



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

**FOR IMMEDIATE RELEASE
JUNE 27, 2011**

**CONTACT: U.S. ATTORNEY'S OFFICE
ELLEN DAVIS, JERIKA RICHARDSON,
CARLY SULLIVAN
PUBLIC INFORMATION OFFICE
(212) 637-2600**

**FORMER UBS CLIENT PLEADS GUILTY IN MANHATTAN FEDERAL
COURT TO HIDING OVER \$26.4 MILLION
IN SWISS BANK ACCOUNTS**

*Taxpayer Is Sixth In This District To Plead Guilty In Scheme -
Agrees To Pay Over \$9.8 Million Civil Penalty*

PREET BHARARA, the United States Attorney for the Southern District of New York, announced that KENNETH HELLER, a former client of Swiss banks UBS AG ("UBS") and Wegelin & Co., pled guilty today in Manhattan federal court to personal income tax evasion for hiding more than \$26.4 million at the bank. In connection with his guilty plea, HELLER agreed to pay a civil penalty of over \$9.8 million arising from his failure to comply with certain IRS requirements. The charges against him arose out of the ongoing investigation into U.S. taxpayer clients of UBS and other overseas banks who conspired to hide such accounts from the IRS. HELLER is one of seven defendants charged in the Southern District of New York in April 2010 with similar conduct and is the sixth to plead guilty. HELLER, 81, of New York, New York, entered his guilty plea before United States District Judge P. KEVIN CASTEL.

Manhattan U.S. Attorney PREET BHARARA said: "Kenneth Heller is the latest in a long line of tax cheats who believed his foreign bank account was 'out of sight and out of mind' for federal investigators, but he was wrong. Today's guilty plea should send a clear message to individuals who think they can hide their income overseas to avoid paying taxes like everyone else that they are wrong."

According to the Superseding Indictment filed in Manhattan federal court, other court documents, and statements made in connection with the guilty plea:

Under Federal law, when filing Individual Income Tax Returns, Form 1040, U.S. taxpayers are obligated to report their worldwide income. Additionally, taxpayers who have a financial interest in, or other authority over, a financial account in a foreign country with an aggregate value of more than \$10,000 at

any time during a particular year are required to file a Report of Foreign Bank and Financial Accounts ("FBAR") with the IRS.

For many years, UBS provided private banking services to U.S. taxpayers as part of its U.S. cross-border banking business, employing approximately 60 people in Switzerland. From at least 2000 to 2008, these employees helped U.S. taxpayers conceal their Swiss-based assets, and the income earned on those assets, from the IRS by listing sham offshore companies as the account holders. In February 2009, UBS entered into a deferred prosecution agreement with the United States, pursuant to which UBS admitted it helped taxpayers hide accounts from the IRS. As part of this agreement, UBS provided the U.S. Government with the identities of, and account information for, certain customers of UBS's U.S. cross-border banking business.

HELLER is a disbarred Manhattan maritime attorney who opened a UBS account in the name of a sham offshore corporation in December 2005. On January 3, 2006, he wired approximately \$26,420,822.43 from the United States and deposited the money into the UBS account. Though he controlled the trading in the account, HELLER did not appear as the account holder on UBS account documents.

On June 6, 2008, HELLER read a media report raising the possibility that UBS might disclose information about its Swiss-based account holders to the U.S. Government. Shortly thereafter, HELLER moved his funds to Wegelin & Co., a smaller private bank in Switzerland that did not have offices in the United States.

* * *

HELLER will be sentenced by Judge CASTEL on September 27, 2011, at 11:00 a.m. He faces a total maximum penalty of 15 years in prison on three counts of tax evasion.

As part of this investigation, six other defendants have already pled guilty in the Southern District of New York, three of whom have been sentenced. They are:

SYBIL NANCY UPHAM pled guilty in November 2010 to conspiring to defraud the IRS, by, among other things, smuggling large quantities of cash into the United States from Europe, and to three counts of subscribing to false federal income tax returns;

RICHARD WERDIGER pled guilty in March 2011 to conspiracy to defraud the IRS and five counts of filing false tax

returns in order to hide over \$7.1 million from the IRS. He is scheduled to be sentenced on August 3, 2011, at 2:00 p.m.;

FEDERICO HERNANDEZ pled guilty and was sentenced in September 2010, to twelve months in prison and six months of home confinement for hiding \$8.8 million from the IRS by using sham companies to conceal his ownership of secret Swiss bank accounts held at UBS;

JULES ROBBINS pled guilty and was sentenced in September 2010, to twelve months of probation for filing false tax returns to hide from the IRS a UBS account holding as much as \$42 million; and

ERNEST VOGLIANO pled guilty and was sentenced in April 2011, to 24 months of probation for filing false tax returns and conspiring to defraud the IRS by hiding \$4.9 million at UBS in Switzerland.

Other defendants in this investigation include:

SAMUEL PHINEAS UPHAM, who was charged with aiding and abetting the preparation of false federal income tax returns that failed to disclose the existence of, and the income earned in, a UBS account that held over \$11 million, and conspiring to defraud the IRS, by, among other things smuggling \$450,000 in cash from UBS's offices in Zurich to the United States; and

SHMUEL STERNFELD, who was charged with opening a UBS account in the name of a sham Hong Kong corporation, and holding \$2.9 million at UBS.

The charges against Upham and Sternfeld remain pending and, they are merely accusations. The defendants are presumed innocent unless and until proven guilty.

Mr. BHARARA praised the work of the IRS, which conducted the investigation. He also thanked the U.S. Department of Justice's Tax Division and the New York County District Attorney's Office for their assistance.

This case is being handled by the Office's Complex Frauds Unit. Assistant U.S. Attorney DAVID B. MASSEY is in charge of the prosecution.

11-180

###