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Jury Finds Los Angeles Businessman Guilty in \$1 Billion Biodiesel Tax Fraud Scheme

Four Members of Kingston Family, including the CEO and CFO of Washakie Renewable Energy, Previously Pleaded Guilty

A federal jury in Salt Lake City, Utah, convicted California businessman Lev Aslan Dermen, also known as Levon Termendzhyan, of criminal charges today relating to a \$1 billion renewable fuel tax credit fraud scheme, announced Principal Deputy Assistant Attorney General Richard E. Zuckerman of the Justice Department's Tax Division, U.S. Attorney John W. Huber for the District of Utah, Don Fort Chief of Internal Revenue Service (IRS) - Criminal Investigation, Acting Special Agent-in-Charge Lance Ehrig for the Denver Area Office of Environmental Protection Agency (EPA) - Criminal Investigation Division, and Special Agent-in-Charge Michael Mentavlos for the Denver Area Office of Defense Criminal Investigative Service.

"Today's guilty verdict brings Lev Dermen and his coconspirators to justice. They created and implemented this massive biofuel scheme to fund their greed at the expense of all taxpayers," said Principal Deputy Assistant Attorney General Richard E. Zuckerman of the Justice Department's Tax Division. "The conviction should serve as clear notice that we will vigorously prosecute those criminals who engage in any form of tax fraud."

"These guilty verdicts show that no amount of bank accounts, shell companies, burner phones, or transfers of millions of dollars to foreign countries will stop the Department of Justice, the U.S. Attorney's Office, and our law enforcement partners from tracking down money stolen from the government and holding criminals responsible for their wrongdoing," said U.S. Attorney John W. Huber for the District of Utah. "I also want to thank the investigators, prosecutors, and support professionals who have dedicated so much time to this important case."

"The biofuel tax credit program was established by the government to promote a clean fuel alternative to traditional fuel options. Mr. Dermen used his company Noil Energy Group to conspire with the Kingston family to corrupt the biofuel tax credit program in an effort to steal over \$1 Billion from tax payers and launder the proceeds of this fraud," said Don Fort, Chief of IRS Criminal Investigation. "This trial was the culmination of years of investigative effort that traced money through a variety of countries and states through a complicated fraud scheme to eventually put money in the pockets of Mr. Dermen. The complicated nature of the scheme shows the determination with which the defendants had to defraud the American public for the sole purpose of lining their own pockets."

“The defendants claimed both EPA Renewable Fuel Standard (RFS) program credits and IRS tax credits for biodiesel fuel that did not exist, defrauding taxpayers out of hundreds of millions of dollars,” said Lance Ehrig, EPA Acting Special Agent in Charge. “With this action EPA and its enforcement partners are continuing to protect both the integrity of the RFS program and the American taxpayer.”

“The Defense Criminal Investigative Service (DCIS) will investigate all allegations of financial crimes impacting the Department of Defense,” stated Michael Mentavlos, Special Agent in Charge, DCIS Southwest Field Office. “DCIS, along with our investigative partners, will diligently pursue all appropriate criminal, civil and administrative actions against individuals who violate the taxpayer's trust for illicit financial gain.”

According to evidence presented at a seven-week trial, Dermen was the owner and operator of Noil Energy Group, a California-based fuel company; SBK Holdings USA, a Beverly Hills real estate investment company; and Viscon International, a Nevada fuel additive corporation. From 2010 to 2016, Dermen conspired with the owners and operators of Washakie Renewable Energy (Washakie), a Utah-based biodiesel company, including its Chief Executive Officer Jacob Kingston, his brother, Chief Financial Officer Isaiah Kingston, and others, including their mother, Rachel Kingston, and Jacob Kingston's wife, Sally, to fraudulently claim more than \$1 billion in renewable fuel tax credits from the IRS.

The IRS administers refundable federal tax credits designed to increase the amount of renewable fuel used and produced in the United States. As part of their scheme, Dermen and Jacob Kingston shipped millions of gallons of biodiesel within the U.S. and from the U.S. to foreign countries and back again to create the appearance that qualifying renewable fuel was being produced and sold. They also doctored production and transportation records to substantiate Washakie's fraudulent claims for more than \$1 billion in IRS renewable fuel tax credits and credits related to the EPA renewable fuel standard. To further create the appearance they were buying and selling qualifying fuel, the coconspirators cycled more than \$3 billion through multiple bank accounts.

As a result of the fraudulent claims, the IRS paid more than \$511 million to Washakie and the Kingstons that was distributed between them and Dermen. Jacob and Isaiah Kingston sent more than \$21 million in fraudulent proceeds to SBK Holdings USA, Inc., Dermen's California-based company, and sent \$11 million to an associate of Dermen's at his request. Jacob Kingston used \$1.8 million of the fraud proceeds to buy Dermen a 2010 Bugatti Veyron, and they exchanged gifts including a chrome Lamborghini and a gold Ferrari.

Dermen and Jacob Kingston also laundered \$3 million through Dermen's company, Noil Energy Group, to purchase a mansion in Sandy, Utah for Jacob Kingston and his wife Sally. Dermen also laundered \$3.5 million through his California company, SBK Holdings USA, Inc., to purchase a mansion in Huntington Beach, California.

Throughout the scheme, Dermen assured Jacob Kingston that he and the Kingstons would be immune from criminal prosecution because they would be protected by Dermen's “umbrella” of corrupt law enforcement personnel. Jacob and Isaiah Kingston transferred over \$134 million in fraudulent proceeds to companies in Turkey and Luxembourg at Dermen's direction, in purported payment for protection.

The jury found Dermen guilty of conspiracy to commit mail fraud, conspiracy to commit money laundering, and money laundering concealment money laundering, and expenditure money laundering.

The Kingstons, who are all members of the Davis County Cooperative Society, also known as the “Order,” each pleaded guilty on July 19, 2019 for their role in this scheme. Jacob Kingston pleaded guilty to crimes relating to the \$1 billion biofuel fraud, including conspiracy to commit mail fraud, aiding and assisting in the filing of false claims with the IRS, conspiracy to commit money laundering, and conspiracy to obstruct

justice. In his plea agreement, he admitted to laundering fraudulent proceeds through Order-related entities and transferring millions in fraudulent proceeds to Order-related entities. Jacob Kingston admitted to conspiring to obstruct justice for attempting to bribe government officials, tamper with witnesses, and destroy evidence based on his agreeing with his family to hide evidence and replace computer hard drives once they learned of an impending search warrant. Under the terms of his plea agreement, Jacob Kingston faces a maximum of thirty years in prison. He also faces a period of supervised release and other monetary penalties. Sentencing has not yet been scheduled.

Isaiah Kingston pleaded guilty to his role in the scheme, including to conspiracy to commit mail fraud, aiding and assisting in filing false claims with the IRS, conspiracy to commit money laundering, and conspiracy to obstruct justice. Under the terms of his plea agreement, he faces a maximum of 20 years in prison. Rachel Kingston pleaded guilty to conspiracy to commit mail fraud, conspiracy to commit money laundering, money laundering, and obstruction of justice. In her plea agreement, she admitted to creating false invoices, backdating documents, and concealing records in advance of a federal search warrant. She faces a maximum of 15 years in prison. Sally Kingston pleaded guilty to conspiracy to commit mail fraud and conspiracy to commit money laundering; she faces a maximum of 15 years in prison. They each also face a period of supervised release. As part of their plea agreements, the Kingstons will be ordered to pay \$511 million in restitution to the United States and to forfeit the proceeds of their crimes.

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

U.S. District Judge Jill N. Parrish will set Dermen's sentencing at a later date. At sentencing, he faces a maximum sentence of 20 years in prison for conspiracy to commit mail fraud, conspiracy to commit money laundering, and concealment money laundering, and 10 years in prison for expenditure money laundering. He also faces a period of supervised release, restitution, and monetary penalties.

Principal Deputy Assistant Attorney General Zuckerman and U.S. Attorney Huber commended special agents of IRS-Criminal Investigation, EPA Criminal Investigation Division, and Department of Defense DCIS who conducted the investigation. They also thanked Trial Attorneys Richard M. Rolwing, Leslie A. Goemaat, and Arthur J. Ewencyk and Senior Litigation Counsel John E. Sullivan of the Tax Division, who are prosecuting the case.

They also thanked the U.S. Department of Justice Criminal Division's Office of International Affairs, as well as law enforcement partners in the Grand Duchy of Luxembourg and the Republic of Malta for their assistance in the case.

Additional information about the Tax Division and its enforcement efforts may be found on the Division's [website](#).







Attachment(s):

[Download doc 439 jacob kingston plea agreement.pdf](#)
[Download doc 442 rachel kingston plea agreement.pdf](#)
[Download doc 445 isaiah kingston plea agreement.pdf](#)
[Download doc 450 sally kingston plea agreement.pdf](#)

Topic(s):

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