

EC:RTF/RGW  
F.# 2003RO0544

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF NEW YORK

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UNITED STATES OF AMERICA  
E N T

I N D I C T M

-against-

Cr. No.

U.S.C., §§ 78m(a) HERMAN JACOBOWITZ,  
and 78ff; T. 18, U.S.C.,  
also known as "Herman Jacobs,"  
201(b)(1)(A), 666(a)  
VICTOR JACOBOWITZ,  
844(h)(1), 844(i),  
also known as "Victor Jacobs,"  
981(a)(1)(C), 982, 1341,  
JACOB JACOBOWITZ,  
1348, 1349,  
also known as "Jacob Jacobs,"  
1512(c)(2),  
"Jack Jacobowitz"  
and "Jack Jacobs,"

(T. 15,  
§§  
(2),  
1344, 1346,  
1350(c)(2),  
2 and 3551  
et seq.;  
T. 21,  
U.S.C. §  
853(p);  
T. 28,

AARON JACOBOWITZ,  
U.S.C. § 2461(c))  
also known as "Aaron Jacobs,"  
"Ari Jacobowitz"  
and "Ari Jacobs,"  
IRVIN BROWN,  
JACOB FEKETE,  
NACHMAN LICHTER and  
SHOLEM KLEIN,

Defendants.

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THE GRAND JURY CHARGES:

At all times relevant to this indictment, unless otherwise indicated:

#### INTRODUCTION

##### I. The Company

1. Allou Healthcare, Inc., formerly known as Allou

Health & Beauty Care, Inc., was a Delaware corporation whose headquarters were located at 50 Emjay Boulevard in Brentwood, New York. Allou, a major distributor of health and beauty aid products, pharmaceuticals, fragrances and cosmetics, was organized into several subsidiary divisions: Allou Distributors, Inc., which primarily distributed health and beauty aids and fragrances; M. Sobol, Inc., which primarily distributed pharmaceuticals; Direct Fragrances, Inc., which primarily distributed fragrances and cosmetics; and Allou Personal Care Corporation, which, through its subsidiaries, primarily distributed hair and skin products (collectively, "Allou"). Allou's customers included large national retailers and drug store chains, as

well as smaller retailers.

2. Allou became a publicly-traded corporation in approximately 1989. By 2003, Allou had approximately 300 employees and reported over \$500 million in annual revenues. Until approximately April 2003, Allou's common stock was traded on the American Stock Exchange under the trading symbol "ALU." At that time, approximately 7.2 million shares of common stock were outstanding. Allou's shareholders were located throughout the United States, including in the Eastern District of New York.

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the fraudulent schemes described more fully below, Allou was forced into bankruptcy and trading in its stock was halted. As a result of Allou's bankruptcy, the shares of Allou common stock held by the investing public are, as of the date of the filing of this indictment, virtually worthless.

## II. The Defendants

4. Defendants VICTOR JACOBOWITZ, also known as "Victor Jacobs," HERMAN JACOBOWITZ, also known as "Herman Jacobs," and JACOB JACOBOWITZ, also known as "Jacob Jacobs," "Jack Jacobowitz" and "Jack Jacobs," along with other family members, were the controlling shareholders of Allou. The JACOBOWITZ family purchased a controlling interest in Allou in

approximately 1985.

5. Defendant VICTOR JACOBOWITZ was the Chairman of the Board of Allou from 1985 until approximately April 2003. From 1985 until 1990, and from 1994 until 2000, defendant VICTOR JACOBOWITZ also served as the Chief Executive Officer of Allou. VICTOR JACOBOWITZ is the father of defendants HERMAN JACOBOWITZ, JACOB JACOBOWITZ and AARON JACOBOWITZ, also known as "Aaron Jacobs," "Ari Jacobowitz" and "Ari Jacobs."

6. Defendant HERMAN JACOBOWITZ was a member of Allou's Board of Directors from 1985 until approximately April 2003. From 1985 until 2000, HERMAN JACOBOWITZ served as Allou's President. From 2000 until approximately April 2003, HERMAN JACOBOWITZ was Allou's Chief Executive Officer. Before April 2003, HERMAN JACOBOWITZ and defendant VICTOR JACOBOWITZ shared a single office at Allou's corporate headquarters in Brentwood.

7. Defendant JACOB JACOBOWITZ was a  
member of Allou's

Board of Directors from 1985 until approximately  
April 2003. JACOB JACOBOWITZ served as Allou's Vice  
President of Purchasing from 1986 until 2000, and as  
the company's Executive Vice President from 2000  
until approximately April 2003.

8. Defendant AARON JACOBOWITZ was not  
employed by

Allou, although he controlled several corporations  
that had relationships with Allou. Among these were  
Ever Ready First Aid & Medical Supply, in which AARON  
JACOBOWITZ had an ownership interest and which did  
business under the name "A&M Enterprises." The  
corporations controlled by AARON JACOBOWITZ also  
included, among others, A-1 Medical Supply  
Corporation, Buy and Save Trading Corporation, and  
Capital Sales Corporation. Each of these companies  
was located in Brooklyn, New York.

9. Defendant IRVIN BROWN was an Allou  
employee from

approximately November 1994 through March 2003. For the majority of that time, defendant IRVIN BROWN headed Allou's computer department, and oversaw the design, implementation and operations of Allou's computer system.

10. Defendant JACOB FEKETE was registered with the New York City Department of Buildings ("DOB") as an "expediter," who was authorized to file various applications with DOB on behalf of property owners, including the Jacobowitz family.

11. Defendant NACHMAN LICHTER was the owner of Evergreen Warehousing, Inc., which leased a portion of a warehouse located at 80 Evergreen Avenue, Brooklyn, New York, (the "Evergreen Warehouse"), from Mom and Son's Realty, LLC., which was owned by defendant AARON JACOBOWITZ and his mother. Evergreen Warehousing, Inc. stored health and beauty aid products, fragrances and cosmetics for Allou at the Evergreen Warehouse.

12. Defendant SHOLEM KLEIN was an employee

of

Evergreen Warehousing, Inc.

### III. Allou's Lines of Credit

#### A. The Fleet Line of Credit

13. Beginning in approximately 1991, Allou maintained a line of credit with a syndicate of financial institutions, including LaSalle Business Credit, Inc., Bank Leumi USA, Dime Commercial Corporation, Mellon Bank, N.A., First National Bank of Boston and others. First National Bank of Boston, which was later re-named "Fleet Capital Corporation," acted as the agent of the lenders in connection with this financing. Over the years that the line of credit with these lenders (collectively, "Fleet") was in place, the maximum amount Allou was permitted to borrow was increased several times; by 2001, Allou was permitted to borrow up to approximately \$180 million under the Fleet line of credit. In September 2001, the credit line with Fleet was terminated.

#### B. The Congress Line of Credit

14. In September 2001, Allou obtained a similar line of credit from a different syndicate of financial institutions, including Citibank, N.A., La Salle Business Credit, Inc., Bank Leumi USA and Congress Financial Corporation. Congress Financial Corporation, a unit of Wachovia Corporation, acted as the agent of the lenders in connection with this financing. Under this agreement, these lenders (collectively, "Congress") agreed to extend a line of credit to Allou of up to \$200 million. This line of credit with Congress was in place until late March 2003, by which time the funds extended to Allou under the Congress line of credit had grown to approximately \$195 million.

C. The Terms of Allou's Lines of Credit

15. Under both of these lines of credit, Allou was permitted to borrow an amount equal to 60% of the value of its inventory and 85% of the value of its eligible accounts receivable. (The financial

institutions participating in both lines of credit will be collectively referred to in this indictment as "the Lenders.") For example, if Allou documented for the Lenders that it had \$10 million worth of products in inventory to be sold, the Lenders would loan Allou up to \$6 million on that basis. Similarly, if Allou documented for the Lenders that it had \$10 million of eligible receivables, the Lenders would loan Allou up to \$8.5 million on that basis.

16. In Allou's case, a "receivable" -- typically created when Allou completed a sale of products to a customer and sent an invoice to the customer seeking payment -- represented the amount that a customer owed Allou as a result of such a sale. Under the terms of the lines of credit, a receivable would only be counted under the 85% formula described above, and the Lenders would only loan Allou money against a receivable, if it was outstanding fewer than a certain number of days.

17. Under the terms of the lines of credit, Allou's inventory and receivables were pledged to the Lenders as collateral for the loan. Allou reported various financial information, including its inventory and receivables, to the Lenders on both a daily and monthly basis. The Lenders' auditors conducted audits of Allou on a quarterly basis.

18. The Lenders included numerous financial institutions whose deposits were insured by the Federal Deposit Insurance Corporation.

#### IV. Certain Relevant Accounting Principles

19. As a public company, Allou was required to comply with the rules and regulations of the United States Securities and Exchange Commission (the "SEC"). The SEC's rules and regulations were designed to protect members of the investing public by, among other things, ensuring that a company's financial information was accurately recorded and disclosed to the investing public.

20. Under the SEC's rules and regulations, Allou and its officers were required to (a) make and keep books, records and accounts which, in reasonable detail, fairly and accurately reflected the company's business transactions, including its revenues and expenses; (b) devise and maintain a system of internal accounting controls sufficient to provide reasonable assurance that the company's transactions were recorded as necessary to permit preparation of financial statements in conformity with Generally Accepted Accounting Principles ("GAAP"); and (c) file with the SEC quarterly reports (on Form 10-Q) and annual reports (on Form 10-K) that included financial statements that accurately presented Allou's financial condition and the results of its business operations in accordance with GAAP.

V. The September 25, 2002 Fire at Allou's Evergreen Warehouse

21. On September 25, 2002, between 11:00 p.m. and 12:00 midnight, a three-alarm fire (the

"Fire") broke out at the Evergreen Warehouse. Approximately 245 New York City firefighters responded, with two suffering injuries.

22. On the day of the Fire, the Evergreen Warehouse was divided into three sections, the largest of which was leased to Evergreen Warehousing, Inc., the company that was owned by defendant NACHMAN LICHTER and that employed defendant SHOLEM KLEIN. The portion of the Evergreen Warehouse leased to LICHTER's company stored health and beauty aid products, fragrances and cosmetics for Allou. It was in that portion of the Evergreen Warehouse that the Fire occurred.

23. At the time of the Fire, Allou's inventory was insured by a number of insurers, including Travelers Indemnity Company, Seneca Insurance Company, Lloyd's of London, Royal Indemnity Company, Chubb Custom Insurance Company and Zurich American Insurance Company (collectively, the "Insurers").

24. On or about October 23, 2002, as a

consequence of the Fire at the Evergreen Warehouse, Allou filed claims exceeding \$100 million with the Insurers for inventory allegedly destroyed in the Fire.

25. The cause of the Fire was investigated by the Joint Arson Task Force, which included members of the Bureau of Alcohol, Tobacco and Firearms, a federal agency, as well as the Arson and Explosion Squad of the New York City Police Department, and the Special Investigations Unit of the Bureau of Fire Investigation of the New York City Fire Department. Fire Marshals from the Special Investigations Unit determined that the Fire was incendiary, meaning that it was the result of arson, and that the Fire had four distinct points of origin. In part because the Fire Marshals declared the Fire an arson, the Insurers withheld payment on Allou's insurance claim.

## VI. The Fraudulent Schemes

A. The Scheme To Defraud The Lenders

26. The defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ, JACOB JACOBOWITZ, AARON JACOBOWITZ and IRVIN BROWN, together with others, agreed to defraud the Lenders by causing Allou to submit inflated inventory and accounts receivable figures to the Lenders in order to increase the funds available to it under the lines of credit. They did this by causing Allou to transfer funds to a series of companies primarily located in Brooklyn, New York, which were controlled by or affiliated with the JACOBOWITZ family, and by causing Allou falsely to record these transfers in its books as purchases of inventory. The defendants then caused Allou to report these sham purchases from JACOBOWITZ-affiliated companies to the Lenders as legitimate purchases of inventory, thereby fraudulently increasing the amount Allou was permitted to borrow under its lines of credit.

27. The defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ, JACOB JACOBOWITZ, AARON JACOBOWITZ

and IRVIN BROWN, together with others, also caused Allou to record in its books hundreds of millions of dollars of fictitious sales of products by Allou, thus grossly inflating its accounts receivable. The defendants then reported these bogus sales to the Lenders as legitimate accounts receivable, thereby fraudulently increasing the amount Allou was permitted to borrow under its lines of credit.

28. The defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ, JACOB JACOBOWITZ, AARON JACOBOWITZ and IRVIN BROWN, together with others, also caused funds to be transferred from the JACOBOWITZ-affiliated companies described in paragraph 26 above, to Allou, and caused Allou falsely to record these transfers in its books as payments for the fictitious sales described in paragraph 27 above.

29. As part of this scheme, the defendants  
HERMAN  
JACOBOWITZ, VICTOR JACOBOWITZ, JACOB JACOBOWITZ and AARON JACOBOWITZ, together with others, siphoned millions of dollars from Allou for their personal

enrichment by transferring more funds from Allou to the JACOBOWITZ-affiliated companies than was returned by these companies to Allou. As a result of this scheme, millions of dollars were illegally diverted from Allou.

30. The defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ, JACOB JACOBOWITZ and IRVIN BROWN, together with others, designed, implemented and used a computer system at Allou that permitted members of the conspiracy to access records relating to the fictitious and fraudulent transactions through the use of secret passwords.

B. The Scheme To Defraud Allou Investors

31. The defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ, JACOB JACOBOWITZ, AARON JACOBOWITZ and IRVIN BROWN, together with others, caused Allou to materially misrepresent its revenues, inventory and earnings in its quarterly and annual reports to the SEC and in press releases to the investing public. They did so by causing Allou to report the hundreds of millions of dollars of bogus sales and inventory purchases described in paragraphs 26

through 28 above in the financial statements filed by Allou with the SEC and released to the investing public.

32. By inflating falsely the value of its inventory and through other fraudulent means, the defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ, JACOB JACOBOWITZ, and IRVIN BROWN, together with others, artificially manipulated the quarterly and annual earnings reported by Allou to the SEC and investors in order to meet company projections and investor expectations. This had the effect of fraudulently inflating the price of Allou's stock.

33. In an effort to enrich himself at the expense of Allou and its shareholders, defendant VICTOR JACOBOWITZ diverted to his personal purposes virtually all of Allou's cash receipts from at least 1997 through March 2003, which totaled millions of dollars.

C. Obstruction of Audits

34. The defendants HERMAN JACOBOWITZ,

VICTOR JACOBOWITZ, AARON JACOBOWITZ and IRVIN BROWN, together with others, fabricated documents reflecting the bogus transactions and took other steps to obstruct periodic audits conducted both by the auditors who handled the Lenders' periodic audits of Allou's books and by Allou's independent outside auditors, who certified the financial statements released by Allou to the SEC and investors.

D. Arson, Bribery and Insurance Fraud

35. The defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ, AARON JACOBOWITZ, JACOB FEKETE, NACHMAN LICHTER and SHOLEM KLEIN, together with others, engaged in a scheme to defraud the Insurers in connection with Allou's insurance claim arising from the Fire at the Evergreen Warehouse.

36. The defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ and NACHMAN LICHTER, together with others, caused the Fire to be deliberately set at the Evergreen Warehouse on the night of September 25, 2002.

37. The defendants HERMAN JACOBOWITZ,

VICTOR JACOBOWITZ and IRVIN BROWN, together with others, caused Allou to submit a false and fraudulent insurance claim regarding its losses attributable to the Fire at the Evergreen Warehouse.

38. After the investigating Fire Marshals from the New York City Fire Department issued a Fire and Incident Report declaring that the Fire was caused by arson, and Allou's insurers consequently refused to pay its claim, the defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ, AARON JACOBOWITZ, JACOB FEKETE, NACHMAN LICHTER and SHOLEM KLEIN, together with others, sought to bribe a New York City Fire Marshal to change the Fire Department's official conclusion regarding the Fire to state that its cause was accidental. As experienced businessmen, the defendants were aware that Fire Marshals owe the City of New York a duty of honest services and that receipt of a bribe was a breach of that duty.

39. In exchange for this bribe, the defendants HERMAN

JACOBOWITZ, VICTOR JACOBOWITZ, AARON JACOBOWITZ, JACOB FEKETE, NACHMAN LICHTER and SHOLEM KLEIN, together with others, sought to obtain from the New York City Fire Marshal a revised Fire and Incident Report setting forth an official conclusion that the cause of the Fire was accidental, so that the report could be submitted to the Insurers to bolster Allou's fraudulent claim.

40. In order to provide the Fire Department with an ostensible basis to change its conclusion regarding the cause of the Fire, the defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ, AARON JACOBOWITZ, JACOB FEKETE, NACHMAN LICHTER and SHOLEM KLEIN, together with others, fabricated and planted evidence, namely burned electric space heaters (the "Bogus Evidence"), and caused the fabrication and planting of that evidence, in the fire debris at the Evergreen Warehouse. FEKETE arranged to have Fire Marshals acting in an undercover capacity recover the Bogus Evidence from the Evergreen Warehouse as part of the investigation

into the cause of the Fire.

41. On or about July 30, 2003 and August 1, 2003, defendant JACOB FEKETE gave a Fire Marshal acting in an undercover capacity a total of \$50,000 in cash, toward a promised bribe of \$100,000, in exchange for a revised Fire and Incident Report declaring that the cause of the Fire at the Evergreen Warehouse was accidental.

42. The defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ and AARON JACOBOWITZ, together with others, participated in the arson at the Evergreen Warehouse and engaged in this insurance fraud scheme in order to conceal the massive ongoing bank fraud and securities fraud at Allou.

#### VII. Obstruction of the Grand Jury Investigations

43. In or about and between October 2002 and the date of the filing of this Indictment, both dates being approximate and inclusive, duly empaneled grand juries in the United States District Court for the Eastern District of New York (the "Grand Juries")

were investigating the fraudulent schemes described above.

44. These investigations were being conducted by the United States Postal Inspection Service, the New York City Department of Investigation and the Joint Arson Task Force, which included members of the Bureau of Alcohol, Tobacco and Firearms, as well as the Arson and Explosion Squad of the New York City Police Department, and the Special Investigations Unit of the Bureau of Fire Investigation of the New York City Fire Department. The Kings County District Attorney's Office, which conducted its own investigation into the cause of the Fire, ultimately joined the federal investigation.

45. During the course of the arson, bribery and insurance fraud schemes described in paragraphs 35 through 42 above, while the Grand Juries were investigating those schemes, the defendants HERMAN JACOBOWITZ, VICTOR JACOBOWITZ, AARON JACOBOWITZ, JACOB FEKETE, NACHMAN LICHTER and SHOLEM KLEIN, together with others, fabricated and

planted, and caused the fabrication and planting of, the Bogus Evidence in the fire debris at the Evergreen Warehouse in order to provide the Fire Department with an ostensible basis to change its conclusion regarding the cause of the Fire from arson to accidental. The defendants then engaged in the conduct described in paragraphs 40 and 41 above in order to obstruct, influence and impede the investigations into their fraudulent schemes by the Grand Juries.

COUNT ONE

(Conspiracy to Commit Bank Fraud,  
Securities Fraud and Mail Fraud)

46. Paragraphs 1 through 45 are hereby repeated and incorporated as though fully set forth in this paragraph.

47. In or about and between January 1991 and August 2003, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants HERMAN JACOBOWITZ, also

known as "Herman Jacobs," VICTOR JACOBOWITZ, also known as "Victor Jacobs," JACOB JACOBOWITZ, also known as "Jacob Jacobs," "Jack Jacobowitz" and "Jack Jacobs," AARON JACOBOWITZ, also known as "Aaron Jacobs," "Ari Jacobowitz" and "Ari Jacobs," IRVIN BROWN, JACOB FEKETE, NACHMAN LICHTER and SHOLEM KLEIN, together with others, did knowingly and intentionally conspire: (a) to execute a scheme and artifice to defraud the Lenders, which were financial institutions, and to obtain monies, funds, assets and other property owned by, and under the custody and control of, the Lenders by means of materially false and fraudulent pretenses, representations and promises, in violation of Title 18, United States Code, Section 1344; (b) to execute a scheme and artifice to defraud persons in connection with the securities of Allou, an issuer with a class of securities registered under Section 12 of the Securities Exchange Act of 1934, and to obtain, by means of materially false and fraudulent pretenses, representations and promises, money and property in

connection with the purchase and sale of securities of Allou, in violation of Title 18, United States Code, Section 1348; (c) to devise a scheme and artifice to defraud the Insurers, and to obtain money and property from the Insurers by means of materially false and fraudulent pretenses, representations and promises, and for the purpose of executing such scheme and artifice, to cause mail matter to be delivered by the United States Postal Service, in violation of Title 18, United States Code, Section 1341; and (d) to devise a scheme and artifice to defraud the City of New York by depriving it of the honest services of a Fire Marshal, and for the purpose of executing such scheme and artifice, to cause mail matter to be delivered by the United States Postal Service, in violation of Title 18, United States Code, Sections 1341 and 1346.

(Title 18, United States Code, Sections 1349 and 3551 et seq.)

COUNT TWO  
(Bank Fraud)

48. Paragraphs 1 through 45 are hereby

repeated and incorporated as though fully set forth in this paragraph.

49. In or about and between January 1991 and August 2003, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants HERMAN JACOBOWITZ, also known as "Herman Jacobs," VICTOR JACOBOWITZ, also known as "Victor Jacobs," JACOB JACOBOWITZ, also known as "Jacob Jacobs," "Jack Jacobowitz" and "Jack Jacobs," AARON JACOBOWITZ, also known as "Aaron Jacobs," "Ari Jacobowitz" and "Ari Jacobs," and IRVIN BROWN, together with others, did knowingly and intentionally execute and attempt to execute a scheme and artifice to defraud the Lenders, which were financial institutions, and to obtain monies, funds, assets and other property owned by, and under the custody and control of, the Lenders by means of materially false and fraudulent pretenses, representations and promises.

(Title 18, United States Code, Sections 1344, 2 and 3551 et seq.)

COUNT THREE  
(Securities Fraud)

50. Paragraphs 1 through 45 are hereby repeated and incorporated as though fully set forth in this paragraph.

51. In or about and between January 1991 and August 2003, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants HERMAN JACOBOWITZ, also known as "Herman Jacobs," VICTOR JACOBOWITZ, also known as "Victor Jacobs," JACOB JACOBOWITZ, also known as "Jacob Jacobs," "Jack Jacobowitz" and "Jack Jacobs," AARON JACOBOWITZ, also known as "Aaron Jacobs," "Ari Jacobowitz" and "Ari Jacobs," and IRVIN BROWN, together with others, did knowingly and willfully execute and attempt to execute a scheme and artifice to defraud persons in connection with the securities of Allou, an issuer with a class of

securities registered under Section 12 of the Securities Exchange Act of 1934, and to obtain, by means of materially false and fraudulent pretenses, representations and promises, money and property in connection with the purchase and sale of securities of Allou.

(Title 18, United States Code, Sections 1348, 2 and 3551 et seq.)

COUNTS FOUR THROUGH EIGHT  
(False SEC Filings)

52. Paragraphs 1 through 45 are hereby repeated and incorporated as though fully set forth in this paragraph.

53. On or about the approximate dates set forth below, within the Eastern District of New York and elsewhere, the defendants HERMAN JACOBOWITZ, also known as "Herman Jacobs," VICTOR JACOBOWITZ, also known as "Victor Jacobs," JACOB JACOBOWITZ, also known as "Jacob Jacobs," "Jack Jacobowitz" and "Jack Jacobs," AARON JACOBOWITZ, also known as "Aaron

Jacobs," "Ari Jacobowitz" and "Ari Jacobs," and IRVIN BROWN, together with others, unlawfully, willfully and knowingly made and caused to be made statements in reports and documents required to be filed with the SEC under the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder, to wit, the filings listed below, which statements were false and misleading with respect to material facts in that they did not accurately reflect Allou's true revenues, inventory, earnings and other information regarding Allou's financial condition:

COUNT	APPROXIMATE DATE OF FILING	ALLOU REPORT
Four	June 29, 2000	Form 10-K (Year Ending 3/31/00)
Five	July 3, 2001	Form 10-K (Year Ending 3/31/01)
Six	July 15, 2002	Form 10-K (Year Ending 3/31/02)

Seven	November 13, 2002	Form 10-Q (Quarter Ending 9/31/02)
Eight	February 13, 2003	Form 10-Q (Quarter Ending 12/31/02)

(Title 15, United States Code, Sections 78m(a) and 78ff; Title 17, Code of Federal Regulations, Section 240.13a-1; Title 18, United States Code, Sections 2 and 3551 et seq.)

COUNTS NINE AND TEN  
(False Sarbanes-Oxley Certifications)

54. Paragraphs 1 through 45 are hereby repeated and incorporated as though fully set forth in this paragraph.

55. On or about the approximate dates set forth below, within the Eastern District of New York and elsewhere, the defendant HERMAN JACOBOWITZ, also known as "Herman Jacobs," did knowingly and willfully certify that the quarterly and annual reports set forth below containing financial statements filed by

Allou with the SEC pursuant to section 13(a) of the Securities Exchange Act of 1934 fully complied with the requirements of section 13(a) of the Securities Exchange Act of 1934 and that the information contained in the quarterly and annual reports fairly presented, in all material respects, the financial condition and results of operations of Allou, knowing that these quarterly and annual reports did not comport with these requirements:

<b>Count</b>	<b>Date</b>	<b>Allou Report</b>
Nine	November 13, 2002	Form 10-Q (Quarter Ending 9/31/02)
Ten	February 13, 2003	Form 10-Q (Quarter Ending 12/31/02)

(Title 18, United States Code, Sections 1350(c)(2), 2

and 3551 et seq.)

COUNTS ELEVEN THROUGH FIFTEEN  
(Mail Fraud)

56. Paragraphs 1 through 45 are hereby repeated and incorporated as though fully set forth in this

paragraph.

57. In or about and between September 2002 and August 2003, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants HERMAN JACOBOWITZ, also known as "Herman Jacobs," VICTOR JACOBOWITZ, also known as "Victor Jacobs," JACOB JACOBOWITZ, also known as "Jacob Jacobs," "Jack Jacobowitz" and "Jack Jacobs," AARON JACOBOWITZ, also known as "Aaron Jacobs," "Ari Jacobowitz" and "Ari Jacobs," IRVIN BROWN, JACOB FEKETE and NACHMAN LICHTER, together with others, did knowingly and intentionally devise a scheme and artifice (a) to defraud the Insurers, and to obtain money and property from the Insurers by means of materially false and fraudulent pretenses, representations and promises, and (b) to defraud the City of New York by depriving it of the intangible right to the honest services of a Fire Marshal.

58. For the purpose of executing the scheme and artifice and attempting to do so, the defendants

HERMAN JACOBOWITZ, VICTOR JACOBOWITZ, JACOB JACOBOWITZ, AARON JACOBOWITZ, IRVIN BROWN, JACOB FEKETE and NACHMAN LICHTER, together with others, placed and caused to be placed in authorized depositories for mail matter, to be delivered by the United States Postal Service according to the directions thereon, and caused to be taken and received from the mails, the following mail matter:

<b>COUNT</b>	<b>APPROXIMATE DATE OF MAILING</b>	<b>DOCUMENT</b>	<b>SENDER</b>	<b>RECIPIENT</b>
Eleven	January 31, 2003	Inventory Report	Allou Brentwood , New York	Matson, Driscoll & Damico
Twelve	February 7, 2003	Inventory Report	Allou Brentwood , New York	Matson, Driscoll & Damico
Thirteen	February 11, 2003	Inventory Report	Allou Brentwood , New York	Matson, Driscoll & Damico
Fourteen	February 12, 2003	Inventory Report	Allou Brentwood , New York	Matson, Driscoll & Damico

Fifteen	February 14, 2003	Inventory Report	Allou Brentwood , New York	Matson, Driscoll & Damico
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(Title 18, United States Code, Sections  
1341, 1346, 2

and 3551 et seq.)

COUNT SIXTEEN  
(Arson)

59. Paragraphs 1 through 45 are hereby  
repeated and  
incorporated as though fully set forth in this  
paragraph.

60. On or about September 25, 2002, within  
the Eastern District of New York and elsewhere, the  
defendants HERMAN JACOBOWITZ, also known as "Herman  
Jacobs," VICTOR JACOBOWITZ, also known as "Victor  
Jacobs," and NACHMAN LICHTER, together with others,  
did knowingly and maliciously damage and destroy and  
attempt to damage and destroy, by means of fire, a  
building used in interstate and foreign commerce and  
in activities affecting interstate and foreign  
commerce, to wit, the Evergreen Warehouse, which

resulted in personal injury to another person as a direct and proximate result.

(Title 18, United States Code, Sections 844(i), 2 and 3551 et seq.)

COUNT SEVENTEEN  
(Arson)

61. Paragraphs 1 through 45 are hereby repeated and incorporated as though fully set forth in this paragraph.

62. In or about and between September 2002 and August 2003, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants HERMAN JACOBOWITZ, also known as "Herman Jacobs," VICTOR JACOBOWITZ, also known as "Victor Jacobs," and NACHMAN LICHTER, together with others, used fire to commit a felony which may be prosecuted in a court of the United States, to wit, mail fraud, in violation of Title 18, United States Code, Section 1341.

(Title 18, United States Code, Sections 844(h)(1), 2 and 3551 et seq.)

COUNT EIGHTEEN  
(Bribery)

63. Paragraphs 1 through 45 are hereby repeated and incorporated as though fully set forth in this paragraph.

64. In or about and between January 2003 and August 2003, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants HERMAN JACOBOWITZ, also known as "Herman Jacobs," VICTOR JACOBOWITZ, also known as "Victor Jacobs," AARON JACOBOWITZ, also known as "Aaron Jacobs," "Ari Jacobowitz" and "Ari Jacobs," JACOB FEKETE, NACHMAN LICHTER and SHOLEM KLEIN, together with others, did knowingly, intentionally and corruptly give, offer and promise, directly and indirectly, United States currency to a public official, to wit, a New York City Fire Marshal cross-designated as a Deputy United States Marshal, with the intent to influence official acts.

(Title 18, United States Code, Sections 201(b)(1)(A), 2 and 3551 et seq.)

COUNT NINETEEN  
(Bribery)

65. Paragraphs 1 through 45 are hereby repeated and incorporated as though fully set forth in this paragraph.

66. In or about and between January 2003 and August 2003, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants HERMAN JACOBOWITZ, also known as "Herman Jacobs," VICTOR JACOBOWITZ, also known as "Victor Jacobs," AARON JACOBOWITZ, also known as "Aaron Jacobs," "Ari Jacobowitz" and "Ari Jacobs," JACOB FEKETE, NACHMAN LICHTER and SHOLEM KLEIN, together with others, did knowingly, intentionally and corruptly give, offer and agree to give something of value, to wit, United States currency, to an agent of a local government agency, to wit, a Fire Marshal of the New York City Fire Department, which agency received benefits in excess

of \$10,000 in a one-year period under a Federal program involving a grant, subsidy and other form of Federal assistance, with intent to influence and reward the agent in connection with business and a series of transactions of the New York City Fire Department involving something of value of \$5,000 or more.

(Title 18, United States Code, Sections 666(a)(2), 2 and 3551 et seq.)

COUNT TWENTY  
(Obstruction of Justice)

67. Paragraphs 1 through 45 are hereby repeated and incorporated as though fully set forth in this paragraph.

68. On or about and between January 2003 and August 2003, both dates being approximate and inclusive, within the Eastern District of New York and elsewhere, the defendants HERMAN JACOBOWITZ, also known as "Herman Jacobs," AARON JACOBOWITZ, also known as "Aaron Jacobs," "Ari Jacobowitz" and "Ari Jacobs," JACOB FEKETE, NACHMAN LICHTER and SHOLEM

KLEIN, together with others, did knowingly, intentionally and corruptly attempt to obstruct, influence and impede an official proceeding, to wit, a federal grand jury investigation in the Eastern District of New York.

(Title 18, United States Code, Sections 1512(c)(2), 2 and 3551 et seq.)

CRIMINAL FORFEITURE ALLEGATION

(Counts One, Three, and Eleven through Fifteen)

69. The United States hereby gives notice to the defendants charged in Counts One, Three, Eleven, Twelve, Thirteen Fourteen and Fifteen that, upon their conviction of such offenses, the government will seek forfeiture in accordance with Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), which require any person convicted of such offenses to forfeit any property constituting or derived from proceeds obtained directly or indirectly as a result of such offenses, including, but not limited to, a sum of money equal to one hundred and forty million dollars in United States currency (\$140,000,000.00),

for which the defendants are jointly and severally liable.

70. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to, or deposited with, a third party;

(c) has been placed beyond the jurisdiction of the court;

(d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be divided without difficulty; it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code, Section 2461(c) to seek forfeiture of any other property of such defendants up to the value of the forfeitable property described in sub-paragraph 70(a) through

70(e) above, including but not limited to the following:

i. All right, title and interest in 116 Rutledge Street, Brooklyn, New York held in the name of 116 Rutledge St. Corp.;

ii. All right, title and interest in 171-173 Hooper Street #3, Brooklyn, New York held in the name of JACOB JACOBOWITZ.

iii. All right, title and interest in 176 Penn Street, Brooklyn, New York held in the name of VICTOR JACOBOWITZ;

iv. All right, title and interest in 1168 44<sup>th</sup> Avenue, Brooklyn, New York held in the name of Joseph Grunwald;

v. All right, title and interest in 39 Heyward Street, #6, Brooklyn, New York held in the name of Joseph Weiss;

vi. All right, title and interest in 63 Heyward Street, Brooklyn, New York held in the names of Bela Grunwald and Yecheil Tauber;

vii. All right, title and interest in

189 Wallabout Street, #8D, Brooklyn, New York held in the name of Leah Mittleman;

viii. All right, title and interest in 171 Park Lane, Monsey, New York held in the name of 171 Park Lane Corp.;

ix. All right, title and interest in 273a Skillman Street, Brooklyn, New York held in the name of JACOB JACOBOWITZ;

x. All right title and interest in 562 Bedford Avenue, #B2, Brooklyn, New York held in the name of JACOB JACOBOWITZ;

xi. All right, title and interest in 930 Flushing Avenue, Brooklyn, New York held in the names of Merja Associates LLC and RW 930 Flushing LLC;

xii. All right, title and interest in 80 Evergreen Avenue, Brooklyn, New York held in the name of Stanev Associates.

xiii. All right, title and interest in 71 Lynch Street, Brooklyn, New York held in the names of Leah Jacobowitz and AARON JACOBOWITZ;

xiv. All right, title and interest in 73 Lynch Street, Brooklyn, New York held in the names of Leah Jacobowitz and AARON JACOBOWITZ;

xv. All right, title and interest in 77 Lynch Street, Brooklyn, New York held in the names of Leah Jacobowitz and AARON JACOBOWITZ;

xvi. All right, title and interest in 43 Duffield Street, Brooklyn, New York held in the name of Duffield Realty LLC;

xvii. All right, title and interest in 606 Wythe Avenue, Brooklyn, New York held in the name of SMK Trust; and

xviii. All right, title and interest in 29 Heyward Street, Unit 6R, Brooklyn, New York held in the name of JACOB JACOBOWITZ.

(Title 28, United States Code, Section 2461(c); Title 18, United States Code, Section 981(a)(1)(C); Title 21, United States Code, Section 853(p))

CRIMINAL FORFEITURE ALLEGATION  
(Count Two)

71. The United States hereby gives notice to the defendants charged in Count Two that, upon their conviction of such offense, the government will seek forfeiture in accordance with Title 18, United States Code, Section 982(a)(2)(A), of all property involved in each offense in violation of Title 18, United States Code, Section 1344, or conspiracy to commit such offense, and all property traceable to such property as a result of the defendants' conviction of Count Two of this indictment.

72. If any of the above-described forfeitable property, as a result of any act or omission of the defendants:

(a) cannot be located upon the exercise of due diligence;

(b) has been transferred or sold to, or deposited with, a third party;

(c) has been placed beyond the jurisdiction of the court;

(d) has been substantially diminished in value; or

(e) has been commingled with other property which cannot be divided without difficulty; it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of such defendants up to the value of the forfeitable property described in sub-paragraph 72(a) through 72(e) above, including but not limited to the following:

i. All right, title and interest in 116 Rutledge Street, Brooklyn, New York held in the name of 116 Rutledge St. Corp.;

ii. All right, title and interest in 171-173 Hooper Street #3, Brooklyn, New York held in the name of JACOB JACOBOWITZ.

iii. All right, title and interest in 176 Penn Street, Brooklyn, New York held in the name of VICTOR JACOBOWITZ;

iv. All right, title and interest in 1168 44<sup>th</sup> Avenue, Brooklyn, New York held in the name of Joseph Grunwald;

v. All right, title and interest in

39 Heyward Street, #6, Brooklyn, New York held in the name of Joseph Weiss;

vi. All right, title and interest in 63 Heyward Street, Brooklyn, New York held in the names of Bela Grunwald and Yecheil Tauber;

vii. All right, title and interest in 189 Wallabout Street, #8D, Brooklyn, New York held in the name of Leah Mittleman;

viii. All right, title and interest in 171 Park Lane, Monsey, New York held in the name of 171 Park Lane Corp.;

ix. All right, title and interest in 273a Skillman Street, Brooklyn, New York held in the name of JACOB JACOBOWITZ;

x. All right, title and interest in 562 Bedford Avenue, #B2, Brooklyn, New York held in the name of JACOB JACOBOWITZ;

xi. All right, title and interest in 930 Flushing Avenue, Brooklyn, New York held in the names of Merja Associates LLC and RW 930 Flushing LLC;

xii. All right, title and interest in 80 Evergreen Avenue, Brooklyn, New York held in the name of Stanev Associates.

xiii. All right, title and interest in 71 Lynch Street, Brooklyn, New York held in the names of Leah Jacobowitz and AARON JACOBOWITZ;

xiv. All right, title and interest in 73 Lynch Street, Brooklyn, New York held in the names of Leah Jacobowitz and AARON JACOBOWITZ;

xv. All right, title and interest in 77 Lynch Street, Brooklyn, New York held in the names of Leah Jacobowitz and AARON JACOBOWITZ;

xvi. All right, title and interest in 43 Duffield Street, Brooklyn, New York held in the name of Duffield Realty LLC;

xvii. All right, title and interest in 606 Wythe Avenue, Brooklyn, New York held in the name of SMK Trust; and

xviii. All right, title and interest in  
29 Heyward Street, Unit 6R, Brooklyn, New York held  
in the name of JACOB JACOBOWITZ.

(Title 18, United States Code, Section  
982).

A TRUE BILL

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FOREPERSON

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ROSLYNN R. MAUSKOPF  
UNITED STATES ATTORNEY  
EASTERN DISTRICT OF NEW YORK