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LOS ANGELES ACCOUNTANT PLEADS GUILTY TO TAX CRIMES RELATED TO HAWAII CLIENTS

HONOLULU – Dennis Duban, a Los Angeles-based accountant and tax return preparer, pleaded guilty to conspiracy to defraud the Internal Revenue Service (IRS) and assisting in the filing of a false federal income tax return before U.S. District Court Judge Leslie E. Kobayashi in Honolulu, Hawaii. Duban was previously scheduled to begin trial on October 2, 2012.

Florence T. Nakakuni, United States Attorney for the District of Hawaii, said that Duban faces maximum penalties of up to five years imprisonment for the conspiracy charge and up to three years imprisonment for the false return count, along with fines of up to \$250,000 on each count, when he is sentenced on April 18, 2013.

- Duban was a Certified Public Accountant who ran an accounting firm called Duban Sattler and Associates, LLP (formerly Duban Accountancy, LLP), in Los Angeles, California. Duban provided accounting and tax planning services to Hawaii residents Charles Alan Pflueger, James Pflueger, and some of the Hawaii-based entities they controlled, including Pflueger, Inc. and Pflueger Properties.

- Beginning as early as 2003, Duban knew that personal expenses of Pflueger, Inc. owner Charles Alan Pflueger were being paid for by Pflueger, Inc. and illegally deducted on corporate income tax returns as business expenses. Duban also knew that some personal expenses of another co-defendant were being paid for and illegally deducted by Pflueger, Inc.

- In preparing tax returns for Charles Alan Pflueger and another co-defendant from at least 2003 to 2006, Duban did not include as additional items of income all personal expenses of which he was aware were paid for by Pflueger, Inc. and constituted income to the taxpayers.

- In connection with the 2007 sale of Hacienda, a San Diego, California investment property owned by Pflueger Properties, Duban agreed with another co-defendant to file a false Pflueger Properties 2007 partnership income tax return and false individual income tax return which falsely reported the gain on the sale of the property, which sold for \$27,500,000. In particular, Duban reported the basis of Hacienda as approximately \$7 million higher than its actual basis.

- Prior to the sale of the Hacienda property, Duban and others assisted the same co-defendant in creating a nominee Cook Islands trust and opening a bank account at Wegelin Bank in Switzerland in the name "Southpac Trustee International, Inc., as Trustee of the Vista Pacifica Trust." Proceeds of the Hacienda sale, over \$14 million, were sent to the Wegelin account. Duban and a New York-based firm served as investment managers for the account. Duban and the co-defendant did not timely report the co-defendant's beneficial interest in the Swiss account on Schedule B of a Form 1040 individual income tax return or by filing a Report of Foreign Bank Account ("FBAR").

- Duban had an interest in other foreign bank accounts that he failed to properly report to the government. For at least 2006 and 2007, Duban failed to report his interest in at least one New Zealand account, held in the name of Lookout Point Limited, on Schedule B of his individual income tax returns or by filing an FBAR.

As part of the plea agreement filed in connection with his guilty plea, Duban admitted that the tax loss associated with his criminal conduct is at least \$1 million. He agreed to pay a 50 percent penalty for the one year with the highest balance in his undisclosed New Zealand accounts in order to resolve his civil liability for failing to file FBARs, Forms TD F 90-22.1.

In May 2012, Charles Alan Pflueger, Randall Kurata, and Julie Kam, who were charged in the same indictment, pleaded guilty to filing false tax returns regarding improper payments of personal expenses by Pflueger, Inc. and another entity. The remaining defendant charged in the indictment, James Pflueger, is currently set for trial before Judge Kobayashi on February 12, 2013.

The indictment resulted from an investigation conducted by IRS - Criminal Investigation. Assistant United States Attorney Leslie E. Osborne, Jr. and Tax Division Trial Attorneys Timothy J. Stockwell and Dennis R. Kihm, handled the prosecution.

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