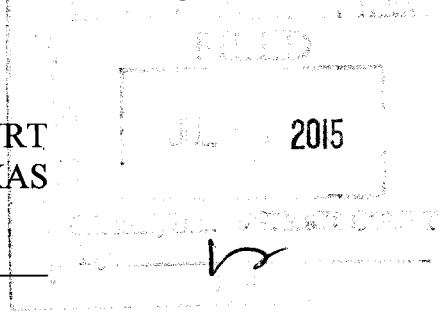


IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



UNITED STATES OF AMERICA

v.

KAREN MANNING (01)

No. 3:15-CR-286-N

FACTUAL RESUME

Defendant Karen Manning, the defendant's attorney John W. Sweeney, Jr., and the United States of America (the Government), agree that the following accurately states the elements of the offense and the facts relevant to the offense to which the defendant is pleading guilty:

Count One Elements:

In order for Manning to be convicted at trial of Subscribing to a False and Fraudulent United States Individual Income Tax Return, in violation of 26 U.S.C. § 7206(1), the United States would have to prove each of the following essential elements¹ of the offense beyond a reasonable doubt:

First: That the defendant signed an income tax return that contained a written declaration that it was made under penalties of perjury;

Second: That in this return the defendant falsely stated the amount of the gross receipts or sales of Millennium 2000;

¹ Pattern Crim. Jury Instr. 5th Cir. 2.96 (2012).

Third: That the defendant knew the statement was false;

Fourth: That the false statement was material; and

Fifth: That the defendant made the statement willfully, that is, with intent to violate a known legal duty.

Stipulated Facts:

1. Karen Manning agrees and stipulates that, from on or about April 15, 2008 and continuing to in or about April 15, 2011, for the tax years 2007 through and including 2010, in the Northern District of Texas, she willfully made and subscribed to a series of United States Individual Income Tax Returns, Forms 1040, in which each tax return was verified by a written declaration that it was made under penalties of perjury and filed with the Internal Revenue Service. Manning did not believe each tax return to be true and correct as to every material matter, in that Manning falsely reported her gross receipts and sales on line 1 of her Form 1040 Schedule C for her business "Millennium 2000" in each of the calendar years set forth above, when in truth and in fact, as she then well knew and believed, she and Millennium 2000 had received substantial additional gross receipts and sales in the relevant tax years.

2. Manning opened Millennium 2000 in the year 2000, and she continued to operate the business until approximately 2012. Although Millennium 2000 displayed and sold artwork, much of the money that Manning made from the business was through the sale of home furnishings, interior design, and the hosting and catering of events. Manning also used Millennium 2000 to do business with Dallas County. Manning believes that the first time she did business with Dallas County it was to cater an event. This was likely

arranged by John Wiley Price or someone on his staff. After that, Manning provided promotional items and catering services for Dallas County and Dallas County Judges when requested. It was Manning's idea to become a vendor for Dallas County. No one encouraged her to do it. However, there were occasions when Dapheny Fain approached Manning to use Millennium 2000 in the place of Fain and/or MMS (a company owned and operated by Fain) for work with Dallas County. At some later point in time, Fain told Manning that in these situations Fain could not be a part of the transaction.

Examples of when this occurred were the purchase of pins for the Dallas County Sheriff's Office and shirts for Dallas County employees. On these occasions, Millennium 2000 was listed as the vendor with Dallas County, but Fain and MMS were actually doing the sales. MMS received a portion of the profit from those transactions.

3. Shortly after Manning opened Millennium 2000, Price started to bring in African art pieces to sell at the gallery. Price identified himself as a collector and told Manning that he obtained many pieces at wholesale cost. Manning started selling African art for Price in or around October 2003. Their business relationship consisted of three types of transactions. First, there were pieces that Manning bought from Price and paid him in full with cash and/or checks. Second, there were pieces Price brought in primarily for art shows hosted at Millennium 2003, which Manning sold and paid Price the sales proceeds, less a \$45 transaction fee for many of the sales. Finally, there were pieces that Price brought in for sales that he prearranged and, after Manning facilitated these sales, she paid the profits back to Price, minus a transaction fee. Price also bought art and other

items from Manning with cash and checks written on his personal and campaign fund accounts.

4. Usually, Price personally brought in the artwork that he was selling in the gallery and he had his own key to the gallery, allowing him to come and go as he needed to meet with customers. Price also wrote out the invoices for some of the sales he made. With Price's assistance, Manning relocated Millennium 2000 to a new location after Price took Manning on a tour of the location and introduced her to the building manager and later, the developer of the property.

5. There have been no loans between Manning and Price and no other reason for Manning to pay Price money. All payments to Price from Manning were for the sale of his art inventory. Manning and Price never had a discussion about the payment of sales taxes, but Manning expected that Price would be responsible for paying his own sales tax out of his own receipts as well as filing his own accurate income tax returns.

6. Overall, Manning sold more of Price's art than she did her own. As of September 2011, all of the art at Millennium 2000 was owned by Manning. However, Manning purchased approximately half of that art from Price.

7. Manning knew that she failed to provide accurate financial numbers to her tax preparer and that the preparer could not create true and correct tax returns for her without Manning providing accurate information. Manning knows that she had a legal duty to make certain that the information on her income tax returns was true and accurate even if someone else was preparing the tax returns for her.

8. Despite knowing that each tax return contained materially false statements about her total income and Millennium 2000's gross receipts and sales, Manning signed each of her U.S. individual income tax returns for the tax years 2007 through and including 2010. Each tax return contained a written declaration that it and its accompanying schedules and statements were made under penalties of perjury. For the 2010 tax year, Manning authorized her tax preparer to file her U.S. individual income tax return electronically, and it was signed with her electronic Personal Identification Number (PIN). Manning understood that under the law, having her tax preparer use her electronic PIN signature to file her tax return has the same force and effect as subscribing her written signature to her 2010 U.S. individual income tax return. For each tax return, Manning made the false statements contained therein willfully, that is, with intent to violate her known legal duty to report her true and accurate income as well as the gross receipts and sales for Millennium 2000.

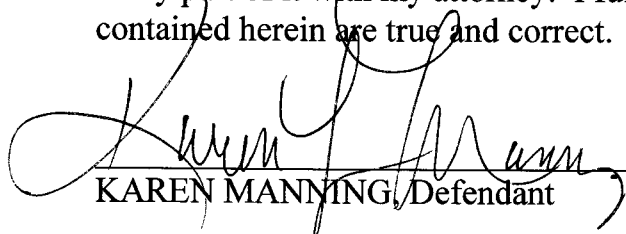
9. More specifically, for the 2007 tax year, Manning falsely reported on line 1 of her Form 1040 Schedule C that Millennium 2000, as a source of income, had gross receipts of \$54,006, when the gross receipts were actually \$179,922. For the 2008 tax year, Manning falsely reported on line 1 of her Form 1040 Schedule C that Millennium 2000 had gross receipts of \$46,549, when the gross receipts were actually \$331,078. For the 2009 tax year, Manning falsely reported on line 1 of her Form 1040 Schedule C that Millennium 2000 had gross receipts of \$12,310, when the gross receipts were actually \$122,876. And for the 2010 tax year, Manning falsely reported on line 1 of her Form 1040 Schedule C that Millennium 2000 had gross receipts of \$6,600, when the gross

receipts were actually \$84,321. The false underreporting of Millennium 2000's gross receipts resulted in a false statement of her total income on each of Manning's U.S. individual income tax returns. Using conservative numbers, Manning acknowledges that her underreported gross receipts resulted in her materially underreporting her gross income by \$258,657, which is comprised of \$61,983 for the 2007 tax year; \$81,119 for the 2008 tax year; \$60,878 for the 2009 tax year; and \$54,677 for the 2010 tax year. Manning later filed an amended return for the 2010 tax year.

10. This factual resume is not intended to be a complete accounting of all the facts and events related to the offense charged in this case. The limited purpose of this statement of facts is to demonstrate that a factual basis exists to support Manning's guilty plea to Count One of the information.

Thus agreed to,

I have read (or had read to me) this Factual Resume and have carefully reviewed every part of it with my attorney. I fully understand it and I swear that the facts contained herein are true and correct.

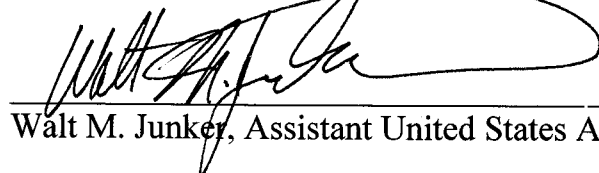

KAREN MANNING, Defendant

6/4/15
Date

I am the defendant's counsel. I have carefully reviewed every part of this Factual Resume with my client. To my knowledge and belief, my client's decision to execute this Factual Resume is an informed and voluntary one.


JOHN W. SWEENEY, Jr., Defendant's Attorney

6/4/15
Date


Walt M. Junker, Assistant United States Attorney

6/8/15
Date