

Los Angeles Businessman, Utah Fuel Plant Operators and Employees Sentenced to Prison for Billion-Dollar Biofuel Tax Fraud Scheme

Article By:

United States Department of Justice (DOJ)

Five individuals were sentenced this week to prison for their roles in a \$1 billion biofuel tax conspiracy: Lev Aslan Dermen, aka Levon Termendzhyan, 56, was sentenced to 40 years; Jacob Kingston, 46, was sentenced to 18 years; Isaiah Kingston, 42, was sentenced to 12 years; Rachel Kingston, 67, was sentenced to seven years; and Sally Kingston, 45, was sentenced to six years.

According to court documents and testimony from Dermen's 2020 trial, from 2010 to 2018, Dermen conspired with Jacob and Isaiah Kingston, their mother, Rachel Kingston, Jacob Kingston's wife, Sally Kingston, and others, to fraudulently claim more than \$1 billion in refundable renewable fuel tax credits. The IRS ultimately paid out more than \$511 million in credits to Washakie Renewable Energy ("Washakie"), a Utah biodiesel company owned by Jacob and Isaiah Kingston. The Kingstons distributed the fraud proceeds among themselves and Dermen.

Dermen was found guilty after a seven-week jury trial of conspiracy to commit mail fraud, conspiracy to commit money laundering and money laundering. In addition to the prison sentence, U.S. District Judge Jill N. Parrish ordered Dermen to pay \$442,615,520 in restitution to the IRS and imposed a money judgment of more than \$181 million against him.

Jacob Kingston was ordered to pay \$511 million in restitution to the IRS. The court also imposed a \$338 million money judgment against him. Jacob Kingston was co-owner and CEO of Washakie. In July 2019, he pleaded guilty to conspiracy to commit mail fraud, filing false claims with the IRS, money laundering and conspiracy to commit the same, obstruction by concealing and destroying records and conspiracy to commit the same and witness tampering.

Isaiah Kingston was also ordered to pay \$511 million in restitution to the IRS. Isaiah Kingston, Jacob Kingston's brother, was co-owner and CFO of Washakie. In July 2019, he pleaded guilty to conspiracy to commit mail fraud, aiding and assisting in the filing of false partnership tax returns, money laundering and conspiracy to commit the same and obstruction by concealing and destroying records and conspiracy to commit the same.

Jacob and Isaiah Kingston both testified at Dermen's trial in 2020.

Rachel Kingston was the “special projects manager” at Washakie and participated in the scheme by backdating documents and creating fake invoices to support the filing of the false claims. In July 2019, she pleaded guilty to conspiracy to commit mail fraud, money laundering and conspiracy to commit the same and obstruction by concealing and destroying records.

Sally Kingston also worked at Washakie and participated in the scheme by similarly backdating documents and creating fake invoices to support the filing of the false claims. In July 2019, she pleaded guilty to conspiracy to commit mail fraud and conspiracy to commit money laundering.

The conspiracy began in 2010 and continued through 2018 and involved multiple fraudulent schemes. One involved purchasing biodiesel from the East Coast of the United States (which had been produced by others who had already claimed the renewable fuel tax credit) and exporting it to foreign countries, including Panama, then doctoring transport documents to disguise and import the biodiesel as “feedstock.” Washakie used this false paperwork to claim it had produced biodiesel from the feedstock to support its filing of fraudulent claims for IRS biofuel tax credits. Washakie also fraudulently obtained millions of EPA renewable identification numbers that were then sold for approximately \$65 million. Later, Dermen and the Kingstons conspired to purchase millions of gallons of biodiesel and rotate it through the U.S. shipping system to create the appearance that qualifying fuel was being produced and sold by Washakie. Washakie applied for and was paid by the IRS over \$300 million for its claimed 2013 production and over \$164 million for its claimed 2014 production. Evidence at Dermen’s trial showed that, to further create the appearance of legitimate business transactions, Dermen and the Kingstons schemed to cycle their and other co-conspirators’ fraud proceeds in more than \$3 billion in financial transactions through multiple bank accounts.

Throughout the scheme, Dermen falsely assured Jacob Kingston that Kingston and his family would be protected by Dermen’s “umbrella” of corrupt law enforcement and immune from criminal prosecution. In exchange, Jacob and Isaiah Kingston transferred over \$134 million in fraudulent proceeds to companies in Turkey and Luxembourg that were subsequently laundered internationally and through the U.S. financial system.

Money from the fraudulent claims were distributed to Dermen and the Kingstons and used to make lavish purchases in the United States, Turkey, and Belize. Dermen’s associates in Turkey bought and rebuilt a 150-foot yacht named “Queen Anne.” The Queen Anne was seized by the government in Beirut, Lebanon in 2021, and then sold in Cyprus for \$10.1 million. Dermen also caused Jacob Kingston to send more than \$700,000 on behalf of Dermen to purchase land in Belize for a planned casino, for which the government is seeking forfeiture. The government is also seeking the forfeiture of other assets in Turkey related to the fraud proceeds sent there. Jacob and Isaiah Kingston sent more than \$21 million in fraud proceeds to SBK Holdings USA, Inc., Dermen’s California-based company. Jacob Kingston used \$1.8 million of the fraud proceeds to buy a 2010 Bugatti Veyron for Dermen as a “gift,” and Dermen gifted a chrome Lamborghini and a gold Ferrari to Jacob Kingston. Dermen and Jacob Kingston also laundered \$3 million through Dermen’s company, NOIL Energy Group, to purchase a mansion in Sandy, Utah for Jacob and Sally Kingston.

The Kingston defendants sent over \$35 million of their share of the fraud proceeds to their extended family and companies they owned.

Dermen also laundered \$3.5 million through SBK Holdings USA, Inc., to purchase a mansion in Huntington Beach, California. The government now seeks forfeiture of this residence as well as a couple dozen other parcels of real property that were purchased with the Kingstons’ share of the proceeds.

“The significant sentences imposed by the court reflect the breathtaking scope of the defendants’ nearly decade-long tax fraud scheme – one of the largest ever,” said Acting Deputy Assistant Attorney General Stuart M. Goldberg of the Justice Department’s Tax Division. “Dermen and members of the Kingston family cost law-abiding taxpayers more than \$500 million and attempted to steal double that. They also sought to cover their tracks by cycling billions-of-dollars in transactions through the banking system and using fuel purchases and oil tankers to give the illusion their plant was actually producing and selling biodiesel fuel eligible for IRS credits. Tax Division prosecutors and IRS-CI Special Agents not only unraveled this scheme – they uncovered, traced and recovered millions in proceeds secreted in Turkey, the United States and elsewhere.”

“The U.S. Attorney’s Office for the District of Utah thanks the Justice Department’s Tax Division and IRS investigators for their tireless efforts into shutting down this large-scale scheme,” said U.S. Attorney Trina A. Higgins for the District of Utah. “However, the work in this case is not over. Going forward, our office and the Tax Division will continue to work together to seek forfeiture of assets connected to this massive fraud scheme to recoup the losses it caused to the United States.”

IRS-Criminal Investigation, the Environmental Protection Agency-Criminal Investigation Division (EPA-CID), and the Defense Criminal Investigative Service (DCIS) of the Department of Defense Office of the Inspector General investigated the case.

“Today brings to a close the final step in the prosecution of these five defendants,” said Special Agent in Charge Albert Childress of the IRS Phoenix Field Office. “This case has been one of unprecedented fraud against the United States and its citizens and is one of the most egregious examples of tax fraud in U.S. history. These defendants not only participated in a scheme to steal over \$500 million from the United States, but also went to great lengths to launder and hide their fraud proceeds. In addition, certain of the defendants even tried to conceal their fraudulent conduct by way of attempted witness threats and intimidation. After the last of the sentencing today, the government has made a statement that there will be severe consequences for fraud. Despite your efforts to launder your money, or any attempts to cover your crimes, there is always a trail which our financial investigators can follow, and justice will be done.”

“The defendants sought to illegally and fraudulently profit from a program that was designed to help reduce greenhouse gas emissions,” said Acting Assistant Administrator Larry Starfield for EPA’s Office of Enforcement and Compliance Assurance. “This case sends a clear message that EPA and our law enforcement partners will aggressively prosecute these crimes and violators will pay a heavy price.”

Acting Deputy Assistant Attorney General Goldberg also thanked the Justice Department’s Office of International Affairs, as well as law enforcement partners in the Grand Duchy of Luxembourg, Austria, Belize, Ireland, Lebanon and Cyprus for their assistance in the case.

Senior Litigation Counsel John E. Sullivan and Trial Attorney Richard M. Rolwing of the Justice Department’s Tax Division, along with Assistant U.S. Attorney Leslie Goemaat for the District of Columbia, formerly of the Tax Division, prosecuted the case. Senior Policy Advisor Darrin L. McCullough of the Justice Department’s Money Laundering and Asset Recovery Section assisted with the extensive forfeiture proceedings related to the prosecution. Several Assistant U.S. Attorneys for the District of Utah assisted in the forfeiture proceedings.

Topic(s): [Tax Division](#)

[See Original Press Release Number: 23-386](#) Updated April 7, 2023

© 2024 The U.S. Department of Justice

National Law Review, Volumess XIII, Number 99

Source URL: <https://natlawreview.com/article/los-angeles-businessman-utah-fuel-plant-operators-and-employees-sentenced-to-prison>