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Mar. 29, 2013

March 28 — Austin, Texas businessman Richard Culleton carved a niche for himself in an era of smart phones and tablets by selling secondhand computers.

But the rising Austin entrepreneur on Wednesday pleaded guilty to two counts of tax evasion for failing to report more than \$250,000 in sales from his burgeoning chain of tech retailers across the city. He is facing a maximum sentence of five years in prison and three years supervised released, up to a \$100,000 fine and an amount of restitution to be determined by the court, according to his plea agreement entered before U.S. Magistrate Judge Andrew W. Austin.

Culleton, who is out on bond until his June 6 sentencing, first made headlines as the owner of Discount Electronics, a chain of retailers in Austin and San Antonio that deal extensively in secondhand Dell computers formerly leased by other businesses.

He opened the doors to his first Austin location on North Lamar Boulevard in 1997 and soon grew the company to three area stores, with a warehouse that sells parts and a website offering an array of replacement parts. Most recently, he had purchased PC Outlet, a three-store San Antonio chain.

But court records show Discount Electronics came under scrutiny in April 2005, when Microsoft Corporation sued the company, then First E-Commerce, for advertising and distributing counterfeit versions of Microsoft software. The parties eventually reached a settlement by the end of the year.

Culleton then came under investigation by the Internal Revenue Service after he hired a certified public accounting firm to file and prepare Discount Electronics' tax returns for 2006 and 2007. He told the firm that all the corporation's sales were

deposited into a Compass Bank account but failed to disclose two other bank

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