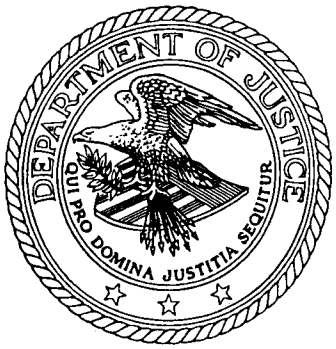
NEWS RELEASE



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For Immediate Release

Two Indicted on $2.4 Million Tax Fraud Conspiracy

NEWS RELEASE SUMMARY - September 15, 2003

Carol C. Lam, United States Attorney for the Southern District of California, and Eileen J. O'Connor, Assistant Attorney General for the Tax Division, Department of Justice, announced today that Esteban Moran and Moises Moran, brothers, were indicted by a federal grand jury in San Diego on Thursday, September 11, 2003, for conspiracy to defraud the United States by making false, fictitious and fraudulent claims for U.S. individual income tax refunds. Each defendant was also charged with fifteen counts of making false claims upon the United States Treasury. Additionally, defendant Moises Moran, also known as Gilberto Tello, was charged with two counts of false representation of a social security account number.

According to the Indictment, the defendants prepared at least 620 false and fraudulent tax returns for the tax years 1995 through 2001, seeking approximately $2,412,162 in bogus refunds. Due to the detection of the scheme by the Internal Revenue Service, the U.S. Treasury only paid approximately $841,973 in refund checks.

According to the Indictment, defendants would solicit individuals to have defendant Esteban Moran prepare the individuals' tax returns. Defendants would obtain the individual's Form W-2 and the names and social security numbers of any family members of the individual to prepare his/her return. Defendants would fraudulently use the information obtained from these individuals to prepare additional tax returns. For the taxpayer listed on the return to appear eligible for the Earned Income Tax Credit refund, defendants fabricated the income the taxpayer earned for that year. Defendants typically would attach a false Form W-2 to the return in an attempt to substantiate the income. Defendants also fraudulently listed dependants for the taxpayers on the tax returns when no such dependants existed.

When submitting the fraudulent tax returns, the defendants primarily used five different post office boxes and several other addresses over which they had control as the taxpayer's address for the refunds to be sent. When defendants received the refunds they would then endorse the checks to themselves or to other family members and deposited them into accounts which they controlled. After depositing the refund checks, defendants would withdraw cash from the bank accounts via ATM machines in the United States and Mexico, or, alternatively, defendants would write checks from these accounts to "cash."

Additionally, according to the indictment, defendant Moises Moran filed a false and fraudulent federal income tax for the tax year 2000, opened bank accounts, and sought employment, all under the name and social security number of Gilberto Tello.

Federal law enforcement agents arrested defendant Moises Moran on September 12, 2003, and he appeared before Magistrate Judge Louisa S. Porter earlier today for his initial appearance. He is scheduled to appear before Judge Porter for a detention hearing on September 18, 2003, at 2:00 p.m. Defendant Esteban Moran is currently a fugitive.

Explanation of Earned Income Tax Credit

Nearly all tax returns defendants prepared sought the Earned Income Tax Credit ("EIC") as a refund. The EIC is a refundable federal income tax credit designed to assist low-income working families. For a taxpayer to qualify for the EIC, the taxpayer must: (a) meet the requirements of, and file, a federal income

tax return under the filing status of married filing jointly or head of household; (b) have a qualified child; and (c) have earned income of no more than $26,673 in 1995, $28,495 in 1996, $29,290 in 1997, $30,095 in 1998, $30,580 in 1999, $31,152 in 2000, $32,121 in 2001, and $33,178 in 2002. To qualify as a head of household, the taxpayer must furnish over half the cost of maintaining a household in the United States for more than six months during the taxable year, which is the principal place of abode of a child or descendant who is unmarried or who qualifies as a dependent. (A qualified child must be under the age of 19 and live in the United States for more than six months during the tax year.)

The EIC reduces the federal taxes a qualified person may owe. If the EIC amount exceeds the tax liability of a qualified taxpayer, the remaining EIC will be refunded to the taxpayer in the form of a check drawn upon the U.S. Treasury. To qualify for the EIC, individuals must have "earned income." Earned Income includes the following: wages; salaries; tips; and net earnings from self-employment.

Denise L. Rubin, IRS Criminal Investigation Special Agent in Charge for San Diego, stated, "This egregious case involved hundreds of fictitious tax returns that claimed fraudulent tax refunds totaling over $2.4 million. The defendants in this case solicited individuals to prepare their tax returns and obtained the social security numbers of their family members. The defendants then used the information from these unwitting individuals to prepare and file completely fictitious tax returns. These types of illegal refund schemes take advantage of our tax system and will be aggressively pursued by Criminal Investigation."

DEFENDANTS

Name: Esteban Moran
Alias: Esteban Zeron
Address: Formerly Oceanside, California

Name: Moises Moran
Alias: Gilberto Tello
Address: San Marcos, California

SUMMARY OF THE CHARGES

Title 18, United States Code, Section 286: Conspiracy to Defraud the United States by Making False, Fictitious or Fraudulent Claims Upon an Agency of the United States.
Maximum sentence of 10 years in prison and fine not to exceed $1,000,000 per count.

Title 18, United States Code, Section 287, False, Fictitious or Fraudulent Claims Upon an Agency of the United States.
Maximum sentence of 5 years in prison and fine not to exceed $250,000 per count.

Title 42, United States Code, Section 408(a)(7)(B), False Representation of a Social Security Account Number.
Maximum sentence of 5 years in prison and fine not to exceed $250,000 per count.

AGENCY

Internal Revenue Service – Criminal Investigation.

An indictment itself is not evidence that the defendants committed the crimes charged. The defendants are presumed innocent until the Government meets its burden in court of proving guilt beyond a reasonable doubt.