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## **Former CEO and Two Associates Plead Guilty to Conspiracy To Impede the Lawful Functions of the Internal Revenue Service**

WASHINGTON - Shelly S. Singhal, Loretta Fredy Bush, and Dennis L. Pelino, formerly of Xinhua Finance Limited (Xinhua Finance), a Chinese company trading publicly in Japan, each have pled guilty, in a one-count Information, to conspiracy to impede the lawful functions of the Internal Revenue Service.

Singhal, 45, of Newport Beach, Calif., pled guilty today before the Honorable Chief Judge Royce C. Lamberth in the U.S. District Court for the District of Columbia. Bush, 54, of San Francisco, pled guilty before Chief Judge Lamberth on Feb. 13, 2013. Pelino, 65, of Miami Beach, Fla., pled guilty before Chief Judge Lamberth on Feb. 15, 2013.

Singhal, Bush, and Pelino face maximum statutory terms of imprisonment of five years. Sentencing for each was scheduled for April 29, 2013.

The guilty pleas were announced by Mary B. McCord, Acting U.S. Attorney in this case, Valerie Parlave, Assistant Director in Charge of the FBI's Washington Field Office, and Thomas J. Kelly, Special Agent in Charge of the Washington Field Office of the Internal Revenue Service-Criminal Investigation.

In connection with the guilty pleas and as set forth in detail in the executed Statements of Offense, the defendants acknowledged that Singhal was the owner and Chairman of SBI Advisors, LLC, a California limited liability company engaged in the business of providing investment advisory services as well as buying and selling securities. Bush and Pelino acknowledged that, from time to time, they participated in investment and borrowing opportunities developed and recommended by Singhal.

Beginning in or about April 2005, Entrée Capital, a limited liability company formed at Singhal's direction, opened an account at the First Internet Bank of Indiana and transferred funds to Bush and Pelino. Bush and Pelino executed a series of promissory notes obligating them to repay the funds within a fixed term and to pay interest annually at a fixed rate, but the notes did not provide for the method of calculating interest (simple or compound).

The defendants acknowledged that, in or about August 2006, documentation was executed to transfer the ownership of Entrée Capital to a foreign national residing outside the United States. Employees of SBI Advisors continued to maintain Entrée Capital's books and records. Between January 2006 and January 2009, Bush and Pelino made several interest payments at the rates prescribed in the promissory notes they had executed, but these payments were not made according to any fixed schedule.

Singhal, Bush and Pelino acknowledged that, in or about October 2008, the Entrée Capital account at the First Internet Bank of Indiana was closed by the management of the bank. Each of the defendants acknowledged that, by in or around February 2009, he or she had learned that the Entrée Capital account was closed. In addition, the defendants acknowledged that in 2009 and continuing into early 2010, they became aware that the foreign national to whom ownership of Entrée Capital had been assigned had failed to respond to inquiries or otherwise acknowledge his ownership of Entrée Capital.

The defendants acknowledged that from April 15, 2010 through May 10, 2011, they conspired to impede the lawful functions of the Internal Revenue Service in the ascertainment, assessment, and determination of whether the principal balances owed to Entrée Capital by Bush and Pelino had become forgiven debt and represented income to Bush and Pelino.

As of April 15, 2010, the principal balances owed by Bush and Pelino to Entrée Capital were approximately \$2,153,663 and \$1,380,633, respectively. The defendants acknowledged failing to notify and otherwise concealing from the Internal Revenue Service that the nominal owner of Entrée Capital had effectively abandoned its assets, including the principal balances payable to Entrée Capital by Bush and Pelino, to delay the payment of any income tax due and owing on those unpaid amounts as forgiven debt. They acknowledged discussing among themselves and with others the fact that the owner of Entrée Capital was a foreign national and that any information in the foreign national's possession was possibly beyond the authority of the Internal Revenue Service to obtain. Singhal did not direct his employees at SBI Advisors, who maintained Entrée Capital's books and records, to issue Forms 1099-C (Cancellation of Debt) to Bush and Pelino, which forms would have notified the Internal Revenue Service that Entrée Capital was treating the principal balances payable to Entrée Capital by Bush and Pelino as forgiven debt. Bush and Pelino acknowledged filing Forms 1040 (U.S. Individual Tax Return) for the tax year 2009, which returns failed to declare any portion of the \$2,153,663 and \$1,380,633 owed to Entrée Capital as income to Bush and Pelino, respectively.

As part of the plea agreements, the government agreed to move at sentencing to dismiss with prejudice the indictments previously returned against the defendants.

Three others earlier pled guilty to charges in the investigation.

In announcing the guilty pleas, Acting U.S. Attorney McCord, Assistant Director in Charge Parlave, and Special Agent in Charge Kelly praised the investigative efforts of the Special Agents of the FBI's

Washington Field Office and the IRS-Criminal Investigation Division. They also recognized the work of U.S. Attorney's Office Forensic Accountant Crystal Boodoo, Paralegal Specialist Tasha Harris, and Legal Assistants Lenisse Edloe and Krishawn Graham. Finally, they commended the efforts of Trial Attorney Kenneth C. Vert, U.S. Department of Justice, Tax Division, Northern Criminal Enforcement Section, and Assistant U.S. Attorneys Jonathan Hooks and Michael K. Atkinson, who prosecuted the case.

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