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FEDERAL GRAND JURY ISSUES CHARGES IN
FRAUDULENT SALE OF \$7 MILLION IN GUCCI STOCK OPTIONS

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that a federal grand jury indicted TIMOTHY KHAN today on charges involving the fraudulent sale of \$7 million in options to purchase the stock of designer retailer Gucci Group NV. KHAN was arrested in Los Angeles, California on April 17, 2007, after the filing of a federal Complaint, and was ordered to be detained following a bail hearing in Federal District Court there on April 24, 2007. KHAN, a Canadian citizen who resides in London, England, is expected to be transported to New York within the next 10 days to be arraigned on the Indictment. As alleged in the Indictment filed today in Manhattan federal court and the Complaint previously filed against KHAN:

In October of 1995, KHAN told an investment professional ("Victim #1") that KHAN was on the Advisory Board of Gucci Group NV ("Gucci"), an international company engaged in the manufacture and sale of designer retail items, including clothing, handbags, and jewelry. KHAN told Victim #1 that he had been put on the Advisory Board of the company that owned Gucci to help turn the struggling Gucci around, and to market its products worldwide. KHAN told Victim #1 that because of his position on the Advisory Board of Gucci, he had an opportunity to obtain options to purchase Gucci stock at a price discounted from that offered in the company's Initial Public Offering ("IPO"). KHAN told Victim #1 that he was working on this deal with the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Gucci, both of whom he identified by name, and that he was frequently traveling with the CFO of Gucci. KHAN also provided several documents to Victim #1 including agreements purportedly signed by the CFO of Gucci permitting KHAN, who the documents stated was on the International Advisory Board of Gucci, to purchase and sell millions of shares in Gucci at the price of \$7.50 and \$14.00 per share, below the Gucci IPO price of \$22.00 per share. Between 1995 and 2006, at KHAN's direction, Victim #1

wired approximately \$6.9 million to KHAN in connection with the purported purchase of Gucci options.

In October 1995, Gucci's stock went public in an IPO at \$22 per share. In March 1996, Gucci issued a secondary offering of its stock at \$48 per share, and in March 1999, Gucci issued additional shares at \$75 per share. In July 2004, Gucci became a wholly-owned subsidiary of another company that had purchased Gucci's outstanding shares for approximately \$85 per share.

Beginning in 1996, Victim #1 repeatedly told KHAN that he wanted KHAN to exercise the Gucci options, sell the stock, and deliver the proceeds to him. But from 1996 through April 2007, KHAN provided various excuses why that could not be accomplished. For example, KHAN claimed that the "European Union Taxation Authority" in Brussels was delaying the distribution of the proceeds from the investment because of certain tax obligations. Between 1996 and 2006, KHAN also provided various documents to Victim #1 purporting either to modify the investment or to explain the delay in receiving the proceeds of the investment. In fact, there is no "European Union Taxation Authority," and the CEO and CFO of Gucci, whom KHAN claimed to know, have confirmed: that they did not know KHAN; that they had not offered KHAN options to purchase Gucci stock; and that KHAN did not have the positions he claimed at Gucci. A Gucci representative has further confirmed that according to Gucci's records, KHAN has never been associated with Gucci.

The Indictment filed today charges KHAN with one count of securities fraud and five counts of wire fraud. The securities fraud charge carries a maximum sentence of 20 years' imprisonment and a maximum fine of \$5 million, or twice the gross gain or gross loss from the offense. Each of the wire fraud counts carries a maximum sentence of 20 years' imprisonment and a maximum fine of \$250,000 or twice the gross gain or gross loss from the offense.

Mr. GARCIA commended the FBI for their work in the investigation.

Assistant United States Attorney JONATHAN R. STREETER is in charge of the prosecution.

The charges contained in the Indictment are merely accusations and the defendant is presumed innocent unless and until proven guilty.

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