



Department of Justice

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Western District of Kentucky

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**BOWLING GREEN ARSONIST AND TAX EVADER SENTENCED TO
10 YEARS 1 MONTH / WOMAN SENTENCED TO 5 YEARS 8 MONTHS FOR
CHARGES ARISING FROM BOWLING GREEN V.F.W.**

-Convicted of arson, mail fraud, illegal structuring, illegal gambling, and conspiracy to defraud the IRS

- Ordered to pay \$531,148 in restitution

BOWLING GREEN, KY - **Donald Mudd**, age 67, and **Martha Towe**, age 54, of 600 Fairway Street, Bowling Green, Kentucky, Warren County, were sentenced to today in United States District Court, Bowling Green Division, U.S. Attorney David L. Huber of the Western District of Kentucky announced today. Mudd received 10 years and 1 month imprisonment and a 3 years supervised release. Towe received 5 years 8 months imprisonment and 3 years supervised release. Mudd was found guilty by a jury of arson and two counts of mail fraud, Towe was found guilty by a jury of illegal structuring in the purchase of a Mercedes automobile and one count of mail fraud, and both Mudd and Towe were found guilty of conspiracy to defraud the IRS and of illegal gambling. Mudd was ordered to pay \$271,160.16 in restitution to Westport Insurance Company for insurance payments it made to the V.F.W. following the arson. Both Mudd and Towe were ordered to pay \$259,988.00 in restitution to the Bowling Green V.F.W.

The jury's verdict of guilty was returned following a nine-day trial before Thomas B. Russell, Judge, United States District Court.

“Once again,” said U.S. Attorney Huber, “the cooperation of local, state, and federal agencies led to a successful prosecution of a tax evader and an arsonist.”

ATF Special Agent in Charge Paul Vido said, “The jury carefully considered the evidence and reached a fair verdict in this case. It’s gratifying that the hard work and dedication of the investigators and prosecutors in this case has been validated by the guilty verdicts. I’m very proud of the outstanding cooperation and teamwork that continued throughout this investigation between ATF, the Bowling Green Fire Department, the Kentucky Department of Charitable Gaming, the IRS-Criminal Investigation Division and the United States Attorney’s Office.

Christopher R. Pikelis, Special Agent in Charge, IRS-Criminal Investigation, Nashville Field Office, said, “The IRS enforces the nation's tax laws, but also takes particular interest in cases where someone, for their own personal benefit, has taken what belonged to others. With both law enforcement and financial investigation expertise, our agents are uniquely qualified to assist state and federal law agencies with these types of cases by following the money. We are pleased with the successful resolution of this investigation due to the cooperative efforts of our law enforcement partners-- ATF and Department of Charitable Gaming.

Allen Houchin, Investigator with the Kentucky Department of Charitable Gaming, said, “I think the successful prosecution of this case demonstrates how multiple agencies working together, can serve the citizens of this Country and State. This would have been a very difficult case to investigate and solve by any one agency working alone, due to the multiple activities being done at the V.F.W.”

The Case

Mudd and Towe were tried for aiding and abetting in the arson of Bowling Green Post 1298, Veterans of Foreign Wars. In addition, both Mudd and Towe were tried for mail fraud in

that they stole from the V.F.W. proceeds from the sale of pull-tab games. From August 2003 through April 2006 Mudd and Towe under reported to the Kentucky Department of Charitable Gaming approximately \$174,848.50 in the sale of pull tab games at the V.F.W. They filed quarterly reports with the Kentucky Office of Charitable Gaming during this period that did not report the sale of these pull tab games. In addition, Mudd and Towe were tried for operating an illegal gambling business from on or about at least January 1, 2000, and continuing up to and including August 13, 2003, in Warren County, Kentucky.

Mudd is the former Commander of Post 1298 for the Veterans of Foreign Wars of the United States, which is located in Bowling Green, Kentucky. Post 1298 for the Veterans of Foreign Wars of the United States is a registered 501(c)(3) organization and permitted by Kentucky law to operate charitable gaming. Evidence at trial showed that Mudd and Towe managed semiweekly charitable gaming activities at the VFW Post 1298 at which players participated in bingo games and pull tabs. During the operation of legal charitable gaming activities, Mudd and Towe offered pull tab games to the players that were for the defendants' personal benefit, rather than for the benefit of the VFW Post 1298, as is required by Kentucky's charitable gaming law, Kentucky Revised Statute 238.536, which provides that no net receipts shall inure to the benefit or financial gain of an individual.

Throughout this time, Mudd also owned and operated video slot machines at the VFW Post 1298. The video slot machines, like the pull tab games described above, were for the benefit of himself and Towe. The operation of video slot machines violates Kentucky Revised Statute 528.020.

In addition, Mudd devised a scheme to defraud an insurance company by providing false and fraudulent representations regarding the fire at the VFW Post 1298 in Bowling Green, Kentucky. On October 27, 2003, Mudd certified on a sworn statement in proof of loss for

\$246,688.00 that "the said loss did not originate by any act, design or procurement on the part of your insured, or this affiant". In fact, Mudd, the affiant, was responsible for the fire that caused the loss to the VFW Post 1298. Relying upon the false certification by Mudd, Westport Insurance Corporation issued a check in the amount of \$246,688.00 payable to "LT HAROLD R. CORNWELL VFW POST #1298".

Mudd defrauded the V.F.W. Post 1298 and caused a claim for loss reimbursement to be submitted seeking reimbursement for losses caused by business interruption resulting from the fire. In fact, Mudd diverted the insurance proceeds for his personal benefit. Relying upon the false certification by Mudd and the representation that the money was intended for use by the V.F.W. Post #1298, Westport Insurance Corporation issued a check in the amount of \$16,822.16 payable to "LT HAROLD R. CORNWELL VFW POST #1298".

Mudd diverted this money for his personal benefit. Mudd opened a bank account in the name of "Lt. Harold R. Cornwell Post Special Account." At that time, Mudd deposited the \$16,822.16 check payable to "LT HAROLD R. CORNWELL VFW POST #1298" from Westport Insurance Corporation. On February 17, 2005, Mudd diverted \$2,499.00 by purchasing, for his personal benefit, a John Deere riding lawn mower. On March 26, 2005, Mudd used \$1,450.00 from the "Lt. Harold R. Cornwell Post Special Account" to purchase a Browning gun safe. And, on November 22, 2005, Mudd spent \$3,062.99 from the "Lt. Harold R. Cornwell Post Special Account" on a 42-inch plasma television.

From in or about January 1, 1999, through December 31, 2004, Mudd and Towe conspired to defraud the Internal Revenue Service by concealing their income by structuring numerous transactions. More specifically, they attempted to conceal cash transactions over \$10,000 in order to avoid the filing of currency transaction reports with the Internal Revenue Service.

A "structured" financial transaction is one in which an individual attempts to avoid federal currency transaction reporting requirements (\$10,000) under 31 C.F.R. § 103.22 by using multiple transactions under \$10,000. This regulation requires financial institutions, such as banks, to file a currency transaction report with the federal government when an individual engages in a transaction, or related transactions, involving more than \$10,000 in currency.

Mudd and Towe attempted to use cashier's checks, teller checks, official checks, and cash payments to avoid causing banks to file currency transaction reports with the Internal Revenue Service. For example, on repeated occasions both Mudd and Towe paid a contractor for construction of their residence at 600 Fairway Street in Bowling Green, Kentucky, through structured transactions. Mudd and Towe were able to purchase this nearly \$300,000 home with a series of these structured transactions. In addition, Mudd and Towe purchased a number of vehicles, including a 2002 Mercedes convertible, a 2002 Chevrolet Silverado truck, a 2003 Toyota Camry, a 2003 Chevrolet S-10 truck, and a 2004 Harley-Davidson motorcycle, by structuring the payment of the purchase price. Finally, Towe bought into her Kentucky Retirement System benefits plan with structured transactions. They structured all of these transactions in order to conceal income from the Internal Revenue Service.

The case was prosecuted by Assistant United States Attorneys Bryan R. Calhoun and Randy Ream, and it was jointly investigated by the Bowling Green Field Office of the Bureau of Alcohol, Tobacco, and Firearms, the Internal Revenue Service, Criminal Investigations, and the Kentucky Department of Charitable Gaming.

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