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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,
Plaintiff,
v.
WILLIAM R. BRADLEY,
Defendant.

Case No. 05CR1474BTM

INFORMATION

Title 26, U.S.C., Sec. 7201 - Tax Evasion; Title 26, U.S.C. 7206(1) - Filing False Tax Return; Title 26, U.S.C. 7206(2) - Assisting the Filing of a False Tax Return; Title 18, U.S.C., Sec. 2 - Aiding and Abetting

The United States Attorney charges:

ALLEGATIONS COMMON TO ALL COUNTS

At all relevant times:

(i) Diverted Corporate Receipts

1. At all times relevant herein, Defendant William Robert Bradley was a one-third owner of Metabolife International, Inc., a member of its Board of Directors and an officer responsible for the management of the corporation's financial affairs.

2. For the tax years 1997 and 1998, Metabolife's outside accountant prepared: (1) corporate tax returns for Metabolife International, Inc.; (2) corporate tax returns for Bradley Towing, Inc.; (3) private foundation returns for The Bradley Foundation; (4) personal tax returns for Defendant William R. Bradley and the other owners of Metabolife.

3. At all times relevant herein, Metabolife International, Inc. maintained a variety of corporate bank accounts to conduct its business transactions. These accounts were reflected in the

1 corporate books and records that were maintained by the Accounting Department. As a result, these bank
2 accounts were tracked on Metabolife's financial statements and corporate tax returns.

3 4. In addition to the reported bank accounts, Defendant William R. Bradley set up
4 multiple "off-the-books" accounts in part to evade the payment of income tax on corporate profits related
5 to the income diverted to the off-the-books accounts.

6 5. Between on or about August 19, 1997 and September 28, 1998, three of the "off-
7 the-books" accounts were maintained at the Bank of America (Metabolife International, Inc., Clearing
8 Account - No. 11320-09954; Metabolife International, Inc., Primary Account - No. 11322-11395; and
9 Metabolife International, Inc., Media Account - No. 1321-11263). Neither these bank accounts nor the
10 activity therein appeared on Metabolife's official books and records.

11 6. Between on or about August 12, 1997 and February 12, 1998, Defendant William
12 R. Bradley maintained another "off-the-books" account at Grossmont Bank (Metabolife, Inc., Clearing
13 Account - No. 1101454201). Neither this bank account nor the activity therein appeared on Metabolife's
14 official books and records.

15 7. In order to conceal and disguise the existence of these accounts, the statements
16 from all four "off-the-books" accounts were sent directly to Defendant William R. Bradley's residence.

17 8. At all times relevant herein, the "off-the-books" accounts were funded with checks
18 payable to Metabolife from individual distributors. These checks were designed to reimburse Metabolife
19 for advertising that was targeted at the individual distributor's local markets.

20 9. Rather than book the reimbursement checks as income (or an offset to advertising
21 expenses), Defendant William R. Bradley deposited them in one of these four "off-the-books" accounts.
22 As a result of this practice, the income to Metabolife represented by these reimbursement checks -- was
23 concealed and disguised from the corporation's accounting department. It therefore was not initially
24 reported on the company's books and records or on their corporate tax returns.

25 10. Between on or about August 19, 1997 and September 28, 1998, Defendant William
26 R. Bradley deposited: (1) \$3,836,041.16 in reimbursement checks into three Bank of America "off-the-
27 books" accounts; and (2) \$231,644.41 in reimbursement checks into a Grossmont Bank "off-the-books"
28 account. Subsequently, as detailed below, the tax due on the funds deposited into the Bank of America

1 "off-the-books" accounts was paid.

2 11. After the funds were deposited into the "off-the-books" accounts, Defendant
3 William R. Bradley wrote checks off these accounts to: (1) Bradley Towing, Inc.; (2) Auto Storage
4 Auction Pool ("ASAP"), a division of Bradley Towing, Inc.; and (3) Metabolife International, Inc.

5 12. In return for the checks drawn on the "off-the-books" accounts, Defendant William
6 R. Bradley diverted an equivalent amount of cash that was received from customers of Bradley Towing
7 and Metabolife.

8 13. Finally, Defendant William R. Bradley took possession of this diverted "cash" and
9 divided it up among himself and the other two principals of Metabolife. In this manner, with respect to
10 these "off-the-books" funds, Bradley would have been able to: (1) evade the payment of tax on this "off-
11 the-books" corporate income; and (2) amass these "off-the-books" cash holdings without creating an
12 obvious paper trail. However, Bradley and the other two principals of Metabolife paid the tax due on the
13 \$3,836,041.16 in funds deposited into the Bank of America "off-the-books" accounts while, as detailed
14 below, the tax due on the \$231,644.41 in funds deposited into the Grossmont Bank "off-the-books"
15 account was not paid.

16 14. In or about July 1998, Bank of America contacted Metabolife regarding a check
17 that was drawn upon one of the "off-the-books" accounts. The bank official initially questioned an
18 official in Metabolife's accounting department. As this individual had no knowledge of the existence of
19 the bank account, the matter was eventually brought to the attention of Defendant William R. Bradley.

20 15. After the presence of the "off-the-books" account at Bank of America was
21 discovered by the Metabolife Accounting Department, Defendant William R. Bradley directed
22 Metabolife's outside accountant to "fix" the transactions in the corporate books and records.

23 16. In or about September 1998, in order to "fix" the transaction, Metabolife's outside
24 accountant independently concealed the Bank of America transactions by creating a number of
25 manipulative journal entries recorded in Metabolife books and records. In doing so, the advertisement
26 reimbursement payments (that were first hidden in the off-the-book accounts) were falsely entered as
27 "loans" to shareholders. In this manner, Metabolife's outside accountant effectively covered up the
28 earlier distribution of "cash" to the shareholders by providing the false explanation that they were

1 legitimate loans, as opposed to cash payments that should have been declared and taxed on the
2 principals' 1997 personal tax returns. The shareholder loans were subsequently paid with income earned
3 in 1998.

4 17. Metabolife's outside accountant failed to include the Grossmont Bank "off-the-
5 books" account in the adjusting journal entries. As a result, \$231,644.41 in income was never reported
6 on the 1997 and 1998 corporate income tax return for Metabolife.

7 18. On or about September 14, 1998, Bradley willfully assisted in the preparation and
8 subscribing of Metabolife International's federal income tax return (Form 1120) for the calendar year
9 1997. This income tax return contained a written declaration that it was made under penalty of perjury.

10 19. Defendant William R. Bradley did not believe Metabolife's 1997 corporate return
11 to be true and correct as to every material matter and acted for the purpose of assisting Metabolife to
12 evade its duty under the tax laws and not as a result of accident or negligence.

13 (ii) Improper Classification of Corporate Income

14 20. In addition to funding the "off-the-books" accounts with distributor reimbursement
15 checks, these funds were used to illegally write-off corporate loans. These loans were part of a series of
16 otherwise legitimate on-going loans that Metabolife made to all three principals over a number of years.

17 21. Between July 22 and December 2, 1997, Defendant William R. Bradley deposited
18 \$335,066.61 in distributor checks (including \$43,795 in reimbursements from Advance Advertising) into
19 Metabolife's main bank account (No. 11325-02757) at Bank of America.

20 22. Rather than properly declare these funds as income to Metabolife, Metabolife's
21 accountant classified the funds as "shareholder loan repayments" on Metabolife's books and records.

22 23. Defendant William R. Bradley recognizes that as a result of this improper
23 classification: (1) Metabolife's taxable income was understated by \$335,066.61; and (2) Bradley's
24 personal taxable income was understated by \$262,247.34.

25 (iii) Bradley Towing, Inc., Unreported Personal Income

26 24. In or around late 1997, Defendant William R. Bradley and a Beverly Hills attorney
27 discussed how Bradley could sell Auto Storage Auction Pool (which was an operating division of his
28 business, Bradley Towing, Inc.) in a manner to defer the tax liability.

1 25. In order to defer the payment of taxes, Defendant William R. Bradley agreed with
2 the Beverly Hills attorney's suggestion to disguise both the true ownership of the assets and the proceeds
3 of the sale of the business.

4 26. On or about April 1, 1998, Defendant William R. Bradley entered into a contract
5 to sell ASAP for \$1,180,000 to Copart, Inc., a company that specializes in holding auto auctions. As part
6 of the transaction, the Beverly Hills attorney drafted the original agreement which falsely indicated that
7 the seller was ANJ Inc, a Cayman Island corporation.

8 27. On or about May 21, 1998, the Beverly Hills attorney amended the contract to
9 change the name of the seller (from ANJ, Inc.) to Fidelity Tiger Capital, Inc., a Nevis corporation.

10 28. On or about July 22, 1998, the proceeds of the final sales price of \$1,191,984 were
11 allocated to five categories for tax reporting purposes: (1) Tangible Assets of \$28,850; (2) Advance
12 Charges, Towing etc. of \$58,384; (3) Non-Competition Agreement with himself and his children of
13 \$210,000; (4) Non-Competition Agreement with another individual of \$20,000; and (5) Goodwill / Name
14 / Intangibles / Rights of \$874,750.

15 29. On or about May 15, 1998, the proceeds were deposited in a client trust account
16 held at Union Bank of California for the benefit of Defendant William R. Bradley.

17 30. On or about January 10, 2000, the balance held in the trust account (\$1,280,276.84)
18 was distributed to Defendant William R. Bradley in the form of a cashier's check. From this amount,
19 Defendant William R. Bradley personally received \$961,984.00 which (minus any allowable basis)
20 should have been declared as income in the year 2000. As a result of this omission of this income,
21 Defendant William R. Bradley did not pay \$380,945.66 (minus any appropriate offset due to an allowable
22 basis) in personal taxes in the year 2000.

23 (iv) The Bradley Foundation

24 (a) Formation

25 32. On August 25, 1997, Defendant William R. Bradley caused the filing of Articles
26 of Incorporation for "The Bradley Foundation" with the California Secretary of State. The Articles of
27 Incorporation provide that The Bradley Foundation was "a nonprofit public benefit corporation" that was
28 "not organized for the private gain of any person." The articles also specifically noted that the

1 Foundation would not engage in any activities or exercise any powers that are not in furtherance of the
2 charitable purposes of the corporation.

3 33. The Preamble to the Bylaws of The Bradley Foundation further clarified the
4 alleged charitable purpose of the foundation. It stated, "The principal purpose of this corporation is to
5 provide educational and charitable services relating to drug addiction" The Bylaws were certified
6 by W.R. Bradley as the Secretary of the Foundation.

7 34. On October 27, 1998, the Beverly Hills attorney submitted an "Application for
8 Exemption Under Section 501(c)(3)" (Form 1023) on behalf of "The Bradley Foundation" to the Internal
9 Revenue Service. The paperwork also indicated that Bradley was to be the Foundation's President and
10 Secretary and the Beverly Hills attorney would be the Legal Counsel.

11 35. On February 11, 1999, the Beverly Hills attorney provided the IRS with additional
12 information that indicated that the Foundation would establish grant, scholarship and other programs that
13 are consistent with the charitable mission of furthering education. On May 7, 1999, the IRS granted The
14 Bradley Foundation (based upon submitted materials) tax exempt status as a "private foundation."

15 (b) Funding of The Bradley Foundation

16 36. On December 30, 1997, Defendant William R. Bradley made a \$250,000 personal
17 donation to The Bradley Foundation. As he was the only contributor in this year, he was a "substantial
18 contributor." In addition, he was the "foundation manager" during this time. For both of these reasons,
19 he was a "disqualified person" who was prohibited from "self dealing." Pending approval of the
20 foundation's federal tax exemption, Bradley deducted the \$250,000 on his 1997 personal federal income
21 tax return (Form 1040) as an itemized charitable deduction.

22 37. On December 28, 1998, Defendant William R. Bradley contributed \$6 million to
23 the Foundation. Bradley deducted this amount as an itemized charitable deduction on his 1998 federal
24 income tax return (Form 1040). As Bradley was again the sole contributor to the foundation, he was again
25 a "substantial contributor" as well as the "foundation manager." Accordingly, he would again be a
26 "disqualified person."

27 38. In 1999, The Bradley Foundation received no contributions. Over a number of
28 months in 2000, Bradley contributed a final \$110,000 to the foundation. Bradley again deducted this

1 amount as an itemized charitable deduction on his 2000 federal income tax return (Form 1040). In this
2 year, 2001 and 2002, Bradley remained the fund manager and sole contributor to the foundation.

3 (c) Self Dealing - \$1,000,000 Personal Distribution

4 39. In January 2000, Defendant William R. Bradley loaned \$2 million to Metabolife
5 International, Inc. Bradley funded this loan with: (1) a \$1 million personal check made payable to
6 Metabolife and dated January 7, 2000; and (2) a \$1 million check from The Bradley Foundation made
7 payable to Metabolife and dated January 19, 2000.

8 40. The use of \$1 million in foundation funds constituted an improper "distribution"
9 from The Bradley Foundation as it was not made to a tax-exempt foundation or for any recognizable
10 charitable purposes. In this regard, Metabolife's own books and records indicate that this \$1 million was
11 not a charitable gift, but a loan.

12 41. In order to conceal this improper distribution, the \$1 million check was falsely
13 categorized as a "donation" in the books and records of The Bradley Foundation.

14 42. On March 29, 2000, Metabolife repaid the loan from The Bradley Foundation (plus
15 8.5% interest) by issuing a \$1,004,657.53 check to William R. Bradley. At that time, Bradley improperly
16 converted the funds for his personal use by depositing the Metabolife check into his personal bank
17 account at the California Bank and Trust. In 2003, Bradley subsequently repaid all this money plus
18 additional interest in the amount of \$1,233,754.05 to the Foundation.

19 (d) Self Dealing - \$4,331,448.33 Personal Distribution

20 43. On January 27, 2000, Defendant William R. Bradley agreed to finance up to \$5
21 million to fund a swing loan to a limited liability corporation (2020 Camino Del Rio LLC) which owned
22 an office building located at 2020 Camino Del Rio North in Mission Valley. Once again, Bradley funded
23 the loan from assets of The Bradley Foundation.

24 44. As structured by the Beverly Hills attorney, The Bradley Foundation agreed to
25 make the "swing loan" for interim construction expenses pending obtaining a \$11 million construction
26 loan for the property. The loan was supposed to pay interest (due at the earlier of 12 months after the first
27 draw or at the time the construction loan was funded) and was secured by a trust deed on the property.

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1 45. Between January 28, 2000 and March 9, 2000, The Bradley Foundation paid
2 \$4,331,448.33 to 2020 Camino Del Rio LLC, pursuant to the swing loan. On January 28, 2000, a trust
3 deed for up to \$5 million was recorded on the property in favor of The Bradley Foundation. At all
4 relevant times, the money that The Bradley Foundation loaned the project was fully secured by the trust
5 deed. During this time, Defendant William R. Bradley and the Beverly Hills attorney discussed how
6 Bradley could take control of the property located at 2020 Camino Del Rio North.

7 46. On March 3, 2000, in order to create a vehicle to allow Bradley to purchase 2020
8 Camino Del Rio North, the Beverly Hills attorney formed Area 8 LLC. Area 8 LLC was formed as a
9 Delaware limited liability company that was entirely controlled and owned by William R. Bradley (since
10 Bradley's partner in the project had not lived up to his equity commitments).

11 47. On March 10, 2000 (although the \$11 million construction loan had not yet
12 closed), Area 8 signed the purchase agreement to buy the assets of 2020 LLC. Bradley signed the
13 agreement for Area 8, LLC.

14 48. On March 17, 2000, Defendant William R. Bradley, on behalf of Area 8, purchased
15 2020 Camino Del Rio North. The closing documents reflect the fully secured loan of \$4,331,448 from
16 The Bradley Foundation.

17 49. On March 27, 2000, Area 8 received the \$11 million construction loan from China
18 Trust Bank rendering the foundation loan due and payable (plus interest). Defendant William W. Bradley
19 did not, however, repay the loan at that time, but subsequently repaid the entire loan of \$4,331,448.33,
20 plus 8% interest, in 2001-04.

21 50. The use of \$4,331,448 in foundation funds to make a fully secured loan to
22 Bradley's 2020 Camino Del Rio North project constituted an improper "distribution" from The Bradley
23 Foundation as it was an act of self-dealing and not made to a tax-exempt foundation or for any
24 recognizable charitable purposes.

25 (v) False Bradley Personal Tax Returns

26 51. On or about October 14, 1998, Defendant William R. Bradley knowingly and
27 willfully subscribed to a personal federal income tax return (Form 1040) for the calendar year 1997. This
28 income tax return contained a written declaration that it was made under penalty of perjury.

1 52. Defendant William R. Bradley knew that his 1997 personal tax return was not true
2 and correct as to every material matter and acted for the purpose of evading his duty under the tax laws
3 and not as a result of accident or negligence.

4 53. Defendant William R. Bradley knew that his 1997 personal tax return failed to
5 include: (1) \$54,214.29 in income from the "off-the-books" accounts; and (2) \$262,247.34 in corporate
6 income that was falsely classified as "repayment of shareholder loans." As a result of omitting these
7 items, Bradley evaded the payment of \$125,318.38 in income taxes.

8 54. On or about March 9, 2001, Defendant William R. Bradley knowingly and
9 willfully subscribed to an amended personal federal income tax return (Form 1040X) for the calendar year
10 1998. This income tax return contained a written declaration that it was made under penalty of perjury.

11 55. Defendant William R. Bradley knew that his 1998 amended personal tax return
12 was not true and correct as to every material matter and acted for the purpose of evading his duty under
13 the tax laws and not as a result of accident or negligence.

14 56. Defendant William R. Bradley knew that his 1998 personal tax return failed to
15 include \$23,000.51 in income from the "off-the-books" accounts. As a result of omitting this item,
16 Bradley evaded the payment of \$9,108.20 in income taxes.

17 57. On or about October 15, 2001, Defendant William R. Bradley knowingly and
18 willfully subscribed to a personal federal income tax return (Form 1040) for the calendar year 2000. This
19 income tax return contained a written declaration that it was made under penalty of perjury.

20 58. Defendant William R. Bradley knew that his 2000 personal tax return was not true
21 and correct as to every material matter and acted for the purpose of evading his duty under the tax laws
22 and not as a result of accident or negligence.

23 59. Defendant William R. Bradley knew that his 2000 personal tax return failed to
24 include: (1) \$1,000,000 in income that was improperly diverted from the Foundation to Bradley; and (2)
25 \$961,984.00 (minus any allowable basis) in net income from the sale of ASAP. As a result of omitting
26 this item, Bradley evaded the payment of \$776,945.66 (minus any offset due to an allowable basis) in
27 federal income taxes.

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(vi) False Metabolife Corp Tax Return

60. On or about September 14, 1998, Defendant William R. Bradley knowingly and willfully subscribed to Metabolife's corporate federal income tax return (Form 1120) for the calendar year 1997. This income tax return contained a written declaration that it was made under penalty of perjury.

61. Defendant William R. Bradley knew that this 1997 corporate tax return was not true and correct as to every material matter and acted for the purpose of evading the corporation's duty under the tax laws and not as a result of accident or negligence.

62. Among other things, Metabolife's 1997 corporate tax return failed to include: (1) \$162,642.88 in income from the "off-the-books" accounts; and (2) \$335,066.61 in corporate income that was falsely classified as repayment of shareholder loans. As a result of omitting these items and others, Metabolife evaded the payment of a substantial amount in income taxes.

(vii) False Bradley Foundation Returns

63. Defendant William R. Bradley knowingly and willfully aided and abetted the preparation of The Bradley Foundation's return (Form 990-PF) for the calendar year 2000. This foundation return contained a written declaration that it was made under penalty of perjury.

64. Defendant William R. Bradley knew that this 2000 return was not true and correct as to every material matter and acted for the purpose of evading the payment of excise taxes and not as a result of accident or negligence.

65. Defendant William R. Bradley knew that the foundation's 2000 return illegally concealed his self-dealing and the improper use of foundation funds for personal gain. As a result of this concealment, Bradley evaded the payment of \$829,717.25 in excise taxes.

66. Defendant William R. Bradley, with assistance from the accountant for the Bradley Foundation, knowingly and willfully aided and abetted the preparation of The Bradley Foundation's return (Form 990-PF) for the calendar year 2001. This foundation return contained a written declaration that it was made under penalty of perjury.

67. Defendant William R. Bradley knew that this 2001 return was not true and correct as to every material matter and acted for the purpose of evading the payment of excise taxes and not as a result of accident or negligence.

1 and owing for 1998, by preparing, signing and filing with the IRS under penalty of perjury, a false and
2 fraudulent amended U.S. Individual Income Tax Return (1998 Form 1040X), in which he falsely
3 stated that his taxable income was \$18,591,772 and that the tax due and owing thereon was
4 \$7,336,058; whereas, as he then knew, his taxable income for 1998 was greater; all in violation of
5 Title 26, United States Code, Section 7201.

6 **Count 3**

7 1. Paragraphs 1 through 71 of the Introductory Allegations are hereby realleged and
8 incorporated by reference as if set forth in full herein.

9 2. On or about October 15, 2001, within the Southern District of California, defendant
10 WILLIAM ROBERT BRADLEY did willfully attempt to evade and defeat his lawful income tax due
11 and owing for 2000, by preparing, signing and filing with the IRS under penalty of perjury, a false and
12 fraudulent joint U.S. Individual Income Tax Return (2000 Form 1040), in which he falsely stated that
13 his taxable income was \$12,279,635 and that the tax due and owing thereon was \$4,849,069.41;
14 whereas, as he then knew, his taxable income for 2000 was greater; all in violation of Title 26, United
15 States Code, Section 7201.

16 **Count 4**

17 1. Paragraphs 1 through 71 of the Introductory Allegations are hereby realleged and
18 incorporated by reference as if set forth in full herein.

19 2. On or about September 14, 1998, within the Southern District of California,
20 defendant WILLIAM ROBERT BRADLEY did willfully subscribe to a false return that misstated the
21 lawful income tax due and owing for 1997, by preparing, signing and filing with the IRS under
22 penalty of perjury, a false and fraudulent Corporate Income Tax Return (1997 Form 1120) for
23 Metabolife International, Inc., in which he falsely stated the material facts that his taxable income was
24 \$18,436 and that the tax due and owing thereon was \$2,765; whereas, as he then knew, its taxable
25 income for 1997 was greater; all in violation of Title 26, United States Code, Section 7206(1).

26 **Count 5**

27 1. Paragraphs 1 through 71 of the Introductory Allegations are hereby realleged and
28 incorporated by reference as if set forth in full herein.

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Count 7

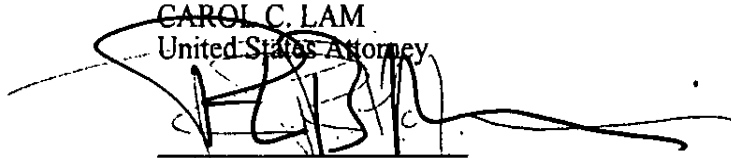
1. Paragraphs 1 through 71 of the Introductory Allegations are hereby realleged and incorporated by reference as if set forth in full herein.

2. On or about November 1998 to April 2000, within the Southern District of California, defendant WILLIAM ROBERT BRADLEY aided and abetted the willful preparation of a false return for 2002, by concealing numerous acts of self-dealing related to a false and fraudulent return (2002 Form 990-PF) for The Bradley Foundation signed under penalty of perjury, whereas, as he then knew, he was using foundations funds for personal reasons and was evading the payment of excise taxes; all in violation of Title 26, United States Code, Section 7206(2), and Title 18, United States Code, Section 21

DATED: 8/26/05

Respectfully submitted,

CAROL C. LAM
United States Attorney



PHILLIP L. B. HALPERN
Assistant U.S. Attorney


KYLE W. HOFFMAN
Assistant U.S. Attorney