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**THREE DEFENDANTS IN TAX SHELTER FRAUD TRIAL
SENTENCED TO PRISON**

LEV L. DASSIN, the Acting United States Attorney for the Southern District of New York, and PATRICIA J. HAYNES, Special Agent-in-Charge of the New York Field Office of the Internal Revenue Service, Criminal Investigation Division ("IRS"), announced that JOHN LARSON, ROBERT PFAFF, and RAYMOND J. RUBLE, a/k/a "R.J. Ruble," were sentenced yesterday in Manhattan federal court on charges stemming from a scheme to design, market and implement fraudulent tax shelters that were used to evade more than a billion dollars in taxes due by their tax shelter clients. United States District Judge LEWIS A. KAPLAN imposed sentences of 121 months in prison and a \$6 million fine on LARSON, 97 months in prison and a \$3 million fine on PFAFF, and 78 months in prison on RUBLE.

All three defendants had been found guilty on December 17, 2008, following a ten-week jury trial, of multiple counts of tax evasion.

As established by the evidence at trial:

JOHN LARSON, a former senior manager at KPMG, and ROBERT PFAFF, a former partner at KPMG, were the founders and partners in Presidio Advisory Services, which purported to be an "investment advisor" for various tax shelter products. R.J. RUBLE was a partner at the law firm of Brown & Wood. From at least 1998 through 2000, LARSON, PFAFF and RUBLE were involved in the design, marketing, and implementation of a tax shelter known as BLIPS. The defendants represented that BLIPS could be used to completely eliminate either the capital gains or ordinary income tax of tax shelter clients who had at least \$20 million in income

in that year, thus purporting to eliminate millions of dollars in taxes otherwise due and owing.

LARSON and PFAFF were convicted of twelve counts of tax evasion relating to clients who used BLIPS, including two counts of evading their own taxes through use of the BLIPS tax shelter. RUBLE was convicted of ten of those twelve counts of tax evasion, all relating to BLIPS clients who had received legal opinion letters from RUBLE. The counts of conviction standing alone involved the evasion of more than \$100 million in taxes due to the United States Treasury. In addition, the Court found, as relevant to sentencing, that all of the BLIPS tax shelters combined resulted in a tax loss to the U.S. Treasury of almost one billion dollars.

In discussing the specific offense conduct of the defendants, Judge KAPLAN stated that, "while BLIPS and the other shelters they were involved in all were dressed up as investment opportunities, that is not what they were all about. They were designed to create tax losses so that the super-rich people could avoid paying income taxes." Judge KAPLAN said, ". . . there does come a time when a scheme is so raw, so brazen, and so outrageous that it crosses the line that separates bad or incompetent or unsuccessful tax planning from crime." Judge KAPLAN also stated, "these defendants were not prosecuted and they were not convicted for making mistakes in judgement on debatable questions in good faith," adding, "these defendants knew that they were on the wrong side of the line."

In sentencing the defendants, Judge KAPLAN noted that LARSON and PFAFF "cooked up in significant portion this mass-produced scheme to cheat the Government out of tax revenue for the purpose of enriching themselves. It's that simple." He added, "and there needs to be a sentence in this case that will say to quick-buck artists, 'not so fast.'"

In addition to the prison terms and fines, Judge KAPLAN imposed a term of three years of supervised release on LARSON and PFAFF, and two years of supervised release on RUBLE. Judge KAPLAN scheduled a hearing to determine restitution in June 2009. LARSON and PFAFF were remanded into custody; RUBLE was granted bail pending appeal of his conviction and sentence.

LARSON, 57, resides in New York City. PFAFF, 58, resides in Golden, Colorado. RUBLE, 63, resides in Rochester, New York.

Mr. DASSIN praised the work of the Criminal Investigation Division of the IRS and the Department of Justice

Tax Division in investigating the case and assisting in the prosecution.

Assistant United States Attorneys JOHN M. HILLEBRECHT and MARGARET GARNETT, and KEVIN M. DOWNING from the Tax Division of the Department of Justice, are in charge of the prosecution.

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