

AFFIDAVIT FOR SEARCH WARRANT

United States of America

District of Oregon

SECTION I

INTRODUCTION

I, Scott McGeachy, state that:

1. I am a Special Agent employed by the Internal Revenue Service, Criminal Investigation, and have held this position for a year and a half. I have successfully completed the 11 week Criminal Investigator Training Course at the Federal Law Enforcement Training Center and the 15 week Special Agent Basic Training course put on by the Internal Revenue Service. I am a Certified Public Accountant in the State of North Dakota and the State of Washington. During this time I have either conducted or been involved in investigations concerning Title 26 (Income Tax), Title 18 (Conspiracy and Money Laundering), and Title 31 (Bank Secrecy Act) violations by individuals involved in both legal and illegal occupations. I have participated in the execution of search warrants involving investigations ranging from tax cases to money laundering and drug offenses.
2. As a special agent, one of my functions includes investigating individuals engaged in conduct designed to violate the Internal Revenue Laws (tax evasion or aiding and abetting in the preparation of false income tax returns, or filing of false or fraudulent income tax returns).
3. On this investigation, I have conferred extensively with Special Agent Craige Walker of the Internal Revenue Service, Criminal Investigation, who has been employed in this position for the past seven years. Special Agent Walker has previously investigated and assisted in the prosecution of defendants involved in the operation of a warehouse bank among other investigations.

A. Criminal Statutes

4. The criminal statutes involved in this investigation are as follows:
 - a. Attempt to Evade or Defeat Tax

Title 26, United States Code, Section 7201 states:

Any person who willfully attempts in any manner to evade or defeat any tax imposed by this title or the payment thereof shall, in addition to other penalties provided by law, be guilty of a felony and, upon conviction thereof, shall be fined not more than \$250,000, or imprisoned not more than five years, or both, together with the costs of prosecution.

b. Failure to File Return

Title 26, United States Code, Section 7203 states:

Any person required under this title to pay any estimated tax or tax, or required by this title or by regulations made under authority thereof to make a return, keep any records, or supply any information, who willfully fails to pay such estimated tax or tax, make such return, keep such records, or supply such information, shall in addition to other penalties provided by law, be guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than \$100,000, or imprisoned not more than 1 year, or both, together with the costs of prosecution.

c. Filing Materially False Tax Returns

Title 26, United States Code, Section 7206(1) states:

Any person who willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter shall be guilty of a felony and, upon conviction thereof, shall be fined not more than \$250,000 (\$500,000 in the case of a corporation), or imprisoned not more than 3 years, or both, together with the costs of prosecution.

d. Conspiracy to Commit Offense or to Defraud the United States

Title 18, United States Code, Section 371 states:

If two or more persons conspire either to commit any offense against the United States, or to defraud the United States or any agency thereof in any manner or for any purpose, and one or more of such persons do any act to effect the object of conspiracy, each shall be fined not more than \$250,000 or imprisoned not more than five years, or both.

If, however, the offense, the commission of which is the object of the conspiracy, is only a misdemeanor, the punishment for such conspiracy shall not exceed the maximum punishment provided for such misdemeanor.

SECTION II

SYNOPSIS

1. Through the course of the investigation, Special Agent Craige Walker and I have been able to establish that individuals in Laughlin International and its predecessor corporations, and Privatech Group LLC are promoting an offshore bank account to help taxpayers evade the payment and assessment of federal income taxes. .
2. The information contained in this affidavit was obtained by reviewing wire transfers, bank records, grand jury transcripts, and evidence that I obtained relative to the confidential informants (CI), and witnesses.
3. Confidential informants have been interviewed relative to this investigation, which will be referenced in subsequent portions of this affidavit. In each case where the informant is categorized as reliable, that informant was provided information, which has been verified and found to be true. Additionally, I have reviewed information provided by the informants and in some cases also interviewed them. Based on information that I know to be true from other sources, I consider each of the informants and information, which is referenced in this affidavit to be reliable.
4. The following is a brief summary of the search locations and evidence that is expected to be found. Probable cause will be established in ensuing portions of the affidavit.

SUMMARY OF LOCATIONS TO BE SEARCHED

A. Laughlin International, 111 SW 5th Ave, Ste. 2650, Portland, Oregon 97204

This is the office suite for Laughlin International located in the US Bancorp Tower in downtown Portland. It is alleged that . Laughlin International and its predecessor corporations, are supporting the operations of the offshore bank, Exchange Bank and Trust (EBT), by promoting, aiding, and abetting taxpayers in evading the payment and assessment of federal income tax from this location.

B. Privatech Group, LLC, 2575 North Carson Street, Carson City, NV 89706.

This is a corporation that has contracted with Laughlin International to act as a nominee service for clients of EB&T. Privatech Group, LLC, opens Nevada corporations, provides telephone answering services, remailing services, opens bank accounts, writes checks, makes deposits, and wires money all over the world for clients of Laughlin International and EB&T.

1. Evidence to be seized are books and records which will disclose clients that are using Laughlin International and EB&T to evade the payment and assessment of federal income taxes.

SECTION III

INVESTIGATION

2. This case involves the control and operation of Exchange Bank & Trust (EB&T). EB&T is promoted as an offshore bank; however, it is merely one bank account within the Bank of Montreal and several bank accounts within the Caribbean Islands. To our knowledge, EB&T purports to be a bank chartered in the Republic of Nauru. It does not operate as a bank regulated by the banking authorities of the United States, Canada, or any other jurisdiction. EB&T deposits all its clients' money into a few bank accounts offshore at regular commercial banks. EB&T makes its own account numbers for each client. Therefore, clients that deposit their money in EB&T commingle their funds with those of other depositors. Clients place sole control of their funds to the operators of EB&T and Laughlin International. EB&T headquarters are located in Nevis, West Indies.
3. Exchange Bank & Trust (EB&T) operates from a parent company called Nevis American Trust (NATCO), also located in Nevis, West Indies. Businesses that support and operate EB&T are Laughlin International, Morgan, Carter, & Young (MCY), Privatech Group, LLC and Offshore Corporate Services (OCS). EB&T's main support comes from Laughlin International. Laughlin International was formerly called MCY and before that was called OCS. A company providing material support towards the operation of EB&T is a Nevada business called Privatech Group, LLC located in Carson City, Nevada. Terry Neal, who is the owner of the parent company, NATCO, is purportedly controlling foreign operations of EB&T. I have reviewed and corroborated this information through the following websites, www.laughlininternational.com, www.laughlinusa.com, www.privatechgroup.com, www.morgancarteryoung.com, www.offshorecorpsservices.com, www.offshoreadvantage.com. In essence, NATCO, Laughlin International (formerly called OCS and MCY), and Privatech Group, LLC assist United States clients in hiding their income from the Internal Revenue Service.
4. Laughlin International promotes the use of the offshore bank accounts under the guise of privacy and asset protection. The majority of the promotion occurs via the Internet, referral from other clients, and seminars. I corroborated this information by reviewing their website at www.laughlininternational.com. Clients that wish to deposit funds with EB&T have Laughlin International create fictitious domestic and foreign corporations, with a nominee director. Laughlin International or Privatech Group, LLC, as the registered agents, open a United States bank account in the name of the domestic fictitious corporation, with Lee Morgan at Laughlin International or a person at Privatech Group, LLC as the account signor. Statements, which have no reference to the actual owner, are sent to a letter drop address in Nevada. Client's wire or deposit money into the United States bank account of the fictitious corporation. Laughlin or Privatech then wire the money offshore to EB&T's account at an

offshore bank, to be credited to a sub-account held under the client's foreign fictitious corporation name. Clients also wire money directly from their business or personal checking account to their sub-account at EB&T at the offshore bank.

5. NATCO then provides the clients with ways to spend the money in the United States without it being reported to the IRS. A common method is for NATCO to open a bank account at an offshore bank in the name of the foreign fictitious corporation and have that bank issue a debit card to the corporation, with the client's name on the card, but not on any of the statements. The statements are mailed to the fictitious foreign corporation's address in Nevis. The account is funded out of the client's subaccount at EB&T. The client can use the debit card in the United States to make purchases and make ATM cash withdrawals. NATCO will also establish brokerage accounts in the name of the fictitious corporation at domestic and offshore securities firms. Proceeds from sales of securities can be used to pay clients creditors in the United States by wiring the funds to those creditor's bank accounts. Monthly statements on the securities accounts are sent to the fictitious foreign corporation's address in Nevis. In these ways and others, clients of NATCO and Laughlin International are able to receive income, make payments, buy property, or receive cash and valuables while remaining anonymous, thereby concealing their income from outside inquiry. The only records that identify which client owns which foreign corporation are the internal account records held by NATCO and Laughlin International and PrivateTech Group LLC (a company that contracts with Laughlin International to act as a nominee company for its clients). From March 1998 through March 2000, records in our possession from the Bank of Montreal, show over \$115 million dollars has been wired into one EB&T bank account in Vancouver, B.C., Canada.

111 SW 5th Ave, Rm. 2650, Portland, OR 97204

6. This is the business address for Laughlin International. Lee Morgan is the current President of Laughlin International. On January 7, 2002, Special Agent Craig Walker served Lee Morgan a subpoena to testify before a Grand Jury. Lee Morgan provided SA Walker with his business card that stated he was President of Laughlin International at 111 SW 5th Ave, Rm. 2650, Portland, OR 97204, phone number 503-419-2900, email: lmorgan@laughlininternational.com. The Portland, Oregon phone book confirms the address of Laughlin International is 111 SW 5th Ave, Ste. 2650, Portland, OR 97204, with a phone number of 503-419-2900.
7. On numerous occasions Confidential Reliable Informant #1 has been debriefed. Through the course of these debriefings and with the use of independent corroboration, I have found that Confidential Reliable Informant #1 is reliable and has provided accurate information as will be shown throughout the remainder of this affidavit. Statements by Confidential Reliable Informant #1 have been corroborated by independent evidence, additional investigations, or other witnesses.

8. The following information was obtained from CRI#1 on September 2002. CRI#1 stated that he/she used Lee Morgan and Terry Neal to set up fictitious foreign corporations. CRI#1 deposited money into the EB&T bank account in Canada, for forwarding to the foreign corporation's offshore brokerage account. CRI#1 used the foreign corporation to buy and sell stock offshore through a securities account in Canada set up by NATCO in the foreign corporation's name. CRI#1 utilized a foreign credit card set up at an offshore bank by NATCO to transfer untaxed proceeds back into the United States. CRI#1 stated that Lee Morgan and Laughlin International in Portland, act as a contact point if CRI#1 cannot get a hold of NATCO. CRI#1 confirmed that he/she has been using EB&T since 1998 and is still currently using their services.
9. CRI#1 said that Lee Morgan is currently running Neal's business, Laughlin International, out of Portland, Oregon. CRI#1 stated that Morgan, while working at Laughlin International, has helped create all documents for foreign and domestic corporations. CRI#1 confirmed that Lee Morgan is President of Laughlin International and Aaron Young is one of the main promoters.
10. We have reviewed documentation and corroborated CRI#1's statements by reviewing wire transfers into and out of EB&T's Bank of Montreal account in the name of CRI#1's foreign corporation to his/her personal bank account in the United States. We have reviewed and corroborated CRI#1's foreign credit card used to get untaxed money out of his/her foreign corporation. The credit card is in his/her name, under the name of NATCO. We have reviewed statements of CRI#1's foreign credit card that have been mailed to NATCO. We have reviewed brokerage account monthly statements that show CRI#1's foreign corporation owning stock with different brokerage firms in Canada. We have reviewed Bank of Montreal wire transfers from EB&T used to pay his/her Leadenhall Trust Credit Card.
11. On numerous occasions, other IRS Special Agents have debriefed Confidential Reliable Informant #2. I have spoken with these IRS Special Agents and reviewed their reports and paperwork on CRI#2. Through the course of these debriefings and with the use of independent corroboration, we have found that Confidential Reliable Informant #2 is reliable and has provided accurate information as will be shown throughout the remainder of this affidavit. Independent evidence, or additional investigations, or other witnesses have corroborated statements by Confidential Reliable Informant #2. CRI#2 stated that Lee Morgan is currently operating Laughlin International in Portland, along with Aaron Young. CRI#2 said that the former names of these corporations were MCY and OCS.
12. CRI#2 said that in 1999, CRI#2 attended a seminar in Portland, Oregon on "asset protection." The two main promoters at this meeting were Terry Neal and Aaron Young. CRI#2 stated that the promotion was given to a group of individuals. At this time, Neal and Young, then operating as OCS, created both a domestic and foreign fictitious corporation for use by CRI#2. CRI#2 stated that the promoters made it clear in private conversations that the purpose of the fictitious corporations was to hide earnings from the IRS. CRI#2 stated that the general idea was that the income from his legitimate company was deposited into a

bank account of the fictitious Nevada corporation. A false consulting invoice would be sent from the fictitious corporation to the legitimate corporation to reduce CRI#2's income from the legitimate company by the amount that was deposited into the account of the fictitious Nevada corporation. CRI#2 would then authorize Laughlin International or Privatech Group, LLC to wire money from CRI#2's Nevada corporation's bank account to his/her foreign corporation account which resides within EB&T's account at an offshore bank. Another false consulting invoice would be generated from the foreign corporation to the fictitious Nevada corporation reducing the fictitious Nevada corporation's income to zero. Once the money was offshore, EB&T / NATCO established a credit card account at an offshore bank in the name of the foreign corporation, with the card bearing the name of CRI#2. I reviewed CRI#2's credit card application in which the card holder name was with Nevis American Trust. CRI#2 did not receive any credit card statements unless he/she requested them. Thus, CRI#2 was able to spend money in the United States through the use of the foreign credit card.

13. CRI#2 has made calls to Laughlin International at 111 SW 5th Ave, Ste. 2650, Portland, Oregon 97204 within the last 6 weeks. CRI#2 spoke with Morgan and Young at that address regarding additional means of underreporting income. CRI#2 provided monthly bank statements from his/her fictitious Nevada corporation that show the transfer of money from the Nevada corporation to EB&T. CRI#2 provided bank statements that show money transferred from his/her foreign corporation to his/her foreign credit card to pay personal expenses. CRI#2 provided a copy of his/her foreign credit card that was used to get untaxed funds back into the United States. CRI#2 provided a copy of an invoice dated November 2001 from Laughlin International at 111 SW 5th Ave, Ste. 2650, Portland, OR 97204, that stated the fees for his/her Nevada corporation, Nominee Officer Services, Bank Account Setup, Bank Account Management, and Foreign Nominee Shareholder would be \$6,155. The fax header showed the invoice was faxed from NATCO with a Nevis fax number of 869-469-1614, but the bill should be sent to Laughlin International at 111 SW 5th Ave, Ste. 2650, Portland, OR 97204. CRI#2 is still currently using and has bank accounts with Laughlin International, Privatech Group, LLC, and EB&T for their services. I have reviewed documentation and corroborated CRI#2's statements by reviewing wire transfers into EB&T's Bank of Montreal account in the name of CRI#2's foreign corporation.
14. On June 16, 2002, I caused a subpoena to be issued against Wells Fargo Bank Northwest. Records relating to the Wells Fargo Account #092-6070202 for MCY were returned to me on 10/22/2002 and revealed the following information. Lee Morgan is the authorized signor on the account. Checks drawn on over 100 different Nevada corporations were being written to MCY and deposited into that account. The bank accounts for the majority of the corporations are all in Nevada. Nellie McCullough-Witt, an employee of Laughlin International in Portland, Oregon, is writing and signing the checks from over 100 different Nevada corporations, payable to Laughlin International, for maintenance of their accounts. The checks that are being written are for \$25.00. We confirmed with CRI#2 that he/she pays a monthly charge of \$25.00 for maintenance of the Nevada Corporation, and that Laughlin International gets the money by writing a check drawn on his/her fictitious Nevada

corporation's bank account, and that Laughlin International keeps the checkbook for that account.

15. McCullough-Witt is depositing the Nevada corporations' checks drawn on their Nevada bank accounts into MCY Account #092-6070202 in Portland, Oregon on the same day the checks are written. My review of MCY bank records shows that Nellie McCulloch-Witt is receiving checks in her name from Laughlin International in Portland, Oregon and the checks show her current residence is in Vancouver, Washington. I confirmed through Lexis Nexus that Nellie McCulloch-Witt's current address is in Vancouver, Washington. Because the fictitious corporation's Nevada checks are being signed by Nellie McCullough-Witt and deposited in a Wells Fargo Bank on the same day in Portland, Oregon, there is probable cause to believe that the Nevada corporations checkbooks for these fictitious companies are at the premises of the office of Laughlin International in Portland, Oregon.
16. I issued a subpoena to Wells Fargo Bank, Nevada on June 14, 2002, for records relating to Lee Evan Morgan. I received a fax from Nedra Kemp, Wells Fargo Bank Representative, that stated Lee Morgan had 52 bank accounts opened in different corporate names with Wells Fargo Bank Nevada and 4 bank accounts opened with Wells Fargo Bank Northwest. Lee Morgan was the authorized signor on every account; in addition, Nellie McCullough-Witt was an additional signor on over half of the accounts. This is additional evidence that Lee Morgan and Laughlin International are maintaining fictitious Nevada corporation accounts. In addition to Lee Morgan being a signor they all have the same mailing address at 1005 Terminal Way, Ste. 110, Reno, NV 89502.
17. The results of a mail cover from December 2002 shows that Laughlin International is receiving mail from West Coast Bank, Wells Fargo, and Bank of America. Laughlin International has been receiving mail from Wells Fargo bank in the name of Morgan, Carter, and Young as well as other fictitious Nevada corporation names.

2575 North Carson Street, Carson City, NV 89706

18. CRI#2 said that a company called Privatech Group, LLC, operated by James Fontano, has contracted with Laughlin International to do paperwork and account management. In November 2002, CRI#2 has had conversations on the phone with an employee of Privatech Group, LLC, in Nevada. The employee of Privatech Group, LLC, in Nevada, has been able to pull up his/her Nevada corporation's bank account records and confirm the balance and dates that wire transfers were sent offshore to EB&T. CRI#2 was able to provide me with Privatech's accounting of his/her fictitious Nevada corporation. Privatech Group, LLC, faxed the accounting to CRI#2 in June 2002. The fax header showed the fax number of 775-841-2997, I confirmed through Privatech's website, www.privatechgroup.com, their fax number is same fax number above, 775-841-2997. The fax came on Privatech letterhead and showed the balance, dates, and wire transfers that the fictitious Nevada corporation sent to his/her foreign corporation at EB&T. In addition, CRI#2 provided a letter dated March 2002, from Morgan, Carter, and Young that stated Jim Fontano of Privatech Group, LLC

would provide the functions of CRI#2's corporation to include all corporate documents that need to be executed on behalf of CRI#2's fictitious Nevada corporation. MCY provided the fax number for Privatech Group, LLC as 775-841-2997, which is the same fax number above. Bank account management such as deposits, checks, and wire transfers should still be sent to MCY in Portland. Lee Morgan signed this letter from MCY.

19. On June, 2002, CRI#2 received a fax from Privatech Group, LLC (per the fax header shown on the document the return fax number is 775-841-2997, known to me to be Privatech's fax number) that had a Quickbooks report of CRI#2's Wells Fargo Checking Account for the Nevada corporation. The fax outlines CRI#2's wire payments to the fictitious foreign corporation and CRI#2's payments to Westar Mortgage for mortgage payments.
20. On October 2002, CRI#2 was sent an invoice for their services by Jim Fontano, with the return address of 2575 N. Carson St, Carson City, NV 89706.
21. On numerous occasions other IRS Special Agents have debriefed Confidential Reliable Informant #3. I have spoken with these IRS Special Agents and reviewed their reports and paperwork on CRI#3. Through the course of these debriefings and with the use of independent corroboration, I have found that Confidential Reliable Informant #3 is reliable and has provided accurate information as will be shown throughout the remainder of this affidavit. Statements by Confidential Reliable Informant #3 have been corroborated by independent evidence, or additional investigations, or other witnesses.
22. CRI#3 provided a letter on Laughlin International letterhead dated October 2002, that identified James Fontano as the nominee of CRI#3's fictitious Nevada corporation. The address on the letter stated it was sent to Jim Fontano 2575 N. Carson Street, Carson City, NV 89706 (Privatech's address) with CRI#3 fictitious Nevada corporations name just above Jim Fontano. The letter stated that CRI#3's Nevada corporation can renew the services offered by Laughlin International by December 20, 2002. CRI#3 can take advantage of the offer by emailing Laughlin USA, or logging onto www.laughlininternational.com. This letter confirms that Laughlin International is using Privatech Group, LLC as a nominee to forward mail and maintain bank accounts for Laughlin International clients.
23. In November 2002, CRI#3 received a letter on Privatech Group, LLC, stationary with a return address of 2575 N. Carson St., Carson City, NV 89706, that stated CRI#3 only needs to initial the enclosed invoice and Privatech Group, LLC will handle all filings and payments to continue the Nevada corporation. The invoice can be faxed to 775-841-2997, which I confirmed is Privatech's Group, LLC fax number based upon their website.
24. CRI#3 has been utilizing the services of Laughlin International, Privatech Group LLC, and EB&T since 1999. We were able to confirm that CRI#3 has provided stock brokerage statements in his/her fictitious Nevada corporation's name. CRI#3 confirmed that Privatech Group, LLC does the paperwork and sends the checks to his/her brokerage account in the name of the fictitious Nevada corporation. CRI#3 provided documentation to corroborate

the wire transfer of funds from his/her fictitious Nevada corporation to NATCO in the name of his/her foreign corporation. CRI#3 also provided a letter listing his/her fictitious Nevada corporation's President as James Fontano.

Section IV

Account Holders

NATCO/Laughlin International Account Holders

25. Bank of Montreal has provided me with information regarding Bank of Montreal Account #4660-026. This account is held in the name of EB&T. Based upon the copies of the bank statements and wire transfers and an analysis of the wire transfers I was able to identify 347 entities which includes 237 individuals, 120 corporations which consists of domestic and foreign corporations, and trusts. Of the filing history of the individuals I was able to obtain, only 65 individuals had ever filed returns.
33. Based on my experience and the experience of other agents, I believe this analysis shows that the activities of NATCO and Laughlin International are being used by taxpayers to evade the payment and assessment of federal income taxes. I have identified 347 people or entities that have wired money offshore to NATCO from the United States with the help of Laughlin International. I do not know if all those who have not filed had sufficient gross income to require them to file returns; but the amounts triggering that requirement for 2000 for a married couple are \$13,800 and for a sole proprietorship filing is required for \$400 or more. Corporations are required to file returns, regardless of income earned. Persons required to file returns that willfully fail to do so violate 26 U.S.C. Section 7203. If they have a tax due, and take additional steps to conceal their income, such as using this offshore trust scheme, they violate 26 U.S.C. Section 7201. Furthermore, if any of the persons who actually filed returns failed to state income which they have concealed through using the offshore services provided Laughlin International and NATCO, then they violate 26 U.S.C. Section 7206(1). My conclusion is that many people are using Laughlin International and NATCO to hide their income, while not reporting their income to the IRS.

SECTION V

LOCATIONS TO BE SEARCHED

Laughlin International

26. There is probable cause to believe that evidence of these crimes is presently located in the premises known as Laughlin International at 111 SW 5th Ave, Rm. 2650, Portland, OR 97204. This building is more particularly described as the US Bancorp Tower and is between 5th Avenue and 6th Avenue running North and South and between Ankeny and Oak Street running West and East. There are three entrances one on 5th Avenue, one on Oak Street, and one on Broadway. Laughlin International is located in room #2650 on the 26th

floor. After getting off the elevators there are two wooden doors on the North side of the buildings with a sign affixed to the door that reads "Laughlin International."

PrivaTech Group, LLC

27. There is probable cause to believe that evidence of these crimes is presently located in the premises known as Privatech Group, LLC at 2575 N. Carson Street, Carson City, NV 89706. The Privatech office suite is located in a strip mall on the East side of Carson Street. The strip mall is just South of the intersection of Winnie Lane and N. Carson Street. The office suite is situated in a building at the East end of the strip mall. The office suite is bordered by a movie theatre on the South side of the building and an open area on the North side of the building. A large sign with the words, "Privatech, Corporate Management Services" is affixed to the building above the office suite. The symbols "2575" are affixed to the building above the office suite and also on the glass front of the office suite.

Conclusion

28. This affidavit and warrant has been reviewed by Assistant United States Attorney Robert Ross and he has advised me that he believes it justifies the issuance of search warrants to search all of the above described premises and that the documents accompanying this affidavit are in proper form.

I believe under penalties of perjury that the foregoing is true and correct.

Scott McGeachy

Subscribed and sworn to before me this ____ day of December, 2002.

US Magistrate-Judge

EXHIBIT A – ITEMS TO BE SEARCHED AND SEIZED

29. The purpose of the search warrants sought by this affidavit is to determine the taxpayers that have been using Laughlin International and NATCO, determine how much money has been deposited into domestic and foreign bank accounts, and how that money has been disbursed. This will also permit me to analyze the total funds passed through the account by each individual, so that I can compare that with what they have reported to the IRS. Attached hereto as Attachment A is a list of evidence sought to be seized. The Attachment will also be attached to the warrant.

30. I have attempted to limit the seizure by the time frame in which documents were created. I believe there is probable cause to believe all the records of this organization are evidence dating back to the time Terry Neal began operating EB&T in January 1998. Accordingly, to the extent this affidavit seeks seizure of documents reflecting specific financial transactions, I have limited it to the period January 1998 to the present. The checkbooks that appear to be on the premises need to be seized along with all membership and account information. It is impossible to limit the seizure of bank records to specific accounts because the whole business concept behind Laughlin International is to set up corporations in order for an individual to keep his identity anonymous. This allows Laughlin International to wire money to and from the client's account. Accordingly, the Attachment authorizes the seizure of the entirety of any file, which contains any transaction between January 1998, and the present.

31. Based on the evidence discussed above, and my experience with searching businesses in the past, I have probable cause to believe that the records, documents and materials set forth below are the business records of NATCO, OCS, Morgan, Carter, & Young, Laughlin & Associates, and Laughlin International, and Privatech Group, LLC, will be found at the locations to be searched, and further that these materials constitute evidence and instrumentalities of the crimes discussed in this affidavit. For a few of the items below, I have provided additional explanation of why I believe such records exist and why they will contain evidence. In addition, I know that computer data can be stored on a variety of

systems and storage devices including hard disk drives, floppy disks, compact disks, magnetic tapes and memory chips. I also know that during the search of the premises it is not always possible to search computer equipment and storage devices for data for a number of reasons, including the following:

- a. Searching computer systems is a highly technical process, which requires specific expertise and specialized equipment. There are so many types of computer hardware and software in use today that it is impossible to bring to the search site all of the necessary technical manuals and specialized equipment necessary to conduct a thorough search. In addition, it may also be necessary to consult with computer personnel who have specific expertise in the type of computer, software application or operating system that is being searched.
- b. Searching computer systems requires the use of precise, scientific procedures, which are designed, to maintain the integrity of the evidence and to recover “hidden,” erased, compressed, encrypted or password-protected data. Computer hardware and storage devices may contain “booby traps” that destroy or alter data if certain procedures are not scrupulously followed. Since computer data is particularly vulnerable to inadvertent or intentional modification or destruction, a controlled environment, such as a law enforcement laboratory, is essential to conducting a complete and accurate analysis of the equipment and storage devices from which the data will be extracted.
- c. The volume of data stored on many computer systems and storage devices will typically be so large that it will be highly impractical to search for data during the execution of the physical search of the premises. A single megabyte of storage space is the equivalent of 500 double-spaced pages of text. A single gigabyte of storage space, or 1,000 megabytes, is the equivalent of 500,000 double-spaced pages of text. Storage devices capable of storing fifteen gigabytes of data are now commonplace in desktop computers. Consequently, each non-networked, desktop computer found during a search can easily contain the equivalent of 7.5 million pages of data, which, if printed out, would completely fill a 10' x 12' x 10' room to the ceiling.
- d. Computer users can attempt to conceal data within computer equipment and storage devices through a number of methods, including the use of innocuous or misleading filenames and extensions. For example, files with the extension “.jpeg” often are image files; however, a user can easily change the extension to “.txt” to conceal the image and make it appear that the file contains text. Computer users can also attempt to conceal data by using encryption, which means that a password or device, such as a “dongle” or “keycard,” is necessary to decrypt the data into readable form. In addition, computer users can conceal data within another seemingly unrelated and innocuous file in a process called “steganography.” For example, by using steganography a computer user can conceal text in an image file, which cannot be viewed when the image file is opened. Therefore, a substantial amount of time is necessary to extract and sort

through data that is concealed or encrypted to determine whether it is evidence, contraband or instrumentalities of a crime.

EXHIBIT B – ITEMS TO BE SEIZED

- a. Based on the foregoing, I respectfully submit that there is probable cause to believe that the following items, which constitute evidence of violations of Title 26, United States Code Sections 7206(2), and Title 18, United States Code Sections 371, will be found at the SUBJECT PREMISES:
- i. Bank Account Records. All bank records on the floor of Laughlin International and Privatech Group LLC which include account statements, cancelled checks, deposit slips, and retained copies of deposit items, records of wire transfers both into and out of the bank accounts, checkbooks, deposit receipts, records of cashiers checks or money orders purchased from funds, and log books of wire transfers.
 - ii. NATCO/Laughlin International/PrivateTech Group LLC Client/Account Holder Files. All files or folders containing records of transactions on Laughlin International, Privatech Group, LLC, OCS, MCY, and NATCO client and member accounts.
 - iii. Membership Lists. Any records containing the name, address, phone number, social security number, Employer Identification Number, or other information establishing the identity of persons engaging in financial transactions through Laughlin International, OCS, MCY, Privatech Group, LLC or NATCO.
 - iv. Laughlin International, Privatech Group, LLC, OCS, MCY, or NATCO contracts.
 - v. All Transfer, Payout, Deposit, and Conversion Receipts.
 - vi. Records of Receipt of Money by Laughlin International, Privatech Group, LLC, OCS, MCY, and NATCO. Any records of the receipt by the above companies of funds by check, cash, money order, cashier's check, wire transfers from Laughlin International, OCS, MCY, Privatech Group, LLC, NATCO, and EB&T clients and account holders for March 1998 through the present.
 - vii. Records of Disbursements by Laughlin International, OCS, MCY, EB&T, Privatech Group, LLC, and NATCO. Any records of disbursements by Privatech Group, LLC, OCS, MCY, EB&T, NATCO, and Laughlin International to or on behalf of the clients and account holders of Privatech Group, LLC, OCS, MCY, EB&T, NATCO, and Laughlin International to include checks, cash, cashier's checks, money orders, wire transfers, or the purchase of precious metals, including invoices, bills, faxes, or other documents establishing the purpose or recipient of the expenditure, including records of mailing or shipping such disbursements, for the period of March 1998 through the present.

- viii. Correspondence. Any correspondence between Laughlin International, NATCO, OCS, MCY, Privatech Group, LLC, or EB&T and their clients, corporations, or account holders relating to financial transactions opening bank accounts or corporations for the period of March 1998 through the present.
 - ix. Telephone Records. Records of long distance phone calls. These records will help establish the identity of persons engaging in transactions through EB&T, Privatech Group, LLC, OCS, MCY, NATCO and Laughlin International.
 - x. Records of Book, Audio, and Newsletter Sales. Any records showing the identity of persons purchasing or ordering books, audio tapes, and newsletters through EB&T, Privatech Group, LLC, MCY, OCS, NATCO, and Laughlin International, and the amount of money spent on books, for the period March 1998 through the present.
 - xi. Brochures or Newsletters. One copy of any brochure, circular, or other publication explain the operation of EB&T, Privatech Group, LLC, MCY, OCS, NATCO and Laughlin International.
 - xii. Tax Manuals. Any instructions or reference material containing information about tax, offshore banks or offshore investing. It has been my experience that people engaged in offshore banking and similar activities frequently perform their own tax and legal research and that research manual can provide valuable evidence of their knowledge of the tax and offshore banking laws.
 - xiii. Personnel Records. All personnel records related to Laughlin International, MCY, Offshore Corporate Services, Privatech Group, LLC, and NATCO, to include, names, addresses, telephone numbers, and any reference to their position and job description and any correspondence.
- j. As used above, the terms records, documents, programs, applications or materials includes records, documents, programs, applications or materials created, modified or stored in any form.
- c. In searching for data capable of being read, stored or interpreted by a computer, law enforcement personnel executing this search warrant will employ the following procedure:
- i. Upon securing the premises, law enforcement personnel trained in searching and seizing computer data (the “computer personnel”) will make an initial review of any computer equipment and storage devices to determine whether these items can be searched on-site in a reasonable amount of time and without jeopardizing the ability to preserve the data.

- ii. If the computer equipment and storage devices cannot be searched on-site in a reasonable amount of time, then the computer personnel will determine whether it is practical to copy the data during the execution of the search in a reasonable amount of time without jeopardizing the ability to preserve the data.
 - iii. If the computer personnel determine it is not practical to perform an on-site search or make an on-site copy of the data within a reasonable amount of time, then the computer equipment and storage devices will be seized and transported to an appropriate law enforcement laboratory for review. The computer equipment and storage devices will be reviewed by appropriately trained personnel in order to extract and seize any data that falls within the list of items to be seized set forth herein.
 - iv. In searching the data, the computer personnel may examine all of the data contained in the computer equipment and storage devices to view their precise contents and determine whether the data falls within the items to be seized as set forth herein. In addition, the computer personnel may search for and attempt to recover “deleted,” “hidden” or encrypted data to determine whether the data falls within the list of items to be seized as set forth herein.
 - v. If the computer personnel determine that the data does not fall within any of the items to be seized pursuant to this warrant or is not otherwise legally seized, the government will return these items within a reasonable period of time not to exceed 60 days from the date of seizure unless further authorization is obtained from the Court.
- d. In order to search for data that is capable of being read or interpreted by a computer, law enforcement personnel will need to seize and search the following items, subject to the procedures set forth above:
- i. Any computer equipment and storage device capable of being used to commit, further or store evidence of the offense listed above;
 - ii. Any computer equipment used to facilitate the transmission, creation, display, encoding or storage of data, including word processing equipment, modems, docking stations, monitors, printers, plotters, encryption devices, and optical scanners;
 - iii. Any magnetic, electronic or optical storage device capable of storing data, such as floppy disks, hard disks, tapes, CD-ROMs, CD-R, CD-RWs, DVDs, optical disks, printer or memory buffers, smart cards, PC cards, memory calculators,

- electronic dialers, electronic notebooks, and personal digital assistants;
- iv. Any documentation, operating logs and reference manuals regarding the operation of the computer equipment, storage devices or software.
 - v. Any applications, utility programs, compilers, interpreters, and other software used to facilitate direct or indirect communication with the computer hardware, storage devices or data to be searched;
 - vi. Any physical keys, encryption devices, dongles and similar physical items that are necessary to gain access to the computer equipment, storage devices or data; and
 - vii. Any passwords, password files, test keys, encryption codes or other information necessary to access the computer equipment, storage devices or data.