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**KALEIL TUZMAN, FORMER CHAIRMAN AND CEO OF
TECHNOLOGY START-UP COMPANY KIT DIGITAL, AND OMAR
AMANAT FOUND GUILTY IN MANHATTAN FEDERAL COURT OF
SECURITIES FRAUD RELATED OFFENSES**

Joon H. Kim, the Acting United States Attorney for the Southern District of New York, announced that KALEIL ISAZA TUZMAN, the former chairman of the board of directors and chief executive officer of the technology start-up company KIT digital ("KITD"), and OMAR AMANAT, an associate of Tuzman's, were found guilty this afternoon in Manhattan federal court of various securities fraud-related offenses, after a six-week trial presided over by U.S. District Judge Paul G. Gardephe.

Acting Manhattan U.S. Attorney Joon H. Kim said: "Today, after a six-week trial, a New York jury convicted Kaleil Tuzman and Omar Amanat of securities and accounting fraud. Kaleil Isaza Tuzman built the company named after himself, Kit Digital, on a foundation of lies, working with his co-defendant Omar Amanat to defraud investors out of millions of dollars through years of deceit. The evidence of their criminal schemes was so overwhelming that Amanat actually tried to fool the jury by introducing fake emails into the record as exculpatory 'evidence' in this trial. Unfortunately for Tuzman and Amanat, the jury saw through their tangled web of lies, convicting them on all counts. Today, Tuzman and Amanat's lies finally caught up to them, and they now must face what they have been desperately seeking to evade for years – justice."

According to the Indictment and other filings in Manhattan federal court and the evidence presented at trial:

The Scheme to Defraud Maiden Capital Investors

Stephen Maiden was the managing member of Maiden Capital, an unregistered investment advisory firm that managed portfolios of securities. Between in or about February 2009 and in or about June 2012, AMANAT, along with Maiden and others, devised and carried out a scheme to hide the fact that investments by Maiden Capital clients in Enable, an investment

vehicle for which AMANAT raised money (based, in part, on false and misleading representations), had been lost. To facilitate the scheme, Maiden, with the knowledge and approval of AMANAT, generated fictitious client account statements that failed to disclose the Enable losses. In addition, AMANAT wired hundreds of thousands of dollars to a Maiden Capital bank account to support Maiden Capital, including to allow Maiden to repay investors whose redemption requests could not be forestalled and thus to continue to keep secret from Maiden Capital investors the Enable losses for over three years.

Evidence at trial also revealed that AMANAT produced to the Government and entered into evidence at trial email communications that had been fabricated. After two evidentiary hearings into the issue, the Court allowed the Government to present to the jury evidence of AMANAT's use of false and fabricated email evidence during the trial.

After the verdict, Judge Gardephe revoked AMANAT's bail and ordered him remanded into custody, citing numerous factors, including that "substantial evidence was introduced at trial that Mr. Amanat fabricated emails" showing "disdain for the court" and its procedures.

The Market Manipulation Scheme

Between in or about December 2008 and in or about September 2011, TUZMAN, Maiden, and AMANAT engaged in efforts to artificially inflate the share price and trading volume of KITD shares. During this time period, during which KITD shares traded on the OTC Bulletin Board and on the NASDAQ, Maiden, at TUZMAN's and AMANAT's behest, purchased and sold shares of KITD through Maiden Capital, at times for the purpose of manipulating the stock price and at times for the purpose of creating the illusion of greater volume in the trading for KITD shares.

For instance, Maiden, with TUZMAN's knowledge and approval, frequently engaged in match trading in which Maiden caused an account under Maiden's control to buy or sell KITD stock, and on the same day caused an account under Maiden's control to take the opposite position. TUZMAN also directed Maiden to make timely purchases of KITD stock in an effort to manipulate the price of KITD shares at certain critical moments, including, for example, when KITD was seeking to raise additional capital and in the weeks before KITD's stock began trading on the NASDAQ. At times, Maiden was responsible for nearly all of the day's trading activity in KITD stock.

Over the course of the scheme, TUZMAN caused KITD to invest approximately \$1,150,000 in company cash in Maiden Capital but failed to disclose to KITD shareholders that these investments with Maiden Capital were not part of an arms-length relationship. Instead, TUZMAN portrayed these investments as efforts to safely invest assets of KITD. In reality, TUZMAN caused KITD to make these investments in order to help fund Maiden's purchases of KITD shares, as part of the effort to manipulate the market described above. And, on one occasion, TUZMAN caused KITD to invest \$250,000 in Maiden Capital so that Maiden could reimburse TUZMAN for a prior, personal investment that TUZMAN made with Maiden Capital, thereby using KITD as his personal bank.

The Accounting Fraud Scheme

From at least in or about 2010 through in or about 2012, TUZMAN, along with Robin Smyth, KITD's former CFO, Gaven Campion, KITD's former president,¹ and others, engaged in an illegal scheme to deceive KITD shareholders, members of the investing public, KITD's independent auditors, and others concerning KITD's true operating performance and financial results.

TUZMAN, working with others, including Smyth and Campion, devised and executed a scheme to inflate KITD's revenue falsely. This scheme involved two principal methods: (a) the improper recognition of revenue from so-called "perpetual license" contracts for KITD software (contracts that gave the purchasing customer the right to use the licensed software indefinitely), and (b) the execution of fraudulent "round-trip" transactions that had the effect of using KITD's own cash, rather than payments received from customers, to pay off bills, known as accounts receivable, that were due and owed to KITD, including those resulting from KITD's improper revenue recognition practices, rather than disclose to KITD's auditors and the investing public the fact that the bills were uncollectible or, in some cases, had resulted from fabricated contracts. These fraudulent practices caused KITD to materially overstate its reported revenue, which had the effect of materially overstating KITD's net income and earnings on its annual and quarterly financial reports issued from the fiscal quarter ending June 30, 2010, through the fiscal quarter ending March 31, 2012.

* * *

TUZMAN, 45, was found guilty of one count of conspiracy to commit securities fraud and one count of conspiracy to commit wire fraud with respect to the market manipulation scheme. For the accounting fraud scheme, TUZMAN was found guilty of one count of conspiracy to commit securities fraud, make false statements in annual and quarterly SEC reports, and make false statements to auditors. The Counts of which TUZMAN was convicted carry a combined maximum term of imprisonment of 30 years, which includes five years each on the conspiracies to commit securities fraud and 20 years on the conspiracy to commit wire fraud.

AMANAT, 44, was found guilty of one count of conspiracy to commit wire fraud, one count of wire fraud, one count of aiding and abetting investment advisor fraud, and one count of conspiracy to commit securities fraud, all in relation to the market manipulation scheme. The Counts of which AMANAT was convicted carry a combined maximum term of imprisonment of 50 years, which includes five years each on the conspiracies to commit securities fraud and aiding and abetting investment advisor fraud and 20 years each on the conspiracy to commit wire fraud and wire fraud counts.

¹ Maiden, Smyth, and Campion have pled guilty to various offenses for their roles in the schemes and cooperated with the Government.

The maximum penalties are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendants will be determined by the Court.

AMANAT is scheduled to be sentenced by Judge Gardephe on April 25, 2018, at 12:30 p.m. TUZMAN is scheduled to be sentenced by Judge Gardephe on April 26, 2018, at 12:30 p.m.

Mr. Kim praised the investigative work of the Federal Bureau of Investigation and the U.S. Postal Inspection Service. 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 Damian Williams, Andrea M. Griswold, and Joshua A. Naftalis are in charge of the prosecution.

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