



*United States Attorney
District of New Jersey*

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**EIGHT ARRESTED AND CHARGED IN MULTIMILLION-DOLLAR CONSPIRACY
TO DEFRAUD THE GOVERNMENT THROUGH SHAM TRUSTS
AND PHONY DEBT ELIMINATION PROGRAM**

NEWARK, N.J. – Two principals of Mid-Atlantic Trustees and Administrators (MATA) and six of their employees were arrested this morning on an Indictment charging them with perpetrating a conspiracy to defraud the United States through the marketing of two fraudulent products designed to conceal assets from the IRS and fraudulently discharge debt, United States Attorney Paul J. Fishman announced.

A team of approximately 90 federal agents from the Internal Revenue Service – Criminal Investigations (IRS-CI), the Office of the Treasury Inspector General for Tax Administration (TIGTA), and the United States Postal Inspection Service (USPIS), arrested the eight defendants in a multi-state sweep. Ronald Ottaviano, 64, and Harriet Foster, 66, who are married, were arrested at their home in Lewes, Delaware. Michael Balice, 60, was arrested at his home in Metuchen, New Jersey. Wilson Calle, 53, and Angel Done, 52, were arrested at their homes in Queens, New York. Paula Mariani, 50, and Patrick Potopowicz, 61, who are also married, were arrested at their home in Bensalem, Pennsylvania. Richard MacFarlane, 62, was arrested at his home in Doylestown, Pennsylvania.

Yesterday, a grand jury in the District of New Jersey returned an Indictment charging all eight defendants with conspiring to defraud the United States. Ottaviano and Foster are also charged with money laundering in connection with the purchase of their home in Lewes.

The defendants are expected this afternoon in federal court for their initial appearances. Ottaviano and Foster are expected to appear before United States Magistrate Judge Leonard P. Stark in Wilmington, Delaware; Mariani and Potopowicz are expected to appear before United States Magistrate Judge Douglas Arpert in Trenton, New Jersey; and the remaining defendants are expected to appear before United States Magistrate Judge Mark Falk in Newark.

According to the Indictment unsealed today in Newark federal court:

Ottaviano and Balice were the principals of MATA, a company formed in 2005 and based in Bayville, New Jersey. At various times, Mariani, Potopowicz, Foster, MacFarlane, Calle, and Done were employees of MATA who, in exchange for referral fees and commissions, recruited customers for the companies.

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”).

PTOs

On the Internet, in promotional materials, and elsewhere, MATA, its principals, and employees held themselves out to be trust experts who employed a team of attorneys, Certified Public Accountants, Certified Financial Planners, and other tax professionals who were equipped to establish legal trusts for their clients. MATA further claimed to have established thousands of trusts and to be one of the leading authorities in the creation of “pure trusts.” The company touted that its trusts had been assigned Trust Identification Numbers by the Internal Revenue Service, and were therefore legal. According to the Indictment, none of those statements was true.

Instead, MATA generated false and fraudulent Trust Identification Numbers for its trusts and never disclosed the existence of its PTOs to the IRS.

From the formation of MATA through July 2010, the defendants established several hundred PTOs for their customers, the express design of which was to conceal their customers’ income and other assets from the IRS, thereby impeding the IRS in its tax collection efforts.

In creating, marketing, and selling PTOs, the defendants made concerted efforts to make it appear that PTO customers had no control over the assets in the account and the trustees had complete control. 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.

BIC

In May 2007, MATA began to market and sell a second product, BIC, as a debt elimination program. 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.

Like the PTOs, BIC was designed to, among other things, interfere with the IRS’s ability to collect taxes due and owing. As part of the BIC process, rather than paying their back taxes, customers paid MATA to send hundreds of bonds, Promissory Notes, and related paperwork to the U.S. Treasury, the IRS, and other government agencies in an attempt to discharge their tax and other debts. In total, MATA flooded the U.S. Treasury, IRS, and other government agencies

with hundreds of billions of dollars in worthless paper.

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Through the marketing and sale of PTOs and BIC, the defendants collectively made over \$4.5 million in illicit gross receipts, most of which was hidden in PTOs controlled by the defendants. None of the defendants paid income taxes on the proceeds, and, in many cases, filed no federal income tax returns at all. In the case of Ottaviano and Foster, they spent a portion of their illicit proceeds, over \$500,000 in total, to purchase a home in Lewes, Delaware – in cash.

U.S. Attorney Fishman stated: “This Office takes very seriously those who orchestrate schemes to help taxpayers avoid their financial obligations to the United States, and it is even worse when they rip people off in the bargain.”

“These arrests send a strong message: Individuals who participate in illegal schemes to violate the integrity of the Federal system of tax administration will be prosecuted to the fullest extent of the law,” said J. Russell George, Treasury Inspector General for Tax Administration.

“The IRS and Department of Justice are working vigorously to stop abusive trust schemes, whose activities unfairly shift to the tax burden to honest American taxpayers,” stated William P. Offord, Special Agent in Charge, IRS-Criminal Investigation, Newark Field Office.

If convicted on the conspiracy charge, the defendants each face up to 5 years in prison and a fine of \$250,000, or twice the gross gain or loss from the offense. The money laundering count with which Ottaviano and Foster are charged carries a statutory maximum sentence of 10 years in prison and a fine of up to twice the purchase price of the Delaware home. The Indictment also seeks forfeiture of that property.

The case was investigated by TIGTA, under the direction of Inspector General J. Russell George, and the IRS-CI, under the direction of Special Agent in Charge William P. Offord, as well as the USPIS, under the direction of Postal Inspector in Charge David Collins.

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

If you believe you are a victim of or otherwise have information concerning this alleged scheme, you are encouraged to contact the U.S. Attorney’s Office Victim Witness Program Manager Shirley Estreicher at shirley.estreicher@usdoj.gov.

The charges and allegations contained in the Indictment are merely accusations, and the defendants are considered innocent unless and until proven guilty.