



*United States Attorney
Southern District of New York*

**FOR IMMEDIATE RELEASE
MARCH 18, 2008**

**CONTACT: U.S. ATTORNEY'S OFFICE
YUSILL SCRIBNER,
REBEKAH CARMICHAEL
PUBLIC INFORMATION OFFICE
(212) 637-2600**

**TIMOTHY KHAN PLEADS GUILTY TO \$7 MILLION FRAUD
RELATING TO PURPORTED GUCCI STOCK OPTIONS**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced that TIMOTHY KHAN pleaded guilty today in Manhattan federal court to charges that he defrauded a victim of \$7 million in connection with the fraudulent sale of \$7 million in purported 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 subsequently charged in an Indictment on April 26, 2007. KHAN, a Canadian citizen who resided in London, England, has been ordered detained since the date of his arrest. According to documents filed in this case and statements made during KHAN's guilty plea proceeding:

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 around the struggling Gucci, 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"). He 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 \$7.3 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 hold 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.

KHAN pleaded guilty today to Count One of the Indictment, which charged securities fraud, and Count Three, which charged wire fraud. The securities fraud charge carries a maximum sentence of 20 years in prison and a maximum fine of \$5 million or twice the gross gain or gross loss from the offense. The wire fraud charge carries a maximum sentence of 20 years in prison and a maximum fine of \$250,000 or twice the gross gain or gross loss from the offense. The Honorable MIRIAM GOLDMAN CEDARBAUM, who accepted the guilty plea, scheduled sentencing for June 23, 2008.

Mr. GARCIA commended the Federal Bureau of Investigation for its work in the case.

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

08-067

###