

**EBAY, BIDBAY,  
AND THE CROOKED  
CONGRESSMAN**



A MIRACLE FROM GOD

# **EBAY, BIDBAY, AND THE CROOKED CONGRESSMAN**

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*By* Dr. George Tannous

Former Bidbay.com CEO, Former IRS Agent, and a Convicted Felon!

A True Story About a Man Who Went from a Hero to a Zero

Edited by: Brett Rockwood

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## A QUICK INTRODUCTION

The following is a true story. All events mentioned in this book are real. I began writing this book while serving time at Lompoc Federal Correctional Facility in May 2012 and finished it on December 23, 2021.

It was Wednesday afternoon December 2007. My attorney and I visited the Federal prosecutor. He, the prosecutor, had a great deal for me. He told me that I either sign a plea agreement he had prepared for me by Friday or he would arrest my wife and sister the following Monday. He was seeking to place me behind bars for eight years.

I was a successful businessman. When I left the IRS, I started my very own accounting practice. Most of it dealt with representing individuals and corporations before the IRS. My practice grew to 4,000 clients. I was on television, radio, and newspapers. I became famous. Until one day I met this man who promised to take me public. He, this man, was a convicted felon. I trusted him.

Soon after, I represented a U.S. congressman before the IRS. He, the congressman, wanted to help me go public when he heard

about my future endeavors. Soon after, this congressman, was convicted of a felony for making a false statement in an official election document and was sentenced to two years' probation and community service. I trusted him.





## DEDICATION

I dedicate this book to my wife Olivia. After being released from prison and while on probation, I met Olivia at church. She accepted me as I am, and we soon married.

I also dedicate this book to my daughter Rachel Kuss. Rachel has always been by my side since she was a small child. She would bring her two kids, my grandkids, many weekends to Lompoc Federal Prison Camp just to visit me. Rachel has been an inspiration to me.

I also dedicate this book to my two other daughters Nicole and Sarah. We've had a bumpy road in our relationship in the past but thank God today it is great.

I also dedicate this book to my mother Malak Peterman. Mom was a loving person. I sure did take Mom for granted as I was spoiled by her. I surely do miss her. Mom lost her battle with cancer in January of 2016. Finally, I dedicate this book to my younger sister, Doris Tannous. May she rest in peace. Doris lost her life nine months after Mom. What a year 2016 was!

## What's the Use? Why Know Me?

This is My Highschool Picture



This is Me Now with Olivia



Well, I hope that by reading this book you'll learn a thing or two from my past experiences. You'll also discover how God works in mysterious ways.

On November 19, 1956, my mom brought me into this world in Aman Jordan.

The country of Kuwait was my residency up until I was fourteen. My dad's name was Constantine, my mother's name was Malak.

I had two sisters. The eldest is Gilda and the youngest was Doris, who passed away in 2016.

My father divorced my mom when I was ten. She actually received her final divorce degree on my birthday. Sad, don't you think?

Four years later when I was fourteen, my mom moved us to the U.S. seeking freedom and away from the Arabic culture.

Initially we lived in Arcadia about twenty miles on the outskirts of Los Angeles. I attended Arcadia high school and graduated in 1973 when I was sixteen. You might think I was smart, but I started first grade at the age of three in Kuwait.

In my younger days, I did what most teenagers do; party, drink alcohol, smoke marijuana, and just have fun.

I got married to Jane when I was twenty-four. We had three daughters, Nicole, Rachel, and Sarah, and were married for eighteen years.. We divorced in 1999.

Then, in 2004, I married Yvonne. Yvonne was my executive vice president at BidBay.com. She had two kids of her own and together we thought we could bring our two families together. But that was a nightmare. My three girls were living with me at that time. Yvonne served me with divorce papers while I was serving time at Lompoc. Wicked!

My dad was an entrepreneur and I always wanted to be like him. I owned many businesses in my life. I started out selling Fuller Brush. When I was 18 I was selling cars, then selling insurance. And at the age of 21 I purchased a Union 76 gas station. I started a credit repair company when I was 24. After that I began a water solar company followed by speaking at seminars selling water conditioners. One day I was living in lovely home in a nice neighborhood and eating steak and lobster. The next I was looking for a place to live and eating beans; too many changes. Shame for me and my poor kids!

In 1987 Jane, my two kids, Nicole, and Rachel, and I moved to Denver Colorado in pursuit of Jane obtaining her nursing degree. Once finished, we were planning to move back to Canyon Lake, California where I would enroll in a college to obtain my law degree.

Sadly, Jane tried twice and failed. I decided to attend college and in 1989 I earned my bachelor's degree in accounting. Today, 2019 as I'm writing this, I have completed my studies for a doctorate degree in Christian counseling.

Anyway, in 1990 I moved my family back to the Los Angeles area and I was accepted to work for the Department of Treasury as an Internal Revenue Agent. And that is where it all began.

## LIFE AS AN IRS AGENT, WHERE IT ALL BEGINS



I worked with the IRS for about two and a half years. I learned a lot about tax law, and I mean a lot! I was a good at what I did.

Believe it or not, I practically read the entire Internal Revenue Code. Crazy!

I started out auditing individual tax returns and then moved my way up to audit corporate and partnership tax returns.

I'll share a funny story with you. At the beginning of my career, I was taking the elevator to the fifth floor because that's where my office was. In the elevator was a young man who seemed very nervous. When I asked him why, he responded that he was being audited. I decided to comfort him and advised him in what to do. To my surprise and his, I ended up auditing him; his case file ended up on my desk. He was very happy. Did he win? I can't disclose that!

While at the IRS, I learned many audit techniques. I also learned about various tax returns such the 1040, the individual tax return; the 1065, the partnership tax return; and the 1120, which is the corporate tax return.

After a while, I was elected to join the Garment Group. I spent my time auditing the manufacturers, the cutters, and the sewers. I learned quite a bit about what happens behind the scenes.

The manufacturers are the ones that arrive at the looks of the garment. From there it is sent to the pattern maker, the cutter, and then to the sewer. From there the samples are sent to a clothing show. Then orders pour in. Sound simple, right. Well, it's a lot of hard work. I learned to respect the industry especially when I visit a large department store such as Macy and view all the clothing lines they carry. Wow!

One day, I was auditing a clothing manufacturer. The owner of the company was irate. He informed me that his wife was very unhappy and that made him unhappy. I took his comment as a threat and reported it to the regional inspector.

They gave me the option to continue working with them or they could transfer the case to someone else. I gladly accepted.

The Special Agent in charge of the case decided to wire me with a concealed transmitter, a microphone, and a tape recorder. I was excited; it was just like the movies.

During the audit the owner of the place asked me to join him for lunch. I accepted. We went to have sushi and beer. Guess what? I could do that because I was now working under cover.

During lunch, he offered me money. I agreed to take \$10,000, all in cash. We agreed to meet a week later in a parking lot close by.

The day of the payoff came. I met with the special agents in downtown Los Angeles and seven cars followed me. They advised me that no matter what happens to not go into his vehicle.

Well, I didn't listen. I went into his van, but I did speak loudly to the owner, so the Special Agents could hear there was no one else in the van. I did not want them to storm the van and blow the case.

He gave me the cash and I gave him a no-change report. I left and within minutes he was arrested for bribing a federal agent. This story was published in the newspapers.

I never felt bad about the incident. This person and his wife ran a sweat shop. They abused humans, many of them women.

They had no air-conditioning for the workers while he and his office workers enjoyed a luxury office. Shame on him and anyone who works this way, slaving people.

The pay at the IRS was OK. It was a job, but I wanted more. I met many accountants and lawyers representing their clients who were successful and I wanted a piece of that.

During my last days at the IRS, I was called to jury duty. While serving I met Jenny, another jury member. Jenny worked at a huge law firm in Century City.

At that time, I was studying for my CPA exam, and she offered to quiz me as we waited.

Jenny and I became friends. She asked about my future plans. I informed her that I would like to start my own accounting firm representing taxpayers before the IRS. She offered to give me \$10,000 in return for me to teach her the in's-and-outs so she may start her own firm. I agreed.



## GEORGE TANNOUS & AFFILIATES, INC. FORMER IRS AGENT

**I**n November of 1993, I left the IRS, took \$10,000 from Jenny, and began my own business working out of my house.

The first thing I did was to open a bank account, order business cards, make flyers, purchase a computer, and a desk, to start my business in my rented house in Sunland, California.

Back then I lived in Sunland with my ex-wife Jane and my three daughters, Nicole, Rachel, and Sarah. Yes, that is right three girls and no boys. I couldn't manufacture boys.

I hired my sister Doris to market the business. She telephoned local businesses and handed out flyers to them. As I am typing this book on March 15, 2019, she is no longer with us, and I do miss her.

To my surprise, the first two weeks in business I had too much work to handle. I calculated my monthly bookkeeping work along with IRS representation that I had entered into an engagement agreement. I had surpassed my annual salary at the IRS.

George Tannous and Affiliates, Inc. became very popular and very soon. I had aired radio commercials on some radio stations. I had purchased ads in the Los Angeles Times. I had produced a 30-second commercial and aired it on television stations.

The phone rang off the hook from people needing the services of a former IRS agent to represent them before the IRS.

I had more business than I could manage. Jenny quit her job as an administrative assistant to one of the top lawyers at a major law firm and joined me. She taught me a lot. From her background she knew what to charge clients. I was very giving but I had to change and charge what I deserved. I had to learn to not sell myself cheap. She became my partner.

Jenny and I decided to license the name, *George Tannous & Affiliates, Inc. Former IRS Agent* to other accounting firms. The demand was great. Business was good.

In 1995, Jenny was diagnosed with colon cancer. She went to her eternal home in 1996.

During our partnership Jenny talked me into purchasing an officer's life insurance policy in the amount of \$100,000, which I gladly gave to her only surviving daughter.

I successfully continued the business. Before her death, we had purchased a commercial building to operate from. I had a good business. I owned a commercial building. But my life at home was a disaster.

I purchased an ocean fishing boat just to escape. Every Sunday I went fishing all by myself. If I could repeat my past, I would've spend more time with my daughters. As I am typing this book, today is March 15, 2019, I am sixty-two years old. Back in 1996 I was forty years old.

## ALLOW ME TO INTRODUCE YOU TO DON AND RUSTY

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One day, a man walked into my office and his name was Donald. Donald had just finished serving six years in prison. His probation officer requested that he become in compliance with the IRS by filing all unfiled tax returns. By the way, which was my specialty in my practice after I left the IRS and started my own business. Here is a link to a youtube.com video that I created:

[https://www.youtube.com/watch?v=WgBpU0Mjs\\_U](https://www.youtube.com/watch?v=WgBpU0Mjs_U)

I agreed to help Donald and he had no problem paying me.

Donald, from the looks of it when I met him, drove a limousine. Come to find out later that it was a front.

He enjoyed my knowledge of tax law and the success of my business. He, Donald, offered to help me to go public. He told me that he had the know-how in the sales of private stock via a “private placement memorandum.” This method would raise thousands upon thousands of dollars; that we could use to

open several more offices like mine; that we would become the next H&R Block, but at a more sophisticated level. He, Donald, was going to make me a millionaire.

Later, I discovered that he drove the limousine to pick up potential investors from the airport. He would drop them off at a company he owned in which they were raising capital. He conversed with these people, and they trusted him. He would then tell the salespeople what to do. What a con job!

I began to have a dream and a vision. I was going to become famous. I was going to become a multi-millionaire. I want you to know one thing; at that point in my life, I had never owned a single share of stock. Go figure, right?

Soon after several meetings, we joined forces. Donald brought in another winner in this business of raising money. This winner was Rusty. But his real name was De Elroy Beeler. He was on his way to prison for committing bank fraud, which I didn't know at the time.

Donald and Beeler began raising money by calling individuals all over the nation and promising them that we were going to be the next H&R Block. They informed them that we were a profitable company and that the chief executive officer and president was a former IRS agent.

Investors loved the idea and money began to pour in. I wanted to make sure I did things right, so I began the expansion of George Tannous and Affiliates, Former IRS Agent across the nation. We operated in Las Vegas, Phoenix, and rented offices in New Orleans, Seattle, and Santa Ana, just to mention a few.

At that time, Donald recruited many more salespeople to sell our non-registered securities via our private placement memorandum, which was registered with the Securities and Exchange Commission as a Registration D, “Reg D.”

Initially, Donald and I agreed on a 25% commission to be paid out to him from every dollar raised either by him or his salespeople. We would pay him the set amount of 25% and he would pay his salespeople whatever he and they agreed on.

Soon after, as the money began to roll in, he made me an offer. We either renegotiate the commission paid from 25% to 54% or he’d take his salespeople and find another place to do business.

Such extortion! What am I to do? If I don’t agree with him, I won’t have the sufficient funds to move forward, and the company would need to file for bankruptcy and all the shareholders would lose their money. So, I agreed to do so, but the extra percentage I would pay him would be for management help and consulting.

Now as I am typing this and visiting the past, I realize the bait-and-switch this man used on me. To those of you reading this book, I hope it is making sense, and I hope that it is teaching you something. There are a lot of swindlers out there. Be smart.

Soon after, Donald introduced me to Rusty. This was in 1999. Back then I was forty-two years old. Today as I am typing this, March 27, 2019, I am 62 years old. I was born on November 19, 2019. Don’t forget my birthday. Visit <http://www.georgetannous.com> to wish me a happy birthday. Ha ha!

Rusty was called Rusty because of the color of his hair, which was reddish. His real name is De Elroy Beeler. When I met him, I realized that Rusty could sell freezers to the Eskimos and sixty-foot yachts in the middle of the desert. He was shrewd and well spoken.

I can't believe I continued working with Donald and Rusty. But what could I do? I needed to take the company public, benefit the shareholders, and be done with them. I was stuck between a rock and a hard place. It was a catch-22. If I stopped doing business with them, the company would be forced into bankruptcy, the shareholders would lose their money, and they would sue me. I could be faced with criminal charges. If I continued and we didn't go public soon, I still could be faced with criminal charges for the overpayment of commissions. I thought to myself that once we're publicly trading and everyone is making money, I'll be off the hook. What would you do if you were me? Seriously?

The reason I mention Rusty is because he was another person who helped me find my way to prison, as you'll discover later. So, stay tuned, more to come.

## MEET CONGRESSMAN WESTER COOLEY



<https://www.c-span.org/video/?c4526599/rep-wes-cooley-final-house-floor-remarks>

Business at George Tannous & Associates, Inc. Former IRS Agent was great. As long as the IRS remained in business so would I.

As money came in from the sale of our securities, pre-IPO, I expanded the business nationally.

We advertised our services on major television networks such as CBS, radio stations such as KFWB, newspapers such as The Los Angeles Times, just to name a few.



All calls would come into our corporate office in Tujunga California using our 800-Tax-Tax5 toll-free number. Appointments were made and sent to our office managers in other locations.

Some of you reading this real-life story might pick up the phone and dial it, and please do. Who knows, I might just answer and we can converse. Or, you can visit [www.georgetannous.com](http://www.georgetannous.com) and use the contact-us form.

One day my secretary informed me there was a Rosemary Cooley on the phone and that she was the wife of U.S. Congressman Wester Cooley. I picked up the phone and spoke to her.

She informed me that she saw my ad on television and that her husband was being audited by the IRS. She stated that they would pay for my flight to Bend Oregon to meet him, if I wish. He needed my services.

I agreed, hopped on a flight to Oregon, and met Congressman Cooley. He was a charming man. He lived on a ranch. I liked it. We got along well, and we agreed to do business together. I wish I'd never agreed to do business with this man Cooley, or ever met him.

At this point of the story, I want you to keep one thing in mind. And, that one thing is, don't be stupid. Learn from me.

Some of you might be thinking, yup, he has mentioned Donald, Rusty, Cooley and he is blaming them for his mishap. While

others might be thinking that I am stupid. Well, the truth of the matter is: one: I got greedy to become a millionaire. Two: yes, I am gullible and I believe most people. Three: yes, I am stupid at certain things in life. Please learn from me.

I represented Cooley before the IRS and the audit went well. Cooley had faith in me, and he liked me.

At that time, I was 42 years old and Cooley was 70, give or take a year or two. I looked up to him as a father figure since I didn't have one. My dad, Constantine Tannous, divorced my mom and left us when I was 10 years old.

During our many conversations, I informed Cooley that I was taking the company public. He, Cooley, told me that he had expertise in helping companies go public and that he could help me. I trusted him.

At that time and unknown to me, Cooley had been indicted on charges that he lied on his ballot while running to become a U.S. congressman. He said that he fought in the Korean war. However, that wasn't true as no one could find any record of that. His answer was that he worked in a covert operation that was classified and that's why no one has a record of it. Today I understand all of this. You see, when someone is a compulsive liar, he or she will believe their own lies.

Cooley became a felon and was ordered to community service. That service was at his local church. And of course, he had to step down from the House of Representatives.

In 1999 Congress decided to revamp the IRS. They halted all audits and collection activities. They wanted to create a more friendly IRS. And you know what that meant to me? George Tannous and Affiliates was in trouble. No business, no money, all the investors' money was in danger. All of it is at risk and that was something I couldn't accept.

I was left with two choices; either bankrupt the company or start another one that had a promising future for the shareholders. And no! I wasn't thinking of a Ponzi scheme.

## THE CREATION OF BIDBAY.COM



Nostalgia, right? It is amazing the feeling that came upon me as I looked at this image. Oh well!

Since I only had two choices, to either bankrupt George Tannous & Associates, Former IRS Agent or start a new one to go public with I decided on the, you guessed it, find something else. I did not want the shareholders to lose their money.

At the time, I was looking to purchase two basketball tickets for my eldest daughter, Nicole. One of my employees suggested

I visit ebay.com. I did. I placed a bid on an auction and I won. I thought to myself what a business that was.

I was moved. I liked the concept of an online auction business. I searched ebay.com for a domain name and I placed a \$1000 bid on a domain name, "BidBay.com" and won.

BidBay.com was listed on eBay. The seller mentioned in the description that the name would be great for an auction site. eBay made money by selling the name either as a listing fee, a final value fee, or a combination of both. You'll learn later about my battle with them over the name even though they allowed the listing of the name on their website.

I mentioned the concept to Congressman Cooley, Donald Dayer, De Elroy Beeler, and they all thought it was a great idea.

In 1999 eBay's stock, to the best of my recollection, was trading at about \$70 a share. That was after several stock splits; eBay made many millionaires.

George Tannous & Affiliates owned BidBay.com. I owned 60% of GTA, which made me the owner of 60% of BidBay.com.

The congressman, Cooley, was paid a monthly salary and given stock in order to take us public.

I hired a man by the name of Eric Rosenberg, a former web designer of GTA, to design BidBay.com. We agreed on \$8,000 to do the job. In a short period of time, BidBay.com went live on the World Wide Web. It was December of 1999.

Donald, Beeler, and other promoters continued selling the BidBay stock via a private placement memorandum (PPM).

The way they did the selling was to purchase a list of investors from a third party. They would call these investors and those interested would be sent the PPM. Investors liked the idea of investing in a start-up company similar to eBay.

An online auction business success formula is to bring sellers and buyers together at the same time. We needed sellers to upload merchandise for sale and buyers to purchase those items.

Knowing this, I created a cyber-currency named BidBay Bucks (BBB). We began to purchase the sellers' merchandise and listed them for sale via BidBay Bucks.

We established incentives on the website for the members to be able to obtain BidBay Bucks. A new member was given 100 BBB to use to purchase merchandise and it became a success.

Today, eBay also created a similar program called eBay Bucks. I wonder where they came up with this brilliant idea. I should've patented it.

Soon after, I came up with another idea and that was the creation of BidBay Stores. It was a godsend to the sellers. And, today, guess what, yes, eBay is using it. Hmmm, I should've patented that as well. Oh well, next time.

Cooley, the congressman, was appointed Executive Vice President in charge of our legal affairs. What a joke that was. He

was not an attorney and his background was in sales and as a rancher. But I had faith in him since he was a U.S. congressman. He should've advised me to patent the ideas mentioned above that eBay soon followed.

Moving ahead, as BidBay grew, we attracted the attention of a company named ShopNow.com. At that time ShopNow.com was trading at \$90 per share. They purchased a company called SteadyClick.com.

SteadyClick.com had a system in place to drive thousands of individuals to BidBay. We were enrolling approximately 250,000 new members per week. That's about one million per month. Wow!

Soon after, ShopNow.com was interested in purchasing BidBay and had one of their experts appraise the value of the website. Well, talk about being shocked. The valuation came in at \$750 million.

At that time, they made me an offer to buy us out for \$30 million and guess what? I laughed at the offer. Today, as I look back, I should've accepted. I had too much pride.

At that time, I was very creative. I wanted to go public and benefit the shareholders. I instructed the programmers to create free image hosting eBay sellers could use on their auctioned items on ebay.com. However, we placed a line of code in the images to show when a buyer on eBay viewed an auction on eBay and when they closed the page, BidBay's home page would then pop up. eBay's management was furious with us. But, none-the-less, we were very successful at it.

Soon after, we created BidBay Billy. He was a cowboy and he would hide in auctions. When one of our members found him, they were awarded with BidBay Bucks. This invention created many sales for our sellers. Members would spend hours searching for him and guess what? They ran across items that they liked and bought!

And what topped it all was the creation of MLA which stands for Multi-Level Auctions, similar to MLM but specifically designed for an auction website. In the first day of its creation, we had over 1,000 members join at a fee of \$25 per month. Soon we were netting \$75,000 per month and growing rapidly. Our problem then was we didn't have any training videos to educate newcomers on how to sell on an auction-based business.

Another thing we created was ShopYourZipCode.com which included 2,000 domain names we had purchased, such as shop91042.com. We decided to localize the auction business so people were able to bid on items and purchase locally. Aside from an auction business platform, the ShopYourZipcode.com also offered travel and hotel booking. A local yellow-page style to the local merchants, as well as a chat board so members could meet locally if they wished to.

In the next chapter I'll explain how we went public.





## TAKING BIDBAY PUBLIC

Remember Congressman Cooley, BidBay's Executive VP? An expert in taking companies public, so he says. What a joke that was!

As I sat writing this chapter in Lompoc Federal Correctional Facility and looking back at the events that transpired, my heart was torn in half.

I remember my wife Yvonne used to tell me all the time to watch out for Cooley, Dayer, and Rusty. She said they were crooks and would take me down. And folks, guess what? She was right. Twelve years of hell and finally ending up in prison. Yvonne divorced me while I was serving time.

Let's look at the events that we took in taking BidBay public.

If you remember in my previous writing, I told you that I have never had any experience in taking a company public. I never owned a single share of a public company's stock. I knew nothing about the stock market except that I was going to be filthy rich, according to people around me and I believed them.

Cooley used to tell me that once we get approval from the Securities and Exchange Commission market makers will be knocking at our doorsteps, and I believed him. Sad!

To begin with, we engaged the services of attorney Gary Henry, an expert in SEC law. Mr. Henry prepared all the necessary forms to be filed with the SEC. The document filed was an SB-2.

We also retained the services of Hardy and Associates, a CPA firm that specializes in SEC audits, in order to produce our audited financial statements.

Preparing the SB-2 and the audited financial statements was not easy. It was exhausting but it needed to be done.

To the best of my recollection, we filed everything with the SEC in March of 2001. Now we wait for the approval and then the market makers, and then my wealth. Right!

I learned that when a company files an SB-2 with the SEC it has to enter into a quiet period. By that I mean that no sales of internal stock, also known as Reg D stocks, can be sold. However, operations needed to continue and at that time our monthly expenses were huge. We had about sixty employees, rent, advertising expenses, hosting services and much more. Just so you know, BidBay operated 120 in-house servers reaching the internet via a T-3 line backed up with two T-1 lines. We had a little over 4.2 million members and were growing rapidly.

We needed money to keep going. The SEC could take several months between investigating our filing and issuing comments

for us to respond to. Once all cleared, then they would declare our securities effective and we could begin trading on the stock exchange.

Our filing with the SEC included the approval of 6 million shares of common stock to be used in taking the company public at a price of \$10 each. The amount would've been \$60 million in funds to the company to use for operations. With that much money and the use of proper advertising, BidBay would've become a household name.

Since we'd entered into a quiet period, and we needed money to continue operations, we created BidBayEurope and BidBayAustralia. We proceeded in selling stock in both companies via private placement memorandums.

Each company signed a contract with BidBay for web design and hosting services. Each contract was in the amount of \$1 million.

All three companies would be intertwined to reach market globalization.

We informed the shareholders that as soon as BidBay became a trading entity on the stock market we would exchange their shares of stock into BidBay. And they bought into it.

Little did I know back then that these transactions were related and could be considered as sham transactions. A big scam and a big NO NO!

Congressman Cooley was the president and CEO of both companies. I trusted him.

In the meantime, as our SB-2 filing was being investigated by the SEC, eBay, the conglomerate company, sued us. Let's briefly touch on that in the next chapter.



## EBAY VS. BIDBAY

### THE BATTLE OF THE BAYS

Let's now talk about "Battle of the Bays" before we continue our story in taking BidBay public.

As the SEC was investigating our SB-2 filing, eBay filed a suit against BidBay for intellectual property infringement. They stated that the name BidBay was remarkably similar to eBay.

If you recall from a previous chapter, I purchased the domain name `bidbay.com` from an eBay auction for \$1,000. EBay allowed the name to be hosted for sale on their website. EBay made a listing fee money. EBay made a final value fee on the sale of the domain name. In other words, they allowed the sale but now they *don't want us to use it*.

The seller of the domain name `bidbay.com` stated that the name will make a great auction site under the description section.

Our corporate lawyers, the Law Offices of Moghadami and Sadigh agreed to defend us for a flat fee of \$25,000. The lawsuit was talked about all over the media, and they could benefit from all of the publicity, especially if they won the case.

Barry Sabahat, one of the lawyers at the firm, was placed in charge of the lawsuit. Barry and I became good buddies.

As the lawsuit progressed, eBay was pushing hard to get us out. They hired a big law firm from the Bay area by the name of Wilson Sonsini Goodrich & Rosati, an immensely powerful law firm.

Our lawyers were bombarded with questionnaires, discovery, (discovery, in the law of common-law jurisdictions, is a pre-trial procedure in a lawsuit in which each party, through the law of civil procedure, can obtain evidence from the other party or parties by ...), and much more. I don't think our lawyers understood at the beginning the complexity of this case.

One night, Ali and Barry invited me to dinner to discuss the case. I was advised to settle the case and surrender the name. The reason; if I lose, all the shareholders will lose their investment, and as the CEO of the company, I had a fiduciary obligation to protect the shareholders.

Well folks, I had to listen to them, they were the experts. They were the lawyers, not me. Today as I look back, I shouldn't have settled.

Back then, eBay was headed by Meg Whitman as their CEO. She ran for governor of California, spent millions of dollars, and lost.

Well folks, sadly to say, I surrendered the name bidbay.com to eBay. Bidaby.com became auctiondiner.com.

We worked hard at making the new name a household name. We changed the appearance of the website, we informed our 4.2 million plus community. We offered incentives and more.

The shareholders, employees, community members, and I were not pleased with the changes that took place. Goliath came after David but this time Goliath won.

Moving along and after several comments from the SEC our registration with the SEC was declared effective. We were now in a position to sell our 6 million registered shares on the stock market.

If you remember from prior reading, Wes Cooley, the congressman stated that once the SEC accepts our SB-2 filing market makers would be knocking our doors down to create a marker for us! Well, that didn't happen.

Unfortunately for us, our approval by the SEC became effective October 24, 2011, right after 9/11. The stock market collapsed, and no one was doing initial public offerings (IPOs)!

In December 2001, the SEC inquired as to our status with our IPO. Sadly to say, I had to inform them that we were at a standstill. I told them that we did not have a market maker for our stock.

Our SEC lawyer Gary Henrie advised us to withdraw our registration and to proceed with the filing of Form 10 in which our stock could be traded without a market maker. It is also known as the General Form for Registration of Securities. It

is used to register a class of securities for potential trading on U.S. exchanges. Well, that did not leave us much choice but to move forward.

Moving along, one of our company promoters introduced us to a company called Public Securities who agreed to create a market for us. First, they would apply for our trading symbol from the NASD, and then they would bring us on the stock exchange at an opening bid of \$5.

That was great, wouldn't you say? Well, stay tuned to the continuation of this story to hear all about the devastation that took place.



## ASKGT.COM AND THE CROOKED CONGRESSMAN

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Little did I know that the congressman sold a few million shares of AskGT and had the money transferred to his wife's bank account! Hmm.

What is AskGT and its importance in all of this?

Well, during our quiet period as required by the SEC, we established another business called AskGT. It was a search engine similar to Google. Businesses would bid on placement on our search engine for specific keywords.

BidBay was in a quiet period awaiting a market maker and its symbol to be traded publicly. And, since we needed funds to continue operations, we decided to sell AskGT to the congressman for \$2 million. He would pay us \$50,000 per week and once we're publicly trading with BidBay we would then acquire AskGT and the shareholders would acquire the new stock in BidBay.

Cooley liked the idea. He hired Rusty and both of them proceeded to raise funds in the company. They raised millions but only paid BidBay a little.

I will discuss this in more details in a chapter ahead titled, Rotskoff Lawsuit, but before I do that let's talk about the mansion I built.



## **BUILDING MY MANSION**

Well, I was going to be rich, right? I owned 60 million shares of stock in BidBay and at an opening bid of \$10 per share my net worth would be \$600 million, yes, six-hundred-million dollars. Not bad for a forty-year-old man who had never owned a share of stock in his life!

Initially, Cooley informed me that he was knowledgeable in taking companies public and I believed him. After all, he was a U.S. congressman. He must be smart and honest.

He told me that as soon as our registration with the SEC became effective, market makers would be knocking our doors down to move forward with the IPO. In the year 2000 I purchased a piece of land in Shadow Hills California close to my work. The land was a little over an acre. It came with plans to build a 6,000 square-foot home.

I hired a construction company by the name of Allende Construction. We studied the plans carefully and decided to build a 9,000 square foot home since it wasn't much to add this to the existing plans.

I was able to secure a construction loan in the amount of \$500,000 to build it.

I worked hard on building my dream home. I helped with the construction process. I framed, I installed drywall, I did some electrical, some plumbing, and more in order to save money.

At that time, I was single but began a relationship with our executive VP, Yvonne.

Yvonne came into the relationship with two children. I had three girls. We thought we would be the Brady Bunch, right? It was a disaster! I wish I would have never gotten involved.

By that I mean, I was a man to soon be worth \$600 million, over half a billion dollars; who wouldn't want me. Money!

I am writing this in Lompoc Federal Prison Camp. Sitting outside shaking my head in disbelief of everything that happened. You see, Yvonne and I eventually married. And Yvonne served me divorce papers as I was serving time. Soulmates, right!

## SELLING MY PERSONAL STOCK

(Quick note, I found this for sale on eBay 02/27/2021 for \$149.00)



Let us now discuss the sale of my personal stock since it played a significant role in my conviction.

Well folks if you recall I owned a whopping 60 million shares in BidBay.

As we were waiting on a market maker to take us public, BidBay was no longer able to raise money by the sale of its stock via a PPM, a private placement memorandum, since we were in an SEC-required quiet period.

BidBay, however, needed money to survive and to pay expenses.

I was asked by our promoters if I would be willing to sell my personal stock and loan it to the company.

I consulted with our SEC attorney, and he stated that it would be OK so long as I sold it to people I knew and didn't to sell too much of it.

That was good news. I would sell my stock, loan it to the company, and once BidBay's stock was trading, it would pay me back.

The promoters sold \$3 million worth. I loaned it to the company. But BidBay never went public and therefore never paid me back.

The sale of my stock was a capital gain. The loan was never paid back creating a bad debt or a capital loss. This meant I had zero taxable income. But I failed to report it on my tax return and the prosecutor convicted me on this. Amazing, wouldn't you say. Stay tuned.

## THE LAWSUIT OF DR. ROTSKOFF



If I were to blame anyone for destroying BidBay I would blame Dr. Rotskoff.

Who is Dr. Rotskoff? Well, he is a well-known orthodontist in the St. Louis area.

Dr. Rotskoff invested approximately \$750,000 in purchasing stock in a BidBay affiliate, BidBayEurope, AskGT, or BidBayAustralia. These companies were to be acquired by BidBay once BidBay was trading on the stock exchange.

Dr. Rotskoff became a salesperson for the companies. He would refer his friends, family members, and work colleagues to purchase stock from us and he would receive compensation in the form of stocks.

Once he heard that we withdrew our registration statement with the SEC he filed a fraud lawsuit against us.

I called him and informed him that we had a market maker, Public Securities, ready to take us public at the opening price of \$5 per share. That we were awaiting our symbols from the NASD. To please drop the suit for now and to let us trade. But he refused. I begged him and informed him to just give us a couple of months and he could re-open the lawsuit if the results were unfavorable. But he still refused. I came to find out that the congressman and Rusty informed him that eBay had an offer on the table to purchase our stock for \$25 per share. At that time his attorney was Francis Pennington, who received \$250,000, from my understanding, to sue us. There was no way he would give up on this money.

I was furious. I tried reaching out to Cooley regarding his misconduct with Rotskoff, but he never returned my calls.

I was forced to inform Public Securities about the events that were taking place and they had to withdraw. An incredibly sad day!

Rotskoff and his attorney took us and all the shareholders down with them.

I would not give up. I did not want the shareholders to lose their investments. I sold the mansion that I built for \$1.2 million and



after paying off the loan, I loaned the money to BidBay to keep it going until we found a solution.

Due to all of the stress I was faced with, I became ill. I was stricken with Bell's palsy. Google search: "One response to severe **stress** is that the body's immune system is weakened. The weaker the body's immune system, the less functional the body's systems are. A weakened immunity can lead to parts of the body not functioning correctly, such as with Bell's Palsy. Bell's palsy is a condition that causes a temporary weakness or paralysis of the muscles in the face. It can occur when the nerve that controls your facial muscles becomes inflamed, swollen, or compressed." Scary! My face was paralyzed.

I was a wreck. I could not take it anymore. I wanted to bankrupt the company and walk away from it all. I was broke. No money!

I informed Donald that I wanted out, Remember him from a previous chapter?

He told me not to worry and that he would take over. Mike, one of his assistants would become the new CEO and they would proceed with taking the company public. I resigned.

During the Rotskoff trial in Missouri in 2005 we failed miserably.

Cooley showed up to the trial acting as if he had dementia and he remembered nothing. I was shocked. I knew he was lying.

During a break, I was outside smoking a cigarette. He walked right passed me with his son, looked at me, and said, "You know George we are going to be f.....d without being kissed."

I informed Barry my attorney about the incident, and he stated that there was nothing we could do about it.

Since I had no money and we had no witnesses! Who would pay for their travel, accommodations expenses, meals and so on? No one, right?

The jury awarded the plaintiffs \$1 million, plus \$11 in punitive damages. Amazing!

After the trial, I hired another attorney, this time from the Missouri area to appeal. Again, we lost. Why? Because at the first trial we failed to renew, *In Pari Delicto* at the end of the trial.

An excerpt from the verdict: “Finally, Tannous claims the district court erred by not granting a directed verdict in his favor on his *in pari delicto* defense. Because Tannous did not renew his motion for a directed verdict at the close of all evidence and because the two exceptions noted above are inapplicable, he cannot show the district court erred.

Accordingly, we affirm.”

Losing this case caused me great hardship in the future. The Department of Justice used part of this against me. I had to serve time. You will read more about this in the following chapters.

## WAG MY TAIL AND YVONNE

I mention this company because it was a part of the plea agreement with the prosecutor.

Remember Yvonne, BidBay's executive VP? Well we got married in 2004.

She and I decided to create a business that would make us a monthly income, and one with the potential of being taken public.

We studied several businesses and decided to enter the pet industry. After all it is an over \$33 billion-a-year industry. Think of one company, Petco! A Google search about Petco: "We operate more than 1,500 Petco locations across the U.S., Mexico and Puerto Rico, including a growing network of more than 100 in-store veterinary hospitals, and offer a complete online resource for pet health and wellness at petco.com and on the Petco app." Not bad, right?

Yvonne and I decided to begin a pet grooming school, which would include a grooming salon. As we progressed, we would add pet food and supplies. We would franchise the operation. And finally, we would take it public. Sounds good, right?

Yvonne attended a grooming school and got certified. In the meantime, I went back to preparing taxes and representing taxpayers before the IRS.

We found a fantastic location in Tujunga and fixed it all up. We incorporated in August of 2004 and began operations.

The business went really well right from the get-go. The business became successful right away.

In December of the same year, Rusty was released from Lompoc Federal Prison Camp. He served time for bank fraud that was committed almost ten years prior to his conviction.

He asked to join us in order to promote our stock, and he would help in taking us public. The goal was to establish many franchises across the nation.

It is like we did not learn our lesson the first time with him when he and Cooley worked together, and the misery they brought upon us with BidBay. Crazy! We agreed to work together. Crazy!

## **BIDBAY GOES PUBLIC!**

Remember the eBay lawsuit? Well, we agreed to change our name since BidBay.com was similar to eBay.com even though we purchased the name on an eBay auction and eBay made money on the transaction. We purchased an online company by the name of AuctionDiner.com and resumed operations. That name was not as powerful as BidBay, but we had to do something.

Later when Mike Berman took over as CEO, he changed the name to AuctionCities.com.

Moving along, one day I received an email from a company by the name of Capital Guardian, Inc., informing me about an upcoming seminar in Las Vegas. The seminar was about educating people on being compliant with federal and state agencies when taking a company public.

I reserved a spot, booked a flight, and was on my way to attend the seminar.

After the seminar, I met Blake Wilson, the owner of the company.

We had a lengthy conversation about BidBay.com now AuctionCities.com and taking it public.

Blake was extremely interested in doing so. Apparently, he had the experience and I trusted him.

A few days later, I introduced Blake to Michael and Donald. They liked one another and arrived at an agreement. Finally, we were on our way to taking the company public.

Blake purchased a shell company, filed Form 10 with the SEC, followed up by filing the proper forms with NASD and obtained the trading symbol AUCC.

Blake stated he that he had the experience and would create the market for AUCC under one condition: that everyone's stock would be restricted except his, which amounted to 3 million shares. We all agreed.

Blake started with illegal fax blasts. He had a list of fax numbers across the nation and he would send a fax to all of them creating hype for AUCC stock.

Then he proceeded with illegal internet email campaigns. Again, he would create hype in the message to persuade people to purchase the stock; that it was going to skyrocket.

Furthermore, I learned that he himself would sell and purchase the same stock from another stock trading account he owned. He would drive up the cost per share all on his own.

People seeing this would then get intrigued and purchase the stock. Total fraud!

The stock opened at 13 cents and by the time he was done, it was trading at \$4 per share. He became wealthy!

After this, he lifted the restrictions on our stock, but, at the same time, he started to dump his stock resulting in a price per share drop until it became worthless; a fraction of a penny per share.

That was the end of AuctionCities.com. People lost millions!

## LUVOO.COM

Why do I mention Luvoo? Well, my former wife Yvonne was the president and CEO of the company, and because of this, it had a tremendous impact on me in reaching a plea agreement with U.S. Attorney's Office, as you will read further down in this writing.

Luvoo was an online dating website which became famous by the creation of the "Luvoo Dating Game."



Watch episode 1 on youtube.com: <https://www.youtube.com/watch?v=3ivlVBWbN6s> you will like it.



Luvoo also created, “The Luvoo Dating Card.” If you were a member of Luvoo, you were given the opportunity to create your own dating business card. What does that mean?

Let’s say that you are a shy person but wanted to meet someone. You were shopping one day, and someone attracted you, but you were too bashful to approach that person.

Easy enough, hand them your Luvoo dating card which included your username and the card tells her/him that you are interested in them and to go to Luvoo to learn more about you.

The more cards you handed out the better your chances were in getting a date. Right? It is all a numbers game in life!

Brilliant idea, don’t you think? A provisional patent was filled with the USPTO, the United States Patent and Trademark Office.

Well, here we go again. A company by the name of Envision Media found out about the idea and decided to contact me.

They liked the idea so much they wanted to have Carmen Electra become our spokesperson. They wanted to massively market the company, and, of course, to take it public.

They had just finished launching a phenomenally successful campaign about an iPod that was promoted by Paula Abdul in which they made millions. I was overly impressed!

Carmen Electra was engaged for the production of the infomercial that was produced at a well-known night club in Hollywood.



An excerpt from a press release:

**Access Hollywood to Film Luvoo.com's Miss Universe After Party: Sunday, 7/23/06, 10 PM PDT**

Lebanese, Israeli and Global Beauties Unite on Downtown L.A. Rooftop Bar, Celebrities Galore!

Luvoo.com (PINKSHEETS: [LVTI](#)), a growing online dating company, is pleased to announce Downtown Los Angeles' famed The Standard Hotel, known for its upside down signage, will turn the world upside down as it hosts Luvoo.com's 2006 Miss Universe Post Pageant VIP After Party at 10:00 PM PDT.

Post Pageant VIP After Party will immediately follow the pageant on the rooftop bar at 550 South Flower Street at 6th Avenue.

Luvoo.com is an online, multi-level marketed dating website endorsed by Carmen Electra and Pauly Shore. On the invite list are 80 of the Miss Universe contestants, pageant officials, and celebrities such as: Joaquin Phoenix, Nancy O'Dell, Carlos Ponce, Randy Jackson, Jason Statham, Jeremy Piven, Jamie Foxx, Colin Farrell, and Pauly Shore....Yup, that's right folks, Luvoo hosted the "Miss Universe After Party!"

Luvoo was taken public by a man named Ken Owens, a stock market maker. A pump-and-dump scheme took place and that was the end of that.

Envision Media was operated by a father and son team. They take companies public and then dump the stock and make millions!



## THE FBI INVESTIGATION

In May 2007, Linda, one of my former employees called me and informed me that two agents from the FBI had paid her a visit at her home. They wanted to interview her in regard to BidBay and me.

At that time, many shareholders were complaining and the Department of Justice, the U.S. Attorney's Office wanted answers.

The U.S. Attorney's Office presented my case before a grand jury for the indictment. Sadly, the grand jury only hears one side of the story, the government's. It is obvious then to assume that most of the time they return a call for indictment.

My heart was torn into a million pieces. I never imagined that all of this was going to end up with me going to jail. I never had the intent to steal or hurt any of the shareholders. It was my fault. I placed my faith into Congressman Cooley's hands as well as Donald Dayer's.

One evening while I was at my office, two FBI agents walked in. I told them I was expecting them and that I had nothing

to hide. They informed me that I didn't need to talk to them and that I was entitled to discuss this with my attorney. I didn't want to and told them the entire history of BidBay and the people associated with it.

I informed the agents that during a trial in Missouri Congressman Cooley acted like he had dementia and couldn't remember anything. I told the agents that in my opinion Cooley was faking it and asked if they was able to discover that. They said they would.

I learned that Cooley was then sent to a hospital for investigation and that he indeed was lying.

I then consulted with an attorney who worked for a large law firm in Century City. I researched Google for a former SEC lawyer.

I won't mention his name here, but he informed me that the assistant U.S. Attorney on my case and he were buddies. He said he would be playing basketball with him the next day, which was a Friday. He told me that he would discuss my case with him and get back to me.

He sure did get back with me and offered me a solution. He stated with a \$220,000 retainer we stood a chance of walking away. Hmmm, where was I going to get that kind of money?

I moved on and called many other law firms. One in particular advised me to call Jim Spertus, an attorney who had just left the U.S. Attorney's office and started his own practice.

I did call and Jim was kind enough to schedule an appointment for us to meet.

Jim was a blessing. A young man who served as an assistant U.S. Attorney for eight years. We agreed on a set fee of \$25,000 for him to negotiate a sentence for me but not to defend me since that would cost a lot of money which I didn't have. I agreed.

Few days later Jim and I met with the prosecutor at the Federal building in downtown Los Angeles. That was on a Wednesday. Present at that meeting was the FBI agent as well as an agent from CID, the Criminal Investigating Division, of the Department of Treasury.

The prosecutor was looking for a 28-year sentence. Thinking about fleeing the country was the first thing that came to mind.

As we talked, he reduced it to eight years so long as I sign a plea agreement by the coming Friday. He also promised that he would not arrest my wife or my sister. If I didn't agree, he would then arrest them the following Monday! What a bargain.

I'll tell you one thing, the spirit of fear came upon me like a lightning bolt.

I agreed! I wanted to put all this behind me.

The following days all I could do was count the years I would be spending in prison. I would calculate over and over again the time off I would receive for good behavior. The federal prison system allows you to serve 85% of your sentence if you were good.

Furthermore, I learned about RDAP. The following excerpt is from Wikipedia: “The Residential Drug Abuse Program (RDAP) is an intensive nine-month, 500-hour substance use disorder rehabilitation program administered by the United States Federal Bureau of Prisons (BOP), offered to federal prisoners who qualify and voluntarily elect to enroll.<sup>[1]</sup> Upon successful completion of the program, prisoners who meet the necessary criteria are eligible for up to a 12-month reduction of their sentence and possibly six months in a halfway house depending on how many months they have left on their sentence.” [https://en.wikipedia.org/wiki/Residential\\_Drug\\_Abuse\\_Program](https://en.wikipedia.org/wiki/Residential_Drug_Abuse_Program)

There I was again calculating day in and day out how much time I would serve if I got admitted to RDAP. What a nightmare those days were.

Part of my plea agreement was to help the prosecutor by giving testimony on the stand against Congressman Cooley. I am not a snitch but since Cooley was the main reason for my dilemma, I was more than happy to cooperate.

Four months later, in April 2008, I appeared in court and pleaded guilty. They fingerprinted me, took my picture, took my passport, and sent me home awaiting sentencing.

Cooley was putting up a good fight. He wouldn't accept any plea agreement and wanted to be tried. The court dates set for his trial kept getting postponed. And with that my sentence was also getting postponed. I spent five years not knowing when I would be sentenced and for how long my sentence would be.

Since I was helping the prosecutor, the prosecutor said he would ask the judge for a downward departure, meaning time off of the time agreed upon, which was eight years.

My plea bargain included two counts. One for securities fraud and the other for tax fraud.

Securities Fraud: Well, I can't say much about this count because I was the founder and the CEO of BidBay. I should've been vigilant about the actions of people around me, and I accept full responsibility for that.

Tax Fraud: Well, the prosecutor knew that BidBay sold my personal stock during the quiet period to keep it going. I had loaned the funds to the company. The amount was \$3 million. The company never paid me back. So, I had a capital gain coupled with a capital loss in the same amount. Zero tax liability but I was prosecuted for not reporting it. Sorry folks since my tax liability from this transaction was zero I shouldn't have been convicted for tax fraud. Where was the tax evasion here? Just a simple mistake.



## FINALLY, THE SENTENCE

**I**t was Monday, March 19, 2012, at 1:30 p.m., and court was in session. My attorney Jim Spertus, my mother, my sister, my wife, and some members from the church were present to pray for me. Was I scared, yes, I was petrified.

As I stood in front of the judge, I couldn't speak. I was supposed to render a speech to the judge, I couldn't do it. My tongue was tied up in a knot!

Here it is:

*Good afternoon you honor!*

*Thank you for giving me this opportunity to address the court.*

*I'll begin with the tax evasion charge and all I can say is that there is no one to blame but me. I possess a bachelor's degree in accounting and I was trained as an Internal Revenue Agent auditing tax returns. How can I blame anyone? When I was young I owned a gas station and I can't tell you how many times I ran out of gas on the freeway on the way home. It is the story of a mechanic; his car always needs repair!*

*I was able to audit all of my records and I amended my tax returns for both years. Thank goodness the amount was way less than what the government had anticipated. It went down from \$800,000 to around \$50,000 but it is still my fault, I should've been careful and I take full responsibility for it and I will never repeat this again.*

*The second offense is the securities fraud. Again it is my fault and I take full responsibility. I should've listened to my mother but I didn't. I represented Wester Cooley while he was a U.S congressman before the Internal Revenue Service. I was successful at it and he liked me. I was around 43 years of age and he was in his late sixties. I trusted him. I grew up without a father and looked up to him as a father figure.*

*I had started a company called bidbay.com and Wes stated that with his background in taking companies public he would do the same with BidBay. At that time in my life I never owned one piece of stock nor the know-how in going public. I trusted him as an expert in doing so. He hired CPAs, securities lawyers and I thought everything was fine. Well it wasn't! I should've listened to my mom when she said that her friends asked her to caution me about Waster's criminal record,*

*Your Honor I was the founder and the CEO of BidBay and I take full responsibility for its outcome; I should've used wisdom in the matter.*

*Today as I stand before you I want to tell you that my life has changed. I became a chaplain. I thank you, the prosecutor, and my probation officer for allowing me to go on a mission to Mexico*

*with my church and to perform and eye glass ministry. I would like to do many of these in the future in Africa, India, and other countries. In closing, I would like to tell you that you would never see me in your court room again unless called upon as a witness.*

*Thank you!*

All I could do was pray and ask God for His Angels to protect me. To me, God is King of the Angel Armies. I expected a miracle.

A miracle did happen, the judge reduced my sentence from the original 96-month sentence to 33 months.

The judge also suggested I be accepted into the RDAP program and if I completed it he would reduce my sentence up to one year and extend my half-way house to six months.

All in all, I was happy with the outcome, but in reality, I felt that I didn't deserve to be prosecuted. Even now as I am finishing the story, December 17, 2021.

Below, is the transcript of the sentence hearing. It is interesting. Please read it and send me a comment on my website: <http://www.georgetannous.com> I'd love to hear from you. Give me your thoughts.

Furthermore, after the sentence report read about my life today.



## LIFE IN PRISON

**B**efore I surrendered to the Bureau of Prisons, I was spending many months researching God and the prisoners. I discovered that prisoners were God's finest harvest. I vowed to God that I would seek to share the gospel with prisoners once I surrendered myself to the Bureau of Prisons.

That day came fast. May 19, 2012. The first day in prison I was terrified. But I kept my promise to God. As I walked around the running track there, I told God I wanted to be a burning forest fire for Him. I wanted to talk about Him and Jesus Christ to as many as I could.

God instilled in me to become a prayer warrior. There wasn't a day that went by that I didn't pray for someone in Jesus' name to the Father. Throughout my entire time in prison, the Holy Spirit was continually working in me and through me. I prayed day and night non-stop about everything and anything. I consulted my heavenly Father in all situations. I would stay up all night in worship and prayers.

I was ordered by the court to surrender myself to Lompoc on May 19, 2012. My wife, my sister Gilda, and her husband,

Raymond, took me there. I got out of the car. I looked at the tower and those people with guns looking down at me. I went inside to the office below the tower and said, "My name is George Tannous, I am here to surrender." They put me in a holding cell. I was so scared. Then they brought me out and gave me green prison clothes, took my clothes, and said they would ship them to my house along with my jewelry. I was allowed to keep my wedding ring, but not my gold cross. They took my picture and fingerprints. Then I met a guy in the holding cell by the name of Mike, a nice guy, and we talked.

Then they took us to the camp. Once we got there, they introduced me to my counselor, the person that would be in charge of me at the time and he assigned me a bed. It was a big, old bunker that holds 160 inmates. They had bunk beds. I was on top in the corner, terrified, just terrified. Then came what they call "chow time," so I walked over to the cafeteria. I thought, "Let me see if I can eat what they are serving. Everybody's eating like they're at home, like nothing was going on." I just couldn't eat right then.

Ninety-five percent of the prisoners were drug dealers. They still treated them as white-collar criminals. I still had to register for RDAP (Residential Drug Abuse Program). If I attended for nine months, I could get time off my sentence. It's a very strict program and a few people fail, but those who pass get time off. The course is all psychology and about behavioral modification. So, I filled out my application for RDAP.

The one thing nice about Lompoc was we were by the beach. It's by Vandenberg Air Force base, cold but nice. We had to go

to work, so they took me to the Air Force base, and I worked there chopping trees for firewood.

We had a basketball court, a beautiful two and a half mile track we could walk, and a baseball field. They had a library and computers we could use just to send out emails. I decided while I was there that I would study for my Ph.D. in Christian Counseling.



## SURRENDERING AND ASKING GOD TO USE ME

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I remember that first day I walked around the track and said, “Lord, here I am. I’m just going to surrender to you. I just want to be a burning forest fire for You, Lord, so I can bring glory to your name God. I want to get close to you and talk about You to the prisoners.”

I had read about how God’s biggest harvest is among the prisoners. They are lonely and they have nobody. I know people on the outside say, “Oh, they are criminals, and they deserve it.” How sad! Everyone deserves a second chance and most of all forgiveness. I thank Jesus all the time for dying on the cross for me. Who am I? I ask him. For you to die for me. I thank God for His mercy.

I read where Jesus told the Parable of the Sheep and the Goats in Matthew 25:31-46. When the “goats” came to Him and they boasted about all they supposedly did in His name, Christ said, “Go away from me I never knew you.” Then the “sheep” came to Him, and He said to them, “When I was sick you came to visit, when I was hungry you fed me, when I was in the prison and you visited me.”

I took the prison ministry very seriously and I still do today

I walked around the track and I prayed daily that God would use me in the lives of my fellow inmates. I started asking people if they needed a prayer, I would read the Bible nonstop. I would pray, “God what do you want me to do?” And I would be walking and there would be a guy there and I’d say, “OK, Lord, you want me to go pray for him, OK, I get it.” I learned a verse that commands us as Christian to pray for one another (James 5:16). I wanted to obey God in doing this daily.

I would go and say, “Hey, for some odd reason do you mind if I pray for you? Tell me what’s on your mind.” Many would say, “Yes, please do!” Some would say, “Yes, but not here. I’d be too embarrassed. Can we go in the library so nobody would see?” I would put one hand on a prisoner’s shoulder, raise my other hand in the air, and just pray for them. I told the Lord I want to be a burning forest fire, and I’m going to fulfill that.

I had a friend named Mike in there, a good Christian man, so I asked him, “Please pray for me so I can get accepted into RDAP.” He did and other people did, too. They laid hands on me and prayed. My name showed up on the list two months later...which was great. I got in, did the program for nine months, finished, and received a nine-month reduction from my sentence. Hallelujah!

RDAP was at a different location up the street from the main camp where they housed just the RDAP people. 160 inmates stayed there. I got in and we were to hold each other accountable for everything that we did wrong. We then had to address the



community during the morning meeting. For example, some wrong things were not holding the door open for somebody as they are walking in behind us, not taking off our beanie hat when we entered the cafeteria, etc. Somebody was to hold me accountable for everything I did wrong. I would have to tell the community what I did wrong and how I would attempt to rectify it. There were eight core attitudes and I needed to know which attitude I was struggling with. We learned about criminal thinking errors, rational thinking errors, and were given forty different things we were to work on. I became the chairman of the RDAP Tutor's committee at one point to help everybody there, which was great.

As I walked the track, I listened to worship music. I looked at the sky and there were turkey vultures flying around and they looked just like angels circling in the distance. I would say, "Lord, can You bring one of Your 'angels' above me?" Low and behold, one of the birds would come and fly right above me. Then suddenly, I would be looking at the sky and there would be eight of them flying, playing, gliding, and falling in the air right up above me. What a show God gave me. That was a big miracle for me to witness because it told me He was watching out for me.

One day when I was talking to my wife on the phone, she said "I'm sending you a letter, it's a big lengthy letter." I said, "OK, what's in it?" She wouldn't tell me. When I got it, she was telling me she wants out, she wants a divorce. Her lawyer came to the camp and served me papers. I was in RDAP at that time. Thank God I didn't give up on RDAP. I felt at the time that it was one of the worst things that could have happened to me. I needed

to finish RDAP so I could get out, but with that blow to my confidence and support it hit me so hard, like a punch in my gut. I really felt alone. I realized that no human being, including myself, could be the source of my strength and confidence to move with hope into my future.

I read the Bible every day to help clear my mind. Three promises from God helped reassure me and will help you go forward. Get these awesome words from God into your mind and heart...

*For the Lord will be your confidence  
and will keep your foot from being snared.*

(Proverbs 3:26 NIV)

(So, the source of your inner confidence, security, self-esteem, and positive thinking comes from God and not any person or work.)

*And be sure of this:*

*I am with you always, even to the end of the age.*

(Matthew 28:20 NLT)

(Family, friends, work colleagues, other church members may abandon you or throw you under the bus. But Jesus will be your friend and at your side always. My wife left me when I was in prison, but Jesus was always there.)

*For He Himself has said, "I will never leave you nor forsake you." \So we may boldly say:*

*"The Lord is my helper;*

*I will not fear.*

*What can man do to me?"*

(Hebrews 13:5-6)

(When I read those divorce papers, I realized that my  
helpmate, my wife,  
was gone. She had left me. But I did not have to fear the  
future or  
who would be there for me when I was released from prison.  
The Lord would never forsake me.  
The Lord would always be my Helper.)

While in RDAP, we also needed to work. I thank God I got a job down at the farm. I would drive a tractor and lay down the big pipes and water the fields. It was beautiful. I would look up at the sky and see the different birds and hawks. I would tell God to bring them above me and they would come and soar above me. One day as I was praying for the others in the RDAP course, I said, "Lord, can You bring me a white feather?" About a month later, I'm by a rock and I see a white thing. I go over to look at it more closely, and it's a white feather. I said, "Thank You, God, I never doubted You." I told my friends about praying and God sending me the white feather.

Another time I asked, "Can You send me a pink feather?" When I told my friends that I asked God for a pink feather, they laughed at me and said, "You're crazy! How are you going to get a pink feather in the middle of nowhere?"

I replied, "It's simple, I just told God to have a big truck filled with flamingo birds going to the Flamingo Hotel in Las Vegas break down and for some odd reason the birds would get loose and escape from the truck and they would come here, and I'll get one of their feathers."

As I look back, it is funny how so many times I used to ask God for something and even tell Him how to make it happen. Many times, God honored my heart. I believe God used it to help my friends understand God can do the impossible. It's just like Jesus said, "For with God all things are possible" (Mark 10:27).

To make a long story short, I would go out with my Bible, I would study, and I'd talk to Him wherever I was and whatever I was doing, day and night. I would also say the Lord's Prayer nonstop throughout the entire day. Praying this way taught me to give thanks for what I had before I would ask for anything from Him. We have to give thanks, follow His commands, and He will give you the desires of your heart.

The biggest desire I had back then was just to be so close to Him. I knew I was going to leave the fields one day and I would tell Him, "God, I'm going to leave here one day, but I don't want to forget You and all that You have done." The Holy Spirit and God's presence was just so powerful in my life at that time, and I didn't want to lose that closeness. Remember this...

*Draw near to God  
and He will draw near to You.*  
(James 4:8)

## THE PINK FEATHER MIRACLE

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I was driving the tractor and praying to God for a pink feather. The farm is next to the dairy where we housed many cows that they used for milk. That is where the tractor was parked. The trailer was there with the pipes on it that I was to take to the cornfield. I had over 150 acres of land to water. They grew corn for the cows. Everything was used. There was a big pile of manure by the dairy, and even when a cow dies, they would put the body in there for added fertilizer. I'd see cow skeletons every now and then.

At the end of that day, I was driving to park my tractor and trailer, and I saw a pink object in the middle of the cow manure. I ran and picked it up. It was plastic and I said, "What is this God? It's pink but I don't get it." I examined it more. It was a badminton shuttlecock. Then I looked around and I said, "Oh my God, it's made from feathers! Thank You, God! Thank you! I asked You for a pink feather, but I never thought you'd give it to me in the middle of a bunch of cow manure!"

I clipped some of the feathers from it and carried them with me wherever I went and showed people the miracle of the pink feather. I remember early one morning I was out walking and

there was a cloud formation. It was pink and one of them was like a feather, so when you ask God for a miracle just press on and tell Him what you want. However, you have to remember to follow His commands and He'll give you the desires of your heart. If you ever need to ask me any questions, please do so at [georgetannous.com](http://georgetannous.com). Continue to pray without ceasing, always thanking God, and keep trusting Him in all your ways. Learn to pray according to His will.

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
WESTERN DIVISION

— — —

**HONORABLE DEAN D. PREGERSON,  
DISTRICT JUDGE PRESIDING  
UNITED STATES OF AMERICA,  
Plaintiffs,  
vs.  
GEORGE TANNOUS,  
Defendants.**

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**No. CR 08-00449-DDP**  
**REPORTER'S TRANSCRIPT OF PROCEEDING**  
*SENTENCING HEARING*  
**LOS ANGELES, CALIFORNIA**  
**MONDAY, MARCH 19, 2012**

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**MARIA R. BUSTILLOS**  
**OFFICIAL COURT REPORTER**  
**C.S.R. 12254**  
**UNITED STATES COURTHOUSE**  
**312 NORTH SPRING STREET**  
**ROOM 404**  
**LOS ANGELES, CALIFORNIA 90012**  
**(213) 894-2739**

**A P P E A R A N C E S**  
**ON BEHALF OF THE PLAINTIFFS,**  
**UNITED STATES OF AMERICA: OFFICE OF THE**  
**UNITED STATES**  
**ATTORNEY**  
**BY: STEPHEN A. CAZARES,**  
**ESQ.**  
**312 NORTH SPRING STREET**  
**12TH FLOOR**  
**LOS ANGELES, CALIFORNIA 90012**  
**(213) 894-0707**  
**ON BEHALF OF THE DEFENDANTS,**  
**GEORGE TANNOUS: LAW OFFICES OF JAMES W.**  
**SPERTUS**  
**BY: JAMES W. SPERTUS, ESQ.**



1990 SOUTH BUNDY DRIVE  
SUITE 705  
LOS ANGELES, CALIFORNIA 90025  
(310) 826-4700

LOS ANGELES, CALIFORNIA; MONDAY, MARCH 19, 2012

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(COURT IN SESSION AT 1:36 P.M.)

THE CLERK: Calling Item 7, CR 08-00449-DDP:

*United States vs. Tannous.*

Counsel, may we have appearances, please?

MR. SPERTUS: Good afternoon, Your Honor.

James Spertus for George Tannous, who is present on bond.

MR. CAZARES: Good afternoon, Your Honor.

Stephen Cazares for the United States.

THE COURT: OK. Good afternoon.

And, Mr. Tannous, today is the day for your sentencing hearing and I want to make sure that you're prepared for your hearing today. That means you've read all of the important documents, and you've discussed them with your attorney. The -- those documents are the pre-sentence report; the probation officer's recommendation letter to the Court; and the various papers that were filed by the Government and by your attorney.

Have you studied and reviewed all of those documents, sir?

THE DEFENDANT: Yes, I have.

THE COURT: And you've gone over them carefully with your attorney; is that correct?

THE DEFENDANT: Yes.

THE COURT: And, Mr. Spertus, you've prepared your

client, as I've just discussed, for his hearing today?

MR. SPERTUS: Yes, Your Honor.

THE COURT: And the Government is ready to proceed as well --

MR. CAZARES: That's correct, Your Honor.

THE COURT: -- Mr. Cazares?

Let me ask the Government a question: The defendant essentially says in his, you know, brief that the amount of personal gain gained to him was exaggerated or incorrect. The Government talks about the -- the tax liability as being in the \$800,000 range, as I recall, and that -- the defendant says, no, that after going through and reviewing all of the information, it's -- you know, in the less than \$100,000 or \$50,000 range.

MR. CAZARES: Yes, Your Honor.

THE COURT: So I know that the Government didn't have time to prepare a reply brief or really --

MR. CAZARES: But I could address that for Your Honor.

THE COURT: OK.

MR. CAZARES: Your Honor, essentially the -- the tax due and owing reference in the pre-sentence report --

THE COURT: You know what? Just if you could get a little closer to the mic --

MR. CAZARES: Oh, I'm sorry.

THE COURT: -- there, that would be better.

MR. CAZARES: Yes.

The -- the tax due and owing amount that's referenced in the PSR is a raw calculation based on the total of victim money that was deposited or transferred to Mr. Tannous' account that was not ever reported to the IRS. So I think what the defense -- what the defense is -- is addressing is that -- and the Government can confirm that, in fact, some of this is true, that some -- much of that money ultimately was used by Mr. Tannous for business purposes, for his Internet auction company and other businesses.

Now, the calculations of exactly what a bottom line due and owing would have been had not been done by anyone at the Government. And the reason is that -- because of the commingling behind Mr. Tannous of his business accounts, his personal accounts, it's a pretty unwieldy task, which is why ultimately at the time that the tax returns were filed, the records showed him receiving that money; it not being reported at all; the high-end potential tax owing was at \$800,000, but it would take a revenue agent a substantial amount of time to -- to determine going forward, you know, what a bottom line due and owing for that year is, Your Honor. And that has not been done.

THE COURT: OK. Does that in any way affect the -- the loss amount under the fraud guidelines? Because I believe that the guideline calculation of -- of plus 20 is based upon a greater than \$7 million loss; correct?

MR. CAZARES: That's correct. The -- the victim losses are -- it's the Government's understanding is eight-and-half to \$9 million. I think the total amount calculated at this point is about the eight -- eight-and-a-half million dollars with about 218 victims. That's investor losses. That is not including the IRS kind of tax due and owing amount.

THE COURT: Right.

I guess what I'm trying to understand is that -- of that amount of loss, I understand that -- you know, some of that money went into business as opposed to personal gain.

MR. CAZARES: The problem with that is, Your Honor, in order to obtain that money from -- from investors, the investors were lied to.

THE COURT: No, I get that part of it. I understand that. It's a -- it's, you know, the investors were lied to and it's whether the money wasn't spent on -- whether it was spent on something personal or reinvested in some other way is really irrelevant to the conduct that is at issue here; right?

MR. CAZARES: No, that's correct, Your Honor. I guess at some level maybe it speaks to Mr. Tannous' -- at least at some level, good faith --

THE COURT: Well, at some level it's a -- at some level it's a mitigating factor.

MR. CAZARES: I would agree with that, Your Honor.

THE COURT: OK.

MR. CAZARES: That is somewhat unusual in these cases. Typically, you know, most, if not all the money gets burned by the -- the defendant raising money --

THE COURT: Right.

So how much of a mitigating factor is it, and give me some sense of your --

MR. CAZARES: Well, the Government is definitely taking that into consideration in the way we charge this case and in the -- in the sentencing recommendation we've made. The -- the -- the total guideline numbers for Mr. Tannous, I think, according to probation was 70 to 87 months or thereabout in that range, and the Government essentially agreed with the defense to a conspiracy charge; not a mail or wire fraud charge as well as the tax violation. But even within that sentencing calculation, I can say that the Government was not aggressive in seeking to establish potential enhancements. And I think that was fair due to the

fact that Mr. Tannous came to the table early and agreed to take responsibility for his conduct. All of those things are things that we took into consideration, both in the charging decision with respect to the plea terms and bottom line with our 46-month recommendation.

THE COURT: How does the 46-month recommendation relate to other codefendants in terms of sentencing disparity issues?

MR. CAZARES: Well, Beeler, who was the primary fundraiser had substantial criminal history and raised most of that money while he was on supervised release. Are they as -- is the defendant as culpable as Mr. Beeler to the victims? Yes, I think they are equally culpable because they're both aware of the misrepresentations that were being made and the failure to disclose the commissions being -- being paid to Mr. Beeler.

However, Mr. Tannous, I won't say went into the relationship with Beeler and Dayer (phonetic) naively, but did not have the experience that they did in -- in telemarketing and in raising funds for these types of ventures. So at some level, maybe at the initiation of the relationship, Mr. Tannous may not quite have been a hundred percent aware of what he was getting himself into, but ultimately, at least in the Government's view, came to

understand the criminality that was going on, and -- and from there, fully participated in it.

Beeler's criminal history is obviously ramping up his -- his guideline range, which, I think, is 121 to 146 months, is my recollection. And I think the Government's recommendation at this time, I think, was 121 months on Beeler.

With respect to Cooley, Cooley's situation has been substantially complicated by the health situations. The Government views Mr. Cooley at least as culpable as Mr. Tannous, and under -- under other circumstances if he did not have that health situation, the Government would be asking for as much time, if not more, with Mr. Cooley. But the -- the plea agreement we entered into with Mr. Cooley in some way was substantial accommodation by the Government in order to reach some sort of timely disposition given the fact that we really don't know what his health situation is and whether or not he'll ultimately be able to be sentenced.

THE COURT: I understand.

And one of the things that I thought was aggravating was the types of victims that lost money; the number of victims. I know the number of victims is already addressed in the -- in the guideline calculation, but at least some of the examples were individuals who one case put



college savings into the investment. And, you know, they weren't wealthy investors, at least several of them that the Government brought to light; correct?

MR. CAZARES: That's correct, Your Honor.

In this case there is a fairly broad mix of investors; we do have wealthy individuals. But there were several who were in the -- I guess you would working class range or who were saving or investing their primary savings with the defendant in this venture.

THE COURT: OK. Let me just do the guideline calculation portion first and then I'll -- I'll --

Mr. Spertus, I'll -- I'll come back to you and I'll come back to the Government as well.

The parties essentially agree that, strictly speaking, the guideline calculation is a 27-1. There is no dispute about the initial guideline calculation; correct, Mr. Spertus?

MR. SPERTUS: Yes, Your Honor.

THE COURT: And that the Government has then made a 5K1.1 request for a downward departure of minus four to a 23-1, which yields a guideline calculation of 46 to 57 months; correct?

MR. CAZARES: Yes, Your Honor.

THE COURT: OK. And then the defendant has made

a request for additional departure to a minus five as opposed as to a minus four; has also requested a minus 12 variance; and has asked for probation; is that correct, Mr. Spertus?

MR. SPERTUS: Yes, Your Honor.

THE COURT: OK. Why don't I hear from -- from you, then, Mr. Spertus.

MR. SPERTUS: Your Honor, I just want to begin by addressing some of the responses by the Government to the Court's question just now. I feel that Mr. Cazares is doing the very best he can for the Government, but I just disagree with some of his characterizations.

First, the implication that somehow the probation office recommendation was higher than the Government's recommendation is, I don't believe, correct.

The Government made a 5K departure, and for that reason, the Level 27 offense recommended by the probation officer is now reduced to a Level 23 offense with a corresponding 46 to 57-month sentence. But the Court asked questions about Mr. Tannous' relative culpability that are not accounted for in a 5K1 departure.

The 5K1 is a cooperation departure, and I do think that the Government may disagree, but there's a -- I think a substantial culpability difference between

Mr. Tannous and defendants Beeler and Cooley.

The underlying fraud was that Beeler and Cooley --

Beeler and Cooley raised money from investors by -- and --

and lying to them in that process. The lie was that the

money raisers, Cooley and Beeler, would keep 50 percent of

the money raised; whereas, the private placement memo that

Mr. Tannous reviewed and was aware of said that 25 percent of the money raised would go to the people raising the money.

That was not true. And under the law of conspiracy and

aiding and abetting, I'm very experienced on these issues,

Mr. Tannous and I decided to promptly accept responsibility.

We came right in. We wanted to cooperate and we wanted to

the Government to do exactly what the Government is doing

today, which is acknowledging that Mr. Tannous has accepted

responsibility; has helped in the prosecution of others, and

that's what we wanted the Court ultimately to know when

fashioning his sentence.

But Beeler and -- and Beeler and Cooley kept the

money. They profited. This money that was raised with lies

went into their pockets. Fifty percent of the money went to

Beeler and Cooley. The remaining 50 percent went to Bid Bay.

It wasn't -- it -- it was a very simple theory that makes

Mr. Tannous stand before Your Honor for sentencing today.

The theory is that if the investors had known that

50 percent of the money raised would go to Cooley and Beeler, they wouldn't have invested, but the 50 percent that went to Tannous continued on its way to BidBay.

Mr. Tannous very much believed that in 2000, Bid Bay would be a successful auction house. He brought the company public at the suggestion of Beeler and -- and Cooley and he committed a crime by allowing the money to be raised in the manner it was.

THE COURT: Weren't there other either omissions, though, or misrepresentations?

And I'm asking Mr. Cazares this question.

MR. CAZARES: Well, throughout the scheme, the pitch being made to investors, first of all, was that they were going public in an IPO.

THE COURT: And when you say, "the pitch," was Mr. Tannous involved in that pitch as well?

MR. CAZARES: Well, at least late in the scheme you have Mr. Tannous at least involved in discussions with investors as well. And what investors were being told was that the company was going to go public on NASDAQ on some sort of a national market.

Now, there was a registration statement filed by Mr. Tannous on behalf of Bid Bay with the Securities and Exchange Commission and I think that was sometime in maybe early 2001, if I recall correctly. And, at that point, Bid

Bay was prohibited from continuing to raise money while the SEC was deciding whether or not that registration statement would be approved.

However, in the meantime, what

Mr. Tannous did, along with Mr. Cooley is create these other entities, BidBay Australia, BidBay Europe and whatnot, and kept raising money from investors, clearly in violation of SEC requirements while that original registration statement was being considered. And then eventually that -- that registration statement was actually declared effective. The SEC gave a rubber stamp of approval late -- and I think it was 2001.

But then the SEC got word of this other fundraising that was going on by, you know, subsidiaries or related companies, and, at that point, ultimately Mr. Tannous was kind of forced to withdraw that registration statement.

Then defendant and -- and Mr. Cooley enter into his sale of this asset to Mr. Cooley for \$2 million, this Internet Web site and search engine, "Ask GT," which is what the defendant is talking about, what Mr. Spertus is talking about. And then Cooley and Beeler kind of go their own way; raise this money. That money was supposed to be used to pay defendant, again, \$50,000 a month to keep the BidBay company going while they're figuring out what to do because they

can't go public anymore.

So the claim that --

THE COURT: When you say, "they," do you mean all three or just --

MR. CAZARES: All three.

Cooley and Beeler were raising the money and that money being raised was in part to be paid back to Mr. Tannous as part of this -- this sale -- this asset by Tannous to Cooley. But the reason for that was because BidBay couldn't raise any more money. The -- the registration statement was withdrawn. The SEC was aware of this other fundraising, so they couldn't really go back to that. So this was another vehicle or device to keep the company running.

Now, sure, Mr. Tannous, to the extent he received money, used some or much of the money to keep the -- the company running.

But, at that time, he's using a convicted felon to raise the money, an ex-congressman who has created the shell company to raise the money; all for the purpose of circling around the SEC requirements regarding all of this stuff. So the claim that Mr. Tannous' only liability was the failure to disclose all of the commissions isn't accurate. This whole -- this whole fundraising was designed to circumvent the law.

THE COURT: What about the fundraising -- there were some false statements concerning George H. W. Bush's purported involvement and eBay being interested, how does that relate to this defendant?

MR. CAZARES: Well, I mean, these things were said to investors. I don't have a recording of Mr. Tannous on the phone with an investor making these representations, so I can't tell you that that misrepresentation regarding George Bush joining the board came directly from Mr. Tannous.

THE COURT: But there were statements about eBay at the time eBay had filed a lawsuit or was contemplating filing a lawsuit?

MR. CAZARES: EBay actually, I think, may have filed a claim --

THE COURT: OK.

MR. CAZARES: -- of some sort, but eventually there was some sort of resolution on that.

THE COURT: Okay. Well, did Mr. Tannous have knowledge of those misrepresentations?

MR. CAZARES: Well, eBay sent correspondence when they got word or got wind of, in fact, these misrepresentations were being made and they continued to be made throughout the rest of 2001 and into 2000 --

THE COURT: And did Mr. Tannous have knowledge that

there were statements made about the company supposedly -- because if you want to gin up interest in an investor, you might tell them that, gee, this company is going to be bought out and you're going to make a lot of money and eBay is interested. Did he know about that?

MR. CAZARES: What I know is the fact that Mr. Tannous knew that the representations had been made and eBay complained about it. The representations continued to be

made after that by Beeler and by Cooley in raising the money.

Mr. Tannous was aware of the fact that they were continuing to raise money. What I can't tell the Court is that

Mr. Tannous specifically knew or directed them to keep making the misrepresentations.

THE COURT: How much money did Mr. Tannous make in this scheme as opposed to the other defendants?

MR. CAZARES: Beeler made the most money of all. I mean, as the fundraiser, getting the 25 and later 50 percent commissions, he made more than anyone.

As far as monies coming into Mr. Tannous' bank account, this is -- this went over a period of several years. I don't have a bottom line dollar figure, Your Honor, but nowhere near what -- what Beeler walked away from this scheme.

THE COURT: When you say, "nowhere near" -- I mean, one of things that I'm always interested in is the -- the



greed factor, which is how much did you make off of these misrepresentations, because that gives me some insight into the thinking of an individual, and it gives me some sense of their relative culpability is in a scheme.

Do you -- do you know in this case?

MR. CAZARES: I -- I could not give you a number off the top of my head, Your Honor. And part of that would be this, you know, determination by a revenue agent as to what was spent in the business and what wasn't. Mr. Tannous lived off this money for -- for most of the time period of the scheme.

THE COURT: Which was how many years?

MR. CAZARES: You would have been talking about from 1998 with Donald Dayer. '99, I think, was about when Beeler joined in, through 2002 is when the Beeler/Cooley fundraising ended; however, after the fact, Mr. Tannous continued to do business with Donald Dayer. There were other -- how should I say it?

At the bottom of the factual basis there's a description of some stock being sold related to BidBay, all of which, you know, the defendant benefited from. Investors didn't benefit from any sort of bulletin board listing and sales of this stock.

So does that mean Defendant, you know, went into

this with nothing but greed and took a hundred percent of the investor's money?

No.

But he definitely is engaging in conduct in order to benefit himself after it came to light what Cooley was doing, after the investors sued -- he was still benefitting himself from the sale of some of the stock on, I think, the bulletin board --

THE COURT: But how much?

I mean, one of the things that I -- that I am interested in in terms of sentencing disparity issues is that I am much more inclined to be substantially more aggressive with sentencing with these cases when I'm dealing with the ring leaders -- the people that are -- are -- are the motivating force, the aggressive people that are really -- particularly those that have a history of doing this type of thing, than individuals that are somewhere down the -- the ladder. So I may be more inclined to give some consideration for those folks down the ladder and much, much, much less consideration for those people that I think have a -- a real -- a real problem, call it a psychopathy with dealing with this type of -- of fraud.

MR. CAZARES: The Government agrees, Your Honor, and one thing that I think is a factor in all of these cases,

at least that I have handled, is you typically have two different groups of people. You have the fundraisers, the guys on the phone, who go from room to room, scam to scam, who raise money like a Beeler, like a Dayer, who are in it for their 50 percent commission, and it's -- it's a pure rip from their perspective.

But people like Beeler, people like Dayer only get the opportunity to raise money from these scams when people, somewhat like the defendant here, and other people who have legitimate or quasi-legitimate businesses who then get into bed with the fundraisers.

THE COURT: No, I hear that and -- and -- and we're all talk -- I'm just simply talking about sort of relative culpability and what's appropriate in terms of sentencing. I -- I don't disagree that they're important.

MR. CAZARES: Yes, Your Honor.

THE COURT: And I've been dealing with some individuals on -- well, many sentencings where I'm dealing with -- you know, with people who I am looking at much less, sort of hard-brained criminality than other individuals. And the ones that I've -- I've put in the category of sort of hardcore fraudsters, I'm not interested in providing much, if any, consideration. The other group I'm interested in providing some consideration.

MR. CAZARES: I understand, Your Honor.

The defendant is not in the same category as Beeler. I mean, there is just no way I could not recognize that and represent that to the Court. They are not in the same category, which is why the Government is not recommending similar sentences for the two of them. The defendant's culpability is -- is similar to Cooley's. The Government's understanding of Cooley's involvement --

THE COURT: But Cooley has been dishonest throughout this pre-sentencing process.

MR. CAZARES: Absolutely.

THE COURT: I mean, that's a big difference.

MR. CAZARES: Yes, absolutely, Your Honor. The Government does not disagree with that.

THE COURT: Okay. So what's your -- your sense since you've sort of given me your guideline calculation? What do you think a 3553(a) consideration-based sentence should be in this case, given our discussion and what we've talked about?

MR. CAZARES: Well, Your Honor, we still have over 200 investors who have lost over \$8 million.

THE COURT: I get all that.

So we're -- now we're talking about the hard part.

MR. CAZARES: No, I -- I -- that's what I'm getting to, Your Honor.

THE COURT: OK.

MR. CAZARES: And I do think a multi-year sentence is necessary; not because the defendant is a risk going forward, because I don't think he's going to continue engaging in criminal conduct. So he's not a risk to the street or to investors in the future.

But what's a just punishment for someone who played a substantial role in defrauding hundreds of people out of multiple millions of dollars?

In other cases that I have, people who have defrauded two, three, you know, \$4 million from half a dozen, a few dozen people, have received sentences in the five, six, seven-year range, and think that was appropriate. However, in those cases, these were often the people on the phone face-to-face lying to investors on their own.

Here, we have someone who was using others to do the lying; may have had some -- some good faith on his own part in building his business, but in the end he knew he was -- who he was dealing with, and in the end the victims still lost all of their money. They didn't get a dime back. This isn't even a Ponzi scheme where they got something back. Here, they got nothing

back.

THE COURT: People in Ponzi schemes don't normally get much back.

MR. CAZARES: No, I understand. In some instances, Your Honor.

But, regardless, I think a multi-year sentence is appropriate. That's why the Government recommended 46 months.

THE COURT: OK. Thank you. Thank you for your comments.

Mr. Spertus?

MR. SPERTUS: Your Honor, I just object to the characterization of Mr. Tannous' role as knowingly using others to commit these frauds.

What clearly happened here, chronologically, was that these others, Beeler and Cooley, approached Tannous and told him, you know, about the benefits

of taking the -- the -- the company public and Mr. Tannous bought into that: Hook, line, and sinker, and crossed over the line of criminality.

So I'm not mitigating the -- I'm not -- I'm not denying or arguing against guilt. But the --

to say that -- that Tannous' role in this remotely resembled Beeler or -- or the other fundraisers is just wrong.

Mr. Tannous was not -- he was a figurehead.

These fundraisers need people who need money for their companies to be the figure heads, and the lie was that -- according to the Government, and I agree with this -- that no one would invest in the company at 50 percent of the investments going to the fundraisers, but Mr. -- Mr. Tannous' portion did go to the company.

To answer the Court's question about how much did he personally receive, it was low six figures. It was -- it was not millions of dollars. Perhaps, he's filed amended returns that -- that acknowledge a liability of about \$50,000, and ultimately a revenue agent will rule on that.

But the -- the level of wealth that Mr. Tannous obtained from this underlying activity is just -- just pales in comparison to the other defendants in the case and Mr. Tannous' role is an important role. He -- these fundraisers need figureheads, but that's what Mr. Tannous' role was.

He wasn't dialing the phones. These seven, eight-year sentences that Mr. Cazares referred to through his experience with other cases, are people who speak the lies, and that's just no not what Mr. Tannous' role was in this case. So the relative culpability issue is, I think, a very

strong variance position and I -- I --

THE COURT: But aren't we already in a range of relative culpability when the Government talks about -- of course, a lot of the other -- with Mr. Butler, a lot of that sentence is driven by criminal history anyway. So it's --

MR. SPERTUS: But --

THE COURT: We're dealing with somebody that has a prior -- has prior convictions for fraud.

MR. SPERTUS: So variance is a way to distinguish Mr. -- Mr. Tannous from what's equal culpability right now under the guidelines analysis between Beeler and Mr. Tannous.

Yes, the -- the -- the sentence would be higher for Beeler because of his criminal history, but the offense level calculations are comparable and -- and I don't actually -- I'm just not familiar with Mr. Beeler's offense level calculation, but, you know, he's doing things while under a Court supervision. There are all kinds of enhancements that may apply, but the money raise -- the \$8 million money raise, \$4 million went to the money raisers; not Mr. Tannous.

Mr. Tannous knew that they were making false statements, I guess, with regard to the amount of commissions. But the company was registered.

THE COURT: What do you mean "I guess"?

He clearly knew.



MR. SPERTUS: No -- right. And I'm not disputing that, but that's not -- as far as relative culpability --

THE COURT: There were also misrepresent -- other misrepresentations --

MR. SPERTUS: But --

THE COURT: -- in the commission issue. And to the extent that your client was working with these other individuals, it would be hard for me to accept the fact that he was ignorant about the types of misrepresentations that they were making.

MR. SPERTUS: We don't want the Court to think that he was ignorant of the misrepresentations because that's why he's pled guilty. There's a factual basis for the guilty plea. But the Court -- we were speaking to relative culpability. And the registration issues, those aren't part of the factual basis. I mean, the company was registered. There may have been securities rules violated, but the representations that the company may go public is not a false representation. It, in fact, registered and was ultimately approved, but Mr. Tannous is a -- you know, formally an SEC attorney. I'm just not versed in what the rules of fundraising are with the pending application or if they're related companies, but the -- the core reason why there is a factual basis for guilt is because of the misrepresentations

regarding the sales commissions. That's -- that's all true. But -- but the sales commissions -- and -- and if Mr. Cazares can interject a place in the factual basis that I'm missing on the registration issue, I'll be glad to put that right before the Court right now. I'm sure it's there because he's looking at it.

Mr. Tannous -- Mr. Cazares, is there a portion in the factual basis that bears on the issue I'm speaking about at the moment?

MR. CAZARES: No, the portion of the factual basis that bears on that is the creation of these other related companies in the continued fundraising. Part of the stipulated factual basis here, we did not get into the registration statement -- as a part of the factual basis to this plea agreement, we did not agree on or -- or discuss, really, the registration statement issue and other misrepresentations, for example, to the Securities and Exchange Commission that may have been in the course of that process because it was unnecessary.

What I was looking at was the fact that in 2004 and 2005 as a part of the stipulated factual basis, after Beeler got out of custody on his prior bank fraud case, Defendant and his wife hired Beeler to raise more money. The problem here is Defendant wants to distance himself from the

misrepresentations knowing he's hiring a predator to raise money. I mean, that's -- that's why the Government doesn't -- didn't really get into all of these other facts and potential misrepresentations because he hired him once, got in trouble for it, Beeler gets out of custody, and he hires him again.

MR. SPERTUS: OK.

MR. CAZARES: So that's what really goes to the defendant's culpability here in this case. Regardless of what Beeler said, he didn't have to approve it. He knew who Beeler was, and that Beeler would do anything to raise a buck.

MR. SPERTUS: OK. So that's -- so I think I was correct, then. So the -- the -- the point is that the misrepresentation -- and that's -- that's true, what Mr. Cazares just said, but I don't want there to be implications from the other argument during the first phase of the Government's position that there was more misrepresentation than this commission issue. And Mr. Tannous is guilty. So I think we're in agreement on that being a misrepresentation, but the Government went far beyond that factual basis and I just want clarity on that point. So Mr. Tannous' best evidence of his lesser culpability is that he took the money and put it into the

businesses. So it's not that he drove or bought a Maserati and was, you know, acquiring Rolex watches. He shouldn't have hired Beeler and -- and the other fundraisers, that's correct. And he's responsible for the conduct of his agents, that's correct, too. So I -- I really don't want Mr. Cazares to leave this sentencing feeling that I'm not in agreement on guilt. I am.

I'm speaking, instead, to this relative culpability issue because as the figurehead, you know, there's a -- there's a strong argument, and it's argument just as the Government's position is argument.

There's a counterargument that Mr. Tannous, himself, was -- was

woven a tall tale by these fundraisers and I'm not -- didn't get into in my papers and not trying to cast Mr. Tannous' as a victim because it's -- it will offend the Court and -- but I'm -- but I want to just red-flag the issue in contrast that I'm not arguing these things that are also fair argument when you're dealing with professional fundraisers like Beeler.

THE COURT: But your client, at least in terms of his own propensity at that time towards honesty, did not disclose the amount of money, even the reduced amount of money that he would have owed on his income taxes; right?

MR. SPERTUS: I'm sorry. He committed the tax

fraud, yes.

THE COURT: He still committed tax fraud?

MR. SPERTUS: Right. He committed tax fraud, yes.

THE COURT: Yeah. OK.

MR. SPERTUS: In the amount -- you know, we -- we've filed amended returns and there's an amount owing. It is tax fraud, too.

I mean, you know, if the Court could just visualize this period of time in 2000, 2001, it -- you know, it's -- Mr. Tannous is just -- just actively trying to raise money for this company he wanted to take public and is -- is -- with the benefit of hindsight committing tax fraud and committing wire fraud at the same time, promptly, immediately accepted responsibility and said I'm guilty.

THE COURT: Well, go ahead.

MR. SPERTUS: So then he also spent four years under -- under Court supervision trying to cooperate in every way possible. I mean, there's -- there's -- and -- and I don't think the Government disputes that, that anything they needed to help sort this out is -- was -- you know, we were repeatedly offering. It's unfortunate that -- that -- I guess from our perspective that there was no trial because the Court would evaluate Mr. Tannous' candor and testimony and hear for himself his acceptance of responsibility, his

knowledge that there were misrepresentations being made, his -- his explanation of how he, too, drank the Kool-Aid that was poured by Beeler.

And Mr. Cazares is correct, Mr. Tannous should never have worked with Beeler. And, you know, the only issue, really, is what's an appropriate sentence. And where the Government and the defense disagree is really on one primary category. What's -- is there -- is it a -- is a variance appropriate?

And I think that Mr. Tannous has led an otherwise law-abiding life; has spent four years already under the Court's supervision trying to make this right; will have restitution orders and will forever be trying to make this right. He didn't speak to any of these victims who put in their money, the student who put in college tuition. I'm learning that for the first time here at this sentencing. It's -- rather, his -- he had a role in it and I agree with that, and so I'm asking the Court to recognize the reduced role or -- you know, in the goals of sentencing, the Government and I, for example, agree, Mr. Tannous will never re-offend. He's not going to be before Your Honor. He's -- he's made the right decisions since this case first came to light and it's been four years. So it's a really a question of retribution and deterrence only and what punishment is

appropriate for Mr. Tannous' role, which I submit is substantially reduced in culpability from Beeler.

Thank you, Your Honor.

THE COURT: OK. Mr. Tannous, would you like to say anything? You have the right to say anything you wish.

THE WITNESS: Yes, Your Honor.

This came back to me in '99 or 2000 and I take full responsibility for what happened. I met Cooley and Beeler. I shouldn't have been involved with them. I know a lot of investors were hurt and I'm sorry about that. I hurt my family. In the meantime, you'll never see me here again, that's all I can tell you. I promise you that.

MR. SPERTUS: And, Your Honor, just so the Court is aware, the defendant is -- is -- is -- sister, his mother, his wife and members of the community are all present here at sentencing standing behind him. He has support of people in the community who will help him put this behind him.

THE COURT: Thank you.

Well, I've -- I've considered all of the arguments of the parties. I've already indicated the guideline calculation. I'm accepting the Government's 5K1.1 downward departure of a minus four. That leaves a 23-1. The Court believes that an additional two-level variance to a 21-1 is reasonable. Considering the 3553(a) factors, that yields 33

to 41-month range, and the Court intends to impose a 33-month period of imprisonment.

I -- I think that there are aggravating factors that deal with the number of investors and the fact that a lot of ordinary people were hurt in this process. And I think that in mitigation the fact that the defendant has led a law-abiding life for many years and has had to deal with this hanging over his head for many, many years is also something that is very important as well.

I also agree with the Government's statement, however, that you simply cannot participate in a multi-million dollar fraud where you were hurting a lot of investors, particularly in this -- you know, the country's gone through a period of time in the last 10 or 15 years where I've seen a lot of these securities fraud cases and I just -- I think that there's something that just can't, you know, be turned a blind eye to or -- or given a less of a sanction than is really appropriate. And, as I've told the Government, I also believe that the parties that are more culpable are going to be, you know, dealt with appropriately by the Court.

So I've also considered the defendant has some health issues and he's gone through, I know, some



psychological trauma personally as well, and he also -- and on the positive side has been cooperative with the Government and has been forthright since all of this has occurred. But having said all that, I don't believe it's a -- it's a probation case. So I think a 33-month period of custody is appropriate.

The defendant shall pay a special assessment of \$200, due immediately.

Do we have a precise amount for restitution?

MR. CAZARES: We do, Your Honor. And we also have a specific victim list. And the restitution amount I had referenced in my papers, I apologize.

THE COURT: Do you have the restitution list with you?

MR. CAZARES: I do not, but I can provide it to the Court.

THE COURT: Is there any objection, Mr. Spertus, to -- you've seen that restitution list?

MR. SPERTUS: I have not, Your Honor, but the Government in its papers on Page 9 in Footnote 1 stated that the restitution total should be \$8,797,207. We have no factual basis to dispute that and would --

THE COURT: Is that the amount?

MR. CAZARES: That is the amount, Your Honor. And

the reason I have that number is that was provided in the Beeler case to the probation officer after Mr. Tannous' report was initially written.

THE COURT: OK. Then restitution --

MR. CAZARES: -- report was initially written --

THE COURT: Okay. Restitution in that amount will be ordered, then, and I will attach to the judgment and commitment order as an exhibit the -- the payee's pursuant to the list the Government provides.

MR. CAZARES: Yes, Your Honor.

THE COURT: OK.

THE CLERK: Your Honor, I'm sorry. Procedurally now the probation officer maintains that list. And we can't --

THE COURT: OK. Well, you'll take care of how that works, then, John.

THE CLERK: Yes, Your Honor.

THE COURT: OK.

MR. SPERTUS: And, Your Honor, however that's resolved, the defense will have a copy of the victims?

THE COURT: Yes, of course.

MR. SPERTUS: Thank you.

THE COURT: And fines are waived based upon inability to pay.

It is the judgment of the Court that the defendant is committed on the information to the Bureau of Prisons for a term of 33 months. This term consists of -- is there a reason why it's broken down by the probation officer in terms of the 60 plus 10?

MR. SPERTUS: Yes, Your Honor. There was a statutory maximum 60-month sentence so the probation officer imposed the guidelines by breaking --

THE COURT: That's correct.

Okay. This term consists of 33 months on Count 1 and 33 months on Count 2 to be served concurrently.

Upon release, the defendant shall be placed on supervised release for three years. This term consists of three years on Count 1 and one year on Count 2. All such terms to run concurrently under the following terms and conditions:

One, the defendant shall comply with General Order 01-05.

Two, the defendant shall comply with the rules and regulations of the probation office and General Order 318.

Three, the defendant shall refrain from any unlawful use of controlled substances; shall submit to testing; two periodic tests after release, not to exceed eight per month.

Four, the defendant shall participate in outpatient substance abuse and counseling that may include testing and shall abstain from using illicit drugs and alcohol and abusing prescriptions during supervision.

Next, during supervision, the probation officer, with the agreement of the parties, may place the defendant in a residential drug treatment program. The defendant shall reside therein until discharged by the director and the probation officer.

Next, as directed, the defendant shall pay all or part of the cost of treating any alcohol dependency to the aftercare contractor with proof of payment.

Next, the Court authorizes the probation officer to disclose the pre-sentence report to the treatment provider, but further re-disclosure is prohibited.

Next, during the period of supervision, the defendant shall pay the special assessment and restitution in accordance with this judgment's orders.

Next, the defendant shall truthfully and timely and pay taxes owed for the years of conviction and shall truthfully in timely filing and pay taxes during the period of supervision with proof of compliance.

Next, the defendant shall not engage as whole or partial owner, employee or otherwise, any business involving

loan programs, telemarketing, investment programs or any other business involving the solicitation of funds or cold calls without approval in advance.

Further, the defendant shall provide the probation officer with access to all business records, client lists and other records pertaining to any such business owned in whole or in part by the defendant.

Next, the defendant shall cooperate in the collection of DNA.

Next, the defendant shall apply funds received in excess of \$500 from tax refunds, lottery winnings, et cetera, to the financial obligation.

The Court recommends the defendant be evaluated for his eligibility in the 500-hour drug treatment program.

Makes a recommendation for placement as close to Southern California as possible.

Anything further, Mr. Spertus?

MR. SPERTUS: Yes, Your Honor. Because I faced this issue with the Bureau of Prisons before, that the recommendation for the RDAP program be the highest priority, and then provided that there are choices where the -- the Bureau of Prisons can afford the RDAP program, it be Southern California so that the Bureau of Prisons doesn't send Mr. Tannous after -- someplace like that --

THE COURT: I'll just indicate that the Court's first priority is the 500-hour --

MR. SPERTUS: Thank you.

THE COURT: -- RDAP program. And the Court strongly requests he be accommodated in that program. The Court's secondary recommendation is that he be placed as close to Southern California as possible, consistent with the first recommendation.

MR. SPERTUS: Thank you so much, Your Honor.

THE COURT: OK. Anything further, then, from the Government?

MR. SPERTUS: No, Your Honor.

MR. CAZARES: No, Your Honor. The defendant is currently on bond, so I guess we need a surrender date.

MR. SPERTUS: Oh, yes, Your Honor.

THE COURT: Surrender date 60 days from today, and that date will be?

THE CLERK: That is May 18th, 2012.

THE COURT: If the defendant doesn't receive a designation by that date, he is to report to the U.S. Marshal service in this building.

MR. SPERTUS: Thank you, Your Honor.

THE COURT: Okay.

THE CLERK: Bond is exonerated, Your Honor?

THE COURT: Bond is exonerated.

MR. SPERTUS: Thank you.

MR. CAZARES: Thank you.

(Whereupon proceeding adjourned.)

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C E R T I F I C A T E  
UNITED STATES OF AMERICA

vs.

GEORGE TANNOUS

:

:

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No. CR 08-00449-DDP

I, MARIA BUSTILLOS, OFFICIAL COURT REPORTER,  
IN AND FOR THE  
UNITED STATES DISTRICT COURT FOR THE CENTRAL  
DISTRICT OF  
CALIFORNIA, DO HEREBY CERTIFY THAT PURSUANT  
TO SECTION 753,  
TITLE 28, UNITED STATES CODE, THE FOREGOING  
IS A TRUE AND  
CORRECT TRANSCRIPT OF THE STENOGRAPHICALLY  
REPORTED  
PROCEEDINGS HELD IN THE ABOVE-ENTITLED  
MATTER AND THAT THE  
TRANSCRIPT PAGE FORMAT IS IN CONFORMANCE  
WITH THE REGULATIONS  
OF THE JUDICIAL CONFERENCE OF THE UNITED  
STATES.

FEES CHARGED FOR THIS TRANSCRIPT, LESS ANY  
CIRCUIT FEE

REDUCTION AND/OR DEPOSIT, ARE IN  
CONFORMANCE WITH THE  
REGULATIONS OF THE JUDICIAL CONFERENCE OF  
THE UNITED STATES.

/S/ 03/25/2012

MARIA R. BUSTILLOS DATE  
OFFICIAL REPORTER





## MY LIFE TODAY

Remember how I protected my wife Yvonne by entering into the plea bargain agreement with the prosecutor, so they wouldn't prosecute her? Well she divorced me while I was serving my time.

While serving time, I was accepted into the RDAP program. I became the chairperson over the RDAP program's tutor committee! That was a huge success that follows me today.

As of the writing of this book, I studied and earned my Doctorate degree in Christian Counseling.

Time served was fourteen months.

I have remarried to my present wife, Olivia. We met at church.

I run an online grooming school. I also convert buses into mobile grooming units.

I re-wrote the entirety of the RDAP lessons and will soon offer it to all inmates and not just the predominately white-collar criminals as allowed by the Bureau of Prisons. I have formed

a nonprofit organization by the name of, “Crime Reduction Project” to do so.

Stay in touch with me. <http://www.georgetannous.com>

May God, the Father of Abraham, Isaac, and Jacob keep watch over you, and may He always bless you in Jesus name, Amen!

Yours,  
George Tannous