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Businessman Sentenced to More Than 17 Years for Bankruptcy Fraud and Money Laundering

U.S. Attorney's Office
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Eastern District of California
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SACRAMENTO, CA—Steven K. Zinnel, 50, of Gold River, was sentenced today by United States District Judge Troy L. Nunley to 17 years and eight months in prison and a \$500,000 fine for 15 counts of bankruptcy fraud and money laundering, United States Attorney Benjamin B. Wagner announced. Judge Nunley also ordered Zinnel to forfeit to the United States real estate and corporate interests worth more than \$2.8 million.

U.S. Attorney Wagner stated, “Mr. Zinnel attempted to escape his financial responsibilities through the fraudulent misuse of the bankruptcy court. Today’s sentence, believed to be the longest prison sentence ever imposed in a bankruptcy fraud case in this district, holds him responsible for his crimes and helps protect the integrity of the federal bankruptcy process.”

“Zinnel knowingly broke laws in a spiteful attempt to deprive his former spouse and children of his support,” said Special Agent in Charge Monica M. Miller of the FBI’s Sacramento Field Office. “Today, he is seeing the cost of his creative scheme to intentionally conceal his assets.”

“Today’s sentencing sends a clear message to those who use the bankruptcy system to evade their debt obligations to the government and their creditors,” said José M. Martínez, Special Agent in Charge, IRS-Criminal Investigation. “This was a serious, long-running crime committed by a man who gave it a lot of thought and purpose. Mr. Zinnel’s crimes were filled with fraud and deceit, and he deserves the punishment handed down today.”

Trial testimony established that Zinnel concealed assets from the bankruptcy court by putting his property in other people’s names. One of the things that Zinnel hid from the bankruptcy court was an investment in an electrical infrastructure company in which he had invested as a “silent partner.” Zinnel invested hundreds of thousands of dollars and prepared the corporate filings, but his name did not appear in any public filing of this company. For years, the company paid distributions to Zinnel as an owner, but those distributions were disguised as payments to a shell company, Done Deal Inc., held in the name of co-defendant Derian Eidson. The court noted that the purpose of establishing Done Deal was to “raid the coffers” of the electrical infrastructure company without being identified anywhere. The court ordered Zinnel’s interest in that company forfeited, and the government is to receive \$2.8 million from its sale to its records owner.

After the successful concealment of the property and the discharge of Zinnel’s bankruptcy, Zinnel laundered funds back to himself through attorney Derian Eidson’s company, Done Deal Inc., her attorney-client trust account, and her personal bank account. Zinnel throughout this time used several different corporations registered in others’ names, including one registered with a forged signature, to disguise his control of property and to direct the disposition of money. Eidson gave Zinnel signature authority over her company’s bank account, which he used for his personal expenses.

At today’s sentencing hearing, Zinnel’s ex-wife explained how the investigation of Steven Zinnel began with Zinnel’s call to the FBI asking that the FBI investigate her. According to papers on file with the court, when agents followed up on Zinnel’s call to the FBI, his own bankruptcy crimes were discovered.

Calling Zinnel “narcissistic,” Judge Nunley cited Zinnel’s repeated deception of the bankruptcy court, the bankruptcy trustee, and family court as evidence of Zinnel’s culpability in the complex bankruptcy fraud and money laundering scheme. Even after the bankruptcy, Zinnel laundered his money through shell corporations in order to disguise income that otherwise would have affected his child support obligations.

“You don’t lie before a court of law,” Judge Nunley admonished Zinnel. “You don’t continue to lie, which is what you did.” Judge Nunley found that Zinnel’s gifts of being articulate and charismatic were used toward promoting Zinnel’s “own selfish ends.”

This case is the product of an investigation by the FBI and IRS-Criminal Investigation. Assistant United States Attorneys Matthew D. Segal and Audrey B. Hemesath prosecuted the case. The Office of the U.S. Trustee provided important support and expertise in the course of the prosecution.

Zinnel’s restitution hearing is set for March 31, 2014, at 9:00 a.m. At that time, Judge Nunley will also sentence Zinnel’s co-defendant, attorney Derian Eidson, for her role in Zinnel’s scheme.

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