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Stock Broker Indicted For \$1.2 Million Securities Fraud

Attorney General Spitzer has taken action against a stockbroker who allegedly defrauded five of his clients out of more than \$1.2 million in a complex securities fraud scheme.

A Manhattan Grand Jury has charged Mohammed Ali Khan -- also known as Ali Khan of Jersey City, N.J. -- with five counts of Grand Larceny in the Second Degree for stealing funds from five clients, including Thomas Gambino. If convicted, Khan faces up to 15 years in prison on each count. He is currently a fugitive from justice.

"Mr. Kahn manipulated the system and abused his clients' trust," Spitzer said. "He thought his scheme would enable him to walk away with over \$1 million of his clients' money, but fortunately we were able to prevent that from happening."

Upon an application from the Attorney General, Supreme Court Justice Leslie Crocker Snyder today unsealed the five-count indictment in order to assist in Khan's apprehension. An arrest warrant was issued by the Court on April 23, 1999, but Khan remains a fugitive. It is believed that Khan is being assisted by others in his flight from justice and authorities are currently investigating several leads.

Until February of this year, Khan was the owner and operator of Klein Maus & Shire, a brokerage firm located at 110 Wall Street. He is charged with using an elaborate scheme to artificially inflate the price of a number of securities by buying up shares, and then selling them to his clients without their authorization.

After making the trades, Khan wired the ill-gotten gains to an account in Dubai in the United Arab Emirates. In the meantime the securities, now in the accounts of the five clients, had fallen in value.


After learning about the scheme, the Attorney General was able to prevent the five clients from suffering any losses in this case. First, with the assistance of the clearing house S.G. Cowen & Company, the Attorney General was able to reverse the wire to Dubai. Then, because the trades were not authorized, they were reversed and the funds returned to the clients' accounts.

The case has been handled by Assistant Attorney General Stuart Meissner of Spitzer's Criminal Prosecutions Bureau, and Assistant Attorneys General John Panagopoulos and John DiChiara of the Investor Protection Bureau.

The Attorney General thanked the Office of the United States Attorney for the Southern District of New York, the Federal Bureau of Investigation, the Securities and Exchange Commission and the Jersey City Police Department for their assistance and cooperation in this investigation.

These charges are merely an accusation, and Kahn is presumed innocent until or unless proven guilty. Anyone with knowledge of his whereabouts should contact the Attorney General's Investigations Bureau at (212) 416-8790.

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