

**UNITED STATES ATTORNEY'S OFFICE
District of Oregon**



PRESS ROOM

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Michigan Executive Pleads Guilty in Massive Tax Fraud

***Oregon Investors Involved in Thoroughbred Horse Breeding Fraud
Scheme Resulting in Tax Loss to U.S. Government of over \$200
Million***

PORTLAND, Ore. – U. S. Attorney Dwight C. Holton, District of Oregon, announced today that John W. Parrott, an executive with the GeoStar Corporation in Mt. Pleasant, Michigan, appeared before U.S. District Judge Ancer L. Haggerty and entered a guilty plea to an information charging him with one count of conspiracy to defraud the United States. GeoStar was the parent corporation of ClassicStar, LLC, a fraudulent tax shelter that offered tax benefits in connection with the leasing of thoroughbred mares. According to the information, Parrott was general counsel, executive vice president, director, and part owner of GeoStar. ClassicStar called its fraudulent tax product the Mare Lease Program. Investors in the program, including a number of taxpayers in Oregon, filed tax returns with the IRS claiming false tax deductions of over \$500 million, resulting in a tax loss to the United States government of over \$200 million.

Court documents show that ClassicStar's Mare Lease Program purported to offer wealthy individuals the opportunity to invest in thoroughbred horse breeding. According to Mare Lease Program promotional materials, investors leased the reproductive capacity of specific thoroughbred mares. Mare Lease Program promoters told investors that the program was a legitimate way to reduce or eliminate their income taxes.

From 2001 through 2007, GeoStar moved approximately \$330 million in Mare Lease Program sales proceeds from ClassicStar's bank accounts to GeoStar's bank accounts and used the money, among other things, to fund ClassicStar's operations, to fund oil and gas operations for itself

and its subsidiaries and related entities, including Gstar Exploration, Ltd., and for the personal enrichment of GeoStar's principals, including Parrott. Parrott signed numerous contracts as vice president of GeoStar that served to perpetuate the fraudulent operation of the Mare Lease Program and FEED.

The attached charging document provides a detailed description of the scope of the fraudulent operation.

A copy of that court filing may be viewed at [this link](#).

Judge Haggerty scheduled a tentative sentencing date of June 28, 2010. The defendant faces a maximum potential sentence of five years in prison. Mare Lease Program executives David Plummer, Spencer Plummer, and Terry Green have already pled guilty to conspiring to defraud the United States and await sentencing.

The case was investigated by Assistant U. S. Attorney and Senior Litigation Counsel Allan M. Garten, Department of Justice Tax Division Trial Attorneys Jay Navavati and Christopher O'Donnell, and by the Internal Revenue Service - Criminal Investigation.

Additional information about tax fraud schemes to watch out for may be found on the IRS Criminal Investigation website <http://www.ustreas.gov/irs/ci>. Additional information about the Justice Department's Tax Division and its enforcement efforts can be found at <http://www.usdoj.gov/tax>.