United States Attorney
Southern District of New York

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FACT SHEET: U.S. ATTORNEY'S OFFICE FOR THE SOUTHERN DISTRICT OF NEW YORK MARKS FIVE YEARS AS MEMBER OF THE PRESIDENT'S CORPORATE FRAUD TASK FORCE

President Bush created the President's Corporate Fraud Task Force on July 9, 2002 to restore public and investor confidence in America's corporations following a wave of major corporate scandals. Since its inception, the Task Force has compiled a strong record of combating corporate fraud and punishing those who violate the trust of employees and investors. As a member of the Task Force, the U.S. Attorneys Office for the Southern District of New York shared today in commemorating the Task Force's fifth anniversary.

Chaired by Deputy Attorney General Paul J. McNulty, the Task Force includes seven U.S. Attorneys' Offices, senior Department of Justice officials, the heads of the Departments of Treasury and Labor, and the heads of the Securities and Exchange Commission, Commodity Futures Trading Commission, Federal Energy Regulatory Commission, Federal Communications Commission, United States Postal Inspection Service, and the Department of Housing and Urban Development's Office of Federal Housing Enterprise Oversight. Since its beginnings, the Task Force's federal prosecutors, working closely with the FBI, the Postal Inspection Service, and IRS-Criminal Investigation have achieved 1,236 total corporate fraud convictions nationwide, including:

- 214 chief executive officers and presidents;
- 53 chief financial officers;
- 23 corporate counsels or attorneys; and
- 129 vice presidents.

Additionally, the Justice Department's Asset Forfeiture and Money Laundering Section has obtained hundreds of millions of dollars in fraud-related forfeitures, much of which has been returned to the victims of corporate fraud.

<u>Prosecuting Corporate Criminals</u>

Prosecutors and agency attorneys nationwide who are part of the Task Force have brought charges for accounting fraud, securities fraud, insider trading, market manipulation, wire fraud, obstruction of justice, false statements, money laundering, Foreign Corrupt Practices Act violations, stock option backdating and conspiracy, among others.

The following cases highlight just a sample of the exhaustive prosecutorial efforts by the U.S. Attorney's Office for the Southern District of New York in helping preserve the integrity of our corporations and our financial markets:

- Adelphia: Following a four-month trial, the former CEO and CFO of Adelphia Communications Corp. were convicted of fraud charges arising from their participation in a complex financial-statement fraud and embezzlement scheme that defrauded Adelphia's shareholders and creditors of billions of dollars. The former CEO and CFO were sentenced to 15 and 20 years in prison, respectively. Forfeitures netted over $715 million for distribution to victims.

- WorldCom: The former WorldCom CEO was convicted on charges of conspiracy, securities fraud, and making false statements in SEC filings, and was sentenced to 25 years' incarceration.

- Refco: The former CEO of Refco, a commodities brokerage firm, its former CFO, and a former 50% Refco owner were indicted for their roles in a scheme to hide massive losses sustained by the company in the late 1990s. Public investor losses exceed $2 billion. Trial is scheduled for October 2007.

- Impath: The former president and COO of Impath, Inc., a biotechnology company, was convicted for his role in an accounting fraud that caused a decline in the company's market capitalization in excess of $260 million. He was sentenced to 42 months in prison and repayment of $50 million in restitution and $1.2 million in forfeiture.

- Royal Ahold: Several executives at U.S. Foodservice, a subsidiary of Dutch company Royal Ahold, fraudulently inflated the subsidiary’s income by booking fictitious rebates from vendors that supplied the subsidiary. Three executives pleaded guilty, as did seventeen representatives of vendors. The remaining defendant was convicted after trial and sentenced to 84 months in prison.

- Monster: The former general counsel of recruitment services giant MonsterWorldwide, Inc., pleaded guilty in connection with a scheme to fraudulently backdate millions of dollars' worth of employee stock option grants by creating the appearance that the options had been granted on dates when Monster's stock price had been at a periodic low point.

- Imclone: The former CEO of Martha Stewart Living Omnimedia was convicted of conspiracy, obstruction of justice and false statement charges and sentenced to five months in prison and five months of home confinement. The charges arose from the former CEO's efforts to obstruct federal investigations into her trading in the securities of ImClone Systems, Inc. The former ImClone CEO pleaded guilty to insider trading and was sentenced to seven years in prison.

- Bayou: Three principals of Bayou Hedge Funds pleaded guilty to fraud and conspiracy charges based on their misrepresentations of the value of the assets of the funds, to which investors had entrusted over $450 million. Forfeitures netted $106 million for distribution to victims.

- Reebok/Business Week: An associate at Goldman Sachs, an investment banking analyst at Merrill Lynch, and several other defendants were charged with participating in a massive insider trading scheme that resulted in over $6.7 million in illicit gains. Four defendants have pleaded guilty. Trial for the remaining defendants is scheduled for October 2007.

- UBS/Morgan Stanley: An executive director at UBS, a former in-house attorney at Morgan Stanley, and eleven other defendants were charged with participating in two massive insider trading schemes and in two separate bribery schemes that, in total, netted the defendants more than $8 million in illegal profits. Four of the thirteen defendants have pleaded guilty.

- Collins & Aikman: David A. Stockman, the former CEO and President of auto-parts maker Collins & Aikman Corporation ("C&A"), and seven other former members of C&A’s management, including its former CFO and Controller, were charged for their roles in a scheme to conceal C&A’s true financial results. C&A’s subsequent bankruptcy resulted in hundreds of millions of dollars in losses. Four defendants have pleaded guilty.

The charges against defendants in pending cases are merely allegations, and they are presumed innocent unless and until they are proven guilty.

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