



PRESS RELEASE

Internal Revenue Service - Criminal Investigation *Chief Richard Weber*

Date: Jan. 20, 2016

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IRS – Criminal Investigation

CI Release #: CI-2016-01-20-B

Pennsylvania Man Sentenced for Possession of Explosives, Fraud and Weapons Offenses

Istvan Merchenthaler, 45, of Downingtown, Pennsylvania, was sentenced today to 140 months in prison for wire fraud, aggravated identity theft, money laundering, filing false tax returns, interstate transportation of stolen property, possessing unregistered destructive devices, possessing firearms and ammunition as a fugitive and possessing an illegally manufactured firearm. These charges stemmed from two indictments in this district and one indictment, each, in the Eastern District of North Carolina and the District of Maryland. All of the cases were consolidated before U.S. District Judge Robert F. Kelly for the Eastern district of Pennsylvania who also ordered three years of supervised release, a \$2,200 special assessment and more than \$3.4 million in restitution.

Between May 2006 and February 2013, Merchenthaler claimed to be the founder of PhoneCard USA, a company that was purportedly a “premier distribution source” for prepaid phone cards, prepaid phones and prepaid “adult entertainment cards.” Merchenthaler, who used a number of aliases, falsely claimed that PhoneCard USA had “lucrative contracts” with major retail chain stores including Walmart, 7-Eleven and BJ’s Wholesale Club. In reality, Merchenthaler operated a “Ponzi” scheme, stealing over \$3 million from over 250 investors and using much of these funds to buy expensive cars, jewelry and firearms and to perpetuate his scheme. To line his pockets with these victims’ funds, Merchenthaler used stolen identities, impersonated corporate executives, forged signatures and fabricated bogus contracts. Merchenthaler continued his scheme while he was on pretrial release in this district. He also filed false tax returns, defrauding the United States of over \$400,000.

While on pretrial release, Merchenthaler also removed his electronic monitoring bracelet and fled as a fugitive. In order to evade authorities, Merchenthaler stole two vehicles from car dealerships in Pennsylvania and North Carolina and fled from the scene of a traffic stop by the Pennsylvania State Police while driving one of the stolen vehicles. The U.S. Marshals Service Fugitive Task Force and the Maryland State Police later apprehended Merchenthaler in Bel Air, Maryland.

Moreover, prior to and after jumping bail from this district, Merchenthaler amassed approximately 17 firearms and over approximately 11,580 rounds of ammunition, as well as approximately 634 improvised explosive devices (IEDs), which he stored in Pennsylvania, North Carolina and Maryland. Approximately 67 of these IEDs were comprised of PVC pipe, almost all of which contained shrapnel in the form of nails, screws, or rocks. The remaining approximately 567 IEDs were comprised of cardboard tubes in varying sizes and explosive power. All of the IEDs – PVC and cardboard – were center primed with flash powder. Merchenthaler drove these IEDs in his stolen vehicles to storage facilities in all three states. During render safe procedures at a North Carolina storage facility, several of the IEDs exploded, resulting in damage to a bomb squad robot and the storage facility.

The case was investigated by the Federal Bureau of Investigation, the Internal Revenue Service Criminal Investigations, the U.S. Marshals Service Fugitive Task Force, the Bureau of Alcohol, Tobacco, Firearms and Explosives, the Pennsylvania State Police, the Philadelphia Police Bomb Disposal Unit, the Montgomery County Bomb Squad, the Montgomery County Sheriff's Office, the East Whiteland Police Department, the East Whiteland Fire Department, the Malvern Fire Department, the Maryland State Police, the North Carolina State Bureau of Investigation, the Downingtown Police Department and the Chester County District Attorney's Office. The case was prosecuted by Assistant U.S. Attorneys Vineet Gauri, Jason Kellhofer and Adam Ake in the U.S. Attorney's Offices for the Eastern District of Pennsylvania, Eastern District of North Carolina and the District of Maryland.

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