



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
APRIL 13, 2010**

**CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER,
JANICE OH
PUBLIC INFORMATION OFFICE
(212) 637-2600**

**FORMER PROMOTER OF CRIMINAL TAX SHELTERS SENTENCED
IN MANHATTAN FEDERAL COURT TO FIFTEEN MONTHS IN PRISON**

PREET BHARARA, United States Attorney for the Southern District of New York, announced that CHARLES BOLTON, a Memphis-based financial services provider, was sentenced today in Manhattan federal court to fifteen months in prison and ordered to pay a fine of \$3 million. The sentence was imposed by United States District Judge SIDNEY H. STEIN.

BOLTON previously pleaded guilty to a one-count Information charging him with conspiracy to defraud the U.S. Internal Revenue Service ("IRS") in connection with tax shelters marketed by the accounting firm Ernst & Young ("E&Y"). Four former partners of E&Y -- ROBERT COPLAN, RICHARD SHAPIRO, MARTIN NISSENBAUM, and BRIAN VAUGHN -- were previously found guilty, following a jury trial, of conspiracy, tax evasion, and other charges relating to the design, marketing, and implementation of the tax shelters sold by E&Y.

According to the Information previously filed in Manhattan federal court and statements made during BOLTON's guilty plea and sentencing proceedings:

From approximately 1998 through 2002, E&Y had a group -- known initially as "VIPER" for "Value Ideas Produce Extraordinary Results," and later as "SISG" for "Strategic Individual Solutions Group" -- that designed, marketed, and implemented high-fee tax strategies, including tax shelters that purported to eliminate, reduce, or defer taxes on significant income or gains.

BOLTON owned a group of companies (the "Bolton companies") involved in implementing two E&Y tax shelters during the period 1999 through 2002. In brief, the shelters purported to allow wealthy individuals to pay a percentage of their income in fees to E&Y, the Bolton companies, and other participants in the transactions, rather than paying taxes to the IRS.

The two shelters the Bolton companies implemented, known as Contingent Deferred Swap ("CDS") and CDS Add-On, involved financial trades that were implemented and overseen by the Bolton companies and other entities. CDS, marketed from 1999 to 2001, was described as a means to convert a client's ordinary income into capital gains (thereby reducing the applicable tax rate from approximately 40 percent to approximately 20 percent), and to then defer for one year the tax on the capital gains. CDS Add-On was marketed briefly in mid-2000 as a means to defer indefinitely the income tax liability on capital gains, including capital gains purportedly generated in the second year of the CDS strategy. E&Y and the Bolton companies implemented dozens of CDS and CDS Add-On transactions involving in total billions of dollars in taxable income and gains.

BOLTON himself made millions of dollars from his involvement in the shelter transactions and ownership of the Bolton companies. BOLTON also implemented CDS transactions for approximately \$15 million of his own personal income in 2000 and \$25 million of his own income in 2001.

BOLTON and individuals at E&Y knew that the validity of the purported tax benefits of CDS and CDS Add-On would be undermined if the IRS were to learn the true facts and circumstances surrounding the transactions. Accordingly, from 1999 until 2006, BOLTON conspired with others, including individuals at E&Y, to mislead the IRS regarding the nature of the transactions and the ways in which they were designed, marketed, sold to clients and implemented. Among other things, BOLTON and his co-conspirators undertook to prevent the IRS from understanding how the shelters operated to produce the tax results reported by the clients; learning that the shelters were marketed as cookie-cutter products that would eliminate, reduce, or defer large tax liabilities; learning that clients were not seeking profit-making investment opportunities, but were instead seeking huge tax benefits; and learning that, from the outset, clients intended to complete a pre-planned series of steps that had been designed by the conspirators to lead to the specific tax benefits sought by the clients.

At the time of his guilty plea, BOLTON acknowledged that he agreed with others to deliberately mislead the IRS about the CDS and CDS Add-On shelters with respect to facts that he understood could be relevant to the IRS's evaluation of the transactions. BOLTON also admitted to giving misleading testimony during a sworn IRS deposition and to submitting a sworn statement to the IRS regarding his own CDS transaction in which he falsely stated that his decision to participate in the

transaction was "primarily profit driven," and that "tax avoidance" was not a "significant purpose."

* * *

BOLTON, 48, currently resides in Memphis, Tennessee. He was ordered to surrender to authorities to begin serving his sentence on April 27, 2010.

In related matters, Judge STEIN previously sentenced ROBERT COPLAN to 3 years in prison; RICHARD SHAPIRO to 28 months in prison; MARTIN NISSENBAUM to 30 months in prison; and BRIAN VAUGHN to 20 months in prison, for their respective roles in the design, marketing, and implementation of criminal tax shelters sold by E&Y.

Mr. BHARARA praised the investigative work of the IRS and thanked the Department of Justice's Tax Division.

This case is being handled by the Office's Complex Frauds Unit. Assistant United States Attorneys MARK LANPHER and RICHARD TARLOWE are in charge of the prosecution.

10-124

###