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FOR IMMEDIATE RELEASE  
JUNE 14, 2007

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**FORMER EMPLOYEE OF ERNST & YOUNG PLEADS GUILTY TO  
CRIMINAL TAX FRAUD RELATED TO TAX SHELTERS**

MICHAEL J. GARCIA, United States Attorney for the Southern District of New York, announced that BELLE SIX, a former employee of Ernst & Young ("E&Y"), pleaded guilty earlier today to a one-count Information charging her with conspiracy to commit tax fraud. According to the Information filed in Manhattan federal court and statements made during SIX's guilty plea:

SIX was a member of E&Y's VIPER group, which was formed in 1998 to design, market, and implement tax shelters for E&Y's high-net-worth clients. As a member of the VIPER group -- which used as its name an acronym for "Value Ideas Produce Extraordinary Results" -- SIX participated with others in a scheme to deceive the IRS about the bona fides of their tax shelters, and about the circumstances surrounding the marketing of the shelters to E&Y's clients. SIX was involved primarily in sales and marketing while at E&Y, and later went to work for entities that implemented shelters for E&Y clients.

Appearing this morning before United States Magistrate Judge DEBORAH C. FREEMAN, SIX acknowledged that she and others deliberately concealed information from the IRS, and submitted false and fraudulent documentation to the IRS. SIX acknowledged that over a period of several years, she and others participated in marketing and implementing shelters called CDS (for "Contingent Deferred Swap") and CDS Add-On. She knew that in order for these tax shelters to succeed in generating the intended tax benefits, it was necessary for the clients to have non-tax business motivations for entering into them, and for carrying out the various steps that generated the tax benefits. SIX admitted that the VIPER Group members developed non-tax business reasons that could plausibly be advanced to justify the shelters to the IRS, and included those reasons in transaction documents, correspondence, and other materials that would go to

the IRS if the clients were audited, although the reasons were not true. SIX acknowledged that she and her co-conspirators also took steps to disguise the fact that all the steps of the transactions were all pre-planned from the beginning, and that they did so because they knew that fact would harm the clients' tax positions.

Generally, the shelters E&Y marketed and implemented were designed to appear as financial investments rather than tax shelters, and the non-tax reasons the conspirators advanced related to supposed investment objectives. SIX acknowledged that she and her co-conspirators knew the clients entered into these transactions because they wanted the tax results and not for investment purposes.

During her plea, SIX explained that, as part of the fraud, CDS clients formed partnerships that claimed to be involved in the business of trading for profit. She acknowledged that conducting trading activity for profit was essential to the success of CDS, and that, in reality, the trading activity undertaken by the CDS partnerships was not designed for that purpose. SIX admitted during her plea that the CDS and CDS Add-On shelters were vulnerable to IRS attack in certain other respects as well, and that she and others submitted false and fraudulent documents to the IRS in an effort to avoid having the IRS learn of those vulnerabilities and disallow the clients' tax positions. In pleading guilty today, SIX also admitted lying to the IRS under oath in 2004, when she was asked about CDS.

SIX, age 36, who resides in Dallas, Texas, faces a maximum sentence of five years in prison on the conspiracy charge to which she pled guilty. As part of her plea agreement with the Government, SIX agreed to forfeit more than \$13 million, representing after-tax compensation she received for her tax shelter work after leaving E&Y. In addition, SIX agreed not to be involved in organizing, marketing, promoting or selling tax shelters or tax-advantaged transactions designed to avoid or evade taxes, and not to be involved in tax return preparation.

A tentative sentencing date of September 19th was set.

Assistant United States Attorneys DEBORAH E. LANDIS and JAIKUMAR RAMASWAMY are in charge of the prosecution.

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