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**SAIPAN EXECUTIVE PLEADS GUILTY TO FALSE
STATEMENT CHARGES RELATING TO SECRET FEES RECEIVED
FROM PROMOTERS OF TAX SHELTER TRANSACTIONS**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that MICHAEL GRANDINETTI, a senior executive officer of the United Micronesia Development Association ("UMDA"), a company based in Saipan -- part of the Commonwealth of the Northern Mariana Islands ("CNMI") -- pleaded guilty in Manhattan federal court earlier today to a one-count Information charging him with making false statements to an agent of the Internal Revenue Service ("IRS") and an Assistant United States Attorney ("AUSA"). According to the Information and GRANDINETTI's guilty plea:

Those false statements related to secret fees that the executive received -- but failed to report to the Board of Directors of UMDA -- from tax shelter promoters who had convinced GRANDINETTI and UMDA to engage in tax shelter transactions.

GRANDINETTI, formerly a certified public accountant and partner at one of the world's largest accounting firms, served from 1994 to the present as a senior executive officer of UMDA, a corporate entity which has invested in, owned, and managed a portfolio of companies operating in the tourism, telecommunications, and airline industries, largely in The Federated States of Micronesia, widely scattered islands located in the Oceania island group in the Pacific Ocean. GRANDINETTI served in various positions at UMDA, including President, Chief Executive Officer, Chief Operating Officer, and Chairman of the Board of Directors.

UMDA's investment activities and ownership of various assets resulted in tens of millions of dollars in income during the 1996 and 1997 tax years. Upon learning of UMDA's receipt, or impending receipt, of that income, certain tax shelter promoters

located in the United States (the "Promoters") suggested to GRANDINETTI that UMDA engage in tax shelter transactions in order to avoid paying millions of dollars of CNMI corporate income taxes that would otherwise have been due. In discussions with the Promoters -- including a Denver, Colorado-based accountant (the "Denver Accountant"), a Los Angeles-based businessman, and others -- GRANDINETTI agreed to receive and share with the Promoters certain fees that would be generated by the transactions. As a result of UMDA's participation in the transactions during the 1996 and 1997 tax years, millions of dollars in fees were generated by the Promoters, which fees were divided among the Promoters and shared with GRANDINETTI and others. GRANDINETTI did not disclose to the UMDA Board of Directors, of which he was then a member, his receipt of the fees from the Promoters.

On March 21, 2006, a Guam-based Special Agent from the Criminal Investigation division of the IRS served a grand jury subpoena on GRANDINETTI at UMDA's headquarters in Saipan and informed him that an AUSA and an IRS Special Agent, both based in New York, New York, requested a phone interview with GRANDINETTI, to which he consented. During this interview, GRANDINETTI answered certain questions about his involvement with the Promoters and the fee-splitting arrangement described above. Although he admitted receiving, and sharing with one of the Promoters, fees generated from the transactions, GRANDINETTI falsely stated that he had disclosed to the UMDA Board of Directors his receipt of fees stemming from two specific UMDA tax shelter transactions.

Mr. GARCIA, who praised the investigative efforts of the IRS, stated the investigation was continuing.

GRANDINETTI, 54, who lives in Saipan, faces a maximum sentence of five years in jail on the false statements charge to which he pled guilty. United States District Judge THOMAS P. GRIESA set a sentencing date of January 8, 2008.

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

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