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CHICAGO AND LOUISIANA ATTORNEYS FOUND GUILTY IN MANHATTAN FEDERAL COURT OF TAX AND BANK FRAUD CONSPIRACY RELATING TO TAX SHELTER TRANSACTIONS

Jury Also Convicts Chicago Attorney Of Tax Evasion Charges

PREET BHARARA, the United States Attorney for the Southern District of New York, JOHN A. DiCICCO, the Acting Assistant Attorney General for the Tax Division of the Department of Justice, and CHARLES R. PINE, the Special Agent-in-Charge of the New York Field Office of the Internal Revenue Service, Criminal Investigation Division ("IRS"), announced that Chicago attorney and Certified Public Accountant JOHN B. OHLE III and Louisiana attorney WILLIAM BRADLEY were found guilty yesterday in Manhattan federal court of wire and tax fraud conspiracy charges stemming from a scheme to fraudulently obtain referral fees relating to a tax shelter sold by OHLE's employer, Bank One, and thereafter failing to accurately report those fees to the IRS and pay the appropriate taxes due. In addition, OHLE was found guilty of two counts of tax evasion which also encompassed failure to report millions of dollars he embezzled from a trust, and fraudulent tax shelter deductions used to offset reported income.

According to the evidence at the three-week trial before United States District Judge JED S. RAKOFF:

Between 1999 and 2002, OHLE was the supervisor in the Chicago office of Bank One's "Innovative Strategies Group" ("ISG"). The ISG provided estate planning and tax shelter strategies for high net worth clients, including a tax shelter called "Hedge Option Monetization of Economic Remainder," or HOMER, which OHLE and others designed, marketed, and implemented together with attorneys at the now-defunct Chicago and Texas law firm of Jenkens & Gilchrist.

OHLE and others at Bank One had agreed with attorneys at Jenkens & Gilchrist to pay referral fees to third parties who referred HOMER clients to Bank One, which would be paid out of Bank One's tax shelter fees. OHLE and BRADLEY -- who had met each other while they both studied for the Louisiana bar exam in the mid-90's -- conspired with others, including DOUGLAS STEGER, a Chicago businessman, to create false and fraudulent invoices to obtain referral fees for certain HOMER tax shelter transactions to which they were not entitled. The secret receipt by OHLE and BRADLEY of the referral fees served to reduce the total tax shelter fees that Bank One was paid as a result of the sales of the HOMER tax shelter.

OHLE, BRADLEY, and STEGER carried out the scheme to fraudulently obtain the referral fees through the use of BRADLEY's and STEGER's bank accounts, as well as the bank account of another business acquaintance of OHLE's in San Francisco. Ultimately, OHLE received over $800,000 of these fraudulently-obtained referral fees, while STEGER and BRADLEY were paid approximately $215,000 and $25,000, respectively. STEGER, who previously pleaded guilty in July 2008 to tax charges related to the scheme, also schemed with OHLE to report on his own tax return fraudulently-obtained fees that should have been reported by OHLE, and then eliminated taxes on those fees and the fees STEGER retained himself through the use of a fraudulent tax shelter referred to as "1256" and made available by OHLE.

OHLE directed BRADLEY to pay a Chicago businessman $184,000 of the false and fraudulent referral fees that BRADLEY helped generate, which the businessman reported on a corporate return but on which he paid no taxes because he claimed false expenses on that return, at OHLE's suggestion.

OHLE also obtained by fraud over $4,000,000 from a client for whom he acted as trustee. A portion of those funds were used by OHLE to carry out the fraud on Bank One with respect to the tax shelter referral fees. And OHLE also secretly obtained $500,000 in profits from the HOMER tax shelter transactions through a childhood friend who he had inserted into the transaction, with the agreement to share the profits with OHLE. OHLE failed to report the $500,000 as income on his tax returns, scheming to have his friend report both his and OHLE's profits, and arranging for a fraudulent "1256" tax shelter to be used to eliminate taxes on all the profits.

In addition to the conspiracy count, OHLE was found guilty of tax evasion for the 2001 and 2002 tax years. With respect to 2001, OHLE fraudulently omitted from his tax return approximately $2.9 million in income, which was comprised of unreported HOMER referral fee income and funds stolen from his trust client. For 2002, OHLE fraudulently omitted from his tax return over $3.1 million in income, which was comprised of over $500,000 in HOMER tax shelter profits and over $2.5 million he embezzled from his trust client. In addition to failing to report income for 2002, OHLE also claimed over $4,000,000 of false tax losses stemming from a fraudulent "1256" tax shelter transaction that he employed on his own tax return.

OHLE, 42, of Wilmette, Illinois, and BRADLEY, 46, of Hammond, Louisiana, each face a maximum sentence of five years in prison on the conspiracy charge and a maximum fine of twice the gross gain or loss from the crime. OHLE also faces five years in prison on each of the tax evasion charges and similar fines. OHLE also faces the forfeiture of a multimillion-dollar sports memorabilia collection, which was purchased with funds OHLE obtained through the fraud scheme.

OHLE and BRADLEY are scheduled to be sentenced by Judge RAKOFF on September 9, 2010.

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U.S. Attorney PREET BHARARA: "These important convictions demonstrate that we simply will not tolerate flagrant abuse of the tax laws. Bankers, accountants, and attorneys should be exemplars of ethical conduct, not architects of tax fraud. Together with our partners at the IRS and the Department of Justice Tax Division, we will continue to pursue tax cheats who abuse and corrupt their positions to steal from the Government."

Acting Assistant Attorney General JOHN A. DiCICCO stated: "This conviction serves as yet another reminder that individuals who break our nation's tax laws face serious consequences. Citizens who comply with our tax laws can be assured that the United States vigorously prosecutes those who do not."

IRS Special Agent-in-Charge CHARLES R. PINE stated: "IRS has made the investigation of abusive tax schemes a national priority. People trust their attorneys and Certified Public Accountants to hold the highest standards when dealing in financial transactions. The arrogant behavior of anyone who thinks he is above the law will not be tolerated. No one gets a free pass to get rich on the backs of hard-working American taxpayers. With every prosecution, we will again and again remind the public of our core mission, that is, fostering confidence in the tax system and compliance with the law."

Mr. BHARARA praised the work of the IRS and thanked the Department of Justice Tax Division for their assistance in this case.

The case is being prosecuted by the Office's Complex Frauds Unit. Assistant United States Attorney STANLEY OKULA of the Southern District of New York, and NANETTE L. DAVIS, Assistant Chief with the Northern Criminal Enforcement Section of the Tax Division of the Department of Justice, are in charge of the prosecution.

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