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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA  
May 1990 Grand Jury

UNITED STATES OF AMERICA,  
Plaintiff,

v.

ROBERT A. MORALES, SR. (1),  
Defendant.

Criminal Case No. 91-0449-GT

I N D I C T M E N T  
(Superseding)

Title 18, U.S.C., Sec. 201 -  
Official Corruption; Title 18,  
U.S.C., Sec. 371 - Conspiracy;  
Title 18, U.S.C.,  
Sec. 1956(a)(1) - Laundering  
Monetary Instruments; Title 18,  
U.S.C., Sec. 1956(a)(3) -  
Laundering Purported Drug  
Proceeds; Title 26, U.S.C.,  
Sec. 7201 - Tax Evasion;  
Title 26, U.S.C., Sec. 7206(1) -  
False Return; Title 26, U.S.C.,  
Sec. 7206(2) - Assisting in  
Preparation of False Tax Return;  
Title 18, U.S.C., Sec. 2 -  
Aiding and Abetting

The grand jury charges:

Count 1

INTRODUCTORY ALLEGATIONS

1. Article 1, Section 8 of the Constitution of the United States grants the Federal Government the "Power to lay and collect

1 through the 16th Amendment which approves the institution of a  
2 federal income tax. Pursuant to this taxing power, the Department  
3 of the Treasury is authorized to collect and monitor the collection  
4 of income taxes. The Internal Revenue Service (hereinafter  
5 referred to as the "IRS") is an agency of the Department of  
6 Treasury specifically assigned this task.

7 2. At all times relevant hereto, defendant ROBERT A.  
8 MORALES, SR. (hereinafter generally referred to as "MORALES, SR."),  
9 a resident of El Cajon, California, was employed by the IRS as a  
10 Revenue Agent. In this capacity, he routinely conducted audits of  
11 various taxpayers in San Diego and Imperial counties to determine  
12 if their returns were in compliance with Internal Revenue laws.

13 3. As a Revenue Agent, defendant MORALES, SR. was required  
14 to examine and audit individual, business, partnership and  
15 corporate tax returns. The purpose of such examinations and audits  
16 was to determine a taxpayer's correct Federal tax liability.

17 4. In performing this function, defendant MORALES, SR. was  
18 responsible for, among other things, reviewing assigned tax returns  
19 to determine if they had audit potential. In making this decision,  
20 he was required to perform pre-audit analyses of these returns in  
21 order to determine which ones were most likely to result in  
22 revealing any additional tax liability.

23 5. When a Revenue Agent determines that a complete audit is  
24 not likely to result in additional tax, IRS policy and procedures  
25 allow the Revenue Agent to "survey" the return. This results in  
26 the case being closed without any adjustment of the tax due and the  
27 file being returned to the appropriate IRS Service Center. On the  
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1 other hand, if a pre-audit analysis suggested any irregularities,  
2 the Revenue Agent is responsible for setting the potential scope  
3 of the examination, correctly identifying the necessary records,  
4 and completing the audit.

5 6. When an audit results in adjustments, an income tax  
6 examination change form (Form 4549) is prepared (hereinafter  
7 referred to as an "audit change form"). In addition to recording  
8 the adjustments, the audit change form indicates the corrected tax  
9 liability. This new tax computation may reflect an increase in  
10 the tax liability, a reduction in the previously determined tax  
11 liability, or in no change to the tax liability.

12 7. At all times relevant hereto, Mario Saikhon was, among  
13 other things, a farmer in the Imperial Valley. In addition to  
14 owning his own property in the Valley, he leased large tracts of  
15 land and owned interests in numerous other farming operations.  
16 Between 1985 and 1989, the income from Saikhon's farming operations  
17 alone grossed in excess of one hundred thirty million dollars  
18 (\$130,000,000).

19 8. At all times relevant hereto, defendant MORALES, SR.'s  
20 son, coconspirator Robert A. Morales, Jr. (hereinafter generally  
21 referred to as "Morales, Jr."), a resident of El Cajon, California,  
22 was engaged in the business of preparing tax returns. At various  
23 times, he was employed by George Cossolias & Company, CPA, 8580 La  
24 Mesa Blvd., La Mesa, California, Ron Ulman, CPA, 8374 Allison  
25 Avenue, La Mesa, California, or was self-employed as a tax return  
26 preparer.



1 a. Knowingly seeking, accepting, receiving, and  
2 agreeing to receive, hundreds of thousands of dollars in illegal  
3 bribes in exchange for assisting Mario Saikhon and others to evade  
4 the assessment and payment of income taxes, in violation of  
5 Title 18, United States Code, Sections 201(b)(2)(B) and (C);

6 b. Knowingly conducting and attempting to conduct  
7 financial transactions involving the proceeds of unlawful activity,  
8 to wit, the acceptance of bribes, knowing that the transactions  
9 were designed to conceal and disguise the nature, location, source,  
10 ownership and control of the proceeds of the unlawful activity, in  
11 violation of Title 18, United States Code, Section  
12 1956(a)(1)(B)(i).

13 c. Knowingly conducting and attempting to conduct  
14 financial transactions involving the proceeds of unlawful activity,  
15 to wit, the acceptance of bribes, with the intent to engage in  
16 conduct constituting tax evasion, in violation of Title 18, United  
17 States Code, Section 1956(a)(1)(A)(ii).

18 d. Impeding, impairing, obstructing and defeating the  
19 IRS's authorized function of collecting data and reports of  
20 currency transactions exceeding \$10,000 for the purpose of  
21 detecting and investigating violations of the criminal laws; and

22 e. Impeding, impairing, obstructing and defeating the  
23 lawful functions of the IRS in the ascertainment, computation,  
24 assessment, and collection of income taxes.

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1           20. As a further part of the conspiracy, coconspirator  
2 Robert A. Morales, Jr. opened various bank accounts in the names  
3 of Sarah, Richard, and Alex Morales in order to conceal and  
4 disguise illegal bribe payments from Mario Saikhon.

5           21. As a further part of, and in order to conceal and  
6 disguise the conspiracy, coconspirator Mario Saikhon issued  
7 \$2,298,477 in checks to J.B. Farms and Cendejas Farms. These  
8 checks were issued by Mario Saikhon, Inc. and Mario Saikhon between  
9 June 22, 1987, and December 31, 1988.

10           22. As a further part of the conspiracy, coconspirator Robert  
11 A. Morales, Jr. deposited the Saikhon checks issued to J.B. Farms  
12 and Cendejas Farms to various bank accounts at the First La Mesa  
13 Bank (hereinafter referred to as "First La Mesa") and the Great  
14 American First Savings Bank (hereinafter referred to as "Great  
15 American").

16           23. As a further part of the conspiracy, defendant ROBERT A.  
17 MORALES, SR. utilized \$118,477 in Saikhon checks issued to J.B.  
18 Farms and deposited in First La Mesa for his own personal enjoyment  
19 and benefit.

20           24. As a further part of the conspiracy, defendant ROBERT A.  
21 MORALES, SR. utilized approximately \$145,000 in interest generated  
22 from the Saikhon checks issued to J.B. Farms and Cendejas Farms  
23 for his personal enjoyment and benefit.

24           25. As a further part of the conspiracy, defendant ROBERT A.  
25 MORALES, SR. failed to declare all of the interest generated from  
26 the Saikhon checks to J.B. Farms and Cendejas Farms as income on  
27 defendant MORALES' personal tax returns.

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1           26. As a further part of, and in order to conceal and  
2 disguise the conspiracy, defendant ROBERT A. MORALES, SR. assisted  
3 in the preparation, and coconspirator Robert A. Morales, Jr.  
4 prepared, signed and filed a false corporate tax return in the name  
5 of J.B. Farms for the fiscal year ending March 1988.

6           27. As a further part of the conspiracy, defendant ROBERT A.  
7 MORALES, SR. utilized the J.B. Farms and Cendejas Farms bank  
8 accounts to funnel repayment of funds on which Mario Saikhon had  
9 evaded income tax (hereinafter referred to as "tax-evaded income").

10           28. As a further part of the conspiracy, defendant ROBERT A.  
11 MORALES, SR. also utilized cash payments and Mexican bank accounts  
12 to funnel repayment of tax-evaded income to Mario Saikhon.

13           29. As a further part of the conspiracy, defendant ROBERT A.  
14 MORALES, SR. also utilized accounts of Saikhon's children to funnel  
15 repayment of tax-evaded income.

16           30. As a further part of, and in order to conceal and  
17 disguise the conspiracy, defendant ROBERT A. MORALES, SR. arranged  
18 to have the name of his brother-in-law, Reynaldo Cendejas, placed  
19 on the payroll of Mario Saikhon, Inc. (even though he performed no  
20 work). Thereafter, coconspirator Saikhon arranged to have  
21 approximately \$177,213.17 in payroll checks issued to this "ghost"  
22 employee.

23           31. As a further part of the conspiracy, coconspirator Mario  
24 Saikhon caused the payroll checks issued to Reynaldo Cendejas  
25 (hereinafter referred to as the "Reynaldo Cendejas payroll checks")  
26 to be mailed to the Morales residence.

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1           32. As a further part of the conspiracy, defendant ROBERT A.  
2 MORALES, SR. utilized a fictitious social security number and a  
3 false date of birth to open a bank account in the name of Reynaldo  
4 Cendejas at the Heartland Savings & Loan (hereinafter referred to  
5 as "Heartland").

6           33. As a further part of the conspiracy, defendant ROBERT A.  
7 MORALES, SR. and coconspirator Robert A. Morales, Jr. forged  
8 Reynaldo Cendejas' endorsement when depositing the Reynaldo  
9 Cendejas payroll checks in the Heartland bank account.

10           34. As a further part of the conspiracy, defendant ROBERT A.  
11 MORALES, SR. utilized the proceeds from the Reynaldo Cendejas  
12 payroll checks for his own personal enjoyment and benefit.

13           35. As a further part of the conspiracy, defendant ROBERT A.  
14 MORALES, SR. failed to declare the Reynaldo Cendejas payroll checks  
15 as income on his personal tax returns.

16           36. As a further part of, and in order to conceal and  
17 disguise the conspiracy, defendant ROBERT A. MORALES, SR. and  
18 coconspirator Robert A. Morales, Jr. prepared and filed false tax  
19 returns in the name of Reynaldo Cendejas.

20           37. As a further part of the conspiracy, defendant ROBERT A.  
21 MORALES, SR. improperly accepted various other benefits from  
22 coconspirator Mario Saikhon.

23           38. As a further part of the conspiracy, coconspirator Mario  
24 Saikhon utilized, among other things, a bank account in the name  
25 of his uncle, Rodolfo Perez Gutierrez, to disguise and conceal tax-  
26 evaded income funneled to him by defendant ROBERT A. MORALES, SR.

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1           39. As a further part of the conspiracy, defendant ROBERT A.  
2 MORALES, SR. utilized his brother's Mexican corporation, Sonora  
3 Diesel, to obtain cash without the filing of Currency Transactions  
4 Reports. In addition, defendant MORALES, SR. utilized Sonora  
5 Diesel to funnel cash repayments of tax-evaded income to  
6 coconspirator, Mario Saikhon.

7           40. As a further part of the conspiracy, defendant ROBERT A.  
8 MORALES, SR. and coconspirator Mario Saikhon utilized Sonora Diesel  
9 to generate false deductions thereby facilitating Saikhon's evasion  
10 of taxes.

11           41. As a further part of, and in order to conceal and  
12 disguise the conspiracy, defendant ROBERT A. MORALES, SR. directed  
13 his brother, Rene Morales, to destroy all of Sonora Diesel's books  
14 and records. In this manner, defendant intended to destroy the  
15 records so that they would not show that defendant MORALES, SR. was  
16 assisting Saikhon in evading taxes.

17           42. As a further part of, and in order to conceal and  
18 disguise the conspiracy, defendant ROBERT A. MORALES, SR.  
19 instructed Rene Morales to lie to the grand jury. Among other  
20 things, Rene Morales was instructed to tell the grand jury that  
21 J.B. Farms was a real farm owned and operated by the defendant.

22           43. As a further part of the conspiracy, defendant ROBERT A.  
23 MORALES, SR. did abuse his position with the IRS by frustrating,  
24 avoiding, and disregarding policies and procedures promulgated to  
25 assist in the regulation of tax audits assigned to the various  
26 Revenue Agents.



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(hereinafter referred to as "Saikhon's personal tax return") for the year 1978.

2. On or about May 6, 1981, defendant MORALES, SR. began charging time to an audit of Saikhon's corporate return for the fiscal year ending February, 1979.

3. On or about May 12, 1981, defendant MORALES, SR. executed an audit change form granting a refund of \$2,384 on Saikhon's corporate return for the fiscal year ending February, 1979.

4. On or about October 9, 1981, defendant MORALES, SR. requested control of Saikhon's corporate tax return for the fiscal year ending February, 1981.

5. On or about July 27, 1982, defendant MORALES, SR. requested control of Saikhon's personal tax return for 1981.

6. On or about October 27, 1982, defendant MORALES, SR. executed an audit change form granting a refund of \$46,000 on Saikhon's corporate return for the fiscal year ending February, 1981.

7. On or about October 27, 1982, defendant MORALES, SR. was assigned the audit of Saikhon's corporate tax return for the fiscal year ending February, 1982.

8. On or about October 27, 1982, defendant MORALES, SR. surveyed Saikhon's corporate return for the fiscal year ending February, 1982, indicating it had no audit potential.

- 1 9. On or about May 31, 1983, defendant MORALES, SR. executed  
2 an audit change form reducing the proposed additional tax  
3 liability on Saikhon's 1978 personal tax return from  
4 \$741,605 to \$272,291.
- 5 10. On or about May 31, 1983, defendant MORALES, SR. executed  
6 an audit change form reflecting that he accepted without  
7 change a claimed "Schedule F" farming loss of \$1,496,272  
8 reported on Saikhon's 1981 personal tax return (that  
9 resulted in a net operating loss of \$614,788).
- 10 11. On or about June 4, 1984, defendant MORALES, SR. received  
11 for audit Saikhon's personal tax return for 1982.
- 12 12. On or about June 4, 1984, defendant MORALES, SR. surveyed  
13 Saikhon's 1982 personal tax return indicating that it had  
14 no audit potential.
- 15 13. On or about June 28, 1984, defendant MORALES, SR.  
16 requested control of Saikhon's personal tax return for  
17 1983.
- 18 14. On or about December 4, 1984, defendant MORALES, SR.,  
19 after being reassigned Saikhon's 1982 personal tax return  
20 for a complete line item audit, executed an audit change  
21 form granting Saikhon a \$65,296 refund.
- 22 15. On or about December 4, 1984, defendant MORALES, SR.  
23 executed an audit change form assessing Saikhon \$205 in  
24 additional tax due on his 1983 personal tax return.
- 25 16. On or about December 15, 1985, defendant MORALES, SR.  
26 accepted a gift of a 1985 Nissan pickup from Mario  
27 Saikhon.

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- 17. On or about August 14, 1986, defendant MORALES, SR. requested control of Mario Saikhon's 1985 personal tax return by falsely stating that he had a continuing issue from 1984.
- 18. On or about August 19, 1986, defendant MORALES, SR. was assigned the audit of Mario Saikhon's 1984 personal tax return.
- 19. On or about September 11, 1986, at the direction of coconspirator Saikhon, Rodolfo Perez Gutierrez opened a checking account (number 01880-01912) at the Bank of America, El Centro, California, utilizing Mario Saikhon's post office box and phone number.
- 20. On or about September 22, 1986, Mario Saikhon, Inc. issued check (number 43778) payable to Reynaldo Cendejas, purportedly of 1925 Murray Rancho Road, El Cajon, California (the Morales residence).
- 21. On or about October 3, 1986, defendant MORALES, SR. opened a Heartland checking account (number 114-05584-1) in the name of Reynaldo Cendejas.
- 22. Between October 3, 1986, and March 27, 1990, defendant MORALES, SR. and Morales, Jr. deposited 178 Reynaldo Cendejas payroll checks totalling approximately \$174,393.90 into the Heartland checking account in the name of Reynaldo Cendejas.
- 23. On or about October 24, 1986, defendant MORALES, SR. requested control of Mario Saikhon's corporate tax

- 1 returns for the fiscal years ending February, 1985 and  
2 February, 1986.
- 3 24. On or about February 12, 1987, defendant MORALES, SR. met  
4 with George Cossolias and Mario Saikhon to discuss the  
5 preparation of Saikhon's 1986 personal tax return.
- 6 25. On or about February 14, 1987, defendant MORALES, SR.  
7 picked up Saikhon's 1986 personal tax return from George  
8 Cossolias and delivered it to Saikhon.
- 9 26. On or about April 18, 1987, defendant MORALES, SR.  
10 travelled to Tucson, Arizona, in order to form the sham  
11 corporation, J.B. Farms.
- 12 27. On or about June 29, 1987, Morales, Jr. deposited a Mario  
13 Saikhon, Inc. check in the amount of \$28,850 to J.B.  
14 Farms accounts (numbers 001-802-631 and 001-304-909) he  
15 had opened that day at First La Mesa.
- 16 28. On or about August 10, 1987, Morales, Jr. deposited a  
17 Mario Saikhon, Inc. check in the amount of \$89,627 to a  
18 J.B. Farms account (number 001-802-631) at First La Mesa.
- 19 29. On or about October 8, 1987, Morales, Jr. deposited a  
20 Mario Saikhon check in the amount of \$119,000 to J.B.  
21 Farms accounts (numbers 003-342-4987, 003-342-5000 and  
22 003-218-5464) he had opened that day at Great American.
- 23 30. On or about October 16, 1987, defendant MORALES, SR.  
24 purchased a new 1988 Toyota Camry for \$16,348.
- 25 31. On or about November 6, 1987, defendant MORALES, SR.  
26 loaned Ham Brothers Construction, Inc. \$75,000 at nine  
27 and a half percent interest.

- 1 32. On or about November 12, 1987, Morales, Jr. deposited a  
2 Mario Saikhon check in the amount of \$238,000 to the J.B.  
3 Farms accounts (numbers 003-343-0687 and 003-343-30703)  
4 he had opened that day at Great American.
- 5 33. On or about December 3, 1987, defendant MORALES, SR.  
6 purchased thirty-four cases of liquor for \$4,526.41.
- 7 34. On or about January 8, 1988, defendant MORALES, SR.  
8 mailed a Mario Saikhon check payable to Sonora Diesel (in  
9 the amount of \$50,000) to Rene Morales in Tucson,  
10 Arizona.
- 11 35. On or about January 11, 1988, Morales, Jr. deposited a  
12 Mario Saikhon check in the amount of \$438,000 to the J.B.  
13 Farms account (number 003-343-6973) he had just opened  
14 at Great American.
- 15 36. On or about January 15, 1988, defendant MORALES, SR.  
16 purchased (for \$13,600) seventeen tickets to the  
17 Washington Redskins/Denver Broncos Super Bowl held in San  
18 Diego.
- 19 37. On or about January 31, 1988, defendant MORALES, SR.  
20 purchased five hundred shares of Phillips Petroleum stock  
21 for \$10,730.
- 22 38. On or about March 8, 1988, Morales, Jr. signed the  
23 articles of incorporation for the sham corporation,  
24 Cendejas Farms.
- 25 39. On or about June 2, 1988, defendant MORALES, SR.  
26 completed a form requesting control of Mario Saikhon's  
27 1986 personal tax return.

- 1 40. On or about June 4, 1988, defendant MORALES, SR.  
2 delivered \$10,000 in cash to Mario Saikhon that defendant  
3 MORALES, SR. had received from Rene Morales.
- 4 41. On or about June 27, 1988, defendant MORALES, SR.  
5 received for audit Mario Saikhon's corporate tax returns  
6 for the fiscal years ending in February 1981, 1982, 1984,  
7 1985, 1987, and July, 1987.
- 8 42. On or about June 29, 1988, defendant MORALES, SR.  
9 delivered \$3,000 in cash to Mario Saikhon that defendant  
10 MORALES, SR. had received from Rene Morales.
- 11 43. On or about September 13, 1988, Morales, Jr. issued a  
12 J.B. Farms check in the amount of \$131,000 made payable  
13 to Mario Saikhon's daughter, Carol Saikhon.
- 14 44. On or about November 8, 1988, Morales, Jr. deposited a  
15 Mario Saikhon check in the amount of \$225,000 to a J.F.  
16 Farms and Robert Morales, Jr. accounts (numbers  
17 003-346-977 and 003-346-3969) he had opened that day at  
18 Great American.
- 19 45. On or about November 9, 1988, Morales, Jr. opened Great  
20 American bank accounts (numbers 003-346-4058,  
21 003-346-3951 and 003-346-4207) in the names of Robert  
22 Morales, Jr. in trust for, respectively, Alex, Richard  
23 and Sarah Morales.
- 24 46. On or about November 9, 1988, Morales, Jr. deposited a

- 1 47. On or about November 11, 1988, defendant MORALES, SR.  
2 stated, that: (1) it would be improper to audit anyone  
3 he knows; and (2) he was currently providing free advice  
4 to a large Imperial Valley farmer who has two homes in  
5 La Jolla.
- 6 48. On or about December 7, 1988, Morales, Jr. deposited a  
7 Mario Saikhon check in the amount of \$525,000 to accounts  
8 (numbers 003-346-6012 and 003-219-8798) he had opened  
9 that day at Great American.
- 10 49. On or about January 24, 1989, defendant MORALES, SR.  
11 acknowledged that a tax return prepared by Morales, Jr.  
12 included false deductions.
- 13 50. On or about January 30, 1989, Morales, Jr. deposited a  
14 Mario Saikhon check in the amount of \$285,000 to J.F.  
15 Farms account (formerly J.B. Farms account) number  
16 003-218-5464.
- 17 51. On or about March 1, 1989, defendant MORALES, SR.  
18 forwarded Saikhon's 1988 personal tax return to the IRS  
19 Fresno Service Center to which he attached a routing slip  
20 indicating "Taxpayer is under audit for prior years,"  
21 ensuring that if the 1988 return was identified for audit  
22 it would be assigned to him.
- 23 52. On or about March 14, 1989, defendant MORALES, SR.  
24 discussed the advantage of setting up an Arizona  
25 corporation to evade taxes.

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- 53. On or about May 24, 1989, defendant MORALES, SR. requested control of Mario Saikhon's 1986 and 1987 personal tax return.
- 54. On or about June 19, 1989, defendant MORALES, SR. and Morales, Jr. opened a Bancomer account in Tijuana, Mexico, with a \$20,000 cashier's check purchased with funds withdrawn from J.F. Farms account 003-219-8798.
- 55. On or about July 9, 1989, Morales, Jr. deposited into a Banca Serfin account in Tijuana, Mexico, a \$105,959.69 cashier's check purchased with funds withdrawn from one of his accounts at Great American.
- 56. On or about July 12, 1989, Morales, Jr. opened a Banca Serfin account with a \$158,982.68 cashier's check purchased with funds withdrawn from an account where he was trustee at Great American.
- 57. On or about September 29, 1989, defendant MORALES, SR. and Morales, Jr. opened a Banca Serfin account in Mario Saikhon's name (but with Morales' home address) with a \$121,000 cashier's check purchased with funds withdrawn from J.B. Farms account number 003-218-5464.
- 58. On or about November 19, 1989, defendant MORALES, SR. surveyed Saikhon's corporate tax return for the fiscal year ending July, 1987, indicating that it had no audit potential.
- 59. On or about March 16, 1990, Morales, Jr. purchased a \$25,000 cashier's check payable to Mario Saikhon's son,

1 Jeffery Saikhon, with funds withdrawn from a Mexican bank  
2 account.

3 60. In early April, 1990, defendant MORALES, SR. asked Rene  
4 Morales to destroy all of Sonora Diesel's books and  
5 records.

6 61. In late May, 1990, defendant MORALES, SR. told Rene  
7 Morales to lie to the federal grand jury regarding the  
8 sham nature of J.B. Farms.

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

10 Count 2

11 1. Paragraphs 1 through 12 and 14 through 48 of Count 1 are  
12 hereby realleged and incorporated by reference as if set forth in  
13 full herein.

14 2. Beginning at a time unknown to the grand jury and  
15 continuing up to and including March 27, 1990, within the Southern  
16 District of California, and elsewhere, defendant ROBERT A.  
17 MORALES, SR., then a public official, did knowingly and corruptly  
18 seek, accept, receive, and agree to receive hundreds of thousands  
19 of dollars from Mario Saikhon, in return for being induced to do  
20 and omit to do acts in violation of his official duties as a United  
21 States IRS Revenue Agent, that is, controlling and failing to  
22 properly audit various tax returns of Mario and Dora Saikhon, and  
23 Mario Saikhon, Inc., so that the IRS was unable to determine the  
24 correct tax due and owing for those years; in violation of  
25 Title 18, United States Code, Section 201(b)(2)(C).

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Count 3

1. Paragraphs 1 through 12 and 14 through 48 of Count 1 are hereby realleged and incorporated by reference as if set forth in full herein.

2. Beginning at a time unknown to the grand jury and continuing up to and including March 27, 1990, within the Southern District of California, and elsewhere, defendant ROBERT A. MORALES, SR., then a public official, did knowingly and corruptly seek, accept, receive, and agree to receive the use of millions of dollars from Mario Saikhon, in return for being influenced to commit, aid in committing, collude in or allow and make opportunities for the commission of frauds on the United States, that is, among other things, setting up sham corporations designed to assist Mario Saikhon in evading the payment of taxes; in violation of Title 18, United States Code, Section 201(b)(2)(B).

Counts 4 through 7

**INTRODUCTORY ALLEGATIONS**

1. Paragraphs 1 through 12 and 14 through 48 of Count 1 are hereby realleged and incorporated by reference as if set forth in full herein.

2. Federal law prohibits individuals from conducting financial transactions knowing that the property involved in those transactions represents the proceeds of some form of specified unlawful activity when the individual also: (1) knows that the transaction was designed in whole or in part to conceal and disguise the nature, location, source, ownership and control of

1 such proceeds; or (2) has the intent to engage in conduct  
2 constituting tax evasion.

3 3. The term "transaction" includes, among other things: (1)  
4 the deposit of any monetary instruments (including personal,  
5 corporate and bank checks) to any financial institution; and (2)  
6 a purchase involving the use of a financial institution.

7 4. The term "specified unlawful activity" includes, among  
8 other things, the receipt or acceptance of bribes.

9 5. The financial transactions alleged in these counts consist  
10 of the negotiation of the Mario Saikhon, Inc. payroll checks issued  
11 in the name of the fictitious employee, Reynaldo Cendejas, which  
12 were deposited at Heartland (a federally insured savings and loan)  
13 in the amount indicated in Column "B" below.

14 Counts 4 and 5

15 On or about the dates listed below (Column "A"), within the  
16 Southern District of California, and elsewhere, knowing that the  
17 property involved in a financial transaction represented the  
18 proceeds of some form of unlawful activity, defendant ROBERT A.  
19 MORALES, SR. did knowingly conduct and procure such a transaction  
20 (which, in fact, involved proceeds of bribe payments from Mario  
21 Saikhon), with the knowledge that this transaction was designed in  
22 whole or in part to conceal and disguise the nature, location,  
23 source, ownership and control of such proceeds:

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<u>COUNT</u>	(A) <u>DATE NEGOTIATED</u>	(B) <u>CHECK AMOUNT</u>
4	February 18, 1987	\$791.57
5	August 12, 1988	\$1,017.39

All in violation of Title 18, United States Code, Section 1956(a)(1)(B)(i), and Title 18, United States Code, Section 2.

Counts 6 and 7

On or about the dates listed below (Column "A"), within the Southern District of California, and elsewhere, knowing that the property involved in a financial transaction represented the proceeds of some form of unlawful activity, defendant ROBERT A. MORALES, SR. did knowingly conduct and procure such a transaction (which in fact involved proceeds of bribe payments from Mario Saikhon), with the intent to engage in conduct constituting tax evasion:

<u>COUNT</u>	(A) <u>DATE NEGOTIATED</u>	(B) <u>CHECK AMOUNT</u>
6	December 30, 1988	\$1,100.00
7	January 6, 1989	\$1,100.00

All in violation of Title 18, United States Code, Section 1956(a)(1)(A)(ii), and Title 18, United States Code, Section 2.

Count 8

1. Paragraphs 1 through 12 and 14 through 48 of Count 1 and paragraphs 2 through 4 of the Introductory Allegations to Counts 4 through 7 are hereby realleged and incorporated by reference as if set forth in full herein.



1 check payable to Rose Toyota in the amount of \$16,053.98; all in  
2 violation of Title 18, United States Code,  
3 Section 1956(a)(1)(B)(i), and Title 18, United States Code,  
4 Section 2.

5 Count 10

6 1. Paragraphs 1 through 12 and 14 through 48 of Count 1 and  
7 paragraphs 2 through 4 of the Introductory Allegations to Counts  
8 4 through 7 are hereby realleged and incorporated by reference as  
9 if set forth in full herein.

10 2. On or about January 31, 1989, within the Southern  
11 District of California, knowing that the property involved in a  
12 financial transaction represented the proceeds of some form of  
13 unlawful activity, defendant ROBERT A. MORALES, SR. did knowingly  
14 conduct and procure such a transaction (which in fact involved  
15 proceeds of illegal bribe payments received from Mario Saikhon),  
16 with the knowledge that this transaction was designed in whole or  
17 in part to conceal and disguise the nature, location, source,  
18 ownership and control of such proceeds by drawing a J.B. Farms  
19 check payable to Thompson McKinnon Securities in the amount of  
20 \$10,730; all in violation of Title 18, United States Code,  
21 Section 1956(a)(1)(B)(i), and Title 18, United States Code,  
22 Section 2.

23 Count 11

24 1. Paragraphs 1 through 12 and 14 through 48 of Count 1 are  
25 hereby realleged and incorporated by reference as if set forth in  
26 full herein.

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## INTRODUCTORY ALLEGATIONS

2. The Bank Secrecy Act requires financial institutions, including banks, savings and loan associations, brokers and dealers in securities, currency exchanges, and licensed senders of money to report certain financial transactions to the United States Government.

3. Whenever a financial institution is involved in a transaction for the payment, receipt, or transfer of over \$10,000 in cash, financial institutions are required to report the transaction on a Currency Transaction Report, commonly called a "CTR".

4. Once the financial institution completes a CTR, it must then be sent to the IRS within fifteen days following the day the transaction occurs.

5. A CTR requires the financial institution conducting the transaction to identify the person for whom the transaction is conducted. If the transaction is being conducted by an agent, the CTR must identify the person for whom the agent is making the transaction.

6. The purpose of requiring CTR's is to create an audit trail so that sources and recipients of currency may be identified in criminal, tax, and regulatory investigations and proceedings.

7. At all times relevant hereto, Heartland was a federally insured savings and loan association which had a branch office in El Cajon, California.





- 1 5. On or about February 1, 1989, defendant MORALES, SR.  
2 volunteered that he was willing to assist Mendez in  
3 avoiding CTR's in various ways.
- 4 6. On or about March 12, 1989, defendant MORALES, SR. agreed  
5 to "move" approximately \$40,000 in cash for Mendez.
- 6 7. On or about March 14, 1989, defendant MORALES, SR. stated  
7 that: (1) he had conducted research at his office to  
8 learn techniques for laundering money; and (2) that he  
9 would "launder" cash by paying off Mario Saikhon.
- 10 8. On or about March 14, 1989, defendant MORALES, SR.  
11 accepted \$35,000 in cash from Mendez.
- 12 9. On or about March 15, 1989, Morales, Jr. purchased a  
13 cashier's check from Great American with \$35,000  
14 withdrawn from a bank account (number 003-219-8798) in  
15 the name of J.F. Farms.
- 16 10. On or about March 16, 1989, Morales, Jr., in exchange for  
17 the \$35,000 in cash, gave a cashier's check in that  
18 amount to Mendez.
- 19 11. On or about March 29, 1989, defendant MORALES, SR. was  
20 informed that Mendez was "in the dope business" and  
21 that's where a lot of his money comes from.
- 22 12. On or about March 29, 1989, defendant MORALES, SR. stated  
23 that he had concluded that Mendez was in the narcotics  
24 business.
- 25 13. On or about March 29, 1989, defendant MORALES, SR.  
26 accepted \$45,000 in cash from Mendez.  
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1 14. On or about April 4, 1989, Morales, Jr., in exchange for  
2 the \$45,000 in cash given to his father, wired the same  
3 sum from a Great American bank account (number  
4 003-219-8798) in the name of J.F. Farms to a Government  
5 undercover account in Florida.

6 15. On or about April 19, 1989, defendant MORALES, SR. warned  
7 Mendez that he should be careful in light of the recent  
8 arrest of Richard Silberman for money laundering.

9 16. On or about April 19, 1989, defendant MORALES, SR.  
10 received \$20,000 in cash from Mendez.

11 17. On or about April 20, 1989, defendant MORALES, SR. caused  
12 the purchase of a cashier's check from Heartland with  
13 \$20,000 withdrawn from a bank account (number 114-055841)  
14 in the name of Reynaldo Cendejas.

15 18. On or about April 20, 1989, Morales, Jr., in exchange for  
16 the \$20,000 in cash, gave a cashier's check in that  
17 amount to Mendez.

18 19. On or about April 20, 1989, defendant MORALES, SR.  
19 accepted a 2% fee from Mendez for laundering the \$20,000  
20 in cash.

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

22 Count 12

23 1. Paragraphs 1 through 10 and 12 through 14 of Count 1 are  
24 hereby realleged and incorporated by reference as if set forth in  
25 full herein.

26 2. On or about March 29, 1989, within the Southern District  
27 of California, and elsewhere, defendant ROBERT A. MORALES, SR.  
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1 knowingly conducted a financial transaction involving \$45,000 in  
2 cash which was represented by an IRS Special Agent (acting in an  
3 undercover capacity as Roberto Mendez) to be the proceeds of the  
4 sale of narcotics with the intent to: (1) conceal and disguise the  
5 nature, location, source, ownership, and control of such cash; and  
6 (2) avoid a transaction reporting requirement under Federal law;  
7 all in violation of Title 18, United States Code,  
8 Sections 1956(a)(3)(B) and (C), and Title 18, United States Code,  
9 Section 2.

10 Count 13

11 1. Paragraphs 1 through 10 and 12 through 14 of Count 1 are  
12 hereby realleged and incorporated by reference as if set forth in  
13 full herein.

14 2. On or about April 19, 1989, within the Southern District  
15 of California, and elsewhere, defendant ROBERT A. MORALES, SR.  
16 knowingly conducted a financial transaction involving \$20,000 in  
17 cash which was represented by an IRS Special Agent (acting in an  
18 undercover capacity as Roberto Mendez) to be the proceeds of the  
19 sale of narcotics with the intent to: (1) conceal and disguise the  
20 nature, location, source, ownership, and control of such cash; and  
21 (2) avoid a transaction reporting requirement under Federal law;  
22 all in violation of Title 18, United States Code,  
23 Sections 1956(a)(3)(B) and (C), and Title 18, United States Code,  
24 Section 2.

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Count 14

1. Paragraphs 1 through 12 and 14 through 48 of Count 1 are hereby realleged and incorporated by reference as if set forth in full herein.

2. On or about April 15, 1988, within the Southern District of California, defendant ROBERT A. MORALES, SR. did willfully attempt to evade and defeat his lawful income tax due and owing for 1987, by preparing, signing and filing with the IRS, a false and fraudulent joint U.S. Individual Income Tax Return (1987 Form 1040), in which he falsely stated that his taxable income was \$17,920 and that the tax due and owing thereon was \$2,569; whereas, as he then knew, his taxable income for 1987 was substantially in excess of the reported amount and there was additional income tax due and owing; all in violation of Title 26, United States Code, Section 7201, and Title 18, United States Code, Section 2.

Count 15

1. Paragraphs 1 through 12 and 14 through 48 of Count 1 are hereby realleged and incorporated by reference as if set forth in full herein.

2. On or about April 15, 1989, within the Southern District of California, defendant ROBERT A. MORALES, SR. did willfully attempt to evade and defeat his lawful income tax due and owing for 1988, by preparing, signing and filing with the IRS, a false and fraudulent joint U.S. Individual Income Tax Return (1988 Form 1040), in which he falsely stated that his taxable income was \$24,826 and that the tax due and owing thereon was \$3,724; whereas, as he then knew, his taxable income for 1988 was

1 substantially in excess of the reported amount and there was  
2 additional income tax due and owing; all in violation of Title 26,  
3 United States Code, Section 7201, and Title 18, United States Code,  
4 Section 2.

5 Count 16

6 1. Paragraphs 1 through 12 and 14 through 48 of Count 1 are  
7 hereby realleged and incorporated by reference as if set forth in  
8 full herein.

9 2. Beginning on or about January 1, 1987, and continuing  
10 through on or about April 14, 1988, within the Southern District  
11 of California, defendant ROBERT A. MORALES, SR. did willfully aid  
12 and assist the preparation and filing with the IRS of a 1987 joint  
13 U.S. Individual Income Tax Return (Form 1040) in the name of  
14 Reynaldo and Maria Cendejas, which they knew to be materially  
15 false, in that, among other things, it falsely reported: (1) that  
16 the income reported on line 7 (wages, salaries and tips) was the  
17 income of Reynaldo Cendejas; and, (2) that Reynaldo Cendejas had  
18 \$27,845 in farm losses reported on line 18 (farm income or (loss));  
19 all in violation of Title 26, United States Code, Section 7206(2),  
20 and Title 18, United States Code, Section 2.

21 Count 17

22 1. Paragraphs 1 through 12 and 14 through 48 of Count 1 are  
23 hereby realleged and incorporated by reference as if set forth in  
24 full herein.

25 2. Beginning at least as early as April 18, 1987, and  
26 continuing through on or about April 4, 1988, within the Southern  
27 District of California, defendant ROBERT A. MORALES, SR. did  
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1 willfully aid and abet Mario Saikhon in attempting to evade and  
2 defeat his lawful income tax due and owing for 1987, by: (1)  
3 establishing a sham corporation (J.B. Farms, Inc.) that purported  
4 to be a farming business; (2) opening several bank accounts in the  
5 name of J.B. Farms, Inc.; (3) negotiating Mario Saikhon checks made  
6 payable to J.B. Farms allegedly for farming services; and (4) by  
7 otherwise providing the opportunity for Saikhon to claim false  
8 business deductions; whereas, defendant then knew, that, as a  
9 result of this scheme, Saikhon was able or would be able to evade  
10 or attempt to evade additional income tax due and owing for that  
11 year; all in violation of Title 26, United States Code,  
12 Section 7201, and Title 18, United States Code, Section 2.

13 DATED: August 22, 1991.

14 A TRUE BILL:

15  
16 \_\_\_\_\_  
17 Foreperson

18 WILLIAM BRANIFF  
19 United States Attorney

20 By: \_\_\_\_\_  
21 PHILLIP L.B. HALPERN  
22 Assistant U.S. Attorney

23 By: \_\_\_\_\_  
24 STEVEN P. WARD  
25 Trial Attorney