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**RED BLUFF MAN PLEADS GUILTY TO MULTI-MILLION  
DOLLAR TAX FRAUD AND MAIL FRAUD SCHEME**

SACRAMENTO--United States Attorney John K. Vincent and IRS Special Agent in Charge Victor Song announced today that NEIL BROWN, age 68, of Red Bluff, CA, pled guilty March 14 of 43 felony counts arising from a massive tax fraud and investment fraud scheme. As a result of his guilty pleas, BROWN faces a maximum sentence of imprisonment for 182 years, a fine in the amount of \$13 million, restitution of \$9 million and a term of supervised release.

BROWN pled guilty before the Honorable Garland E. Burrell, Jr., United States District Judge, to conspiracy to defraud the United States by impeding and impairing the Internal Revenue Service in the ascertainment, computation, assessment and collection of income taxes (two counts), aiding, assisting, counseling and procuring the filing of false tax returns (18 counts), conspiracy to commit mail and wire fraud, mail fraud (18 counts) and wire fraud (3 counts), in violation of Title 18, United States Code, Sections 371, 1341 and 1343, and Title 26, United States Code, Section 7206(2).

According to Assistant United States Attorneys Robert M. Twiss and Norman Wong, who are prosecuting the case, the evidence introduced in court showed that from 1993 through about November 15, 2000, defendant NEIL BROWN conspired with others to defraud the United States by operating two successive tax evasion schemes. BROWN and his associates marketed a program to clients 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 first program, the clients formed foreign corporations and trusts in the Bahamas with the assistance of a Bahamian citizen acting on behalf of the defendant. BROWN 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. BROWN and his associates advised clients that the consulting fees could be deducted as business expenses on the clients' tax returns. BROWN and his associates further advised clients that they could repatriate the money paid to the foreign entities 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 clients transferred money from their foreign corporations 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 the transactions was to give the appearance that the repatriated money was from non-taxable sources.

As a result of BROWN’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. BROWN knew that the scheme violated the U.S. tax code and that it was designed to evade taxes unlawfully.

Under BROWN’s second tax evasion scheme, from 1996 through 2000, and his associates advised and encouraged their clients to transfer their rights to employment, money, and income to foreign entities, all of which were created and controlled by BROWN 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 entered into a bogus employment contract with the clients and gave the appearance of having leased the clients' services to U.S.A. Personnel Leasing Company ("USA PLC"). USA PLC allegedly 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. BROWN 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, BROWN and his associates directed Corporate Management Company to transfer a determined amount of the clients’ money to Citizens Finance Corporation (“CFC”), in Ireland. 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 BROWN’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. BROWN knew that the scheme violated the U.S. tax code and that it was designed to evade taxes unlawfully. As a result of the two schemes, BROWN caused taxpayer clients to fail to report several million dollars in income to the Internal Revenue Service. The tax loss to the United States was over \$1 million.

As part of the mail and wire fraud scheme, BROWN and his associates solicited investors to participate in a Private Asset Management Program purportedly administered by Citizens Finance Corporation ("CFC") in Dublin, Ireland. BROWN and his associates told the investors that their money would either be held by CFC at the Bank of Ireland or be used by CFC to make secured loans to borrowers approved by CFC. They also told investors that they would receive an annual return of 24% on the investment and that the principal would be guaranteed.

BROWN and his associates caused written promissory notes to be prepared in the names of the investors and CFC. Regardless of the verbal representations made to the investors, the investors were identified in the promissory notes as "underwriters," the nature of the investment was characterized as a "loan underwriting program," and the investment itself was characterized as an "investment financing loan."

Based on the verbal and written representations which BROWN and his associates made to the investors, the investors sent over \$6 million to the account of CFC at the Bank of Ireland in Dublin. BROWN, however, did not use and never intended to use the investors' money as represented. Instead, BROWN intended to divert and did divert the money to other investments without the knowledge or consent of the investors. When the time came to repay the investors, BROWN and his associates made a series of misrepresentations to the investors regarding where the money was located and when it would be returned to lull the investors into a false sense of security about the money. The investors lost approximately \$6 million, plus all of the expected gains from the investment.

According to Special Agent in Charge Victor Song, "The public can protect itself from fraud such as this by getting a second opinion before getting involved financially in schemes that sound too good to be true."

The defendant is scheduled to be sentenced before the Honorable Garland E. Burrell, Jr., United States District Judge, on May 23, 2003, at 9:00 a.m.

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

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