



***United States Attorney
Southern District of New York***

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**FORMER PARTNER AT MAJOR INTERNATIONAL LAW FIRM CHARGED
IN MANHATTAN FEDERAL COURT WITH TAX FRAUD VIOLATIONS**

PREET BHARARA, the United States Attorney for the Southern District of New York, and CHARLES R. PINE, the Special Agent-in-Charge of the New York Field Office of the Internal Revenue Service, Criminal Investigation Division ("IRS-CID"), announced that THEODORE L. FREEDMAN, a former senior partner at a major international law firm (the "Law Firm"), was charged yesterday in Manhattan Federal Court with four counts of tax fraud in connection with false and fraudulent statements he allegedly made on his tax returns that resulted in more than \$1 million in losses to the IRS. Among other things, FREEDMAN, 63, misrepresented his partnership income at the Law Firm by approximately \$2 million, and fraudulently claimed over \$500,000 in expenses for a sole proprietorship law practice that did not exist. FREEDMAN voluntarily surrendered to authorities this morning, and will be arraigned before U.S. Magistrate Judge JAMES C. FRANCIS IV later today.

Manhattan U.S. ATTORNEY PREET BHARARA stated: "As alleged, Theodore Freedman, an accomplished and well-compensated attorney, abdicated his legal and ethical responsibilities by cheating on his taxes. Just like every ordinary citizen, privileged professionals have to pay their taxes too, and we will continue working with our partners at the IRS to ensure that they do."

IRS Special Agent-in-Charge CHARLES R. PINE said: "To build faith in our nation's tax system, honest taxpayers need to be reassured that everyone is paying their fair share. The IRS-Criminal Investigation Division, together with the Department of

Justice will investigate and prosecute those who violate our tax system."

According to the Indictment filed yesterday:

FREEDMAN was a senior partner in the New York office of a major United States law firm, where he was a member of the Law Firm's restructuring group. In that capacity, FREEDMAN received income that was calculated as a percentage of the Law Firm's partnership income for a given year. The Law Firm issued FREEDMAN, the IRS form that reports an individual partner's share of income or loss from the partnership. According to the form, FREEDMAN's aggregate income for calendar years 2001 through 2004 was approximately \$5,388,699.

As charged in the Indictment, FREEDMAN self-prepared, signed, and filed tax returns for calendar years 2001 through 2004. Rather than reporting the true and correct amount of partnership income he received from the Law Firm for the years in question, FREEDMAN falsely and fraudulently under-reported his income in the aggregate amount of approximately \$2,097,211.

In addition, FREEDMAN also attached to each of his tax returns for those same years a Schedule C, which is supposed to report the amounts of income and expenses, and the resulting net profit or loss, for a taxpayer's self-owned business. On each of the Schedules C for these tax years, he falsely and fraudulently claimed to have sustained significant losses for a fictitious sole proprietorship -- a legal practice -- in the total aggregate amount of approximately \$542,358. That sole proprietorship was fictitious.

In total, FREEDMAN's false statements on his self-prepared returns resulted in a tax loss to the IRS of more than \$1 million.

* * *

FREEDMAN faces a maximum sentence of three years in prison on each of the tax fraud counts, for a total maximum of 12 years .

Mr. BHARARA praised the work of the Internal Revenue Service, Criminal Investigation Division.

This case is being handled by the Office's Complex Frauds Unit. Assistant United States Attorney E. DANYA PERRY is in charge of the prosecution.

The charges contained in the Indictment are merely allegations, and the defendant is presumed innocent unless and until proven guilty.

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