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**MEDICAL FACILITY OPERATOR SENTENCED TO 37 MONTHS
FOR MEDICARE KICKBACK AND TAX EVASION SCHEMES**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced that JAY KATZ, the manager of a number of magnetic resonance imaging ("MRI") facilities in the New York City area, was sentenced today in Manhattan federal court to 37 months in jail on charges of conspiring to pay hundreds of thousands of dollars in illegal kickbacks in exchange for the referral of Medicare-insured patients to various MRI facilities that KATZ controlled, and evading approximately \$3.2 million in taxes owed to the Internal Revenue Service from calendar years 1996 through 1998. United States District Judge JOHN F. KEENAN also imposed a \$7,500 fine.

On July 31, 2003, JAY KATZ pled guilty to one count of conspiring to pay approximately \$870,000 in illegal kickbacks for the referral of Medicare patients to MRI facilities that Katz managed. KATZ also pled guilty to one count of a separate Indictment which charged him with conspiring to evade approximately \$3.2 million in taxes and file false tax returns for taxpayer years 1996, 1997 and 1998.

According to the Indictment, KATZ caused the MRI facilities that he controlled to pay millions of dollars in "billing" and "management fees" to various KATZ-owned shell corporations of approximately \$11,837,549, \$18,183,863, and \$25,749,604, respectively from 1996 through 1998. It was also charged that the tax returns that KATZ filed on behalf of the KATZ-owned shell corporations failed to report income and also reported personal expenses as business expenses and as costs of goods sold. Among those personal expenses that Indictment alleged were false were tuition payments for the private schools in New York City that KATZ's son and nephew attended, as well as the costs of landscaping for KATZ's second home located in Sag Harbor, Long Island.

Mr. Kelley praised the outstanding efforts of the Federal Bureau of Investigation, the Criminal Investigation Division of the Internal Revenue Service, and the U.S. Department of Health and Human Services, which jointly conducted the investigation of the two cases.

Assistant United States Attorney MIRIAM H. BAER was in charge of the prosecution.