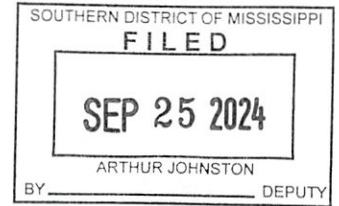


IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI
EASTERN DIVISION



UNITED STATES OF AMERICA

v.

STEPHEN T. MELLINGER III

CRIMINAL NO. **2:24cr38 KS-MTP**

18 U.S.C. § 371

26 U.S.C. § 7206(2)

18 U.S.C. § 1349

18 U.S.C. § 1956(h)

18 U.S.C. § 1956(a)(1)(B)(i)

The Grand Jury charges:

At all times material to this Indictment:

INTRODUCTION

1. Between 2013 and 2023, Defendant **STEPHEN T. MELLINGER III** (“**MELLINGER III**”), JASON L. CRACE (“**CRACE**”), PROMOTER 2, and PROMOTER 3 (collectively, “the Conspirators”) operated an illegal tax shelter (the “Tax Shelter”) in Mississippi and elsewhere to fraudulently reduce the federal income taxes owed by **MELLINGER III**’s clients. The Tax Shelter was designed to create the false appearance that **MELLINGER III**’s clients had paid tens of millions of dollars in deductible business expenses. In reality, the so-called expenses were fake: the Tax Shelter clients simply sent money to the Conspirators, who returned the money (less the Conspirators’ fees) back to the clients. The Conspirators then helped their clients prepare and submit false tax returns to the Internal Revenue Service (“IRS”) that fraudulently claimed tens of millions of dollars in false deductions for the fake expenses. **MELLINGER III** and PROMOTER 2 collectively earned more than \$3 million by promoting the Tax Shelter.

2. In or around January 2016, some of the Tax Shelter clients in Mississippi informed **MELLINGER III** and his co-conspirators that the IRS had seized some of their money in connection with a criminal healthcare fraud investigation. The Conspirators also learned that, as a result of the healthcare fraud investigation, the IRS had begun investigating the

Tax Shelter as well. Soon thereafter, **MELLINGER III** and PROMOTER 2 attempted to distance themselves from the Tax Shelter by negotiating a March 2016 sale of the Tax Shelter to ADVISOR 1. After the sale (and continuing through December 2023), **MELLINGER III** and PROMOTER 2 continued to request and receive a portion of the fees that ADVISOR 1 and CRACE earned by continuing to operate the Tax Shelter.

3. **MELLINGER III** and PROMOTER 2 also took advantage of their Mississippi clients' confusion in January 2016 to steal some of the (still-unseized) healthcare fraud proceeds that they had transferred through the Tax Shelter. **MELLINGER III** and PROMOTER 2 then used some of these funds to buy a house in Florida for over \$750,000. **MELLINGER III** and PROMOTER 2 also took steps to try to conceal their theft and to frustrate both the healthcare fraud and tax investigations, including by misleading the IRS, Department of Justice, and others about the likely existence and location of still-unseized healthcare fraud proceeds and **MELLINGER III** and PROMOTER 2's roles in operating the illegal Tax Shelter.

The Defendant and Other Key People

4. Defendant **MELLINGER III** was a resident of Niles, Michigan, between approximately 2012 and September 2015; and of the State of Florida from approximately September 2015 through the date of this Indictment. From at least 2013 through approximately January 2016, **MELLINGER III** was a securities broker, financial advisor, and insurance salesman. Until around January 2016, **MELLINGER III** was contracted to INSURANCE COMPANY 1, a large life insurance company headquartered in New York, New York, and INVESTMENT COMPANY 1, a registered investment advisor that was owned by INSURANCE COMPANY 1.

5. JASON L. CRACE was a Certified Public Accountant ("CPA") and co-conspirator residing in or around Fishers, Indiana.

6. PROMOTER 2 was a financial advisor, insurance salesman, and co-conspirator residing in or around Kyle, Texas. PROMOTER 2 was a close relative of **MELLINGER III**.

7. PROMOTER 3 was a co-conspirator and an attorney licensed to practice law in California.

8. CLIENT AA, CLIENT B, CLIENT E, CLIENTS F1 and F2, and CLIENT J—so-named to be consistent with the designations given by the Conspirators—were owners, operators, managers, investors, advisors, and marketers of compounding pharmacies in Mississippi and elsewhere (collectively, the “Pharmacy-Clients”). **MELLINGER III**, CRACE, and others provided financial advice and related services to one or more Pharmacy-Clients, each of whom participated in the Tax Shelter. Several Pharmacy-Clients also participated in a multi-million-dollar scheme in Mississippi and elsewhere to defraud TRICARE and other health care benefit providers.

9. ADVISOR 1 was a financial advisor and insurance salesman contracted with INSURANCE COMPANY 1. ADVISOR 1 operated in or around Grand Rapids, Michigan, and Las Vegas, Nevada.

Entities in the Tax Shelter Scheme

10. **MELLINGER III**, PROMOTER 2, CRACE, and others created and caused the creation of multiple companies as part of the Tax Shelter. These included:

a. Intellectual Property Management Services, LLC (“IPMS, LLC”) was a business entity registered in the State of Indiana on or around November 4, 2013.

b. Intellectual Property Management Services, International, Ltd. (“IPMSI”) was a business entity registered in the Island of Nevis on or around November 28, 2013.

c. IPMSI Holdings LLC (“IPMSI Holdings”) was a “Series” domestic limited liability company formed in Nevada on December 28, 2013. IPMSI Holdings included a separate

Series for most participants in **MELLINGER III**'s Tax Shelter (*e.g.*, IPMSI Holdings Series A, IPMSI Holdings Series HH, IPMSI Holdings Series J, *etc.*).

d. IPMS Nevada, LLC (IPMS-Nevada) was a domestic limited liability company registered in the State of Nevada on or around March 2, 2016.

11. The Desert Springs 2016 Irrevocable Trust ("Desert Springs Trust") was a domestic business trust formed in Nevada. CRACE was the trustee of the Desert Springs Trust, and ADVISOR 1 (and ADVISOR 1's family) were its beneficiaries.

Relevant Tax Terms and Concepts

12. According to the Internal Revenue Code, taxpayers could deduct the ordinary and necessary expenses that they paid and incurred in carrying on a trade or business.

13. A taxpayer who operated a business as a sole proprietorship reported business expenses on a Schedule C, Profit or Loss From Business ("Schedule C") attached to the taxpayer's IRS Form 1040, U.S. Individual Income Tax Return ("Form 1040"). A taxpayer who operated a business as an S corporation reported business expenses on an IRS Form 1120-S, U.S. Income Tax Return for an S Corporation ("Form 1120-S"). A taxpayer who operated a business as a partnership reported business expenses on an IRS Form 1065, U.S. Return of Partnership Income ("Form 1065"). Partnerships and S Corporations filed Schedules K-1 on which they reported each partner or shareholder's share of the business's income, deductions, credits, and other items.

14. In general, a taxpayer who operated a business was required to file an IRS Form 1099-MISC for each person to whom they paid in the course of their business at least \$10 in royalties or at least \$600 in certain other types of payments. "Royalties" included, among other things, payments for the right (*i.e.*, a "license") to use someone else's intellectual property, such as patents, copyrights, trade names, and trademarks. For example, a business might pay a royalty

to a musician in exchange for the right to play that musician's copyrighted music during a television commercial. Royalties did not include payments for services.

COUNT 1
(Conspiracy – **MELLINGER III**)
18 U.S.C. § 371

15. The allegations contained in paragraphs 1 through 14 of this Indictment are incorporated and re-alleged.

STATUTORY ALLEGATIONS

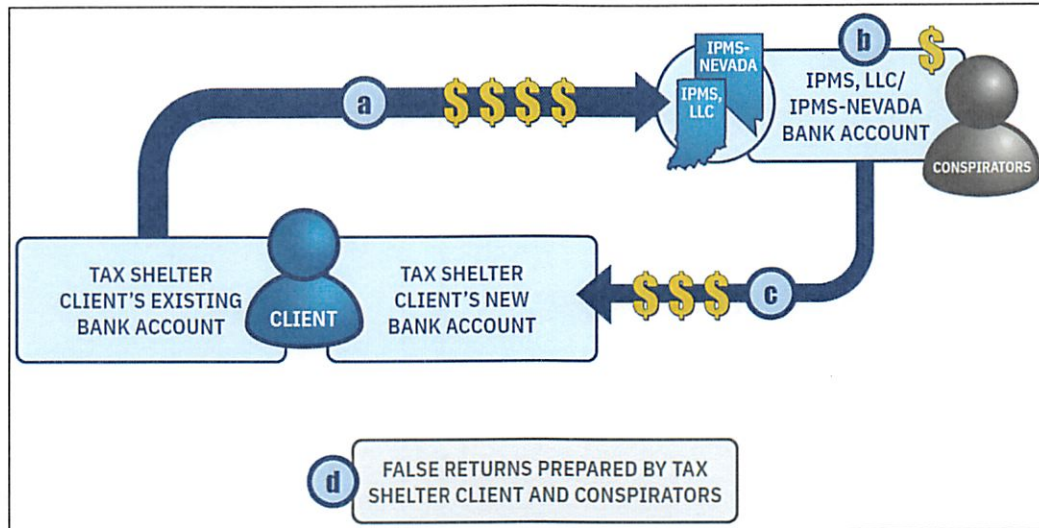
16. From in or around October 2013 through at least December 2023, in the Southern District of Mississippi and elsewhere, the defendant, **STEPHEN T. MELLINGER III**, CRACE, PROMOTER 2, and PROMOTER 3, and other individuals known and unknown to the grand jury, did unlawfully, voluntarily, intentionally, and knowingly conspire, combine, confederate, and agree together and with each other to defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service of the Treasury Department in the ascertainment, computation, assessment, and collection of revenue: that is, U.S. individual and corporate income taxes.

Manner and Means of the Conspiracy

17. The manner and means by which the defendant and his co-conspirators carried out the conspiracy included, but were not limited to, the following:

Promoting and Implementing the Tax Shelter

18. The Conspirators designed, marketed, sold, and implemented the Tax Shelter to create the false appearance that their clients had actually paid genuine expenses in the operation of their businesses. In reality, the expenses were fake: the Conspirators quickly returned the so-called payments back to their clients. The Conspirators typically implemented the Tax Shelter in four basic steps:



a. The Conspirators directed their clients to transfer an amount of money equal to the size of their desired tax deduction to a bank account in the name of IPMS, LLC or IPMS-Nevada. Sometimes, **MELLINGER III** and his co-conspirators provided their clients with calculations that purported to show how much income the client could shelter from taxes by increasing or decreasing the amount of money that the client transferred to the IPMS, LLC and IPMS-Nevada bank accounts.

b. The Conspirators collected what they termed an “Intellectual Property Management Service Fee” (the “Service Fee”) of between 1% and 15% of the fake expense.

c. The Conspirators returned the fake expense (less the Service Fee) by depositing it into a different bank account controlled by the Tax Shelter client. Typically, these client-controlled accounts were titled in the name of the client’s “Series LLC.”

d. The Tax Shelter client—often with the Conspirators’ direct assistance—filed false federal tax returns that fraudulently deducted the fake expense from their personal and business’ income. The Conspirators directed their clients to report the fake expenses to the IRS as “Royalties.”

Receiving and Returning Fake Expenses from Tax Shelter Clients

19. In November 2013, PROMOTER 2 opened a bank account (ending in x-6883) in the name of IPMS, LLC at First Source Bank (the IPMS, LLC Account) to receive the fake expenses from **MELLINGER III**'s Tax Shelter clients. In most cases, funds transferred into the IPMS, LLC Account were quickly returned to the clients' control—usually within several days.

20. Some of the Mississippi Pharmacy-Clients were concerned about surrendering control over their money—even briefly—to the Conspirators when they deposited their funds in the IPMS, LLC Account. To address this concern, **MELLINGER III** sent an email on or around December 27, 2013, to two of the Mississippi Pharmacy-Clients and proposed creating a new bank account in the name of IPMS, LLC, but giving the Pharmacy-Clients and their accountant—rather than the Conspirators—sole signature authority over that account.

MELLINGER III explained:

With this combination of signers we are ok not being on the accounts, we just need copies of the statements so we can keep the records for tax purposes. [. . .]

We will do whatever we can to help. Our only concern is making sure that everyone's cash is kept safe and the tax deductions for 2013 are preserved.

Later that same day, the Mississippi Pharmacy-Clients' accountant opened a bank account (ending in x-6960) at a local branch of Wells Fargo Bank in the name of IPMS, LLC (the "Mississippi Account") on which the accountant was the sole authorized signer. As a result, the Pharmacy Clients who transferred their so-called expenses to the Mississippi Account never lost control over their money. Nonetheless, the Conspirators instructed these clients that they could claim the transfers to the Mississippi Account as business expenses for "royalties" on their tax returns.

21. In contrast to how they treated funds from most of their other Tax Shelter clients, the Conspirators transferred most of the money that CLIENT J transferred to IPMS, LLC to bank accounts held in the name of CLIENT J's irrevocable trust. CLIENT J and a close relative of CLIENT J were listed as the beneficiaries of CLIENT J's irrevocable trust. One of **MELLINGER III**'s college friends—and later PROMOTER 2—had signature authority (in their capacity as trustee of CLIENT J's trust) over these trust accounts.

Concealing the Fraudulent Nature of the Tax Shelter

22. To make the Tax Shelter appear legitimate and conceal its fraudulent nature, the Conspirators established and caused others to establish entities in the United States and elsewhere, including: IPMS, LLC; IPMS-Nevada; IPMSI; and IPMSI Holdings.

23. The Conspirators directed most of **MELLINGER III**'s Tax Shelter clients to sign paperwork to create the false appearance that:

a. The Tax Shelter client had contributed revenue-generating intellectual property to IPMSI; and

b. The Tax Shelter client had licensed back that same intellectual property from IPMS, LLC or IPMS-Nevada in exchange for the client's promise to pay royalties (*i.e.*, the fake expense) to IPMS, LLC and IPMS-Nevada.

24. In December 2014, the conspirators prepared backdated paperwork to conceal the fact that IPMS, LLC lacked the ability to license intellectual property to **MELLINGER III**'s Tax Shelter clients.

25. To create the false appearance that the Tax Shelter clients had actually transferred revenue-generating intellectual property to IPMSI, the Conspirators generated false paperwork, including by directing some Tax Shelter clients to compile lists of the supposed intellectual property that they purportedly used in the operation of their businesses.

26. The Conspirators prepared and assisted in the preparation of tax returns and other IRS forms for entities that were part of the Tax Shelter that created the appearance that expenses reported on their clients' tax returns were legally deductible. These included, among other false returns, IRS Forms 1065 for IPMS, LLC and Forms 1065 (and Schedules K-1) for IPMSI Holdings and the Series LLCs. These also included IRS Forms 1099-MISC to report the fake expenses transferred to IPMS, LLC or IPMS-Nevada. The Conspirators instructed that the fake expenses should be reported on the Form 1099-MISC as "royalties."

27. **MELLINGER III** used INSURANCE COMPANY 1's regional office to host meetings during which he presented the Tax Shelter to some potential clients, thereby giving the false appearance that INSURANCE COMPANY 1 had reviewed and approved the Tax Shelter. **MELLINGER III** took steps to conceal the Tax Shelter's existence and his participation in it from INSURANCE COMPANY 1. In response to questions from INSURANCE COMPANY 1, **MELLINGER III** made false and incomplete statements intended to minimize his involvement with companies, like IPMS, LLC, registered in the name of PROMOTER 2.

28. **MELLINGER III** and PROMOTER 3 made misleading statements to potential and actual Tax Shelter clients, the IRS, and the Department of Justice that suggested that INSURANCE COMPANY 1 and INVESTMENT COMPANY 1 had previously reviewed and approved the Tax Shelter.

Charging Fees for the Tax Shelter

29. The Conspirators typically charged clients substantial fees to participate in the Tax Shelter, including:

- a. An initial "consulting fee" of between \$20,000 and \$75,000 in exchange for enrolling a client in the Tax Shelter;
- b. The Service Fee equal to between 1% and 15% of the fraudulent deduction; and

c. A 1% “assets under management” fee, which **MELLINGER III** charged Tax Shelter clients who used INVESTMENT COMPANY 1 to serve as their investment manager. **MELLINGER III** split the 1% fee with one of his colleagues at INVESTMENT COMPANY 1.

30. To conceal **MELLINGER III**’s role in (and profit from) operating the Tax Shelter, **MELLINGER III** and PROMOTER 2 directed their clients to pay the Service Fee to an IPMS, LLC bank account (rather than directly to **MELLINGER III** or an entity that he officially owned/controlled). Thereafter, **MELLINGER III** and PROMOTER 2 transferred more than \$3 million in Service Fees to bank accounts that **MELLINGER III** controlled and that were held for the benefit of **MELLINGER III** and his family.

Undermining Independent Advisors

31. When independent accountants and attorneys questioned the legitimacy of the Tax Shelter and the fake expenses, **MELLINGER III** discouraged Tax Shelter clients and potential clients from following their professional advice. **MELLINGER III** often suggested it would cost hundreds, thousands, and even hundreds of thousands of dollars to research and provide answers to skeptical questions raised by a prospective client’s independent advisor.

32. Instead, **MELLINGER III** recommended that clients and potential clients consider hiring CRACE and other accountants with whom **MELLINGER III** had a prior relationship and who were, therefore, willing to sign income tax returns claiming the fake business expenses as deductions.

Responding to the Money Laundering and Tax Investigations

33. On or around January 23, 2016—after learning that the IRS had seized funds of several of his Mississippi Pharmacy-Clients—**MELLINGER III** emailed CRACE: “Apparently the IRS is involved in the investigation and has been asking a lot of questions about IPMS and that structure because of the amount of royalties that flowed from their companies to it.”

34. **MELLINGER III** gave a voluntary interview to IRS Criminal Investigators (“IRS-CI”) on February 1, 2016. Prior to, during, and after the February 1, 2016 interview, the Conspirators prepared and provided false, misleading, and incomplete written and oral statements to the Department of Justice, IRS, and other investigative agencies concerning (1) their knowledge of the likely location and existence of additional unseized healthcare fraud proceeds; and (2) the design and operation of the Tax Shelter.

35. By mid-February 2016, **MELLINGER III** and PROMOTER 2 attempted to distance themselves from the Tax Shelter. In March 2016, they induced ADVISOR 1 to purchase the Tax Shelter in exchange for **MELLINGER III** and PROMOTER 2 continuing to receive a portion of future Service Fees from the Tax Shelter. Thereafter, CRACE and ADVISOR 1 took primary responsibility for operating the Tax Shelter.

36. To conceal their continued involvement in the Tax Shelter, **MELLINGER III** and PROMOTER 2 told clients that the Tax Shelter had closed as of December 31, 2015. They advised clients that a “replacement” was available. In fact, ADVISOR 1 and CRACE continued operating the Tax Shelter by accepting and returning so-called royalty payments via a newly created entity, IPMS-Nevada.

37. After the sale of the Tax Shelter to ADVISOR 1, **MELLINGER III** and PROMOTER 2 provided ADVISOR 1 and CRACE with form agreements, documents, and oral advice to assist ADVISOR 1 and CRACE in continuing to operate the Tax Shelter.

38. After selling the Tax Shelter to ADVISOR 1 in March 2016, **MELLINGER III** and PROMOTER 2 continued to request and receive a share of the fees generated by CRACE and ADVISOR 1’s continued operation of the Tax Shelter through December 2023.

Claiming False Deductions for MELLINGER III's Transfers to IPMS in 2016

39. Although the Conspirators informed their clients in August 2016 that they had closed the Tax Shelter as of December 31, 2015, **MELLINGER III** opened a new bank account in the name of IPMS, LLC in October 2016; and then transferred more than \$290,000 to that account in December 2016. Within days, **MELLINGER III** returned the money he deposited to the new IPMS account to other bank accounts that he controlled.

40. On his 2016 personal and business income tax returns, **MELLINGER III** claimed a total of \$291,600 in false tax deductions arising from the December 2016 transfers to the newly created IPMS, LLC bank account, which he falsely reported to the IRS as expenses for "Royalties."

Overt Acts

41. In furtherance of the conspiracy, at least one of the Conspirators committed and caused to be committed in the Southern District of Mississippi and elsewhere, at least one of the following overt acts, among others, listed below:

Promoting the Tax Shelter

42. In approximately November 2013, **MELLINGER III** promoted the Tax Shelter to husband-and-wife CLIENTS A1 and A2 in the Grand Rapids, Michigan, office of INSURANCE COMPANY 1.

43. Between approximately November and December 2013, **MELLINGER III** travelled to Hattiesburg, Mississippi, and marketed the Tax Shelter to several Pharmacy-Clients.

44. Between approximately December 2013 and December 2015, **MELLINGER III** instructed CLIENT AA, CLIENT R, and CLIENT S that they could participate in the Tax Shelter, notwithstanding their respective disclosures to **MELLINGER III** that they lacked any intellectual property.

45. Between approximately March 19, 2014 and early May 2014, **MELLINGER III** promoted the Tax Shelter to CLIENT HH in the Grand Rapids, Michigan, office of INSURANCE COMPANY 1.

46. Between approximately November 17, 2014 and November 20, 2014, **MELLINGER III** promoted the Tax Shelter to the owner of a dinner theater company.

47. On or around November 23, 2015, **MELLINGER III** emailed an advisor for prospective CLIENT L and stated “[CLIENT L] can get into the structure and shelter the entire \$1m. He would pay \$50,000 to the company to set him up and then on \$1m in payments he would pay a % on a sliding scale.”

48. On or around July 12, 2016, **MELLINGER III** sent an email to ADVISOR 1 and provided suggestions for how to promote the Tax Shelter to a new prospective client.

Calculating the Fake Royalties Necessary to Shelter Income from Federal Taxes

49. On or around December 22, 2014, **MELLINGER III** emailed CLIENT J, “I suggest using this \$1,100,000 to make royalty payments that you can deduct to reduce about \$450,000 in taxes.”

50. On or around December 29, 2015, **MELLINGER III** emailed CRACE about a different client:

What [CLIENT E] is trying to accomplish is paying \$200,000 in taxes total for the feds and state, but no more than this. . . So with a \$300,000 retirement plan contribution how much of a royalty payment does he need to make to drop his total state and fed tax liability to \$200,000 including SE taxes?

51. On or around December 29, 2015, CRACE responded to **MELLINGER III** that CRACE could “put together a ballpark royalty and retirement funding level necessary to drive [CLIENT E’s tax] liabilities down to about \$200,000.”

52. On or around December 29, 2015, **MELLINGER III** sent an email to CLIENT A1 stating that CLIENT A1 would “owe an additional \$436,044 for the year as is. This may be higher than you want (I know you want zero, LOL) so let us know your thoughts on this and we’ll get to work.” At **MELLINGER III**’s request, CRACE subsequently provided A1 with options for how A1 could further lower A1’s tax burden. CRACE wrote:

An additional royalty payment of \$200k, in either cash or note, will lower the Federal balance due to about \$307,000, State tax of \$39,000.

An additional royalty payment of \$400k, in either cash or note, will lower the Federal balance due to about \$225,000, State tax of \$30,000.

Are these the options you are looking for?

53. On or around March 24, 2017, CRACE sent an email to CLIENT A1 stating, “For 2017, I am going to set you up on estimates, but we need to get more aggressive with royalty payments or retirement planning. There are more way[s] to reduce the tax burden if you are willing to write the checks.”

Receiving and Returning Fake Expenses to Tax Shelter clients

54. On or around the dates listed below, the Conspirators and others known and unknown to the grand jury, returned and caused to be returned the money (minus Service Fees) that the Tax Shelter clients had previously transferred to the Conspirators, with each such transfer constituting a separate overt act:

OVERT ACT	DATE MONEY SENT TO TAX SHELTER	AMOUNT SENT TO TAX SHELTER	CLIENT SENDING MONEY TO TAX SHELTER	DATE MONEY RETURNED FROM TAX SHELTER	AMOUNT RETURNED FROM TAX SHELTER	PERSON CONTROLLING RETURNED MONEY
a.	06/19/2019	\$50,000	CLIENT A	06/25/2019	\$48,015	CLIENT A
b.	12/19/2019	\$100,000	CLIENT A	12/26/2019	\$96,030	CLIENT A
c.	12/30/2015	\$241,300	CLIENT E	12/31/2015	\$2,776,301	CLIENT E
	12/30/2015	\$526,660				
	12/30/2015	\$2,065,000				
d.	01/03/2017	\$2,400,000	CLIENT E	01/06/2017	\$2,280,000	CLIENT E

OVERT ACT	DATE MONEY SENT TO TAX SHELTER	AMOUNT SENT TO TAX SHELTER	CLIENT SENDING MONEY TO TAX SHELTER	DATE MONEY RETURNED FROM TAX SHELTER	AMOUNT RETURNED FROM TAX SHELTER	PERSON CONTROLLING RETURNED MONEY
e.	04/21/2015	\$799,109	CLIENT F	04/22/2015	\$783,127	CLIENT F
g.	07/24/2015	\$780,195	CLIENT F	07/28/2015	\$764,591	CLIENT F
h.	11/10/2015	\$509,571	CLIENT F	11/12/2015	\$499,184	CLIENT F
i.	01/02/2015	\$1,000,000	CLIENT J	01/09/2015	\$940,000	CLIENT J
p.	10/08/2015	\$3,104,730	CLIENT J	10/09/2015	\$3,100,100	CLIENT J
q.	01/09/2015	\$120,000	CLIENT S	01/12/2015	\$120,000	CLIENT S
r.	09/24/2015	\$100,000	CLIENT S	09/28/2015	\$100,000	CLIENT S
s.	01/10/2017	\$100,000	CLIENT S	12/19/2017	\$97,020	CLIENT S
t.	01/16/2018	\$100,000	CLIENT S	02/01/2018	\$99,000	CLIENT S
u.	12/23/2014	\$600,000	CLIENT HH	12/26/2014	\$552,000	CLIENT HH
v.	12/23/2015	\$100,000	CLIENT HH	12/24/2015	\$80,000	CLIENT HH
w.	12/30/2014	\$750,000	CLIENT FF	12/31/2014	\$622,380	CLIENT FF
x.	12/30/2015	\$850,100	CLIENT FF	12/31/2015	\$719,185	CLIENT FF

55. On or around the dates listed below, the Conspirators and others known and unknown to the grand jury, caused to be transferred to CLIENT J's Trust Account the money (minus fees) that CLIENT J had previously transferred to the Conspirators, with each such transfer constituting a separate overt act:

OVERT ACT	DATE MONEY SENT TO TAX SHELTER (on or around)	AMOUNT SENT TO TAX SHELTER	CLIENT SENDING MONEY TO TAX SHELTER	DATE MONEY RETURNED FROM TAX SHELTER (on or around)	AMOUNT RETURNED FROM TAX SHELTER	BENEFICIAL OWNER OF TRUST ACCOUNT
a.	06/09/2015	\$2,250,000	CLIENT J	06/10/2015	\$9,500,000	CLIENT J
	06/09/2015	\$3,566,762				
	06/10/2015	\$1,322,866				
	06/10/2015	\$2,860,352				
b.	07/08/2015	\$9,000,000	CLIENT J	07/09/2015	\$8,550,000	CLIENT J
c.	08/28/2015	\$4,570,000	CLIENT J	08/31/2015	\$4,341,500	CLIENT J

Preparing False Tax Returns

56. On or around the dates listed below, **MELLINGER III**, CRACE, and others caused the preparation and filing and aided in the preparation and filing of the following false tax returns, which claimed fraudulent business expense deductions for fake royalty expenses.

OVERT ACT	IRS FORM	TAX SHELTER CLIENT / COMPANY	TAX YEAR	DATE (on or around)	FALSE ROYALTY DEDUCTION
a.	1120-S	COMPANY A	2013	05/05/2014	\$500,000
b.	1120-S	COMPANY A	2014	04/13/2015	\$550,000
c.	1120-S	COMPANY A	2015	03/21/2016	\$305,000
d.	1120-S	COMPANY A	2016	03/27/2017	\$325,000
e.	1120-S	COMPANY A	2017	06/25/2018	\$200,000
f.	1120-S	COMPANY A	2018	02/25/2019	\$190,000
g.	1120-S	COMPANY A	2019	03/23/2020	\$150,000
h.	1120-S	COMPANY A	2020	03/08/2021	\$100,000
i.	1065 (amended)	COMPANY E	2015	01/30/2017	\$3,516,779
j.	1065	COMPANY E	2016	10/16/2017	\$2,425,000
k.	1065	COMPANY F	2015	10/10/2016	\$2,088,676
l.	1065	COMPANY F	2016	09/25/2017	\$401,447
m.	1040	CLIENT J	2014	10/15/2015	\$1,000,000
n.	1040	CLIENT J	2015	10/17/2016	\$19,836,582
o.	1040X	CLIENT S	2014	12/19/2016	\$120,000
p.	1040	CLIENT S	2015	11/21/2016	\$100,000
q.	1040	CLIENT S	2016	11/06/2017	\$100,000
r.	1040	CLIENT S	2017	11/12/2018	\$100,000
s.	1120-S	COMPANY HH	2014	08/13/2015	\$600,000
t.	1120-S	COMPANY HH	2015	08/04/2016	\$100,000
u.	1120-S	COMPANY FF	2014	10/05/2015	\$750,000
v.	1120-S	COMPANY FF	2015	10/03/2016	\$850,100
w.	1040	MELLINGER III	2014	07/06/2015	\$150,000
x.	1040	MELLINGER III	2015	10/05/2016	\$190,000

Concealing the Fraudulent Nature of the Tax Shelter

57. As part of the Tax Shelter, the Conspirators created and caused clients to sign paperwork that purported to substantiate their clients' deductions for so-called royalty payments to IPMS, LLC and IPMS-Nevada, including an "IP Asset Contribution Agreement" and an "Exclusive Use Sublicense Agreement":

OVERT ACT	DATE OF SIGNATURE (on or around)	TAX SHELTER CLIENT
a.	12/12/2013	CLIENTS A1 and A2
b.	12/15/2013	CLIENT E
c.	12/21/2013	CLIENTS F1 and F2
d.	11/30/2014	CLIENT FF
e.	12/20/2014	CLIENT J

58. On or around December 18, 2014, the Conspirators prepared and signed several documents, including an “Exclusive Master Sublicense Agreement” and a “Master License Agreement.” These agreements purported to sublicense intellectual property from IPMSI to IPMS, LLC via two offshore companies controlled by the Conspirators. These agreements, which were backdated to December 2013 (*i.e.*, before the two offshore companies existed), concealed the fact that IPMS, LLC lacked the ability to license revenue-generating intellectual property to Tax Shelter clients.

Undermining Independent Advisors

59. After independent professionals advised CLIENT HH about problems with the Tax Shelter, **MELLINGER III** took steps to convince CLIENT HH to ignore their advice and continue participating in the Tax Shelter. These steps included:

a. On or around January 14, 2015, **MELLINGER III** AND PROMOTER 2 communicated with CLIENT HH’s accounting firm, a major national accounting firm, to try to convince the firm to change its opinion that funds transferred to the Tax Shelter were not legally deductible because, among other reasons, the transaction lacked economic substance.

b. On or around January 19, 2015, after **MELLINGER III** had failed to convince CLIENT HH’s accounting firm to approve the Tax Shelter, CLIENT HH emailed **MELLINGER III**, “It never occurred to me that it would be a problem to defend [the Tax

Shelter] to an accounting firm.” **MELLINGER III** responded to CLIENT HH, “If they chose not to get on board we are happy to refer you to one of the firms that is.”

c. On or around January 26, 2015, **MELLINGER III** encouraged a local CPA with whom **MELLINGER III** had previously worked to prepare CLIENT HH’s tax returns. CLIENT HH subsequently retained the local CPA.

60. On or around March 11, 2014, **MELLINGER III** gave a presentation to promote the Tax Shelter to CLIENT FF and CLIENT FF’s then-CPA firm. Following the presentation, CLIENT FF informed **MELLINGER III** that his CPA firm did not recommend that CLIENT FF participate in the Tax Shelter and would not prepare CLIENT FF’s tax return if he did. Between around December 15, 2014 and April 9, 2015, **MELLINGER III** recommended that CLIENT FF retain CRACE instead, which CLIENT FF did.

The Money Laundering and Tax Investigation

61. Between approximately January 23 and February 1, 2016, PROMOTER 3 and **MELLINGER III** prepared false and misleading written statements about the Tax Shelter to give to the IRS-CI Special Agents investigating the Pharmacy-Clients.

62. On or around January 28, 2016, **MELLINGER III** emailed PROMOTER 3 and discussed plans for **MELLINGER III**’s upcoming February 1, 2016 meeting with IRS-CI Special Agents and noted, “If they move this to an audit, it is no longer a legal battle it is just an audit.” PROMOTER 3 agreed that the goal of the meeting with IRS-CI was “so the argument moves from the structure being illegal to the deductions being or not being ‘reasonable.’” PROMOTER 3 continued: “You have to show with this that you would be a time-consuming nuisance to them when they have other fish to fry because IPMS is tethered to those other fish.”

63. On or around February 1, 2016, **MELLINGER III** met with IRS-CI Special Agents who were investigating several Tax Shelter clients in Mississippi suspected of

committing healthcare fraud. During the meeting, **MELLINGER III** provided materially false and misleading oral and written representations about the Tax Shelter, including:

- a. A determination is made annually as to how much the Intellectual Property contributed to the gross revenue that clients generated.
- b. Clients' royalty payments are reasonable and tied to their licensing agreements.
- c. The independent research of every client's own tax counsel agreed with and approved the use of this structure and its compliance with all applicable U.S. laws.

64. On or around March 14, 2016, **MELLINGER III**, PROMOTER 2, and PROMOTER 3 prepared and transmitted to the Department of Justice several materially false and misleading statements, including:

- a. "The criteria for accepting clients to participate in this structure is specific, written, comprehensive and is adhere[d] to for all clients."
- b. "Since implementing this structure in 2013 we have rejected numerous potential clients[, including a] dinner theater owner that created scripts for his dinner theater shows but the scripts were actually borrowed from many different sources and not unique works."

65. On or around October 25, 2018, **MELLINGER III** made materially false and misleading written and oral representations to the IRS-CI Special Agent in Mississippi who was investigating the Tax Shelter, including that:

- a. **MELLINGER III** never instructed clients on the amount of so-called royalties to transfer to IPMS, LLC.
- b. There were a number of reasons beyond the tax benefits that clients entered into the Tax Shelter, and
- c. The Tax Shelter had ended by January 1, 2016.

66. To create the false appearance that **MELLINGER III** and PROMOTER 2 were no longer connected to the Tax Shelter, the Conspirators engaged in the following:

a. Between approximately January 27 and March 3, 2016, **MELLINGER III** negotiated the sale to ADVISOR 1 of the Tax Shelter and other tax strategies that **MELLINGER III** and PROMOTER 2 had designed, created, and operated.

b. To induce ADVISOR 1 to purchase the Tax Shelter, **MELLINGER III** made incomplete and misleading statements to create the false impression that the IRS had agreed that the Tax Shelter was not likely to be subject to a criminal investigation.

c. On or around February 22, 2016, CRACE sent an email to **MELLINGER III** and ADVISOR 1 stating:

I think I have developed a strategy for my role in these entities and am glad to run it by you guys the AM.

[. . .]

We are all friends and I still think there is a lot more money to be made down the road. SO, these are just some initial thoughts.

d. On or around March 3, 2016, CRACE (as the trustee of ADVISOR 1's trust, Desert Springs Trust) and PROMOTER 2 (operating through PROMOTER 2's Irrevocable Trust) executed a "Sale of LLC Interest and Intellectual Property Agreement" (the "March 2016 Sale Agreement"). In exchange for a share of future profits (up to \$3 million), Desert Springs Trust agreed to purchase, among other things, "the rights to the name and all Intellectual property and contracts owned by Intellectual Property Management Services, LLC."

e. On or around August 30, 2016, the Conspirators sent an email to Tax Shelter clients that notified them that they were supposedly closing the Tax Shelter. The email stated, in part:

However you are not abandoned! (Read below) What does this mean to you? (THERE IS A REPLACEMENT AVAILABLE) It means that the IP management and associated tax structure that was provided by us is no longer available as of 1/1/16.

...

The group that has taken over in this buyout has a very similar structure (all onshore with no offshore complications) that you can

plug into if you desire to continue to have your IP managed and used in the most tax effective manner allowed under the law.
Should you desire to talk with this group please let me know and I will setup a call and make the transition as smooth as possible.

(formatted as in original)

f. On or around December 26, 2016, **MELLINGER III** sent an email to CLIENT E and ADVISOR 1 stating, “We would like to schedule a very brief call to introduce you to [ADVISOR 1] as he will be the one handling the IP for you, along with Jason Crace.”

g. On or around January 26, 2017, **MELLINGER III** provided suggested changes to paperwork (namely, the “IPMS Nevada LLC – Business Exclusive Use Sublicense Agreement”) that ADVISOR 1 could use to create the appearance that clients continuing with the Tax Shelter were paying deductible royalty expenses in the operation of their businesses.

MELLINGER III’s Profits from the Tax Shelter

67. The Conspirators caused their Tax Shelter clients to sign “Intellectual Property Fee Schedule Disclosures,” which set forth the “Service Fee” that Tax Shelter clients would need to pay IPMS, LLC or IPMS-Nevada based on the size of the so-called royalty collected by the Conspirators (and later returned and deducted), including:

a. A December 28, 2013 fee schedule signed by CLIENT F1 and CLIENT F2:

Royalties Collected	Amount
\$100,000 - 150,000	Minimum \$20,000 or 15% whichever is larger.
\$150,001 - 300,000	12%
\$300,001 - 500,000	10%
\$500,001 - 750,000	8%
\$750,001 - 1,000,000	6%
\$1,000,001 - 3,000,000	4%
\$3,000,001 +	2%

b. A December 30, 2016 fee schedule signed by CLIENT E:

Royalties Collected	Amount
\$100,000 - 250,000	Minimum \$20,000 or 15% whichever is larger.
\$250,001 - 400,000	12%
\$400,001 - 600,000	10%
\$600,001 - 850,000	8%
\$850,001 - 1,100,000	6%
\$1,100,001 +	5%

68. On or around December 30, 2014, **MELLINGER III** emailed CLIENT AA and the client's accountant and instructed: "Please write two checks, one for the 4% fee (\$5,600) and the other check for [CLIENT AA's] series LLC in the amount of \$134,400 and make sure they are dated 12/31/2014."

69. On or around December 30, 2014, **MELLINGER III** emailed CLIENT E and his accountant:

\$1,400,000 total puts you at the 4% fee level. \$20,000 was paid previously so . . . net amount due of \$36,000. . . please cut checks to us and [CLIENT E's] Series LLC all dated 12/31/14.

70. On or around January 14, 2017, CRACE emailed **MELLINGER III** for guidance about where to transfer the portion of the 2016 Tax Shelter fees earned from CLIENT E that was due under the March 3, 2016 sale agreement:

Per [ADVISOR 1], he is splitting the 5% IPMS fee on [CLIENT E]'s \$2.5 M in royalties. I have it allocated and ready to go. How do you want that disbursed?

Wired to trust account like the loan payments?

Check to you or one of your other entities?

Later that day, **MELLINGER III** responded: "All to the trust please. Thanks."

71. On or around December 24, 2019, CRACE emailed ADVISOR 1 and stated that the Desert Springs Trust owed PROMOTER 2 and **MELLINGER III** an additional \$42,486.15, which included \$3,000 arising from CLIENT A's so-called royalty payment of \$100,000.

72. On or around December 14, 2021; January 14, 2022; and January 18, 2022, **MELLINGER III** emailed CRACE to ask about the payment of fees due under the March 2016 Sale Agreement.

73. On or around February 17, 2023 and December 1, 2023, PROMOTER 2 emailed CRACE and others and requested an update for when to expect payment of fees due under the March 2016 Sale Agreement.

74. To conceal his role in (and profit from) the Tax Shelter, **MELLINGER III** directed his Tax Shelter clients to pay fees to IPMS, LLC, which was ostensibly managed by PROMOTER 2, and then between approximately February 5, 2014 and February 23, 2016, **MELLINGER III** transferred approximately \$3 million in Tax Shelter Service Fees from the IPMS, LLC Account to E*TRADE investment accounts for the benefit of **MELLINGER III** and his family.

75. To conceal his profits from the Tax Shelter, **MELLINGER III** directed his Tax Shelter clients to pay fees to IPMS, LLC, which was ostensibly managed by PROMOTER 2, and then between approximately August 28, 2015, and September 11, 2015, **MELLINGER III** used a portion of the Tax Shelter Service Fees from IPMS, LLC to purchase a home on Lost Creek Lane in Delray Beach, Florida.

Claiming False Deductions for MELLINGER III's Transfers to IPMS in 2016

76. On or around October 13, 2016, which was *after* the Conspirators claimed to have closed down the Tax Shelter, **MELLINGER III** opened a new bank account (ending in x-4356) at Lake City Bank in the name of Intellectual Property Mgmt LLC using the same taxpayer identification number assigned to IPMS (“the New IPMS Account”).

77. On or around December 14, 2016, **MELLINGER III** transferred \$161,600 by check from an account in the name of Advanced Financial Strategies, a company he owned, to the New IPMS Account. The check's memo line included the notation, "2016 royalties."

78. On or around December 22, 2016, **MELLINGER III** transferred \$135,000 of the \$161,600 he had deposited into the New IPMS Account to his personal account at JPMorgan Chase Bank (ending in x-0691).

79. On or around December 23, 2016, **MELLINGER III** signed a \$130,000 check made out to IPMS, LLC, which included the notation "2016 Royalties" on the memo line. On or around December 27, 2016, **MELLINGER III** deposited the aforementioned check into the New IPMS Account.

80. On or around December 28 and 29, 2016, **MELLINGER III** transferred a total of \$200,000 to an E*TRADE account (ending x-0649) that he controlled in the name of STM III QP Holdings, LLC.

81. On or around July 10, 2017, **MELLINGER III** filed Advanced Financial Strategies' 2016 Form 1120-S with the IRS that fraudulently claimed a false \$161,600 deduction for "Royalties," which was for the money that he transferred to the New IPMS Account in December 2016.

82. On or around October 5, 2017, **MELLINGER III** filed his 2016 Form 1040 with the IRS that fraudulently claimed a false \$130,000 deduction for "Royalties," which was for the money that he transferred to the New IPMS Account in December 2016.

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

COUNTS 2 – 6

(Aiding and Assisting in the Preparation of False Tax Returns – **MELLINGER III**)
26 U.S.C. § 7206(2)

83. The allegations contained in paragraphs 1-14; and 18-40; and 42-82 of this Indictment are incorporated and re-alleged.

84. On or around the following dates, in the Southern District of Mississippi and elsewhere, the defendant, **STEPHEN T. MELLINGER III**, willfully aided and assisted in, and procured, counseled, and advised, the preparation and presentation of personal income tax returns (IRS Forms 1040), and Partnership returns (Forms 1065) for the following Tax Shelter Clients, which the defendant knew were false and fraudulent as to material matters, including, among other false items:

COUNT	IRS FORM	TAX SHELTER CLIENT	TAX YR.	DATE	FALSE ITEM(S)
2	1065	CLIENTS F1 & F2	2016	9/05/2017	Total Deductions, Line 21 Ordinary Business Income (loss), Line 22
3	1040	CLIENTS F1 & F2	2016	10/09/2017	Total Income, Line 22 Supplemental Income and Loss, Line 17 Total income or (loss), Line 41 (Schedule E)
4	1065	CLIENT E	2016	9/13/2017	Total Deductions, Line 21 Ordinary Business Income, Line 22
5	1040	CLIENT E	2016	10/16/2017	Total Income, Line 22 Supplemental Income and Loss, Line 17 Total income or (loss), Line 41 (Schedule E)
6	1040X	CLIENT J	2015	07/01/2017	Taxable Income, Line 5

All in violation of 26 U.S.C. § 7206(2).

COUNT 7

(Conspiracy to Commit Wire Fraud – **MELLINGER III**)
18 U.S.C. § 1349

85. The allegations contained in paragraphs 1-14; and 18-40; and 42-82 of this Indictment are incorporated and re-alleged.

General Allegations

86. Private Investment Partners, LLC was a domestic limited liability company registered in the State of Indiana on or around October 18, 2010. At the time of incorporation, Private Investment Partners, LLC listed PROMOTER 2 as a member and registered agent. PROMOTER 2 was also the President of record.

87. The underlying healthcare fraud scheme in Mississippi (and elsewhere), from which the Pharmacy-Clients obtained most of the monies that they subsequently transferred to **MELLINGER III** and PROMOTER 2 because they did not want to pay taxes on the illegally earned income, was a scheme to defraud health care benefit programs such as TRICARE, which was a healthcare program of the United States Department of Defense Military Health System.

88. The Pharmacy-Clients obtained millions of dollars from health care benefit programs through their fraudulent scheme and transferred some of the proceeds of that healthcare fraud scheme to **MELLINGER III** and PROMOTER 2 and entities controlled by them, to evade paying taxes on their fraud proceeds, and to illegally shelter such proceeds from income tax.

89. On or around January 21, 2016, the United States Government (“Government”) executed search and seizure warrants on the Pharmacies and on bank accounts and properties owned and operated by the Pharmacy-Clients and others as part of the healthcare fraud, and seized proceeds of the healthcare fraud scheme held in those accounts.

90. As of January 21, 2016, the Government had not yet seized funds then held in CLIENT J’s Trust Account (ending in x-7094) at Wells Fargo and the funds then held in the IPMS, LLC Account (ending in x-6883) at First Source Bank; PROMOTER 2 had signature authority over both accounts, which contained healthcare fraud proceeds.

91. On or around January 21, 2016, **MELLINGER III** and PROMOTER 2 learned of the Government's investigation of their Pharmacy-Clients in a healthcare fraud scheme in Mississippi. They further learned that the Government had seized some of Pharmacy-Clients' accounts in connection with the investigation.

92. On or around January 21, 2016, **MELLINGER III** and PROMOTER 2 devised a scheme and conspiracy to defraud several of the Pharmacy-Clients of their funds that had been transferred to **MELLINGER III** and PROMOTER 2. **MELLINGER III** and PROMOTER 2 conspired to convert some of the healthcare fraud proceeds to **MELLINGER III** and PROMOTER 2's own use through materially false and fraudulent representations and through the concealment of material facts from those Pharmacy-Clients. Those healthcare fraud proceeds, once converted, also became proceeds of **MELLINGER III** and PROMOTER 2's fraud scheme and conspiracy.

93. **MELLINGER III** and PROMOTER 2 used interstate wires and caused interstate wires to be used for the purpose of executing their conspiracy and scheme to defraud.

STATUTORY ALLEGATIONS

94. Beginning on or around January 21, 2016, and continuing through at least September 25, 2023, the exact dates being unknown to the Grand Jury, in the Southern District of Mississippi and elsewhere, **MELLINGER III** and PROMOTER 2 knowingly conspired with each other, and other persons and entities known and unknown to the Grand Jury, to devise and participate in a scheme and artifice to defraud several Pharmacy-Clients, and to obtain money and property from those Pharmacy-Clients all by means of materially false and fraudulent pretenses, representations and promises, and to transmit and cause to transmit by means of wire, radio and television communication in interstate and foreign commerce, writings, signs, signals,

pictures and sounds for the purpose of executing such scheme and artifice, in violation of Title 18, United States Code, Section 1343.

Objects of the Conspiracy

95. It was the object and purpose of the conspiracy for **MELLINGER III** and PROMOTER 2 to defraud and conceal from several Pharmacy-Clients that such healthcare fraud funds were in existence and that **MELLINGER III** and PROMOTER 2 had misappropriated them.

Manner and Means

96. **MELLINGER III** and PROMOTER 2 defrauded their clients by stealing the healthcare fraud proceeds that some Pharmacy-Clients previously transferred to **MELLINGER III**, PROMOTER 2, and entities under their control; to facilitate investment and further their participation in the Tax Shelter.

97. **MELLINGER III** and PROMOTER 2 concealed from several Pharmacy-Clients that such funds were in existence and that **MELLINGER III** and PROMOTER 2 had misappropriated such funds.

98. **MELLINGER III** and PROMOTER 2 concealed and attempted to conceal some of the fraud proceeds by creating false loan agreements and other loan documents to obscure the whereabouts, control, and availability of the fraud proceeds.

99. **MELLINGER III** and PROMOTER 2 assisted in the preparation and filing of false tax returns and other documents (including, without limitation, Forms 1065 and Forms K1) for Private Investment Partners, LLC to obscure the whereabouts, control, and availability of the fraud proceeds.

100. **MELLINGER III** and PROMOTER 2 made materially false and fraudulent statements concerning, among other things, the whereabouts, control, and availability of these

funds to several Pharmacy-Clients, representatives of those Pharmacy-Clients, and Government agents.

101. **MELLINGER III** and PROMOTER 2 used interstate wires and caused interstate wires to be used for the purpose of executing their conspiracy and scheme to defraud.

Overt Acts in Furtherance

102. On or around the dates specified below, for the purpose of executing the scheme and artifice to defraud, and attempting to do so, **MELLINGER III** and PROMOTER 2 did knowingly effectuate the following acts, which include transmitting and causing to be transmitted, by means of wire communications in interstate and foreign commerce, writings, signals, pictures, and sounds, each of which constitutes a separate act in furtherance of the scheme:

WIRE / ACT	DATE (on or around)	WIRE COMMUNICATION AND OTHER ACTS
a.	1/22/2016	During a phone call with CLIENT E, MELLINGER III knowingly made misleading statements falsely indicating that the Government seized all of CLIENT E's funds.
b.	1/22/2016	During a phone call with CLIENT J, wherein CLIENT J told MELLINGER III that he/she needed money for his/her legal defense, MELLINGER III knowingly made misleading statements falsely indicating that the Government seized all of CLIENT J's funds.
c.	1/29/2016	In response to an email from Client F1 asking whether check #8047 had cleared, MELLINGER III emailed CLIENT F1: ". . . I do not know if the check cleared, but if it did it [sic] that account was frozen as well." Check #8047 had, in fact, been successfully deposited into the IPMS, LLC Account (ending in x-6883) at First Source Bank on or around January 15, 2016.
d.	7/18/2016	MELLINGER III and PROMOTER 2 prepared and caused to be prepared (and PROMOTER 2 signed) a "Private Investment Partners, LLC Subscription Agreement" in which PROMOTER 2, as the trustee of the [CLIENT J] Irrevocable Trust, purports to purchase \$1,445,000 worth of "units" in Private Investment Partners, LLC.
e.	7/29/2016	Email from MELLINGER III to CLIENT J, containing a list of assets and accounts and a "seizure list," which omitted the \$1,445,000 that was transferred on or around July 21, 2016, from CLIENT J's Trust account (ending in x-2163) at E*TRADE to Private Investment Partners' account (ending in x-4652) at Wells Fargo.
f.	12/26/2017	MELLINGER III and PROMOTER 2 prepared and caused to be prepared a

		fake loan agreement backdated to July 26, 2016, in which the [CLIENT J] Irrevocable Trust purported to loan \$1,445,000 to Private Investment Partners.
g.	12/28/2017	MELLINGER III and PROMOTER 2 prepared and caused to be prepared a fake loan agreement backdated to September 6, 2017, in which Private Investment Partners purported to loan \$800,000 to Sterling Property Management Group, LLC. Sterling Property was a management property company that listed MELLINGER III as both agent and manager.
h.	2/24/2022	Email from MELLINGER III to CRACE that included a list of all the partners of Private Investment Partners. The list MELLINGER III emailed included CLIENT J's trust, which previously contained CLIENT J's healthcare fraud proceeds. This email was an interstate wire in furtherance of the scheme.
i.	3/14/2022	MELLINGER III used the Internet to access the Public Access to Court Electronic Records ("PACER") for case number 2:18-CR-00030-KS-MTP and viewed a Writ of Garnishment filed for CLIENT J's life insurance annuity. This transmission was an interstate wire in furtherance of the scheme.
j.	3/14/2022	Email from MELLINGER III to CRACE which included a PDF of "the revised and year-end financials for Private Investment Partners." The PDF MELLINGER III emailed included a balance sheet for Private Investment Partners that listed the CLIENT J Trust as having \$1,445,000 in equity, which corresponded to the amount of healthcare fraud proceeds initially withdrawn from CLIENT J's trust and later laundered by MELLINGER III and PROMOTER 2.
k.	3/14/2022	PROMOTER 2 signed and caused to be signed a "Company Resolution to Settle Debt," which was backdated to January 17, 2021, that purported to authorize Private Investment Partners to forgive the unpaid balance of the fake \$800,000 loan from Private Investment Partners to Sterling Property Management Group, LLC in exchange for a one-time payment of \$50,000.
l.	3/14/2022	MELLINGER III and PROMOTER 2 signed ("effective" January 17, 2022) a backdated "Debt Settlement Agreement" in which Private Investment Partners purported to forgive the fake \$800,000 loan and \$121,003.18 of deferred interest that Sterling Property Management Group, LLC purportedly owed.

All in violation of Title 18, United States Code, Section 1349.

COUNT 8

(Conspiracy to Commit Money Laundering – **MELLINGER III**)
18 U.S.C. § 1956(h)

103. The allegations contained in paragraphs 1-14; 18-40; 42-82; 86-93; and 96-102 of this Indictment are incorporated and re-alleged.

STATUTORY ALLEGATIONS

104. From on or around January 21, 2016, and continuing through on or around February 7, 2022, the exact dates being unknown to the Grand Jury, within the Southern District of Mississippi, and elsewhere, **MELLINGER III** and PROMOTER 2 knowingly conspired with each other and with other persons and entities known and unknown to the Grand Jury to commit money laundering offenses against the United States in violation of Title 18, United States Code, Sections 1956 and 1957, specifically:

a. To conduct and attempt to conduct financial transactions affecting interstate commerce and foreign commerce, which transactions involved the proceeds of specified unlawful activity, that is, wire fraud and healthcare fraud in violation of Title 18, United States Code, Sections 1343, 1347, and 1349, knowing that the transactions were designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of specified unlawful activity, and knowing, while conducting and attempting to conduct such financial transactions, that the property involved in the financial transactions represented the proceeds of some form of unlawful activity, in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i); and

b. To knowingly engage and attempt to engage in a monetary transaction in criminally derived property of a value greater than \$10,000, said property being derived from specified unlawful activity, in violation of Title 18, United States Code, Section 1957.

Objects of the Conspiracy

105. It was a part, object, and purpose of the conspiracy to conceal and disguise the nature, location, source, ownership and control of the healthcare fraud and wire fraud proceeds from several Pharmacy-Clients.

106. It was further a part, object, and purpose of the of the conspiracy to engage in monetary transactions over \$10,000 of property that was derived from specified unlawful activity.

Manner and Means

107. The manner and means used to accomplish the objectives of the conspiracy included, among others, the following.

108. **MELLINGER III** and PROMOTER 2 engaged and conspired to engage in financial and monetary transactions that affected interstate commerce.

109. **MELLINGER III**, PROMOTER 2, and a close family member opened and caused the opening of bank accounts in their own names and in the names of nominees and trusts.

110. **MELLINGER III** and PROMOTER 2 used IPMS, LLC; Private Investment Partners, LLC, Sterling Property Management Group LLC (“Sterling Property”), Charitable Planning Consultants LLC (“Charitable Planning Consultants”), Powered By The Sun LLC (“Powered By The Sun”), and Powered By The Sun II LLC (“Powered By The Sun II”), to conduct financial and monetary transactions in furtherance of their money laundering conspiracy.

Acts in Furtherance

111. **MELLINGER III** and PROMOTER 2 caused the following bank accounts, among others, to be opened and used to conduct financial transactions that involved more than \$10,000 of healthcare fraud and wire fraud proceeds in furtherance of the money laundering conspiracy:

ACT	WIRE COMMUNICATION AND OTHER ACTS
a.	E*TRADE account (ending in x-2163)
b.	Wells Fargo account (ending in x-4652)
c.	Wells Fargo account (ending in x-5310)
d.	Wells Fargo account (ending in x-5182)

e.	SunTrust Bank account (ending in x-9448)
f.	SunTrust Bank account (ending in x-8212)
g.	SunTrust Bank account (ending in x-8196)
h.	SunTrust Bank account (ending in x-0347)
i.	SunTrust Bank account (ending in x-0388)
j.	Goldman Sachs account (ending in x-6797)
k.	Goldman Sachs account (ending in x-1736)
l.	E*TRADE account (ending in x-1907)
m.	E*TRADE account (ending in x-4468)

112. On or around February 6, 2016, **MELLINGER III** caused to be opened an account in the name of The Stephen T. Mellinger III 2010 Irrevocable Trust at E*TRADE (ending in x-4468) and caused the transfer of fraud proceeds through the account that, in part, originated from the Pharmacy-Clients. A close family member of **MELLINGER III** was the trustee on the account.

113. On or around February 18, 2016, **MELLINGER III** caused to be opened an account in the name of The MTCRJ Irrevocable Trust (ending in x-1907) at E*TRADE and caused the transfer of fraud proceeds through the account that, in part, originated from the Pharmacy-Clients. A close family member of **MELLINGER III** was the trustee on the account.

114. On or around February 23, 2016, **MELLINGER III** caused the transfer of \$1,072,500 from the E*TRADE account in the name of The Stephen T. Mellinger III 2009 Irrevocable Trust (ending in x-4468) to the E*TRADE account in the name of The MTCRJ Irrevocable Trust (ending in x-1907), which contained fraud proceeds that, in part, originated from the Pharmacy-Clients. The movement of fraud proceeds on or around February 23, 2016, was a financial transaction that affected interstate commerce and expended over \$10,000 in illicit proceeds.

115. On or around August 30, 2017, **MELLINGER III** opened and caused to be opened an account in the name of Sterling Property at SunTrust Bank ending in x-8212, on

which **MELLINGER III** was the sole signer, and caused the transfer of fraud proceeds through the account that, in part, originated from several Pharmacy-Clients.

116. On or around December 5, 2017, **MELLINGER III** caused the transfer of \$76,000 via check from the account in the name of Sterling Property at SunTrust (ending in x-8212) to a realty escrow account. The movement of fraud proceeds on or around December 5, 2017, was a financial transaction that affected interstate commerce and expended over \$10,000 in illicit proceeds.

117. On or around December 15, 2017, **MELLINGER III** caused the transfer of \$685,274.47 from the account in the name of Sterling Property at SunTrust (ending in x-8212) to a law firm. The movement of fraud proceeds on or around December 15, 2017, was a financial transaction that affected interstate commerce and expended over \$10,000 in illicit proceeds.

118. On or around December 15, 2017, **MELLINGER III** caused his nominee, Sterling Property, to purchase a residential property located at 16574 Gateway Bridge Drive Delray Beach, Florida 33446 with fraud proceeds that, in part, originated from one or more Pharmacy-Clients. The purchase price was approximately \$761,000.

119. On or around October 29, 2018, **MELLINGER III** opened an account at Goldman Sachs (ending in x-1736) and transferred through the account fraud proceeds that, in part, originated from one or more Pharmacy-Clients.

120. On or around November 3, 2018, **MELLINGER III** opened an account at Goldman Sachs (ending in x-7259) and transferred through the account fraud proceeds that, in part, originated from one or more Pharmacy-Clients.

121. On or around October 29, 2020, **MELLINGER III** transferred \$293,172.77 from the account at Goldman Sachs (ending in x-1736) to an account in the name of **MELLINGER III** at Goldman Sachs (ending in x-7259), which contained fraud proceeds that, in part,

originated from one or more Pharmacy-Clients. The movement of fraud proceeds on or around October 29, 2020, was a financial transaction that affected interstate commerce and expended over \$10,000 in illicit proceeds.

122. On or around February 7, 2022, Sterling Property transferred 16574 Gateway Bridge Drive Delray Beach, Florida 33446 to **MELLINGER III** and **MELLINGER III**'s close family member via quit claim deed.

All in violation of Title 18, United States Code, Section 1956(h).

COUNTS 9 – 10
 (Concealment Money Laundering – **MELLINGER III**)
 18 U.S.C. § 1956(a)(1)(B)(i).

123. The allegations contained in paragraphs 1 through 14; 18-40; 42-82; 86-93; 96-102; and 108-122 of this Indictment are incorporated and re-alleged.

124. On or around the dates set forth below, within the Southern District of Mississippi, and elsewhere, the defendant, **MELLINGER III**, did knowingly conduct and attempt to conduct the following financial transactions affecting interstate commerce, which involved the proceeds of specified unlawful activity, that is the healthcare fraud scheme described and alleged above, and wire fraud scheme described and alleged above, knowing that:

- (a) the transactions were designed in whole and in part to conceal and disguise the nature, location, source, ownership, and control of the proceeds of said specified unlawful activity; and
- (b) the property involved in the financial transactions represented the proceeds of some form of unlawful activity.

COUNT	DATE (on or around)	SUMMARY DESCRIPTION
9	October 29, 2020	\$293,172.77 was transferred from MELLINGER III 's Goldman Sachs account (ending x-1736) to MELLINGER III 's Goldman Sachs account (ending in x-7259).

10	February 7, 2022	Sterling Property, a company owned and operated by MELLINGER III , transferred 16574 Gateway Bridge Drive Delray Beach, Florida 33446 to MELLINGER III and MELLINGER III 's close family member via quit claim deed.
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All in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i).

NOTICE OF INTENT TO SEEK CRIMINAL FORFEITURE

125. Pursuant to Fed. R. Crim. P. 32.2(a), **MELLINGER III** is hereby notified that upon conviction of conspiracy to commit wire fraud in violation of Title 18, United States Code, Section 1343 and 1349, set forth in Count 7 of the Indictment, **MELLINGER III**, shall forfeit to the United States of America, pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the offense(s). The property to be forfeited includes, but is not limited to:

a. Funds in Goldman Sachs account ending in x-7259, an account in the name of Stephen T. **MELLINGER III**;

b. Funds in E*TRADE Account number ending x-1907, an account in the name of M.L.M., and

c. 16574 Gateway Bridge Drive, Delray Beach, Florida 33446, titled to Stephen T. **MELLINGER III** and M.L.M; and

d. A sum of money equal to the proceeds derived from the offense(s).

126. Pursuant to Fed. R. Crim. P. 32.2(a), **MELLINGER III** is hereby further notified that upon conviction of the offense in violation of Title 18, United States Code, Section 1956(h), set forth in Count 8 of this indictment, and Title 18, United States Code, Section 1956(a)(1)(B)(i), set forth in Counts 9 and 10 of this Indictment, the defendant **MELLINGER III** shall forfeit to the United States of America, pursuant to Title 18, United States Code,

Section 982(a)(1), any property, real or personal, involved in such offense, and any property traceable to such property, including, but not limited to:

a. Funds in Goldman Sachs Account ending in x-7259, an account in the name of Stephen T. **MELLINGER III**;

b. Funds in E*TRADE Account number ending in x-1907, an account in the name of M.L.M., and

c. 16574 Gateway Bridge Drive, Delray Beach, Florida 33446, titled to Stephen T. **MELLINGER III** and M.L.M.; and

d. A sum of money equal to the value of the property involved in the offense(s).

127. If any of the property described above, as a result of any act or omission by a defendant: cannot be located upon the exercise of due diligence; has been transferred or sold to, or deposited with, a third person; has been placed beyond the jurisdiction of the Court; has been substantially diminished in value; or has been commingled with other property which cannot be subdivided without difficulty, the United States of America shall be entitled to forfeiture of substitute property, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c) and Title 28, United States Code, Section 982(b)(1).


for **TODD W. GEE**
United States Attorney


A TRUE BILL:
s/Signature Redacted

Foreperson of the Grand Jury

This Indictment was returned in open court by the foreperson or deputy foreperson of the Grand Jury on this the 25th day of September 2024.


UNITED STATES MAGISTRATE JUDGE