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*Unsealed  
1-11-94*

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

May 1993 Grand Jury

'93 1605 H

UNITED STATES OF AMERICA,	)	Criminal Case No.
	)	
Plaintiff,	)	<u>I N D I C T M E N T</u>
	)	
v.	)	Title 18, U.S.C., Sec. 1343 -
	)	Wire Fraud; Title 18, U.S.C.,
HAROLD J. SHERBONDY, Jr.,	)	Sec. 1956(a)(1)(B)(i) -
aka Jay Sherbondy	)	Laundering Monetary Instruments;
	)	Title 18, U.S.C., Sec. 1957 -
Defendant.	)	Money Laundering; Title 15,
	)	U.S.C., Secs. 80b-6
	)	and 80b-17 - Investment Advisor
	)	Fraud; Title 26, U.S.C.,
	)	Sec. 7206(1) - False Tax Return;
	)	Title 18, U.S.C., Sec. 2 -
	)	Aiding and Abetting

The grand jury charges:

INTRODUCTORY ALLEGATIONS

At all relevant times herein:

1. Article 1, Section 8 of the Constitution of the United States grants the Federal Government the "Power to lay and collect Taxes, Duties, Imposts and Excises." This power is augmented through the 16th Amendment which approves the institution of a

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PLBH:bct:San Diego  
12/10/93

1 federal income tax. Pursuant to this taxing power, the Department  
2 of the Treasury is authorized to collect and monitor the  
3 collection of a federal income tax.

4 2. The Internal Revenue Service [hereafter referred to as  
5 the "IRS"] is the agency of the Department of Treasury  
6 specifically assigned the task of collecting and monitoring the  
7 collection of the federal income tax.

8 3. In carrying out its assigned task, the IRS is  
9 specifically authorized to examine whether an individual has  
10 failed to declare income legitimately earned. In addition, the  
11 IRS is also charged with the responsibility of examining whether  
12 an individual has failed to declare income that may have been  
13 illegally obtained. This type of "illegal income" may come from  
14 a wide variety of various sources, such as Ponzi schemes.

15 4. A Ponzi scheme is a fraudulent arrangement in which  
16 investors are attracted by the lure of exorbitant profits that can  
17 be made by participation in the scheme. The operator of the  
18 scheme maintains and promotes this bogus concept by making  
19 payments of seemingly large profits to early investors from monies  
20 obtained from later investors, rather than from any "profits" of  
21 the underlying business venture.

22 5. In other words, the fraud consists of funnelling the  
23 funds received from new investors to previous investors in the  
24 guise of profits from the alleged business venture. In this  
25 manner, the operator of the scheme cultivates an illusion that a  
26 legitimate profit-making business opportunity exists. This, in  
27 turn, attracts additional investors to the Ponzi scheme.

1           6.    Generally, the operator of a Ponzi scheme utilizes the  
2 investor funds for personal enrichment, investing only a minimal  
3 portion of the total funds, if any, in an underlying business  
4 venture.   As the scheme is predicated upon these fraudulent  
5 practices, its very nature dictates that it must eventually  
6 collapse.

7           7.    At all times relevant hereto, the defendant HAROLD J.  
8 SHERBONDY, Jr, aka H. Jay Sherbondy, aka H.J. Sherbondy, aka Jay  
9 Sherbondy [hereafter referred to as "Jay Sherbondy"] was operating  
10 a Ponzi scheme involving, among others, a group of investors  
11 called The Meredith Group, Inc, aka The Merideth Group, Inc.

12           8.    Defendant JAY SHERBONDY orchestrated the formation of  
13 The Meredith Group, Inc. [hereafter referred to as "The Meredith  
14 Group"] in order to solicit new investor funds for the Ponzi  
15 scheme.   The Meredith Group was incorporated in Nevada as an  
16 investment club.   The club was composed primarily of employees and  
17 former employees of Pacific Southwest Airlines [hereafter referred  
18 to as "PSA"].

19           9.    The principals of The Meredith Group were Jim Hulum, a  
20 PSA pilot, and his wife, Loraine Hulum.   In addition to investing  
21 their own funds, the Hulumms operated The Meredith Group from  
22 their residence in Fallbrook, California.   In return for a  
23 management fee, the Hulumms, among other things, directed the wire  
24 transfer of Meredith Group funds from their residence in Fallbrook  
25 to various bank accounts controlled by the defendant.

26           10.   In operating the Ponzi scheme, defendant Jay SHERBONDY  
27 also utilized a number of corporations, including The Consortium  
28

1 Corporation, Inc., The Compass Investment Group, Inc., and The  
2 Joshua Group, Inc. These corporations assisted, in among other  
3 things, operating, disguising and concealing defendant's illegal  
4 activity.

5 11. Defendant JAY SHERBONDY formed and was the chief  
6 executive officer of The Consortium Corporation, Inc. [hereafter  
7 referred to as "Consortium"], a Nevada Corporation. Consortium  
8 was purportedly formed by the defendant as a vehicle to invest  
9 clients' money in the financial markets.

10 12. Defendant JAY SHERBONDY also directed one of his  
11 employees to form The Compass Investment Group, Inc. [hereafter  
12 referred to as "Compass"], an Illinois corporation. Compass was  
13 purportedly formed as a vehicle to invest clients' money on the  
14 Chicago Mercantile Exchange. The defendant directed the  
15 disposition of the funds deposited with Compass from his residence  
16 in Fallbrook, California.

17 13. Defendant JAY SHERBONDY was also instrumental in the  
18 formation of The Joshua Group, Inc. [hereafter referred to as  
19 "Joshua"], a Nevada corporation. Joshua was purportedly formed as  
20 a personal holding company for Sherbondy family assets. The  
21 defendant's wife was the President and sole stockholder of Joshua.

22 14. At all times relevant herein, the defendant and his wife  
23 resided in Fallbrook, California.

24 THE SCHEME TO DEFRAUD

25 15. Beginning in or about March 1987 and continuing up to  
26 and including January 1993, within the Southern District of  
27 California and elsewhere, defendant JAY SHERBONDY knowingly and  
28

1 willfully devised a scheme and artifice to defraud and to obtain  
2 money from investors in The Meredith Group by means of false and  
3 fraudulent pretenses, representations and promises.

4 METHODS AND MEANS OF THE ILLEGAL SCHEME

5 16. It was a part of defendant's scheme and artifice to  
6 defraud that he made various false and fraudulent representations  
7 in order to solicit funds from various investors. These false  
8 representations included, but were not limited to, the following:

- 9 (1) JAY SHERBONDY was an extremely wealthy  
10 international financier;
- 11 (2) JAY SHERBONDY's father was an international  
12 businessman who headed a multi-million dollar trust  
13 and had contacts with organized crime;
- 14 (3) JAY SHERBONDY was currently investing money for  
15 both the Teamster's and the Teacher's Credit  
16 unions;
- 17 (4) JAY SHERBONDY was on the board of directors of the  
18 Rolex Corporation;
- 19 (5) JAY SHERBONDY made enormous sums of money investing  
20 his in-laws' money;
- 21 (6) JAY SHERBONDY owned a bank in England and a  
22 mortgage company in Texas; and
- 23 (7) JAY SHERBONDY typically only invested funds for  
24 extremely large corporations.

25 17. It was a further part of defendant's scheme and artifice  
26 to defraud that he attracted investors by living a lavish  
27 lifestyle. Among other things, the defendant utilized a corporate  
28 jet to conduct business, claimed to have numerous business  
transactions in Europe and bragged about the enormous extent of  
his assets.





COMPASS INVESTMENT GROUP

1  
2           26. It was a further part of defendant's scheme and artifice  
3 to defraud that in order to attract further investment, he  
4 informed The Meredith Group that enormous profits could still be  
5 made by investing in commodities on the Chicago Mercantile  
6 Exchange. In fact, the defendant told The Meredith Group that  
7 they could still realize large profits by allowing him to invest  
8 their funds on the Mercantile Exchange using his company and  
9 personal commodities trader.

10           27. It was a further part of defendant's scheme and artifice  
11 to defraud that he formed The Compass Investment Group as an  
12 Illinois corporation to trade commodities on the Chicago  
13 Mercantile Exchange. Defendant then hired an experienced  
14 securities dealer for Compass by falsely claiming he would allow  
15 the dealer to trade millions of dollars of SHERBONDY's family  
16 assets.

17           28. It was a further part of defendant's scheme and artifice  
18 to defraud that he received (between January 1988 and August 1989)  
19 over \$800,000 from The Meredith Group based on his false  
20 representations that he would invest this money on the Mercantile  
21 exchange. Defendant received these funds by directing The  
22 Meredith Group to transfer some of its investment funds to the  
23 Compass bank account in Illinois.

24           29. It was a further part of defendant's scheme and artifice  
25 to defraud that he failed to invest the overwhelming majority of  
26 the funds entrusted to him on the Chicago Mercantile Exchange.  
27 Instead, the defendant subsequently directed his trader to  
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1 transfer hundreds of thousands of dollars of Meredith funds to  
2 bank accounts controlled by the defendant. Defendant concealed  
3 and disguised this illegal activity from his trader by telling him  
4 that he was only transferring the Meredith funds into Compass to  
5 create expenses for tax purposes. When his trader sought further  
6 explanation, defendant told him that it was none of the trader's  
7 business what SHERBONDY did with his money.

8 30. It was a further part of defendant's scheme and artifice  
9 to defraud that he would eventually use the funds obtained from  
10 The Meredith Group for general business and personal expenses,  
11 such as repaying credit card bills and personal loans, giving  
12 money to his family, funding home improvements, buying jewelry,  
13 funding his business associates and paying off non-related legal  
14 expenses.

15 31. It was a further part of defendant's scheme and artifice  
16 to defraud that he concealed his illegal conduct from the  
17 investors by producing fraudulent statements incorrectly showing  
18 that the investors were making huge profits. In addition, he  
19 discouraged investors from removing their money by: (1) claiming  
20 the groups profits would have been substantially higher if not for  
21 investor withdrawals; (2) threatening not to handle any further  
22 group investments; and (3) entering a management agreement  
23 prohibiting funds from being removed for a period of at least one  
24 year.

25 32. It was a further part of defendant's scheme and artifice  
26 to defraud that if investors insisted on removing their funds, he  
27 would repay them with the amount of interest he had told the other  
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1 investors he was making. In this fashion, defendant attempted to  
2 keep present investors in (and lure new investors to) the scheme.

### 3 RETIREMENT ("IRA") INVESTMENTS

4 33. It was a further part of defendant's scheme and artifice  
5 to defraud to obtain Individual Retirement Account [hereafter  
6 referred to as "IRA"] funds generated by the buy-out of PSA by  
7 U.S. Air. Among other ways, defendant solicited these additional  
8 funds by telling The Meredith Group that he could obtain IRS  
9 approval to invest the former PSA employees buy-out profits on the  
10 Chicago Mercantile exchange in a tax free 401K (IRA) account.

11 34. It was a further part of defendant's scheme and artifice  
12 to defraud that he misled investors by alleging that he was  
13 working on obtaining IRS approval. Eventually, in order to  
14 continue to solicit new IRA investments, defendant falsely claimed  
15 that he had finally received IRS approval to invest the buy-out  
16 profits in a 401K approved plan.

17 35. It was a further part of defendant's scheme and artifice  
18 to defraud that when he could no longer continue to attract  
19 sufficient new investors, he attempted to conceal and disguise his  
20 illegal activity by falsely informing investors that he was  
21 suddenly experiencing large losses on the Chicago Mercantile  
22 Exchange.

### 23 DISGUISE AND CONCEALMENT

24 36. It was a further part of defendant's scheme and artifice  
25 to defraud that he failed to maintain accurate and complete  
26 records of investor funds in order to conceal and disguise his  
27 illegal activity. Similarly, defendant failed to provide his  
28

1 accountant with the pertinent records and information necessary to  
2 accurately calculate his income.

3 37. It was a further part of defendant's scheme and artifice  
4 to defraud that he failed to file corporate income tax returns in  
5 order to disguise and conceal his illegal activity. In the same  
6 manner, defendant also filed false and fraudulent personal income  
7 tax returns that did not accurately reflect his true income.

8 WIRE TRANSACTIONS

9 38. On or about the dates listed below (Column "A"), within  
10 the Southern District of California and elsewhere, defendant JAY  
11 SHERBONDY, for the purpose of executing the aforesaid scheme and  
12 artifice to defraud and obtain money, knowingly caused to be  
13 transmitted by means of wire in interstate commerce, the sums  
14 indicated below (Column "B") in the manner noted below (Column  
15 "C"):

16	<u>COUNT</u>	<u>(A)</u> <u>DATE</u>	<u>(B)</u> <u>SUM</u>	<u>(C)</u> <u>ROUTE</u>
17	1	12/13/88	\$ 15,748.26	Wire transfer from Meredith
18				Group account at the First
19				Interstate Bank of Nevada
20				[hereafter referred to as
21				"FIBN"] to Compass American
22				National Bank [hereinafter
23				referred to as "ANB"] account
24				in Illinois
25	2	12/16/88	\$ 6,033.04	Wire transfer from Meredith
26				Group account at FIBN in
27				Nevada to Compass ANB account
28				in Illinois
	3	12/20/88	\$100,000.00	Wire transfer from Meredith
				Group account at FIBN in
				Nevada to Compass ANB account
				in Illinois

	<u>COUNT</u>	<u>(A) DATE</u>	<u>(B) SUM</u>	<u>(C) ROUTE</u>
3	4	1/31/89	\$ 68,012.58	Wire transfer from Meredith Group account at FIBN in Nevada to Compass ANB account in Illinois
6	5	2/23/89	\$ 15,000.00	Wire transfer from Meredith Group account at FIBN in Nevada to Compass ANB account in Illinois
8	6	3/17/89	\$ 3,298.69	Wire transfer from Meredith Group account at FIBN in Nevada to Compass ANB account in Illinois
11	7	4/26/89	\$ 50,000.00	Wire transfer from Jim Kennington's personal bank account at Torrey Pines Bank in California to Compass ANB account in Illinois
14	8	6/21/89	\$ 10,000.00	Wire transfer from Meredith Group account at FIBN in Nevada to SHERBONDY'S personal bank account at La Jolla Bank & Trust in California
17	9	7/31/89	\$ 7,000.00	Wire transfer from the Meredith Group account at FIBN in Nevada to Compass ANB account in Illinois
19	10	8/29/89	\$ 14,612.39	Wire transfer from Meredith Group account at FIBN in Nevada to Compass ANB account in Illinois
22	11	9/6/89	\$ 2,000.00	Wire transfer from Compass ANB account in Illinois to Dennis Lindeman's personal bank account at the Bank of America in California

All in violation of Title 18, United States Code, Sections 1343 and 2.



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 JAY SHERBONDY, did knowingly conduct such a transaction (which in fact involved proceeds of wire fraud), with the knowledge that this transaction was designed in whole or in part to conceal and disguise the nature, location, source, ownership and control of such proceeds:

<u>COUNT</u>	<u>(A) DATE</u>	<u>(B) SUM</u>	<u>"C" TRANSACTION</u>
12	12/14/88	\$ 20,000.00	Wire transfer from Compass ANB account in Illinois to SHERBONDY'S ANB personal checking account in Illinois
13	12/16/88	\$ 14,577.06	Wire transfer from Compass ANB account in Illinois to SHERBONDY'S ANB personal checking account in Illinois
14	12/16/88	\$ 20,748.26	Wire transfer from Compass ANB account in Illinois to SHERBONDY'S ANB personal checking account in Illinois
15	12/16/88	\$ 35,422.94	Wire transfer from Compass ANB account in Illinois to First American Financial Group account at Old Stone Bank in Rhode Island
16	12/16/88	\$100,000.00	Wire transfer from Compass GNP account in Illinois to the Compass ANB checking account in Illinois
17	12/16/88	\$ 50,000.00	Cash withdrawal from Compass ANB account in Illinois

1		(A)	(B)	"C"
2	<u>COUNT</u>	<u>DATE</u>	<u>SUM</u>	<u>TRANSACTION</u>
3	18	12/17/88	\$ 16,299.42	The issuance of a check from SHERBONDY'S ANB personal checking account in Illinois to the IRS
4				
5	19	12/17/88	\$ 2,500.00	The issuance of a check from SHERBONDY'S ANB personal checking account in Illinois to Harry J. Sherbondy
6				
7	20	12/19/88	\$ 6,033.04	Wire transfer from Compass ANB account in Illinois to SHERBONDY'S ANB personal checking account in Illinois
8				
9	21	12/19/88	\$ 8,307.00	The issuance of a check from SHERBONDY'S ANB personal checking account in Illinois to Finnels Jewelers
10				
11	22	12/20/88	\$ 5,000.00	Wire transfer from SHERBONDY'S ANB personal checking account in Illinois to Julie Sherbondy's Home Saving account in California
12				
13	23	12/28/88	\$ 1,439.06	The issuance of a check from SHERBONDY'S ANB personal checking account in Illinois to Fireman's Fund in payment of an insurance bill
14				
15	24	12/28/88	\$ 3,840.60	The issuance of a check from SHERBONDY'S ANB personal checking account in Illinois to Manufacturers Hanover in payment of a credit card bill
16				
17	25	1/31/89	\$ 13,000.00	The depositing of a Meredith Group check issued to H. JAY SHERBONDY at his Home Savings of America personal account in Fallbrook, California
18				
19	26	2/1/89	\$ 25,000.00	Cash withdrawal from Compass ANB account in Illinois
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1	<u>COUNT</u>	<u>(A)</u> <u>DATE</u>	<u>(B)</u> <u>SUM</u>	<u>"C"</u> <u>TRANSACTION</u>
2	27	2/1/89	\$ 9,525.98	Wire transfer from Compass ANB account in Illinois to SRG Construction Inc. account at North County Bank in California
3				
4				
5	28	2/23/89	\$ 10,000.00	The depositing of a Meredith Group check issued to H. JAY SHERBONDY at his Bank of America account in Fallbrook, California
6				
7				
8	29	2/27/89	\$ 40,000.00	The issuing of a Meredith Group check to H. JAY SHERBONDY drawn on FIBN in Nevada
9				
10	30	3/9/89	\$ 45,000.00	Wire transfer from Compass ANB account in Illinois to Jim Kennington's personal bank account at Torrey Pines Bank in California
11				
12				
13	31	4/5/89	\$ 2,500.00	Wire transfer from Compass ANB account in Illinois to his wife's personal bank account at Bank of America in California
14				
15				
16	32	4/13/89	\$ 45,000.00	Wire transfer from Compass ANB account in Illinois to JAY SHERBONDY's personal bank account at Bank of America in California
17				
18				
19	33	5/4/89	\$ 40,397.21	Wire transfer from Compass ANB account in Illinois to Jim Kennington's personal bank account at Torrey Pines Bank in California
20				
21				

22 All in violation of Title 18, United States Code, Sections  
 23 1956(a)(1)(B)(i), and Title 18, United States Code, Section 2.

24 Count 34 through 48

25 1. Paragraphs 1 through 14 and 16 through 37 of Count 1 are  
 26 hereby realleged and incorporated by reference as if set forth in  
 27 full herein.

1           2. Federal law prohibits individuals from knowingly engaging  
2 in financial transactions in criminally derived property that is  
3 of a value greater than \$10,000 and is derived from specified  
4 unlawful activity.

5           3. The term "transaction" includes, among other things: (1)  
6 the deposit or withdrawal of any monetary instruments (including  
7 personal, corporate and bank checks) to or from any financial  
8 institution; (2) the wire transfer of funds between bank accounts;  
9 and (3) a purchase involving the use of a financial institution.

10          4. The term "specified unlawful activity" includes, among  
11 other things, wire fraud.

12          5. The term financial transaction includes, among other  
13 things: any transaction which affects interstate commerce by: (1)  
14 moving funds by wire; or (2) involves the use of a financial  
15 institution which is engaged in interstate commerce in any way or  
16 degree.

17          6. On or about the dates listed below (Column "A"), within  
18 the Southern District of California and elsewhere, knowing that  
19 the property involved in a monetary transaction specified below  
20 (Column "B") represented the proceeds of some form of unlawful  
21 activity, defendant JAY SHERBONDY, did knowingly engage in such  
22 monetary transaction (which in fact involved proceeds of a wire  
23 fraud scheme) in the manner indicated below (Column "C"):

<u>COUNT</u>	<u>(A)</u> <u>DATE</u>	<u>(B)</u> <u>SUM</u>	<u>"C"</u> <u>TRANSACTION</u>
35	12/14/88	\$ 20,000.00	Wire transfer from Compass ANB account in Illinois to SHERBONDY'S ANB personal checking account in Illinois

1		(A)	(B)	"C"
2	<u>COUNT</u>	<u>DATE</u>	<u>SUM</u>	<u>TRANSACTION</u>
3	36	12/16/88	\$ 14,577.06	Wire transfer from Compass ANB account in Illinois to SHERBONDY'S ANB personal checking account in Illinois
4				
5	37	12/16/88	\$ 20,748.26	Wire transfer from Compass ANB account in Illinois to SHERBONDY'S ANB personal checking account in Illinois
6				
7				
8	38	12/16/88	\$ 35,422.94	Wire transfer from Compass ANB account in Illinois to First American Financial Group account at Old Stone Bank in Rhode Island
9				
10				
11	39	12/16/88	\$ 50,000.00	Cash withdrawal from Compass ANB account in Illinois
12				
13	40	12/16/88	\$100,000.00	Wire transfer from Compass GNP account in Illinois to the Compass ANB checking account in Illinois
14				
15	41	12/17/88	\$ 16,299.42	The issuance of a check from SHERBONDY'S ANB checking account in Illinois to the IRS
16				
17	42	1/31/89	\$ 13,000.00	The depositing of a Meredith Group check issued to H. JAY SHERBONDY at his Home Savings of America personal account in Fallbrook, California
18				
19				
20	43	2/1/89	\$ 25,000.00	Wire transfer from Compass ANB account in Illinois to Law, Snakard & Gambil bank account at Texas American Bank in Texas
21				
22	44	2/23/89	\$ 10,000.00	The depositing of a Meredith Group check issued to H. JAY SHERBONDY at his Bank of America account in Fallbrook, California
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25	45	2/27/89	\$ 40,000.00	The issuing of a Meredith Group check to H. JAY SHERBONDY drawn on FIBN in Nevada
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<u>COUNT</u>	<u>(A) DATE</u>	<u>(B) SUM</u>	<u>"C" TRANSACTION</u>
46	3/9/89	\$ 45,000.00	Wire transfer from Compass ANB account in Illinois to Jim Kennington's personal bank account at Torrey Pines Bank in California.
47	4/13/89	\$ 45,000.00	Wire transfer from Compass ANB account in Illinois to JAY SHERBONDY's personal bank account at Bank of America in California
48	5/4/89	\$ 40,397.21	Wire transfer from Compass ANB account in Illinois to Jim Kennington's bank account at Torrey Pines Bank in California

All in violation of Title 18, United States Code, Section 1957, and Title 18, United States Code, Section 2.

Count 49

1. Paragraphs 1 through 14 and 16 through 37 of Count 1 are hereby realleged and incorporated by reference as if set forth in full herein.

2. In order to regulate the sale of securities and protect the public from fraudulent investment schemes, the Securities and Exchange Commission [hereafter referred to as the "SEC"], provides for the registration and regulation of "investment advisors".

3. An individual is acting as an investment advisor if he is: (1) engaging (for compensation) in the business of advising others as to the value of securities; or (2) issuing or performing analyses or reports concerning securities as part of his regular business activities.

4. Beginning in or about March 1987 and continuing at least until August 1989, within the Southern District of California and

1 elsewhere, defendant JAY SHERBONDY, while acting as an investment  
2 advisor, did knowingly and willfully employ a scheme and artifice  
3 to defraud, and engage in a course of business which operated as  
4 a fraud or deceit upon his clients and perspective clients, in  
5 violation of the Investment Advisors Act of 1940, Title 15, United  
6 States Code, Sections 80b-6 and 80b-17.

7 5. On or about April 26, 1989, within the Southern District  
8 of California and elsewhere, defendant JAY SHERBONDY, for the  
9 purpose of executing the scheme and artifice to defraud and obtain  
10 money (detailed in Count 1), knowingly caused \$50,000 to be  
11 transmitted by means of wire from Jim Kennington's personal bank  
12 account at Torrey Pines Bank in California to the Compass ANB  
13 account in Illinois; all in violation of Title 15, United States  
14 Code, Sections 80b-6 and 80b-17 and Title 18, United States Code,  
15 Section 2.

16 Count 50

17 On or about April 14, 1988, in the Southern District of  
18 California, defendant JAY SHERBONDY did willfully make, subscribe  
19 and file with the IRS, a U.S. Individual Income Tax Return (Form  
20 1040) for the 1987 tax year, verified by a written declaration  
21 that it was made under penalty of perjury, which he knew was  
22 materially false in that, among other things, it under reported  
23 his income by failing to report approximately \$2,000,000 in  
24 additional income; all in violation of Title 26, United States  
25 Code, Section 7206(1), and Title 18, United States Code,  
26 Section 2.

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Count 51

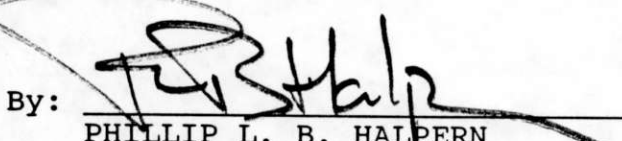
On or about October 15, 1989, in the Southern District of California, defendant JAY SHERBONDY did willfully make, subscribe and file with the IRS, a U.S. Individual Income Tax Return (Form 1040) for the 1988 tax year, verified by a written declaration that it was made under penalty of perjury, which he knew was materially false in that, among other things, it under reported his income by failing to report approximately \$200,000 in additional income; all in violation of Title 26, United States Code, Section 7206(1), and Title 18, United States Code, Section 2.

DATED: December 10, 1993.

A TRUE BILL:

  
Foreperson

ALAN D. BERSIN  
United States Attorney

By:   
PHILLIP L. B. HALPERN  
Assistant U.S. Attorney