



Department of Justice

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THURSDAY, JANUARY 24, 2008
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THREE DEFENDANTS PLEAD GUILTY IN \$20 MILLION TAX FRAUD CONSPIRACY

WASHINGTON. – Three defendants, whose trial was scheduled to begin in U.S. District Court in Salt Lake City next week, have pleaded guilty to conspiring to defraud the United States, the Department of Justice and Internal Revenue Service (IRS) announced today.

Attorney Graham R. Taylor, of Tiburon, Calif., entered his guilty plea today to tax fraud before U.S. District Court Judge Tena Campbell. Certified Public Accountants Stephen F. Petersen of Coalville, Utah, and Reed H. Barker of Littleton, Colo., pleaded guilty to the tax fraud on Jan. 18, 2008. Petersen also pleaded guilty to aiding in the preparation of a false tax return on behalf of a client.

The three defendants, along with co-conspirators attorney Dennis B. Evanson of Sandy Utah accountant Brent H. Metcalf of Cottonwood, Utah, and investment broker Wayne F. DeMeester of Sammamish, Wash. were indicted in November 2005 for conspiracy to defraud the United States, conspiracy to commit mail fraud, and wire fraud. Five of the defendants were also charged with tax evasion and assisting in the filing of false tax returns.

According to the indictment, the tax fraud scheme cost the federal treasury over \$20 million in taxes. The fraud scheme took multiple forms, including the use of false documentation for fictitious currency transaction losses, false insurance expense deductions and bogus capital losses for the purpose of fraudulently offsetting taxable income for clients. The scheme utilized, among other things, offshore companies, offshore bank accounts, the services of offshore nominees, and opinion letters that purported to give legal authority to the fraudulent transactions.

In Court, Petersen and Barker admitted that from 1996 through April 2005, they conspired with Dennis Evanson and others to conceal portions of their clients' income from the IRS and to create false deductions for the purpose of reducing the income tax paid by clients. The defendants admitted that they knew that the deductions on the tax returns were false and fraudulent.

Petersen also admitted that he and Evanson were paid a fee for their services that was typically equal to 30 percent of the tax evaded by the clients. According to the indictment, Evanson and Petersen together collected over \$4 million in fees related to the scheme. Petersen admitted to receiving more than \$1 million in fees. The terms of his plea agreement require that Petersen will forfeit \$1 million in money and real property.

Taylor admitted in his plea that he devised, marketed and implemented the tax shelter, known as "The Hybrid," for the purpose of assisting others to evade income taxes. Taylor also admitted that he prepared tax opinion letters contained fraudulent misrepresentations. Taylor further admitted to using individuals in the Cayman Islands to act as nominees for clients, and falsely disguised client monies through fraudulent transfers.

Trial of the remaining co-defendants Evanson, Metcalf, and DeMeester, is scheduled to begin on Jan. 28, 2008, in the District Court in Salt Lake City, Utah. The charges contained in the indictment against these defendants are allegations. These defendants are entitled to a fair trial in which it will be the government's burden to prove guilt beyond a reasonable doubt.

The case is being prosecuted by attorneys from the Tax Division and U.S. Attorney's Office for the District of Utah and was investigated by Internal Revenue Service Criminal Investigation.

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