

NEWS

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Christopher J. Christie, U.S. Attorney

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Middlesex County Couple Admits Fleecing Investors of \$2.5 Million

(More)

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NEWARK – A husband and wife from Middlesex County who operated a tax preparation business pleaded guilty today to participating in a scheme to defraud investors out of nearly \$2.5 million and to evading the payment of federal income taxes, U.S. Attorney Christopher J. Christie announced.

Charles Neely, 60, and Janet Neely, 54, of South River, pleaded guilty today before U.S. District Judge William J. Martini to conspiring to commit mail fraud, mail fraud and tax evasion. The Neelys also agreed to forfeit property to the United States, including seven tow trucks (from a family towing business), a bank account worth approximately \$60,000 and a 2002 Pontiac Trans Am and a 2002 Cadillac Deville. All were alleged to have been derived from proceeds of the fraud. Bail was set at \$500,000 for each defendant.

According to separate criminal Informations to which they pleaded guilty, the Neelys owned and operated Neely Associates, a tax preparation business in East Brunswick. Through Neely Associates, Charles and Janet also purported to provide investment services to clients, even though neither of them was licensed by the State of New Jersey to provide such services.

In executing their scheme to defraud, Janet Neely solicited clients to invest money with Neely Associates and induced them to do so with false representations that their money would be invested in municipal bond funds, would be safe and would earn tax-free interest on their investments. To further induce investors to invest with Neely Associates, the Neelys created and provided to investors fabricated account statements that made it appear as if the investors' money had been invested as promised.

From approximately January 2002 through approximately February 2008, the Neelys admitted that they defrauded approximately 47 investors out of almost \$2.5 million. Several of the investors were senior citizens, and many of the investors entrusted the Neelys with their life savings.

Instead of investing the money they stole from investors as promised, the Neelys admitted that they used it for their own personal benefit. According to the Informations, the Neelys gambled away some of the investors' money at casinos in New Jersey and elsewhere, and spent some of the money on cruises, cars, tow trucks, collectibles, electronics and other personal items.

The Information also charges that the Neelys failed to disclose the income they were receiving from the investors to the Internal Revenue Service, and thus evaded the payment of income taxes for tax years 2003 through 2006.

The Neelys specifically acknowledged that, in one example, they defrauded an investor with the initials G.L., a 75-year old who resided first in Harrison and later in Lakewood,

out of approximately \$350,000, by promising him that they would invest his money and manage his finances to provide him financial security for the rest of his life.

The Neelys also admitted that they filed false joint federal income tax returns for tax years 2003 through 2006, that they did not disclose to the IRS the money they had received from the investors, and that they owe the IRS almost \$600,000 in outstanding taxes.

This case arose from an investigation begun by the Middlesex County Prosecutor's Office. After receiving information that the Neelys had defrauded the investor with the initials G.L., Middlesex conducted search and seizure warrants (seizing the seven tow trucks, two cars and bank account), and arrested the Neelys on state fraud charges. Upon learning that the Neelys had also defrauded numerous other victims throughout the state of New Jersey, the Prosecutor's Office contacted the Federal Bureau of Investigation, Internal Revenue Service, Criminal Investigation Division and the U.S. Attorney's Office. A joint investigation with Middlesex County followed, leading to today's guilty pleas.

The Neelys each face a maximum statutory prison sentence of five years on the conspiracy count, 20 years on the mail fraud count, and five years on the tax evasion count. The sentencing court may impose the sentences on each count consecutively. The Neelys also face a statutory maximum fine of \$250,000.

In determining an actual sentence, Judge Martini will consult the advisory U. S. Sentencing Guidelines, based upon a formula that takes into account the severity and characteristics of the offenses and the defendants' criminal histories, if any. However, the Sentencing Guidelines are only advisory, and Judge Martini has wide discretion in imposing sentence. There is no parole in the federal system, and defendants who are given custodial terms must serve nearly all that time.

U.S. Attorney Christopher J. Christie credited Special Agents of the FBI, under the direction of Special Agent in Charge Weysan Dun, Special Agents of the IRS Criminal Investigation Division, under the direction of Special Agent in Charge William P. Offord, Postal Inspectors with the U.S. Postal Inspection Service, under the direction of Postal Inspector in Charge David L. Collins, and Special Agents of the Social Security Administration Office of Inspector General, with developing the case. Christie also thanked Middlesex County Prosecutor Bruce J. Kaplan and his investigators for their joint efforts in the case.

The government is represented by Assistant United States Attorney Maureen Nakly of the U.S. Attorney's Office in Newark.

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Defense counsel for Charles Neely: Lawrence Bitterman, Esq.

Defense counsel for Janet Neely: Joseph Benedict, Esq.