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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 v.)
)
 FAYEZ DAMRA,)
 aka ALEX DAMRA, and)
 FAWAZ DAMRA,)
)
 Defendants.)

INDICTMENT

1:06CR367

VIOLATIONS: 18 U.S.C. § 371
26 U.S.C. §§ 7201 and 7206(2)

JUDGE WELLS

COUNT 1

The Grand Jury charges that:

General Allegations

1. At times relevant to this indictment and as further specified below:
 - a. The defendant, FAYEZ DAMRA, aka ALEX DAMRA, resided in Fremont, California, until late in 1999, when he relocated to Las Vegas, Nevada;
 - b. The defendant, FAWAZ DAMRA, brother of FAYEZ DAMRA, resided in Strongsville, Ohio;

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- c. The defendant, FAWAZ DAMRA was employed as the Imam, or religious leader, of the Islamic Center of Cleveland (ICC), which is a mosque located in northeastern Ohio;
- d. In approximately 1992, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, founded a computer software design company named Applied Innovation Management, Inc. (hereinafter, AIM);
- e. When FAYEZ DAMRA, aka ALEX DAMRA, moved to Las Vegas, Nevada, at the end of 1999, he dissolved AIM, and formed Eigen Software, Inc., dba Applied Innovation Management; and
- f. AIM and Eigen Software, Inc., dba AIM, used a calendar year for federal corporate income tax reporting purposes.

Conspiracy to Defraud the United States

2. Beginning in approximately May 1998, and continuing to at least the end of August, 2001, the exact dates unknown to the grand jury, the defendants, FAYEZ DAMRA, aka ALEX DAMRA and FAWAZ DAMRA, in the Northern District of Ohio, Eastern Division, and elsewhere, did unlawfully, willfully and knowingly, conspire, combine, confederate, and agree together and with each other and with other individuals both known and unknown to the grand jury, to defraud the United States for the purpose of impeding, impairing, obstructing, and defeating the lawful government functions of the Internal Revenue Service in the ascertainment, computation, assessment, and collection of the revenue: to wit, individual and corporate income taxes.

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Object of the Conspiracy

3. The object of the conspiracy was to divert AIM funds for personal purposes of the defendant, FAYEZ DAMRA, aka ALEX DAMRA, and for payments to members of the Damra family, including the defendant, FAWAZ DAMRA, in a manner to conceal and disguise the taxes owed by AIM and the recipients of the diverted funds.

Manner and Means of the Conspiracy

4. The manner and means by which the conspiracy was sought to be accomplished included, among others, the following:

a. Some time in 1998, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, decided to take funds from his successful and growing computer software design company, and use those funds, without paying federal corporate income taxes, to support members of the Damra family, including members outside the United States, and including the defendant, FAWAZ DAMRA;

b. The defendant, FAYEZ DAMRA, aka ALEX DAMRA, also diverted funds from AIM, without paying federal corporate income taxes, to his own personal purposes;

c. During 1998 and 1999, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, wrote checks drawn on AIM funds to members of his family, and falsely recorded those checks as payments to consultants;

d. During 1998 and 1999, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, wrote checks drawn on AIM funds for personal investments and the establishment of a new corporation, and he falsely deducted those checks as expenses of AIM;

e. At year-end of 1999, the defendant, FAYEZ DAMRA, aka ALEX

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DAMRA, transferred \$100,000 in two \$50,000 checks to the defendant, FAWAZ DAMRA, and those funds were falsely deducted on AIM's 1999 federal corporate income tax return as consultant expenses;

f. In order to further the conspiracy, after receiving the \$100,000 in AIM funds from his brother, the defendant, FAWAZ DAMRA caused to be filed a false and fraudulent 1999 individual income tax return which reported the funds as Schedule C consulting income, and deducted approximately \$30,749 in non-existent expenses purportedly related to that income;

g. In April 2000, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, filed and caused to be filed a false corporate income tax return for AIM for the 1999 calendar year, in which he deducted as consultant expenses funds transferred during 1999 to members of his family; and

h. Through September 2002, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, in order to further the conspiracy, continued to pay family members as purported consultants and failed to issue Forms 1099 to those individuals who received funds from AIM as alleged consulting payments.

Overt Acts

5. In furtherance of the conspiracy, and to effect the objects thereof, one or more of the co-conspirators committed and caused to be committed overt acts in the Northern District of Ohio, Eastern Division, and elsewhere, including, but not limited to, the following:

a. In and around June 1998, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, asked the accountant for his corporation, AIM, if there was a way for the defendant to

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place a family member, who was residing in Jerusalem, Israel, on the books of AIM and deduct payments to that family member as expenses of AIM (and defendant was told by the accountant that defendant could not properly do so);

b. On or about July 16, 1998, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, wrote a \$5,000 check on the AIM account, and provided that check to the defendant, FAWAZ DAMRA;

c. On or about October 30, 1998, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, wrote and provided four \$8,000 AIM checks to a Damra family member located outside the United States;

d. On or about December 7, 1998, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, wrote and provided two \$7,500 checks to the same Damra family member located outside the United States;

e. On or about April 6, 1999, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, filed and caused to be filed a corporate income tax return (Form 1120) for AIM which deducted \$55,000 in payments in 1998 to Damra family members as "outside employee services;"

f. On or about May 5, 1999, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, wrote a check for \$32,000 on AIM funds made payable to "Al Adhamieh General Trade," and provided that check to a member of the Damra family outside the United States;

g. On May 26-27, 1999, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, wrote two AIM checks totaling \$31,000 payable to Charles Schwab, in order to fund a personal investment account for the defendant;

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h. On or about December 30, 1999, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, wrote and caused to be written two \$50,000 checks, and two \$5,000 checks, all drawn on AIM funds, and provided those checks to the same Damra family member outside the United States;

i. Also on or about December 30, 1999, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, wrote and caused to be written two \$50,000 checks, one payable to the defendant, FAWAZ DAMRA, and one payable to the wife of FAWAZ DAMRA, which were provided to FAWAZ DAMRA;

j. Also on or about December 30, 1999, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, wrote and caused to be written check no. 10528, drawn on the AIM bank account, payable to Eigen Software, which check was deposited to a new account opened at Bank of America in Nevada;

k. During March 2000, the defendant, FAWAZ DAMRA contacted his tax return preparer, who was advised that FAWAZ DAMRA had income in 1999 from a computer consulting business, and the defendant asked the return preparer about the income tax due and owing on varying amounts of income from that business;

l. Also in March 2000, the defendant, FAWAZ DAMRA told his return preparer that the income from computer consulting was actually earned by his brother's company in California, which FAWAZ DAMRA was including on his tax return because he was in a lower tax bracket than his brother;

m. On or about April 8, 2000, the defendant, FAWAZ DAMRA met with a new tax return preparer in order to complete his 1999 individual income tax return;

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n. On or about April 15, 2000, the defendant, FAWAZ DAMRA filed an application for extension of time to file his 1999 individual income tax return;

o. On or about April 15, 2000, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, filed an individual income tax return for 1999 which reported \$65,000 in wages/salaries from AIM, and a total adjusted gross income of \$62,000;

p. On or about April 20, 2000, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, filed and caused to be filed a 1999 Form 1120 for AIM which falsely claimed the 1999 payments to the family member outside the United States, to FAWAZ DAMRA, to Charles Schwab, and to Eigen Software as cost-of-goods-sold expenses for AIM;

q. On or about August 7, 2000, the defendant, FAWAZ DAMRA filed a joint individual income tax return for the year 1999, which included a Schedule C with \$100,000 in gross receipts and \$30,749 in expenses; and

r. On and after August 18, 2001, when the defendant, FAYEZ DAMRA, aka ALEX DAMRA, was told by his accountant to withhold taxes or issue Forms 1099 to individuals who were receiving funds from his corporation, defendant continued to make such payments and failed to issue any such documentation to family members who received AIM funds deducted as expenses.

All in violation of Title 18, United States Code, Section 371.

COUNT 2

The Grand Jury further charges:

6. The allegations in paragraph 1 of the General Allegations section of this Indictment are incorporated and re-alleged in this paragraph, as if fully rewritten herein.

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7. From on or about April 20, 2000, and continuing through at least August 7, 2000, in the Northern District of Ohio, Eastern Division, and elsewhere, the defendant, FAYEZ DAMRA, aka ALEX DAMRA, who was the sole shareholder and president of Applied Innovation Management, Inc.(AIM), a corporation, did willfully attempt to evade and defeat a large part of the income tax due and owing by said corporation to the United States of America for the calendar year 1999, in the approximate amount of \$184,788, (a) by filing and causing to be filed a false and fraudulent Form 1120 for AIM for 1999 which falsely deducted as business expense funds paid to himself and family members, and (b) by causing a portion of those funds paid to his brother, Fawaz Damra (not a defendant in this Count) to be falsely reported as Schedule C gross receipts on the Form 1040 filed jointly by Fawaz Damra and his wife for the year 1999.

All in violation of Title 26, United States Code, Section 7201.

COUNT 3

The Grand Jury further charges:

8. The allegations in paragraph 1 of the General Allegations section of this Indictment are incorporated and re-alleged in this paragraph, as if fully rewritten herein.

9. On or about August 7, 2000, in the Northern District of Ohio, Eastern Division, the defendant, FAWAZ DAMRA, a resident of Strongsville, Ohio, did willfully aid and assist in, and procure, counsel, and advise the preparation and presentation to the Internal Revenue Service, of a Form 1040, U.S. Individual Income Tax Return, for himself and his wife, for the calendar year 1999, which was false and fraudulent as to a material matter, in that said return reported on a Schedule C, Profit or Loss from Business, gross receipts of \$100,000 and

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deductible expenses of \$30,748 purportedly incurred in earning said gross receipts, when, as the defendant well knew and believed at the time the return was prepared and presented to the Internal Revenue Service, he had not earned those gross receipts, and did not have such deductible expenses.

All in violation of Title 26, United States Code, Section 7206(2).

A TRUE BILL.

Original document – Signatures on file with the Clerk of Courts, pursuant to the E-Government Act of 2002.