

## DISCONTINUED INVESTIGATION REPORT

1. Date 07/11/2013	2. Field Office SE:CI:SA:MIA	
3. Applied Time 1847 hours as of 06/06/13	4. Elapsed Time 1135 days	
5. Investigation Level SCI level 13	6. Program Financial Compliance	
7. Investigation Name Peter Letterese	8. Tax Gap <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
9. Investigation Number 1000232149	10. SSN/EIN 107-40-5957	
11. Address 14581 Old Sheridan St. Southwest Ranches, FL 33330	12. Occupation Consultant	
13. Industry Services - Professional	14. Illegal Activity No	
15. Alias or DBA Peter Letterese & Associates; MGSI; BCSM; Galileo; Stress Q Natural Brain Performance; S.A.V.E.;		
16. Alleged Violations(s) (codes) 26 USC 7206(1) 7203		
17. Tax Periods 2006 2007 2008 2009		
18. Related Investigations <input type="checkbox"/> None		
Name(s)	SSN(s)	Investigation Number(s)
Barbara Fawcett	266-06-8753	1000240628
Thomas Karas	375-62-8603	1000241364
19. Investigation Agents		
Special Agent(s)	Group	POD
Liliana Nin	65-07 / 65-08	Miami
Jon Skinner	65/07 / 65-08	Miami
Cooperating Agent <input type="checkbox"/> None Angela Ochoa	SEP Territory Group 3	Miami
20. Power of Attorney Attorney		
Name Ira Zuckerman; also William McCarthy		
Address 601 South Ocean Dr. Hollywood, FL 33019		
21. Basis for Investigation (Source of Investigation): Fraud Referral		

22. Allegation:  
Failure to Pay a Tax Due; False Documents; Failure to File

23. Reason for Discontinuance: Lack of Evidence; Lack of Witnesses; Lack of Intent; [redacted] (b)(3)/26 USC 6103 (b)(5)

24. Narrative - To include extent of the investigation and the results obtained:  
Originally Peter Letterese (Peter) and Barbara Fawcett (Barbara) and their myriad of businesses were referred to IRS-CI for allegations of evading payment, filing false returns, and not reporting income. Peter and Barbara have been divorced since 1997, however the two have continued to work and live closely together. Peter is the principle business consultant and Barbara is the CFO and assistant to Peter. Both Peter and Barbara are signors on all corporate bank accounts, and both individuals appear to be living out of their corporate entities. On 06/30/2008 Peter and Barbara filed for bankruptcy for their business, Creative Desperation, also known as Peter Letterese & Associates. Although the Bankruptcy's final order was reached on 02/23/2012 (Docket no. 682), this is currently still being contested by Peter and Barbara, and the bankruptcy is not considered final.

The SCI began on 5/28/2010. Investigative steps were delayed due to multiple rounds of summons enforcements. Peter and Barbara's motions to quash summonses were ultimately denied, however no books and records were obtained from their corporate entities. S/A Nin attempted to interview Peter, Barbara, and Thomas Karas (Karas) at IRS-CI offices in Plantation, however all three individuals answered no questions, as they asserted their 5<sup>th</sup> amendment right [redacted]

Collateral requests were performed around the country, during which agents interviewed more than 29 dentists. Interviews along with bank statements and wire transfers documented approximately \$2M in income during 2006 through 2009. Originally, it was believed that Peter and Barbara were somewhat fraudulent in their business activities, failing to provide any beneficial products, however many of the dentists interviewed stated that they believed in and used the services and instructions provided. Peter would often spend hours and hours on the phone with his dentist clients, and would regularly fly in Karas, or fly the dentist to Karas' office, to observe their dental practices and provide additional instruction. Only a few dentists actually attempted to obtain a refund from Peter.

Ex. I

(b)(3)/26 USC 6103  
(b)(5)  
(b)(7)(A)  
(b)(7)(E)

The only intent item developed for Peter and Barbara was their prior filing of tax returns during years 2001 through 2005. Since filing for bankruptcy for PLA in June of 2008, Peter and Barbara have been involved in a complex bankruptcy proceeding. During the period of the investigation Peter and Barbara were also involved in at least eight separate legal proceedings against their clients and the Church of Scientology. Proceedings against the Church of Scientology involved copyrights which Peter had bought and used as a principle tool in conducting his business – thus directly related to his

(b)(3)/26 USC 6103  
(b)(5)  
(b)(7)(A)  
(b)(7)(E)

(b)(3)/26 USC 6103  
(b)(5)  
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(b)(7)(E)

(b)(3)/26 USC 6103  
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 (b)(7)(A)  
 (b)(7)(E)

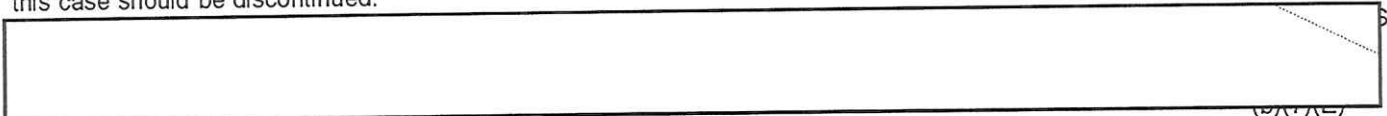


25. Evidence which supports the assertion of Civil Fraud Penalty:  None

Taxpayers received substantial income, and did not file tax returns for 2008 and 2009; Possibility exists that TP's did not document business expenses and or loans to and from other individuals; in an audit taxpayers would need to document expenses and show proof.

26. Discussion of discontinuance with cooperating agent and/or cooperating agent's manager  None Narrative (if necessary):

SSA Roberto Lopez spoke with Group Manager Terry Davis during the week of June 17<sup>th</sup> and both are in agreement that this case should be discontinued.

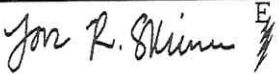

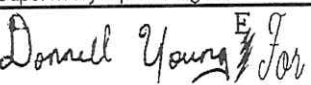


On July 12, 2013, SSA Roberto Lopez spoke with Group Manager Vonice Gibbs and both are in agreement that the case should be discontinued. GM Gibbs would inform FTA Nancy Horta-Bailey of the decision, who was out of the office on leave.

27. Disposition: Forward to Exam

28. Claim for Reward:

- Filed (Forward copy of report to Appropriate Operating Division, Attn.: Informant Claims Examiner)
- None Filed
- Unknown

Signatures	Date
 Jon R. Skinner <sup>E</sup> Special Agent	06/17/2013
 Supervisory Special Agent <sup>E</sup>	07/11/2013
 Donnell Young <sup>E</sup> For Special Agent in Charge, CI	07/31/2013