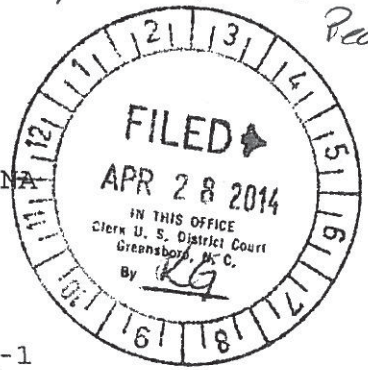


Case unsealed on 6/6/14 @ 4:25 pm by Mag/Judge Peake

~~SEALED~~

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA



UNITED STATES OF AMERICA :
 :
 v. : 1:14CR/30 -1
 :
 THOMAS EARL TILLEY :

The Grand Jury charges:

COUNT ONE

INTRODUCTORY ALLEGATIONS

1. At all times material to this Indictment, THOMAS EARL TILLEY was a resident of Chapel Hill and Durham, North Carolina, and was a self-employed real estate investor who owned properties throughout North Carolina and Virginia.

2. Beginning in approximately 1990, and continuing up to at least December 2010, THOMAS EARL TILLEY used nominee trusts to purchase, hold title to, and sell real estate. These nominee trusts included, among others, Tilley Enterprises, Tilley Trust, Tilley Six Trust, Investment Trust, Realty Trust, Siri Camp Trust, TT Farms Trust, Epcon Farm Trust, Southside Trust, B&R Farms Trust, Ore Hills Trust, and Toms Mobile Home Trust. THOMAS EARL TILLEY controlled the assets nominally owned by these trusts at all times material to this indictment.

3. On a date unknown to the Grand Jurors, but no later than August 1994, THOMAS EARL TILLEY established the Virginia

Mortgage Company, an entity he controlled. The primary purpose of Virginia Mortgage Company was to file fraudulent liens against real estate THOMAS EARL TILLEY owned, thereby creating (i) the false appearance of clouded title, (ii) the false appearance that there was less equity in the property than was actually the case, and (iii) the false appearance that THOMAS EARL TILLEY did not receive the proceeds from the sales of these properties.

4. On a date unknown to the Grand Jurors, but no later than May 2000, THOMAS EARL TILLEY established Global Enterprises, a corporation organized under the laws of the Bahamas. THOMAS EARL TILLEY controlled Global Enterprises and had signatory authority over its United States bank account.

5. On a date unknown to the Grand Jurors, but no later than April 2007, THOMAS EARL TILLEY established the Tilley Family Charitable Foundation. THOMAS EARL TILLEY controlled the Tilley Family Charitable Foundation's affairs and assets. Although called a charity, in fact THOMAS EARL TILLEY used substantial funds from the Tilley Family Charitable Foundation for personal purposes and to pay business expenses of other entities THOMAS EARL TILLEY controlled.

6. THOMAS EARL TILLEY did not file United States Individual Income Tax Returns, Internal Revenue Service Forms 1040, for the 1994-2012 tax years. In addition, THOMAS EARL TILLEY did not file a United States Income Tax Return for Estates

and Trusts, Internal Revenue Service Form 1041, for the 1990 - 2012 tax years on behalf of any of the trusts listed in ¶ 2. Moreover, THOMAS EARL TILLEY did not file a Return of Organization Exempt from Income Tax, Internal Revenue Service Form 990, or a Return of Private Foundation, IRS Form 990-PF, for the 2007 - 2012 tax years on behalf of the Tilley Family Charitable Foundation. The only tax payments made by THOMAS EARL TILLEY from 1994 to 2012 were the result of IRS liens and levies.

7. In March 2003, the exact date to the Grand Jurors unknown, the IRS began an audit of THOMAS EARL TILLEY's 2000 and 2001 income taxes. During the audit, THOMAS EARL TILLEY filed lawsuits in multiple federal courts challenging the IRS's authority to obtain routine banking information during the audit, each of which he lost. The audit resulted in an assessment of \$1,802,006.00 in taxes and \$1,962,106.00 in penalties against THOMAS EARL TILLEY and his wife in October 2009, after the United States Tax Court largely upheld the results of the audit. The IRS began efforts to collect the 2000-2001 taxes during 2010. In August, September, and October 2010, the IRS filed liens and obtained levies against real estate and funds owned by THOMAS EARL TILLEY but titled in the names of Global Enterprises, Realty Trust, Epcon Farms Trust, Tilley Six Trust, Virginia Mortgage Company, B&R Farm Trust, Investment Trust, Realty Trust, TT Farms

Trust, Siri Camp Trust, Southside Trust, Tilley Trust, Tilley Enterprises, and Tilley Family Charitable Foundation.

8. According to a net worth statement submitted by THOMAS EARL TILLEY in order to obtain a loan, he had a net worth of \$17.875 million as of February 2008. On another loan application submitted in March 2009, THOMAS EARL TILLEY claimed to have income of \$822,000.00 per year and a net worth of \$30 million.

STATUTORY ALLEGATIONS

9. Beginning in or about 1993, continuing through in or about December 2010, the exact dates to the Grand Jurors unknown, in the Counties of Orange, Durham, Chatham, Moore, Lee, and Person, in the Middle District of North Carolina, and elsewhere, THOMAS EARL TILLEY corruptly endeavored to impede and obstruct the due administration of the internal revenue laws by the following means, among others:

- a. Using nominees to purchase, hold title to, and sell assets;
- b. Filing fraudulent mortgages and liens on real estate he owned;
- c. Sending fraudulent financial instruments to the IRS in an attempt to fraudulently discharge his debts to the IRS and other creditors;
- d. Conducting business and banking transactions in the name of a charity he controlled;
- e. Conducting business and banking transactions in the name of an offshore corporation he controlled;

- f. Dealing extensively in cash in circumstances in which such use is not customary;
- g. Commingling funds between the bank accounts of various nominee trusts and companies under his control;
- h. Making false statements to the IRS concerning his income and assets; and
- i. Failing to file tax returns for himself and all the entities under his control.

CORRUPT ACTS

Among the corrupt acts undertaken by THOMAS EARL TILLEY were the following:

10. On or about September 17 and 18, 1993, THOMAS EARL TILLEY conveyed numerous properties in Durham, Chatham, and Moore Counties to various nominee trusts, including the TT Farms Trust, Tilley Enterprises, Tilley Six Trust, and the Investment Trust.

11. In or about October 1993, the exact date to the Grand Jurors unknown, THOMAS EARL TILLEY applied to the Internal Revenue Service for Taxpayer Identification Numbers (TINs) on behalf of Tilley Enterprises and Tilley Six Trust.

12. On or about January 1, 1994, THOMAS EARL TILLEY, acting on behalf of Tilley Six Inc., conveyed several properties in Durham County, North Carolina to the TT Farms Trust.

13. On or about March 3, 1994, THOMAS EARL TILLEY opened a bank account in the name of Tilley Trust, and provided the TIN of Tilley Enterprises to the bank.

14. On or about September 1, 1994, THOMAS EARL TILLEY signed a \$100,000.00 fraudulent lien in favor of the Virginia Mortgage Company and caused it to be filed on four properties in Durham County, North Carolina, that were nominally owned by the TT Farms Trust.

15. On or about January 23, 1995, THOMAS EARL TILLEY signed a \$2,000,000.00 fraudulent lien in favor of the Virginia Mortgage Company and caused it to be filed on four properties in Wake County, North Carolina, that were nominally owned by the Southside Trust and the Tilley Trust.

16. On or about March 1, 1995, THOMAS EARL TILLEY signed a \$1,000,000.00 fraudulent lien in favor of the Virginia Mortgage Company and caused it to be filed on numerous properties in Ashe County, North Carolina, that were nominally owned by the TT Farms Trust.

17. On or about April 18, 1995, THOMAS EARL TILLEY signed a \$100,000.00 fraudulent lien in favor of the Virginia Mortgage Company and caused it to be filed on a property in Watauga County, North Carolina, that was nominally owned by the Tilley Six Trust.

18. On or about April 18, 1995, THOMAS EARL TILLEY signed a second fraudulent lien, in the amount of \$750,000.00, in favor of the Virginia Mortgage Company, and caused it to be filed on three

properties in Watauga County, North Carolina, that were nominally owned by TT Farms Trust.

19. On or about January 18, 1996, THOMAS EARL TILLEY signed a \$1,000,000.00 fraudulent lien in favor of the Virginia Mortgage Company and caused it to be filed on two properties in Moore County, North Carolina, that were nominally owned by the Investment Trust.

20. On or about April 10, 1996, THOMAS EARL TILLEY signed two fraudulent liens in the amount of \$1,000,000.00 each in favor of the Virginia Mortgage Company, and caused them to be filed on multiple properties in Chatham County, North Carolina, that were nominally owned by the Ore Hills Trust and TT Farms Trust.

21. On or about September 12, 1996, THOMAS EARL TILLEY signed and caused to be mailed to the IRS two documents captioned "statements" falsely claiming that he had no taxable income for 1994 and 1995.

22. On or about December 18, 1996, THOMAS EARL TILLEY signed a \$2,000,000.00 fraudulent lien in favor of the Virginia Mortgage Company and caused it to be filed on numerous properties in Durham County, North Carolina, that were nominally owned by the B&R Farms Trust.

23. On or about June 28, 1997, THOMAS EARL TILLEY wrote a letter threatening to sue a real estate agency if it complied with an IRS levy.

24. On or about January 17, 1998, THOMAS EARL TILLEY signed an IRS Form W-8, Certificate of Foreign Status, in connection with a personal loan he took out at Bank of America. On the certificate, THOMAS EARL TILLEY falsely stated under penalties of perjury that the account was exempt from tax reporting and tax withholding because either (a) he was not a United States citizen or resident, or (b) the loan was on behalf of a trust.

25. On or about June 1, 2000, THOMAS EARL TILLEY opened a bank account in the name of Global Enterprises, his Bahamas corporation. THOMAS EARL TILLEY refused to provide a TIN for Global Enterprises and modified the perjury declaration on the signature card application, such that he refused to swear that he would apply for a TIN in the near future.

26. On or about October 22, 2001, THOMAS EARL TILLEY, acting through the Tilley Trust, sold a mobile home park in Wake County, North Carolina, for \$3,000,000.00, half of which was seller-financed. After paying off a tax lien of approximately \$171,000.00, THOMAS EARL TILLEY directed the closing attorneys to pay \$624,817.00 of the sales proceeds to the "Tilley Trust/Virginia Mortgage Company."

27. On or about October 10, 2002, THOMAS EARL TILLEY, acting through Tilley Enterprises, sold 9.765 acres of property in Chatham County, North Carolina.

28. On or about June 13, 2003, THOMAS EARL TILLEY, acting through the TT Farms trust, sold a ten acre property in Chatham County, North Carolina.

29. On or about May 11, 2005, THOMAS EARL TILLEY, acting through the TT Farms Trust, sold approximately ninety-seven acres of property in Ashe County, North Carolina, and released the fraudulent lien he had previously filed against that property as described in ¶ 16.

30. On or about March 2, 2006, THOMAS EARL TILLEY, acting through the TT Farms Trust, sold 168 acres of land in Ashe County, North Carolina, for \$1,750,000.00, released the fraudulent lien he had previously filed against that property as described in ¶ 16, and directed the closing attorney to pay \$1,352,867.17 to Virginia Mortgage Company to "pay off" the fraudulent lien. The closing attorney reported the \$1,750,000.00 in gross sales proceeds to the IRS via a substitute Form 1099-S, and THOMAS EARL TILLEY provided the TIN of Tilley Enterprises to the closing attorney for use on that form. In fact, the check for the sales proceeds was deposited into a bank account in the name of THOMAS EARL TILLEY's wife.

31. On or about March 21, 2006, THOMAS EARL TILLEY, acting through the TT Farms Trust and Tilley Six Trust, sold approximately twenty three acres of land in Chatham County, North Carolina.

32. On or about April 26, 2006, THOMAS EARL TILLEY filed a document with the Durham County Register of Deeds wherein TILLEY "denie[d] the political status as a United States citizen, U.S. Citizen or national of the United States and herein denies permanent allegiance to the United States."

33. On or about May 25, 2006, THOMAS EARL TILLEY, acting through the Realty Trust, purchased a property on Marina Road, Sanford, Lee County, North Carolina.

34. On or about June 13, 2006, THOMAS EARL TILLEY directed the nominal trustee of the Realty Trust to sell a property on Pixley Pritchard Road, Timberlake, Person County, North Carolina.

35. On or about September 1, 2006, THOMAS EARL TILLEY signed a \$1,600,000.00 fraudulent lien in favor of the Virginia Mortgage Company and caused it to be filed on a mobile home park in Wake County, North Carolina, that was nominally owned by the Tilley Trust.

36. On or about December 20, 2006, THOMAS EARL TILLEY directed the nominal trustee of the Realty Trust to sell a property on New Chestnut Drive, Rougemont, Person County, North Carolina.

37. On or about January 30, 2007, THOMAS EARL TILLEY directed the nominal trustee of the Realty Trust to sell a property on Marina Road, Sanford, Lee County, North Carolina.

38. On or about April 18, 2007, THOMAS EARL TILLEY opened a bank account in the name of the Tilley Family Foundation.

39. On or about May 3, 2007, THOMAS EARL TILLEY directed the nominal trustee of the Realty Trust to sell a property on Mullins Street, Tarboro, Edgecombe County, North Carolina.

40. On or about May 16, 2007, THOMAS EARL TILLEY directed the nominal trustee of the Realty Trust to sell a property on Packard Street, Durham, Durham County, North Carolina.

41. On or about May 2, 2007, THOMAS EARL TILLEY, acting for the Tilley Six Trust and the B&R Farms Trust, signed a contract to sell two pieces of real estate on Farrington Road, Chapel Hill, Durham County, North Carolina, to a commercial property developer for \$4,250,000.00 in a multi-stage closing.

42. On or about August 10, 2007 - approximately one month after being notified by the IRS that he owed over \$5,400,000.00 in taxes, penalties, and interest for 2000 and 2001 - THOMAS EARL TILLEY signed, and caused to be mailed to the United States Treasury, a fraudulent document titled "Non-negotiable bill of exchange." The "bill of exchange" purported to be worth \$100,000,000.00 but in fact was worthless.

43. On or about August 10, 2007, THOMAS EARL TILLEY purchased approximately four acres of land in Durham County, North Carolina, through the TT Farms Trust.

44. On or about August 16, 2007, THOMAS EARL TILLEY signed and caused to be mailed to the United States Treasury a fraudulent "private discharging and indemnity bond" that he claimed would "offset all pre-existing and current liabilities" he owed. The "bond" purported to be worth \$300,000,000.00 but in fact was worthless.

45. On or about September 11, 2007, THOMAS EARL TILLEY signed and caused to be mailed to the United States Treasury a fraudulent "private discharging and indemnity bond." The "bond" purported to be worth \$50,000,000.00 and to be a payment of all THOMAS EARL TILLEY's taxes and other debts, but in fact was worthless.

46. On or about April 25, 2008, THOMAS EARL TILLEY directed the nominal trustee of the Realty Trust to sell a property on State Road 1703 in Person County, North Carolina.

47. On or about May 13, 2008, THOMAS EARL TILLEY purchased 804 acres of property in Smyth County, Virginia, in the name of B&R Farms Trust for \$4,000,000.00.

48. On or about July 28, 2008, THOMAS EARL TILLEY signed and caused to be mailed to the United States Treasury, a fraudulent "secured funding and offset bond" and a "discharging and indemnity bond." The "secured funding and offset bond" purported to be worth \$50,000,000.00, and the "discharging and

indemnity bond" purported to be worth \$300,000,000.00, but in fact both were worthless.

49. On or about October 15, 2008, THOMAS EARL TILLEY sent a letter to the IRS falsely claiming that he was not required to pay taxes because he was not a "person" or a "taxpayer" as defined by the tax laws.

50. On or about December 23, 2008, in connection with the Farrington Road property sale described in ¶ 41, THOMAS EARL TILLEY, acting through B&R Farms Trust, conveyed approximately sixteen acres of property on Farrington Road to the purchaser. THOMAS EARL TILLEY directed the purchaser to make the periodic interest payments required by the sales contract to "Thomas Tilley, Trustee," and THOMAS EARL TILLEY began depositing the payments into the bank account of Global Enterprises, the Bahamas-based corporation he controlled.

51. On or about December 23, 2008, THOMAS EARL TILLEY directed the title company handling the closing of the Farrington Road property sale to pay the sale proceeds, in the amount of \$1,543,633.02, to Virginia Mortgage Company and B&R Farms Trust. THOMAS EARL TILLEY endorsed the check and deposited it into a bank account in his wife's name.

52. On or about January 5, 2009, THOMAS EARL TILLEY directed the nominal trustee of the Realty Trust to sell a property in Durham County, North Carolina.

53. On or about February 13, 2009, THOMAS EARL TILLEY directed the nominal trustee of the Realty Trust to sell a property in LaGrange, Lenoir County, North Carolina.

54. On or about February 26, 2009, THOMAS EARL TILLEY signed and caused to be mailed to the United States Treasury a fraudulent "private registered bond for setoff." This "bond" purportedly to be worth \$100,000,000,000.00 and claimed to settle any "bills, taxes, claims or the like," but in fact it was worthless.

55. On or about March 9, 2009, THOMAS EARL TILLEY signed and caused to be mailed to the United States Treasury a fraudulent "Registered Private Offset Bond." The "bond" purported to be worth \$10,000,000.00 and claimed that, among other things, it was a payment and satisfaction of all THOMAS EARL TILLEY's taxes and any associated liens and "true bills" (i.e., criminal indictments), but in fact it was worthless.

56. On or about April 13, 2009, THOMAS EARL TILLEY caused a fraudulent UCC Financing Statement in favor of Siri Camp Trust to be filed in Chatham County, North Carolina. The Financing Statement purported to encumber ten parcels of land that were nominally owned by the TT Farms Trust.

57. On or about May 1, 2009, THOMAS EARL TILLEY purchased 380 acres in Smyth County, Virginia, in the name of B&R Farms Trust for \$950,000.00.

58. In or about July 2009, the exact dates to the Grand Jurors unknown, THOMAS EARL TILLEY stopped depositing the monthly interest payments from the purchaser of the Farrington Road property - which at that time totaled \$15,000 per month - in the Global Enterprises bank account, and instead began depositing those payments in the Tilley Family Charitable Foundation bank account.

59. In or about August 2009, the exact dates to the Grand Jurors unknown, THOMAS EARL TILLEY closed the bank account of Global Enterprises.

60. On or about January 6, 2010, THOMAS EARL TILLEY established the Epcon Farm Trust.

61. On or about January 6, 2010, THOMAS EARL TILLEY, acting through the B&R Farms Trust, conveyed a portion of the remaining property subject to the May 2007 contract of sale described in ¶ 41, which he was contractually obligated to convey to the purchaser, to the Epcon Farm Trust.

62. On or about February 11, 2010, THOMAS EARL TILLEY signed (a) twelve quitclaim deeds conveying various properties in Durham County, North Carolina, to M.G. and B.W. as trustees for the Realty Trust, (b) three quitclaim deeds conveying properties in Durham County, North Carolina, to M.G. and B.W. as trustees for the TT Farms Trust, and (c) one deed conveying a property on Farrington Road, Chapel Hill, Durham County, North Carolina, to

M.G. and B.W. as trustees for Tilley Six Trust, and (d) one deed conveying a property on Kepley Road, Chapel Hill, Durham County, North Carolina, to M.G. and B.W. as trustees for Virginia Mortgage Company. M.G. and B.W. were trustees in name only, and exercised no practical control over any of these properties.

63. On or about February 15, 2010, THOMAS EARL TILLEY amended the instruments establishing the Investment Trust, Realty Trust, Tilley Trust, Toms Mobile Home Trust, Tilley Enterprises Trust, TT Farms Trust, Ore Hills Trust, and Virginia Mortgage Company by adding two additional nominee trustees, B.W. and M.G., to each trust.

64. On or about February 15, 2010, THOMAS EARL TILLEY signed quitclaim deeds conveying multiple properties in Harnett County, North Carolina, to Tilley Enterprises.

65. On or about February 24, 2010, THOMAS EARL TILLEY amended the trust instruments for the eight trusts described in ¶ 63 by removing THOMAS EARL TILLEY and his wife as named trustees.

66. On or about May 17, 2010, THOMAS EARL TILLEY, acting through the TT Farms Trust, Tilley Enterprises, and Tilley Six Trust, sold approximately fifteen acres of land in Chatham County, North Carolina.

67. On or about June 7, 2010, THOMAS EARL TILLEY caused the Tilley Six Trust to convey real estate on Farrington Road, Chapel

Hill, Durham County, North Carolina, which THOMAS EARL TILLEY was required to convey to the commercial real estate developer described in ¶ 41, to the Epcon Farm Trust.

68. On or about June 17, 2010, THOMAS EARL TILLEY, his wife, and the nominee trustees of the Tilley Six Trust and B&R Farms Trust, B.W. and M.G., signed non-warranty deeds that, had they been delivered, would have conveyed part of the Farrington Road Chapel Hill, Durham County, North Carolina, properties to the commercial real estate developer described in ¶ 41.

69. On or about June 17, 2010, THOMAS EARL TILLEY signed a document releasing the fraudulent lien in favor of Virginia Mortgage Company that he had previously filed against the Farrington Road, Chapel Hill, Durham County, North Carolina, property, as described in ¶ 22, that he was obligated to convey to the commercial real estate developer.

70. On or about September 16, 2010, THOMAS EARL TILLEY wrote a letter to the IRS stating that he would refuse all IRS mail which contained only a street address, and would only accept IRS mail if it contained both his street address and a legal description of the property to which it was mailed.

71. On or about September 22, 2010, the nominee trustees of the Epcon Farm Trust, acting at THOMAS EARL TILLEY's direction, conveyed part of the property subject to the sales contract described in ¶ 41 to the purchaser.

72. On or about October 8, 2010, THOMAS EARL TILLEY wrote a letter to a bank threatening to sue the bank if it complied with the IRS's levies.

73. On or about October 25, 2010, THOMAS EARL TILLEY submitted ten materially identical "Statements" to the IRS for tax years 2000 to 2009 which falsely claimed that he had no income and had no duty to file a tax return.

74. On or about December 15, 2010, THOMAS EARL TILLEY opened a new bank account in the name of Realty Trust, and provided the TIN of Tilley Enterprises to the bank.

All in violation of Title 26, United States Code, Section 7212(a) and Title 18, United States Code, Section 2.

COUNT TWO

1. The allegations of paragraphs 1 through 8 and 26 through 74 of Count One are re-alleged and incorporated by reference.

2. Beginning in or about January 2000, and continuing through in or about December 2010, the exact dates to the Grand Jurors unknown, in the Counties of Orange, Durham, Chatham, Moore, Lee, and Person, in the Middle District of North Carolina, and elsewhere, THOMAS EARL TILLEY willfully attempted to evade and defeat the payment of a substantial federal income tax due and owing for the tax years 2000 and 2001, and interest and penalties thereon, by failing to file tax returns, by failing to

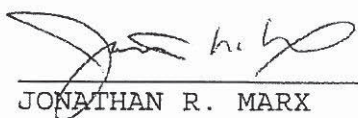
pay income taxes, and by committing the following acts of evasion:

- a. Using nominees to purchase, hold title to, and sell assets;
- b. Filing fraudulent mortgages and liens on real estate he owned;
- c. Sending fraudulent financial instruments to the IRS in an attempt to fraudulently discharge his debts to the IRS and other creditors;
- d. Conducting business and banking transactions in the name of a charity he controlled;
- e. Conducting business and banking transactions in the name of an offshore corporation he controlled;
- f. Dealing extensively in cash in circumstances in which such use is not customary;
- g. Commingling funds between the bank accounts of various nominee trusts and companies under his control; and
- h. Making false statements to the IRS concerning his income and assets.

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

A TRUE BILL:

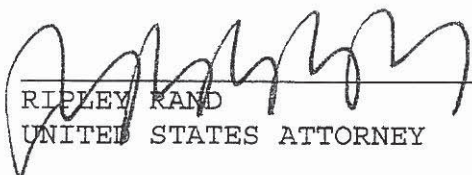
FOREPERSON



JONATHAN R. MARX
TRIAL ATTORNEY



STEPHEN T. INMAN
ASSISTANT UNITED STATES ATTORNEY



RIPLEY RAND
UNITED STATES ATTORNEY