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Financier Sentenced to 90 Days in Phone Fraud Case

Bernard Cornfeld Gets Jail Term for Use of 'Blue Boxes' on Calls

BY ROBERT RAWITCH

Times Staff Writer

Bernard Cornfeld, former head of an international mutual fund empire, was sentenced to 90 days in jail Thursday on charges of defrauding Pacific Telephone Co. out of an estimated \$7,000 in overseas toll charges.

Expressing bewilderment why a man of Cornfeld's wealth would take part in such a scheme, U.S. Dist. Judge Matt Byrne indicated that the jail term imposed on Cornfeld was in part aimed at serving as a deterrent to others considering such fraudulent actions.

Cornfeld, who once headed the now defunct Investors Overseas Services, was convicted Aug. 13 on three counts of wire fraud stemming from the use of two illegal "blue boxes" to make 344 overseas phone calls.

Prior to sentencing Cornfeld to the jail term, a \$3,000 fine and four year's probation, Byrne engaged in an extended colloquy with Roger L. Cossack, the 48-year-old financier's attorney, and assistant U.S. Atty. Paul G. Flynn over the deterrent value of incarceration in Cornfeld's case.

Noting that convictions for use of blue boxes seldom bring any time in jail for first-time offenders, Cossack asked Byrne not to make an example of Cornfeld just because he was wealthy and well known.

Flynn, countering that the use of the illegal devices to bypass telephone company billing equipment had reached "epidemic stages," called for a sentence of "at least a year in prison" to serve as a deterrent to others.



Bernard Cornfeld

Times photo

The phone company estimates it loses at least \$1 million and possibly as much as \$10 million to \$20 million annually through the use of illegal devices, Flynn told the court.

Cossack repeatedly emphasized that Cornfeld had suffered enough from the humiliation of indictment and conviction, actions that will severely hinder him in any future dealings within the financial community.

The judge, however, expressed concern that if Cornfeld was not sentenced to some time in jail there would be no effective deterrent to make other potential violators think twice before attaching the inexpensively made devices to their telephones.

At one point, Byrne discounted the fact that jail terms usually are not given out for blue box cases, noting that possibly that is why there has been an increase in such crimes.

For his part, Cornfeld, at times speaking in a shaky and halting man-

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ner, continued to insist that he had not bought the devices, had not personally used them during the six-month period in question in 1974-1975 and had not instructed others to use them.

He did not testify at the trial, but secretaries who worked for him, some of whom were granted immunity from prosecution, testified they were ordered by Cornfeld to use the blue boxes for long-distance calls.

Upon leaving the courtroom, Cornfeld said he was "stunned" when Byrne pronounced the sentence but added that it was "only the first round" of his battle.

Cocounsel Richard H. Kirschner immediately filed a notice of appeal of the jury verdict and Cornfeld will remain free on a \$10,000 bond until all appeals are exhausted, which could be more than a year.