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INVESTMENT BANKER CONVICTED IN FEDERAL COURT IN MULTIMILLION-DOLLAR TAX EVASION SCHEME

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that investment banker RICHARD JOSEPHBERG was convicted today in White Plains federal court of participating in a scheme to evade millions of dollars of taxes JOSEPHBERG owed to the Internal Revenue Service ("IRS") as a result of his involvement in tax shelter transactions. At the conclusion of the four-week jury trial, JOSEPHBERG was found guilty of all 17 counts of the Indictment against him. According to the testimony and proof at trial:

JOSEPHBERG, a former securities analyst at Goldman Sachs, was a founding partner of The Cralin Group, a company that promoted various tax shelter transactions between 1977 and 1985. Those tax shelter transactions -- which were carried out with tax shelter promoters such as BERNARD "Fred" MANKO and CHARLES ATKINS, both of whom were later convicted in Manhattan federal court of selling fraudulent tax shelter losses -- resulted in over $100 million of bogus losses being claimed by investors in the Cralin tax shelters, and by JOSEPHBERG and his Cralin partners. Following the IRS's challenge to the Cralin-based losses claimed by JOSEPHBERG and others, and the criminal conviction of two Cralin employees, the IRS issued notices to JOSEPHBERG for over $1.5 million in taxes JOSEPHBERG owed for the period between 1977-1985. Those taxes were based on the $3 million of fee and other income JOSEPHBERG was paid for selling the Cralin tax shelters, and on his payment of less than 1% of that amount in taxes during the time period.

JOSEPHBERG took various steps between 1995 and 2004 to evade payment of his 1977-1985 tax debt, including: (a) directing income (in the form of stock he received in exchange for his investment banking services) and assets to be paid into nominee bank accounts established in the names of his children (one of whom was an infant) 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 corporation and a partnership he created and controlled and thereafter diverting that income to pay various personal expenses (including 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 to be submitted to IRS Revenue Officers 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 being made about his assets.

JOSEPHBERG also committed other tax crimes during the period 1997 to 2004, including: (a) 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 hundreds of thousands of dollars of his income was offset by a multimillion dollar net operating loss, and failed to report taxes due from his employment of a nanny and housekeeper; (b) failing to file timely Individual Income Tax Returns for himself for 1999-2002, including for periods when he was under criminal investigation; (c) willfully failing to pay taxes due for the tax years 1999-2003, notwithstanding that he had ample funds in personal bank accounts to pay all or some of the liabilities; (d) conspiring with the accountant who prepared his tax returns for the period 1977-97 to file false tax returns and to defraud JOSEPHBERG's health care insurer, Oxford Health Plans.

United States District Judge CHARLES L. BRIEANT, who presided over the trial, scheduled sentencing for July 19, 2007.

JOSEPHBERG, 59, of Greenwich, Connecticut, faces the following penalties:

No. of Counts	Description	Maximum Penalties
1	Conspiracy to defraud	5 years’ imprisonment; fine in amount of greatest of $250,00, twice gross gain, or twice gross loss to victims; 3 years supervised release; restitution
3	Tax Evasion	5 years’ imprisonment; fine in amount of greatest of $250,00, twice gross gain, or twice gross loss to the Government; 3 years supervised release; costs of prosecution
4	Failure to file tax returns	1 year imprisonment; fine in amount of greatest of $100,00, twice gross gain, or twice gross loss to the Government; 1 year supervised release; costs of prosecution
5	Failure to pay taxes	1 year imprisonment; fine in amount of greatest of $250,00, twice gross gain, or twice gross loss to the Government; 1 year supervised release; restitution
2	Subscribing to false tax returns	3 years’ imprisonment; fine in amount of greatest of $250,00, twice gross gain, or twice gross loss to the Government; 1 year supervised release; restitution
1	Health Care Fraud	10 years’ imprisonment; fine in amount of greatest of $250,00, twice gross gain, or twice gross loss to the Government; 3 years supervised release; restitution
1	Obstructing the due administration of the IRS	3 years’ imprisonment; fine in amount of greatest of $250,00, twice gross gain, or twice gross loss to the Government; 1 year supervised release; restitution

Mr. GARCIA praised the IRS for its efforts in this investigation.

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

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