



The City of New York
Department of Investigation

ROSE GILL HEARN
COMMISSIONER

80 MAIDEN LANE
NEW YORK, NY 10038
212-825-5900

Release 80-2005
nyc.gov/doi

FOR IMMEDIATE RELEASE
FRIDAY, NOVEMBER 18, 2005

CONTACT: EMILY GEST
(212) 825-5931

**STATEMENT FROM DOI COMMISSIONER ROSE GILL HEARN REGARDING GUILTY
PLEAS BY TOP CORPORATE OFFICERS OF ALLOU HEALTHCARE FOR CORPORATE
FRAUD, INSURANCE FRAUD AND BRIBERY CHARGES**

I am pleased to learn that these defendants – HERMAN JACOBOWITZ, JACOB JACOBOWITZ, and AARON JACOBOWITZ – have pled guilty to a variety of charges associated with a decade-long bank fraud and securities fraud scheme involving hundreds of millions of dollars in phony sales and grossly inflated inventory, and a mail fraud and insurance fraud scheme arising from a fire at Allou's Brooklyn warehouse involving a false insurance claim and the bribery of an undercover Fire Marshal to change the cause of the fire from 'arson' to 'accidental.' The related schemes resulted in losses to creditors, investors, and other victims in the amount of \$160 million and ultimately drove Allou into bankruptcy.

The avarice of these defendants canceled out any concern for the fact that by torching their Brooklyn warehouse they created a horribly dangerous situation in which at least two of the 245 responding firefighters were injured, any number of which could have been killed, as they spent nearly 15 hours trying to extinguish the raging inferno. The defendants' conduct became even more reckless when they sought to bribe a Fire Marshal by promising him \$100,000 in cash in exchange for a new fire report that declared the fire was accidental in origin rather than arson. Congratulations to all of the investigators who contributed to this case, especially to those from DOI who orchestrated dozens of undercover operations and tape-recorded conversations to help develop the weighty evidence that helped result in today's pleas.

DOI is one of the oldest law-enforcement agencies in the country. The agency investigates and refers for prosecution City employees and contractors engaged in corrupt or fraudulent activities or unethical conduct. Investigations may involve any agency, officer, elected official or employee of the City, as well as those who do business with or receive benefits from the City.

***Get the worms out of the Big Apple.
To report someone ripping off the city, call DOI directly at (212) 825-5959.***