





## THE LION, THE POLYGAMIST, AND THE BIODIESEL SCAM

BY VINCE BEISER

How a member of a breakaway Mormon sect teamed up with a Bugatti-driving, hard-partying tycoon to bilk the government for hundreds of millions of dollars.

The graft?  
Clean fuel subsidies.





Jacob Kingston waited anxiously at the tiny airport in Brigham City, Utah, for the private jet. His new business partner from Los Angeles was arriving on this frigid January day in 2012, and Jacob desperately wanted to make a good impression. Too embarrassed to bring his humble Toyota Tercel, he had rented a Cadillac Escalade to pick up his guest. ¶ Jacob, a beefy 35-year-old with a large forehead topping a rectangular face and wide-open eyes, had high hopes for this visit. After all, he had three wives and many children to support. Jacob was already one of the top earners of the Davis County Cooperative Society—also known as the Order—a break-away Mormon polygamist sect based in Salt Lake City that emphasized “consecrating” its members’ income back to the group. But, of course, one could always do better. ¶ Jacob had known his new partner, Lev Dermen, for only a couple of weeks, but the man obviously knew something about making money. The thickly built Armenian immigrant who stepped off the plane, a pair of bodyguards in tow, controlled a small empire of truck stops and gas stations across Southern California. ¶ Once they had settled in to the capacious Escalade’s leather seats, Jacob drove Dermen half an hour north through high mountain-rimmed flatlands to the remote hamlet of Plymouth. The town is home to some 460 people, and to the operation Dermen had come to see: Jacob’s biodiesel plant, a recently built complex of storage tanks, prefab buildings, and trucks. Jacob’s wife Sally and other staff members turned out to greet Dermen with a gift basket of Armenian fruits and a cowboy hat. The visit went well. After touring the plant, Dermen invited Jacob and Sally to dinner. “We’re going to Seattle,” he explained casually. ¶ A few hours later, Jacob and Sally found themselves aboard Dermen’s jet, en route to Washington. That evening in Seattle, Dermen took them to a friend’s house where they dined on sushi while a hired Russian singer serenaded the group. Dermen and his friends were still partying at 2 am when Sally and Jacob—whose religious beliefs discourage drinking alcohol—went off to the hotel room Dermen had arranged for them. On the way to the airport the next day, Dermen stopped off at a seafood store. “Do you like crab and lobster?” he asked. They did.

According to Jacob, Dermen proceeded to buy out the store’s entire stock—about 15 boxes—and give it to the couple as a gift.

Jacob’s world, up to this point, had not involved private jets or impulse buys of cases of lobster. At the time he met Dermen, he was living with Sally and their children in a cabin where, as he later said, “the heat didn’t work, the water didn’t work, and it had rats and snakes.” Dermen’s lifestyle looked mighty appealing. And in a surprisingly short time, Jacob would be living it himself. He and Dermen were about to embark on a byzantine series of business ventures that would involve barges of recycled grease, real estate from Texas to Turkey, forged paperwork, phantom truck trips—and swindling the federal government out of hundreds of millions of dollars.



#### IN 1890, WHEN THE CHURCH OF JESUS

Christ of Latter-day Saints—better known as the Mormons—renounced polygamy, many of its members considered the move heresy. Forty-odd years later, in the depths of the Depression, a white-haired die-hard named Elden Kingston, husband to five wives and father of 17 children, convinced a few other families to join him in establishing a communal splinter sect on some land just north of Salt Lake City. They would pool their wealth, exalt the taking of multiple wives, and generally live a rigorously observant life. While other such fundamentalist sects have set up shop in dilapidated compounds in remote parts of the West, the better to avoid the temptations of the outside world and the attention of law enforcement, the several thousand members of the Order—also sometimes simply called the Kingston group—mostly live in and around Salt Lake City. They wear ordinary clothes, work ordinary jobs, and generally blend in.

The Kingston group is organized along strictly hierarchical lines, summed up in the teaching of “one above the other.” Men

defer to their fathers, and on up the chain to the sect’s hierarchy of “numbered men,” a ranked list of powerful and honored members. Founder Elden Kingston was number one; the Order’s current leader, Paul Kingston, is number nine.

Collectively, the Kingston group has built up a sizable economic base. Order members control more than 100 businesses across the American West, including a grocery store, pawn shops, a casino, a cattle ranch, and a tactical firearms company recently visited by Donald Trump Jr. Family members make up much of the workforce. Many of those workers, according to former members, are children: girls file and answer phones in the group’s offices, and boys work on the ranches and in factories. Mary Nelson, a former member who left the Order, says she was put to work in the group’s central financial office when she was just 6 years old. “That was normal to me,” she says. “That’s how I grew up. The Order school bus would drop a lot of kids off at the office to start working after school.” (A spokesperson for the Order says that allegations of illegal child labor are false.)

Women often marry young as well. *The Salt Lake Tribune* has reported that since 1997, at least 65 Kingston group girls under the age of 18 have been married. Jacob’s dad, John Kingston, husband of at least 14 wives and father to some 120 children, was imprisoned in 1998 after pleading no contest to charges that he beat his 16-year-old daughter unconscious after she ran away from an arranged marriage to her uncle.

Jacob Kingston, one of Paul’s favored nephews, is number 95 in the hierarchy. He grew up in Salt Lake City, the second oldest of seven kids in a small two-bedroom

house. He also has scores of half-brothers and half-sisters, whom his father sired with a dozen-odd other wives.

As a descendant of the group’s second leader, Jacob’s bloodline supposedly goes straight back to Jesus. Jacob’s behavior, however, wasn’t exactly Christlike. “He was a troublemaker,” says Jacob’s former wife Julianna Johnson, who is also his aunt. “He did stupid, childish stuff as a teenager, like skipping school, vandalizing stuff.” He once spray-painted a stripe down her cat’s back, she recalls. Other former members remember him as an arrogant kid who made fun of overweight people.

Jacob worked summers on his father’s cattle ranch in northern Utah, where he started learning about machines. By the time he was 17, he’d moved out of his mom’s house and married his first wife, Sally, also 17. He married Julianna, his second wife, two years later. She was 15 at the time.

Julianna left the Order and Jacob nearly 20 years ago, she says, largely because her marriage was so awful. She hadn’t wanted to get married in the first place, but her family pressured her into accepting Jacob’s proposal. “He never treated me well as a wife,” she says. On nights Jacob was supposed to spend with her, according to Julianna, he’d show up at midnight, after spending the evening with Sally.

His home life notwithstanding, Jacob was a steady student. He went on to earn a PhD in mechanical engineering from the University of Utah. By the time he graduated, he and Sally already had half a dozen children. That’s a lot of mouths for anyone to feed. While he was at university, though, Jacob had heard about a small but fast-growing industry that sounded like a good prospect.



#### IN THE 1970S, THE OPEC OIL EMBARGO

woke up the Western world to the fact that it relied overwhelmingly on foreign, often unfriendly countries for its most crucial fuel. Research into alternative fuels was suddenly in vogue. By the early 1980s, researchers were making good progress on a form of diesel made from vegetable oils—aka biodiesel. It wasn't an entirely new idea; when Rudolf Diesel, a German engineer, invented his eponymous engine back in the 1890s, it could run on all kinds of fuels, including oils made from vegetables. But plant-based oils had been shunted aside by the cheap, abundant petroleum that was flooding into the world market.

For a country intent on breaking its dependence on imported oil, biodiesel—one of several types of biofuels, a category that also includes ethanol—has a powerful appeal. It can be used to power trucks and heavy equipment, and as heating oil. It can be made from renewable, all-American feedstocks: oils derived from vegetables like soybeans, corn, palm, and canola, or even used cooking grease, like the stuff left at day's end in a McDonald's french-fry fryer. Those all contain high levels of triglycerides. To make biodiesel, you mix one of those feedstocks with methanol or some other form of alcohol and throw in a little sodium hydroxide or potas-

sium hydroxide as a catalyst. That process, called transesterification, separates the oil into glycerin and fatty acid methyl esters—the chemical name for biodiesel. In industry parlance it's called B100, as in "100 percent biodiesel." This stuff burns more cleanly than conventional diesel and overall produces lower CO<sub>2</sub> emissions.

The problem is that it's expensive to produce. So beginning in 2005, Congress, prodded by worries about energy independence and carbon emissions, as well as by farmers eager for a new market, has offered up billions of dollars' worth of subsidies to spur biodiesel production. Some states have chipped in additional incentives. The shape, size, and number of these subsidies have shifted over the years, but there are two that are important to the tale of Jacob Kingston and Lev Dermen. These subsidies kick in at two different steps along the biodiesel manufacturing chain.

Step one: production. Every gallon of B100 that a producer distills from raw feedstock is given a "renewable identification number" by the US Environmental Protection Agency. Those identification numbers work sort of like carbon credits. Big oil producers are mandated by Congress to either produce or buy a certain amount of biofuel; they can get around this requirement by simply buying the numbers from someone else—in effect, paying another company to make the biodiesel.

Step two: blending. Producers then mix the B100 with a little regular diesel to produce what they call B99. (Pure B100 can be used as fuel for trucks and heavy equipment, but its high viscosity tends to gum up conventional engines.) Every gallon of B99 produced earns them a \$1 "tax credit," which is actually a direct payment from the IRS. The B99 then gets sold down the line to customers like fuel stations or trucking companies, which usually add more diesel to the mix, depending on their requirements.

Those subsidies have worked: American

## DERMEN TURNED TO JACOB, HANDED HIM THE KEYS TO THE LAMBORGHINI, AND SAID OFF-HANDEDLY, "HERE. IT'S YOURS."

biodiesel production shot from around 100 million gallons in 2005 to around 1.7 billion in 2019. But the industry is far from self-sustaining, and supporting it hasn't come cheap. A 2019 report by Taxpayers for Common Sense reckons biodiesel credits have cost American taxpayers at least \$12 billion so far—not all of which was used as intended, to say the least.

in economics, so Jacob put him on accounting, paying him \$11 an hour. He made clear to Isaiah that, brother or not, he could be fired if he screwed up.

Business was terrible. The plant wasn't near any sources of the raw materials it needed, so Washakie had to pay to haul in soybean oil from the Midwest and used cooking oil from restaurants as far away as Las Vegas. Even with the subsidies from the IRS, EPA, and other agencies, the company made zero profits those first couple of years. Jacob looked around, talked to other folks in the industry, thought about those federal subsidies, and came up with a new strategy: fraud.

The Kingstons are not strangers to the idea of ripping off government programs, according to state and federal law enforcement officials. In the 1980s, the Order's then leader was forced to pay a \$250,000 settlement for alleged welfare fraud (though he never admitted guilt). Former members told me a common scam is for multiple wives of one husband to declare themselves destitute single mothers in need of state aid for themselves and their children. Mark Shurtleff, Utah's attorney general from 2001 to 2013, believes members of the group also shuffle money around between their various businesses to avoid paying taxes. Though he was never

able to marshal enough evidence to bring a case, "there is absolutely no doubt in my mind that they are committing financial fraud," he says. Federal investigators are currently looking into allegations of welfare fraud and student loan fraud. (A spokesperson for the group told me via email that allegations of welfare fraud are false and that "the Davis County Cooperative Society condemns in the strongest terms fraudulent business practices and stresses to members and nonmembers alike that this behavior is not in line with our beliefs or principles.")

The biodiesel industry, with all that government money sloshing through it, presented an enticing target—and not just to Jacob. In recent years, more than 30 people from California to New Jersey have been charged with bilking the government out of millions of dollars in biodiesel-related fraud. Over a dozen have been imprisoned—including one guy who sold \$9 million worth of counterfeit renewable identification numbers from his Baltimore garage without making a drop of actual fuel.

In 2010, according to federal court documents, Jacob met a New York-based wheeler-dealer named Andre Bernard who said he could connect Jacob with suppliers of used cooking oil. Bernard introduced Jacob to Tom Davanzo, owner of a company called Biofuels of Colorado. Davanzo had recently produced some biodiesel, but, according to Jacob, his company lacked the proper license to make it eligible to claim renewable identification numbers. Washakie, however, had just such a license. So the pair agreed to phony up paperwork to make it look as if their two companies were connected in such a way that they could claim the identification numbers. It worked, and Davanzo and Jacob divvied up the proceeds.

From there, Davanzo and Jacob faked a series of other deals. In one, Washakie pretended to sell Biofuels of Colorado a load of feedstock that simply didn't exist. At year's end, the two companies hauled in \$2.5 million in tax credits. Easy money.

Those claims, though, apparently raised a few official eyebrows. In October of that year, EPA agents came to inspect Washakie's facility in Plymouth, asking questions about production and renewable identification numbers. The agency



#### IN 2006, SHORTLY AFTER GETTING HIS

PhD, Jacob borrowed some money, built a small biodiesel production plant on land his father owned, and with Sally's help launched a company they dubbed Washakie Renewable Energy. They soon added Jacob's mother, Rachel, to the payroll. She asked Jacob to hire his younger brother Isaiah as well—he'd been out of work for some time after a bout with cancer and desperately needed a job to support his wife and two kids. (Later, Isaiah added a second wife.) Isaiah had a bachelor's degree

wouldn't tell me what specifically sparked its interest in Washakie, but it seems likely the Feds already had their eyes on Jacob's new business partners. Bernard and Davanzo were both convicted several years later for other biodiesel-related tax fraud scams, and both are now in prison.

At the time, though, Jacob apparently felt he'd found an excellent new business model, EPA inspections or no. With some help from Bernard, he struck up illicit deals with a handful of other biofuel outfits scattered around the country, creating paperwork to claim federal credits for biodiesel that wouldn't otherwise qualify, or that sometimes never existed at all. Washakie was soon pulling in millions of dollars in fraudulent tax credits.

One of Jacob's new partners was Deryl Leon, then 32, a Miami-based former musician with a trim build and a lazy smile who had gone into buying, selling, and transporting used cooking oil and other liquid fuels. In 2011, with Leon's help, Jacob launched an especially audacious scheme. First, the two bought \$2.3 million worth of B99 from a Florida biodiesel company. Then they faked paperwork to make the B99 look like raw feedstock, and more paperwork to make it look like Washakie had processed that feedstock into B99. Voilà: tax credits! Then they sold the original B99 to buyers in India.

But their luck turned sour. While the fuel was in transit, the Indian buyers went out of business. They refused to take possession of the cargo when it arrived. Jacob was stuck having to ship back nearly 700,000 gallons of B99, which, after sitting in hot shipboard containers for many months, had likely gone rancid. Jacob needed to recoup his investment, but what kind of operator would buy \$2 million worth of secondhand, potentially foul fuel?



**FOR A STUBBY GUY, ONLY 5'7" AND** weighing some 200 pounds, Lev Aslan Dermen, aka Levon Termendzhyan, carried himself with serious swagger. He rolled through the streets of Los Angeles in a Lamborghini, a Maybach, a Rolls-Royce, or an armored SUV. Expensive watches adorned his wrist, and black-clad bodyguards hovered at his elbow. He had an office on Rodeo Drive and a mansion in Bel Air, and he took meetings at the Beverly Wilshire. He kept his graying black hair and beard well-trimmed and liked to dine well and party hard. His personal totem, and sometimes nickname, was the Lion. (When he changed his name to its current, more American version, he added the middle name Aslan, which means *lion* in Turkish.)

It was a long way from Armenia, the then Soviet republic he had emigrated from at 14. As a teenager in Los Angeles, Dermen grabbed the opportunities America offered with both hands. While he was still a student at Hollywood High School, he took a job driving a fuel delivery truck. That might not sound like the most promising career move, but Dermen made it one. He saved up and soon launched his own trucking company, Lion Tank Lines. From there, he

leased some pumps and gradually built his own chain of filling stations, truck stops, and petroleum companies.

It's a classic American success story—though it seems to have been more Elmore Leonard than Horatio Alger. Over the years, Dermen has been investigated, though never convicted, for selling customers watered-down gasoline, dealing in stolen fuel, evading taxes, laundering money, assault, and brandishing a gun at a police officer. In 2016 someone shot his son's bodyguard five times as the young man was headed home from Dermen's office in a black Escalade.

Jacob had tasked a salesman in Southern California with finding a buyer for his rejected B99, and at the tail end of 2011, that salesman found his way to Dermen.

The Lion spotted an opportunity. He called up Jacob and told him to come to LA to discuss, pronto. Kingston number 95 was in Houston at the time; the next day, he was on a plane to Los Angeles.

From the airport, Jacob made his way to a desolate, warehouse-lined street in the gritty LA suburb of Commerce. Dermen had a NOIL (*Lion* backward, get it?) gas station out there, with two black lion statues stand-

ing guard in front. Behind the station sat a double-wide trailer that Dermen used as a field office. A couple of bodyguards loitered outside by Dermen's Escalade while Dermen and Jacob talked.

Jacob had never dealt with anyone who kept bodyguards around, but he liked what Dermen had to say. Dermen apparently wasn't troubled about the biodiesel's quality. "I move a lot of fuel," he told Jacob, according to federal court documents. Jacob says that Dermen told him he'd dumped everything "from motor oil to yellow grease" in his tanks—and that he agreed to buy the fuel then and there.

According to court documents, the two decided to sweeten the deal with a little dash of forgery. They phonied up documents that declared the incoming B99 to be feedstock, documents that showed the "feedstock" getting trucked from Dermen's storage tanks in Long Beach to Washakie's facility in Utah, documents that showed the "feedstock" being converted into biodiesel, and documents showing the "new" B99 getting trucked back down to Long Beach. In fact, once the ship from India arrived, the fuel was just loaded into Dermen's tanks in Long Beach. Jacob and Dermen happily reaped the identification numbers and tax credits.

Two weeks later Dermen made that private-jet trip out to Utah. By the time everyone was home from Seattle, they were in business. With Dermen on board, Washakie's scams shifted into overdrive.

Why go to all the trouble of actually moving tons of product thousands of miles? Because all the legitimate shipping documentation generated on the way—when added to the falsified invoices, production records, and bills of lading—created a much more convincing package than if they had simply faked everything. Jacob was learning fast about the importance of having legitimate-looking paperwork: In addition to the EPA's ongoing investigation, the IRS launched an audit of Washakie's books in 2012.

That summer, at Jacob's direction, Isaiah came out to the Brigham City airport to bring his brother a couple of checks. Jacob took them inside Dermen's plane and reemerged carrying a bag stuffed with cash. Isaiah had already been wondering about the legitimacy of Washakie's business, and this seemed like pretty good evidence that something wasn't right. "What's going on?" he asked Jacob, according to court documents. "Well," Isaiah says that Jacob explained, "those projects that you and Mom did were fraudulent." No need to worry, though—Dermen would protect them.

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#### SOMETIMES THE NEW PARTNERS WOULD

three-card-monte money between bank accounts to make it look as if they were buying and selling biodiesel when they weren't. Sometimes they'd claim to have produced biodiesel that didn't exist at all. At one point, Deryl Leon, now a partner, helped them

rotate bargeloads of B99 in a circle from port to port in Texas and Louisiana, claiming credits on the same batch of fuel more than a dozen times. At one point they reprised the India operation, buying about 100 shipping containers of B99 from dealers in Florida and Texas, relabeling it as used cooking oil, and shipping it to the east coast of Panama. There, it was unloaded onto trucks, hauled to the west coast of Panama, reloaded onto another ship, and sent to California, where they pretended to process it into the B99 it was in the first place.

But that seemed like a bargain considering the tens of millions the partners were hauling in. According to Jacob, Dermen liked to keep wads of it around in cash, bundles of \$10,000 tied with two rubber bands. At one point he handed Jacob a Ferrari bag stuffed with \$600,000.



**ISAIAH WAS UNEASY, BUT JACOB WAS** starstruck. When Dermen called, according to Isaiah, Jacob would drop whatever he was doing to answer. He started showing up at Washakie's Salt Lake City office smelling of cologne and wearing the same kinds of expensive shirts and shoes Dermen wore. A \$40,000 Ulysse Nardin watch that Dermen had given him glittered on his wrist. (Jacob returned the gesture by giving Dermen a watch worth \$137,000.) Isaiah said Jacob even trimmed his brown beard to look more like Dermen's.

And the more they reeled in from the US Treasury, the more ideas Dermen had about what to do with it. Jacob flew to LA almost weekly, and soon the two of them were traveling around the world looking for deals and investments. They stayed in plush hotels in New York, Miami, and Las

Vegas. They bought property in Utah and Texas. They visited Malaysia, Venezuela, and Belize, where they invested in a casino, and Turkey, where they sank cash into a range of businesses. Over time, Jacob sent more than \$130 million to Turkey. Dermen was well connected there. When Jacob's son Jacob Jr. got married, Dermen threw a party for a dozen-plus Kingstons aboard a boat off the shores of Istanbul, followed by a weeklong stay at a resort on the southern coast. At the airport, an official whisked the Kingstons to the front of the customs line. A police escort shouldered aside traffic for the bus that took the family to their hotel.

The teetotaling fundamentalist from a hardscrabble background was delighted to find himself hanging out in louche nightclubs and ritzy hotels with politicians, high rollers, the prime-minister-elect of Belize, and, once, the president of Turkey, Recep Tayyip Erdogan. Jacob invested in a clothing line with a Haitian-American rapper named Won-G and a talent-showcasing app for would-be "global superstars" called MobStar. He bought a suite at Salt Lake City's top sports arena and hung out with Utah Jazz basketball players.

To Order members who wondered why he was suddenly living like a movie star while so many of them were struggling, Jacob explained that it was just part of his job, which would ultimately benefit them all. "He said he needed to project an image of success so people would work with him," says Shirley Hansen, a former Order member who worked at Washakie. "People thought he was doing great, earning lots of money for the group." Which, in fact, he was: In line with the group's traditional practice,

Washakie often bought goods and services from other businesses owned by members of the Order, sometimes deliberately paying extra as a way to spread the wealth around. All told, Washakie steered some \$30 million to other Order-related businesses.

Also, word went around: Don't cross Jacob's friend from Los Angeles. Hansen says Jacob told her, "You don't wanna make him mad. He's the guy who can make or break us. It's thanks to him that we've got money to pay your wages."

At one point, Jacob confided to Dermen that Sally was unhappy with his being away from home so much. A new house closer to the office in Salt Lake City might help, he thought. After touring a coffee-colored, 10 bedroom, \$3.1 million mansion near the city, Jacob says Dermen told him, "This is the house you need to buy, because this is our style." Jacob bought the house the next day. (Isaiah, though he had by then been promoted to CFO, lived in a house worth less than one-tenth the price of Jacob's.)

Dermen came out to help negotiate the deal, arriving in a chrome Lamborghini, trailed by agog relatives snapping pictures. Dermen turned to Jacob, handed him the car's keys, and said off-handedly, "Here. It's yours."

ily picnic. It's a major event in the Order's calendar. Hundreds of members gather to swim, eat, and play on a tree-fringed swath of Order-owned land, 20 minutes north of Salt Lake City, where the group's founder, Elden Kingston, supposedly met the Savior. Jacob and Dermen rolled up in the Lamborghini, trailed by the bodyguards. People crowded around to meet Jacob's mysterious friend; having any kind of outsider at the picnic was exceedingly rare, let alone one that showed up in a gleaming supercar.

Jacob introduced Dermen to his father and uncle Paul. Dermen was invited to join them for a kids' talent show, sitting with family members in the front row. "It was kind of a shock, because outsiders are never allowed to those parties," says Michelle Michaels, an Order member who was there and has since left the group. "Jacob said they were his friends, and they were helping him become a millionaire."

As the picnic wound down, Jacob walked back to the Lamborghini with Dermen, trailed by agog relatives snapping pictures. Dermen turned to Jacob, handed him the car's keys, and said off-handedly, "Here. It's yours."



#### WHILE JACOB'S STAR WAS RISING IN THE

Order, Mary Nelson—the girl who had gone to work in the financial office at age 6—was making plans to escape it. Mary's father, David, is Jacob's uncle; her mother is David's fifth wife. When she was a kid, she says, Mary and her mother were so broke they had to dumpster-dive for food.

When she was 17, in 2013, Mary climbed out of her bedroom window and ran across a field. Bryan Nelson, an outsider she was dating—they met at community college—was waiting on the other side to take her away with him. The two were married soon after. (This kind of thing happens often enough that there are four seasons of a reality show called *Escaping Polygamy*, which follows ex-Kingston group wives as they help others escape their own and other, similar groups.)

Sickened by the Order's practices, which they claim include sexual abuse as well as incest, child labor, and fraud, Mary and Bryan Nelson have since made it their mission to expose the group. "I want to see the Order dismantled, and its leaders pay the price for what they've done to all the thousands of people they control," Mary says. (The spokesman for the Order said, "To allege widespread fraud of any kind is completely false.")

During the years Mary worked in the Kingston group's central office, she helped process financial records, including some pertaining to Washakie, the most lucrative Order-affiliated business. She and Bryan gathered documents and mapped out the Kingstons' labyrinthine family tree on paper, and then tried to get the Feds' attention.

"It's extremely hard getting a meeting with the FBI," Bryan says. "Eventually I got the cell number of the local FBI office head. I called him up and tried to explain the Order in one phone call. That's not easy." In January 2014, at the agent's request, Bryan sent an email summarizing information he

claimed to have about the Order—including fraud perpetrated by Washakie leadership. The couple didn't hear anything back for six months. Then an email came with an invitation: The FBI wanted them to meet with some agents in the bureau's Salt Lake City office. That day, Bryan says, "they took a lot of notes. It lasted two hours, and they asked us to meet them again." At the next meeting, Mary says, "they brought us into a conference room with a lot of different people," including IRS agents. The couple handed over names, numbers, and connections between the Order's multifarious members and businesses.

(Bryan and Mary have since brought a federal lawsuit against the Order, accusing the group of committing millions of dollars' worth of welfare fraud. They say they are working with federal officials to bring charges for other crimes as well. Fearing Order members might seek retribution against them or their children—Mary and Bryan say they have been followed and once had a brick thrown through their window—the couple has moved out of the Salt Lake area.)

All the money pouring into Washakie was, by then, starting to attract attention elsewhere. "You had this little plant in Utah claiming to be producing millions of gallons of biodiesel," says IRS agent Stephen Washburn. "That was a red flag." In 2014, while the EPA's civil division was still looking into Washakie's renewable identification number claims, the agency's criminal arm quietly opened an investigation. The IRS' criminal branch—where Washburn works—soon followed suit. Agents from both organizations got busy subpoenaing documents from banks, shipping companies, and other outfits that Washakie had done business with—along with warnings not to tell anyone at the company about those subpoenas.



#### SOMEHOW Dermen Smelled the Feds

getting closer. It's not clear exactly how extensive the truck stop tycoon's umbrella really was, but several court cases have revealed that he did have well-compensated allies inside law enforcement, including at the Glendale, California, police department, the FBI, and the Department of Homeland Security. In March 2014, according to court documents, Dermen and Jacob took Dermen's private plane to Houston to meet with their trusty fixer, Deryl Leon. After lunch at a local steakhouse, Dermen motioned for Leon to come outside with him and Jacob. He led Leon to a corner of the parking lot, out of earshot of the valets. Suddenly, he grabbed Leon's wrist, which held a \$22,000 Rolex.

According to Leon, Dermen said, "You're being too flashy. You're looking for too much attention." He pointed at Jacob. "Do you appreciate what this man has done for you? Do you care about him?"

"Yes," said Leon, fear rising in him.

"Would you do anything for this man?"

"Sure."

"Would you be willing to leave the country?"

By now Leon was terrified. "What do you mean?"

"I'm worried because you're weak. If they come at you, you'll talk."

Dermen then insisted Leon drive back to their hotel with him and two of his bodyguards. Riding in the passenger seat, Leon was petrified, he later testified. He thought he was about to get shot in the back of the head.

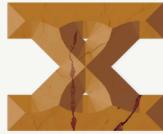
A few weeks later, Leon met Dermen again, at a gigantic birthday party for Jacob in Utah. (Dermen gave Jacob a present of a gold Ferrari. Nice, but not quite as impressive as the \$1.8 million Bugatti that Jacob had recently given Dermen for *his* birthday.) Dermen again took Leon outside.

"How well do you know your wife?" he asked.

Leon spluttered. "We've been together 16 years!"

EARLY IN THE YEAR,  
WASHAKIE FILED FOR  
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OF BIODIESEL.

"Somebody's talking," said Dermen. "I don't know if it's her or who. Somebody's talking." He left it there. (Dermen's lawyer, it should be noted, says these incidents didn't happen.)



**DESPITE HIS MISGIVINGS, THE LION** apparently kept chasing his prey. In March 2015, Washakie banked \$164 million in IRS tax credits. Jacob claims Dermen insisted they up the ante. Early the following year, Washakie filed for credits totaling \$644 million. At that point, the company wasn't producing a single gallon of biodiesel.

When Isaiah saw those claims, he freaked. "What are you doing?" he asked Jacob. "You just sent us to prison!" Not to worry, Jacob told him; Dermen had it all under control. They had the umbrella. But the sky was getting awfully dark.

In early February of 2016, according to Jacob, he got a call from someone at the Salt Lake City IRS office—he claims not to know who—with an urgent message: Federal agents were planning to raid Washakie's offices. The family scrambled. Michelle Michaels, the former Order member, says her mother, who worked in one of the Washakie offices, told everyone there, "If you don't need the record, shred it." Michaels, 15 at the time, was drafted to help alter computer records. Hard drives on computers belonging to Jacob, Isaiah, and Rachel's computers were replaced. Isaiah grabbed binders full of documents and stashed them in his car. According to court documents, Jacob says he called Dermen. The Lion was soothing. "I checked," Dermen told him. "There's not going to be a raid."

At 8 am on February 10, a swarm of IRS, EPA, and Homeland Security agents rousted Jacob and Sally from bed. All those documents the investigators had been gathering had yielded enough probable cause for a search warrant. Jacob watched as they rummaged through his home for a solid nine hours. Meanwhile, more agents from

the EPA and IRS were searching several other Order-related offices in Salt Lake City.

But they didn't turn up much. "Federal agents found computers that had been wiped or recently replaced, empty desks, and empty bookcases with dust outlines where binders and other documents were recently stored," prosecutors later noted sourly in court papers.

Two days after the raids, a badly rattled Jacob was in Las Vegas, meeting with Dermen in a suite at the Wynn, a high-end hotel on the Strip. According to Jacob, the fuel tycoon had Jacob strip down to his underwear to prove he wasn't wearing a wire. With that confirmed, he told Jacob he hadn't known about the raid but that "his boys" would try to take care of it. "Stay strong," Dermen told him—and go tell Deryl Leon to stay strong too.

So Jacob boarded a plane to Florida and pressured Leon to meet him in a cheap motel room in North Miami, not far from the beach. Taking his cue from Dermen, Jacob had Leon take off his shirt and put his phone in the microwave. Leon assured Jacob he was not talking to the government. "Don't worry," Jacob told him. "There are people on

the inside who are going to take care of this."

"My attorney says I'm looking at a 20-year sentence," Leon said.

According to Leon, Jacob growled, "There are worse things than a 20-year sentence."



#### JACOB'S BARELY VEILED THREAT WAS

a little late. Leon had panicked when he heard about the raid and immediately hired a lawyer to cut a plea deal. He was already talking eagerly to federal investigators by the time Jacob showed up. "He realized that search was the first card to fall in the house of cards they'd built," says Washburn. "He decided he wanted out." Leon was crucial, says Washburn, in cluing the investigators in to Dermen's central role. Until then, they'd been primarily focused on the Kingstons.

The noose was tightening. A federal



grand jury had been set up and was hauling in Washakie employees, and even one of Jacob's wives, to testify. Federal agents were also rooting out other people who had spun scams with Washakie in the past and were pressuring them to talk. In March 2017, a Homeland Security agent who had worked with Dermen and Jacob was arrested and charged with illegally helping a business associate of Dermen's travel between Mexico and the US. That August, federal agents waving search warrants ransacked Dermen's home and businesses. It seems even Dermen started getting paranoid: According to one of his former secretaries, Dermen accused her of feeding information to the Feds and fired her—after she'd worked for him for 12 years.

Jacob later said that Dermen was ever confident and promised the Kingstons he could still make the investigation go away. But it would require spreading around some serious cash. Jacob added that Dermen told him he and Isaiah had to send \$6 million to a go-between in Turkey.

At that point, though the brothers had bilked the government out of more than \$500 million, they were almost broke. The money had been shared with Dermen, given to other Order businesses, invested in Turkish real estate, and blown on sports cars and parties. The brothers frantically drained all of Washakie's bank accounts, laid off employees, and sold everything they could, including Jacob's fancy cars and watches. Even Sally's jewelry.

Jacob said they got the money to Dermen's man in Turkey. But by then, he had apparently decided the umbrella wasn't going to protect him from what was coming down.

On August 23, 2018, Jacob walked down a sky bridge at the Salt Lake City airport, heading for a gate from which a KLM flight to Turkey was departing. According to *Bloomberg Businessweek*, two of Jacob's sons and their wives, along with Sally, were already on the plane. But before Jacob could board the aircraft, plainclothes federal agents stepped out and arrested him. Isaiah and Dermen were also taken into custody in Salt Lake City and Los Angeles, respectively, the same day.

In seven years Jacob had gone from living in a badly heated cabin in northern Utah to luxurious foreign hotels to a jail cell.



#### FOR A FEW MONTHS JACOB AND ISAIAH

kept insisting to federal prosecutors that they were innocent. But then the Feds indicted their mother and Jacob's wife Sally as well, for mail fraud and money laundering. They were all looking at possibly decades behind bars. Soon, all four agreed to enter guilty pleas and testify against Dermen in exchange for lighter sentences.

Being associated with the big-spending Armenian American and his polygamist partner has since become a serious liability. In February 2020, Belize's prime minister-elect resigned over allegations that he took a \$50,000 bribe to help Dermen get citizenship in the tiny Central American nation.

President Erdogan is reportedly petitioning a Turkish court to have a picture of him with Jacob removed from news sites. A Beverly Hills lawyer pleaded guilty to bribing federal agents on Dermen's behalf, and at least one of those agents is awaiting trial.

At one point, Jacob and Dermen found themselves in the same cell. "What happened?" Jacob asked.

It's your fault, Dermen told him. It's your family's fault.

"You ruined my life," replied Jacob.

Dermen's trial began in January 2020. It lasted nearly two months. His lawyer,

Mark Geragos, a high-dollar LA attorney whose former clients include Michael Jackson and Colin Kaepernick, argued that all of the fraud had been committed by the Kingstons; Dermen, he insisted, was just their innocent business partner. Much of the extensive testimony from

Jacob, Leon, and others that incriminated Dermen, says Geragos, was false—confessed criminals trying to shift blame away from themselves. Via email, Geragos told me that the meeting in which Dermen had Jacob strip down to his underwear never happened. "Jacob is delusional," Geragos wrote. The jury, however, thought

otherwise. Dermen was convicted.

Dermen and Jacob are still sitting in the Salt Lake County jail awaiting sentencing, which has been delayed by the coronavirus pandemic. (In March, Geragos pushed for a retrial, arguing that the pandemic had panicked the jurors. He was denied. He is still fighting for a new trial on other grounds. Among other things, Geragos says that recently disclosed evidence shows Dermen had no involvement in the \$6 million that Jacob sent to Dermen's associate in Turkey just before his arrest, and that the money was sent to cover legitimate legal and business expenses.)

Dermen was found guilty of 10 counts of mail fraud and money laundering. He could spend the rest of his life behind bars. Jacob, even with his sentence reduced thanks to his cooperation, is still likely to spend many years in prison. He admitted to a total of 41 charges, including obstructing justice, fraudulently claiming to have made biofuel, and laundering more than \$100 million.

"It was tax fraud on an almost unimaginable scale," says Jacob's own lawyer, Marc Agnifilo. "It's really a simple fraud. The government is writing these million-dollar checks, \$5 million checks, \$20 million checks, just because you gave them some paperwork that shows that maybe you made biodiesel."

Here's hoping that the federal government has, then, learned something from the saga of the Lion and the Numbered Man. Because just one month before Dermen's trial got underway, former president Donald Trump signed a five-year extension of the \$1-per-gallon biodiesel blenders tax credit program.