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Government pursuing Sarasota psychiatrist for nearly \$11 million in income tax fraud

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Updated with comments from the defense lawyer.

The United States government is looking to collect more than \$10.8 million from a Sarasota psychiatrist stemming from her conviction for concealing the income she made from the sale of two medical schools in



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concealing millions of dollars in assets and income from the two medical schools she and her husband started in the Caribbean and later sold for more than \$35 million. Hough hid the money in undeclared, offshore bank accounts and filed false tax returns to hide those accounts.

The U.S. government filed a civil lawsuit in federal court in Tampa earlier this month to collect the monetary penalties assessed against Hough for her intentional failure to disclose eight foreign bank accounts on her 2008 tax

return, the civil complaint said. Of the eight accounts, four were with UBS, another two with another Swiss bank and another two with a bank in Liechtenstein.

The government assessed Hough for \$9.55 million nearly two years ago. But, the lawsuit said she also owes a late penalty payment of nearly \$500,000 as well as accrued interest of more than \$772,000. That brings the total amount that the government is seeking to \$10.82 million as of March 5, 2018.

Hough's lawyer, Bruce Udolf said in a phone interview that he was "very surprised" by the new lawsuit. He said that the IRS had deemed the remaining funds uncollectible from Hough. "She has no other assets," Udolf said. "She's already sold all the property that she had." Hough's home is up for sale, he said.

Udolf also pointed out that the fact that any deterrent effect that the government would want to achieve in Hough's case has already occurred since she has served her prison sentence, lost her medical license and underwent a very public prosecution. "How much deterrence is necessary?" he said. "I would hope [the government] would see the wisdom of dismissing this case."

Both this civil action and the criminal case against Hough arose out the of U.S. government's investigation involving offshore accounts. In 2009, UBS, AG and the U.S. government entered into a deferred prosecution agreement in which the Swiss-based bank agreed to provide the identities of, and account information for, certain U.S. customers of UBS's cross-border business.

UBS also agreed to exit the business of providing banking services to U.S. clients with undeclared accounts and paid \$780 million in fines, penalties, interest and restitution. As part of that crackdown, the Internal Revenue Service created a special voluntary disclosure program granting amnesty from prosecution for taxpayers with unreported income from hidden offshore accounts. The U.S. investigation also netted foreign bankers and professionals who enabled and assisted wealthy U.S. citizens in concealing their assets in offshore accounts.

Hough is one of several U.S. taxpayers who used offshore accounts to evade payment of taxes, the government proved. At her sentencing in May 2014, she was given a two-year prison term followed by three years of supervised release. She was also ordered to pay more than \$15.5 million in restitution and nearly \$43,000 for the costs of prosecution.

Hough, now 71-years-old, was released from prison on Jan. 26, 2016. She is still on supervised release, but has paid more than \$5 million.

But the government is seeking the rest of the penalties.

Case history

Federal prosecutors said Hough carried out the conspiracy with her husband, Dr. David Fredrick, who fled after they couple were indicted on May 15, 2013.

The scheme was accomplished through a web of transactions, with accounts being opened and millions of dollars in U.S. funds from the operation and sales of two medical schools transferred into different offshore entities. According to various court documents, Hough owned two Caribbean-based medical schools – The Saba University School of Medicine in the Netherlands-Antilles opened in the 1990s and The Medical University of the Americas on the island of Nevis, West Indies, which opened in 2000.

A year after the second school opened, Hough and Frederick opened a joint account at UBS and in early 2002, they began to negotiate the sale of the schools and opened two additional accounts at UBS. But, that deal fell through.

The schools were eventually sold in April 2007 for \$37.6 million to a private equity firm. Almost \$36 million was split between two accounts at UBS and two other foreign banks, court documents show.

Some of the money the couple made was used to buy homes in North Carolina and a Piper Meridian airplane.

Hough had resigned from her job as a psychiatrist with the Sarasota County Health Department following her conviction in 2014.

According to an IRS announcement earlier this month, the offshore voluntary disclosure program will close on September 28, 2018. Since the program began in 2009, more than 56,000 taxpayers have paid a total of \$11.1 billion in back taxes, interest and penalties.

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