debit card and checkbook in the name of the PTO and signature stamps bearing the signatures of Ottaviano and

Balice – which enabled the customer to use the assets in his PTO as he chose.

In creating, marketing, and selling PTOs, the defendants made concerted efforts to make it appear that PTO a customer had no control over the assets in the account and the trustees had complete control. A customer would be told by MacFarlane, Mariani, Potopowicz and others that because the assets were not in his name, the customer did not own the assets and, therefore, did not have to pay taxes on them – which was not the case. Accordingly, the IRS lost hundreds of thousands of dollars in tax revenue.

MacFarlane, Mariani, and Potopowicz also marketed BIC as a legitimate debt elimination program backed by the government, even though they knew it was a scam.

For thousands of dollars per customer, MATA, its principals, and its employees manufactured false and fictitious bonds, often with face amounts of tens of millions of dollars, which were sent directly to the United States Treasury Department. According to MATA, once a customer's bonds were sent to the Treasury Department and accepted, the customer was "bonded," and, with MATA's help, could draw down that bond to pay "public" debt, including mortgage debt, credit card debt, and tax obligations.

In total, MATA successfully recruited hundreds of PTO and BIC customers that, collectively, paid MATA over \$4.5 million.

At sentencing, MacFarlane, Mariani, and Potopowicz each face up to five years in prison and a fine of \$250,000 or twice the gross gain or loss from the conspiracy. Sentencing is currently scheduled for all three defendants on March 10, 2011.

The remaining defendants are scheduled for trial to begin January 11, 2011, before Judge Martini.

U.S. Attorney Fishman praised the Office of U.S. Treasury Inspector General for Tax Administration, under the direction of Inspector General J. Russell George; IRS – Criminal Investigation, under the direction of Special Agent in Charge Victor W. Lessoff; as well as the United States Postal Inspection Service, under the direction of Postal Inspector in Charge David Collins, with the investigation leading to today's guilty pleas.

The government is represented by Assistant U.S. Attorney Lee Vartan of the U.S. Attorney's Office Economic Crimes Unit in Newark.

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Defense counsel:

MacFarlane: Joshua Cohn, Esq., Saddle Brook, N.J.

Mariani: James Murphy, Esq., Princeton, N.J.

Potopowicz: Michael Armstrong, Esq., Willingboro, N.J.