



*United States Attorney  
Southern District of New York*

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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, PATRICIA J. HAYNES, the Special Agent-in-Charge of the New York Field Office of the Internal Revenue Service ("IRS"), Criminal Investigation Division, and JOHN A. DiCICCO, the Acting Assistant Attorney General for the Tax Division of the Department of Justice, announced that CHARLES W. BEE, JR., a former Vice-Chairman and board member at a major international accounting firm, pleaded guilty today to a three-count felony Information charging him with conspiracy to defraud the United States in connection with tax shelter transactions involving clients of his firm and of the law firm Jenkins & Gilchrist ("J&G"); tax evasion in connection with a multimillion-dollar tax shelter that BEE helped sell to a client of his firm; and to giving material false deposition testimony regarding his firm's tax shelter practice. According to the Information and statements made during his guilty plea proceeding before United States Magistrate Judge THEODORE KATZ in Manhattan federal court:

From 1984 through October 2003, BEE, a Certified Public Accountant, was a partner and became a director and Vice-Chairman of accounting firm BDO Seidman. From 1998 through October 2000, BEE along with the firm's CEO, as well as New York-based partner ADRIAN DICKER (who has previously pleaded guilty to similar tax fraud charges) was one of the leaders of the Firm's "Tax Solutions Group" ("TSG"), the activities of which were devoted to

designing, marketing, and implementing high-fee tax strategies, including tax shelters, for wealthy clients. BEE, together with other TSG partners, designed, marketed, and implemented two different types of tax shelters with the Chicago office of the law firm Jenkens & Gilchrist and with an international bank in New York.

BEE knew that the tax shelter transactions would be allowed by the IRS only if there was a reasonable possibility of a profit. BEE also knew that, given the costs and fees to the clients, and the nature and duration of the transactions, the tax shelters had no reasonable possibility of resulting in a profit. In addition, BEE knew that the clients who purchased the tax shelter had no non-tax business reasons for entering into the transactions, and that the fees were set as a percentage of the tax loss sought by the clients. To make it appear that the tax shelter clients had the requisite business purpose and that there was a possibility of profit, BEE 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. BEE and other TSG members also developed a consulting agreement containing false and fraudulent statements to disguise the fact that the fees clients would be charged by BDO Seidman were solely for the tax shelters. Finally, BEE and his co-conspirators caused the clients to file false and fraudulent tax returns incorporating the supposed tax shelter benefits. In total, the fraudulent tax shelters implemented by BEE, BDO Seidman, J&G, and the financial institution that assisted them, caused clients to report over \$1 billion in false and fraudulent tax losses, resulting in the evasion of over \$200 million in taxes.

BEE also specifically admitted criminal responsibility based on the sale by BDO of a tax shelter known as the "short option" transaction to one client, who was charged fees of approximately \$133,000 by BDO Seidman and \$201,000 by J&G. The short option tax shelter purportedly generated losses sufficient to offset the taxes due on \$6.7 million the client had received from a stock sale. In fact, the short option transaction had the reasonable possibility only to net a profit of \$67,000, thus resulting in no potential profit to the client. The client nonetheless filed tax returns with the IRS reporting false and fraudulent losses purportedly generated from the short options shelter, thereby evading a substantial amount of taxes that he would otherwise have had to pay.

Finally, BEE admitted that in February 2005, while under oath during a deposition in Jade Trading v. United States, a Court of Federal Claims case involving a tax shelter sold by BDO and another promoter, he knowingly made false material statements concerning BDO's tax shelter practice.

As part of his plea agreement, BEE agreed to forfeit \$20 million, representing the money BDO Seidman paid to BEE from tax shelter fees. BEE also agreed, in partial satisfaction of the forfeiture, to forfeit four residences, three located in Boca Raton, Florida, and one in Saddle Brook, New Jersey. BEE also agreed to forfeit a 40-foot Coachman Legend recreational vehicle.

BEE, 63, who resides in Fredericksburg, Virginia, and Boca Raton, Florida, pleaded guilty to one count of conspiracy to defraud the IRS, one count of tax evasion and one count of perjury. He faces a maximum sentence of five years in prison on each of Counts One, Two, and Three. On each count, he also faces a maximum fine of 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. Fellow co-conspirator ADRIAN DICKER, a former Vice-Chairman of BDO Seidman and TSG member, pleaded guilty on March 17, 2009, to conspiracy and evasion charges as well.

BEE is expected to be sentenced on a date to be set by United States District Judge DEBORAH A. BATTS.

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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