



***United States Attorney
Southern District of New York***

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**CERTIFIED PUBLIC ACCOUNTANT AND INSURANCE SALESMAN
PLEADS GUILTY TO CONSPIRACY, OBSTRUCTION, AND TAX
EVASION ARISING FROM TAX SHELTER TRANSACTIONS**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that STEVEN M. ACOSTA, a California Certified Public Accountant and insurance salesman, pleaded guilty in Manhattan federal court earlier today to participating in a conspiracy to defraud the United States Treasury, evade taxes and file false tax returns; evading his own income taxes; and obstructing an Internal Revenue Service ("IRS") investigation. The charges relate to the larger tax fraud conspiracy charged in the pending criminal case of *United States v. Stein*, 05 Cr. 888 (LAK). According to the Information to which ACOSTA pleaded, his statements during his guilty plea, and other publicly filed documents:

From at least 1999 through 2005, ACOSTA participated in a conspiracy with DAVID GREENBERG, RICHARD SMITH, STEVEN GREMMINGER, and RICHARD ROSENTHAL -- all of whom are defendants in *United States v. Stein* -- an attorney and an accountant in Orange County, California, and others, to defraud the United States and evade taxes. The tax fraud scheme involved devising, marketing, and implementing fraudulent tax shelters -- collectively known as "SOS" shelters -- by preparing and filing false U.S. individual income tax returns claiming the fraudulent losses from the shelters and by fraudulently concealing the shelters from the IRS. The conspirators marketed and sold the SOS tax shelters to wealthy clients for the purpose of evading those clients' U.S. personal income taxes. Rather than paying the U.S. income taxes that were legally owed on their income, the clients could choose the amount of tax loss desired and pay certain of the conspirators an "all-in" cost generally equal to approximately 5% to 7% of the desired tax loss.

Furthermore, in order to conceal the true nature of the SOS tax shelters from the IRS and shield the clients from IRS penalties for underpayment of taxes, the clients were provided with opinion letters containing false statements including the claim that the tax shelter losses were "more likely than not" to survive IRS challenge. The SOS opinion letters also falsely represented that certain entities were established, owned and operated as private hedge funds by ACOSTA and described him as a private hedge fund manager with experience investing in foreign currency options. In fact, the entities were established by the Orange County attorney and others to generate tax losses, and ACOSTA had no experience investing in currency options, was not a hedge fund manager, did not select or manage any of the currency options, did not own the entities, and acted only as a nominee with respect to those entities. In addition, a number of the SOS opinion letters falsely identify ACOSTA as the author of the opinion letter, when, in fact, those letters were authored by GREENBERG.

ACOSTA, together with GREENBERG and others, created fraudulent documents, including back-dated documents, to make it appear as if a client was entitled to deduct more than \$600,000 from an SOS tax shelter transaction in 2000, when the client had never participated in the transaction. When ACOSTA was interviewed by an IRS Criminal Investigation Division Special Agent regarding this client, ACOSTA, acting in part at the direction of GREENBERG and the Orange County attorney, lied to the Special Agent in order to conceal the true facts of the fraud.

Finally, ACOSTA evaded his own U.S. income taxes in 2000 and 2001 by deducting SOS tax shelter losses on his tax returns, thereby substantially understating his income and the tax due and owing for those years.

ACOSTA, 49, who lives in Southern California, faces a total maximum sentence of sixteen years' imprisonment on the charges to which he pleaded guilty. According to statements today in court, ACOSTA is cooperating with the Government. He is scheduled to be sentenced by United States District Judge DENNY CHIN on January 16, 2008 at 4:30.

Mr. GARCIA praised the investigative efforts of the IRS.

Assistant United States Attorneys KEVIN M. DOWNING, MARGARET GARNETT, JOHN M. HILLEBRECHT, JUSTIN M. WEDDLE, STANLEY J. OKULA, JR., and RITA GLAVIN are in charge of the prosecution.

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