



*United States Attorney
Southern District of New York*



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**MANHATTAN U.S. ATTORNEY CHARGES WESTCHESTER ACCOUNTANT
WITH \$2 MILLION PONZI SCHEME**

PREET BHARARA, the United States Attorney for the Southern District of New York, announced the arrest this morning of LAURENCE M. BROWN, an accountant in Westchester County, New York, on allegations of securities fraud, wire fraud and money laundering arising out of an alleged \$2 million Ponzi scheme. BROWN is expected to appear in Magistrate Court in Manhattan federal court later today.

According to the Complaint unsealed today in Manhattan federal court:

LAURENCE M. BROWN is a certified public accountant and is a principal and a general partner of an accounting firm located in Armonk, New York (the "Accounting Firm").

Between approximately January 2008 and the present, BROWN induced approximately twelve individuals and/or entities, including clients of the Accounting Firm, to invest a total of more than \$2 million in a company called Infinity Reserves-Tennessee, Inc. ("Infinity"), based on representations that investor money would be used to upgrade a natural gas pipeline in Tennessee. In fact, the vast majority of investor funds was misappropriated for the personal enrichment of BROWN, his family, and others. Moreover, approximately \$136,550 of investor money was used to make payments to other investors.

Investor No. 1

Investor No. 1 has been a client of the Accounting Firm for approximately ten years. In October 2009, BROWN told Investor No. 1 that he owned a gas pipeline in Tennessee and that he needed funds to upgrade equipment, including meters and compressors, associated with the operation of the pipeline. BROWN advised Investor No. 1 to purchase bonds ("Notes") issued by Infinity that would be convertible into stock. BROWN also

advised Investor No. 1 that interest payments would be received on the Notes. The Notes further provided that Investor No. 1 could convert the note into stock ownership of Infinity at any time prior to each respective payout date, based on a \$5 million valuation of Infinity. Investor No. 1 invested a total of \$350,000 in Infinity. On the basis of BROWN's statements, Investor No. 1 believed that the pipeline was operational and that the invested funds would be used to upgrade its capital plant.

Investor No. 2

Investor No. 2 has been a client of the Accounting Firm for approximately two years. In or about late 2009, LAURENCE M. BROWN and one of his business partners met with Investor No. 2 to discuss Investor No. 2's personal finances and investments. Investor No. 2 told BROWN and the partner that he wanted to invest approximately \$50,000 in a secure, liquid investment in the area of alternative energy. BROWN told Investor No. 2 that he was aware of a mutual fund with investments in alternative energy companies and advised him to move certain retirement funds into an account to be established at a trust company to facilitate the investment of retirement funds without incurring early withdrawal penalties. Investor No. 2 invested approximately \$228,000 of retirement funds in Infinity through this mechanism.

The Use of Investor No. 1 and Investor No. 2's Funds

Investor No. 1 and Investor No. 2's total investment of approximately \$578,000 in Infinity was used, in part, as follows: (a) \$146,800 was transferred to one of BROWN's partners; (b) \$105,959.50 funded equestrian activities, including those of an immediate family member of BROWN who is an amateur equestrian; (c) \$94,900 was transferred to Brown's family members; (d) \$62,250 was transferred to other Infinity investors; (e) \$43,390.26 was withdrawn as cash based on withdrawal slips on which BROWN's signature appears; and (f) \$26,500 was transferred to the Accounting Firm.

Other Investors

Interviews of additional investors and various records indicate that approximately 12 individuals or entities invested a total of more than \$2 million in Infinity. Based on records reviewed to date, it appears that the vast majority of investor funds was misappropriated by BROWN for the benefit of himself, his family, and others.

* * *

BROWN, 63, of Katonah, New York, is charged with one count of securities fraud, one count of wire fraud, and one count of money laundering. The securities fraud count carries a maximum penalty of 20 years in prison; the wire fraud count carries a maximum penalty of 20 years in prison; and the money laundering count carries a maximum penalty of 10 years in prison. He is also subject to mandatory restitution and faces criminal fines up to twice the gross gain or loss derived from the offense.

United States Attorney PREET BHARARA stated: "Laurence Brown allegedly concocted a scheme that fleeced clients and fattened his own wallet. Today's charges show that you do not have to be a billion-dollar Ponzi schemer to get our attention. We are committed to rooting out financial fraud wherever it may hide."

Mr. BHARARA praised the work of the Criminal Investigators of the United States Attorney's Office for the Southern District of New York, and thanked the United States Securities and Exchange Commission for its assistance in the case.

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This case was brought in coordination with President BARACK OBAMA's Financial Fraud Enforcement Task Force, on which Mr. BHARARA serves as a Co-Chair of the Securities and Commodities Fraud Working Group. President OBAMA established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated, and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes.

The charges contained in the Indictments and Complaint are merely accusations and the defendants are presumed innocent unless and until proven guilty.

Assistant United States Attorney MARC LITT is in charge
of the prosecution.

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