

**U.S. Department of Justice**

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**PRESS RELEASE**

**FOR IMMEDIATE RELEASE**  
**Tuesday, March 27, 2007**

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**Telecommunications Entrepreneur Walter C. Anderson sentenced to nine years in prison in largest personal income tax evasion case**

**Washington, D.C.** - Walter C. Anderson, a local telecommunications entrepreneur, was sentenced today by a federal judge to a total 108 months in prison in the largest personal income tax evasion case brought by the Department of Justice, announced U.S. Attorney Jeffrey A. Taylor, Eileen J. O'Connor, Assistant Attorney General for the Justice Department's Tax Division, Mark W. Everson, Internal Revenue Service Commissioner, and Sherryl Hobbs Newman, Deputy Chief Financial Officer for the District of Columbia's Office of Tax and Revenue.

Today's sentencing followed four days of court proceedings before the Honorable Paul L. Friedman, U.S. District Judge for the District of Columbia. Anderson, 53, pled guilty in September 2006 to two counts of federal tax evasion and one count of defrauding the District of Columbia for failing to report approximately \$365 million of income on his 1998 and 1999 federal returns. Specifically, the Court sentenced the defendant to 108 months in prison on the two counts of federal tax evasion and a concurrent four years of imprisonment on the District of Columbia charge. The Court also ordered that the defendant pay more than \$22 million in restitution to the District of Columbia government.

"There was simply no justification for Mr. Anderson to engage in his elaborate scheme to avoid paying his taxes," stated U.S. Attorney Taylor. "Today's nine-year prison sentence sends a clear message to all tax cheaters that the federal and District government will work hard and aggressively to ensure that dishonest taxpayers are held accountable and brought to justice." "At the IRS, we have stepped up our efforts to pursue tax evasion by the wealthy," said IRS Commissioner Everson. "Millions of Americans who are preparing their taxes before the April deadline should feel confident that we will hold everyone to the same standard of honesty."

"Federal prosecutors and IRS agents can and will do the hard work necessary to unravel even the most extensive tax evasion schemes," said Assistant Attorney General O'Connor. "Today's sentence demonstrates that tax evasion is a serious crime with serious consequences."

"Paying taxes is a civic responsibility," said Deputy Chief Financial Officer Newman. "Today's sentencing represents a victory for all District of Columbia taxpayers who are honest in meeting their tax obligations, and it sends a message that we are becoming much more aggressive in our pursuit and punishment of tax scofflaws."

According to the government's proffer, Anderson created an elaborate evasion scheme involving offshore corporations to avoid paying taxes on \$450 million he earned in business ventures between 1995 and 1999. In October 1992, Anderson formed Gold & Appel Transfer in the British Virgin Islands (BVI). With the assistance of a trust company, Anderson directed the issuance of ten shares of stock to Icomnet, another BVI corporation previously formed by Anderson. The remaining shares were held by Anderson in the form of an exclusive option. In so structuring the share distribution, Anderson concealed his ownership of Gold & Appel.

Anderson further obscured his ownership of Gold & Appel in September 1993 when he formed Iceberg Transport in the Republic of Panama. Using the alias Mark Roth, Anderson directed a trust company, located in Liverpool England to form Iceberg Transport as a bearer share company. As its name implies, these shares were unregistered. The actual possessor of the share certificates is considered the owner. At Anderson's direction, these shares were mailed from Panama to the Netherlands into one of Anderson's private mail boxes and subsequently seized from his Washington D.C. residence in March 2002.

Anderson hired these trust companies in the BVI and England to create the appearance that there were others in control of these offshore entities. In reality, these trust companies served as nominees. Anderson directed all aspects of Gold & Appel and Iceberg Transport. The trust companies exercised no discretion. Anderson owned and controlled the affairs of these corporations.

Between October 1992 and July 1996, Anderson transferred his ownership interests in three telecommunications companies—Mid-Atlantic Telecom, Esprit Telecom and Telco Communications Group—to Gold & Appel and Iceberg Transport. After these transfers were made, each of these telecommunication corporations became dramatically more valuable. Between 1995 and 1999, Anderson used the assets of

Gold & Appel and Iceberg Transport, which included the profits realized from these three telecommunication corporations, to invest in other business ventures that generated more than \$450 million in earnings. Anderson conducted most of these transactions through bank accounts in the Channel Islands.

Anderson failed to disclose to his tax return preparers that he controlled Gold & Appel, Iceberg Transport and these foreign bank accounts. As a result, Anderson's U.S. Individual Income Tax Returns for 1998 and 1999 omitted approximately \$126 million and \$239 million of additional income, respectively. Anderson similarly filed a false D.C. Income Tax Return for the tax year 1999 failing to report these items of income.

In announcing the sentence, U.S. Attorney Taylor, Assistant Attorney General O'Connor, IRS Commissioner Everson, and Deputy Chief Financial Officer Newman commended the investigatory work of IRS Special Agents Matthew Kutz and Thomas Birmingham, IRS Revenue Agent Erin Edwards and D.C. Office of Tax and Revenue Investigator Edmond Wybaillie III and Senior Tax Auditor David Baynes. They also praised Assistant U.S. Attorney Susan B. Menzer and Tax Division Trial Attorney Karen E. Kelly who jointly prosecuted the case.