



## **NEWS RELEASE**

## **United States Attorney's Office** Central District of California

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### **VENICE CIVIL RIGHTS ATTORNEY STEPHEN YAGMAN FOUND GUILTY OF TAX AND BANKRUPTCY FRAUD CHARGES**

Venice civil rights attorney Stephen G. Yagman was convicted today of attempting to evade the payment of more than \$100,000 in federal income taxes by concealing his assets and committing bankruptcy fraud.

A federal jury in Los Angeles convicted Yagman of 19 felony counts – one count of attempting to evade the payment of taxes, one count of bankruptcy fraud and 17 counts of money laundering (engaging in monetary transactions in criminally-derived property).

The evidence presented during the four-week trial showed that Yagman filed federal income tax returns for the tax years 1994 through 1997, but paid only a small portion of the taxes that, according to his own returns, were owed to the Internal Revenue Service. As a result of the underpayment, Yagman accumulated federal income tax liabilities for those four years that, with interest and penalties, totaled more than \$158,000. During the four years, Yagman also failed to pay significant amounts of federal payroll taxes owed by his law firm, which was then called Yagman & Yagman, P.C.

Instead of paying these overdue federal taxes, Yagman engaged in a scheme to conceal his assets and to impede the collection efforts of the IRS. As part of the scheme, Yagman deposited hundreds of thousands of dollars into various bank and brokerage accounts in his girlfriend's name to disguise his personal assets. Yagman

used the accounts to pay for personal purchases and to conduct the majority of his personal financial transactions.

In 1999, Yagman attempted to subvert the IRS's collection efforts by filing for both personal and corporate bankruptcy. Yagman made numerous misrepresentations and omissions in his bankruptcy petitions and in court proceedings relating to those petitions. In his personal bankruptcy petition, for example, Yagman failed to disclose to the Bankruptcy Court that he lived in a 2,800-square-foot house near the beach in Venice, for which he made mortgage and property tax payments, as well as claiming the homeowner's mortgage-interest deduction on his tax returns. Yagman also failed to disclose in his bankruptcy proceedings various personal bank and brokerage accounts that he controlled, but were in his girlfriend's name, as well as hundreds of thousands of dollars in legal settlements, client payments and attorney's fees that he received in 1999 and 2000.

"The public expects attorneys to be honest, to be trustworthy and to show respect for the law. The jury's verdict today finding Mr. Yagman guilty on all counts sends a powerful message that his acts of deception and illegal conduct will not be tolerated," said Internal Revenue Service Special-Agent-in-Charge Debra King.

Yagman is scheduled to be sentenced by United States District Judge Stephen V. Wilson on September 24, 2007. The tax evasion and bankruptcy fraud counts each carry a maximum statutory penalty of five years in federal prison. The money laundering counts each carry a maximum statutory penalty of 10 years in federal prison.

"Today's verdict should serve as a strong deterrent to others who would misuse our nation's mail system to commit tax or bankruptcy fraud," said Acting Postal Inspector in Charge Robert Malaby. "The United States Postal Inspection Service remains dedicated to our mission to protect our nation's mail system from criminal misuse."

This case is the product of an investigation by IRS-Criminal Investigation, the

United States Postal Inspection Service and the Federal Bureau of Investigation.

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