

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF CALIFORNIA

June 2023 Grand Jury

UNITED STATES OF AMERICA,

Plaintiff,

v.

ROGER KEITH VER,

Defendant.

CR No. 2:24-cr-00103-MWF

I N D I C T M E N T

[18 U.S.C. § 1341: Mail Fraud; 26 U.S.C. § 7201: Attempt to Evade and Defeat Tax; 26 U.S.C. § 7206(1): Subscription to a False Tax Return]

The Grand Jury charges:

COUNTS ONE THROUGH THREE

[18 U.S.C. § 1341]

A. INTRODUCTORY ALLEGATIONS

At times relevant to this Indictment:

Defendant VER and His Companies

1. Defendant ROGER KEITH VER, who was born in San Jose, California, resided in Tokyo, Japan, and Saint Kitts and Nevis ("St. Kitts"). Defendant VER was in a long-term relationship with a Japanese citizen ("partner").

2. Defendant VER was the sole owner and Chief Executive Officer ("CEO") of MemoryDealers.com, Inc., and Agilestar.com, Inc.,

1 two businesses that were based in Santa Clara, California, and sold
2 computer and networking equipment. MemoryDealers and Agilestar were
3 small business corporations ("S-Corporations") until March 3, 2014,
4 when by operation of law they were automatically converted to C-
5 Corporations.

6 Bitcoins

7 3. Bitcoins were a cryptocurrency circulated over the
8 internet. Bitcoins were not issued by any government, bank, or
9 company, but rather were controlled through computer software
10 operating via a decentralized, peer-to-peer network. Bitcoins were
11 sent to and received from bitcoin addresses, which were analogous to
12 bank account numbers and consisted of strings of case-sensitive
13 letters and numbers, each 26 or more characters long. Each bitcoin
14 address was controlled through the use of a private key that was the
15 equivalent of a password or PIN and was necessary to access the
16 bitcoins associated with the bitcoin address.

17 4. Bitcoin transactions were recorded on the bitcoin
18 blockchain. The bitcoin blockchain was a decentralized public ledger
19 on which were recorded all bitcoin transactions in which a bitcoin
20 address sent or received bitcoins. The bitcoin blockchain was updated
21 approximately six times per hour. All records on the bitcoin
22 blockchain were publicly available.

23 5. Generally, a bitcoin wallet was an application that allowed
24 bitcoin users to easily send and receive bitcoins and store their
25 private keys. Users typically acquired bitcoins by purchasing them
26 through a cryptocurrency exchange.

1 Defendant VER's and His Companies' Acquisition of Bitcoins

2 6. Defendant VER began acquiring bitcoins no later than April
3 2011. Defendant VER also avidly promoted bitcoins, even obtaining the
4 moniker "Bitcoin Jesus."

5 7. Defendant VER opened accounts on MemoryDealers' behalf at
6 several cryptocurrency exchanges. He wired and caused to be wired
7 funds from MemoryDealers' and Agilestar's bank accounts to those
8 exchanges to purchase bitcoins for them. For example:

9 a. In April 2011, defendant VER opened an account in
10 MemoryDealers' name at Mt. Gox, a cryptocurrency exchange, using his
11 own MemoryDealers' e-mail address. Defendant VER repeatedly wired and
12 caused to be wired funds from MemoryDealers' and Agilestar's bank
13 accounts to the Mt. Gox account to purchase bitcoins. Defendant VER
14 transferred MemoryDealers' and Agilestar's bitcoins from Mt. Gox to
15 bitcoin wallets that defendant VER controlled on their behalf.

16 b. In June 2012, defendant VER also opened an account on
17 MemoryDealers' behalf at Bitstamp, another cryptocurrency exchange.
18 When he opened the account, defendant VER provided MemoryDealers'
19 articles of incorporation and indicated he was MemoryDealers' sole
20 owner. He also provided a copy of a recent MemoryDealers' bank
21 statement. Defendant VER repeatedly wired and caused to be wired
22 funds from MemoryDealers' bank account to Bitstamp to purchase
23 bitcoins. Defendant VER transferred MemoryDealers' bitcoins from
24 Bitstamp to bitcoin wallets that defendant VER controlled on
25 MemoryDealers' behalf.

26 8. Defendant VER also caused MemoryDealers to acquire bitcoins
27 by using MemoryDealers' money to purchase them directly from sellers.

28

1 9. MemoryDealers used bitcoins to conduct its business.
2 Beginning in or around October 2011, and continuing until at least on
3 or about June 18, 2017, MemoryDealers paid certain vendors in
4 bitcoins. MemoryDealers received payments from customers in bitcoins
5 through September 2017. On or about November 1, 2012, MemoryDealers
6 launched Bitcoinstore.com. MemoryDealers, doing business as
7 Bitcoinstore.com, accepted payment in bitcoins for products it sold
8 on the internet. Bitcoinstore.com operated until approximately July
9 31, 2014.

10 10. Defendant VER also used his own funds to purchase bitcoins.
11 For example, on or about July 23, 2012, defendant VER opened an
12 account in his own name at Coinbase, another cryptocurrency exchange.

13 11. On or about November 30, 2013, defendant VER donated 1,000
14 of his personally held bitcoins, valued at \$1,065,145, to a charity
15 qualified under section 501(c)(3) of the Internal Revenue Code. On or
16 about November 6, 2014, defendant VER filed an Amended U.S.
17 Individual Income Tax Return (Form 1040X) for tax year 2013 on which
18 he claimed a deduction for this donation.

19 Defendant VER's Expatriation

20 12. United States citizens could renounce their U.S.
21 citizenship, a process known as expatriation.

22 13. Under the Internal Revenue Code ("IRC"), expatriation from
23 the United States by a person who qualified as a "covered expatriate"
24 had tax implications. Specifically, all of a covered expatriate's
25 property was treated as having been sold on the day before the
26 expatriation date for its fair market value—referred to as a
27 "constructive sale"—and any gain arising from that constructive sale
28

1 was required to be taken into account for that taxable year and was
2 subject to tax, which was referred to as an "exit tax."

3 14. Under the IRC, covered expatriates were also required to
4 file an Initial and Annual Expatriation Statement (Form 8854) with
5 the Internal Revenue Service ("IRS"). Covered expatriates were
6 required to certify on their Forms 8854 that they had complied with
7 their tax obligations in the five years before expatriation and,
8 among other things, provide information about their net worth,
9 income, assets, and liabilities as of the date of their expatriation.

10 15. In August 2012, defendant VER hired Law Firm 1 to advise
11 him about expatriating and later hired Law Firm 1 to assist with his
12 expatriation and prepare his 2014 U.S. Nonresident Alien Income Tax
13 Return (Form 1040NR) and Initial and Annual Expatriation Statement
14 (Form 8854) (collectively the "expatriation-related tax returns").

15 16. Law Firm 1 also advised defendant VER to hire an appraiser
16 to value MemoryDealers and Agilestar. As described below, defendant
17 VER hired two different appraisers to do so. Appraiser 1 was a large,
18 international accounting firm that defendant VER retained in 2012;
19 Appraiser 2 was a solo practitioner that defendant VER retained in
20 2015.

21 17. On February 4, 2014, defendant VER became a St. Kitts
22 citizen. On March 3, 2014, defendant VER furnished to the United
23 States Consulate in Barbados a signed Request for a Determination of
24 Possible Loss of Citizenship (Form DS-4079), which included in Part
25 II, a separately signed Statement of Voluntary Relinquishment of U.S.
26 Citizenship. The U.S. Department of State subsequently issued him a
27 Certificate of Loss of Nationality of the United States (Form DS-
28 4083) that said defendant VER expatriated as of February 4, 2014.

1 18. Under the IRC, however, a U.S. citizen is determined to
2 have expatriated for the purposes of computing the exit tax and
3 preparing the Form 8854 on the earliest of four events. The earliest
4 of those four events applicable to defendant VER was the furnishing
5 of his Statement of Voluntary Relinquishment of U.S. Citizenship to
6 the U.S. Consulate on March 3, 2014.

7 19. Defendant VER was a covered expatriate because his net
8 worth on that day was at least \$2,000,000. As such, defendant VER was
9 required to prepare and file a Form 8854 and to pay an exit tax on
10 any gain from the constructive sale of his worldwide assets as of
11 March 2, 2014, and to report his worldwide assets on a Form 8854 as
12 of March 3, 2014.

13 20. However, Law Firm 1 erroneously advised him, based on the
14 date referenced in the U.S. Department of State's Certificate of Loss
15 of Nationality, that he expatriated for tax purposes on February 4,
16 2014, and had to pay the exit tax based on the constructive sale of
17 his worldwide assets as of February 3, 2014.

18 21. Law Firm 1 prepared and defendant VER signed and filed his
19 expatriation-related tax returns incorrectly using February 4, 2014,
20 as the date of his expatriation.

21 Clustering Analysis

22 22. Clustering analysis, described below, combined with other
23 attribution evidence, establishes that on February 3, 2014, defendant
24 VER owned approximately 131,000 bitcoins either directly or through
25 his companies.

26 23. The clustering analysis used information from the
27 blockchain to group bitcoin addresses together into clusters based on
28 co-spending. Co-spending occurred when multiple bitcoin addresses

1 sent bitcoins in a single transaction, indicating that a single owner
 2 held the private keys for all those addresses. A cluster could be
 3 labeled based on its root address, namely, the earliest existing
 4 bitcoin address in the cluster.

5 24. The clustering analysis establishes that the bitcoins
 6 referenced in paragraph 22 above were contained within at least four
 7 clusters of bitcoin addresses. These four clusters held bitcoins on
 8 February 3, 2014, as follows:

| Cluster | Root Address | Bitcoins on 2/3/2014 |
|---------|--|----------------------|
| 1 | 1E6mijNx2xKzRt6KXiqZncUmybgYN4cn2X ("Cluster 1E6mij") | 110,000.0491 |
| 2 | 1JKPkpDFruDNjFKQ5upDkB2CbstbR3RtE7 ("Cluster 1JKPkp") | 2,000.9710 |
| 3 | 1LXrSb67EaH1LGc6d6kWHq8rgv4ZBQAcpU ("Cluster 1LXrSb") | 4,037.8632 |
| 4 | 1LDWDufjU5ATbozDZY3uChb7oPAbDaiB7K ("Cluster 1LDWDu") | 15,000.0005 |

17 25. Clustering analysis also establishes that on March 2, 2014,
 18 defendant VER owned either directly or through his companies nearly
 19 the same number of bitcoins contained in at least the same four
 20 clusters.

21 B. THE SCHEME TO DEFRAUD

22 26. Beginning no later than in or about October 2012, and
 23 continuing through at least in or about December 2018, in Los Angeles
 24 County, within the Central District of California, and elsewhere,
 25 defendant VER knowingly and with the intent to defraud, devised,
 26 participated in, and executed a scheme to defraud the United States
 27 Department of the Treasury as to material matters, and to obtain
 28 money and property by means of materially false and fraudulent

1 pretenses, representations, and promises, and the concealment of
2 material facts, regarding the number and value of bitcoins he owned
3 and controlled both personally and through his companies.

4 27. The scheme to defraud operated, in substance, as follows:

5 a. In August 2012, Defendant VER hired Law Firm 1 to
6 assist with his potential expatriation, including estimating any
7 potential exit tax. Law Firm 1 told defendant VER that to estimate
8 his exit tax, he should "pretend" to sell all of his assets on the
9 day before his anticipated expatriation and calculate a tax on any
10 gain from those pretend sales above \$651,000.

11 b. After defendant VER was so advised, but before he was
12 able to expatriate in 2014, he concealed and provided false
13 information to his various advisors regarding the number and value of
14 bitcoins he owned and controlled both personally and through his
15 companies. For example:

16 i. In October 2012, defendant VER provided to Law
17 Firm 1 a purported list of his assets and proposed exit tax
18 calculation. The list of assets did not include any bitcoins.

19 ii. Defendant VER engaged Appraiser 1 in August 2012.
20 During the course of Appraiser 1's engagement, Appraiser 1 prepared
21 multiple draft valuations of MemoryDealers and Agilestar. Appraiser 1
22 repeatedly advised defendant VER that the bitcoins listed as assets
23 on MemoryDealers' and Agilestar's financial records should be valued
24 at their current market price and asked defendant VER for the number
25 of bitcoins held by the companies.

26 iii. In response, defendant VER did not provide
27 Appraiser 1 with the total number of bitcoins the companies held and
28 instead purported to provide the total number of bitcoins in his

1 possession. But the figures he provided were substantially lower than
2 the number of bitcoins attributable to him and his companies. For
3 example, on or about April 12, 2013, defendant VER told Appraiser 1
4 that he controlled 25,000 bitcoins, when approximately 117,000
5 bitcoins were attributable to him and his companies on that date,
6 with approximately 70,000 held by defendant VER's companies.

7 iv. Appraiser 1 did not finalize its valuations
8 because on or about May 15, 2013, defendant VER informed Appraiser 1
9 that he was not going to be able to expatriate soon and requested
10 that Appraiser 1 indefinitely delay its work.

11 v. Throughout this time, Defendant VER sought advice
12 from Appraiser 1, Law Firm 1, and MemoryDealers' and Agilestar's
13 outside return preparers about whether the best way to minimize his
14 exit tax and post-expatriation tax liabilities would be to distribute
15 MemoryDealers' and Agilestar's bitcoins to himself.

16 vi. Also throughout this time, defendant VER
17 continued to acquire bitcoins for his companies and to invest
18 bitcoins in, or to loan bitcoins to, bitcoin-related startups.

19 c. After failing to obtain citizenship in several other
20 countries, in early December 2013, defendant VER told Law Firm 1 that
21 he believed he would be able to obtain citizenship from St. Kitts and
22 renounce his U.S. citizenship by the end of the year.

23 d. Law Firm 1 warned defendant VER that "doing so will
24 mean (tax-wise) that you are diving off the high dive into the pool
25 without checking how much water is in the pool. Meaning—when you
26 renounce you have committed yourself and whatever the tax results
27 are, they are. No adjustments are possible."

28

1 e. After defendant VER retained Law Firm 1 in January
2 2014 to assist with his expatriation, including calculating his
3 estimated exit tax payment, and while Law Firm 1 prepared and filed
4 his expatriation-related tax returns, defendant VER continued to
5 conceal and provide false information to his advisors regarding the
6 number and value of bitcoins he owned and controlled both personally
7 and through his companies. For example:

8 i. On February 3, 2014, the day Law Firm 1 advised
9 defendant VER to use when calculating his exit tax, he had
10 approximately 131,000 bitcoins that could be attributed to him and
11 his companies. Based on an analysis of their financial records, about
12 73,000 of these bitcoins could be attributed to MemoryDealers and
13 Agilestar. Bitcoins traded on February 3, 2014, between \$782 and \$960
14 across several large bitcoin exchanges. From April 2011 to January 1,
15 2013, when defendant VER and his companies acquired most of their
16 bitcoins, bitcoins traded at no more than about \$32.00 across several
17 large bitcoin exchanges.

18 ii. In or around April 2014, Law Firm 1 attempted to
19 estimate defendant VER's exit tax so that defendant VER could make an
20 estimated tax payment for 2014. On or about April 5, 2014, Return
21 Preparer 1, an employee at Law Firm 1, sent defendant VER an
22 estimation of defendant VER's exit tax of \$3,990,000. A few days
23 later, Return Preparer 1 updated it, reducing the estimated exit tax
24 to \$3,400,000. The spreadsheet Return Preparer 1 used to compute that
25 figure listed a total value of only \$3,000,000 for "[b]itcoins held
26 in personal wallets," listed defendant VER as the 100% owner of the
27 bitcoins, and noted that defendant VER had provided the estimate of
28

1 the bitcoins' value. The spreadsheet did not list how many bitcoins
2 defendant VER personally owned.

3 iii. Defendant VER did not make any estimated tax
4 payments for 2014.

5 iv. A year later, when Law Firm 1 was preparing
6 defendant VER's expatriation-related tax returns, Return Preparer 1
7 e-mailed defendant VER on or about April 10, 2015, requesting
8 additional information about defendant VER's assets. Return Preparer
9 1 asked defendant VER how many bitcoins defendant VER owned and what
10 he had paid for them. When he responded a few days later, defendant
11 VER did not provide the requested information and instead discussed
12 various aspects of the bitcoin market.

13 v. On or about August 3, 2015, Return Preparer 1 e-
14 mailed defendant VER and proposed using an \$800 per bitcoin value for
15 defendant VER's personally held bitcoins. Defendant VER rejected
16 Return Preparer 1's proposal as unreasonable, claiming that he had so
17 many bitcoins that if he had had to sell them all on a single day in
18 February 2014 it would have crashed the market. Defendant VER did not
19 specify how many bitcoins he had but suggested a value of his
20 personal bitcoin holdings of \$9,200,000.

21 vi. A few weeks later, Return Preparer 1 told
22 defendant VER that Lawyer 1, another employee of Law Firm 1, had
23 determined that they had to use the \$800 per bitcoin value and again
24 asked defendant VER how many bitcoins defendant VER personally held.
25 Defendant VER withheld the requested information once more, and
26 instead said that using the \$800 per bitcoin value was "impossible
27 and unreasonable." Lawyer 1 later told defendant VER that they were
28 legally required to use the \$800 per bitcoin value.

1 vii. In August 2015, Lawyer 1 also asked defendant VER
2 about his personal bitcoin holdings, specifically about how he had
3 come to own bitcoins through bitcoinstore.com. Defendant VER
4 responded that MemoryDealers "kept as many of the bitcoins as
5 possible." In response to Lawyer 1's follow-up questions, defendant
6 VER remarked that bitcoin wallets "were not registered to any name or
7 associated with a tax id, and that no one, including the IRS, can
8 freeze ones [sic] bitcoin accounts or seize ones [sic] bitcoins."
9 Defendant VER also asserted that all the bitcoins obtained from
10 "MemoryDealers / Bitcoinstore were held in bitcoin wallets that only
11 [he was] able to access." Defendant VER stated that he believed a
12 "smart tax strategy would be for [the bitcoins] to have been
13 transferred to [his] personal ownership whenever it would have been
14 cheapest to have done so from a tax perspective."

15 viii. While Law Firm 1 was preparing defendant
16 VER's expatriation-related tax returns, it reminded defendant VER of
17 his need to obtain valuations of MemoryDealers and Agilestar. Instead
18 of returning to Appraiser 1, who had already prepared draft
19 valuations, in June 2015 defendant VER retained Appraiser 2 to start
20 the process anew.

21 ix. In August 2015, Appraiser 2 prepared valuations
22 of MemoryDealers and Agilestar based in large part on the companies'
23 financial records and tax returns using a valuation date of February
24 4, 2014.

25 x. On or about August 4, 2015, Appraiser 2 sent
26 draft valuations to Employee 1, a MemoryDealers' employee. Appraiser
27 2 valued MemoryDealers at \$2,250,000, which included bitcoins valued
28

1 at \$1,304,054, and valued Agilestar at \$4,310,000, which included
2 bitcoins valued at \$113,582.

3 xi. Employee 1 forwarded the draft valuations to
4 Return Preparer 2, one of MemoryDealers' and Agilestar's outside
5 return preparers, and requested Return Preparer 2's input. Return
6 Preparer 2 responded by e-mail, questioning the valuation of the
7 companies' bitcoins, and told Employee 1 to ask Appraiser 2 "if the
8 Bitcoin values are market value on the dates of valuation." Return
9 Preparer 2 explained that the "value should be: total Bitcoins x
10 Average Market Price on Date of Valuation (2/3/14). If the value
11 shown is that value, no problem; otherwise, an adjustment should be
12 made, up or down, to show [Fair Market Value] of Bitcoins on that
13 date."

14 xii. Employee 1 forwarded Return Preparer 2's e-mail
15 to defendant VER.

16 xiii. On or about August 13, 2015, Employee 1
17 confirmed with Appraiser 2 that the previously provided draft
18 valuations were the final versions. No adjustments had been made in
19 response to Return Preparer 2's concern.

20 xiv. Employee 1 then forwarded the valuations to Law
21 Firm 1, which subsequently incorporated them into defendant VER's
22 expatriation-related tax returns. At no time did defendant VER object
23 to the incorrect valuations prepared by Appraiser 2, which defendant
24 VER then knew would be incorporated into his expatriation-related tax
25 returns.

26 xv. As part of the return preparation process, on or
27 about October 14, 2015, Return Preparer 1 e-mailed defendant VER a
28 list of his bank and trading accounts of which Return Preparer 1 was

1 aware. Return Preparer 1 requested defendant VER provide any
2 additional accounts not listed. Defendant VER responded, identifying
3 an additional trading account but failed to disclose his account at
4 Coinbase, which held some of defendant VER's bitcoins on February 4,
5 2014. And a few weeks before this e-mail, defendant VER had sent
6 Lawyer 2, at Law Firm 2, who was also assisting defendant VER with
7 his expatriation, bitcoins from his Coinbase account. Defendant VER's
8 Coinbase account had bitcoins on March 3, 2014, as well.

9 xvi. Also on or about October 14, 2015, Return
10 Preparer 1 e-mailed defendant VER and requested once again that he
11 provide the total number of bitcoins he owned on February 4, 2014.
12 Return Preparer 1 copied Lawyer 1 on the e-mail. Yet again, defendant
13 VER did not tell them how many bitcoins he had. He instead asked,
14 "[c]ompletely hypothetically speaking, what would the ramifications
15 be if I were to have had 200,000 [bitcoins] at the time of my
16 renunciation?"

17 xvii. Lawyer 1 replied and advised defendant VER
18 to obtain an appraisal of his personally held bitcoins from a "third
19 party who [had] no personal interest in the tax implications of the
20 appraisal."

21 xviii. A week later, defendant VER asked Appraiser
22 2 if Appraiser 2 could provide a valuation for "an amount of Bitcoins
23 as of Feb 4th 2014 in an illiquid market?"

24 xix. In a follow-up e-mail, defendant VER asked if
25 Appraiser 2 could assist, stating "I actually have all the
26 information you need to make it super easy for you. I would just need
27 to explain it all, and then you would affix your name to it."

28

1 xx. Approximately two weeks later, Appraiser 2
2 responded to defendant VER, indicating he would take a look at the
3 information. Appraiser 2 requested that defendant VER "state how many
4 bitcoins are subject to appraisal...."

5 xxi. Instead of providing the requested information,
6 defendant VER responded by discussing the state of the bitcoin market
7 at the time of his expatriation. He also asked Appraiser 2 to opine
8 on how Appraiser 2 would hypothetically value someone's bitcoins if
9 the number of bitcoins was substantially more than the total number
10 traded on that day.

11 xxii. Instead of addressing defendant VER's
12 hypothetical, Appraiser 2 wrote back and only said "What was your
13 BitCoins [sic] holding as of February 4, 2014." Despite having
14 previously said that he had all the information for Appraiser 2,
15 defendant VER responded and said that he was not sure how many
16 bitcoins he had and asked another hypothetical about how Appraiser 2
17 would approach valuing 20,000 bitcoins.

18 xxiii. In response to defendant VER's hypothetical,
19 Appraiser 2 said that the value per bitcoin could be between \$100 to
20 \$800. Defendant VER then paid Appraiser 2 to prepare a valuation of
21 his personally held bitcoin.

22 xxiv. On or about November 24, 2015, Lawyer 1
23 responded to an email from defendant VER. Despite having final
24 appraisals of MemoryDealers and Agilestar for several months,
25 defendant VER had raised a concern with Lawyer 1 about "figuring out"
26 which bitcoins were his and which were MemoryDealers'. In response,
27 Lawyer 1 told defendant VER that the appraisal for MemoryDealers
28 included bitcoins valued at \$1.3 million based on the company's

1 financial records but that Lawyer 1 did not know how many bitcoins
2 this corresponded to or how that value was calculated. Lawyer 1
3 advised defendant VER not to include MemoryDealers bitcoins as part
4 of the valuation of his personally held ones. Lawyer 1 also requested
5 that if defendant VER was uncertain about how the bitcoins were
6 allocated between himself and MemoryDealers to let Lawyer 1 know so
7 they could reevaluate. Over the next several weeks, Lawyer 1 followed
8 up with defendant VER on this issue, but defendant VER did not
9 respond.

10 xxv. On or about December 3, 2015, defendant VER
11 formally requested that Appraiser 2 prepare a valuation of 25,000
12 bitcoins and confirmed that he held those bitcoins personally. Around
13 the same time, defendant VER told Lawyer 1 that the issue of how many
14 bitcoins he personally owned had been taken care of and that he had
15 provided Appraiser 2 with his best estimate.

16 xxvi. After some back and forth between defendant
17 VER and Lawyer 1, and defendant VER and Appraiser 2 about whether the
18 bitcoins were held by defendant VER, his partner, or his company, on
19 or about December 7, 2015, defendant VER once again confirmed that
20 the 25,000 bitcoins were held by him personally "and [did] not
21 include any other bitcoins that [he] may have been holding
22 custodially for others."

23 xxvii. On or about January 11, 2016, Appraiser 2
24 told defendant VER that it would make a significant difference in the
25 valuation if he owned the bitcoins personally or if a company owned
26 them.

27 xxviii. A few days later, defendant VER wrote in an
28 e-mail to Lawyer 1 and others that "reading between the lines of what

1 [Appraiser 2] said, it [sounded] like the appraisal will be MUCH
2 lower if the bitcoins are owned by a corporate entity rather than
3 myself personally." Defendant VER further stated, "[p]erhaps it will
4 be easier for tax reporting requirements if I gave all my bitcoins to
5 my partner (not legally married wife) in Japan?"

6 xxix. Defendant VER caused Law Firm 1 to prepare
7 and mail on or about April 28, 2016, a United States Gift (and
8 Generation-Skipping Transfer) Tax Return (Form 709), falsely claiming
9 that defendant VER had gifted 25,000 bitcoins to his partner on
10 November 15, 2011. Defendant VER signed the Form 709 under penalties
11 of perjury on or about April 15, 2016. The IRS received the Form 709
12 on or about May 4, 2016.

13 f. Defendant VER caused Law Firm 1 to prepare and mail on
14 or about May 4, 2016, defendant VER's 2014 U.S. Nonresident Alien
15 Income Tax Return (Form 1040NR). This Form 1040NR failed to report
16 any gain from the constructive sale of any bitcoins that defendant
17 VER personally owned and substantially underreported gains from the
18 constructive sales of MemoryDealers and Agilestar, which were based
19 on Appraiser 2's August 2015 valuations discussed in paragraph 27(e),
20 above. The return listed a total tax due of \$1,032,845. Defendant VER
21 signed the Form 1040NR under penalties of perjury on or about April
22 15, 2016. The IRS received the Form 1040NR on or about May 10, 2016.

23 g. Defendant VER also caused Law Firm 1 to prepare and
24 mail on or about May 4, 2016, defendant VER's 2014 Initial and Annual
25 Expatriation Statement (Form 8854) that failed to report personally
26 owned bitcoins and underreported the fair market values of
27 MemoryDealers and Agilestar. Defendant VER signed the Form 8854 under
28

1 penalties of perjury on or about April 15, 2016. The IRS received the
2 Form 8854 on or about May 10, 2016.

3 h. On or about July 13, 2016, Return Preparer 1 was
4 erroneously informed that the IRS had not received the 2014 Form
5 1040NR and Form 8854 that were mailed on or about May 4, 2016. On or
6 about July 14, 2016, defendant VER re-signed those returns, and on or
7 about July 19, 2016, Law Firm 1 mailed them to the IRS. The IRS
8 received these returns on or about July 22, 2016.

9 i. As further part of his scheme, defendant VER also
10 fraudulently misrepresented and concealed income he received in 2017
11 from the distributions of MemoryDealers' and Agilestar's bitcoins to
12 him. For example:

13 i. On or about March 17, 2016, defendant VER learned
14 from Return Preparer 3, another one of MemoryDealers' and Agilestar's
15 outside return preparers, that upon his expatriation when
16 MemoryDealers and Agilestar became C-Corporations, all of
17 MemoryDealers' and Agilestar's assets "rolled into" them.

18 ii. After defendant VER expatriated and continuing
19 through June 2017, MemoryDealers continued to acquire and/or spend
20 bitcoins, and Agilestar continued to own bitcoins.

21 iii. By 2017, defendant VER had opened personal
22 accounts at several other cryptocurrency exchanges such as Kraken,
23 Bitfinex, Bittrex, and Poloniex.

24 iv. On or about June 19, 2017, after paying an
25 invoice issued to MemoryDealers with bitcoins, defendant VER
26 instructed Employee 1 to "close out" the bitcoin balance, which
27 resulted in the removal of all bitcoins as assets from the financial
28 records of MemoryDealers and Agilestar. On that date, MemoryDealers'

1 financial records showed that it had approximately 58,000 bitcoins;
2 Agilestar's financial records showed it had approximately 12,000.

3 v. In the two weeks before defendant VER instructed
4 Employee 1 to remove the bitcoins from MemoryDealers' financial
5 records, defendant VER had transferred nearly 3,000 bitcoins—worth
6 over \$7 million—from Cluster 1JKPkp to defendant VER's personal
7 account at Poloniex.

8 vi. In November 2017, defendant VER transferred tens
9 of thousands of bitcoins from Cluster 1E6mij and Cluster 1LDWDu to
10 exchange accounts in his name and then sold them for United States
11 dollars. He then transferred approximately \$240 million from those
12 exchange accounts to bank accounts either in his name or under his
13 control in the Bahamas.

14 vii. Defendant VER retained Law Firm 1 to prepare his
15 2017 Form 1040NR. On or about July 26, 2018, Return Preparer 1 asked
16 defendant VER if he had received any income or distributions from
17 MemoryDealers or Agilestar during 2017. Defendant VER said that he
18 had not. Defendant VER also did not tell Return Preparer 1 that he
19 had received hundreds of millions of dollars from the sale of
20 bitcoins in 2017.

21 viii. As a result of defendant VER's concealment
22 of the distributions of MemoryDealers' and Agilestar's bitcoins to
23 him in 2017, the 2017 Form 1040NR that defendant VER caused Return
24 Preparer 1 to prepare and mail on or about December 15, 2018, did not
25 report any gain or pay any tax related to those distributions.

26 j. The false and fraudulent statements and
27 representations and material omissions on the 2014 Form 1040NR, 2014
28 Form 8854, and the 2017 Form 1040NR that defendant VER caused to be

1 prepared and mailed to the IRS collectively deprived the IRS of taxes
 2 rightfully due in the amount of approximately \$48 million.

3 C. USE OF THE MAILS

4 28. On or about the dates set forth below, in Los Angeles
 5 County, within the Central District of California, and elsewhere,
 6 defendant VER, for the purpose of executing the above-described
 7 scheme to defraud, knowingly caused the following items to be placed
 8 in a post office and authorized depository for mail matter to be sent
 9 and delivered by the United States Postal Service according to the
 10 directions thereon:

| COUNT | DATE | ADDRESS | MAIL MATTER |
|-------|----------------------|---|--|
| ONE | May 4, 2016 | Internal Revenue Service P.O. Box 1303 Charlotte, NC 28201-1303 | Defendant VER's false 2014 Forms 1040NR and 8854 |
| TWO | July 19, 2016 | Department of the Treasury Internal Revenue Service Austin, TX 73301-0215 | Defendant VER's false 2014 Forms 1040NR and 8854 |
| THREE | December 15, 2018 | Internal Revenue Service P.O. Box 1303 Charlotte, NC 28201-1303 | Defendant VER's false 2017 Form 1040NR |

17 COUNT FOUR

18 [26 U.S.C. § 7201]

19 29. The Grand Jury realleges paragraphs 1 through 25 and 27 of
 20 this Indictment here.

21 30. Beginning no later than on or about January 1, 2014, and
 22 continuing through on or about December 18, 2018, in Los Angeles
 23 County, within the Central District of California, and elsewhere,
 24 defendant VER willfully attempted to evade and defeat income tax due
 25 and owing by him to the United States of America, for the calendar
 26 year 2014, by committing the following affirmative acts, among
 27 others, on or about the following dates:
 28

1 a. preparing and causing to be prepared, signing and
2 causing to be signed, and filing and causing to be filed with the IRS
3 on May 10, 2016, a false 2014 U.S. Nonresident Alien Income Tax
4 Return (Form 1040NR) that failed to report gain from the constructive
5 sale of personally owned bitcoins and substantially underreported
6 gains from the constructive sales of MemoryDealers and Agilestar;

7 b. preparing and causing to be prepared, signing and
8 causing to be signed, and filing and causing to be filed with the IRS
9 on May 10, 2016, a false 2014 Initial and Annual Expatriation
10 Statement (Form 8854) that failed to report personally owned bitcoins
11 and underreported the fair market values of MemoryDealers and
12 Agilestar;

13 c. preparing and causing to be prepared, signing and
14 causing to be signed, and filing and causing to be filed with the IRS
15 on July 22, 2016, a false 2014 U.S. Nonresident Alien Income Tax
16 Return (Form 1040NR) that failed to report gain from the constructive
17 sale of personally owned bitcoins and substantially underreported
18 gains from the constructive sales of MemoryDealers and Agilestar;

19 d. preparing and causing to be prepared, signing and
20 causing to be signed, and filing and causing to be filed with the IRS
21 on May 4, 2016, a false 2011 United States Gift (and Generation-
22 Skipping Transfer) Tax Return (Form 709) that falsely claimed
23 defendant VER had gifted 25,000 bitcoins on November 15, 2011, to his
24 partner;

25 e. on June 19, 2017, instructing Employee 1 to "close
26 out" the bitcoin balance, which resulted in the removal of all
27 bitcoins as assets from the financial records of MemoryDealers and
28 Agilestar; and

1 f. preparing and causing to be prepared, signing and
2 causing to be signed, and filing and causing to be filed with the IRS
3 on December 18, 2018, a false 2017 U.S. Nonresident Alien Income Tax
4 Return (Form 1040NR) that failed to report income from the
5 distributions of bitcoins to defendant VER from MemoryDealers and
6 Agilestar.

7 COUNT FIVE

8 [26 U.S.C. § 7201]

9 31. The Grand Jury realleges paragraphs 1 through 25 and 27 of
10 this Indictment here.

11 32. From on or about January 1, 2017, through on or about
12 December 18, 2018, in Los Angeles County, within the Central District
13 of California, and elsewhere, defendant VER willfully attempted to
14 evade and defeat income tax due and owing by him to the United States
15 of America, for the calendar year 2017, by committing the following
16 affirmative acts, among others, on or about the following dates:

17 a. on June 19, 2017, instructing Employee 1 to "close
18 out" the bitcoin balance, which resulted in the removal of all
19 bitcoins as assets from the financial records of MemoryDealers and
20 Agilestar;

21 b. on July 26, 2018, falsely stating to Return Preparer 1
22 that he did not receive any distributions or other payments from
23 MemoryDealers in 2017;

24 c. on July 26, 2018, falsely stating to Return Preparer 1
25 that he did not receive any distributions or other payments from
26 Agilestar in 2017; and

27 d. preparing and causing to be prepared, signing and
28 causing to be signed, and filing and causing to be filed with the IRS

1 on December 18, 2018, a false 2017 U.S. Nonresident Alien Income Tax
2 Return (Form 1040NR) that failed to report income from the
3 distributions of bitcoins to defendant VER from MemoryDealers and
4 Agilestar.

5 COUNT SIX

6 [26 U.S.C. § 7206(1)]

7 33. The Grand Jury realleges paragraphs 1 through 25 and 27 of
8 this Indictment here.

9 34. On or about May 10, 2016, in Los Angeles County, within the
10 Central District of California, and elsewhere, defendant VER
11 willfully made and subscribed, and filed and caused to be filed with
12 the IRS, a false 2014 U.S. Nonresident Alien Income Tax Return (Form
13 1040NR), which was verified by a written declaration that it was made
14 under penalties of perjury and which defendant VER did not believe to
15 be true and correct as to every material matter. The Form 1040NR was
16 not true and correct as follows:

17 a. on the Sales and Other Dispositions of Capital Assets
18 (Form 8849), included with the Form 1040NR, defendant VER:

19 i. failed to report gain from the constructive sale
20 of personally owned bitcoins, whereas defendant VER then knew he
21 personally owned bitcoins and was required to report gain from their
22 constructive sales;

23 ii. falsely reported proceeds of \$2,250,000 and gain
24 of \$2,064,268 from the constructive sale of MemoryDealers, whereas
25 defendant VER then knew the proceeds and gain from the constructive
26 sale of this company were substantially greater than the amounts he
27 reported; and

28

1 iii. falsely reported proceeds of \$4,310,000 and gain
2 of \$3,954,220 from the constructive sale of Agilestar, whereas
3 defendant VER then knew the proceeds and gain from the constructive
4 sale of this company were substantially greater than the amounts he
5 reported;

6 b. on Line 14, Cap Gain or (Loss), defendant VER falsely
7 reported capital gain of \$6,085,116, whereas defendant VER then knew
8 the amount of capital gain he was required to report was
9 substantially greater than this amount; and

10 c. on Line 75, Amount you owe, defendant VER falsely
11 reported \$1,034,357, whereas defendant VER then knew that he owed
12 substantially more than this amount.

13 COUNT SEVEN

14 [26 U.S.C. § 7206(1)]

15 35. The Grand Jury realleges paragraphs 1 through 25 and 27 of
16 this Indictment here.

17 36. On or about May 10, 2016, in Los Angeles County, within the
18 Central District of California, and elsewhere, defendant VER
19 willfully made and subscribed, and filed and caused to be filed with
20 the IRS, a false 2014 Initial and Annual Expatriation Statement (Form
21 8854), which was verified by a written declaration that it was made
22 under penalties of perjury and which defendant VER did not believe to
23 be true and correct as to every material matter. The Form 8854 was
24 not true and correct as follows:

25 a. defendant VER falsely reported on Part IV, Section A,
26 Line 2 that his net worth was \$18,669,174.42, whereas he then knew
27 his net worth was substantially greater than this amount;

28

1 b. defendant VER failed to report on Part IV, Section B,
2 Line 8 and attachment that he personally owned any bitcoins, whereas
3 he then knew he personally owned bitcoins;

4 c. defendant VER failed to report on Part IV, Section B,
5 Line 8 and attachment that he had an account at Coinbase that held
6 bitcoins, whereas he then knew he had an account at Coinbase that
7 held bitcoins;

8 d. defendant VER falsely reported on Part IV, Section B,
9 Line 8 and attachment the fair market value of MemoryDealers as
10 \$2,250,000, whereas he then knew the fair market value of the company
11 was substantially greater than this amount; and

12 e. defendant VER falsely reported on Part IV, Section B,
13 Line 8 and attachment the fair market value of Agilestar as
14 \$4,310,000, whereas he then knew the fair market value of the company
15 was substantially greater than this amount.

16 COUNT EIGHT

17 [26 U.S.C. § 7206(1)]

18 37. The Grand Jury realleges paragraphs 1 through 25 and 27 of
19 this Indictment here.

20 38. On or about December 18, 2018, in Los Angeles County,
21 within the Central District of California, and elsewhere, defendant
22 VER willfully made and subscribed, and filed and caused to be filed
23 with the IRS, a false 2017 U.S. Nonresident Alien Income Tax Return
24 (Form 1040NR), which was verified by a written declaration that it
25 was made under penalties of perjury and which defendant VER did not
26 believe to be true and correct as to every material matter. The Form
27 1040NR was not true and correct as follows:

28

1 a. on Line 61, total tax, defendant VER falsely reported
2 \$583,281, whereas he then knew that his total tax was substantially
3 more than this amount because it did not include any tax from the
4 distributions of bitcoins from MemoryDealers and Agilestar he
5 received that year; and


6 b. on Line 75, Amount you owe, defendant VER falsely
7 reported \$333,025, whereas defendant VER then knew that he owed
8 substantially more than this amount.

9 A TRUE BILL

10
11 /s/
12 _____

Foreperson

13 E. MARTIN ESTRADA
14 United States Attorney

15 
16 MACK E. JENKINS
17 Assistant United States Attorney
18 Chief, Criminal Division

19 RANEE A. KATZENSTEIN
20 Assistant United States Attorney
21 Chief, Major Frauds Section

22 MATTHEW J. KLUGE
23 Assistant Chief, Tax Division
24 United States Department of Justice

25 PETER J. ANTHONY
26 Trial Attorney, Tax Division
27 United States Department of Justice

28 JAMES C. HUGHES
Assistant United States Attorney
Major Frauds Section