



**U.S. Department of Justice**

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**PRESS RELEASE**

Richard S. Hartunian, United States Attorney for the Northern District of New York, today announced that **JEFFREY BAZINET**, 42, of Loudonville, New York, pled guilty today in United States District Court in Albany before Senior District Judge Thomas J. McAvoy to an Information charging him with theft and embezzlement from an employee benefit plan, in violation of Title 18, United States Code, Section 664.

In connection with his plea, **BAZINET** admitted the following in a written plea agreement and during his plea proceedings:

During the time period contained in the Information, the Defendant, Jeffrey Bazinet, resided in Albany, New York, and was the owner/operator of Intelligent System Solutions (ISS), and then Cipher Associates. ISS was a computer company incorporated on August 30, 1995. The company first operated in Albany, New York, and later, in Castleton, New York. The defendant co-owned and operated ISS until 2004, at which time he became the sole owner/operator. ISS went out of business in 2006. The defendant later owned and operated, Cipher Associates, a computer software/services company located in the Albany area. Cipher Associates is no longer in business.

On September 1, 1998, ISS established an employee pension benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA), 29 U.S.C. §§ 1001-1191c, named the Intelligent System Solutions 401(k) Plan (the "Plan"). The Plan permitted employee contributions through payroll deductions, and allowed employees the option to put their contributions into a variety of mutual funds. At the time the Plan was established, the Plan Administrator was identified as ISS, and the Defendant and his co-owner were Plan Trustees. In April of 2004, the Defendant's co-owner resigned as a Trustee, leaving the Defendant as the sole Plan Trustee. American Funds served as the Plan Custodian.

According to the last annual report the Defendant filed for the ISS Plan with the Department of Labor, in June 2004, the Plan had 30 participants and total assets of \$ 205,168. Records show that as of February 2011, the Plan had a closing balance of approximately \$ 53,000.00, with fifteen participants.

Between August 2008, and February 2009, on four separate occasions, the Defendant fraudulently represented to the Plan Custodian that a former employee desired to close out his or her pension account and to receive a lump sum disbursement of the proceeds. On each occasion, the Defendant directed and caused the Plan Custodian to close out the pension account for the respective employee, to issue a lump sum check for the proceeds payable to Defendant's business, and to mail the check to Defendant in Albany, NY. In each instance, the Defendant then took the pension account funds that belonged to his employee and kept them for his own use, depositing the disbursement check into one of his business accounts. In fact, none of the four employees had requested a distribution, signed any distribution paperwork, or had any knowledge of the Defendant's actions regarding their pension accounts.

The Defendant unlawfully converted to his own use the funds and assets of the Plan belonging to former ISS employees A.R., K.F., J.S., and P.T., in an amount totaling approximately \$ 11,915.50.14. Although the Defendant ultimately paid some of the pension proceeds to two of the former employees, in response to their repeated demands, he failed to pay these individuals the total proceeds and interest to which they were each entitled, and never paid any pension funds to the two other former employees.

Sentencing was scheduled by Judge McAvoy for September 12, 2011 at 2:00 p.m. in U.S.

District Court in Albany, New York. **BAZINET** faces a maximum penalty of five years of imprisonment. BAZINET agreed to make full restitution to the victims on the date of sentencing.

The case was investigated by the United States Department of Labor, Employee Benefits Security Administration (EBSA) and the Office of Inspector General.

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