



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
MARCH 17, 2009**

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**FORMER ACCOUNTING FIRM VICE CHAIRMAN AND BOARD MEMBER
PLEADS GUILTY TO TAX FRAUD RELATED TO TAX SHELTERS
CLAIMING OVER ONE BILLION DOLLARS
OF FRAUDULENT TAX LOSSES**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, and PATRICIA J. HAYNES, the Special Agent-in-Charge of the New York Field Office of the Internal Revenue Service ("IRS"), Criminal Investigation Division, announced that ADRIAN DICKER, the former Vice Chairman and board member at a major international accounting firm (the "Accounting Firm"), pleaded guilty today to conspiring with certain tax shelter promoters to defraud the United States in connection with tax shelter transactions involving clients of the Accounting firm and the law firm of Jenkins & Gilchrist ("J&G"). DICKER also pleaded guilty to tax evasion in connection with a multimillion-dollar tax shelter that DICKER helped sell to a client of the Accounting Firm. According to the two-count felony Information to which DICKER pleaded guilty, and statements made during his guilty plea proceeding before United States Magistrate Judge THEODORE H. KATZ in Manhattan federal court:

Between 1995 and 2000, DICKER, a United Kingdom chartered accountant, was a partner in the New York office of the Accounting Firm (which he identified during his guilty plea as BDO Seidman), which maintained offices in, among other places, New York, Chicago, and Los Angeles. From early 1999 through October 2000, DICKER was on the Firm's Board of Directors, and through October 2003 he served as a retired partner director. Beginning in 1998 until 2000, DICKER was one of the leaders of the Firm's "Tax Solutions Group" ("TSG"), a group led by the Firm's Chief Executive Officer, DICKER, and another New York-

based tax partner. The activities of the TSG were devoted to designing, marketing, and implementing high-fee tax strategies for wealthy clients, including tax shelter transactions.

DICKER and the other two TSG managers used a bonus structure that handsomely rewarded the Accounting Firm personnel involved in the design, marketing, and implementation of the TSG's transactions, including: the individual who referred the client to TSG personnel; the TSG member who pitched and closed the sale; other TSG members; and TSG management. From July 1999, DICKER, the CEO, and the other TSG manager earned and shared equally 30% of the net profits of the TSG. DICKER earned approximately \$6.7 million in net TSG profits, as well as salary and bonuses between 1998 and 2000. In addition, the CEO of the Firm doled out additional bonuses from the profits earned as a result of the sale of the tax shelter products. Moreover, the Firm made the sale of the tax shelter products a focal point of its aggressive "value added" product promotion activities, using a "Tax Sells" logo and other marketing hype to induce employees to generate additional tax shelter sales.

While serving as a manager of the TSG, DICKER, along with other TSG partners, engaged in the design, marketing, and implementation of two different tax shelter transactions with the Chicago office of the law firm of Jenkins & Gilchrist, as well as an international bank with its U.S. headquarters in New York. As a member of TSG and the Accounting Firm's Tax Opinion committee -- which reviewed the tax opinions issued in connection with tax shelter transactions sold by the Accounting Firm and J&G -- DICKER knew that the tax shelter transactions he helped vet and sell would be respected and allowed by the IRS only if there was a reasonable possibility of a profit and the client had a non-tax business purpose for entering the transaction. DICKER and his co-conspirators knew and understood that the tax shelter transactions being marketed and sold with J&G had no reasonable possibility of earning a profit, given the large amount of fees being charged by the Accounting Firm and J&G to enter the transaction. Those fees were set by the co-conspirators as a percentage of the tax loss being sought by the tax shelter clients. DICKER also knew that the clients who purchased the tax shelter had no non-tax business reasons for entering into the transactions and their pre-planned steps.

In order to make it appear that the tax shelter clients of DICKER, other TSG members, and J&G had the requisite business purpose and that there was a possibility of profit, DICKER and his co-conspirators reviewed and approved the use of a legal opinion letter issued by J&G that contained false and fraudulent representations purportedly made by the clients about their motivations for entering into the transactions. In addition,

DICKER and his co-conspirators created and used, or approved of the creation and use of, other documents in the transactions that were false, fraudulent, and misleading in order to paint a picture for the IRS that was patently untrue -- that is, that the clients had a legitimate non-tax business purpose for entering the transaction and executing the preplanned steps of the transaction. DICKER also admitted during his plea that TSG members created and placed into client files certain paperwork that falsely conveyed fabricated business purposes and rationales for clients entering into the shelters. The false paperwork was created to mislead and defraud the IRS.

DICKER and his co-conspirators caused the clients to file false and fraudulent tax returns reporting the tax benefits flowing from the shelter transactions. In total, the fraudulent tax shelters implemented by DICKER, the Accounting Firm, J&G, and the financial institution that assisted them, caused clients to report over \$1,000,000,000 in false and fraudulent tax losses, resulting in the evasion of over \$200,000,000.

DICKER admitted during the plea proceeding that he and other TSG members pitched tax shelter transactions to clients as a way for the client to eliminate the taxes they were facing from taxable events, such as the sale of businesses or stock. DICKER assisted in selling a particular client a tax shelter known as the "short option" transaction, for which the client was charged approximately \$133,000 by the Accounting Firm and \$201,000 by J&G in order to produce losses to offset the taxes due to the IRS on the \$6,700,000 the client received in connection with the sale of certain stock. The short option transaction of the client, however, had the reasonable possibility only to net a profit of \$67,000 -- the cost the client was required to pay to Bank A for the options transaction. Thus, there could be no profit to the client. The client ultimately filed tax returns with the IRS reporting false and fraudulent losses purportedly generated from his short options shelter, thus evading a substantial amount of taxes that he would otherwise have had to pay.

DICKER, 54, who resides in Princeton Junction, New Jersey, pleaded guilty to one count of conspiracy to defraud the IRS and one count of tax evasion. He faces a maximum sentence of five years in prison on the conspiracy charge and five years in prison on the tax evasion charge. On each count, the maximum fine is the greatest of \$250,000 or twice the gross gain or gross loss from the offense. Restitution to the IRS can be imposed on all the charges.

Co-conspirator MICHAEL KEREKES, a principal of BDO Seidman and also a former member of BDO's TSG and Tax Opinion

Committee, pleaded guilty on February 13, 2009, to related conspiracy and tax evasion charges.

DICKER is scheduled to be sentenced on December 11, 2009, by United States District Judge GERARD E. LYNCH.

Mr. DASSIN thanked the IRS and the Department of Justice Tax Division for their efforts in this case. Mr. DASSIN added that the investigation is continuing.

Assistant United States Attorney STANLEY OKULA and Trial Attorney NANETTE L. DAVIS from the Department of Justice Tax Division are in charge of the prosecution.

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