



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
FEBRUARY 16, 2006**

**CONTACT: U.S. ATTORNEY'S OFFICE
HERBERT HADAD, MEGAN GAFFNEY
HEATHER TASKER, BRIDGET KELLY
PUBLIC INFORMATION OFFICE
(212) 637-2600**

**FORMER PRESIDENT AND COO OF IMPATH
CONVICTED AT TRIAL ON SECURITIES FRAUD CHARGES**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and MARK J. MERSHON, the Assistant Director in Charge of the New York Office of the FBI, announced the conviction today in Manhattan federal court of RICHARD P. ADELSON, the former President and Chief Operating Officer of Impath, Inc. The defendant was convicted following a two-week jury trial before United States District Judge JED S. RAKOFF on charges of conspiracy to commit securities fraud, to make false statements in filings with the United States Securities and Exchange Commission ("SEC"), and to falsify Impath's books and records, securities fraud, and three counts of false filings with the SEC.

The evidence at trial established that the scheme involved the fraudulent manipulation of Impath's publicly reported earnings and other financial results in order to artificially inflate the market price of Impath's common stock, which, when ultimately disclosed, resulted in an aggregate decline in shareholder value of more than approximately \$260 million.

The evidence also established that Impath was a New York based health care company that provided cancer information services and filed for bankruptcy protection in or about September 2003, following the disclosure of possible accounting irregularities, according to publicly filed documents in the case.

The trial evidence established that ADELSON and his co-conspirators carried out this scheme by, among other things: (a) recording and causing to be recorded in Impath's books and records false and fraudulently inflated revenues and improperly reduced expenses; (b) making false and misleading representations

to independent auditors, and failing to disclose to auditors material facts and information; and (c) making false and misleading misrepresentations to shareholders and other market participants. Among other means used to manipulate Impath's revenues and other financial results alleged in the Indictment and established at trial, the defendant and others: (a) artificially inflated volume figures; (b) reported sales revenue in a particular business area that was known to be uncollectible; and (c) reported inflated accounts receivable figures.

As proven at trial and alleged in the Indictment, by increasing revenue artificially, ADELSON, along with his co-conspirators, falsely inflated Impath's earnings, making it appear that Impath had met or approximated budgeted goals, thereby enabling ADELSON and others to keep their executive positions, obtain significant bonuses, increase their salaries and/or place themselves in a position to do so, and increase the value of the stock and stock options they held.

As established at trial and alleged in the Indictment, during the course of the scheme Impath positioned itself as a rapidly growing small company and frequently reported double-digit annual growth rates in its earnings and revenues. In July 2003, Impath announced that an initial internal investigation revealed "possible accounting irregularities" involving, among other things, the overstatement of accounts receivable by approximately \$50 million. In the approximately two months following this announcement, the price of Impath's securities, which were traded on NASDAQ, plummeted more than approximately 88 percent, resulting in an aggregate decline in shareholder value of more than approximately \$260 million. In September 2003, Impath filed for bankruptcy protection.

ADELSON, 40, resides in Montebello, New York. Judge RAKOFF scheduled sentencing for May 30, 2006 at 2:00 p.m. ADELSON faces a total maximum sentence of 85 years imprisonment.

Mr. GARCIA praised the efforts of the Federal Bureau of Investigation in the investigation of this case and also expressed his gratitude to the SEC for its assistance in this matter.

Assistant United States Attorneys RAYMOND LOHIER and ALEXANDER H. SOUTHWELL are in charge of the prosecution.

If you believe you were a victim of these crimes and you wish to receive notice of future developments in the case or

additional information, please go to:
<http://www.usdoj.gov/usao/nys/victimwitness.html> on the Internet.

###

06-028