



Department of Justice

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BUSINESS OWNER INDICTED IN \$132 MILLION SCHEME TO DEFRAUD CLIENTS OF FUNDS ALLEGEDLY HELD IN TRUST

WASHINGTON –Edward H. Okun, 57, of Miami was arrested today and charged in an unsealed indictment with mail fraud, bulk cash smuggling and making false statements, Assistant Attorney General Alice S. Fisher and U.S. Attorney for the Eastern District of Virginia Chuck Rosenberg announced. The indictment stems from Okun's scheme to defraud and obtain millions of dollars in client funds held by The 1031 Tax Group, LLP, (1031TG) a qualified intermediary company owned by Okun.

On March 17, 2008, a federal grand jury in Richmond, Va., returned a three-count indictment charging Okun with one count of mail fraud, one count of bulk cash smuggling, one count of false statements and forfeiture. Okun's initial appearance was held today in the U.S. District Court for the Southern District of Florida.

According to the indictment, from August 2005 through April 2007, Okun used 1031TG and its subsidiaries, all owned by Okun, in a scheme to defraud clients of millions of dollars through false pretenses. Section 1031 of the Internal Revenue Code allows investment property owners to defer the capital gains tax that would otherwise be due on properties sold, dependant on the use of the proceeds to purchase new property in a specified time frame. To facilitate this exchange, investment property owners deposit the proceeds of sales with qualified intermediaries and sign exchange agreements which include various promises by the qualified intermediaries to clients regarding the safekeeping and use of exchange funds.

Specifically, the indictment alleges that 1031TG obtained funds by promising clients that their money would be used solely to effect 1031 exchange as outlined in the exchange agreements. After making such promises, Okun misappropriated approximately \$132 million in client funds, to support his lavish lifestyle, pay operating expenses for his various companies, invest in commercial real estate, and purchase additional qualified intermediary companies to obtain access to additional client funds.

The indictment also alleges that Okun instructed employees to withdraw \$15,000 in cash from Investment Properties of America's (IPofA) bank account, a company owned by Okun, and smuggle the cash to his personal yacht on Paradise Island in the Bahamas to avoid federal currency reporting requirements.

The indictment further alleges that Okun made material false statements under oath before the U.S. District Court for the Eastern District of Virginia relating to conversations he had with the chief legal officer of IPofA.

The indictment seeks forfeiture of all funds and assets owned by Okun that were derived from or connected to the misappropriation of approximately \$132 million in funds held by

1031TG and all funds and assets traceable to the \$15,000 in cash he instructed to be smuggled to his yacht in the Bahamas.

If convicted of all the charges in the indictment, Okun will face a maximum of 30 years in prison and fines.

This case is being prosecuted by the Assistant U.S. Attorney for the Eastern District of Virginia Michael S. Dry and Trial Attorney Jennifer R. Taylor of the Criminal Division's Fraud Section. This continuing investigation is being conducted by the U.S. Postal Inspection Service, Internal Revenue Service, and FBI.

An indictment is a formal accusation of criminal conduct, not evidence. A defendant is presumed innocent unless and until convicted through due process of law.

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