

NEWS

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Two Private Company Executives Sentenced
to Prison for \$5 Million Investor Fraud

(More)

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NEWARK – The former CEO and the former president of a private New Jersey company were each sentenced to federal prison today for their roles in a conspiracy to defraud dozens of investors of more than \$5 million, U.S. Attorney Christopher J. Christie announced.

Russell Kevin Holt, 54, of Cranford, who served as the CEO and Chairman of the Board of Directors at InsPara Network Technologies, Inc., was sentenced to 35 months in prison; Robert Henches, 63, of Montville, who served as InsPara's president, Chief Operating Officer, and board member, was sentenced to 43 months in prison.

In addition to the terms of imprisonment, U.S. District Judge Peter G. Sheridan also ordered Holt and Henches to pay \$4.16 million in restitution to the victims. Judge Sheridan ordered both men to surrender to the federal Bureau of Prisons by Sept. 2 to begin serving their prison terms.

InsPara was a private information technologies consulting firm based in Cranford, with seven affiliated offices throughout the United States, as well as a location in London. Holt and Henches, who co-founded InsPara in 2002, were sentenced for their role in a conspiracy with the company's former Vice President of Finance, Guy E. Urciuoli, for defrauding more than 40 investors, who each invested between \$25,000 and \$1 million, totaling approximately \$5.3 million, according to Robert Kirsch, the Assistant U.S. Attorney who prosecuted the cases.

From mid-2003 through March 2005, Urciuoli, of Wilton Manors, Fla., recruited the pool of investors through telephone and written solicitations. The investors were located across the country, including New Jersey, New York, Florida, Colorado, Tennessee, Illinois, California and Nevada. Holt, Henches and Urciuoli periodically provided the investors with the company's financial data, which Holt and Henches admitted were grossly inflated. For example, Holt, Henches and Urciuoli provided investors with financial data indicating that InsPara, in 2004, generated approximately \$24 million in revenue, with net profits of approximately \$3.7 million. Henches admitted, however, that an accountant determined that InsPara's true revenue for 2004 appeared to be \$1.2 million, and that the Company operated at a net loss of approximately \$2.1 million.

In November 2006, Holt and Henches pleaded guilty to one-count Informations charging them with conspiracy to commit mail and wire fraud.

In January 2008, after a two-week trial, Urciuoli was convicted on all counts of an Indictment which charged him with six counts of wire fraud and one count of obstruction of justice. In May, Judge Sheridan sentenced Urciuoli to nine years in federal prison for his role in the scheme, and ordered him to also pay \$4.16 million in restitution.

In addition, through a series of secret agreements, Holt and Henches also conspired with Urciuoli to lie and mislead the investors about Urciuoli's sales commissions, which totaled approximately 25 percent of the investors' money. Holt and Henches also failed to disclose that Urciuoli was InsPara's largest shareholder with 3.5 million shares of company stock, Kirsch said. Trial testimony revealed that Urciuoli's illegal commissions, which totaled approximately \$1.3 million, were funneled through a series of five shell companies.

In determining the sentence, Judge Sheridan consulted the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offense, the defendant's criminal history, if any, and other factors. The judge, however, was not bound by those guidelines in determining a sentence.

Parole has been abolished in the federal system. Defendants who are given custodial terms must serve nearly all that time.

Christie credited Special Agents of the FBI, under the direction of Special Agent in Charge Weysan Dun, in Newark; and U.S. Postal Inspectors, under the direction of Postal Inspector In Charge David L. Collins.

The government is represented by Assistant U.S. Attorney Robert Kirsch of the U.S. Attorney's Office Securities and Health Care Fraud Unit.

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Defense Counsel:

For Henches: Michael Pedicini, Esq., Morristown, and Louis Esposito, Esq., Cedar Grove
For Holt: Peter Bennett, Esq., Red Bank