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Eastern District of California

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WEED CHIROPRACTOR SENTENCED TO MORE THAN 11 YEARS PRISON FOR BANKRUPTCY FRAUD

SACRAMENTO, Calif.—Acting United States Attorney Lawrence G. Brown announced today that THOMAS M. KLASSY, 55, of Weed, Calif., was sentenced today by United States District Judge Morrison C. England Jr., to serve 135 months in federal prison. On June 5, 2008, a jury found the defendant guilty of making false declarations under penalty of perjury in a bankruptcy case, fraudulently concealing property in a bankruptcy case, and 26 counts of money laundering.

This case is the product of an extensive investigation by the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation Division, with assistance from the Siskiyou County Sheriff's Office and the United States Trustee's Office.

According to Assistant United States Attorneys Matthew Stegman and Russell Carlberg, who prosecuted the case, Judge England, in sentencing KLASSY, found that his crime was sophisticated, due to his use of shell corporations to execute the fraud and money laundering. Judge England also found that KLASSY obstructed justice in the case.

The evidence introduced at trial showed the defendant committed perjury in his bankruptcy proceedings and thereby concealed substantial assets from the bankruptcy court. Among the false statements he made under oath were that he did not own an airplane, a pickup truck, a one-third interest in a 220-acre ranch, \$205,000 he received for the sale of his chiropractic business, and two shell corporations named Rose Ventures Inc. and Aromor Inc., which he used to hide much of his assets. As to the sale of his business, KLASSY said that he sold it for only \$60,000. The evidence showed that he gave the bankruptcy court trustee a forged contract while concealing the true contract of \$265,000.

"Today's lengthy sentence underscores the seriousness of abusing the judicial process to perpetrate a fraud," stated Acting U.S. Attorney Brown.

KLASSY was also convicted of money laundering for funneling the \$205,000 through an attorney's trust account and then back to Rose Ventures Inc. and Aromor Inc. bank accounts. He held these shell corporations in the names of straw-men to avoid having his name attached to the corporations. KLASSY used blank checks that had been pre-signed by the straw-man to spend the money. One of these straw-men had advertised on a Web site his services for hiding assets by "properly integrat[ing] the attorney-client privilege with the nominee officer service."

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