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RED BLUFF MAN SENTENCED IN MASSIVE TAX FRAUD CONSPIRACY AND INVESTMENT FRAUD SCHEME

Case involves transfers of millions of dollars to corporations, trusts and bank accounts in Ireland, the Bahamas, Gibraltar and the Isle of Jersey

SACRAMENTO--United States Attorney McGregor W. Scott announced today that NEIL R. BROWN, age 68, of Dairyville, CA, a suburb of Red Bluff, was sentenced to imprisonment for 70 months as a result of his convictions of conspiracy to defraud the United States by impairing and impeding the Internal Revenue Service in the ascertainment, computation, assessment, and collection of federal income taxes (two counts), aiding, assisting, counseling and procuring the filing of false federal tax returns (19 counts), conspiracy to engage in mail and wire fraud (one count), mail fraud (18 counts) and wire fraud (4 counts), in violation of Title 18, United States Code, Sections 371, 1341 and 1343, and Title 26, United States Code, Section 7206(2).

In addition, defendant NEIL BROWN was ordered to pay restitution to the victims of his fraud crimes in the amount of $4,797,603, and to serve a period of supervised release for 36 months after his release from prison during which time he will not be able to dispose of any assets or incur any new credit charges or open lines of credit without the prior permission of the court.

According to Assistant United States Attorney Robert M. Twiss, who is prosecuting the case along with Assistant United States Attorney Norman Wong, defendant NEIL BROWN pled guilty to all of the charges on March 14, 2003, at which time he submitted an18 page factual stipulation under penalty of perjury outlining the actions he had undertaken to conduct his criminal schemes. Evidence presented in court establishes that NEIL BROWN and his associates had a scheme to defraud investors by representing that investors' money either would be placed in time deposits at the Bank of Ireland in Dublin, Ireland, or loaned to fully investigated and collateralized borrowers approved by Citizens Finance Corporation, Ltd., of Dublin, Ireland, in return for an annual return of 24% on their investment. Investors subsequently were told that their money would be held in time deposits at commercial banks with at least a AA rating by Moody's. All investors were told that their money was fully guaranteed and that there was no risk to their investment.

Evidence presented in court established that none of the money was invested as represented by defendant NEIL BROWN, and that BROWN made a continuous series of false representations regarding where investors' money was located, and when it would be returned. All the money was scheduled to be returned to investors by late 1997. The net loss of the investors' principal is approximately $4.8 million, plus all of the interest which was promised on their investments.

From about July 1, 1993, through about November 15, 2000, defendant NEIL BROWN and his associates schemed to defraud the United States by marketing to clients a program which used foreign corporations and trusts as a mechanism to engage in financial transactions designed to conceal income and assets from the IRS, and to give the false appearance of legitimate business
expenses. Most of the clients were professionals who operated through domestic professional corporations.

Under BROWN's program, the clients formed foreign corporations and trusts in the Bahamas with the assistance of a Bahamian citizen acting on behalf of the defendant. The defendant and his associates advised and encouraged the clients to transfer money and income to these foreign corporations and trusts, ostensibly as payment of consulting fees to the foreign entities. The defendant and his associates also advised clients that the income generated in the United States which funded the consulting fees would not be subject to taxation by the United States, and that the consulting fees could be deducted as business expenses on the clients' tax returns. The defendant and his associates further advised clients that they could repatriate the money paid to the foreign entities without paying taxes on it.

As a result of the defendant's scheme, clients/taxpayers deducted the consulting fees paid to their foreign corporations from their taxable income yet did not pay taxes on the money when it was repatriated. The defendant knew that the scheme violated the U.S. tax code and that it was designed to evade taxes unlawfully. The ultimate result of the defendant's scheme was a significant tax loss to the United States Treasury.

From about January 1, 1996, through about November 15, 2000, BROWN and his associates schemed to defraud the United States by counseling their clients to transfer their rights to employment, money, and income to foreign entities, all of which were created and controlled by the defendant and his associates as a part of a fictitious "employee leasing" program. The purpose of the program was to give the appearance that the clients earned substantially less income than they actually earned.

The employee leasing program involved the creation of an employee leasing company called "Citizens Worldwide Employee Leasing Company" ("CWELCO") in Dublin, Ireland. CWELCO hired the clients and leased the clients' services to U.S.A. Personnel Leasing Company ("USA PLC"). USA PLC leased the clients' services to their domestic professional corporations. The domestic corporations made lease payments to USA PLC in amounts equal to the clients' salaries plus USA PLC's fees. USA PLC paid only a portion of the clients' salaries to them and passed the remaining money to CWELCO. CWELCO deducted its fees and transferred the money to Corporate Management Company in Gibraltar. The defendant and his associates further advised clients that they could repatriate the money held by Corporate Management Company without paying taxes on it.

The two primary means of returning the money to the United States were through fictitious loans and through the use of credit cards. Under both means, the defendant and his associates directed Corporate Management Company to transfer a determined amount of the clients' money to Citizens Finance Corporation ("CFC"), a company in Ireland controlled by the defendant. If the clients chose to obtain fictitious loans, CFC loaned the transferred money back to the clients. If the clients chose to use credit cards, CFC issued credit cards to the clients and paid the credit card bills using the transferred money. The purpose of these transactions was to give the appearance that the repatriated money was from non-taxable sources.

As a result of the defendant's scheme, clients/taxpayers deducted the money paid to USA PLC from their taxable income yet did not pay taxes on the money when it was repatriated through CFC. The defendant knew that the scheme violated the U.S. tax code and that it was designed to evade taxes unlawfully. The ultimate result of the defendant's scheme was a significant tax loss to the United States Treasury.

This case is the product of an extensive joint investigation by the Redding, California offices of the Criminal Investigation Division of the Internal Revenue Service and the Federal Bureau of Investigation.

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