



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

**FOR IMMEDIATE RELEASE
JUNE 9, 2008**

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**FORMER OWNER OF HIGH-END SEWING COMPANY SENTENCED
TO TWO YEARS IN PRISON FOR PAYROLL
AND INCOME TAX VIOLATIONS**

MICHAEL J. GARCIA, United States Attorney for the Southern District of New York, announced that RAYMOND CHU, former owner of Divine Couture Corp. ("Divine Couture"), was sentenced earlier today by United States District Judge HAROLD BAER, JR., to two years in prison on payroll and income tax charges. CHU pleaded guilty, on January 17, 2008, to one count of tax evasion and one count of failure to pay payroll taxes. According to the felony Information filed in this case and statements made during the defendant's guilty plea and sentencing proceedings:

CHU owned, operated, and controlled Divine Couture, a Manhattan company in the business of performing sewing work for high-end couture companies. From about 2002 through late 2005, rather than depositing all of the checks CHU received from the customers of Divine Couture in bank accounts, CHU cashed most of these checks at check-cashing establishments located in Manhattan.

CHU used the cash thus generated to pay himself and his employees cash wages that were not reported to the Internal Revenue Service (the "IRS"). He failed to withhold or remit to the IRS the required payroll taxes under the Federal Insurance Contributions Act ("FICA") for the employees, and he prepared false W-2s which failed to report the cash payments.

Over the course of his conduct, CHU evaded personal income taxes of approximately \$48,500, and underpaid FICA taxes of over \$425,000. One of the ways CHU engaged in this tax scheme was to request that customers of Divine Couture issue checks to Divine Couture in amounts less than \$10,000, a request with which some of the customers complied. The purpose of this request was so that CHU could avoid federal reporting requirements for cash transactions greater than \$10,000 when he cashed these checks at check-cashing establishments.

In addition to the prison term, Judge BAER sentenced CHU, 39, of New Hyde Park, New York, to three years of supervised release. Prior to his sentencing, CHU paid approximately \$523,000 in taxes and interest owed to the IRS.

Mr. GARCIA extended his appreciation to the Internal Revenue Service, Criminal Investigation Division, which investigated the case.

The case is being handled by the Major Crimes Unit of the United States Attorney's Office. Assistant United States Attorney DANIEL W. LEVY is in charge of this prosecution.

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