

AFFIDAVIT FOR A CRIMINAL ARREST WARRANT

I, Craig Walker, being duly sworn, hereby depose and state:

1. This affidavit is made in support of a criminal complaint and arrest warrant.
2. I am a Special Agent (SA) with the Internal Revenue Service Criminal Investigation, United States Department of Treasury and have held this position for eight years. I have received extensive training in the investigation of financial crimes, including money laundering, conspiracy and tax evasion.
3. As part of my assigned duties, I investigate financial fraud that involves the filing of false Federal tax returns for both individuals and corporations. I have participated in numerous criminal investigations as both a case agent, and as an assistant to other agents.
4. The information contained in this affidavit is based on my personal knowledge, information provided to me by other law enforcement agencies, information obtained from public records, and other sources indicated herein.
5. Based on this information I have probable cause to believe TERRY L. NEAL violated Title 26 Section 7206 (1) by knowingly and willfully subscribing to false income tax returns for the years 1994 through 1996.

THE ALLEGED VIOLATIONS IS AS FOLLOWS:

6. Title 26, United States Code; Section 7206 (1)--Fraud and False Statements provides:

"Any person who (1) Declaration Under Penalties of Perjury. -- Willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalty of perjury and which he does not believe to be true and correct as to every material matter shall be guilty of a felony (and should be fined or imprisoned)".
7. Form 1040, United States Individual Income Tax Return is signed under penalties of perjury. The declaration reads "I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct and complete."
8. TERRY L. NEAL signed joint Federal income tax returns, Form 1040 for the tax years 1994 through 1996 each of which contained the declaration described above.

9. NEAL's 1994 through 1996 Federal income tax returns were prepared, signed and mailed within the Judicial District of Oregon. During the tax years 1994 through 1996, TERRY NEAL maintained a personal residence in the Judicial District of Oregon.

NON DISCLOSURE OF FOREIGN ACCOUNTS

1994 RETURN

10. On or about April 17, 1995 NEAL signed and filed his 1994 United States Federal income tax return under penalties of perjury. On line 8 of the return, he listed interest of \$111.00. The form states that if more than \$400 in interest was received, the filer must fill out Schedule B. Part three of this schedule is called Foreign Accounts and Trusts and it reads as follows: "At any time during 1994, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account?" A person filing a Federal tax return is required to answer yes to this question if applicable. NEAL did not file a scheduled B with his 1994 return.
11. Also attached to this return was a Schedule D entitled "Capital Gains and Losses". This schedule is used to report gains and losses from stock sales for the calendar year and the results are included on line 13 of the Federal income tax return, Form 1040. NEAL's joint tax return shows approximately \$30,000 from proceeds from stock sales, which include only stock sales made through brokerage firms that are based in the United States. NEAL reported a gain of approximately \$21,000 from the above stock sales.

I have received financial records of the Bank of Montreal and CM Oliver & Company (CM Oliver), a brokerage firm. Both are located in Vancouver, BC Canada. A review of these records revealed the following:

- On or about December 17, 1993, TERRY L. NEAL opened a joint investment account for himself and his wife, Maureen Neal, with CM Oliver brokerage firm located in Vancouver British Columbia, Canada. The account number was 23-0883-1, and it closed in July 1995.
- During the tax year 1994, NEAL sold shares of stock held in this personal account and received approximately \$297,821.49 in proceeds. This account also paid approximately \$219.00 interest on funds held in the account in 1994.
- On or about February 24, 1994, NEAL opened account number 23-1569-5 at CM Oliver in Vancouver, British Columbia, Canada under the name

Newcastle Services. The signature card for this account shows NEAL's personal address as the location of Newcastle Services business. NEAL is also identified as the authorized signor for this account.

- For Tax years 1994, 1995 and 1996, NEAL directed the sale of stock from the Newcastle Services account for these years generating sale proceeds of \$125,570.71; \$4,138,750.15; and \$2,925,833.08 respectively. This account was paid interest income for these same years as follows:

Tax Year	Amount
1994	\$ 272.63
1995	\$12,732.99
1996	\$18,129.58

- On or about December 16, 1993 NEAL opened a checking account number 4560-930 at the Bank of Montreal in Vancouver, British Columbia. This account remained open through July 1996. This was an interest bearing account at it paid interest of \$1,580 in tax year 1994, at least \$341 in tax year 1995 (missing bank statements for three consecutive months).

1995 RETURN

12. On his 1995 return, filed on or about April 15, 1996, Neal checked the "no" box as to the existence of any interest in or signature authority of foreign bank or securities accounts. As indicated above regarding 1994, he continued to have an interest in a personal bank account at the Bank of Montreal. He continued to have a securities account in his own name at C.M. Oliver. He also continued to have signature authority over the securities account of Newcastle Services at C.M. Oliver.

- On or about July 21, 1995, Henk Keilman opened account number 284555-0 at CM Oliver Vancouver, BC under the name Wycliff Fund Inc. On October 4, 1995, NEAL was granted signature authority and full power of attorney which allowed NEAL full control of the account.
- For Tax years 1995 and 1996, NEAL directed the sale of stock for these years generating sales proceeds of \$1,089,424.38 and \$841,476.29 respectively. This account also received interest income for those same years in amounts as follows:

Year	Amount
1995	\$9,967.94
1996	\$5,407.54

1996 RETURN

13. On or about October 20, 1997, NEAL filed a joint 1996 Federal Income tax return. Attached to this return is Schedule B and again NEAL checked the "No" box indicating he did not have a financial interest in or signature authority on a foreign account. However, in part one of this Schedule B, NEAL declared he received interest income from bank accounts at the Bank of Montreal. NEAL did not indicate if this bank was a foreign or domestic bank. Despite claiming interest income on this return, NEAL is still required to check the box "Yes" regarding foreign accounts if applicable.
14. On or about November 3, 1998, NEAL filed an amended 1996 Federal Income tax return only to include additional loss of income from his corporation, Paradise Yachts. NEAL's amended return did not include any information about his signature authority or financial interest in any foreign financial accounts.
- During 1996, Neal had signature authority over his personal bank account at Bank of Montreal, and over the securities accounts at C.M. Oliver in the names of Newcastle Services and Wycliff Fund, Inc.
 - On or about July 16, 1996, NEAL opened account number 4580-106 at Bank of Montreal located in Canada with transferred funds from account number 4560-930 at Bank of Montreal. Terry Neal was the only signer of this account and all statements were mailed to a Canadian address.
 - On or about December 20, 1996, Maureen Neal opened account number 4580-341 at Bank of Montreal located in Canada. The bank statements and the checks identified Maureen Neal as the controller of this account. The statements were sent to 822 NW Murray Blvd # 301 (a letter box address) in Portland, Oregon.

WILLFUL INTENT OF MATERIAL MATTERS

15. NEAL's 1994 Federal income tax return was filed under penalties of perjury declares Capital Gains of \$21,496, which represents domestic stock sales, when in fact he maintained an investment account at CM Oliver whereby he generated proceeds from stock sales in excess of \$290,000. The stock sales from this account were not reported and the capital gains or losses from those sales were omitted from NEAL'S 1994 Form 1040 Federal Income tax return.
16. Also for tax year 1994, NEAL failed to declare he had a foreign account as well as interest or signature authority of foreign accounts. In all he had an interest in three foreign accounts, his personal bank account at Bank of

Montreal, his personal investment account at CM Oliver and signature authority over a foreign investment account held in the name of Newcastle Services.

17. In 1994 NEAL had a foreign investment account at CM Oliver that paid approximately \$219.00 in interest income and a personal account at the Bank of Montreal that paid approximately \$1,580.00 in interest income. Both of these accounts and the interest earned from them were omitted from NEAL's 1994 Form 1040 Federal income tax return.
18. NEAL's 1995 joint Federal income tax return was filed under penalties of perjury and on this return NEAL failed to declare he had foreign accounts and that he was an authorized signor on two other foreign accounts. The accounts he omitted include two investment accounts at CM Oliver brokerage of Vancouver, Canada and his personal checking account at the Bank of Montreal in Vancouver, Canada. The sales proceeds generated from the investment accounts each exceeded one million dollars for the 1995-tax year. In fact, the Newcastle account for the 1995-tax year had in excess of \$4 million dollars in sales proceeds.
19. NEAL's 1996 joint Federal income tax return was filed under penalties of perjury and on this return NEAL admitted to having personal accounts at the Bank of Montreal but he intentionally failed to disclose his interest in two foreign investment accounts held at CM Oliver located in Canada. The sale proceeds generated through these accounts exceeded \$2.8 million.

CONCLUSION

Based on the aforementioned facts and circumstances, as well as my training and experience and the experience of other agents, I have probable cause to believe that TERRY LEROY NEAL willfully with criminal intent filed false Federal Income tax returns under penalties of perjury for the years 1994 through 1996.

I have reviewed this affidavit with Assistant United States Attorney Robert Ross from the District of Oregon, and he has told me he is satisfied that the affidavit is legally and factually sufficient.

Craig Walker
Special Agent, IRS/CID

Subscribed and sworn to before me

this _____ day of _____

UNITED STATES MAGISTRATE JUDGE