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**INVESTMENT BANKER SENTENCED BY FEDERAL COURT TO 50 MONTHS
IN PRISON IN MULTIMILLION-DOLLAR SCHEME TO EVADE TAXES OWED
FROM TAX SHELTER TRANSACTIONS**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that investment banker RICHARD JOSEPHBERG was sentenced today in White Plains federal court to 50 months' imprisonment based on his involvement in a scheme to evade payment of a multimillion-dollar tax debt owed by JOSEPHBERG to the Internal Revenue Service ("IRS") as a result of his participation in tax shelter transactions.

JOSEPHBERG, 60, of Greenwich, Connecticut, and formerly of Armonk, New York, was convicted after a four-week trial in April 2007 of all 17 counts of an Indictment charging him with tax evasion, conspiracy, filing false income tax returns, failure to file tax returns, failure to pay taxes, obstructing the IRS, and health care fraud.

According to the testimony and proof at trial, JOSEPHBERG, a former securities analyst at Goldman Sachs, was a founding partner of J.R Cralin & Co., a company that promoted and sold various tax shelter transactions between 1977 and 1985. Those tax shelter transactions - which were carried on with tax shelter promoters such as Bernard "Fred" Manko and Charles Atkins, both of whom were later convicted in the United States District Court for the Southern District of New York for selling fraudulent tax shelter losses - resulted in hundreds of millions of dollars of bogus losses being claimed by investors in the Cralin tax shelters. JOSEPHBERG and his Cralin partners also claimed the bogus losses on their own tax returns.

Two of JOSEPHBERG's co-workers at Cralin - Jeffrey Feldman and Paul Foont - were also convicted, in 1990. Following the IRS's challenge to the Cralin-based losses claimed by

JOSEPHBERG and others, and the criminal conviction of Feldman and Foont, the IRS issued notices to JOSEPHBERG for more than \$1.5 million in taxes JOSEPHBERG owed for the period 1977-1985. Those taxes were based on the \$3.6 million of fee and other income JOSEPHBERG was paid between 1977 and 1985 for selling the Cralin tax shelters, and his payment of less than 1% of that amount in taxes during that time period.

According to the proof at trial, JOSEPHBERG took various corrupt steps between 1994 and 2004 to evade payment of his tax debt stemming from 1977-1985, which, by 1995, had grown, with interest and penalties, to approximately \$17 million. Those corrupt steps included:

(a) directing income (in the form of stock he received in exchange for his investment banking services) and assets to be paid not to himself but, instead, into nominee bank accounts established in the names of his children (one of whom was an infant at the time) for the purpose of concealing and attempting to conceal his true income and assets;

(b) directing the hundreds of thousands of dollars of income he was receiving between 1995 and 2003 to be paid to a newly-created corporation and partnership he created and controlled and thereafter diverting that income to pay various personal expenses (including hundreds of thousands of dollars of country club dues and rent on homes in Armonk, New York, and Greenwich, Connecticut), again in order to create the appearance that JOSEPHBERG had little or no income;

(c) causing false information regarding his income and assets to be submitted to an IRS Revenue Officer for the purpose of concealing and attempting to conceal his income and assets; and

(d) causing bankruptcy petitions to be filed for himself and his wife, resulting in false and misleading claims and statements being made by JOSEPHBERG and his wife when questioned, in written interrogatories and during depositions, about JOSEPHBERG's assets and liabilities.

Also according to the proof at trial, JOSEPHBERG committed a host of other tax crimes during the period from 1997 to 2004 including: (I) tax evasion and filing false tax returns for the tax years 1997-98, in which JOSEPHBERG - in order to evade assessment of his tax liabilities for those tax years - claimed falsely that his substantial income for those years was offset by a multimillion-dollar net operating loss, and failed to report taxes due from his employment of a live-in household employee, whom

JOSEPHBERG paid in cash to clean and cook in JOSEPHBERG's home, as well as serve as a nanny for his youngest child; (ii) failing to file timely Individual Income Tax Returns for himself for the period 1999-2002, including for periods when he was under criminal investigation; (iii) willfully failing to pay taxes due for the tax years 1999-2003, notwithstanding that he had ample funds in personal bank accounts to pay some or all of the liabilities; and (iv) conspiring with the accountant who prepared his tax returns for the period 1977-97 (who pleaded guilty and testified at trial) to file false tax returns and to defraud JOSEPHBERG's health care insurer, Oxford Health Plans, by falsely representing that JOSEPHBERG's company had multiple employees and thus was entitled to a group health-care policy, when in truth JOSEPHBERG was the sole employee of the company.

United States District Judge CHARLES L. BRIEANT directed JOSEPHBERG to pay restitution in the amount of \$21,000 for the health care fraud conviction, and to serve a 3-year term of supervised release after his release from prison. JOSEPHBERG is scheduled to surrender to the Bureau of Prisons on October 23, 2007.

Mr. GARCIA praised the IRS and the Federal Bureau of Investigation for their efforts in this investigation and prosecution.

Assistant United States Attorneys STANLEY J. OKULA, JR., and Special Assistant United States Attorney ANDREW KAMEROS are in charge of the prosecution.

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