



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

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**CONTACT: U.S. ATTORNEY'S OFFICE
YUSIL SCRIBNER,
REBEKAH CARMICHAEL
PUBLIC INFORMATION OFFICE
(212) 637-2600**

**MANHATTAN UNITED STATES ATTORNEY ANNOUNCES DECISION
NOT TO PROSECUTE SIDLEY AUSTIN LLP**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced the decision not to seek criminal charges against the law firm Sidley Austin LLP ("Sidley"), the investigation of which arose out of the fraudulent tax shelter and other activities of former Sidley Austin Brown & Wood ("SABW") tax partner RAYMOND J. RUBLE.

Mr. GARCIA explained that the decision not to bring criminal charges against Sidley was reached in accordance with the Department of Justice's *Principles of Federal Prosecution of Business Organizations*. The decision was predicated on a number of factors, including:

- RUBLE carried out the major part of his alleged fraud, including the provision of fraudulent cookie-cutter opinion letters, and brought in a substantial part of the firm's revenues, while a partner at the law firm Brown & Wood (BW), the New York-based firm that merged in May 2001 with the larger, Chicago-based firm of Sidley & Austin, LLP ("S&A"), forming the firm SABW (which has since changed its name to Sidley Austin).

- S&A (the pre-merger, Chicago-based entity) never wrote opinion letters for mass-marketed tax shelters and stipulated as a condition of the merger that RUBLE no longer engage in the practice of writing such letters.

- While RUBLE did issue such opinions while at the merged entity SABW, he did so largely by deception. The merged firm had approved RUBLE's request to issue after the merger a small number of opinions to which he had committed before the merger. The request was approved based on RUBLE's claim that he was ethically obligated to provide the opinions to which he had committed, and the firm's fear of lawsuits from his clients if

RUBLE did not do so. SABW approved RUBLE's request without independently determining the legitimacy of the "grandfathered" transactions. It did implement procedures to monitor RUBLE and other tax practitioners, including a policy that all tax opinions were to be approved by a "second signer" who did not come from the same pre-merger firm as the originator of the opinion, and a policy that all tax opinions were to be posted in a firm database. RUBLE failed to comply with those policies, and misrepresented to the firm the number of opinions he was issuing.

- Once Sidley determined that RUBLE had been misleading it, Sidley immediately notified the IRS and the Senate committee investigating tax shelters that they should not rely on any information provided by RUBLE, and fired RUBLE shortly thereafter.

- Following its discovery of RUBLE's deceptions, and before the commencement of the criminal investigation, SABW implemented a model -- and, to the Government's knowledge, unprecedented -- compliance program designed to provide rigorous checks and oversight with respect to its tax opinion practice and attorney obligations with respect to tax advice.

- SABW cooperated with the criminal investigation being conducted by this Office and the IRS from its inception in February 2004, by providing witnesses for interviews and producing documents and various analyses of RUBLE's activities.

- Sidley has acknowledged, through a public statement of responsibility (copy attached), that its role with respect to certain tax shelter transactions wrongly and fraudulently deprived the U.S. Treasury of significant tax revenues.

- Sidley has entered into a Closing Agreement with the IRS pursuant to which Sidley has paid a \$39.4 million civil penalty to the IRS to resolve the IRS's tax shelter promoter penalty audit of Sidley.

- Sidley has pledged to this Office, and to the IRS its full cooperation in the ongoing criminal and civil tax shelter investigations and litigation.

- Sidley has waived the statute of limitations for a period of three years for offenses arising out of RUBLE's practice.

- Prosecution of Sidley might have significant collateral consequences on partners, employees and clients of the firm.

Under all these circumstances, the Government concluded that the prosecution of RUBLE individually in *United States v. Stein, et al.*, S 05 Cr. 888 (LAK), for conspiracy to defraud the IRS and various tax evasion offenses, sufficiently vindicates the interests of law enforcement and the public.

Mr. GARCIA added that the tax shelter investigations are continuing.

The *Stein* case is pending trial. The charges in that case are merely accusations, and the defendants in that case are presumed innocent unless and until proven guilty.

Assistant United States Attorneys STANLEY J. OKULA, JR., JOHN HILLEBRECHT, MARGARET GARNETT, RITA GLAVIN and Special Assistant United States Attorney KEVIN M. DOWNING are in charge of this matter.

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