

NEWS

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FOR IMMEDIATE RELEASE
April 7, 2008

Executive of Defunct Cheesemaker Suprema Specialties Sentenced to
96 Months in Prison for Fraud That Led to Bankruptcy

(More)

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NEWARK, N.J. – The former chief financial officer of defunct cheese manufacturer Suprema Specialties, Inc. was sentenced today to eight years in prison for his conviction on charges of conspiracy, bank fraud, mail fraud, wire fraud, and making false statements to the Securities and Exchange Commission, U.S. Attorney Christopher J. Christie announced.

U.S. District Judge Stanley R. Chesler also ordered Steven Venechanos, 49, of New Milford, N.J., to pay approximately \$115 million in restitution. Judge Chesler continued Venechanos' release on a secured bond pending surrender to the U.S. Bureau of Prisons on July 1.

The sentencing of Venechanos followed that of former Suprema chief executive officer Mark Cocchiola, 52, of Englewood Cliffs, on March 27. Judge Linares sentenced Cocchiola to 180 months in prison, and imposed the same \$115 million restitution order.

“The fraud at Suprema drove the company into the ground and robbed investors and lenders for whom the ever-increasing revenues reported by the company were a myth concocted by the defendants,” Christie said. “The sentences are an appropriate and just consequence.”

Both men were convicted on April 2, 2007, following an eight-week trial and eight days of jury deliberations. The jury convicted on all 38 counts in the Indictment that charged Cocchiola and Venechanos.

Cocchiola was a founder of Suprema and served as chief executive officer and chairman of the board of directors since its founding in the early 1980s. Venechanos was chief financial officer of Suprema since 1995. Suprema, which advertised itself as a seller of all-natural Italian cheeses, was liquidated after filing for bankruptcy protection in March 2002.

At the height of the fraud at the Paterson-based Suprema, the company's stock, trading on the NASDAQ Stock Exchange under the symbol "CHEZ," reached a high of over \$14 per share. After the fraud was uncovered, the stock plummeted and was eventually delisted by the NASDAQ.

The government presented evidence at trial that between July 2000 and January 2002, Suprema reported approximately \$400 million in sales to its six biggest customers, which accounted for over half of its total reported sales for that period. The government's evidence showed that over 99 percent of that \$400 million in sales were entirely fictitious, with no product actually having been sold or shipped.

The government also presented evidence that, during the second half of 2001, nearly 20 percent of Suprema's reported cheese inventory actually consisted of imitation cheese product that had been re-labeled as higher-priced real cheese. Evidence was also presented that Suprema processed, packaged and sold products labeled as all-natural cheese which actually contained imitation cheese, fillers, extenders and other additives.

Suprema's apparently astronomic growth also enabled the company to engage in a series of secondary stock offerings, netting Suprema millions in capital from investors. The last of these

secondary offerings, which took place in November 2001, shortly before Suprema went out of business, raised over \$40 million. During the same offering, Cocchiola personally received over \$2.5 million, and Venechanos over \$1 million, in proceeds from selling their own holdings.

Suprema's fortunes collapsed in late 2001. On the same day in December that year, Venechanos and Arthur Christensen, Suprema's controller, abruptly resigned. The NASDAQ suspended trading of Suprema shares shortly thereafter, and ultimately delisted the stock in March 2002 after Suprema filed for bankruptcy protection.

Suprema had been widely touted in the financial press for its quarter-upon-quarter record earnings as among the best-performing small companies in America, and twice made the Forbes magazine top 200 best small companies roster and Fortune magazine's top 100 fastest-growing public companies. Aside from its processing plant and headquarters in Paterson, Suprema had three wholly-owned subsidiaries at which it manufactured and processed cheese for sale: Suprema Specialties West, Inc., in Manteca, Calif.; Suprema Specialties Northwest, Inc., in Blackfoot, Idaho; and Suprema Specialties, Northeast, Inc., in Ogdensburg, N.Y. Suprema had employed more than 300 people.

Cocchiola and Venechanos were each convicted of one count of conspiracy, 17 counts of bank fraud, five counts of making false statements to the SEC relating to Suprema's annual and quarterly reports, four counts of making false statements to the SEC relating to a secondary offering of Suprema stock, six counts of wire fraud, and four counts of mail fraud. Cocchiola was also convicted of one additional count of wire fraud.

Preceding the trial, four former customers, a former manager and the former controller of Suprema pleaded guilty to conspiracy, securities fraud, and food-adulteration charges in connection with the overall criminal scheme.

In determining the actual sentence, Judge Chesler consulted the advisory U.S. Sentencing Guidelines, which provide appropriate sentencing ranges that take into account the severity and characteristics of the offenses, the defendants' criminal histories, if any, and other factors. The judge, however, is not bound by those guidelines in determining a sentence. Parole has been abolished in the federal system. Defendants who are given custodial terms must serve nearly all that time.

The prosecution was the result of a three-year investigation. Christie credited Special Agents of the FBI, under the direction of Special Agent in Charge Weysan Dun, in Newark, for its investigation and assistance with the trial. Christie also credited Inspectors with the U.S. Postal Inspection Service, under the direction of Postal Inspector in Charge David L. Collins, for their assistance with the investigation and at trial. Christie also recognized investigative contributions from the Securities and Exchange Commission and the Office of Criminal Investigations of the U.S. Food and Drug Administration, under the direction of Special Agent in Charge Kim A. Rice.

Christie also credited Suprema's court-appointed United States Bankruptcy Trustee, Kenneth P. Silverman, Esq. of Jericho, N.Y. law firm Silverman, Perlstein and Acampora.

The case was prosecuted by Senior Litigation Counsel John M. Fietkiewicz of the U.S. Attorney's Special Prosecutions Division and Assistant U.S. Attorney Eric H. Jaso of the U.S. Attorney's Appeals Division.

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Defense counsel: John C. Whipple, Esq., Chatham, N.J., for Steven Venechanos