



# Department of Justice

United States Attorney Michael J. Garcia

Southern District of New York

FOR IMMEDIATE RELEASE

WEDNESDAY, APRIL 18, 2007

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## MAN ARRESTED FOR FRAUDULENT SALE OF GUCCI STOCK OPTIONS

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced the arrest of TIMOTHY KHAN on charges involving the fraudulent sale of \$7 million in options on the stock of designer retailer Gucci Group NV. KHAN, a Canadian citizen who resides in London, England, was arrested in Los Angeles, California yesterday and was detained pending a bail hearing to be held in Federal District Court there on April 24, 2007. As alleged in the Criminal Complaint filed in Manhattan federal court:

In approximately October 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 Gucci to help turn the struggling company around, and to market its products in the Middle East. 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 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 claiming 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 Tax Authority," and the CEO and CFO of Gucci, whom KHAN claimed to know, have confirmed that they did not know KHAN; 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.

In addition, another individual ("Victim #2") stated that in 2000 KHAN offered to sell Victim #2 stock options in a technology company called Advanced Digital Communications ("ADC"). KHAN represented to Victim #2 that Victim #1 and Victim #1's investment firm owned and controlled ADC and were the "placement agent" for certain investments in ADC. Between 2000 and 2006, Victim #2 provided approximately \$750,000 to KHAN for investment in ADC. However, Victim #1 has confirmed that his investment firm does not own or control ADC and that he and his firm are not involved in an investment in ADC.

In the Complaint, KHAN is charged with one count of wire fraud, which carries of maximum sentence of 20 years' imprisonment and a maximum fine of \$250,000 or twice the gross gain or gross loss from the offense.

KHAN, who resides in London, England, is a citizen of Canada.

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 Complaint are merely accusations and the defendant is presumed innocent unless and until proven guilty.

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