



UNITED STATES ATTORNEY'S OFFICE
Southern District of New York

U.S. ATTORNEY PREET BHARARA

FOR IMMEDIATE RELEASE
Wednesday, December 7, 2011
<http://www.justice.gov/usao/nys>

CONTACT: U.S. ATTORNEY'S OFFICE
Ellen Davis, Jerika Richardson,
Carly Sullivan
(212) 637-2600

**FORMER EXECUTIVE OF AHOLD SUBSIDIARY SENTENCED IN
MANHATTAN FEDERAL COURT TO 46 MONTHS IN PRISON FOR
MULTI-MILLION DOLLAR SECURITIES FRAUD SCHEME**

Scheme Triggered a \$6 Billion Loss to Ahold Shareholders in 2003

Preet Bharara, the United States Attorney for the Southern District of New York, announced that MARK P. KAISER, a former executive of U.S. Foodservice, Inc. ("USF"), then a subsidiary of the Dutch food conglomerate Royal Ahold, N.V. ("Ahold"), was sentenced today in Manhattan federal court to 46 months in prison for his participation in a scheme to inflate USF's reported results of operations during the years 2000 through 2003. Today's sentence was imposed by U.S. District Judge Thomas P. Griesa.

In July 2004, KAISER and three other senior USF executives were indicted for their roles in the accounting fraud. The other three executives – Michael J. Resnick, Timothy J. Lee, and William F. Carter – each pled guilty. On November 8, 2006, KAISER was convicted by a jury on all six counts with which he was charged, including one count of conspiracy, one count of securities fraud and four counts of making false filings with the U.S. Securities and Exchange Commission ("SEC"). KAISER appealed his conviction, and the Court of Appeals remanded the case to the District Court for a new trial. On August 15, 2011, KAISER changed his plea from not guilty to guilty. Specifically, KAISER pled guilty to one count of conspiracy to commit securities fraud, to file false statements with the SEC, and to keep false books and records for USF and Ahold.

According to the evidence presented at trial, previous court proceedings in this case, and documents filed in Manhattan federal court:

Between 2000 and early 2003, USF was one of the United States' leading distributors of food and related products, supplying customers including restaurants and cafeterias. USF typically purchased the products it resold from a variety of suppliers at full price. However, the suppliers often refunded a portion of the purchase price to USF in the form of negotiated rebates, known as "promotional allowances." Promotional allowances reduced USF's cost of sales and thereby increased the company's earnings.

During this time period, KAISER and others falsely inflated USF's earnings by causing USF to record hundreds of millions of dollars in fictitious promotional allowances that had not been earned. In furtherance of the scheme, KAISER and others induced numerous representatives of USF's suppliers to provide outside auditors with fraudulent audit confirmations falsely stating that the promotional allowances claimed by USF were, in fact, due and owing. As a result of the inflated earnings, KAISER and others were paid substantial year-end bonuses.

In February 2003, Ahold announced that it would issue restated consolidated financial statements based, in substantial part, on the overstatement of promotional allowances by more than approximately \$500 million. Following that announcement, the price of Ahold's securities – including American Depository Receipts that were traded on the New York Stock Exchange – plummeted by more than 60 percent, representing a decline in Ahold's market capitalization of approximately \$6 billion. Subsequently, in May 2003, Ahold announced that promotional allowances income at USF had been overstated by more than approximately \$800 million.

* * *

In addition to his prison term, Judge Griesa sentenced KAISER, 54, of Ellicott City, Maryland, to one year of supervised release and ordered him to forfeit \$352,329.

Mr. Bharara praised the investigative efforts of the Federal Bureau of Investigation. He also thanked the SEC for its assistance.

This case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys Harry A. Chernoff and Daniel P. Chung are in charge of the prosecution.

11-370

###