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8 UNITED STATES DISTRICT COURT  
9 FOR THE CENTRAL DISTRICT OF CALIFORNIA  
10 February 2002 Grand Jury

11 UNITED STATES OF AMERICA, ) CR No. 02-\_\_\_\_\_  
12 )  
13 Plaintiff, ) I N D I C T M E N T  
14 )  
15 v. ) [18 U.S.C. § 371: Conspiracy;  
16 ) 18 U.S.C. §§ 1346, 1343:  
17 SULTAN WARRIS KHAN, ) Deprivation of Honest  
18 ASIF MOHAMMAD KHAN, and ) Services, Wire Fraud; 15  
19 STEVEN CONRAD VEEN, ) U.S.C. § 77x: False Statements  
20 ) in a Registration Statement;  
21 Defendants. ) 15 U.S.C. §§ 77q(a), 77x:  
22 ) Fraud in the Offer and Sale of  
23 ) Securities; 15 U.S.C.  
24 ) §§ 78m(b)(2)(A), 78ff and 17  
25 ) C.F.R. 240.13b2-1: Falsifying  
26 ) Corporate Books and Records;  
27 ) 15 U.S.C. §§ 78m(a), 78ff and  
28 ) 17 C.F.R. §§ 240.12b-20,  
240.13a-1 and 240.13a-13:  
False Statements in Reports  
Filed with the SEC; 15 U.S.C.  
§§ 78m(b)(2)(B)(ii)(I), (II),  
78m(b)(5), 78ff(a):  
Circumvention of Internal  
Accounting Controls; 18 U.S.C.  
§ 1341: Mail Fraud; 18 U.S.C.  
§ 1956(a)(1)(B)(i): Money  
Laundering; 18 U.S.C. § 2:  
Aiding and Abetting and  
Causing an Act to be Done; 18  
U.S.C. § 982, 21 U.S.C. § 853:  
Criminal Forfeiture]

PLJ:plj

1 The Grand Jury charges:

2 **GENERAL ALLEGATIONS**

3 Overview

4 1. Defendants SULTAN WARRIS KHAN ("SULTAN KHAN"), ASIF  
5 MOHAMMAD KHAN ("ASIF KHAN"), and STEVEN CONRAD VEEN ("VEEN") were  
6 officers and directors of NewCom, Inc. ("NewCom"), a computer  
7 manufacturing and distribution company previously located in  
8 Westlake Village, California. In 1994, NewCom initially began as  
9 a wholly owned subsidiary of Aura Systems, Inc. ("Aura"). In  
10 September 1997, NewCom spun off from Aura and held an initial  
11 public offering of its stock. Thereafter, NewCom's stock traded  
12 on the National Association of Securities Dealers Automated  
13 Quotation system ("NASDAQ"). Just after the initial public  
14 offering, the market capitalization for NewCom's stock exceeded  
15 \$140 million. By February 1999, the market capitalization of its  
16 stock fell below \$5 million.

17 2. Defendants SULTAN KHAN, ASIF KHAN, and VEEN deceived the  
18 United States Securities and Exchange Commission ("SEC") and the  
19 investing public about NewCom's true financial condition and  
20 concealed from the SEC and the investing public how defendants  
21 SULTAN KHAN and ASIF KHAN had falsified the books of NewCom.

22 3. Defendants SULTAN KHAN and ASIF KHAN, together with an  
23 outside director of the company, Alexander Remington, engaged in  
24 an over-billing and kickback scheme through which these two  
25 defendants misappropriated more than \$1 million in corporate  
26 assets from NewCom and laundered those proceeds through a law  
27 firm's client trust account.

1           4. Defendants SULTAN KHAN and ASIF KHAN, together with  
2 Alexander Remington, engaged in a scheme to defraud Actrade  
3 Capital Inc. ("Actrade"), a finance company used by NewCom in the  
4 fall and winter of 1998 to finance purchases of goods from  
5 suppliers, by falsely representing that certain fraudulent  
6 invoices in excess of \$1.1 million represented genuine sales,  
7 which caused Actrade to wire this money to a NewCom supplier.

8 Persons and Entities

9           5. From approximately 1990 through early 1994, Nuvo  
10 Corporation of America, Inc. ("Nuvo") was a Southern California  
11 company that distributed computer components and peripherals. In  
12 or about April 1994, Nuvo filed for bankruptcy.

13           6. During the time relevant to this indictment, Aura was a  
14 corporation with its headquarters in El Segundo, California.  
15 Aura's primary business was the development and sale of products  
16 that utilized electromagnetic and electro-optical technologies.  
17 In or about May 1991, the shares of Aura became listed on NASDAQ  
18 under the symbol "AURA." On or about July 21, 1999, Aura's  
19 shares were delisted from NASDAQ.

20           7. In or about June 1994, NewCom was incorporated in  
21 Delaware. NewCom was a wholly owned subsidiary of Aura. After  
22 NewCom was incorporated, Aura purchased the assets of Nuvo out of  
23 bankruptcy and contributed them to NewCom. NewCom thereafter  
24 became a supplier and distributor of computer components and  
25 peripherals. On or about September 16, 1997, NewCom became a  
26 separate, publicly traded company when its shares began trading  
27 on NASDAQ under the symbol "NWCM" after an initial public  
28 offering of 2,000,000 shares of common stock. On or about May

1 26, 1999, trading in NewCom's stock was halted, and thereafter  
2 the stock was delisted from NASDAQ. From 1994 until it ceased  
3 operations in or about May 1999, NewCom was headquartered in Los  
4 Angeles County in Westlake Village, California.

5 8. In or about May 1983, Micro Equipment Corporation  
6 ("MEC") was incorporated in Georgia. From 1983 through at least  
7 in or about May 1999, MEC was headquartered in Norcross, Georgia,  
8 a suburb of Atlanta. MEC was a computer parts and peripherals  
9 distributor and a main supplier to NewCom.

10 9. In the 1980s and early 1990s, defendant SULTAN KHAN  
11 worked for Computer Peripherals, Inc. ("CPI"). After leaving  
12 CPI, he worked for Nuvo. In or about June 1994, defendant SULTAN  
13 KHAN was hired by Aura and worked there until in or about  
14 September 1994, when he began working for NewCom. Beginning no  
15 later than in or about June 1997, defendant SULTAN KHAN was the  
16 president, chief executive officer ("CEO"), a director, and  
17 chairman of the board of directors of NewCom.

18 10. In the 1980s and early 1990s, defendant ASIF KHAN also  
19 worked for CPI. After leaving CPI, he worked for Nuvo. In or  
20 about June 1994, defendant ASIF KHAN was hired by Aura and worked  
21 there until in or about September 1994, when he began working for  
22 NewCom. Beginning no later than in or about June 1997, defendant  
23 ASIF KHAN was the executive vice president and a director of  
24 NewCom.

25 11. In or about 1984, defendant VEEN was licensed to  
26 practice as a certified public accountant ("CPA") by the State of  
27 California. In 1992, after having worked approximately nine  
28 years with a firm of certified public accountants, defendant VEEN

1 joined Aura as its controller. In or about March 1994, defendant  
2 VEEN became Aura's chief financial officer ("CFO"), a position he  
3 held until approximately early 2002. In or before June 1997,  
4 defendant VEEN became CFO and a director of NewCom. In 1998 and  
5 1999, defendant VEEN used the title of CFO of NewCom when signing  
6 financial reports and other filings that NewCom made with the  
7 SEC. In 1998, defendant VEEN also used the titles of senior  
8 vice-president, vice-president, and principal financial and  
9 accounting officer of NewCom, in filings made with the SEC.

10 12. Beginning in the 1980s, Alexander Remington  
11 ("Remington") was an owner and officer of MEC and operated MEC's  
12 business on a day-to-day basis. In or about July 1997, Remington  
13 became an outside director of NewCom. Remington remained a  
14 NewCom director into 1999.

15 CPI

16 13. In the 1980s and early 1990s, CPI was a Southern  
17 California computer peripherals distribution business. A main  
18 investor in CPI was an Asian company called Lam Soon. While  
19 defendants SULTAN KHAN and ASIF KHAN were employed by CPI, Lam  
20 Soon discovered that they, together with their business partner  
21 in CPI, were stealing and embezzling from CPI. Thereafter,  
22 defendants SULTAN KHAN and ASIF KHAN were forced to resign from  
23 CPI. CPI also sued defendants SULTAN KHAN, ASIF KHAN, and their  
24 business partner.

25 14. In or about May 1992, CPI entered into a settlement  
26 with defendants SULTAN KHAN and ASIF KHAN and their business  
27 partner. The written settlement agreement obligated defendants  
28 SULTAN KHAN and ASIF KHAN, together with their business partner,

1 to make installment payments to pay CPI a total of \$2.0 million,  
2 to be paid in installments of \$20,000 per month. Defendants  
3 SULTAN KHAN and ASIF KHAN were thus each required to pay CPI at  
4 least \$6,667 each month beginning in May 1992 and continuing  
5 through approximately September 2000, unless payment of the  
6 balance of the \$2.0 million obligation was completed at an  
7 earlier time.

8 15. Beginning in or about approximately July 1994,  
9 defendants SULTAN KHAN and ASIF KHAN retained the services of an  
10 attorney with a Los Angeles area law firm (the "law firm") to  
11 facilitate monthly payments to CPI in accordance with their  
12 settlement agreement and for other purposes.

13 16. In or about October or November 1995, Remington, the  
14 principal of MEC, loaned or otherwise agreed to provide \$600,000  
15 to defendants SULTAN KHAN and ASIF KHAN. Co-schemer Remington  
16 was directed to send this \$600,000 to the law firm for deposit  
17 into the law firm's client trust account for the benefit of  
18 defendants SULTAN KHAN and ASIF KHAN (the "client trust  
19 account"). On or about November 1, 1995, the law firm received  
20 this \$600,000 from MEC and deposited the money into the client  
21 trust account.

22 17. Between November 1, 1995 and October 24, 1996,  
23 defendants SULTAN KHAN and ASIF KHAN directed the law firm to use  
24 these funds to pay CPI its monthly payments, to obtain checks  
25 made payable to themselves, and to pay others. Between November  
26 1, 1995 and October 24, 1996, no other funds were deposited into  
27 this client trust account, and by approximately October 24, 1996,  
28 the balance maintained in the client trust account for the

1 benefit of defendants SULTAN KHAN and ASIF KHAN had shrunk to  
2 approximately \$43,565.

3 Regulation by the SEC

4 18. Beginning in September 1997, the common stock of NewCom  
5 was registered with the SEC and was traded on NASDAQ. This  
6 required NewCom to comply with certain federal laws and  
7 regulations designed to protect members of the investing public  
8 by, among other things, ensuring that a company's financial  
9 information is accurately recorded and disclosed to the public.  
10 Under these laws and regulations, NewCom was required to (1) make  
11 and keep books and records which, in reasonable detail,  
12 accurately and fairly reflected its transactions and the  
13 disposition of its assets, and (2) file periodically with the SEC  
14 reports containing information about its management, board of  
15 directors, and business operations, annual financial statements  
16 prepared according to rules and regulations prescribed by the SEC  
17 and audited by an independent public accountant, and quarterly  
18 updates of its financial statements that fairly presented its  
19 financial condition.

20 The Auditors

21 19. At all times relevant to this Indictment, Pannell Kerr  
22 Forster ("PKF") was an accounting firm which was retained by Aura  
23 and NewCom as their certified independent public accountants to  
24 audit Aura's and NewCom's annual financial statements and perform  
25 other work as requested. This work included, but was not limited  
26 to, auditing Aura's fiscal years 1997 and 1998 annual reports,  
27 and auditing NewCom's fiscal year 1998 annual report.

1        20. An audit by an independent public accountant includes  
2 examining, on a test basis, evidence supporting the amounts and  
3 disclosures in a company's financial statements. One of the  
4 tests that an accountant performs to substantiate a company's  
5 valuation of inventory is to request documents that substantiate  
6 the costs paid by the company to purchase the inventory being  
7 examined. This process is known as "vouching" for costs.  
8 Another test that an accountant performs to substantiate a  
9 company's representations is to arrange that a letter is sent out  
10 to third parties to verify information and returned directly to  
11 the auditors. Such a letter is known as an "audit confirmation."

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COUNT ONE

[18 U.S.C. § 371]

[Conspiracy]

[Defendants SULTAN KHAN and ASIF KHAN]

**THE OBJECTS OF THE CONSPIRACY**

21. The Grand Jury hereby repeats and realleges paragraphs 1, 2, and 5 through 20 of this Indictment as if fully set forth herein.

22. Beginning on a date unknown to the Grand Jury and continuing until in or about May 1999, in Los Angeles County, within the Central District of California, and elsewhere, defendants SULTAN KHAN and ASIF KHAN, together with others known and unknown to the Grand Jury, knowingly and unlawfully combined, conspired, and agreed to commit the following offenses against the United States:

a. Knowingly and willfully, in a registration statement filed under the Securities Act of 1933 with respect to 2,000,000 shares of common stock and 2,000,000 warrants of NewCom, to make and cause to be made untrue statements of material fact and omit to state and cause to be omitted material facts required to be stated therein and necessary to make the statements therein not misleading, in violation of Title 15, United States Code, Section 77x;

b. Knowingly and willfully, with the intent to defraud, in the offer and sale of securities, by the use of any means and instruments of communication in interstate commerce and by use of the United States mails, directly and indirectly, to (i) employ a device, scheme, and artifice to defraud, (ii) obtain

1 money and property by means of untrue statements of material  
2 facts and omissions of material facts necessary in order to make  
3 the statements made, in light of the circumstances under which  
4 they were made, not misleading, and (iii) engage in acts,  
5 practices, and courses of business that operated and would  
6 operate as a fraud and deceit upon the purchasers of securities,  
7 in violation of Title 15, United States Code, Sections 77q(a) and  
8 77x;

9           c. Knowingly and willfully to make and cause to be  
10 made materially false and misleading statements, and omit and  
11 cause others to omit to state material facts necessary to make  
12 the statements made, in light of the circumstances under which  
13 the statements were made, not misleading, in a report and  
14 document that was required to be filed with the SEC, namely, an  
15 annual report (form 10-K) and quarterly reports (form 10-Qs), in  
16 violation of Title 15, United States Code, Sections 78m(a)(2) and  
17 78ff, and Title 17, Code of Federal Regulations, Sections  
18 240.12b-20, 240.13a-1 and 240.13a-13;

19           d. Knowingly and willfully, directly and indirectly,  
20 to falsify and caused to be falsified books, records, and  
21 accounts that NewCom was required to make and keep, and which  
22 were required, in reasonable detail, to accurately and fairly  
23 reflect the transactions and dispositions of assets of NewCom, an  
24 issuer with a class of securities registered pursuant to Section  
25 12 of the Securities Exchange Act of 1934, in violation of Title  
26 15, United States Code, Sections 78m(b)(2)(A), 78m(b)(5), and  
27 78ff, and Title 17, Code of Federal Regulations, Section  
28 240.13b2-1; and

1 e. Knowingly and willfully to circumvent the system of  
2 internal accounting controls required to be devised and  
3 maintained to provide reasonable assurances that transactions of  
4 NewCom were recorded as necessary to permit preparation of  
5 financial statements in conformity with generally accepted  
6 accounting principles and other criteria applicable to such  
7 statements and to maintain accountability for its assets, in  
8 violation of Title 15, United States Code, Sections 78m(b)(2)(B)  
9 (ii)(I), (II), 78m(b)(5), and 78ff.

10 **MEANS AND MANNER OF THE CONSPIRACY**

11 23. The conspiracy was carried out through the following  
12 means, among others:

13 **Falsification of NewCom's Books and Records**

14 24. Defendants SULTAN KHAN and ASIF KHAN wanted to run a  
15 computer peripherals company where an initial public offering  
16 ("IPO") of stock would reap large profits for them. After Nuvo  
17 filed for bankruptcy in 1994, defendants SULTAN KHAN and ASIF  
18 KHAN needed to associate with a different company if their desire  
19 to take a business public was to be realized. Defendants SULTAN  
20 KHAN and ASIF KHAN were introduced to Aura's CEO, who agreed that  
21 Aura would purchase the assets of Nuvo out of bankruptcy, hire  
22 defendants SULTAN KHAN and ASIF KHAN, and set up a new division  
23 within Aura to handle the computer peripherals business, with the  
24 intention of having this division become a separate, publicly  
25 traded company in the future.

26 25. In or about June 1994, Aura set up NewCom as a new  
27 company and division of Aura, and hired defendants SULTAN KHAN  
28

1 and ASIF KHAN. In or about August 1994, Aura purchased Nuvo's  
2 assets out of bankruptcy and contributed them to NewCom.

3 26. In or about September 1994, NewCom became an operating  
4 company. At about the same time, defendant SULTAN KHAN became  
5 NewCom's CEO and President, and defendant ASIF KHAN became  
6 NewCom's Executive Vice President. Defendants SULTAN KHAN and  
7 ASIF KHAN began to run NewCom, a wholly owned subsidiary of Aura,  
8 with assistance from employees and officers of Aura.

9 27. Defendants SULTAN KHAN and ASIF KHAN immediately began  
10 to generate sales and develop a product line for NewCom.  
11 Defendants SULTAN KHAN and ASIF KHAN knew that they needed to  
12 establish the business and generate significant revenues before  
13 they would be able to initiate a successful IPO. In addition,  
14 NewCom was required to have audited financial statements for a  
15 certain period of time before the SEC would permit NewCom to  
16 initiate an IPO.

17 28. NewCom's first audited annual report for the company's  
18 first full year of operations pertained to the fiscal year March  
19 1, 1995 through February 29, 1996 (the "fiscal year 1996 annual  
20 report"). The financial statements contained in the fiscal year  
21 1996 annual report reported that NewCom generated \$33,312,597 in  
22 gross revenues and had net losses of \$5,185,331.

23 29. Because having a net loss impeded their ability to  
24 initiate a successful IPO, beginning in or about 1996, defendants  
25 SULTAN KHAN and ASIF KHAN caused employees of NewCom to record in  
26 the books and records of NewCom revenue from completed sales of  
27 goods which only existed on paper. The recording of these  
28

1 fictitious sales falsely and fraudulently inflated NewCom's  
2 revenues and its standing in the computer peripherals industry.

3 30. From 1995 through August 1997, Aura was required to  
4 consolidate financial information from Newcom with its own  
5 financial information when filing annual reports (Form 10-Ks) and  
6 quarterly reports (Form 10-Qs) with the SEC. Thus, when  
7 defendants SULTAN KHAN and ASIF KHAN caused fictitious sales to  
8 be recorded in the books and records of NewCom, inflated revenue  
9 amounts were reported to the SEC as part of Aura's consolidated  
10 financial statements.

11 31. Frequently, the fictitious sales created at the  
12 direction of defendants SULTAN KHAN and ASIF KHAN occurred near  
13 the end of a fiscal quarter, just before Aura had to file annual  
14 reports or quarterly reports. After a quarter or fiscal year  
15 concluded, defendants SULTAN KHAN and ASIF KHAN then caused, at  
16 times, NewCom's books and records to be altered so that some or  
17 all of the fictitious sales were written off, by causing  
18 employees to create credit memoranda ("credit memos") pertaining  
19 to the fictitious sales.

20 32. The SEC ordinarily required companies such as NewCom to  
21 have three years of audited financial statements initiating an  
22 IPO. These audited financial statements had to be included in  
23 the registration statement required to be filed with the SEC in  
24 conjunction with an IPO. Where there was a predecessor company,  
25 such as Nuvo, its financial statements could be included to  
26 satisfy the three year requirement if specific terms were met and  
27 those financial statements were audited. In 1996, NewCom did not  
28 have three full years of operations, did not audited financial

1 statements for three full years, and its predecessor company,  
2 Nuvo, did not have audited financial statements so the IPO had to  
3 be delayed. In 1996 and 1997, the underwriter, who worked with  
4 Aura and NewCom on the initiation of NewCom's IPO, attempted to  
5 obtain, and eventually in 1997 did obtain a waiver from the SEC  
6 that permitted NewCom to omit Nuvo's financial statements and to  
7 include only two years of audited NewCom financial statements in  
8 NewCom's registration statement in connection with its IPO.

9 **False Financial Reporting in NewCom's**  
10 **Fiscal Year 1997 Books and Records**

11 33. The fiscal year for the second complete year of  
12 operations of NewCom closed on February 28, 1997 ("fiscal year  
13 1997"). Thus, the fiscal year 1997 audited financial statements  
14 were required to be included in the registration statement which  
15 had to be filed with the SEC in conjunction with NewCom's IPO.  
16 As reported in the amended registration statement filed with the  
17 SEC on September 15, 1997, the fiscal year 1997 audited financial  
18 statement for NewCom reflected that as of February 28, 1997,  
19 NewCom had net accounts receivable of \$29,974,924, and for the  
20 twelve-month period ended February 28, 1997, gross revenues of  
21 \$73,120,781, net income of \$3,337,271, and net income per common  
22 share of \$.44. As defendants SULTAN KHAN and ASIF KHAN knew,  
23 these figures were fraudulent because they reflected two types of  
24 fraudulent, fictitious and false sales of goods arranged by  
25 defendants SULTAN KHAN and ASIF KHAN.

26 34. Defendants SULTAN KHAN and ASIF KHAN arranged for  
27 Remington to sign two fictitious purchase orders which reflected  
28 that C'More, Inc. ("C'More"), a company supposedly located in San

1 Jose, California, purchased approximately \$3.653 million of  
2 computer modems and CD-Rom drives from NewCom in February 1997.  
3 Knowing that these purchase orders were fraudulent and that the  
4 purported sales had never occurred, defendants SULTAN KHAN and  
5 ASIF KHAN caused these fictitious sales to be recorded in the  
6 books and records of NewCom, thereby materially inflating  
7 NewCom's fiscal year 1997 net accounts receivable, gross  
8 revenues, net income, and net income per common share.

9 35. Defendants SULTAN KHAN and ASIF KHAN also caused more  
10 than \$1.0 million in consignment sales to be recorded as final  
11 sales, thereby further materially inflating NewCom's fiscal year  
12 1997 net accounts receivable, gross revenues, net income, and net  
13 income per share.

14 36. Aura's audited fiscal year 1997 annual report  
15 incorporated into the portion of Aura's financial statement that  
16 reported NewCom's financial results for the year the materially  
17 inflated figures resulting from the fraudulent transactions  
18 arranged by defendants SULTAN KHAN and ASIF KHAN. On or about  
19 June 13, 1997, Aura's fiscal year 1997 annual report, which  
20 contained these materially inflated figures from NewCom, was  
21 filed with the SEC and released to the investing public.

22 **False and Misleading Statements**  
23 **in NewCom's Registration Statement**

24 37. On or before September 15, 1997, defendant SULTAN KHAN  
25 signed for himself and for defendant ASIF KHAN and others an  
26 amended registration statement (the "registration statement") to  
27 register 2,000,000 shares of common stock and 2,000,000 warrants  
28 for offer and sale to the public. On September 15, 1997,

1 defendants SULTAN KHAN and ASIF KHAN caused NewCom to file the  
2 registration statement with the SEC. The registration statement  
3 included NewCom's audited financial statements for fiscal years  
4 1996 and 1997 and NewCom's prospectus, among other things.

5 38. Based upon this registration statement, the SEC  
6 permitted NewCom to initiate an IPO to offer and sell to the  
7 public 2,000,000 shares of common stock and 2,000,000 warrants.  
8 On or about September 16, 1997, as a result of the IPO, 2,000,000  
9 shares of NewCom common stock and 2,000,000 warrants were sold.  
10 The IPO raised approximately \$17.6 million for NewCom. By the  
11 end of the first day of trading of NewCom's stock, the total  
12 market capitalization for NewCom's stock, including NewCom stock  
13 owned by Aura that was not part of the IPO, exceeded \$140  
14 million.

15 39. The registration statement falsely reported that as of  
16 February 28, 1997, NewCom had net accounts receivable of  
17 \$29,974,924, and for the twelve-month period ended February 28,  
18 1997, gross revenues of \$73,120,781, net income of \$3,337,271 and  
19 net income per common share of \$.44.

20 40. The registration statement further falsely stated, in  
21 the section titled "Liquidity and Capital Resources," that, "of  
22 the \$32.8 million of accounts receivable net outstanding at May  
23 31, 1997, \$20.4 million was over 90 days old (\$3.7 million of  
24 which was due from C'More, Inc. a company controlled by Alexander  
25 Remington, a director of the company). Total receivables as of  
26 September 5, 1997 were \$33.8 million, of which approximately \$9.8  
27 million consisted of amounts remaining from the May 31, 1997  
28



1 balance (none of which was due from C'More, Inc. or any other  
2 affiliated entities)."

3 41. The registration statement falsely stated, in the  
4 section titled "Related Party Transactions," that "M.E.C. and  
5 C'More, Inc. purchased certain product from the company in the  
6 aggregate amount of \$6.1 million through fiscal 1997 . . . . At  
7 May 31, 1997, \$3.7 million of the amount due to the company from  
8 C'More, Inc. was over 90 days old; all of such amount had been  
9 paid by September 5, 1997 . . . . The company believes that the  
10 forgoing transactions were in its best interest."

11 42. In fact, as defendants SULTAN KHAN and ASIF KHAN knew,  
12 the C'More transactions described in the registration statement  
13 were fraudulent and fictitious and the reported net accounts  
14 receivable, gross revenues, net income, and net income per common  
15 share were substantially overstated because of their fraudulent  
16 practices described above.

17 43. The registration statement stated in the section titled  
18 "Directors, Executive Officers, and Key Employees" that defendant  
19 SULTAN KHAN had "founded Computer Peripherals, Inc. which under  
20 his leadership grew into a multi-million dollar sales company and  
21 an industry leader in modem communication products." As  
22 defendants SULTAN KHAN and ASIF KHAN knew, this glowing  
23 description of defendant SULTAN KHAN's success with CPI was  
24 materially misleading in that it failed to mention that he was  
25 later forced out and required to pay more than \$2.0 million to  
26 CPI as a result of allegations brought against him, defendant  
27 ASIF KHAN and a third person for embezzling corporate assets from  
28 CPI.

1        44. The paragraph in the "Directors, Executive Officers,  
2 and Key Employees" section of the registration statement about  
3 defendant ASIF KHAN made no mention of his prior employment with  
4 CPI. As defendants SULTAN KHAN and ASIF KHAN knew, this omission  
5 was materially misleading in that it failed to disclose that  
6 defendant ASIF KHAN was employed at CPI and that he was later  
7 forced out and required to pay more than \$2.0 million to CPI as a  
8 result of allegations brought against him, defendant SULTAN KHAN  
9 and a third person for embezzling corporate assets from CPI.

10       45. The registration statement failed to disclose that  
11 defendants SULTAN KHAN and ASIF KHAN had obtained in 1995 a  
12 substantial loan from director Remington. As defendants SULTAN  
13 KHAN and ASIF KHAN knew, this omission was a materially  
14 misleading in that it concealed a substantial transaction with a  
15 related party who had assisted defendants SULTAN KHAN and ASIF  
16 KHAN in creating fraudulent sales to inflate NewCom's financial  
17 figures.

18                    **False Statements in NewCom's**  
19                    **Fiscal Year 1998 Annual Report**

20       46. On or about June 15, 1998, defendants SULTAN KHAN and  
21 ASIF KHAN signed and caused NewCom to file with the SEC its  
22 annual report, which is also called a Form 10-K report, for  
23 fiscal year 1998, which reported the activities for the company  
24 for the time period March 1, 1997 through February 28, 1998  
25 (hereinafter the "fiscal year 1998 annual report"). The fiscal  
26 year 1998 annual report reflected that as of February 28, 1998,  
27 NewCom had net accounts receivable of \$39,314,990, vendor  
28 advances of \$7,463,622, accounts payable of \$32,734,140, and for

1 the twelve-month period ended February 28, 1998, gross revenues  
2 of \$117,190,649, net income of \$7,087,845, and basic earnings per  
3 share of \$.82. As defendants SULTAN KHAN and ASIF KHAN knew, the  
4 figures were false and misleading for the following reasons,  
5 among others.

6 47. Prior to June 10, 1998, defendants SULTAN KHAN and ASIF  
7 KHAN caused at least \$2.5 million in fictitious, false and  
8 fraudulent sales of goods to be recorded by NewCom employees in  
9 NewCom's books and records to falsely inflate NewCom's revenues  
10 for fiscal year 1998. After fiscal year 1998 ended, that is,  
11 after February 28, 1998, defendants SULTAN KHAN and ASIF KHAN  
12 caused NewCom employees to record credit memos to write off some  
13 or all of these fictitious transactions. By not recording these  
14 credit memos until after February 28, 1998, defendants SULTAN  
15 KHAN and ASIF KHAN caused the fictitious sales to be reflected in  
16 the fiscal year 1998 annual report so that the results for that  
17 year would look materially more favorable than they, in fact,  
18 were.

19 48. During fiscal year 1998, NewCom received invoices from  
20 Korea Data Systems (USA), Inc. (hereinafter "KDS-USA") for  
21 keyboards that NewCom had purchased for use with its Webpal  
22 product. These invoices represented that NewCom had purchased  
23 keyboards at a cost of \$31 per keyboard. In or about February  
24 1998, in preparation for the count of inventory on hand at the  
25 close of the fiscal year, defendant ASIF KHAN caused NewCom  
26 employees falsely to inflate from \$31 to \$65 on the computerized  
27 books and records of NewCom the value of the approximately 22,000  
28 KDS-USA keyboards in inventory. As defendant ASIF KHAN knew,

1 this caused the value of NewCom's inventory to be overstated by  
2 more than \$700,000.

3 49. In connection with the audit of NewCom's fiscal year  
4 1998 financial statements, PKF selected the KDS-USA keyboards to  
5 examine, on a test basis, evidence supporting these particular  
6 items in inventory. PKF performed test work to vouch these  
7 keyboards for costs. To conceal from PKF the true state of  
8 affairs regarding the keyboards and the books and records of  
9 NewCom, defendant ASIF KHAN caused employees of NewCom to prepare  
10 fraudulent and fictitious KDS-USA invoices that falsely  
11 represented that NewCom had purchased the keyboards from KDS-USA  
12 for \$63 per keyboard. These KDS-USA invoices purported to be  
13 records in NewCom's possession that reflected transactions that  
14 occurred between NewCom and KDS-USA. As defendants SULTAN KHAN  
15 and ASIF KHAN knew, this fraudulent paperwork deceived PKF into  
16 believing that NewCom's books and records adequately reflected  
17 the purchase price of the keyboards and significantly reduced the  
18 likelihood that PKF would discover defendants SULTAN KHAN and  
19 ASIF KHAN's frauds and thereafter either expand their test work  
20 or refuse to issue a clean opinion regarding NewCom's financial  
21 statements.

22 50. When a company, such as NewCom, purchased and received  
23 goods on credit from a supplier, such as MEC, the amount of money  
24 NewCom owed MEC for the goods was required to be booked on  
25 NewCom's books and records as an accounts payable. When NewCom  
26 paid MEC for the product, the accounts payable were required to  
27 be reduced by the amount paid. The accounts payable balance  
28

1 reflected on the balance sheet of the financial statements was  
2 required to accurately reflect all monies owed to suppliers.

3 51. In NewCom's fiscal year 1998 annual report, the amount  
4 of money listed on the balance sheet in the accounts payable  
5 account was \$32,734,140. Of this \$32,734,140 liability, none was  
6 reported to be owed to MEC.

7 52. In truth, as defendants SULTAN KHAN and ASIF KHAN knew,  
8 during fiscal year 1998, defendants SULTAN KHAN and ASIF KHAN  
9 ordered and received thousands of computer components from MEC  
10 and did not record the related liability due at the end of the  
11 year to MEC for these products; as a result, NewCom's fiscal year  
12 1998 annual report materially understated the company's accounts  
13 payable by not accounting for millions that the company owed to  
14 MEC at the end of the fiscal year.

15 53. NewCom's fiscal year 1998 annual report also reported  
16 that NewCom had advanced \$7,463,622 to its vendors for goods to  
17 be received by NewCom after fiscal year 1998. Of this  
18 \$7,463,622, more than \$3.8 million was reported as monies pre-  
19 paid or advanced to MEC for goods NewCom was to receive from MEC  
20 after fiscal year 1998.

21 54. In truth, as defendants SULTAN KHAN and ASIF KHAN knew,  
22 as of the end of fiscal year 1998, NewCom had not advanced any  
23 payments to MEC for goods to be received after year end, but  
24 instead owed MEC millions of dollars for goods received prior to  
25 year end; as a result NewCom's fiscal year 1998 annual report  
26 materially overstated the advances of money that NewCom  
27 supposedly made to vendors for goods to be received after fiscal  
28 1998.

1        55. During the audit of NewCom's fiscal year 1998 financial  
2 statements, the issue of the monies owed between MEC and NewCom  
3 was examined by PKF. On or about May 28, 1998, defendant ASIF  
4 KHAN attempted to cover-up defendants SULTAN KHAN and ASIF KHAN's  
5 fraudulent activities regarding NewCom's transactions with MEC by  
6 asking MEC, via an interstate wire communication, to create  
7 fraudulent invoices that NewCom could use to deceive its auditors  
8 into believing that MEC had, in fact, shipped goods to NewCom  
9 after February 28, 1998, on the basis of prepayments by NewCom  
10 prior to February 28, 1998, when in fact the goods had been  
11 shipped before February 28, 1998 and NewCom owed MEC millions of  
12 dollars for those goods. When an employee of MEC refused to  
13 assist in providing all the requested phony invoices, defendant  
14 ASIF KHAN caused the fraudulent invoices to be prepared at  
15 NewCom.

#### 16                    **Discovery of the Fraud**

17        56. On or about July 13, 1998, NewCom announced in a press  
18 release that they had hired a new CFO, effective July 16, 1998.  
19 The new CFO began in that position in July 1998. The new CFO  
20 hired a new credit manager to assist with managing the collection  
21 of accounts receivable, to assess how much credit NewCom should  
22 extend to its customers, and to assist with other matters as  
23 requested by the CFO. The new credit manager started with NewCom  
24 in or about July or August 1998. Within approximately the first  
25 two weeks of August 1998, the new credit manager, together with a  
26 NewCom consultant, discovered approximately \$9 million in false  
27 invoices that were reflected in the books and records of NewCom  
28 as accounts receivable. The false invoices constituted

1 approximately one-quarter to one-third of the total accounts  
2 receivable recorded in the books and records of NewCom at the  
3 time. Some of the fraudulent transactions were recorded in the  
4 books and records of NewCom as having occurred during the  
5 reporting period covered by the fiscal year 1998 annual report  
6 and others were recorded as having occurred during the report  
7 period covered by the May 31, 1998 quarterly report. Beginning  
8 in August 1998, the discovery of these false invoices was  
9 discussed with and among defendants SULTAN KHAN, ASIF KHAN and  
10 VEEN, and others at Aura and NewCom. As set out below,  
11 defendants SULTAN KHAN, ASIF KHAN, and VEEN concealed the  
12 discovery of these false invoices from the SEC and the investing  
13 public.

14 **False Statements in NewCom's May 1998**  
15 **Quarterly Report**

16 57. On or about July 15, 1998, defendants SULTAN KHAN and  
17 ASIF KHAN caused NewCom to file with the SEC its quarterly  
18 report, which is also called a Form 10-Q report, for the quarter  
19 ended May 31, 1998, which reported the activities for the company  
20 for the time period March 1, 1998 through May 31, 1998  
21 (hereinafter the "May 1998 quarterly report"). The May 1998  
22 quarterly report reflected that as of May 31, 1998, NewCom had  
23 net accounts receivable of \$38,810,631, and for the three-months  
24 period ended May 31, 1998, gross revenues of \$23,477,266, net  
25 income of \$1,565,617, and basic earnings per share of \$.16. As  
26 defendants SULTAN KHAN and ASIF KHAN knew, these figures were  
27 false and misleading for the following reasons, among others.  
28

1        58. Prior to July 15, 1998, defendants SULTAN KHAN and ASIF  
2 KHAN caused approximately \$4.7 million in fictitious, false and  
3 fraudulent sales of goods to be recorded by NewCom's employees in  
4 NewCom's books and records as if they had occurred during the  
5 last few weeks of the May 1998 quarter to falsely inflate  
6 NewCom's net accounts receivable, gross revenues, net income, and  
7 earnings per share for the May 1998 quarterly report. After May  
8 31, 1998, defendants SULTAN KHAN and ASIF KHAN caused some of  
9 these fictitious transactions to be written off by having  
10 employees create credit memos correlating to the false sales.  
11 Some or all of these credit memos were then recorded in later  
12 quarters. By not recording these credit memos until after May  
13 31, 1998, defendants SULTAN KHAN and ASIF KHAN caused the false  
14 sales to be reflected in the May 1998 quarterly report so that  
15 the results of that quarter would look materially more favorable  
16 than they, in fact, were.

17                    **False Statements in NewCom's**  
18                    **August 1998 Quarterly Report**

19        59. On or about October 15, 1998, defendants SULTAN KHAN,  
20 ASIF KHAN, and VEEN caused NewCom to file with the SEC its  
21 quarterly report for the quarter ended August 31, 1998, which  
22 reported the activities for the company for the time period June  
23 1, 1998 through August 31, 1998 (the "August 1998 quarterly  
24 report"). The August 1998 quarterly report reflected that as of  
25 August 31, 1998, NewCom had net accounts receivable of  
26 \$39,801,174, and for the three-month period ended August 31,  
27 1998, gross revenues of \$31,455,222, net income of \$827,697, and  
28 basic earnings per share of \$.08. As defendants SULTAN KHAN,



1 ASIF KHAN, and VEEN knew, these figures were false and misleading  
2 for the following reasons, among others.

3 60. Prior to October 15, 1998, defendants SULTAN KHAN and  
4 ASIF KHAN caused at least \$4,673,109 million in fictitious, false  
5 and fraudulent sales of goods to be recorded by NewCom employees  
6 in NewCom's books and records as if they had occurred during the  
7 company's August 1998 quarter.

8 61. In August 1998, defendants SULTAN KHAN and ASIF KHAN  
9 caused NewCom to ship merchandise, mainly consisting of older,  
10 obsolete product that was no longer selling in the United States,  
11 to Orbis Industries, Inc. ("Orbis"), for sale of the product in  
12 South America. Defendants SULTAN KHAN and ASIF KHAN caused  
13 employees of NewCom to record the shipments to Orbis on the books  
14 and records of NewCom as completed, final sales for a price close  
15 to the amount for which NewCom had bought the product several  
16 months, if not years, before.

17 62. In fact, as defendants SULTAN KHAN and ASIF KHAN knew,  
18 NewCom's arrangement with Orbis was to take the product from  
19 NewCom on consignment, market the product on behalf of NewCom in  
20 South America, determine what the selling price should be in  
21 South America, and after selling the product receive a fee based  
22 on the selling price to the end user in South America, a selling  
23 price that it was understood would be much less than the prices  
24 utilized by NewCom when NewCom recorded the transactions as final  
25 sales in their books and records.

26 63. Accordingly, as defendants SULTAN KHAN and ASIF KHAN  
27 knew, rather than constituting final sales, the transactions  
28 involving Orbis should have been recorded as consignment sales.

1 Defendants SULTAN KHAN and ASIF KHAN, however, caused these  
2 consignment sales to be recorded as final sales, thereby  
3 materially inflating in the August 1998 quarterly report NewCom's  
4 net accounts receivable, gross revenues, net income, and basic  
5 earnings per share.

6       64. After the credit manager discovered in August 1998 the  
7 approximately \$9.0 million in fraudulent invoices recorded in the  
8 books and records of NewCom in the two previous reporting periods  
9 as accounts receivable and revenue, defendant VEEN discussed with  
10 others whether to restate earlier financial statements to  
11 properly reflect sales in the earlier periods. Defendant VEEN,  
12 together with defendants SULTAN KHAN and ASIF KHAN, refused to  
13 amend the prior filings or write down all of the fictitious sales  
14 in the quarter ended August 31, 1998. Instead, to minimize the  
15 impact of the write downs on NewCom's financial statements,  
16 defendant VEEN, together with defendants SULTAN KHAN and ASIF  
17 KHAN, agreed to spread the write-downs over two quarters -- the  
18 quarter ended August 31, 1998, and the quarter ended November 30,  
19 1998. By approximately September 15, 1998, credit memos had been  
20 recorded in the books and records of NewCom to reverse all or  
21 nearly all of the approximately \$9 million in fictitious sales  
22 discovered by the new credit manager. These credit memos were  
23 recorded during and after the August 1998 quarter end, but before  
24 defendants SULTAN KHAN, ASIF KHAN, and VEEN caused the August  
25 1998 quarterly report to be filed with the SEC. As defendants  
26 SULTAN KHAN, ASIF KHAN, and VEEN knew, the August 1998 quarterly  
27 report was materially misleading in that it failed to disclose  
28

1 the discovery of the fraudulent invoices and the creation of  
2 credit memos that addressed them.

3 65. Prior to the filing of the August 1998 quarterly  
4 report, which included unaudited financial statements for the  
5 quarter ended August 31, 1998, the new CFO was asked to sign the  
6 quarterly report. The new CFO refused to do so. Instead, on or  
7 about October 15, 1998, defendant VEEN signed the August 1998  
8 quarterly report as the CFO and Principal Financial and  
9 Accounting Officer. As defendants SULTAN KHAN, ASIF KHAN and  
10 VEEN knew, the August 1998 quarterly report was materially  
11 misleading in that it failed to disclose the refusal of the new  
12 CFO to sign the report and the reasons for that refusal.

13 **False Statements in NewCom's**  
14 **November 1998 Quarterly Report**

15 66. On or about January 19, 1999, defendants SULTAN KHAN,  
16 ASIF KHAN and VEEN caused NewCom to file with the SEC its  
17 quarterly report for the quarter ended November 30, 1998, which  
18 reported the activities for the company for the time period  
19 September 1, 1998 through November 30, 1998 (hereinafter the  
20 "November 1998 quarterly report"). The November 1998 quarterly  
21 report reflected that as of November 30, 1998, NewCom had net  
22 accounts receivable of \$35,628,124, and for the three-month  
23 period ended November 30, 1998, gross revenues of \$28,656,785, a  
24 net loss of \$15,686,751, and a basic loss per share of \$1.55. As  
25 defendants SULTAN KHAN, ASIF KHAN, and VEEN knew, those figures  
26 were false and misleading for the following reasons, among  
27 others.  
28

1           67. In or about September 1998, defendant ASIF KHAN caused  
2 NewCom employees to prepare fake shipping records and other  
3 evidence of shipments to create the false and fraudulent  
4 impression that sales of goods in excess of \$3.0 million had  
5 occurred. These fraudulent sales were recorded in the books and  
6 records of NewCom as if they had occurred on September 16, 1998.

7           68. In or about November 1998, defendants SULTAN KHAN and  
8 ASIF KHAN caused at least \$7.0 million in fictitious, false and  
9 fraudulent sales of goods to be recorded by NewCom employees in  
10 NewCom's books and records as if they had occurred on or before  
11 November 30, 1998 to inflate NewCom's revenues for the November  
12 1998 quarter. As defendants SULTAN KHAN and ASIF KHAN knew, the  
13 entries regarding these sales in NewCom's books and records were  
14 false because: 1) transactions were recorded that were completely  
15 fictitious; and 2) shipments of product by means of commercial  
16 interstate carriers made in December 1998, after the November  
17 1998 quarter had closed, were nevertheless recorded as if they  
18 had been made in November 1998.

19           69. On or about November 12, 1998, the person hired in July  
20 1998 to be NewCom's new CFO wrote a five-page memorandum to the  
21 file which he also caused to be given at about the same time to  
22 defendants SULTAN KHAN and VEEN. This memorandum outlined how  
23 NewCom's balance sheet was significantly overstated and discussed  
24 other significant financial and accounting problems at NewCom.

25           70. In or about December 1998, defendant SULTAN KHAN caused  
26 an employee to create credit memos to write off all or nearly all  
27 of the approximately \$10.0 million in fraudulent sales that were  
28 recorded in the November 1998 quarter. These credit memos were

1 recorded after the November 1998 quarter end but before  
2 defendants SULTAN KHAN, ASIF KHAN and VEEN caused the November  
3 1998 quarterly report to be filed with the SEC. As defendants  
4 SULTAN KHAN, ASIF KHAN and VEEN knew, the November 1998 quarterly  
5 report was materially misleading in that it failed to disclose  
6 fraudulent sales and the creation of credit memos that concealed  
7 them.

8 71. On or about December 20, 1998, defendants ASIF KHAN and  
9 SULTAN KHAN, together with an Aura officer, asked the new CFO to  
10 agree to sign the November 1998 quarterly report even though the  
11 issues outlined in his November 12, 1998 memorandum had not been  
12 addressed. The new CFO refused, knowing that the November 1998  
13 quarterly report contained material falsehoods. Instead, on or  
14 about January 18, 1999, defendant VEEN signed the November 1998  
15 quarterly report as NewCom's CFO, principal financial and  
16 accounting officer, and senior vice-president. As defendants  
17 SULTAN KHAN, ASIF KHAN, and VEEN knew, the November 1998  
18 quarterly report was materially misleading in that it failed to  
19 disclose the refusal of the new CFO to sign the report and the  
20 reasons for that refusal.

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**OVERT ACTS**

72. In furtherance of the conspiracy, and to accomplish its objects, defendants SULTAN KHAN and ASIF KHAN, together with others known and unknown, committed and caused others to commit the following overt acts, among others, in the Central District of California, and elsewhere:

Overt Act No. 1: In or about 1996, defendant SULTAN KHAN directed a NewCom employee to create invoices reflecting fictitious sales.

Overt Act No. 2: In or about 1996, after the end of the fiscal quarter, defendant SULTAN KHAN directed a NewCom employee to create credit memos to write-off prior fictitious sales.

Overt Act No. 3: In or before September 1997, defendants SULTAN KHAN and ASIF KHAN asked co-conspirator Remington to sign two fictitious purchase orders that reflected a purchase of merchandise from NewCom on behalf of C'More.

Overt Act No. 4: On or about February 28, 1997, defendant SULTAN KHAN caused to be recorded in the books and records of NewCom at least \$1.0 million in final sales which were, in fact, consignment sales.

Overt Act No. 5: In or about August 1997, defendants SULTAN KHAN and ASIF KHAN traveled to New York and met with potential investors as part of NewCom's road show held in anticipation of NewCom's IPO.

Overt Act No. 6: On or about September 15, 1997, defendant SULTAN KHAN signed NewCom's registration statement as NewCom's President and CEO.

1       Overt Act No. 7: On or about September 15, 1997, defendants  
2 SULTAN KHAN and ASIF KHAN caused NewCom's registration statement  
3 to be filed with the SEC.

4       Overt Act No. 8: In or about February 1998, defendant ASIF  
5 KHAN directed a NewCom employee to inflate the value of KDS-USA  
6 keyboards on hand at the company's year end from \$31 to \$65 per  
7 keyboard in NewCom's computerized books and records.

8       Overt Act No. 9: After February 28, 1998, but before June  
9 15, 1998, defendant ASIF KHAN caused a NewCom employee to create  
10 fictitious KDS-USA invoices regarding the keyboards.

11       Overt Act No. 10: On or about May 28, 1998, defendant ASIF  
12 KHAN sent a fax to MEC asking an officer of MEC to "spread" a set  
13 of MEC invoices over "March, April and May."

14       Overt Act No. 11: On or about June 5, 1998, defendant ASIF  
15 KHAN falsely told one of NewCom's auditors that as of February  
16 28, 1998, NewCom had prepaid MEC, and provided the auditor with  
17 false supporting documentation.

18       Overt Act No. 12: On or about June 10, 1998, defendant  
19 SULTAN KHAN signed a management representation letter addressed  
20 to PKF.

21       Overt Act No. 13: On or about June 12, 1998, defendant  
22 SULTAN KHAN signed NewCom's annual report, Form 10-K, for the  
23 period ended February 28, 1998.

24       Overt Act No. 14: On or about June 12, 1998, defendant ASIF  
25 KHAN signed NewCom's annual report, Form 10-K, for the period  
26 ended February 28, 1998.

27       Overt Act No. 15: On or about June 15, 1998, defendants  
28 SULTAN KHAN and ASIF KHAN caused NewCom's annual report, Form 10-

1 K, for the period ended February 28, 1998, to be filed with the  
2 SEC.

3 Overt Act No. 16: On or about July 15, 1998, defendants  
4 SULTAN KHAN and ASIF KHAN caused NewCom's quarterly report, Form  
5 10-Q, for the period ended May 31, 1998, to be filed with the  
6 SEC.

7 Overt Act No. 17: In or about July or August 1998,  
8 defendant SULTAN KHAN directed a NewCom employee to destroy a  
9 spreadsheet maintained by the employee in the accounting  
10 department to track "problem" invoices.

11 Overt Act No. 18: In or about July or August 1998,  
12 defendant SULTAN KHAN spoke with a representative of Orbis about  
13 arranging a consignment sale of goods from NewCom to Orbis.

14 Overt Act No. 19: On or about September 16, 1998, defendant  
15 ASIF KHAN caused a NewCom employee to ship goods in connection  
16 with fictitious sales.

17 Overt Act No. 20: On or about October 15, 1998, defendants  
18 SULTAN KHAN and ASIF KHAN caused NewCom's quarterly report, Form  
19 10-Q, for the period ended August 31, 1998, to be filed with the  
20 SEC.

21 Overt Act No. 21: In or about December 1998, defendant  
22 SULTAN KHAN directed a NewCom employee to create credit memos to  
23 write off prior fictitious sales.

24 Overt Act No. 22: On or about December 20, 1998, defendants  
25 SULTAN KHAN and ASIF KHAN met with the person hired to be  
26 NewCom's new CFO about the quarterly report for the period ended  
27 November 30, 1998.



1        Overt Act No. 23: On or about January 19, 1999, defendants  
2 SULTAN KHAN and ASIF KHAN caused NewCom's quarterly report, Form  
3 10-Q, for the period ended November 30, 1998, to be filed with  
4 the SEC.

5        Overt Act No. 24: In or about 1999, defendant ASIF KHAN  
6 removed original invoices and shipping records from NewCom.

COUNTS TWO THROUGH FIVE

[18 U.S.C. §§ 1343, 1346; 18 U.S.C. § 2]

[Wire Fraud with a Deprivation of Honest Services]

[Defendants SULTAN KHAN and ASIF KHAN]

73. The Grand Jury hereby repeats and realleges paragraphs 3 and 5 through 20 of this Indictment as if fully set forth herein.

**Scheme to Defraud NewCom**

74. From 1994 through at least January 1999, defendants SULTAN KHAN and ASIF KHAN were officers of NewCom, which was a wholly owned subsidiary of a publicly traded company before going public in September 1997, at which time it became a separately traded public company. From September 1997 through early 1999, defendants SULTAN KHAN and ASIF KHAN were also directors of NewCom. As officers and directors of NewCom, they owed fiduciary duties to NewCom such that they were obligated to put the interests of the company first, to preserve and protect corporate assets, and to provide honest services to NewCom and its shareholders.

75. Beginning on a date unknown and continuing to in or about January 1999, defendants SULTAN KHAN and ASIF KHAN, aided and abetted by co-schemer Remington, devised, knowingly participated in, and engaged in a scheme to defraud NewCom by over-billing NewCom, depriving NewCom of honest services, and misappropriating and embezzling for their own purposes more than \$1.1 million in corporate assets from NewCom, and to obtain money and property from NewCom by the concealment of material facts, as follows:

1           a. Defendants SULTAN KHAN and ASIF KHAN arranged with  
2 Remington for Remington's company, MEC, which was a primary  
3 supplier of goods to NewCom, to overcharge NewCom on each order.  
4 They agreed that NewCom would pay, for example, an extra \$2 per  
5 modem, which MEC would receive from NewCom when NewCom paid for  
6 the products shipped. The schemers arranged for defendants  
7 SULTAN KHAN and ASIF KHAN to keep track of the overcharges.  
8 These overcharges by MEC, done at the instigation of defendants  
9 SULTAN KHAN and ASIF KAHN, constituted a misappropriation and  
10 diversion of corporate assets from NewCom.

11           b. At first, the schemers agreed that Remington would  
12 keep the overcharges and treat them as payments from defendants  
13 SULTAN KHAN and ASIF KHAN on the \$600,000 loan that Remington had  
14 made to them in 1995. Beginning in or about October 1996,  
15 defendants ASIF KHAN and SULTAN KHAN decided that they wanted to  
16 change the way the over-billing scheme worked and discussed their  
17 idea with Remington. Defendants ASIF KHAN and SULTAN KHAN,  
18 together with Remington, agreed to change the over-billing  
19 scheme so that instead of just using the overages to repay the  
20 \$600,000 loan, defendants ASIF KHAN and SULTAN KHAN would receive  
21 some of the diverted corporate assets themselves.

22           c. To conceal the kickbacks to be paid by co-schemer  
23 Remington, defendants ASIF KHAN and SULTAN KHAN arranged for co-  
24 schemer Remington to pay the kickbacks by transferring funds to  
25 the law firm. Defendants ASIF KHAN and SULTAN KHAN also arranged  
26 with the law firm that when the law firm received these funds,  
27 which were sent from MEC's bank in Georgia to the law firm's bank  
28

1 in Los Angeles, the law firm would deposit the funds into the  
2 client trust account discussed above.

3 d. Thereafter, defendants SULTAN KHAN and ASIF KHAN  
4 caused checks from this client trust account, which held the  
5 misappropriated monies, to be issued to make payments to CPI and  
6 them personally. By these means, between on or about October  
7 1996 and January 1999, defendants ASIF KHAN and SULTAN KHAN  
8 misappropriated more than \$1.1 million from NewCom and deprived  
9 NewCom, which was a publicly traded company, of honest services  
10 from these officers and directors.

11 **Execution of the Scheme**

12 76. On or about the following dates, defendants SULTAN KHAN  
13 and ASIF KHAN, in Los Angeles County, within the Central District  
14 of California, and elsewhere, for the purpose of executing the  
15 above-described scheme to defraud and attempting to do so, caused  
16 to be transmitted the following writings, signs, signals and  
17 sounds by means of wire communications in interstate commerce to  
18 carry out and attempt to carry out an essential part of the  
19 scheme:

20

COUNT	DEFENDANT	DATE	TRANSMISSION
TWO	SULTAN KHAN ASIF KHAN	9/25/97	Wire transfer of \$200,000 from MEC's bank account at First Union National Bank in Atlanta, Georgia, to a law firm's client trust account at Glendale Federal Bank in Sherman Oaks, California

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COUNT	DEFENDANT	DATE	TRANSMISSION
THREE	SULTAN KHAN ASIF KHAN	1/21/98	Wire transfer of \$100,000 from MEC's bank account at First Union National Bank in Atlanta, Georgia, to a law firm's client trust account at Glendale Federal Bank in Sherman Oaks, California
FOUR	SULTAN KHAN ASIF KHAN	10/30/98	Wire transfer of \$30,000 from MEC's bank account at First Union National Bank in Atlanta, Georgia, to a law firm's client trust account at Glendale Federal Bank in Sherman Oaks, California
FIVE	SULTAN KHAN ASIF KHAN	12/29/98- 1/5/99	Wire transfer of \$60,000 from MEC's bank account at First Union National Bank in Atlanta, Georgia, to a law firm's client trust account at California Federal Bank in Sherman Oaks, California

COUNT SIX

[15 U.S.C. § 77x; 18 U.S.C. § 2]

[False Statements in a Registration Statement]

[Defendants SULTAN KHAN and ASIF KHAN]

77. The Grand Jury repeats and realleges paragraphs 1 through 3, 5 through 20, 24 through 45, 74, and 75 of this Indictment as if fully set forth herein.

78. On September 15, 1997, in Los Angeles County, within the Central District of California, defendants SULTAN KHAN and ASIF KHAN, aided and abetted by one another and others known and unknown, did knowingly and willfully, in an amended registration statement (the "registration statement") filed under the Securities Act of 1933 with respect to 2,000,000 shares of common stock and 2,000,000 warrants of NewCom, make and cause to be made untrue statements of material fact and omit to state and cause to be omitted material facts required to be stated therein and necessary to make the statements therein not misleading, in that defendants SULTAN KHAN and ASIF KHAN knowingly and willfully caused NewCom's registration statement to:

- a. Falsely state that NewCom had net accounts receivable of \$29,974,924 as of February 28, 1997;
- b. Falsely state that NewCom had gross revenues of \$73,120,781 for the year ended February 28, 1997;
- c. Falsely state that NewCom had net income of \$3,337,271 for the year ended February 28, 1997;
- d. Falsely state that NewCom had earnings per share of \$0.44 for the year ended February 28, 1997;

- 1 e. Falsely state that for the first quarter of fiscal  
2 year 1998, which ended May 31, 1997, NewCom had  
3 \$32.8 million of net accounts receivable  
4 outstanding, of which \$3.7 million of this amount  
5 was due from sales to C'More, Inc., a company  
6 controlled by director Remington, and all such  
7 monies owed from C'More, Inc. "had been paid by  
8 September 5, 1997[;]"
- 9 f. Falsely state that "M.E.C. (Micro Equipment  
10 Corporation) and C'More, Inc. purchased certain  
11 product from the company in the aggregate amount  
12 of \$6.1 million through fiscal year 1997, . .  
13 .[and that the] company believes that the  
14 foregoing transactions [regarding C'More, Inc. and  
15 Micro Equipment Corporation] were in its best  
16 interests;"
- 17 g. Omit that defendants SULTAN KHAN and ASIF KHAN had  
18 obtained a substantial loan from director  
19 Remington;
- 20 h. Omit that defendants SULTAN KHAN and ASIF KHAN had  
21 been forced out of CPI and entered into a  
22 settlement agreement that required them to pay  
23 more than \$2.0 million in installment payments to  
24 CPI as the result of allegations that they had  
25 embezzled corporate assets from CPI;
- 26 i. Omit that defendants SULTAN KAHN and ASIF KHAN  
27 were receiving kickbacks from MEC; and  
28

j. Omit that defendants SULTAN KHAN and ASIF KHAN  
were using funds from the kickback scheme to make  
monthly payments due to CPI under the settlement  
agreement.



COUNT SEVEN

[15 U.S.C. § 77q(a), 77x; 18 U.S.C. § 2]

[Fraud in the Offer and Sale of Securities]

[Defendants SULTAN KHAN and ASIF KHAN]

79. The Grand Jury repeats and realleges paragraphs 1 through 3, 5 through 20, 24 through 45, 74, and 75 of this Indictment as if fully set forth herein.

80. Beginning on a date unknown and continuing until at least September 16, 1997, in Los Angeles County, within the Central District of California, and elsewhere, defendants SULTAN KHAN and ASIF KHAN, aided and abetted by others known and unknown to the Grand Jury, knowingly and willfully and with the intent to defraud, in the offer and sale of securities, (i) employed a device, scheme, and artifice to defraud, (ii) obtained money and property by means of an untrue statement of a material fact and an omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and (iii) engaged in acts, practices, and courses of business that operated and would operate as a fraud and deceit upon the purchasers of securities.

81. On or about September 15, 1997, in the Central District of California, and elsewhere, in furtherance of the fraudulent scheme described above, defendants SULTAN KHAN and ASIF KHAN, directly and indirectly, caused the use of the means and instrumentalities of interstate commerce and the use of the mails in the offer and sale of 2,000,000 shares of common stock and 2,000,000 warrants of NewCom.

COUNT EIGHT

[15 U.S.C. §§ 78m(b) (2) (A), 78m(b) (5), and 78ff;

17 C.F.R. § 240.13b2-1; 18 U.S.C. § 2]

[Falsification of Accounting Books and Records]

[Defendant ASIF KHAN]

82. The Grand Jury repeats and realleges paragraphs 1, 2, 5 through 20, and 46 through 49 of this Indictment as if fully set forth herein.

83. Between approximately February 1998 and June 10, 1998, within the Central District of California, defendant ASIF KAHN, aided and abetted by others known and unknown, did knowingly and willfully, directly and indirectly, falsify and caused to be falsified books, records, and accounts which NewCom was required to make and keep, and which were required, in reasonable detail, accurately and fairly to reflect the transactions of NewCom, an issuer with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934. Specifically, defendant ASIF KHAN knowingly and willfully caused to be created false, fictitious and fraudulent KDS-USA invoices that falsely inflated from \$31 to \$63 per keyboard the price paid by NewCom to purchase from KDS-USA approximately 22,000 keyboards remaining in NewCom's inventory as of February 28, 1998.

COUNT NINE

[15 U.S.C. §§ 78m(a)(2), 78ff; 17 C.F.R. § 240.12b-20,  
§ 240.13a-1; 18 U.S.C. § 2]

[False Statements in an Annual Report, Form 10-K,  
Filed with the SEC]

[Defendants SULTAN KHAN and ASIF KHAN]

84. The Grand Jury repeats and realleges paragraphs 1  
through 3, 5 through 20, 24 through 55, 74, and 75 of this  
Indictment as if fully set forth herein.

85. On or about June 15, 1998, in Los Angeles County, in  
the Central District of California, defendants SULTAN KHAN and  
ASIF KHAN knowingly and willfully made and caused to be made  
statements that were false and misleading as to material facts,  
and omitted and caused to be omitted material facts necessary to  
make the statements made, in light of the circumstances under  
which the statements were made, not misleading, in a report and  
document which was required to be filed with the SEC, namely,  
NewCom's fiscal year 1998 annual report, Form 10-K, in that  
defendants SULTAN KHAN and ASIF KHAN knowingly and willfully  
caused NewCom's fiscal year 1998 annual report to:

- a. Falsely state that NewCom had net accounts  
receivable of \$39,314,990 as of February 28, 1998;
- b. Falsely state that NewCom had inventory of  
\$41,223,718 as of February 28, 1998;
- c. Falsely state that NewCom had vendor advances of  
\$7,463,622 as of February 28, 1998;
- d. Falsely state that NewCom had accounts payable of  
\$32,734,140 as of February 28, 1998;

- 1 e. Falsely state that NewCom had gross revenues of  
2 \$117,190,649 for the year ended February 28, 1998;  
3 f. Falsely state that NewCom had net income of  
4 \$7,087,845 for the year ended February 28, 1998;  
5 g. Falsely state that NewCom had basic earnings per  
6 share of \$0.82 for the year ended February 28,  
7 1998;  
8 h. Omit that NewCom owed MEC millions of dollars for  
9 product shipped and received during the year ended  
10 February 28, 1998;  
11 i. Omit that defendants SULTAN KHAN and ASIF KHAN had  
12 obtained a substantial loan from director  
13 Remington;  
14 j. Omit that defendants SULTAN KHAN and ASIF KHAN had  
15 been forced out of CPI and entered into a  
16 settlement agreement that required them to pay  
17 more than \$2.0 million in installment payments to  
18 CPI as the result of allegations that they had  
19 embezzled corporate assets from CPI;  
20 k. Omit that defendants SULTAN KAHN and ASIF KHAN  
21 were receiving kickbacks from MEC; and  
22 l. Omit that defendants SULTAN KHAN and ASIF KHAN  
23 were using funds from the kickback scheme to make  
24 monthly payments due to CPI under the settlement  
25 agreement.  
26  
27  
28

COUNT TEN

[15 U.S.C. §§ 78m(a)(2), 78ff; 17 C.F.R. § 240.12b-20,  
§ 240.13a-13; 18 U.S.C. § 2]

[False Statements in a Quarterly Report, Form 10-Q,  
Filed with the SEC]

[Defendants SULTAN KHAN, ASIF KHAN and VEEN]

86. The Grand Jury repeats and realleges paragraphs 1  
through 3, 5 through 20, 24 through 65, 74, and 75 of this  
Indictment as if fully set forth herein.

87. On or about October 15, 1998, in Los Angeles County, in  
the Central District of California, defendants SULTAN KHAN, ASIF  
KHAN and VEEN knowingly and willfully made and caused to be made  
statements that were false and misleading as to material facts,  
and omitted and caused to be omitted material facts necessary to  
make the statements made, in light of the circumstances under  
which the statements were made, not misleading, in a report and  
document which was required to be filed with the SEC, NewCom's  
August 1998 quarterly report, Form 10-Q, in that defendants  
SULTAN KHAN, ASIF KHAN and VEEN knowingly and willfully caused  
NewCom's August 1998 quarterly report to:

- a. Falsely state that NewCom had net accounts  
receivable of \$39,314,990 as of February 28, 1998;
- b. Falsely state that NewCom had net accounts  
receivable of \$39,801,174 as of August 31, 1998;
- c. Falsely state that NewCom had gross revenues of  
\$54,932,488 for the six-month period March 1, 1998  
through August 31, 1998;

- d. Falsely state that NewCom had net income of \$2,393,314 for the six-month period March 1, 1998 through August 31, 1998;
- e. Falsely state that NewCom had basic earnings per share of \$0.24 for the six-month period March 1, 1998 through August 31, 1998;
- f. Omit that fraud on the books and records was discovered in or about August 1998;
- g. Omit that during the quarter there were significant write-offs regarding fraud in previous periods;
- h. Omit that on or about September 15, 1998, credit memos were recorded that wrote off some of the fraudulent transactions; and
- i. Omit that the new CFO, who started as the CFO on or about July 16, 1998, would not sign the August 1998 quarterly report.

COUNT ELEVEN

[15 U.S.C. §§ 78m(a)(2), 78ff; 17 C.F.R. § 240.12b-20,  
§ 240.13a-13; 18 U.S.C. § 2]

[False Statements in a Quarterly Report, Form 10-Q,  
Filed with the SEC]

[Defendants SULTAN KHAN, ASIF KHAN and VEEN]

88. The Grand Jury repeats and realleges paragraphs 1  
through 3, 5 through 20, 24 through 71, 74, and 75 of this  
Indictment as if fully set forth herein.

89. On or about January 19, 1999, in Los Angeles County, in  
the Central District of California, defendants SULTAN KHAN, ASIF  
KHAN and VEEN knowingly and willfully made and caused to be made  
statements that were false and misleading as to material facts,  
and omitted and caused to be omitted material facts necessary to  
make the statements made, in light of the circumstances under  
which the statements were made, not misleading, in a report and  
document which was required to be filed with the SEC, NewCom's  
November 1998 quarterly report, Form 10-Q, in that defendants  
SULTAN KHAN, ASIF KHAN and VEEN knowingly and willfully caused  
NewCom's November 1998 quarterly report to:

- a. Falsely state that NewCom had net accounts  
receivable of \$39,314,990 as of February 28, 1998;
- b. Falsely state that NewCom had net accounts  
receivable of \$35,628,124 as of November 30, 1998;
- c. Falsely state that NewCom had gross revenues of  
\$28,656,785 for the three-month period September  
1, 1998 through November 30, 1998;

- 1           d.    Falsely state that NewCom had net losses of  
2               \$15,686,751 for the three-month period September  
3               1, 1998 through November 30, 1998;  
4           e.    Falsely state that NewCom had losses per basic  
5               share of \$1.55 for the three-month period  
6               September 1, 1998 through November 30, 1998;  
7           f.    Omit that the new CFO, who started as the CFO on  
8               or about July 16, 1998, refused to sign the  
9               November 1998 quarterly report after advising  
10              other senior management about the discovery of  
11              fraud and inaccuracies in the books and records of  
12              NewCom; and  
13           g.    Omit that in or about December 1998, material  
14               write-offs were recorded regarding the November  
15               1998 quarter.



COUNT TWELVE

[15 U.S.C. §§ 78m(b) (2) (B) (ii) (I), (II), 78m(b) (5), 78ff(a);

18 U.S.C. § 2]

[Circumvention of Internal Accounting Controls]

[Defendants SULTAN KHAN and ASIF KHAN]

90. The Grand Jury repeats and realleges paragraphs 1 through 2, 5 through 20, and 24 through 71 of this Indictment as if fully set forth herein.

91. At various times from a date unknown until at least January 1999, within the Central District of California, defendants SULTAN KHAN and ASIF KHAN, aided and abetted by others known and unknown, did knowingly and willfully circumvent the system of internal accounting controls required to be devised and maintained to provide reasonable assurances that transactions of NewCom were recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and other criteria applicable to such statements and to maintain accountability for its assets.

COUNTS THIRTEEN THROUGH FIFTEEN

[18 U.S.C. § 1341; 18 U.S.C. § 2]

[Mail Fraud]

[Defendants SULTAN KHAN and ASIF KHAN]

92. The Grand Jury hereby repeats and realleges paragraphs 4 through 20 of this Indictment as though fully set forth herein.

**Trade Acceptance Draft Program**

93. At all times relevant to this indictment, Actrade Capital Inc. ("Actrade") was a finance company located in New York City, New York which provided financing to its customers through a financing arrangement called the Trade Acceptance Draft ("TAD") program. The TAD program allowed Actrade's customers to finance over time payments for the purchase of goods from sellers. In the TAD program, Actrade paid the sellers immediately the full invoice amount at the time of the sale of the goods. In turn, the sellers assigned to Actrade all rights to collect on the invoices. Actrade's customers then paid Actrade for those goods over an extended period of time through the use of negotiable instruments called trade acceptance, which they referred to as TADs. TADs were negotiable instruments that looked similar to and functioned like post-dated checks. Actrade earned its profits by charging its customers finance charges. Actrade's TAD program, in essence, worked as follows:

a. A customer, such as NewCom, first needed to join Actrade's TAD program. To do so, the customer signed a buyer's agreement with Actrade and thereby became an approved buyer. By signing the buyer's agreement, the customer promised to do the following: (i) to use TADs only in connection with a commercial

1 transaction; (ii) to use TADs only to purchase merchandise from  
2 an approved seller, such as MEC, in the ordinary course of  
3 business; (iii) not to submit TADs unless the goods listed on the  
4 invoice had been received by the buyer and accepted without  
5 dispute; and (iv) to have sufficient funds available in its bank  
6 account on the due date written on the TADs.

7           b. A seller, such as MEC, also needed to join  
8 Actrade's TAD program. To do so, the seller signed a seller's  
9 agreement with Actrade and thereby became an approved seller. By  
10 signing the seller's agreement, the seller promised that when the  
11 seller offered to sell or assign TADs to Actrade, the seller did  
12 so only after the seller had sold the merchandise associated with  
13 the TADs to Actrade's customer in a bona fide contemporaneous  
14 commercial transaction entered into in the ordinary course of  
15 business between the seller and Actrade's customer.

16           c. After both the buyer and the seller joined the TAD  
17 program, they agreed to use the TAD program in connection with  
18 specific commercial transactions as permitted by the program.

19           d. The seller provided to Actrade a copy of an invoice  
20 for the sale of goods to Actrade's customer.

21           e. Actrade sent the seller a bill of sale and  
22 assignment form for the transaction, which the seller signed and  
23 returned to Actrade. This form, prepared by Actrade, listed  
24 specific TADs and assigned to Actrade the right to collect the  
25 money associated with the listed TADs. The total dollar amount  
26 of the TADs listed on the form totaled the full invoice amount  
27 plus Actrade's finance charges for the transaction.

1 f. The buyer prepared and signed original TADs  
2 corresponding to the dollar figures, dates, and TAD numbers  
3 listed on the bill of sale and assignment form. These TADs  
4 equally divided the invoice price plus finance charges over  
5 several months, and were post-dated sequentially one month apart.  
6 In essence, the TADs represented future payments for the goods.  
7 The buyer then sent the original TADs by Federal Express or  
8 another commercial interstate carrier to Actrade. By signing the  
9 TADs, the buyer represented that the buyer had received and  
10 accepted the merchandise associated with the TADs.

11 g. After receiving the invoice, the bill of sale and  
12 assignment form, and the original, signed TADs, Actrade wire  
13 transferred to the seller the full amount of the invoice, minus  
14 minor incidental fees.

15 h. As the TADs came due, Actrade presented each TAD to  
16 its bank for collection. In a manner similar to how a check  
17 clears through the Federal Reserve System, each TAD was sent to  
18 the buyer's bank so that the funds were withdrawn from the  
19 buyer's bank account and forwarded to Actrade's bank.

20 **Scheme to Defraud Actrade**

21 94. In or about September 1998, NewCom was having  
22 difficulties paying its vendors, including MEC, due to cash flow  
23 problems. NewCom arranged to address the problem by joining  
24 Actrade's TAD program so that Actrade would pay NewCom's vendors  
25 directly for the shipment of goods to NewCom.

26 95. Beginning in or about September 1998, and continuing  
27 until in or about January 1999, defendants ASIF KHAN and SULTAN  
28 KHAN, aided and abetted by co-schemer Remington and others known

1 and unknown to the Grand Jury, devised, knowingly participated  
2 in, and knowingly executed a scheme to defraud Actrade in  
3 connection with NewCom's participation in Actrade's TAD program,  
4 and to obtain money and property from Actrade by means of  
5 materially false and fraudulent pretenses, representations, and  
6 promises, and the concealment of material facts in connection  
7 with Actrade's TAD program, as follows:

8           a. In or about September 1998, defendants ASIF KHAN  
9 and SULTAN KHAN asked Remington to have MEC become an approved  
10 seller with Actrade. Remington was told that he needed to sign a  
11 seller's agreement with Actrade and provide wire instructions so  
12 that Actrade could wire MEC money. Remington, on behalf of MEC,  
13 signed a seller's agreement with Actrade which memorialized the  
14 TAD financing arrangement that Actrade was offering to NewCom's  
15 vendor, MEC. By signing this agreement, Remington, on behalf of  
16 MEC, promised to abide by the terms of the seller's agreement.

17           b. In or about September 1998, defendant ASIF KHAN, on  
18 behalf of NewCom, signed a buyer's agreement with Actrade which  
19 memorialized the TAD financing arrangement that Actrade offered  
20 to NewCom. By signing this agreement, defendant ASIF KHAN on  
21 behalf of NewCom promised to abide by the terms of the buyer's  
22 agreement.

23           c. Thereafter, defendants SULTAN KHAN and ASIF KHAN  
24 caused invoices to be sent from MEC to Actrade in connection with  
25 contemporaneous sales that MEC purportedly made to NewCom. MEC  
26 sent these invoices by interstate wire communications and other  
27 means from MEC's offices in Georgia to Actrade's offices in New  
28

1 York. Some of these invoices contained materially false and  
2 fraudulent representations.

3 d. Remington signed and caused to be signed bill of  
4 sale and assignment forms, which he caused to be sent to Actrade  
5 so that MEC's rights to collect on the fraudulent invoices from  
6 NewCom were assigned to Actrade. Remington caused these bill of  
7 sale and assignment forms to be sent by interstate wire  
8 communications and other means from MEC's offices in Georgia to  
9 Actrade's offices in New York.

10 e. Defendant ASIF KHAN signed the original TADs made  
11 payable to MEC and caused them to be sent by commercial  
12 interstate carriers from the Central District of California to  
13 Actrade's offices in New York.

14 f. After Actrade received an invoice, a bill of sale  
15 and assignment form, and the original, signed TADs associated  
16 with a specific transaction between NewCom and MEC, Actrade wire  
17 transferred to MEC the full amount of the invoice, minus minor  
18 incidental fees.

19 96. As a result of this scheme, defendants SULTAN KHAN and  
20 ASIF KHAN, together with their co-schemers, caused Actrade to  
21 wire at least \$1.1 million to MEC based upon materially false and  
22 fraudulent invoices.

### 23 Execution of the Scheme

24 97. On or about the following dates, defendants SULTAN KHAN  
25 and ASIF KHAN, for the purpose of executing the above-described  
26 scheme to defraud and attempting to do so, caused the following  
27 items to be deposited for delivery from the Central District of  
28

California to Actrade's offices in New York City, New York, by means of commercial interstate carriers:

COUNT	DEFENDANT	DATE	ITEMS SENT BY COMMERCIAL INTERSTATE CARRIER
THIRTEEN	SULTAN KHAN ASIF KHAN	10/15/98	Six original TADs signed by defendant ASIF KHAN totaling approximately \$287,525
FOURTEEN	SULTAN KHAN ASIF KHAN	12/4/98	Six original TADs signed by defendant ASIF KHAN totaling approximately \$737,800
FIFTEEN	SULTAN KHAN ASIF KHAN	12/15/98	Six original TADs signed by defendant ASIF KHAN totaling approximately \$460,039

COUNTS SIXTEEN THROUGH THIRTY FIVE

[18 U.S.C. § 1956(a) (1) (B) (i); 18 U.S.C. § 2]

[Money Laundering: Concealment]

[Defendants SULTAN KHAN and ASIF KHAN]

98. The Grand Jury repeats, realleges, and incorporates by reference each and every allegation as contained in paragraphs 3, 5 through 20, and 74 through 76 of this Indictment as though fully set forth.

99. At all times relevant to this Indictment, Glendale Federal Bank ("GFB") was a financial institution engaged in and the activities of which affected interstate and foreign commerce.

100. At all times relevant to this Indictment, California Federal Bank was a financial institution engaged in and the activities of which affected interstate and foreign commerce.

101. On or about the following dates, in the Central District of California, defendants SULTAN KHAN and ASIF KHAN did knowingly and willfully conduct and cause others to conduct and attempt to conduct the following financial transactions that involved the use of financial institutions which engaged in and the activities of which affected interstate commerce, and affected interstate and foreign commerce involving the movement of funds by wire and involving monetary instruments, namely, checks, which involved the proceeds of specified unlawful activity, that is, a wire fraud scheme that defrauded NewCom of monies and honest services by defendants, in violation of Title 18, United States Code, Sections 1343 and 1346, as described in paragraphs 3, 5 through 20, and 74 through 76 of this Indictment:



COUNT	DEFENDANT	DATE	NATURE OF THE TRANSACTION
SIXTEEN	SULTAN KHAN	9/30/97	Withdrawal of \$9,995, by means of check number 2286, from a law firm's client trust account at GFB in Sherman Oaks, California
SEVENTEEN	SULTAN KHAN	10/3/97	Withdrawal of \$9,995, by means of check number 2284, from a law firm's client trust account at GFB in Sherman Oaks, California
EIGHTEEN	ASIF KHAN	10/14/97	Withdrawal of \$9,995, by means of check number 2278, from a law firm's client trust account at GFB in Sherman Oaks, California
NINETEEN	ASIF KHAN	10/14/97	Withdrawal of \$9,995, by means of check number 2279, from a law firm's client trust account at GFB in Sherman Oaks, California
TWENTY	SULTAN KHAN	10/14/97	Withdrawal of \$9,995, by means of check number 2282, from a law firm's client trust account at GFB in Sherman Oaks, California
TWENTY ONE	ASIF KHAN	12/1/97	Withdrawal of \$5,000, by means of check number 3015, from a law firm's client trust account at GFB in Sherman Oaks, California
TWENTY TWO	ASIF KHAN	12/1/97	Withdrawal of \$5,000, by means of check number 3016, from a law firm's client trust account at GFB in Sherman Oaks, California

COUNT	DEFENDANT	DATE	NATURE OF THE TRANSACTION
TWENTY THREE	ASIF KHAN	12/1/97	Withdrawal of \$2,000, by means of check number 3017, from a law firm's client trust account at GFB in Sherman Oaks, California
TWENTY FOUR	SULTAN KHAN	12/1/97	Withdrawal of \$5,000, by means of check number 3019, from a law firm's client trust account at GFB in Sherman Oaks, California
TWENTY FIVE	SULTAN KHAN	1/26/98	Withdrawal of \$5,000, by means of check number 3046, from a law firm's client trust account at GFB in Sherman Oaks, California
TWENTY SIX	ASIF KHAN	1/28/98	Withdrawal of \$5,000, by means of check number 3052, from a law firm's client trust account at GFB in Sherman Oaks, California
TWENTY SEVEN	SULTAN KHAN ASIF KHAN	2/20/98	Withdrawal of \$13,334, by means of check number 3056, from a law firm's client trust account at GFB in Sherman Oaks, California
TWENTY EIGHT	ASIF KHAN	3/11/98	Withdrawal of \$7,000, by means of check number 3063, from a law firm's client trust account at GFB in Sherman Oaks, California
TWENTY NINE	SULTAN KHAN	3/17/98	Withdrawal of \$85,000, by means of check number 3071, from a law firm's client trust account at GFB in Sherman Oaks, California

COUNT	DEFENDANT	DATE	NATURE OF THE TRANSACTION
THIRTY	ASIF KHAN	3/18/98	Withdrawal of \$85,000, by means of check number 3068, from a law firm's client trust account at GFB in Sherman Oaks, California
THIRTY ONE	SULTAN KHAN	3/18/98	Withdrawal of \$10,000, by means of check number 3072, from a law firm's client trust account at GFB in Sherman Oaks, California
THIRTY TWO	ASIF KHAN	3/18/98	Withdrawal of \$10,000, by means of check number 3069, from a law firm's client trust account at GFB in Sherman Oaks, California
THIRTY THREE	SULTAN KHAN ASIF KHAN	12/4/98	Withdrawal of \$13,334, by means of check number 3180, from a law firm's client trust account at California Federal Bank GFB in Sherman Oaks, California
THIRTY FOUR	SULTAN KHAN	12/31/98	Withdrawal of \$6,000, by means of check number 4023, from a law firm's client trust account at California Federal Bank in Sherman Oaks, California
THIRTY FIVE	ASIF KHAN	12/31/98	Withdrawal of \$6,000, by means of check number 4024, from a law firm's client trust account at California Federal Bank in Sherman Oaks, California

COUNT THIRTY SIX

[18 U.S.C. § 982; 21 U.S.C. § 853]

[Criminal Forfeiture]

[Defendants SULTAN KHAN and ASIF KHAN]

102. For the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 982, and Title 21, United States Code, Section 853, the Grand Jury hereby repeats and realleges each and every allegation of Counts Sixteen through Thirty Five of this Indictment.

103. As a result of the money laundering offenses alleged in Counts Sixteen, Seventeen, Twenty, Twenty Four, Twenty Five, Twenty Seven, Twenty Nine, Thirty One, Thirty Three and Thirty Four, in violation of Title 18, United States Code, Section 1956, defendant SULTAN KHAN shall forfeit to the United States all money and property, real and personal, involved in the aforesaid offenses and all money and property, real and personal, traceable to such money and property, including, but not limited to, \$167,653 in United States currency and all interest and proceeds traceable thereto, in that such sums are money and property that were involved in the money laundering offenses alleged above or are traceable to such money or property.

104. As a result of the money laundering offenses alleged in Counts Eighteen, Nineteen, Twenty One through Twenty Three, Twenty Six through Twenty Eight, Thirty, Thirty Two, Thirty Three, and Thirty Five, in violation of Title 18, United States Code, Section 1956, defendant ASIF KHAN shall forfeit to the United States all money and property, real and personal, involved in the aforesaid offenses and all money and property, real and

1 personal, traceable to such money and property, including, but  
2 not limited to, \$171,658 in United States currency and all  
3 interest and proceeds traceable thereto, in that such sums are  
4 money and property that were involved in the money laundering  
5 offenses alleged above or are traceable to such money or  
6 property.

7 105. If, as a result of any act or omission by defendants  
8 SULTAN KHAN and ASIF KHAN, any of the foregoing money and  
9 property (a) cannot be located by the exercise of due diligence,  
10 (b) has been transferred or sold to, or deposited with, a third  
11 person, (c) has been placed beyond the jurisdiction of the Court,  
12 (d) has been substantially diminished in value, or (e) has been  
13 commingled with other property that cannot be subdivided without  
14 difficulty, then any other property or interests of defendants  
15 SULTAN KHAN and ASIF KHAN, including but not limited to  
16 defendant SULTAN KHAN's interest in the real property listed  
17 below and defendant ASIF KHAN's interest in the real properties  
18 listed below, up to the value of the money and property described  
19 in the two preceding paragraphs of this Indictment, shall be  
20 subject to forfeiture to the United States pursuant to Title 18,  
21 United States Code, Section 982(b)(1), and Title 21, United  
22 States Code, Section 853(p):

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a. Defendant SULTAN KHAN's interest in the real property located at 3793 Camino Codorniz, Calabasas, California, and more particularly described as Tract 35393, in Lot 15, assessor's parcel number 2069-055-015, in Calabasas, California;

b. Defendant ASIF KHAN's interest in the real property located at 5635 Hazelcrest Circle, Westlake Village, California, and more particularly described as Tract 419501, in Lot 35, reference 110MR 41, assessor's parcel number 698-0-360-345, in Westlake Village, California; and

c. Defendant ASIF KHAN's interest in the real property located at 3030 Charlotte Street, Thousand Oaks, California, and more particularly described as Tract 2480.01, in Lot 95, map reference 071MR 083, assessor's parcel number 666-0-163-315 in Thousand Oaks, California.

A TRUE BILL

Foreperson

DEBRA W. YANG  
United States Attorney

GEORGE S. CARDONA  
Chief Assistant United States Attorney

GREGORY J. WEINGART  
Assistant United States Attorney  
Chief, Major Frauds Section